

# Investor presentation

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Second quarter 2020  
January - June 2020



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# SEB – a leading Nordic financial services group



- Unique customer base and market position in economically robust home markets with international reach
- Stable, long-term ownership structure
- Diversified business model has delivered strong, profitable growth over time
- Financial strength with high asset quality, one of Europe's best capitalisation levels, and a robust funding and liquidity structure
- Solid credit rating

No. 1  
Large corporate and financial  
institutions Sweden ranking

No. 1  
Bank in life &  
pension

8.6% (13.8)  
Return on equity

17.8% (17.6)  
CET1 ratio

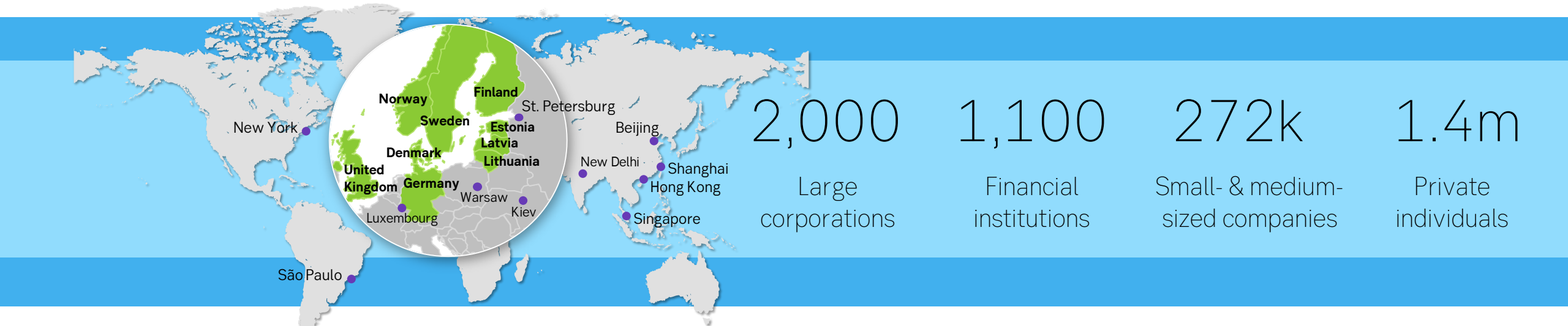
Business bank of  
the year 2019  
Finansbarometern

No. 2  
Baltic bank

0.47 (0.46)  
Cost / Income

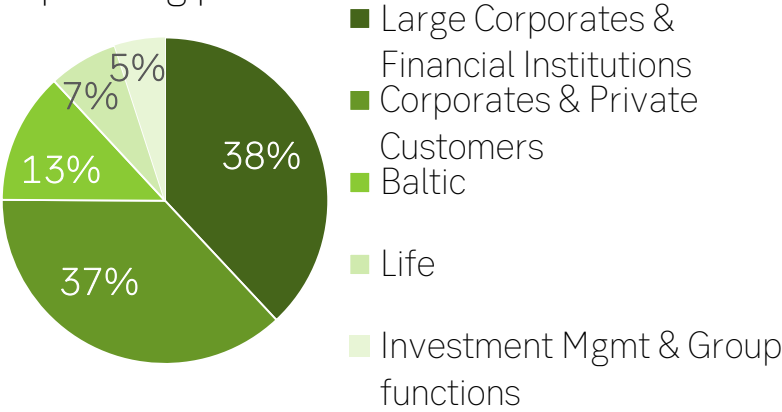
35bps (10)  
Net ECL level

# A unique customer base and diversified business model



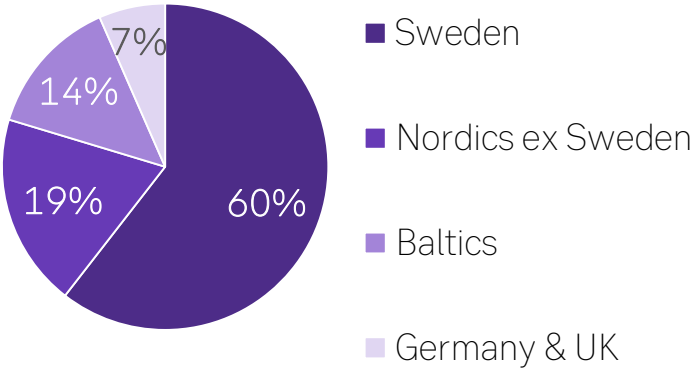
## Divisional breakdown

Operating profit FY 2019<sup>1</sup>



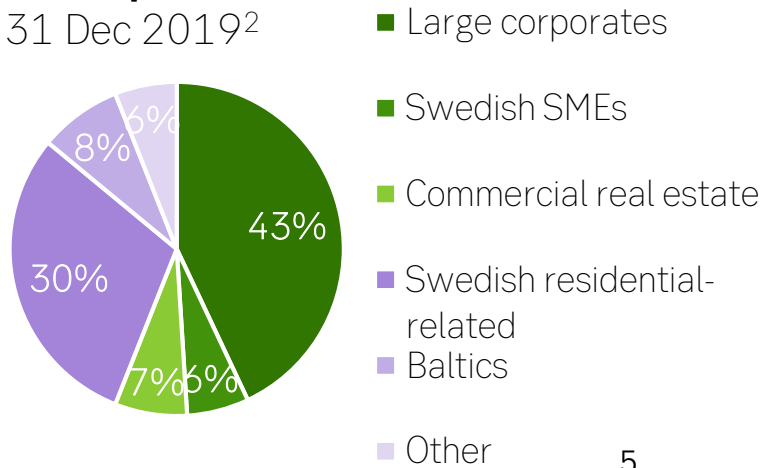
## Geographical breakdown

Operating profit FY 2019<sup>1</sup>



## Credit portfolio breakdown

31 Dec 2019<sup>2</sup>



<sup>1</sup> Business divisions excluding Other and eliminations, Geography excluding International network and eliminations

<sup>2</sup> Swedish residential related includes household mortgages, residential real estate and housing co-ops

# Customer satisfaction

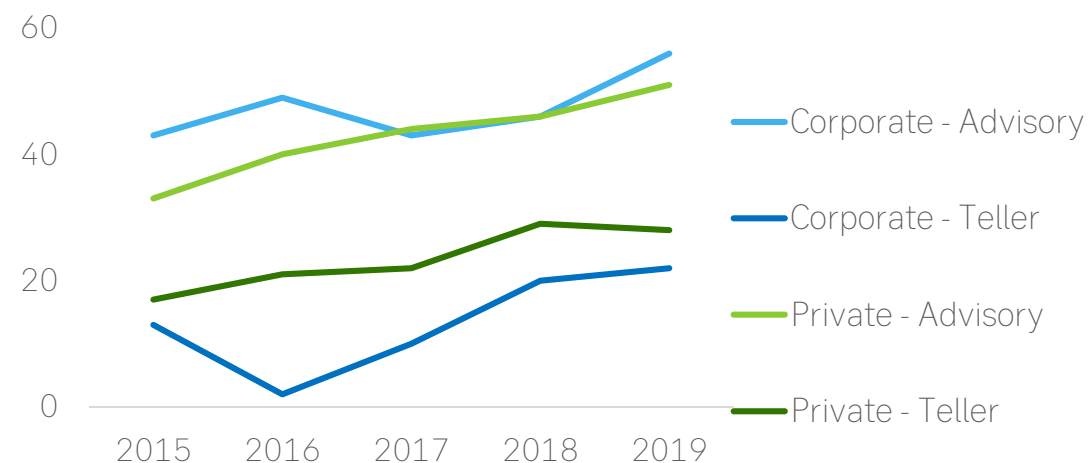
## Large Corporates & Financial Institutions

Customer satisfaction (Prospera, ranking)

		2015	2016	2017	2018	2019
Large Corporates	Sweden	1	1	1	1	<b>1</b>
	Nordics	2	2	3	2	<b>2</b>
Financial Institutions	Sweden	2	1	1	1	<b>1</b>
	Nordics	4	1	2	1	<b>1</b>

## Corporate & Private Customers

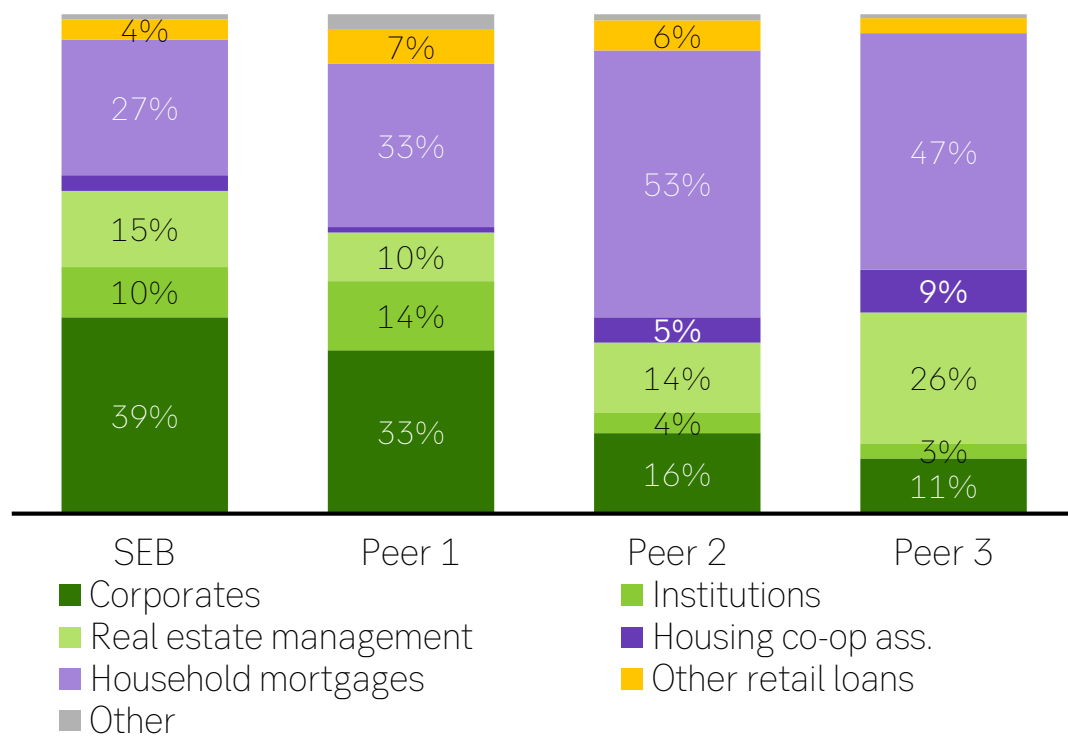
Customer satisfaction (Net Promoter Score)



# SEB is more corporate focused and has a more diversified income stream compared to peers

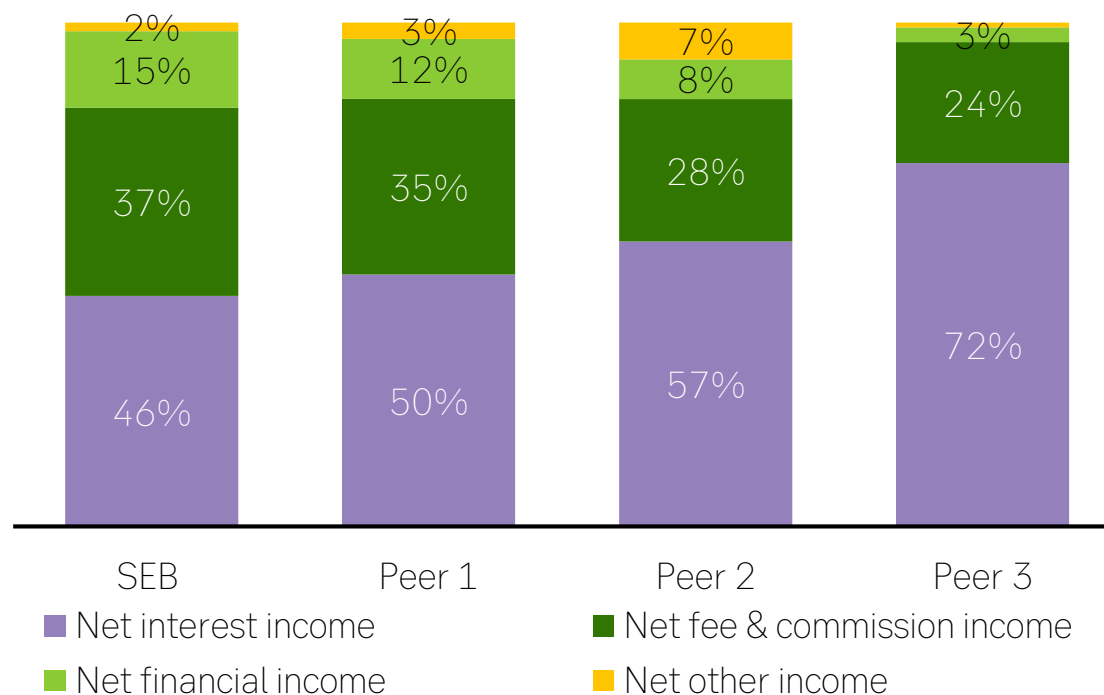
## Highest corporate & institutional exposure and low real estate & mortgage exposure

Sector credit exposure composition, EAD<sup>1</sup>, 31 Dec 2019



## Diversified income stream

Operating income by revenue stream, FY 2019

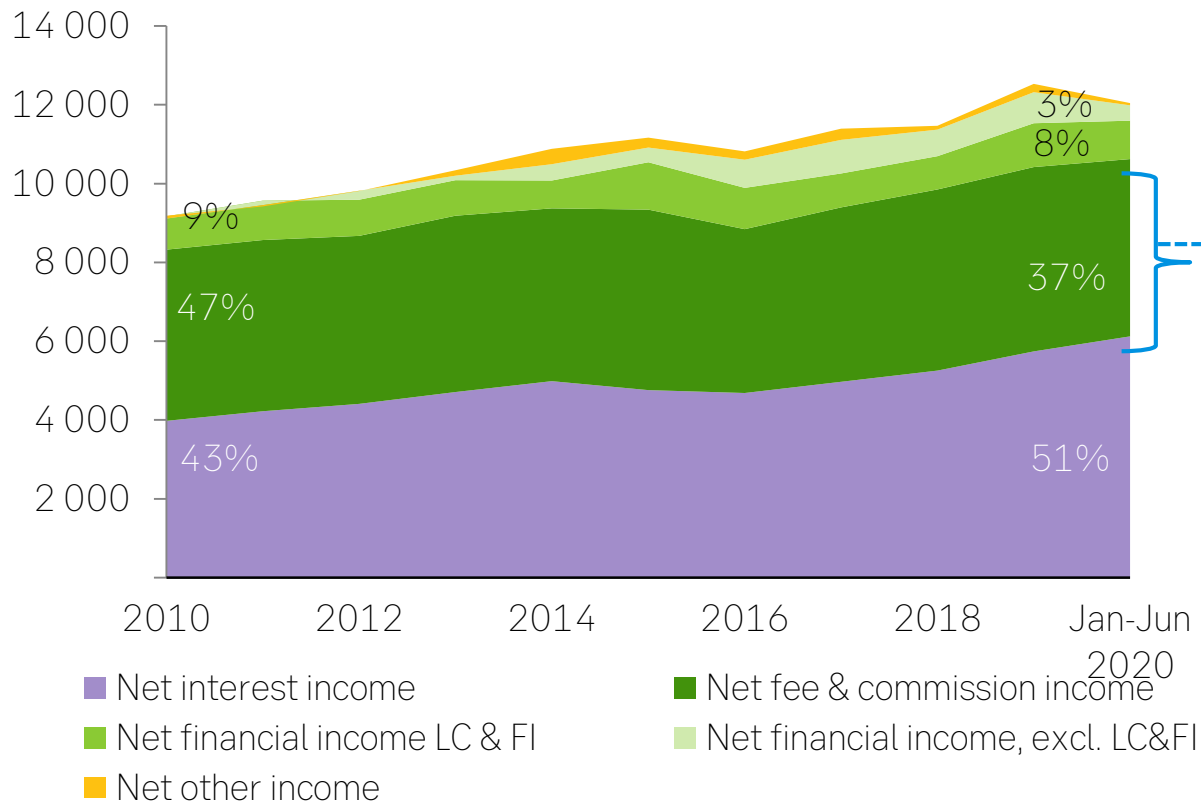


<sup>1</sup> EAD = Risk Exposure Amount/Risk Weight. Source: SEB + Swedish peers Q4 2019 reports

# Business model generates stable and diversified income

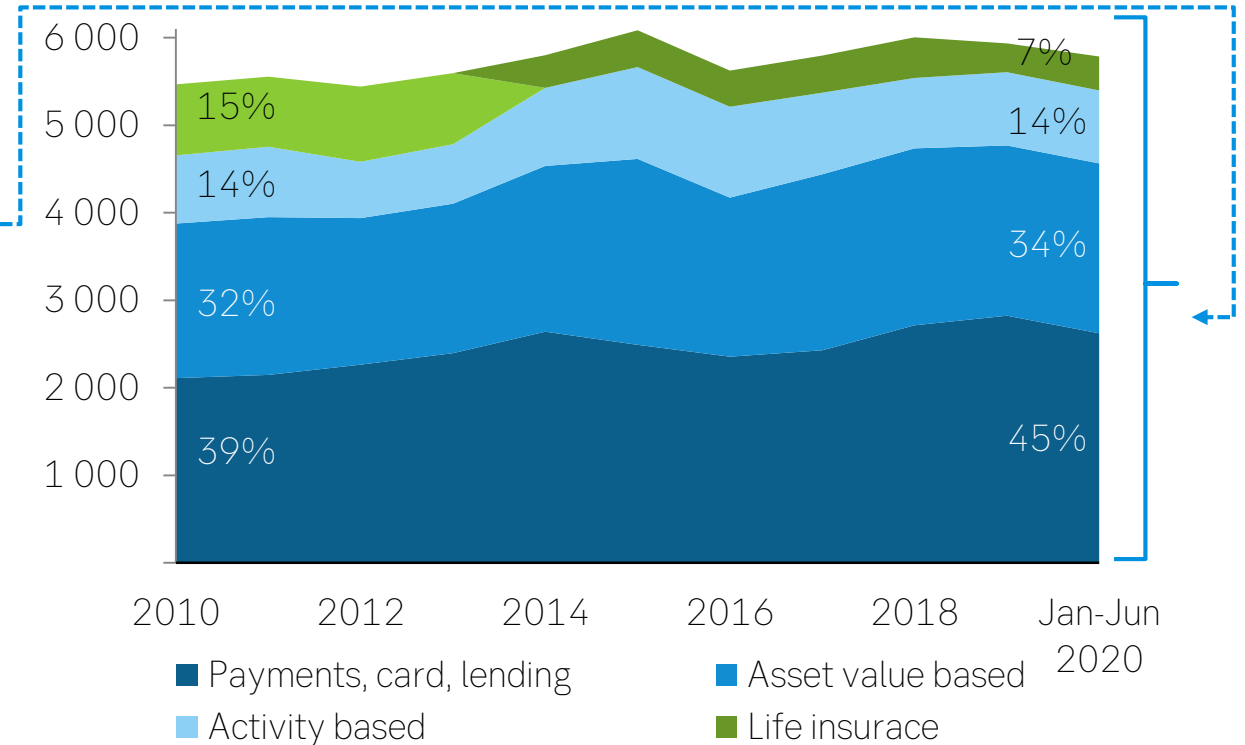
## Balanced mix of NII (net interest income) and non-NII

2010-2019 Average quarterly income, SEK m



## Stable fees & commissions generated through strong market franchise and recurring income

2010-Q2 2020 Average quarterly fees & commissions income, SEK m

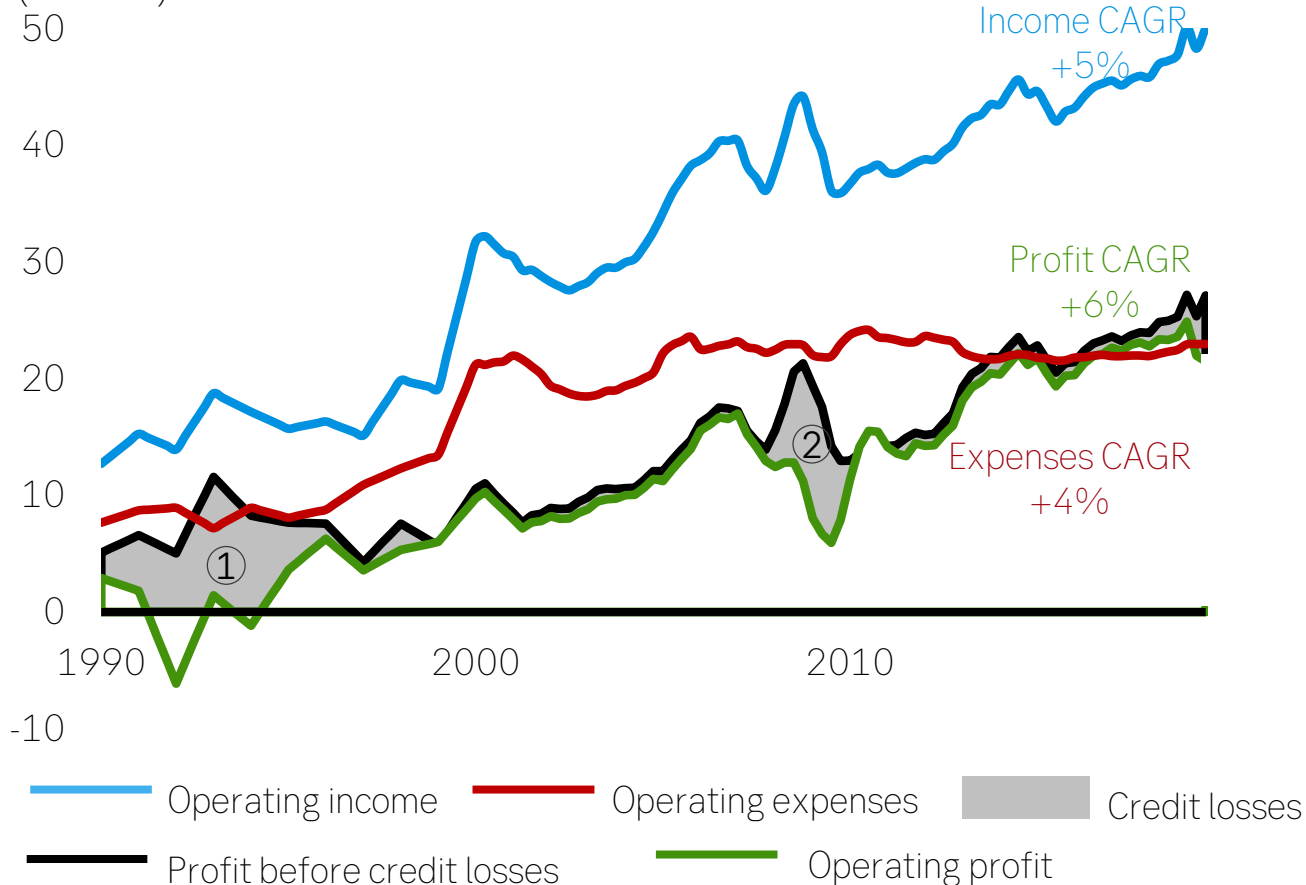


Note: LC&FI is the division Large Corporates and Financial Institutions. Traditional Life income booked under net financial income from Jan 2014

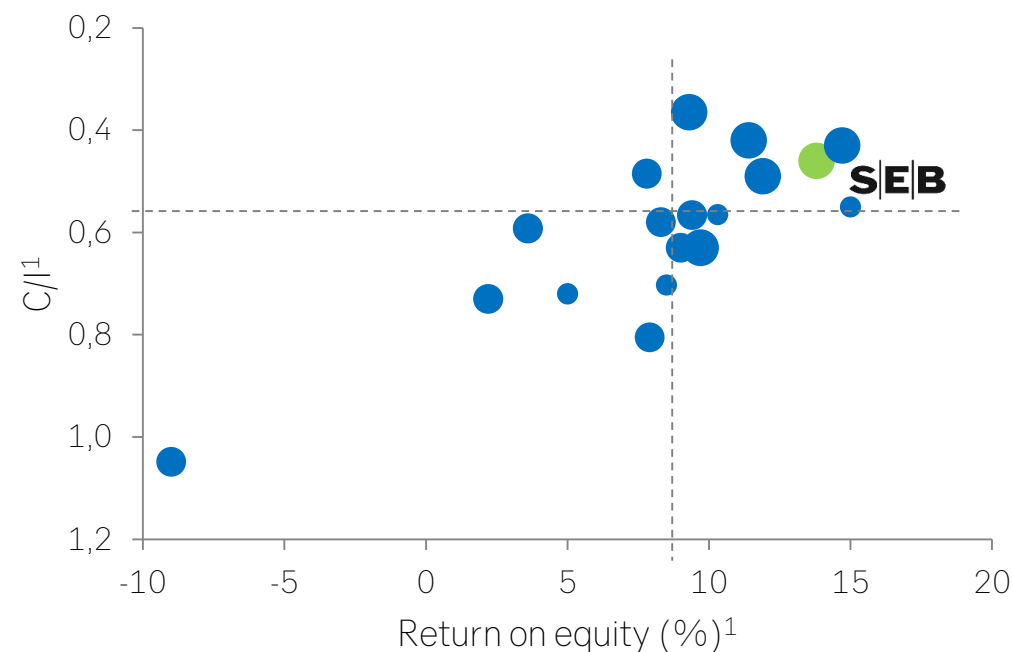
# Sustainable value creation over time

## Long-term profit development 1990-Q2 2020, rolling 12m

(SEK bn)



## Peer comparison – selected European and Nordic banks, 2019



Size of Bubble = CET 1 Ratio (<13%, 13-17%, >17%)  
 ---- Median

1. Consequences of Swedish economic paradigm shift and the ensuing financial crisis. SEB was one of two of major banks that was not taken over or directly guaranteed by the State

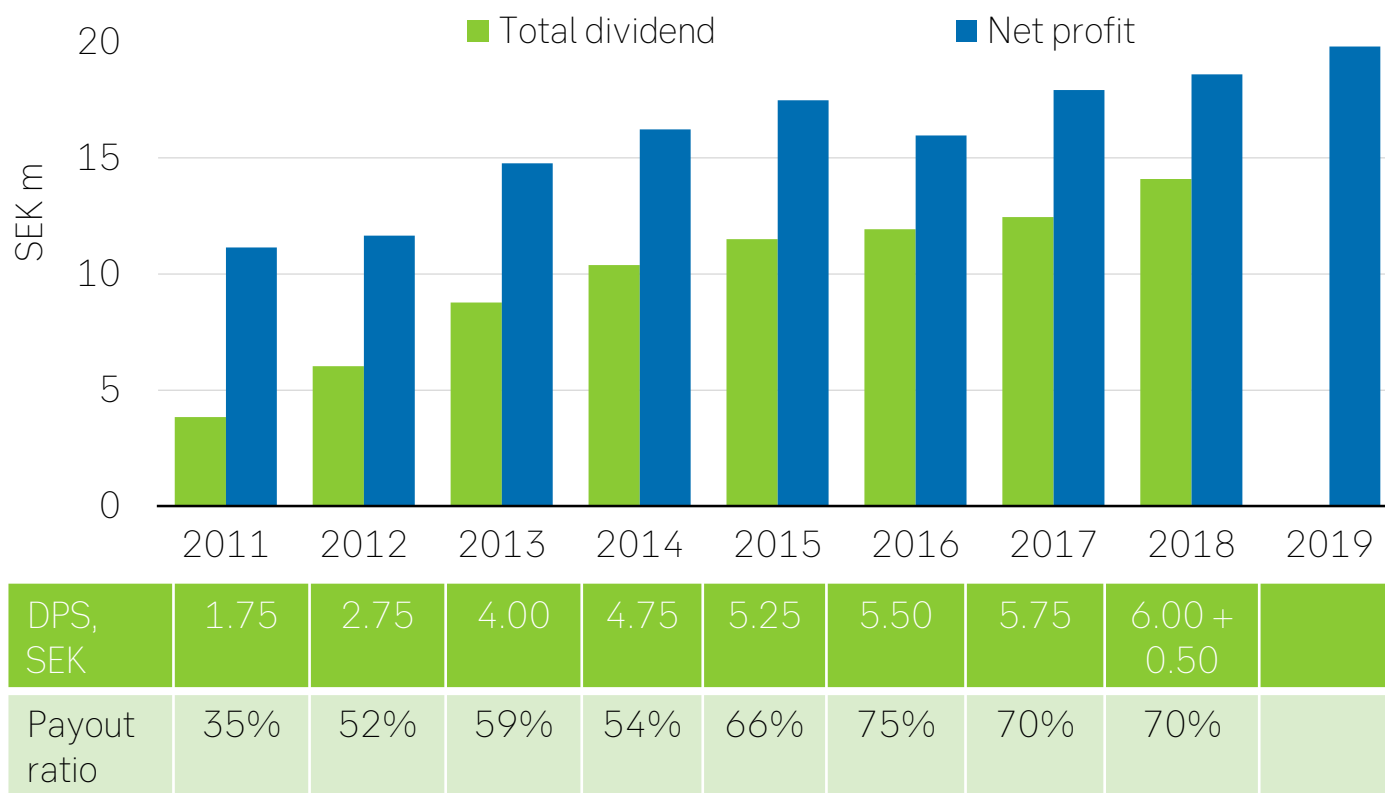
2. Credit losses driven by the Baltics during the Financial Crisis – important to note the strong revenue generation and overall profitability during this period notwithstanding the Financial Crisis

Adjusted for items affecting comparability in 2014-2020

# Generating sustainable shareholder value

## Dividends paid

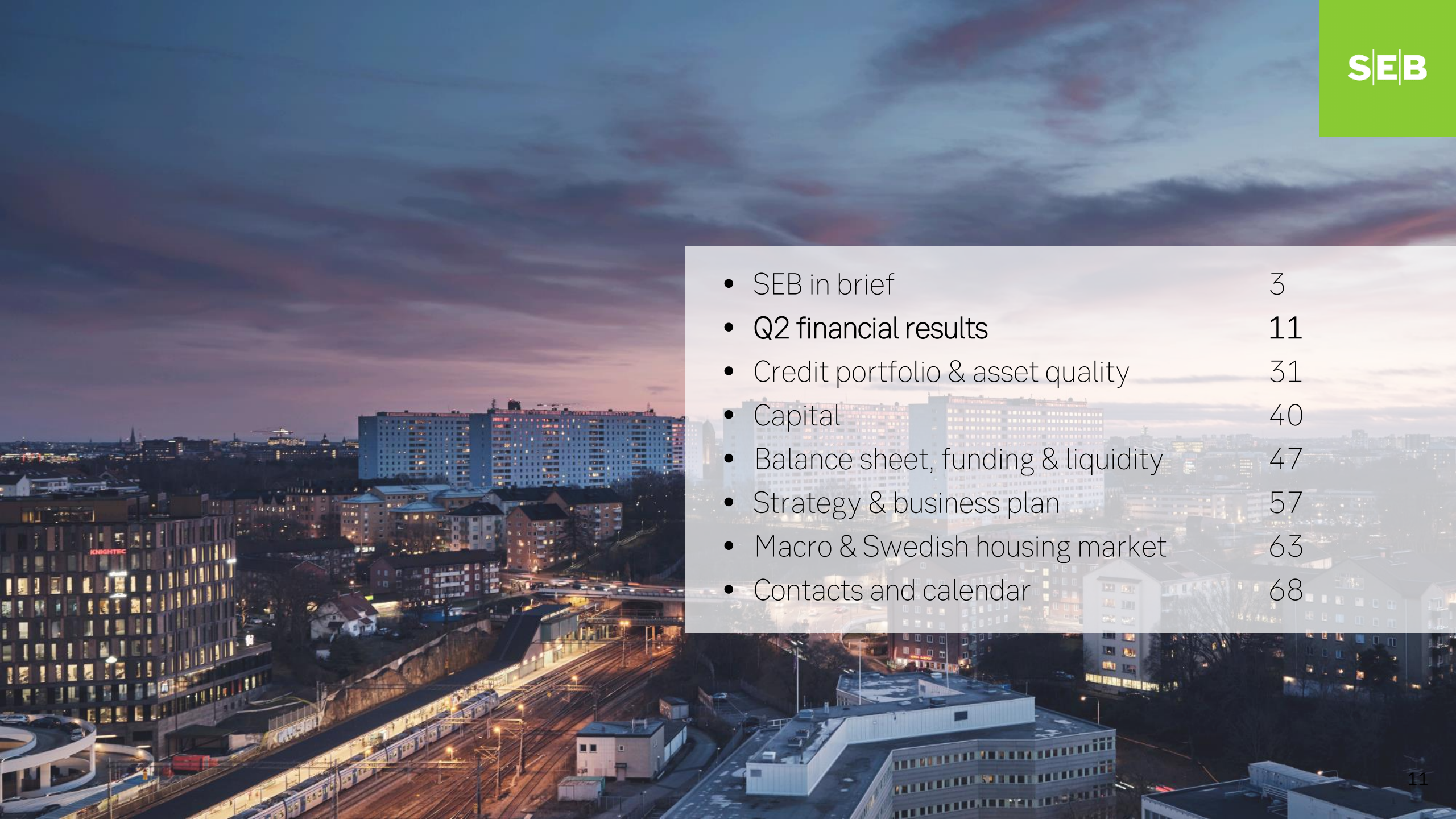
Dividend policy: 40% or above of net profit (Earnings per share)



Note: 2018 payout ratio excluding items affecting comparability and extraordinary dividend per share (DPS). 2018 payout ratio was 76% if including extraordinary dividend. 2014-2018 excluding items affecting comparability.

## SEB's main shareholders

30 June 2020	Share of capital, per cent
Investor AB	20.8
Alecta Pension Insurance	6.5
Trygg Foundation	5.2
Swedbank Robur Funds	4.1
AMF Insurance & Funds	3.7
BlackRock	2.4
Vanguard	2.1
SEB Funds	2.0
Handelsbanken Funds	1.5
Fourth Swedish National Pension Fund	1.3
Total share of foreign shareholders	25.7
Source: Euroclear Sweden/Modular Finance	

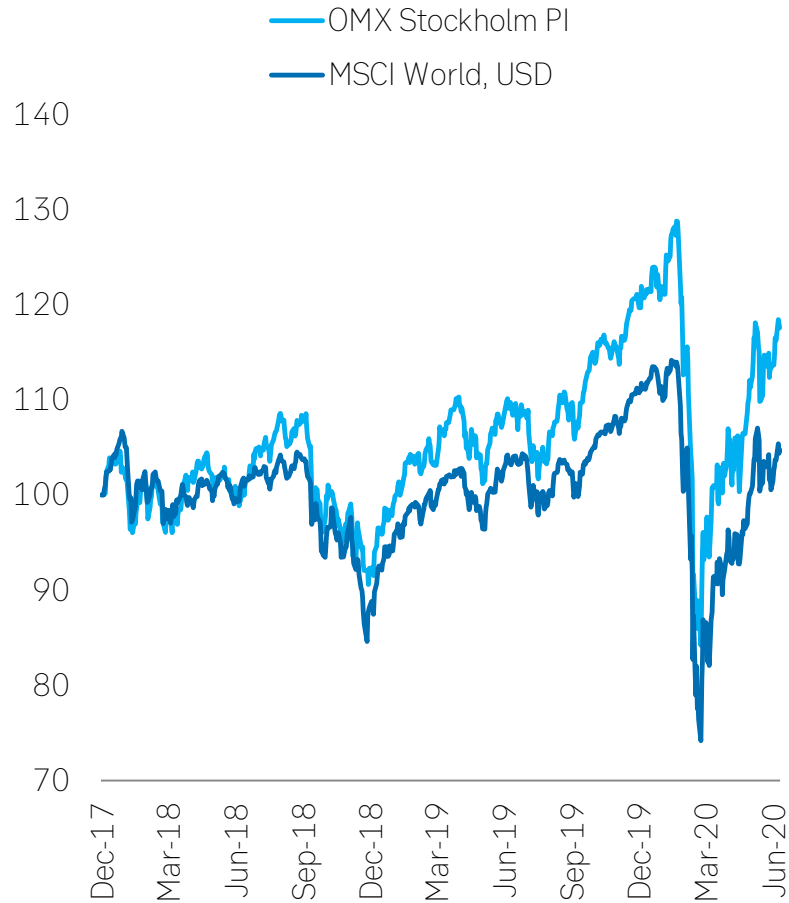


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# Financial markets development

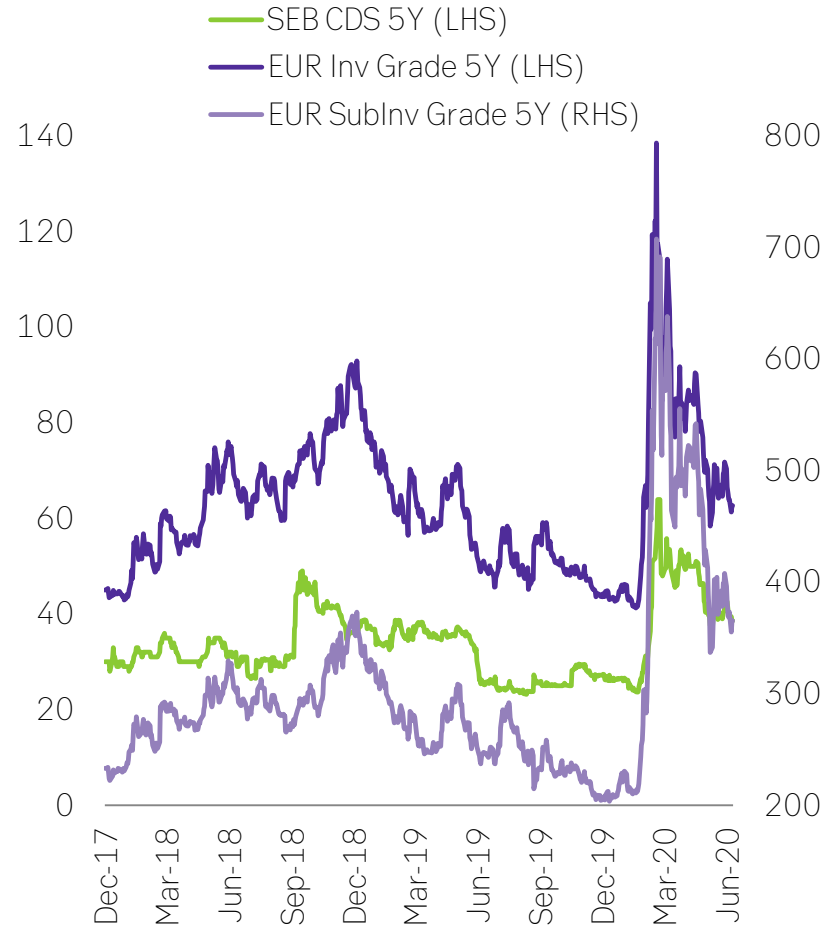
## Equity markets

Sweden & Global



## Credit spreads

SEB vs. corporate



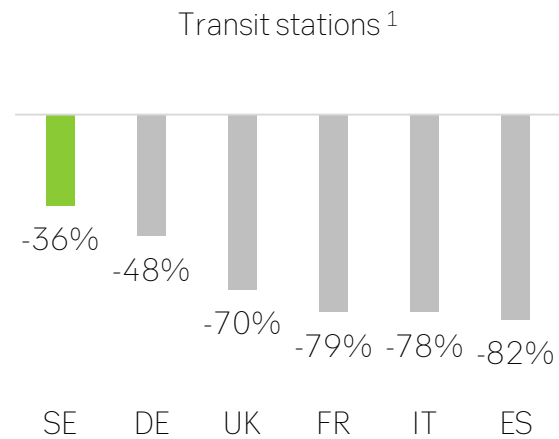
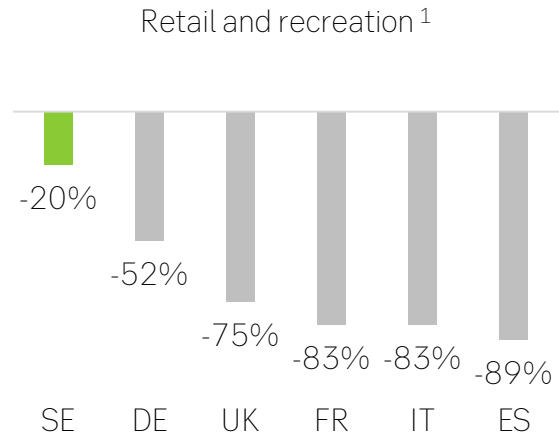
## Interest rates

Annual yield of 10-year gvt bonds

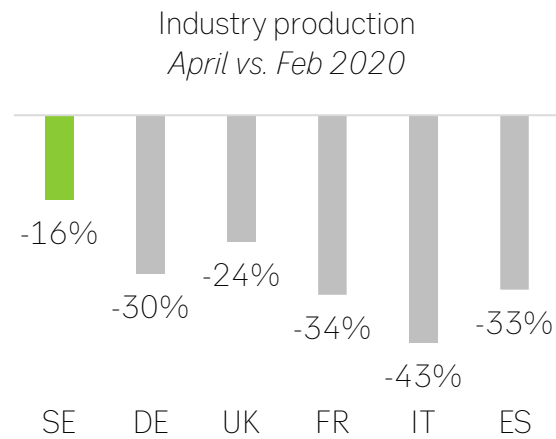
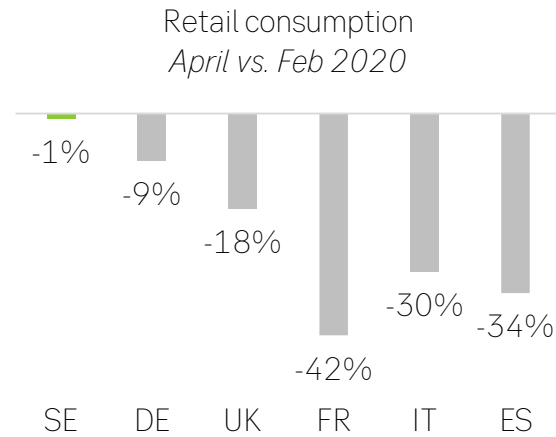


# Economic effects of Covid-19 lockdown

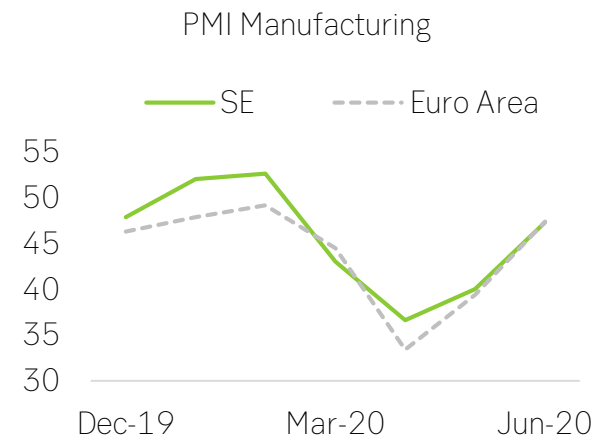
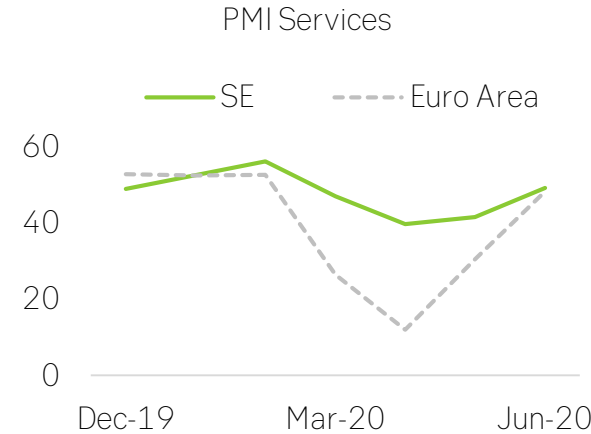
## People mobility



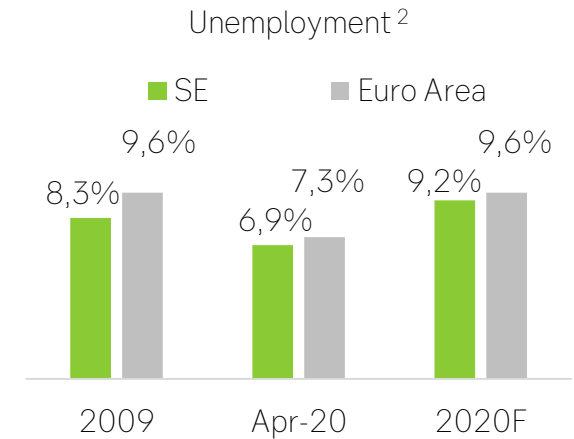
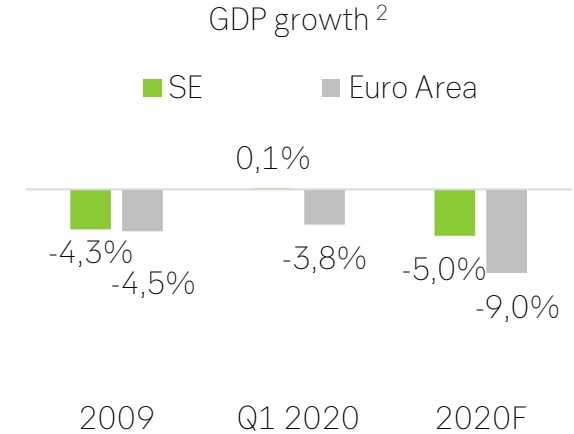
## Consumption and production



## Business sentiment



## GDP and unemployment

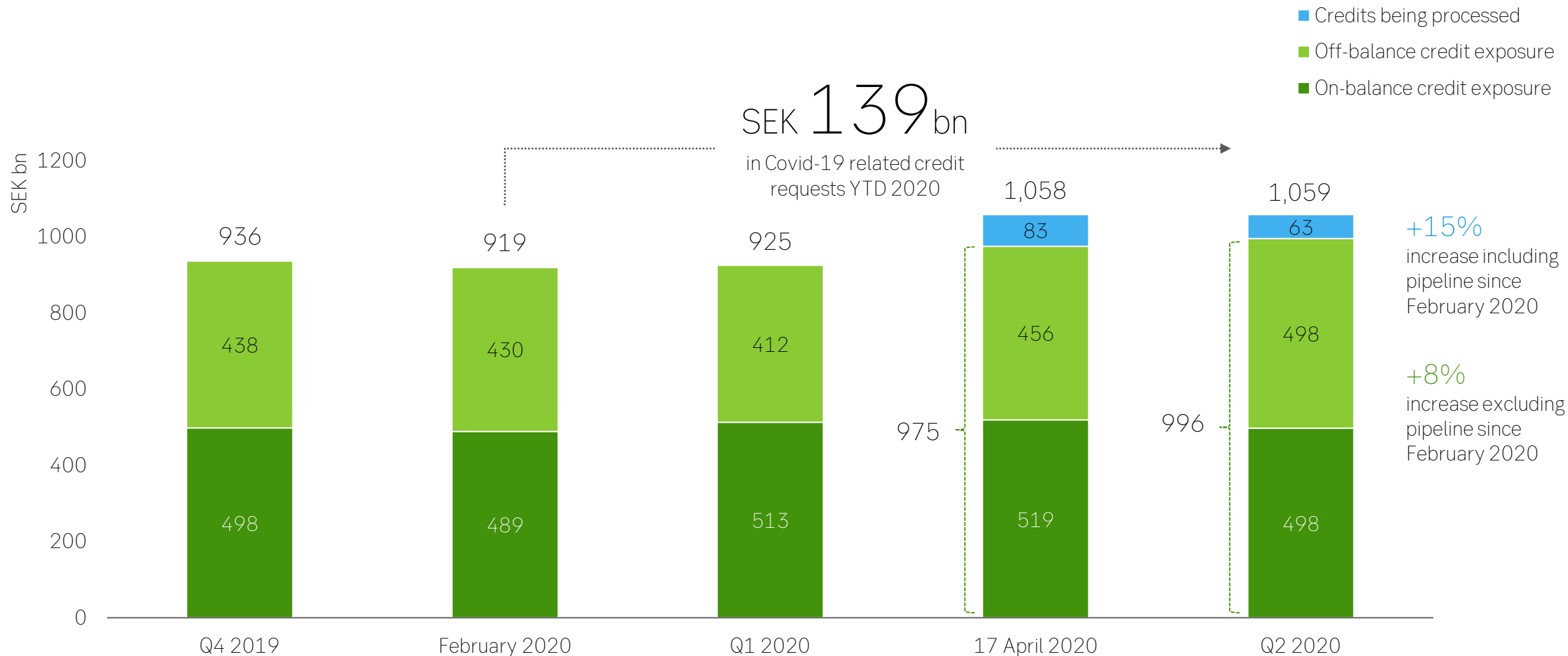


# Highlights in Q2 2020

- Encouraging client activity and resilient underlying business.
- Positive turn-around in financial markets reversed valuation effects.
- Return on equity of 8.7 per cent, despite increased provisioning and administrative fine.
- Strong capital and liquidity position, well placed to continue supporting our customers.

# Covid-19 related credit requests

Large Corporates & Financial Institutions



# Comment on decision by the Swedish FSA

Baltic governance and control

## Swedish FSA's decision

- **Remark** – lower degree of administrative sanction.

- **Administrative fine** of SEK 1bn represents ca 14% of maximum amount.

- All Swedish and Baltic supervisory authority **reviews concluded**.

## SEB's comment

- SEB questions parts of FSA's conclusions and **proportionality**.

- FSA observations **largely identified, reported and addressed** by SEB.

- SEB has taken, takes and will continue to take **responsibility for its Baltic banks**.

## SEB's decision

- Decision **not to appeal**. Lack of clarity in legislation and risk of prolonged process.

- This way SEB **creates more value** for its shareholders and other stakeholders.

- **2021 cost target reiterated**. SEK 1bn accounted for in Q2 2020.

# A continuously ongoing work

## Long term ambition

To adhere to current regulations and SEB's high internal requirements.

## Corporate culture

High standards for corporate governance, regulatory compliance and risk management.

## Continuous improvement

Dedicated resources and new technology used for improvement of routines and processes, e.g. SEB's Financial Crime Prevention Programme.

## Collaboration

Collaboration between private and public sector to strengthen resilience of financial system, e.g. SAMLIT project.

# Financial summary YTD 2020

SEK m	2020 January-June	2019 January-June	%
<b>Total operating income</b>	<b>24,089</b>	<b>24,103</b>	0
Total operating expenses	-11,358	-11,329	0
<b>Profit before credit losses</b>	<b>12,730</b>	<b>12,774</b>	0
Net expected credit losses etc.	-4,184	-807	
<b>Operating profit before IAC</b>	<b>8,547</b>	<b>11,967</b>	-29
IAC	-1,000		
<b>Operating profit</b>	<b>7,547</b>	<b>11,967</b>	-37

**Net ECL level**

35bps

**C/I**

0.47

**CET 1**

17.8 %

**RoE**

7.4%

*Ex IAC*

8.6%

# Financial summary Q2 2020

SEK m	Q2 2020	Q1 2020	%	Q2 2019	%
<b>Total operating income</b>	<b>13,999</b>	<b>10,089</b>	39	<b>12,197</b>	15
Total operating expenses	-5,712	-5,646	1	-5,708	0
<b>Profit before credit losses</b>	<b>8,287</b>	<b>4,443</b>	87	<b>6,489</b>	28
Net expected credit losses etc.	-2,690	-1,494		-386	
<b>Operating profit before IAC</b>	<b>5,598</b>	<b>2,950</b>	90	<b>6,103</b>	-8
IAC	-1,000				
<b>Operating profit</b>	<b>4,598</b>	<b>2,950</b>	56	<b>6,103</b>	-25

**Net ECL level**

46bps

**C/I**

0.41

**CET 1**

17.8 %

**RoE**

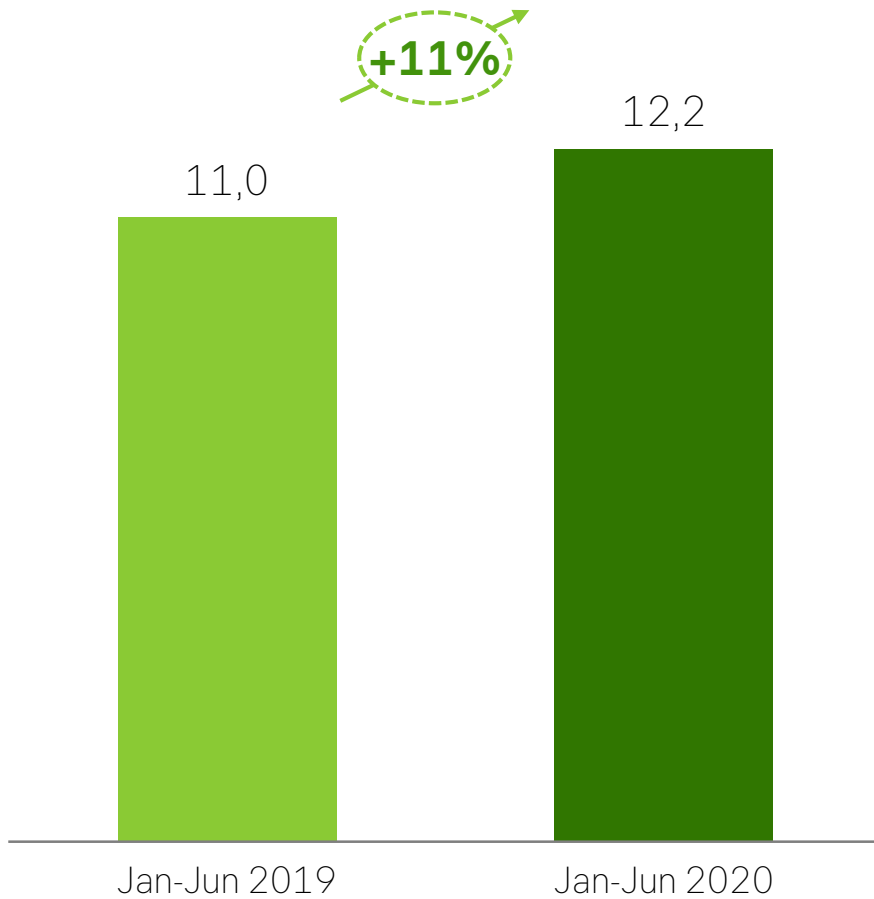
8.7 %

*Ex IAC*

11.2%

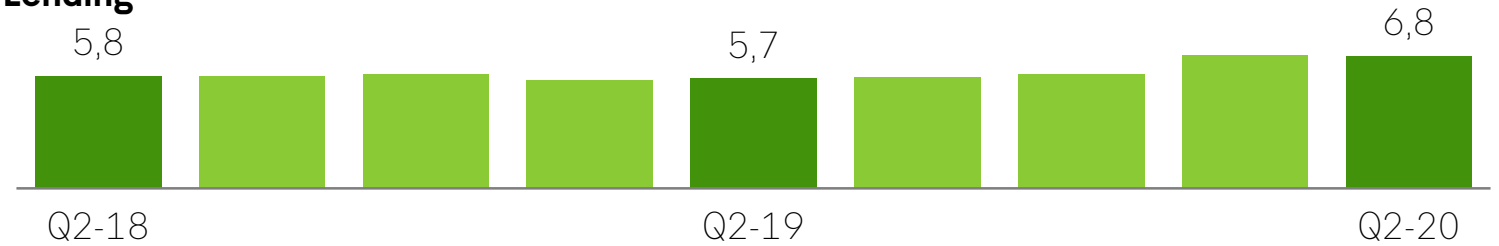
# Net interest income development

**Net interest income** (SEK bn)  
Jan-Jun 2020 vs. Jan-Jun 2019

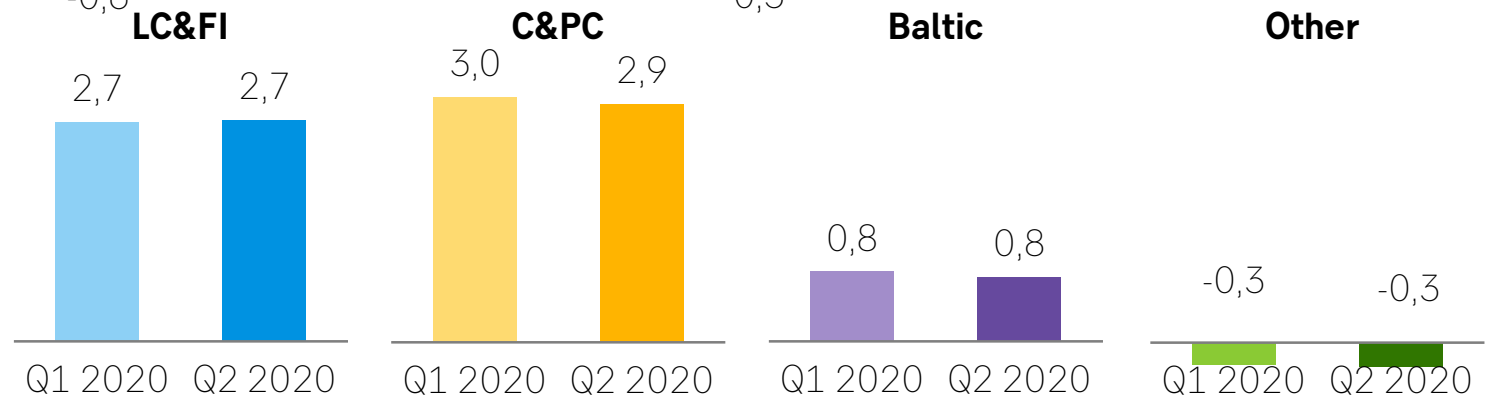
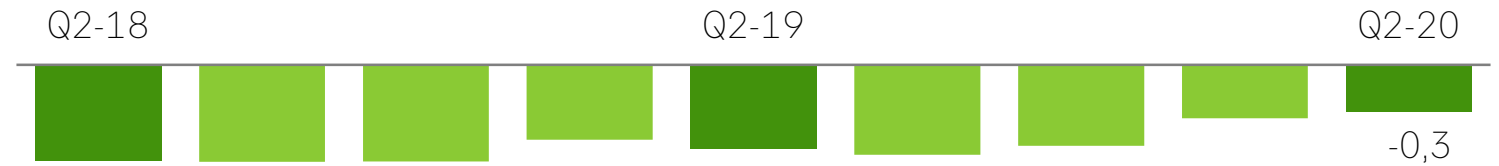


**Net interest income type** (SEK bn)  
Q2 2018 – Q2 2020

## Lending

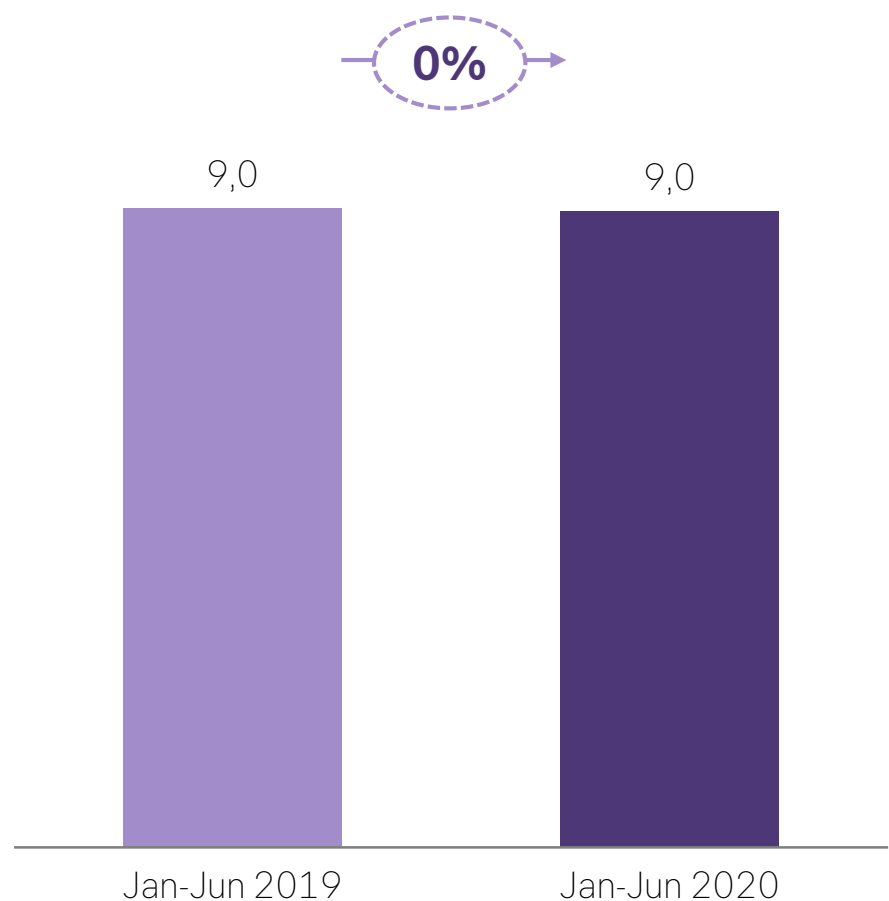


## Regulatory fees



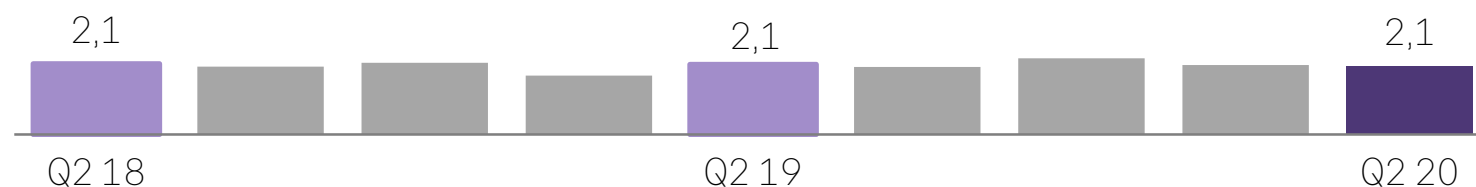
# Net fee & commission income development

**Net fee & commissions** (SEK bn)  
Jan-Jun 2020 vs. Jan-Jun 2019

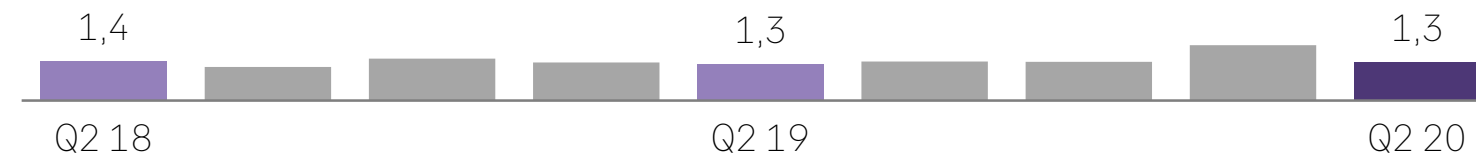


**Net fee & commissions by income type** (SEK bn)  
Q2 2018 – Q2 2020

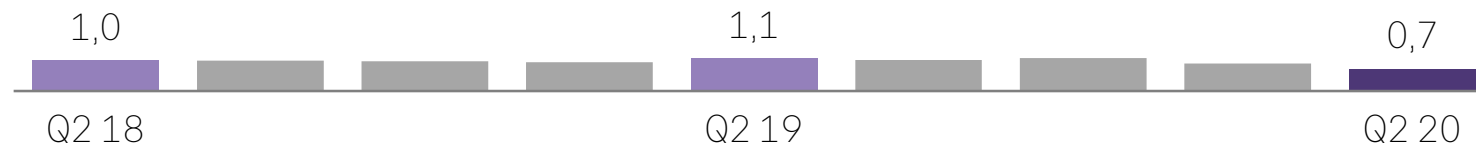
**Net securities commissions** (custody, mutual funds, brokerage)



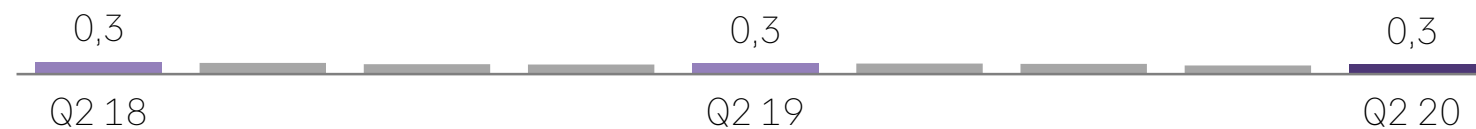
**Net advisory fees, lending fees & other commissions**



**Net payment & card fees**

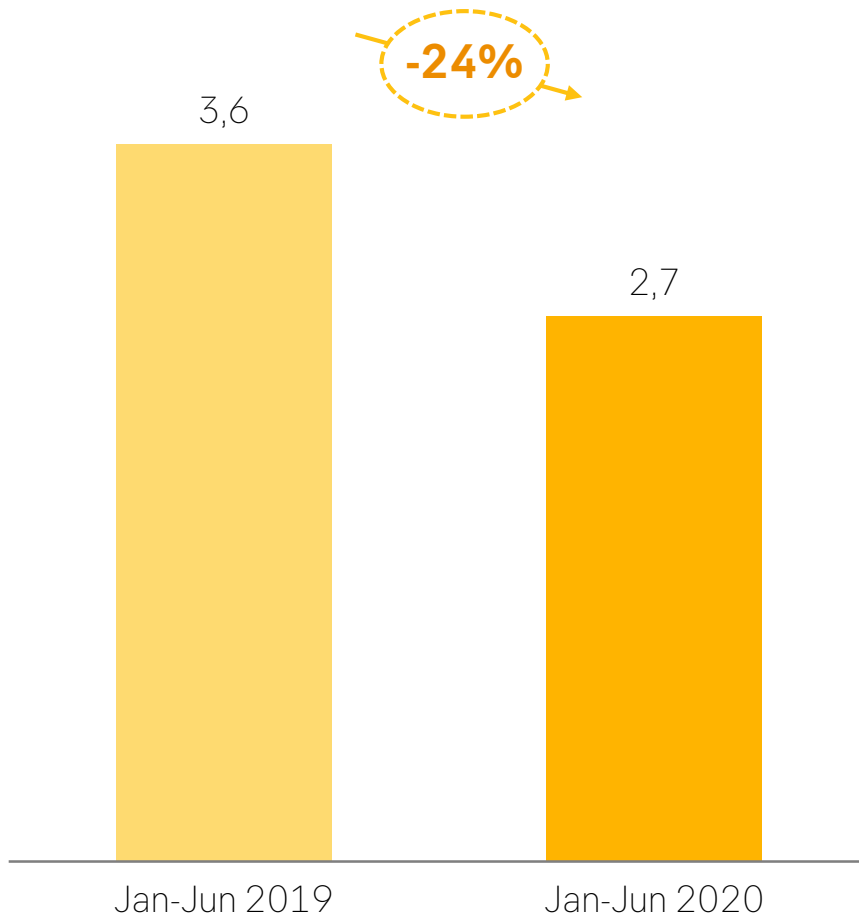


**Net life insurance commissions**

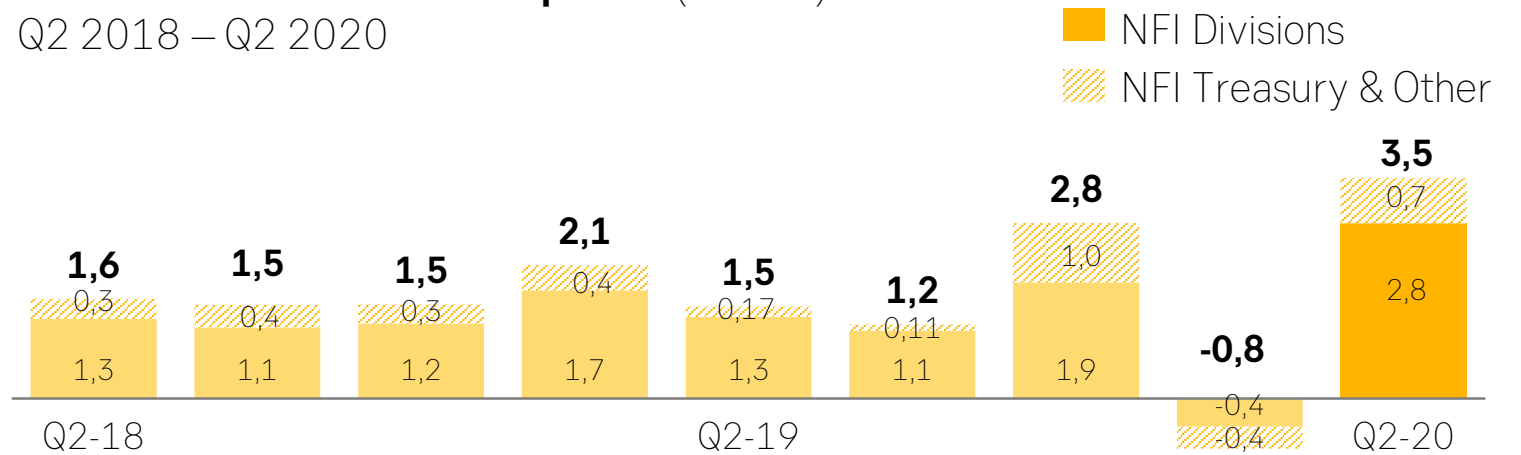


# Net financial income development

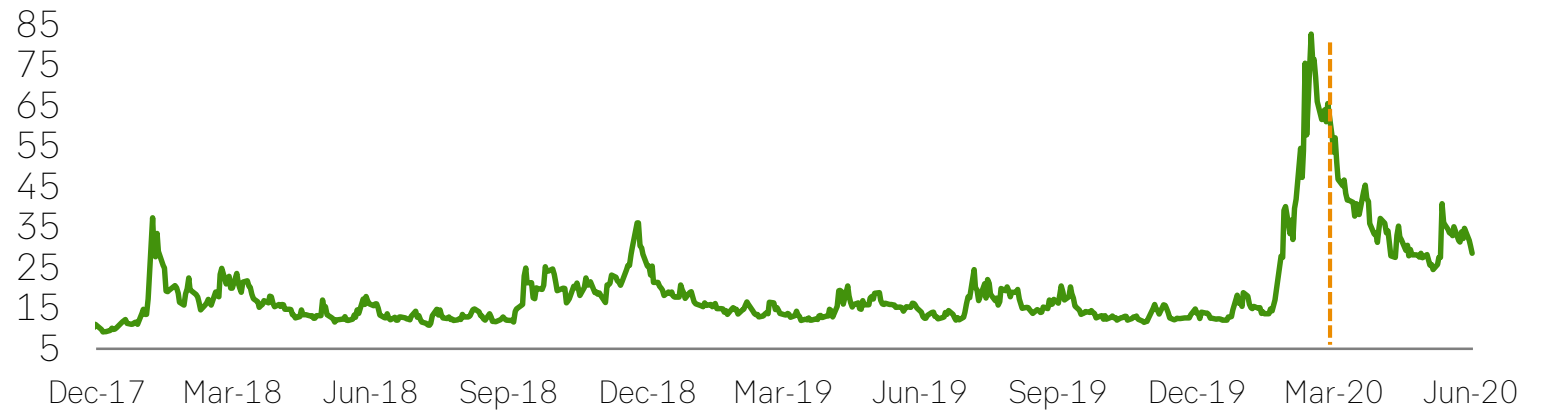
**Net financial income** (SEK bn)  
Jan-Jun 2020 vs. Jan-Jun 2019



**Net financial income development** (SEK bn)  
Q2 2018 – Q2 2020

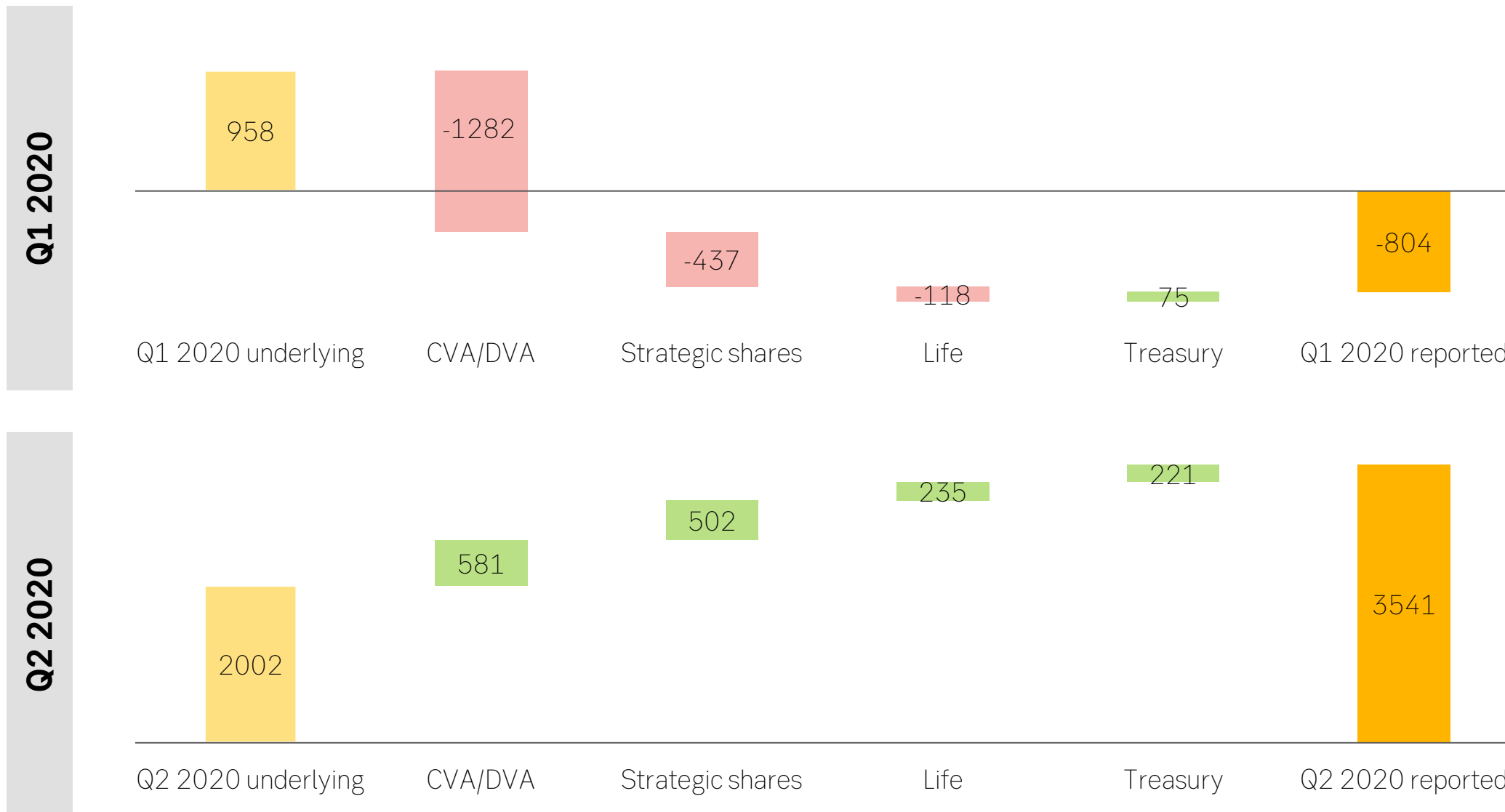


**VIX index** (VIX S&P 500 volatility)



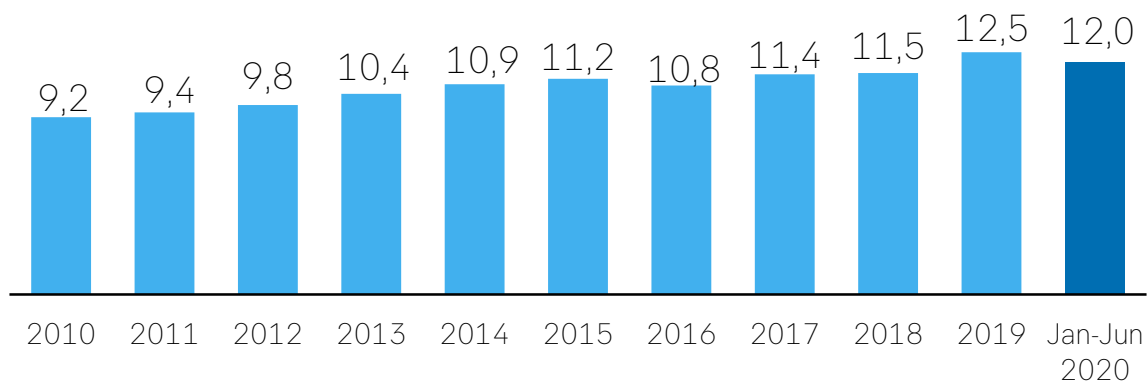
# Net financial income development (contd.)

SEK m

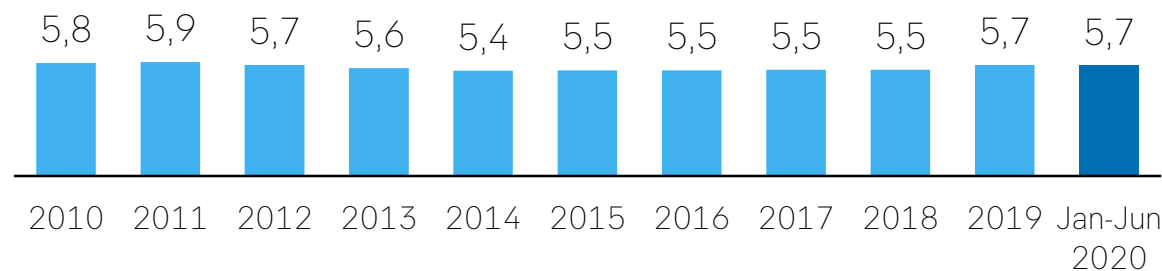


# Operating leverage

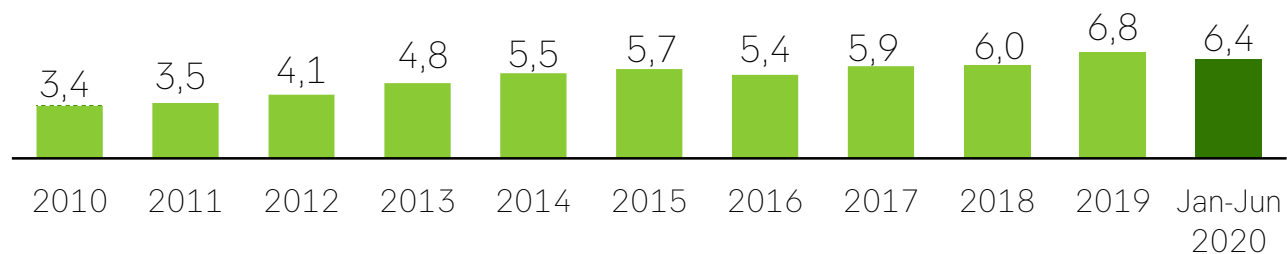
**Average quarterly income (SEK bn)**



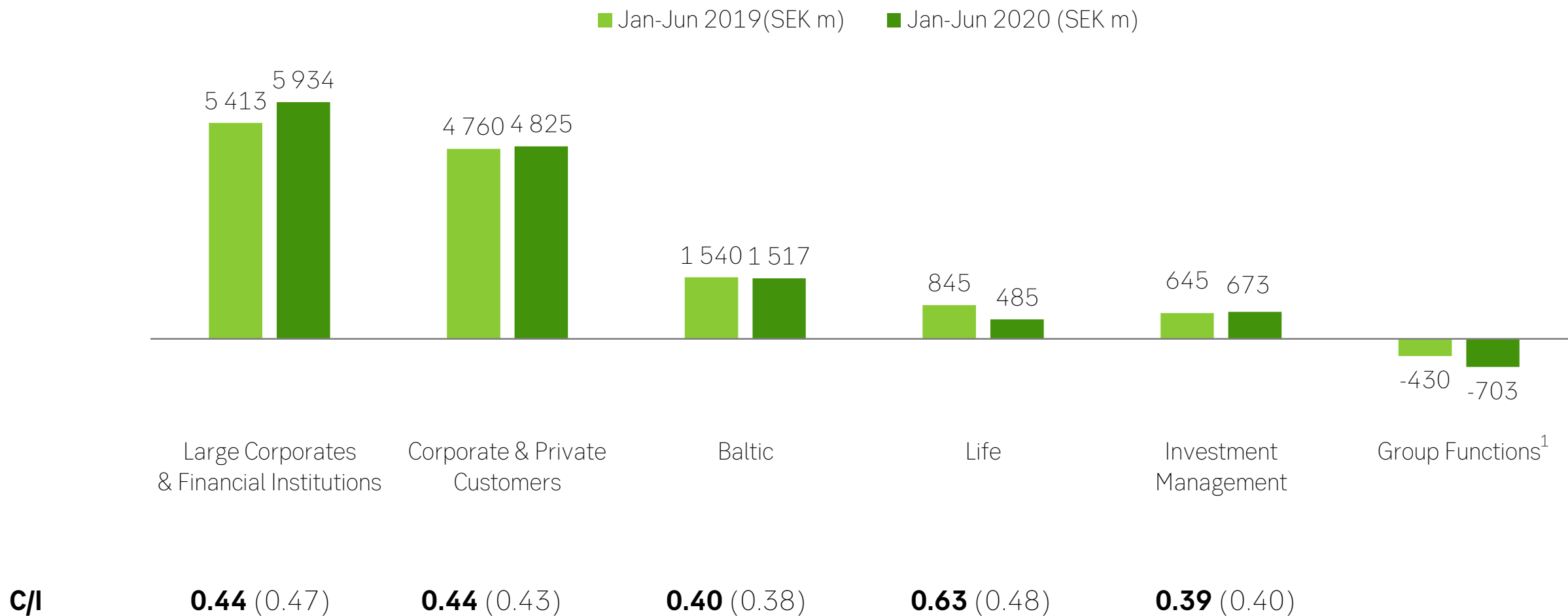
**Average quarterly expenses (SEK bn)**



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



# Pre-provision profit by division

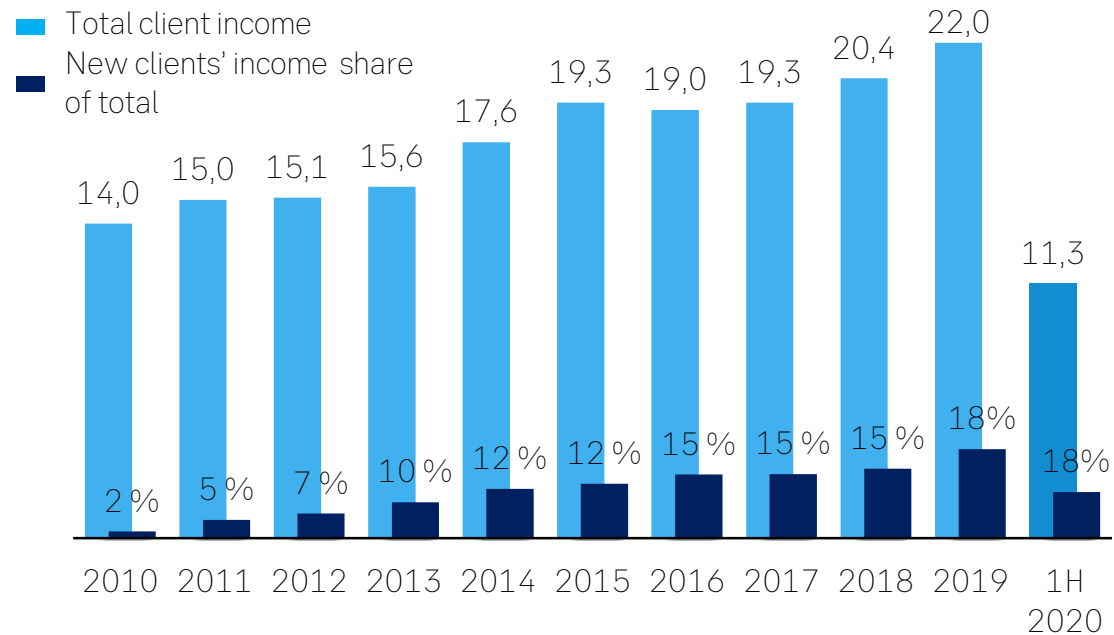


<sup>1</sup> Group Functions consist of Business Support, Technology, Treasury, Staff units and the German run-off operations.

# Large Corporate & Financial Institutions division

## Strong franchise and successful client acquisition strategy

Total client income in SEK bn

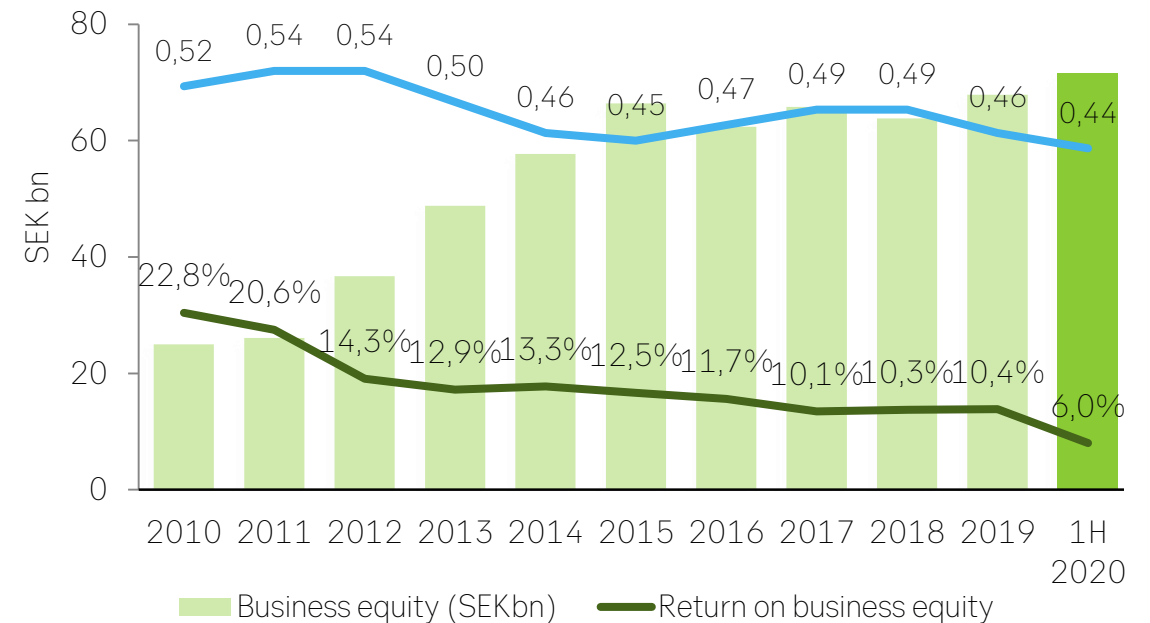


No. of accumulated new clients

2010	84
2011	209
2012	305
2013	413
2014	472
2015	535
2016	594
2017	652
2018	713
2019	765*
1H 2020	785*

\*Including also Swedish clients.

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



2016 C/I: Excl. one-off costs of SEK 354m

2015 C/I: Excl. one-off costs of SEK 902m

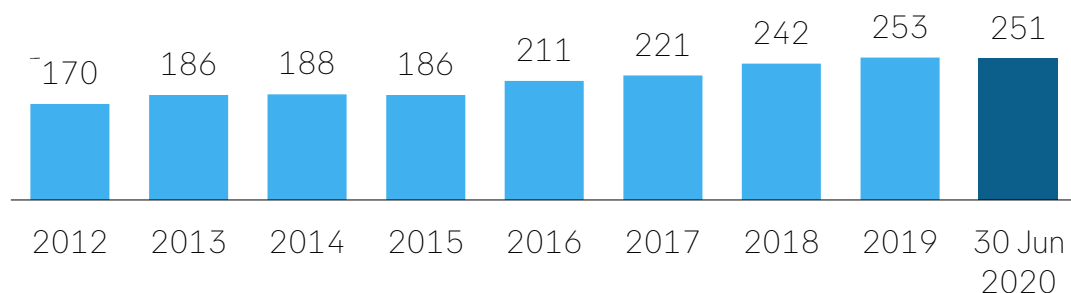
2010-13: Restated figures following the new organisational structure as of Jan 1, 2016.

As a result 2010-2013 figures not comparable

# Corporate & Private Customers division

## Stable lending growth in corporate segment

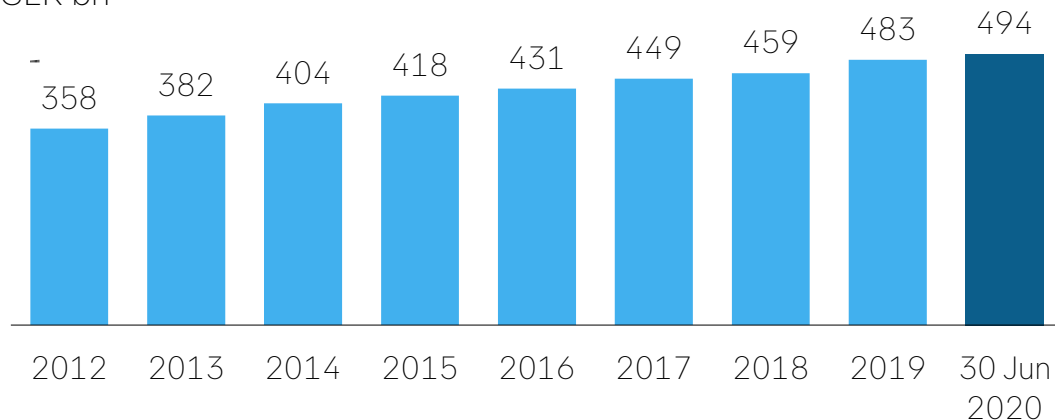
Loans to corporates and real estate management in SME segment, SEK bn



2015: Adjusted for transfer of sole traders SEK 16bn

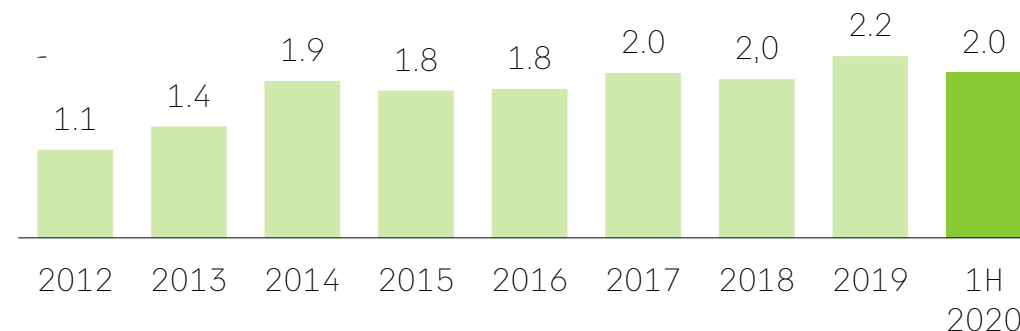
## Stable growth in household mortgage lending

SEK bn



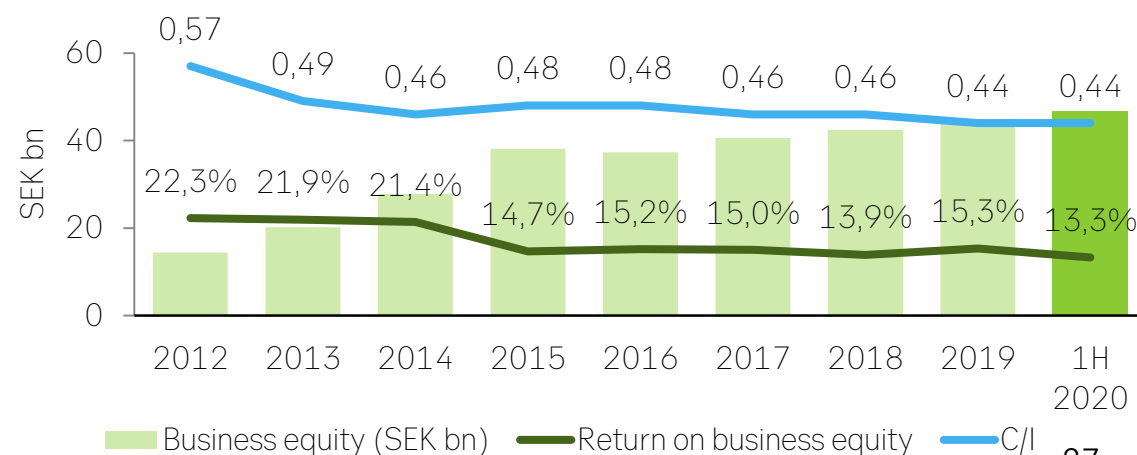
## Solid operating profit

Average quarterly operating profit, SEK bn



2014-2015 restated following the new organisational structure as of 1 Jan 2016.  
As a result, 2012-2013 figures are not comparable.

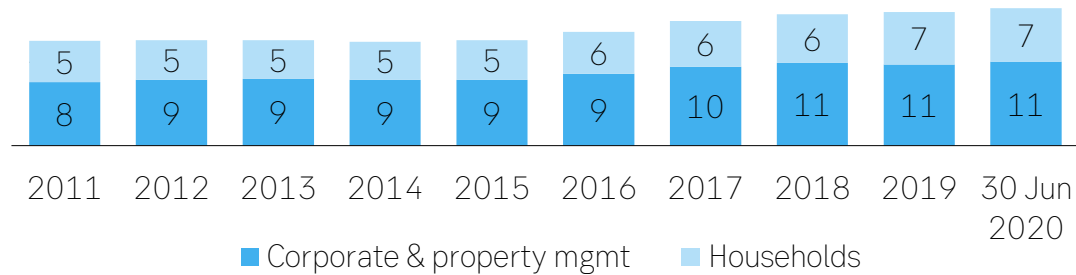
## Steady improvement in efficiency



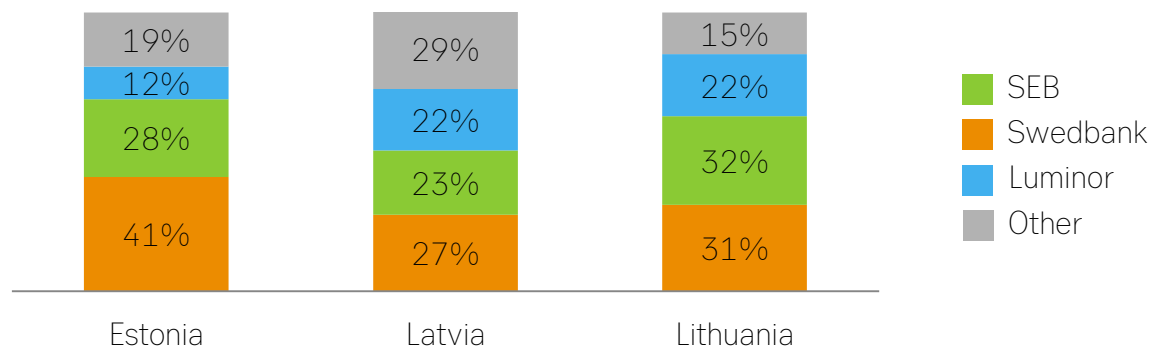
# Baltic division

## Stable credit growth driven by healthy economic development last five years

Credit portfolio, EUR bn

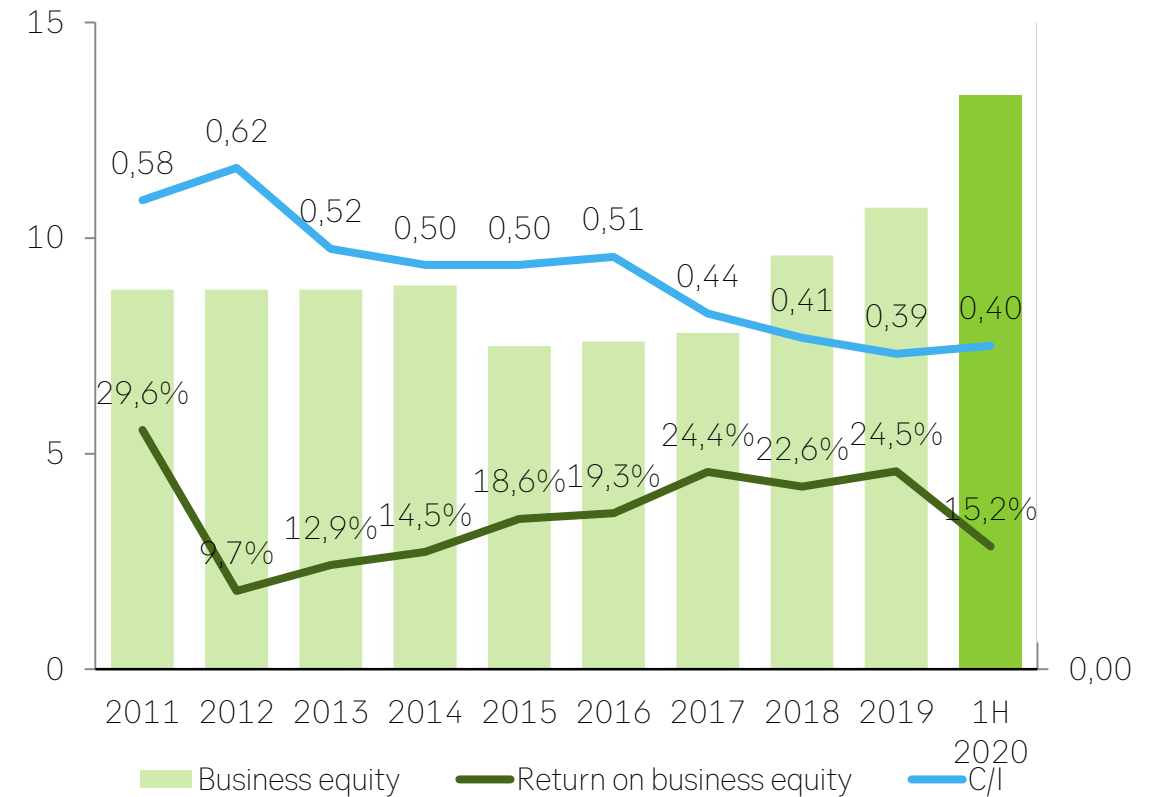


## Leading position in terms of lending market share



## Strong development of key ratios

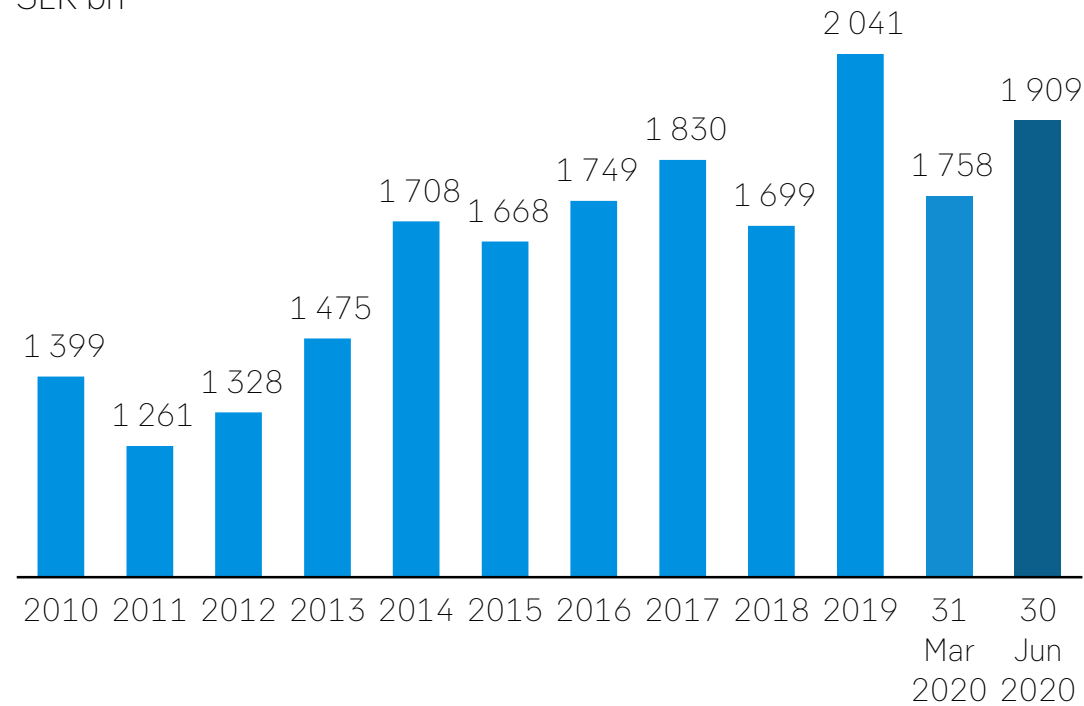
EUR bn



# Assets under management supported by market development

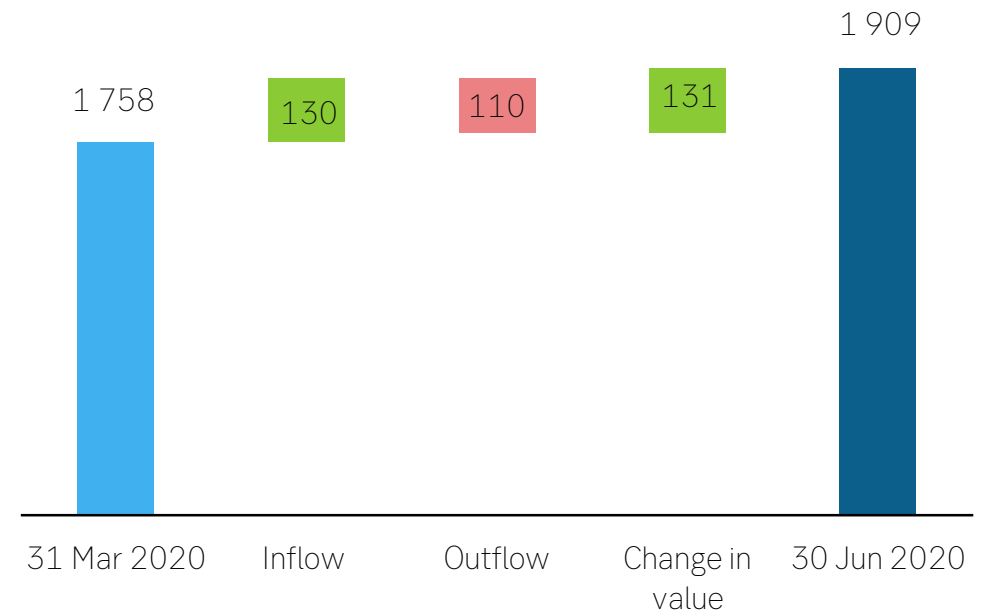
## Assets under management<sup>1</sup>

SEK bn



## Assets under management development in Q2 2020

SEK bn



<sup>1</sup> Definition of assets under management changed from 2015. Divestment of SEB Pension DK in 2018 reduced AUM by approx. SEK 116m.

# Summary key financials

	1H 2020	2019	2018	2017	2016	2015	2014	2013	2012	2011 <sup>1)</sup>
Return on equity, % <sup>6)</sup>	8.6	13.8	13.4	12.9	11.3	12.9	13.1	13.1	11.5	12.3
Cost/income ratio, %	47	46	48	48	50	49	50	54	61	62
Net ECL level / Credit loss level, % <sup>3)</sup>	0.35	0.10	0.06	0.05	0.07	0.06	0.09	0.09	0.08	-0.08
Stage 3 loans/total loans, gross / NPL/lending, % <sup>4)</sup>	0.86	0.67	0.50	0.5	0.5	0.6	0.8	0.7	1.0	1.4
Liquidity Coverage Ratio (LCR), % <sup>5)</sup>	138	218	147	145	168	128	115	129	NA	NA
CET1 ratio, % <sup>2)</sup>	17.8	17.6	17.6	19.4	18.8	18.8	16.3	15.0	NA	NA
Total capital ratio, % <sup>2)</sup>	22.2	23.3	22.2	24.2	24.8	23.8	22.2	18.1	NA	NA
Leverage ratio, % <sup>2)</sup>	4.3	5.1	5.1	5.2	5.1	4.9	4.8	4.2	NA	NA
Assets under custody, SEK bn	10,053	10,428	7,734	8,046	6,859	7,196	6,763	5,958	5,191	4,490
Assets under management, SEK bn	1,909	2,041	1,699	1,830	1,749	1,668	1,708	1,475	1,328	1,261

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. Net ECL (expected credit loss) level (2018) is based on IFRS 9 expected loss model, net credit loss level (2011-2017) is based on IAS39 incurred loss model..

4) ECL coverage ratio for Stage 3 (credit-impaired) loans is based on IFRS 9 expected loss model, NPL coverage ratio and NPL/lending ratio (2011-2017) are based on IAS39 incurred loss model. NPLs = Non Performing Loans, including individually and portfolio assessed impaired loans (loans >60 days past due)..

5) LCR based on EU definition as from 2018 and on SFSA definition 2013-2017.

6) **Excl. Items affecting comparability incl. technical impairment (write-down) of goodwill**

a. 2014: Excluding capital gains of SEK 2,982m (sale of non-core business and shares)

b. 2015: Excluding a cost of SEK 902m relating to the Swiss Supreme Court's not unanimous ruling against SEB in the long running tax litigation relating to SEB's refund claim of withholding tax dating back to the years 2006 through 2008

c. 2016: Excluding the effects of the technical impairment of goodwill to the amount of SEK 5,334m and SEK 615m of one-off costs and derecognition of intangible IT assets no longer in use and the positive tax effect SEK 101m. Excluding a capital gain of SEK 520m from the sale of VISA Europe shares by the Baltic subsidiaries and the generated tax expense SEK 24m

d. 2017: Excluding a dividend from VISA of SEK 494m, costs related to the transformation to a German branch of SEK 521m, transfer of pension obligation to BVV of SEK 891m, impairment and derecognition of IT intangibles of SEK 978m.

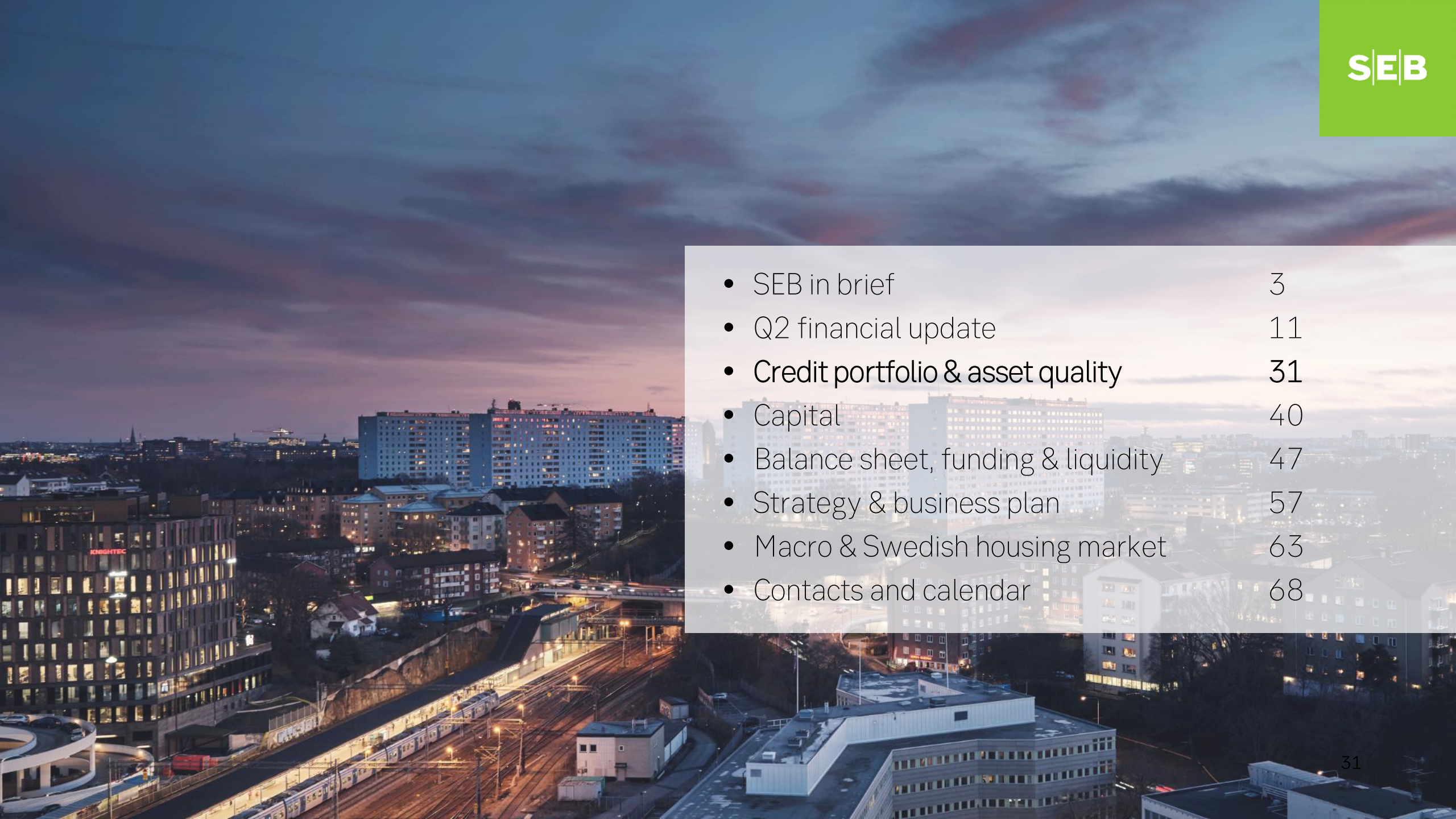
e. 2018: Excluding the sale of SEB Pension SEK 3.6bn and settlement of UC AB's merger SEK 0.9bn

f. 2020: Excluding administrative fine from Swedish FSA of SEK 1.0bn

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 items affecting comparability

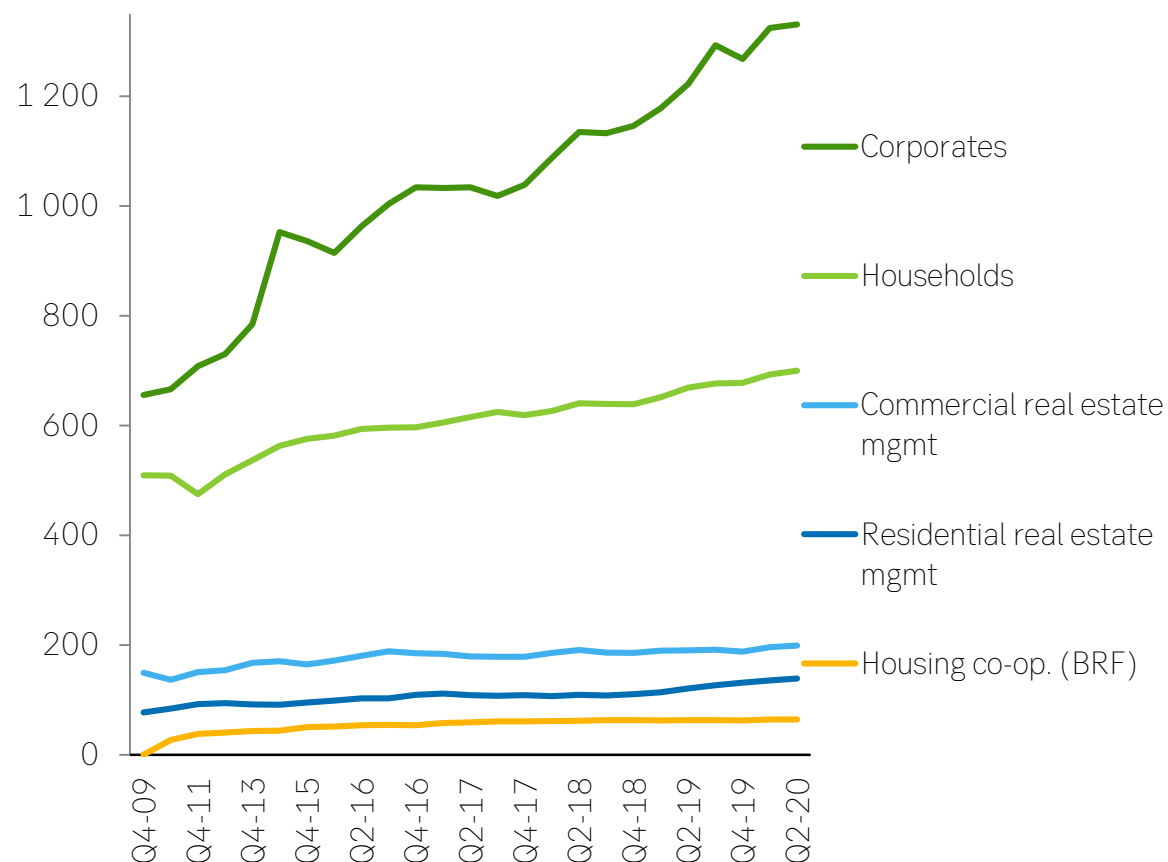
c. and d. The FY 2016 results, profitability and efficiency ratios exclude the effects of the above mentioned items affecting comparability.



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# Development of credit portfolio

**Credit portfolio by main sectors (SEK bn)**



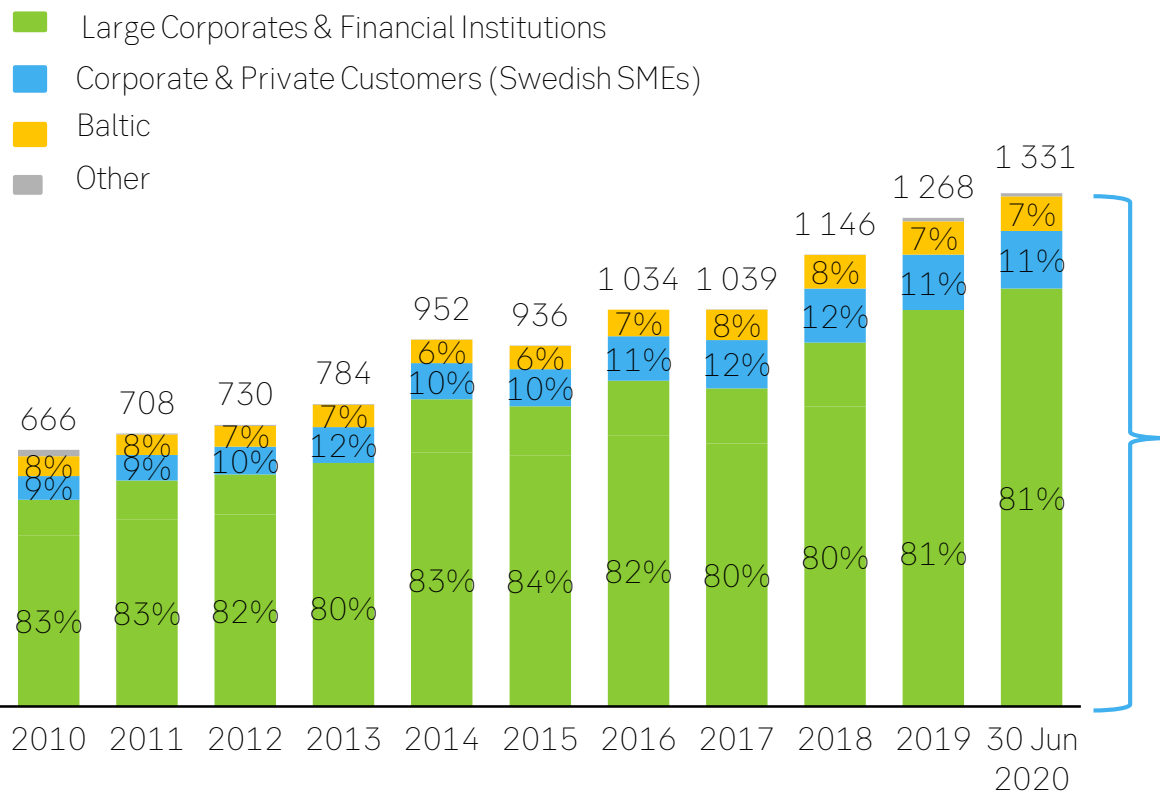
Note: data includes on- & off-balance sheet exposures.

**Credit portfolio growth rates**

Sector	QoQ	YoY
Corporates	1%	9%
FX-adjusted	4%	10%
Households	1%	5%
Swedish mortgages	2%	7%
Commercial real estate mgmt.	2%	5%
Residential real estate mgmt	2%	15%
Housing co-op associations (BRF)	0%	2%
Total (excl. banks)	1%	8%

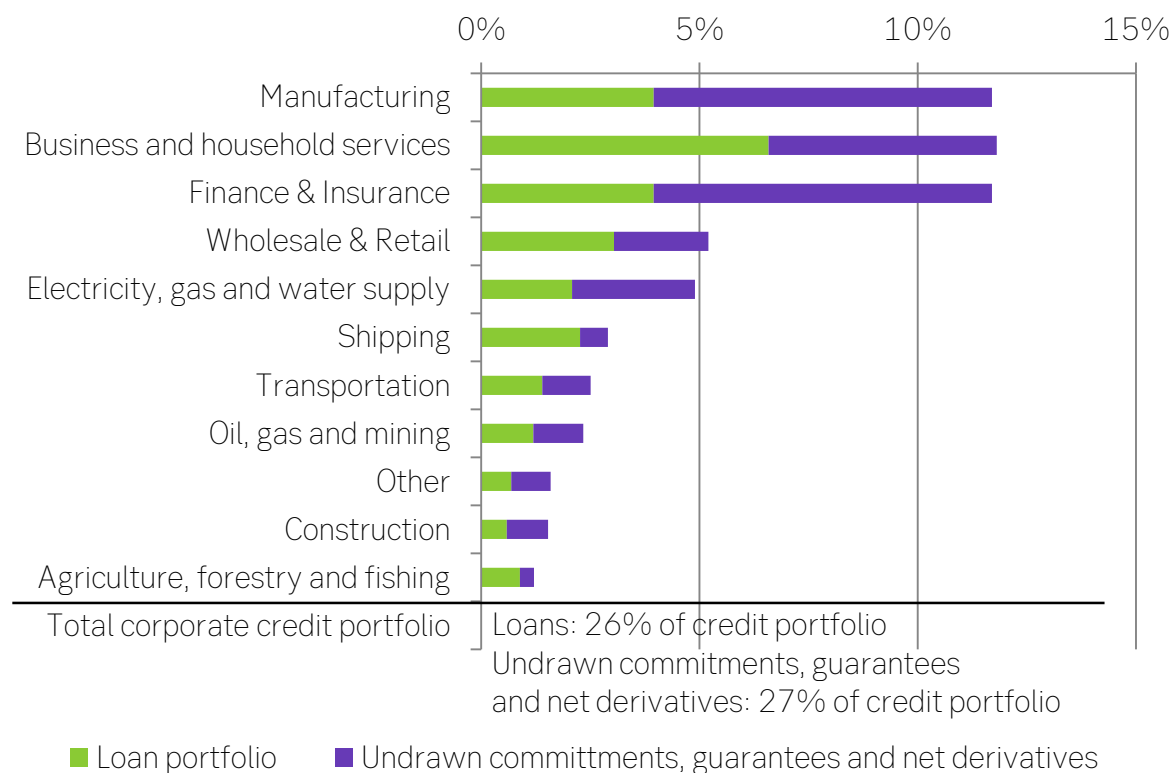
# Industry diversification and low on-balance sheet exposure render lower corporate credit risk

## Corporate credit portfolio by division (SEK bn)



## Corporate credit portfolio by sector and by loans and other exposures

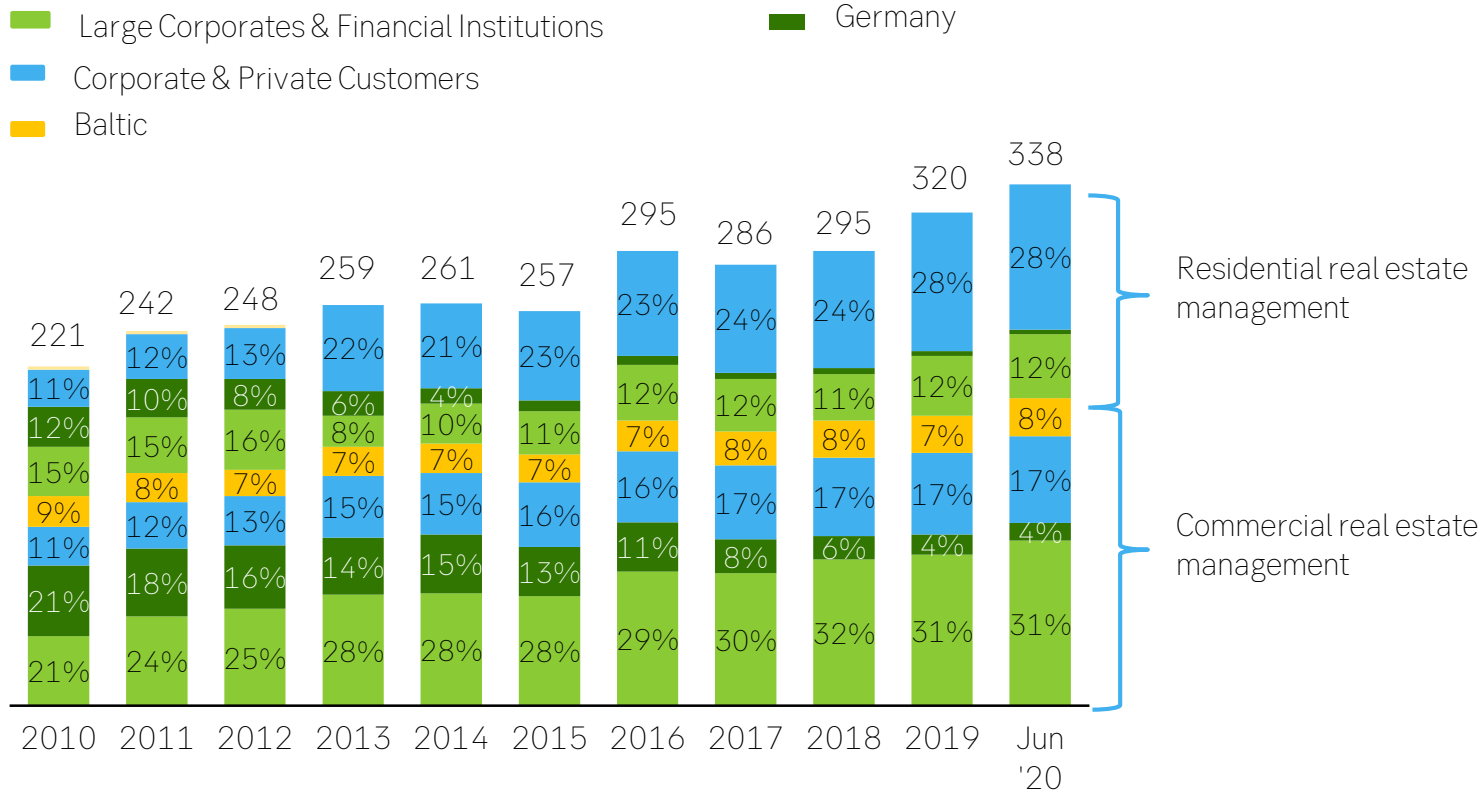
% of credit portfolio excl. banks



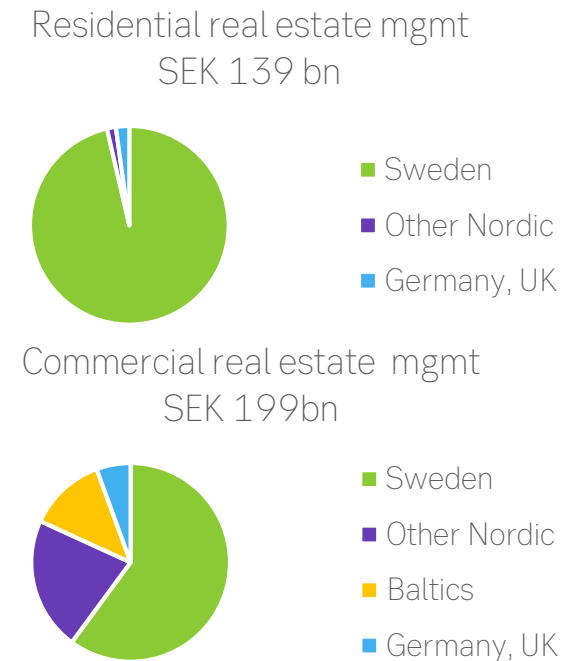
Note: Corporate credit portfolio does not include real estate management

# Real estate exposure focused on Nordic commercial real estate and Swedish residential sector

**Real estate management credit portfolio by division (SEK bn)**

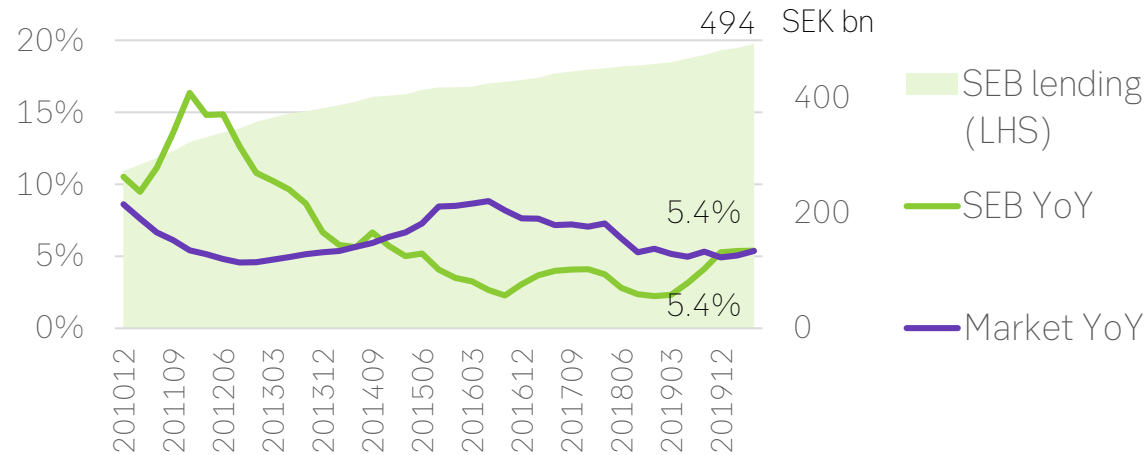


**Real estate management credit portfolio by geography (30 Jun 2020)**



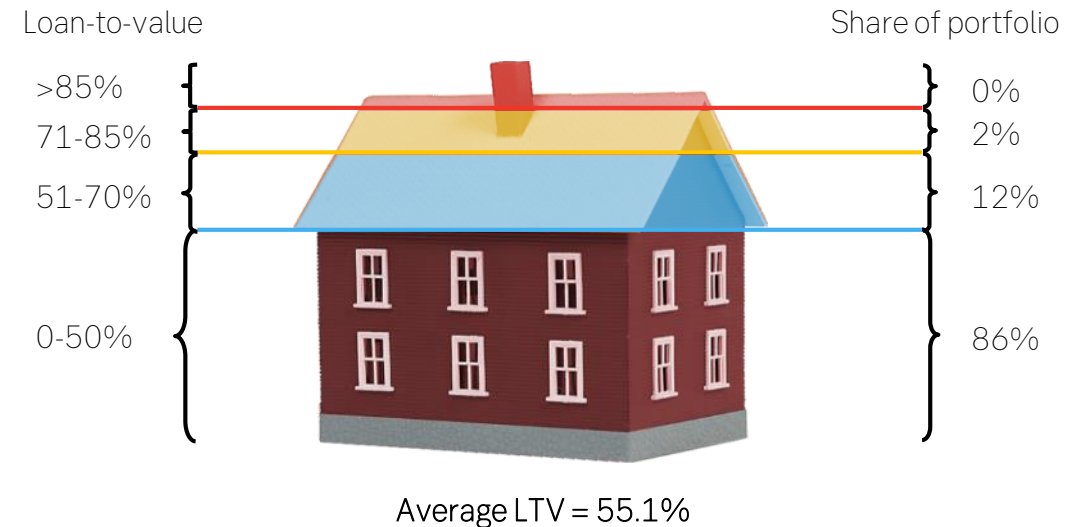
# Robust Swedish household mortgage portfolio

## SEB's household mortgage lending development vs. total market growth



Source: SCB's market statistics as of May 2020, SEB as of June 2020

## Low LTVs by regional and global standards



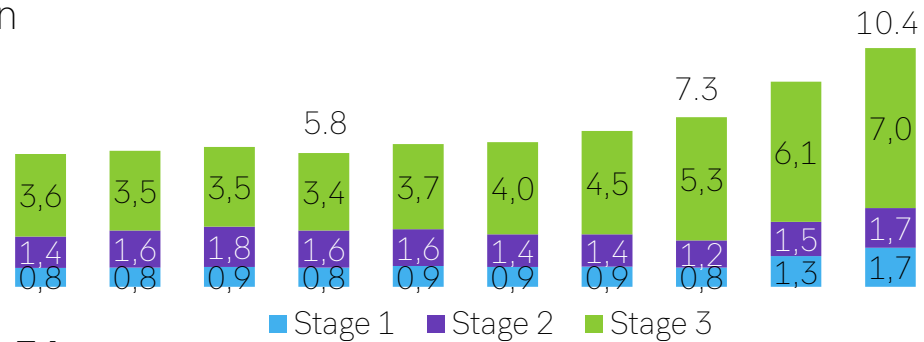
## Selective origination - SEB's mortgage lending based on affordability

- **Strong customer base:** According to UC AB (national credit information agency), SEB's customers have higher credit quality than market average and are over-proportionally represented in higher income segments. Customers are also concentrated to larger cities
- **High asset quality** – negligible past dues and losses
- **Strict credit scoring and assessment**
- **Strengthened advisory services** - "sell first and buy later"
- **Affordability assessment** (funds left to live on post all fixed costs and taxes) includes stressed interest rate scenario of 6% on personal debt and 3% on a housing co-op's debt which indirectly affects the private individual ("double leverage")
- **Amortisation requirement:** LTV 70-85% loans amortise min. 2%/yr and between 50-70% at least 1%/year. As of 2018, loans with DTI > 4.5x amortise an additional percentage point –regulatory requirement. Amortisation requirements temporarily removed due to COVID-19
- **Max loan amount:** In general 5x total gross household income irrespective of LTV and no more than one payment remark on any kind of debt

# Robust credit portfolio

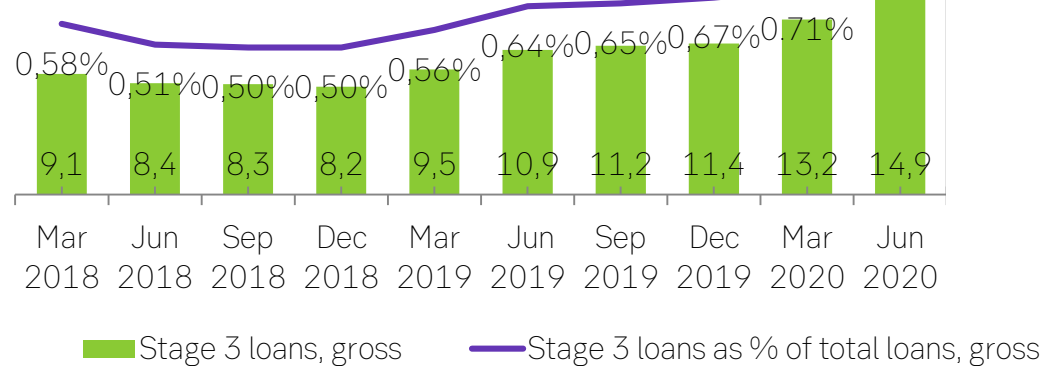
## ECL allowances by stage

SEK bn



## Stage 3 loans, gross

SEK bn



## High asset quality renders low credit loss level over time

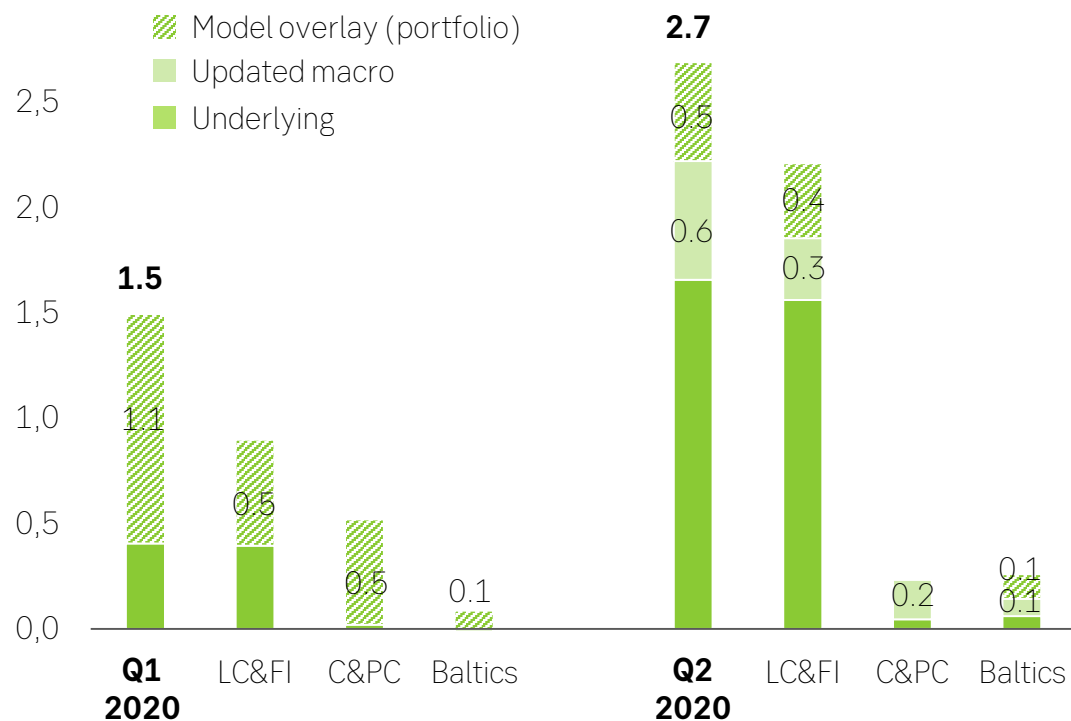
Credit loss level, %



# Provisioning for future expected credit losses due to Covid-19 and oil price

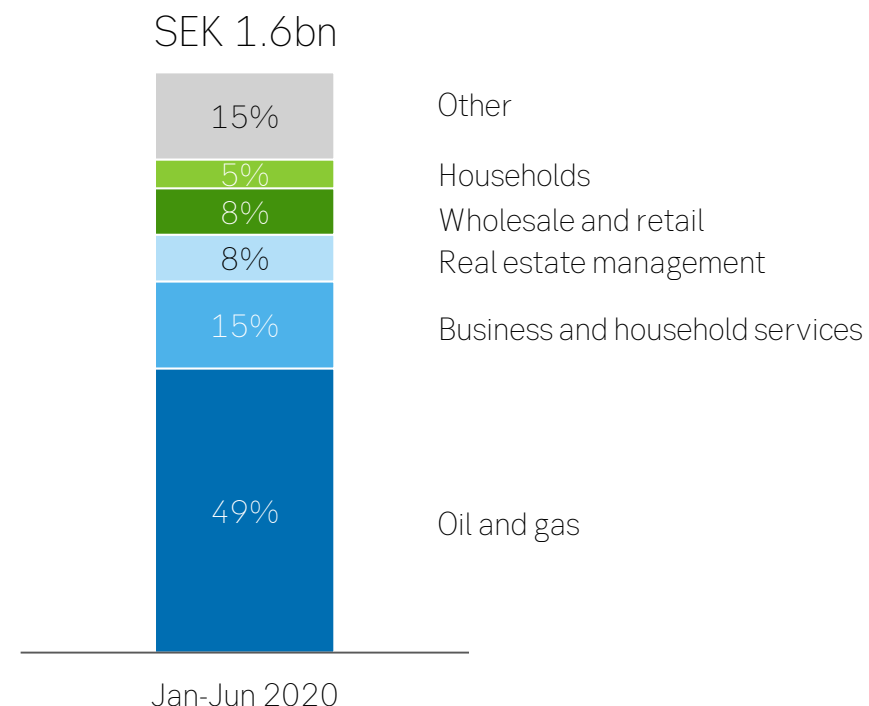
## Net ECL development

SEK bn, Jan-Jun 2020



## Model overlays

Share of total model overlays by industry, Jan-Jun 2020



FY 2020 net ECL expected to amount to around **SEK 6bn**, given current macroeconomic forecast.

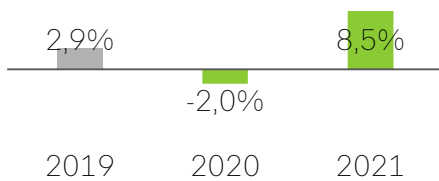
# Macroeconomic assumptions and sensitivity

## Three scenarios used in ECL modelling

Macro assumptions as of May

### Positive – 20% probability

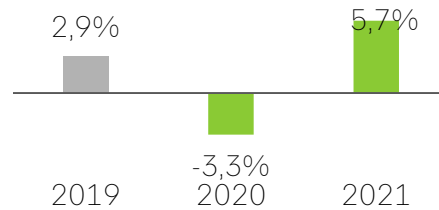
Real world GDP growth



- Assumes that virus spread situation turns out to be more favourable than expected or that for other reasons economies reopen earlier.
- Sweden GDP -4% in 2020, 8.5% in 2021.

### Base – 60% probability

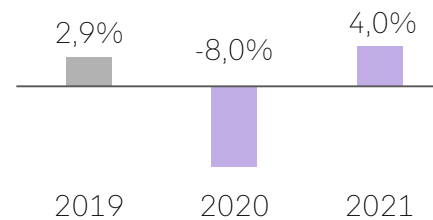
Real world GDP growth



- Assumes that economies reopen gradually and cautiously starting in Q2 2020, implying a relatively clear economic recovery in Q3.
- Sweden GDP -6.5% in 2020, +5% in 2021.

### Negative – 20% probability

Real world GDP growth



- Economic recovery is significantly delayed and important parts of the economy do not restart during 2H 2020.
- Sweden GDP -11.5% in 2020, 3% in 2021.



Probability-weighted ECL allowances:  
**SEK 10,370m**

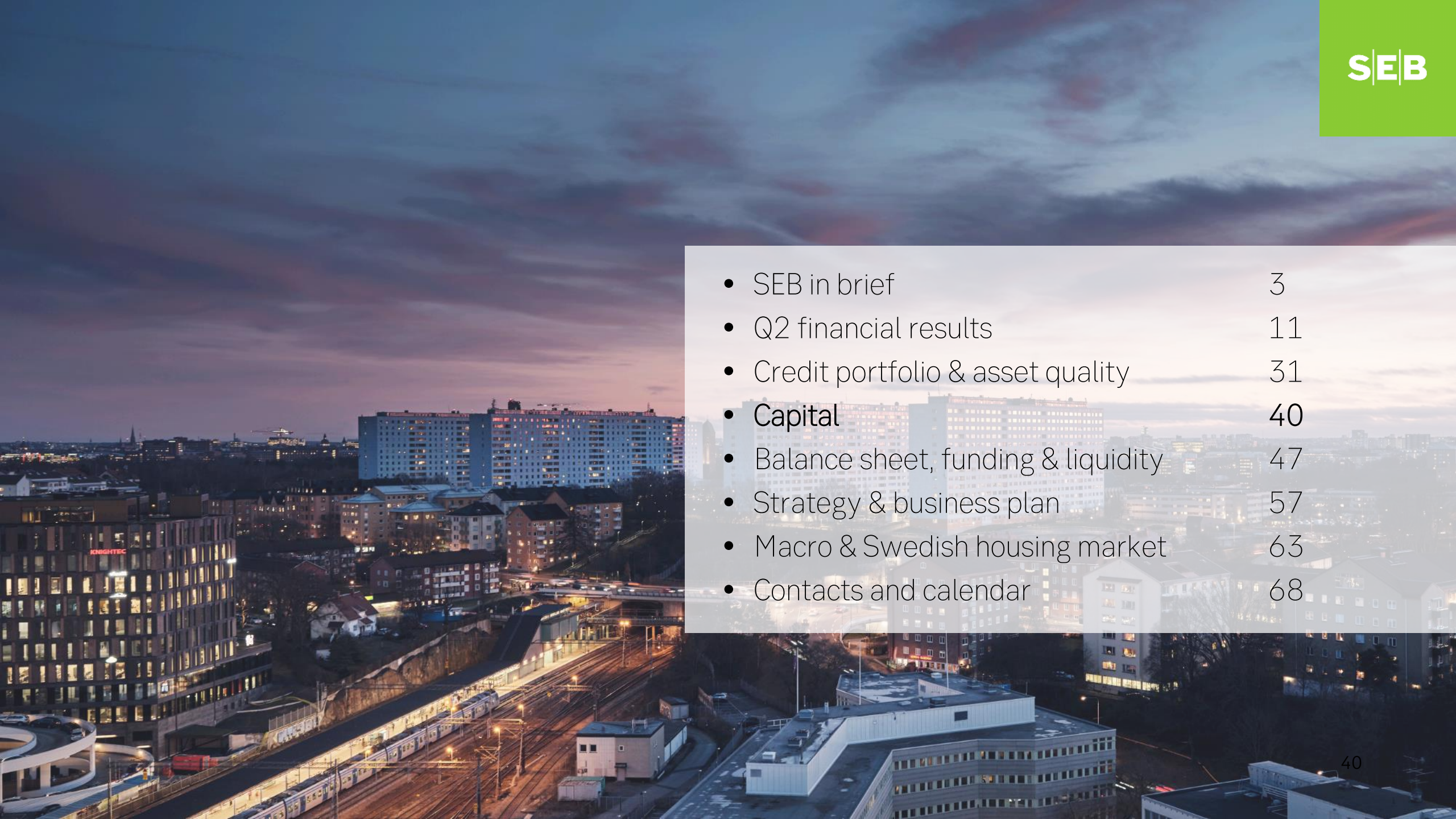
100% probability of positive scenario:  
**SEK -760m in ECL allowances (-7%)**

100% probability of negative scenario:  
**SEK +1,253m in ECL allowances (+12%)**

# Net expected credit losses by division

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018	ECLL 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019	ECLL 2019	Q1 2020	Q2 2020	ECLL H1 20
LC&FI	-46	-110	-287	-259	-702	0.07%	-322	-261	-349	-879	-1,812	0.16%	-907	-2,211	0.52%
C&PC	-87	-128	-97	-115	-427	0.05%	-71	-101	-129	-92	-393	0.04%	-519	-228	0.15%
Baltics	17	17	-44	-45	-55	0.03%	-20	-33	11	-17	-58	0.03%	-77	-260	0.36%
Other	7	0	4	7	18		-9	9	-22	-9	-31		9	17	
<b>Net ECL</b>	<b>-109</b>	<b>-221</b>	<b>-424</b>	<b>-413</b>	<b>-1,166</b>	<b>0.06%</b>	<b>-422</b>	<b>-386</b>	<b>-489</b>	<b>-997</b>	<b>-2,294</b>	<b>0.10%</b>	<b>-1,494</b>	<b>-2,691</b>	<b>0.35%</b>

Other: Life, Investment Management, German run-off operations, Eliminations



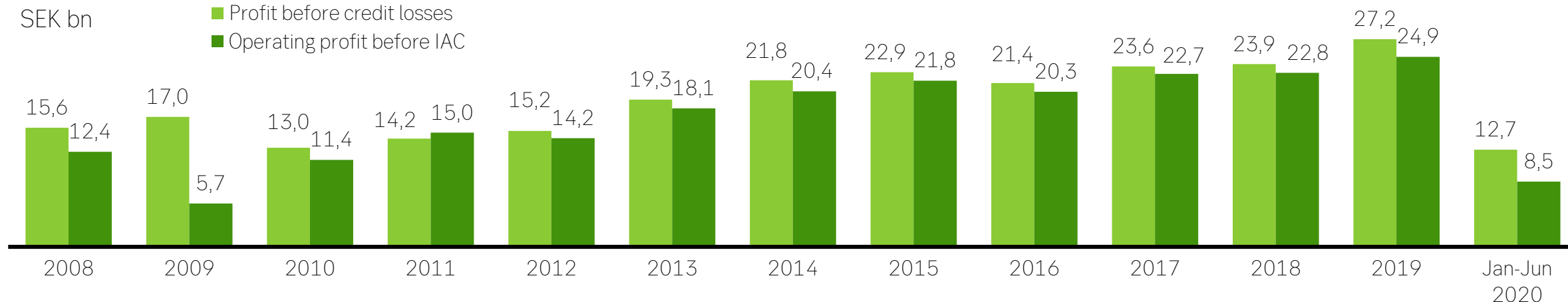
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# Sustainable strong earnings and capital generation

## Profitable throughout the financial crisis

SEK bn

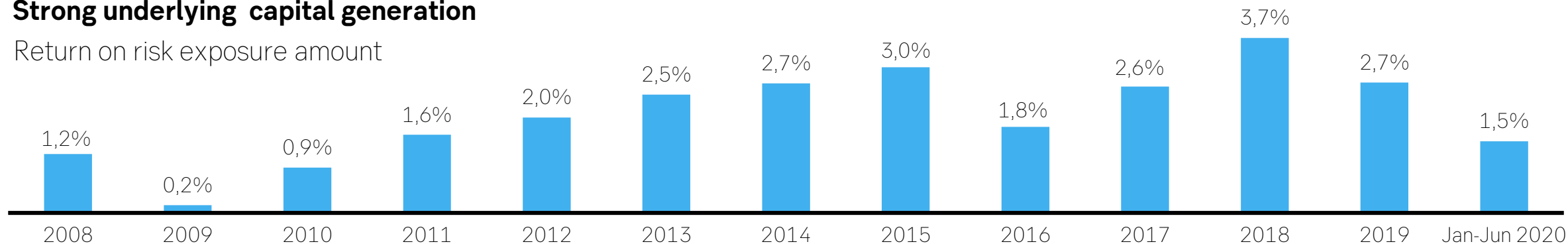
■ Profit before credit losses  
■ Operating profit before IAC



## Sustained underlying profit

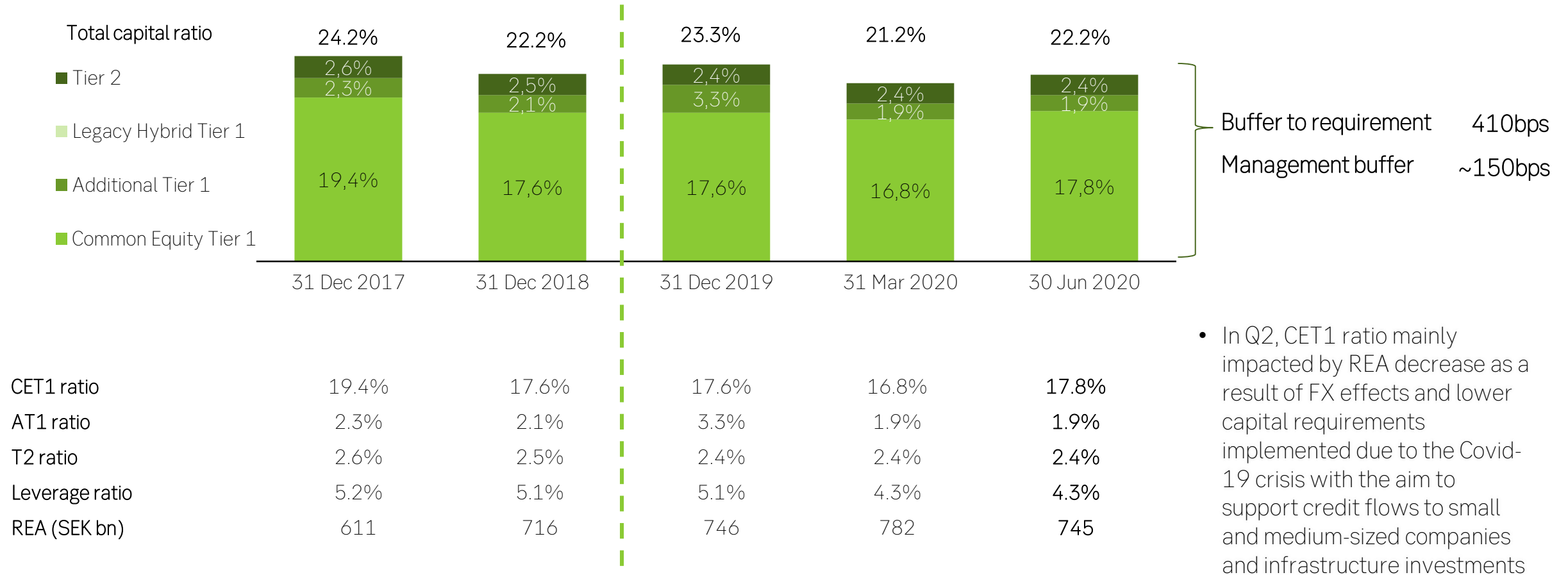
## Strong underlying capital generation

Return on risk exposure amount



# Strong capital position

## CRR/CRD IV Own Funds and Total capital ratio development



Risk weight floor for Swedish mortgages moved from Pillar 2 to Pillar 1

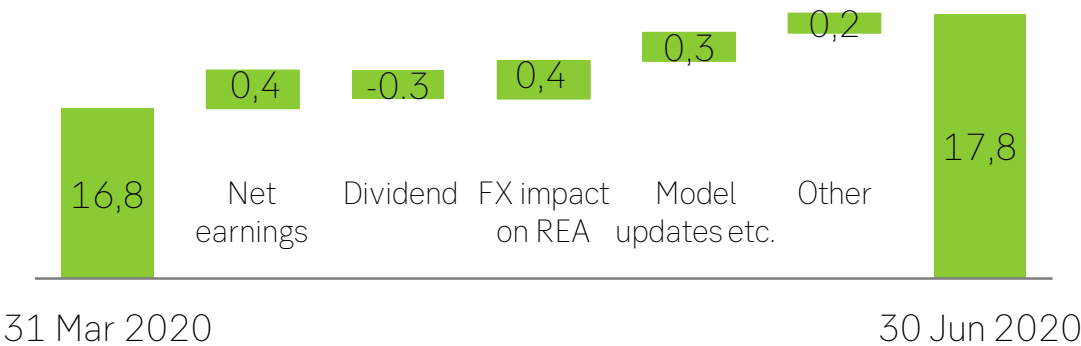
# Development of CET1 ratio and REA

SEB Group – Basel III



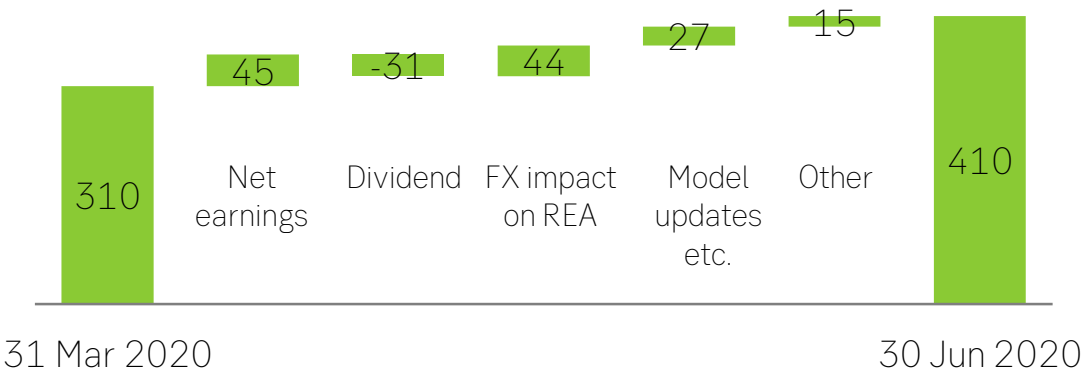
## CET1 ratio development

QoQ, %



## CET1 buffer development

QoQ, bps



## Risk exposure amount development

SEK bn

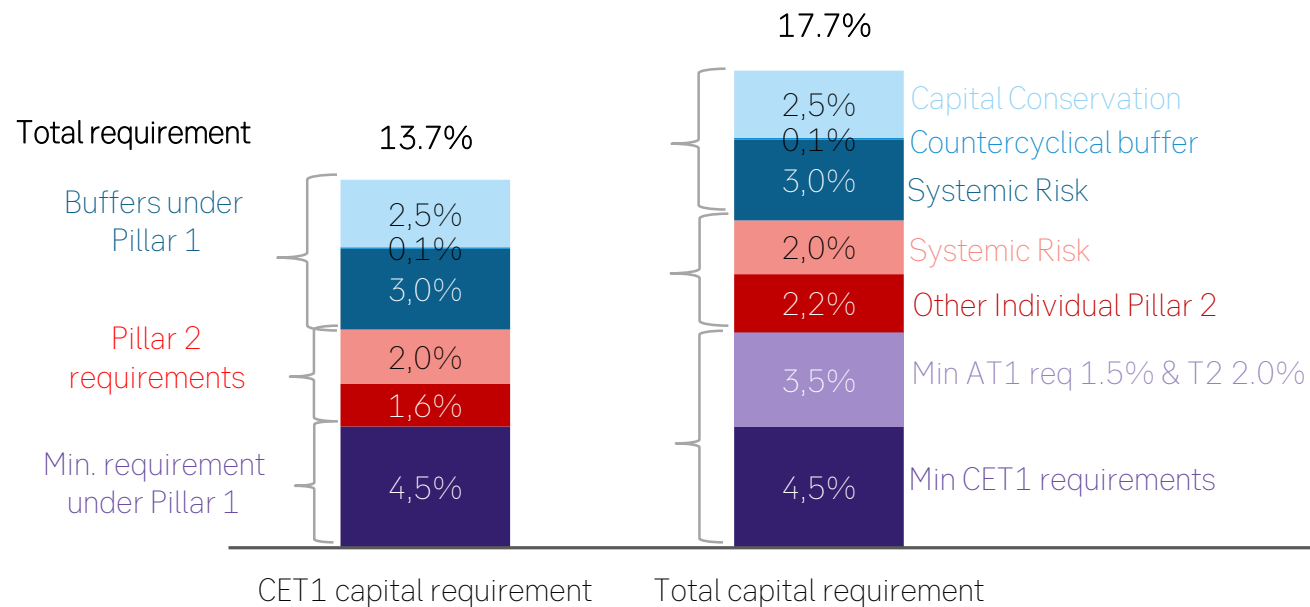


Model, methodology and policy updates includes the earlier implementation of planned capital requirement changes in CRR, made in light of the Covid-19 crisis with the aim to support credit flows to small and medium-sized companies and infrastructure investments

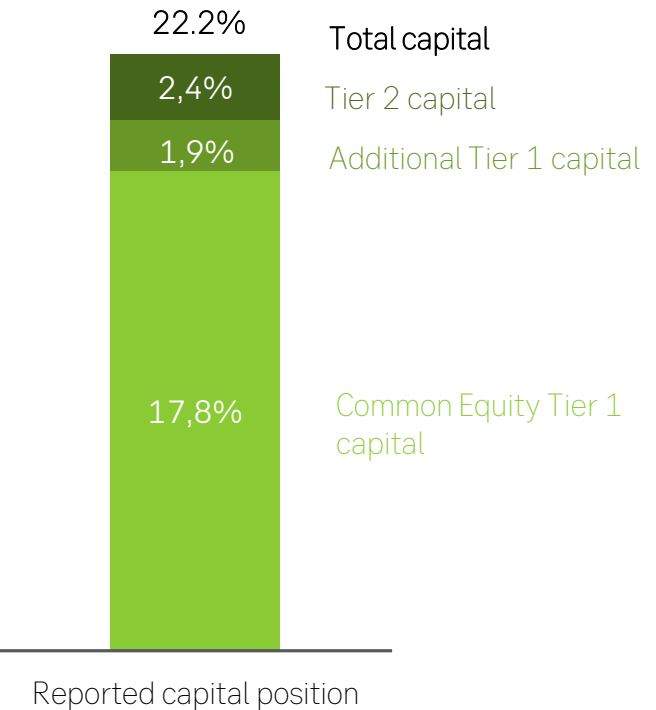
# SEB's capital adequacy well above the SFSA's risk-sensitive and high requirements

## Composition of SEB's CET 1 and total capital ratio requirements

30 Jun 2020



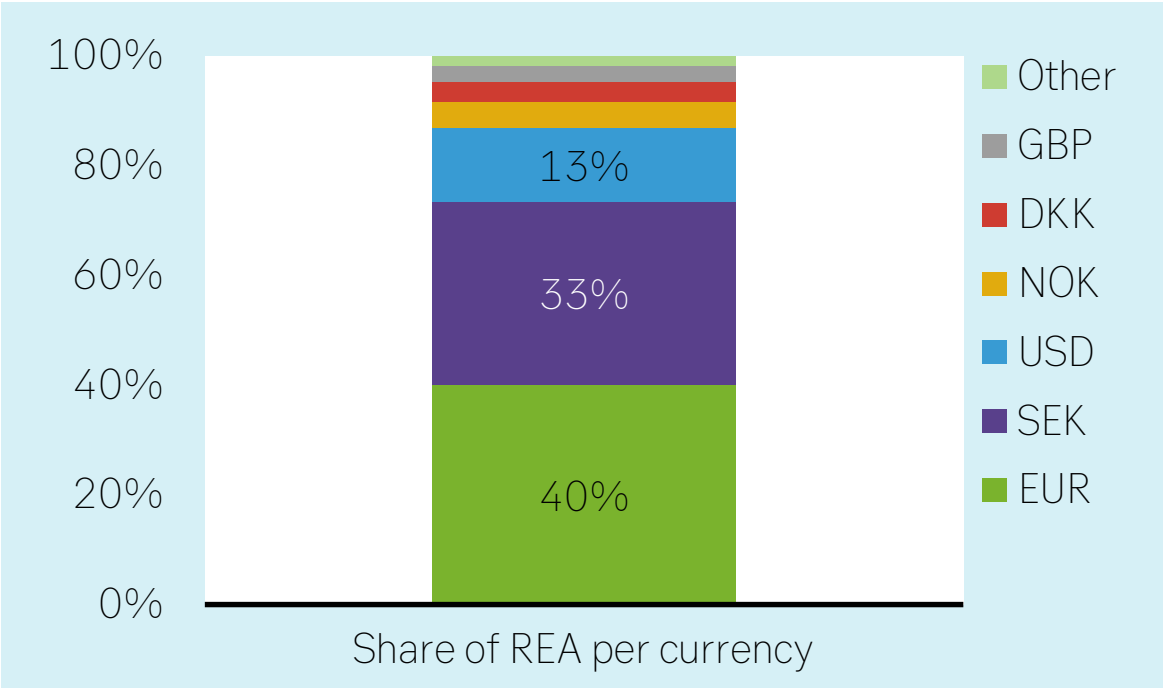
## SEB's reported CET 1 ratio and total capital ratio composition



# Reasons for management buffer of c. 150bps

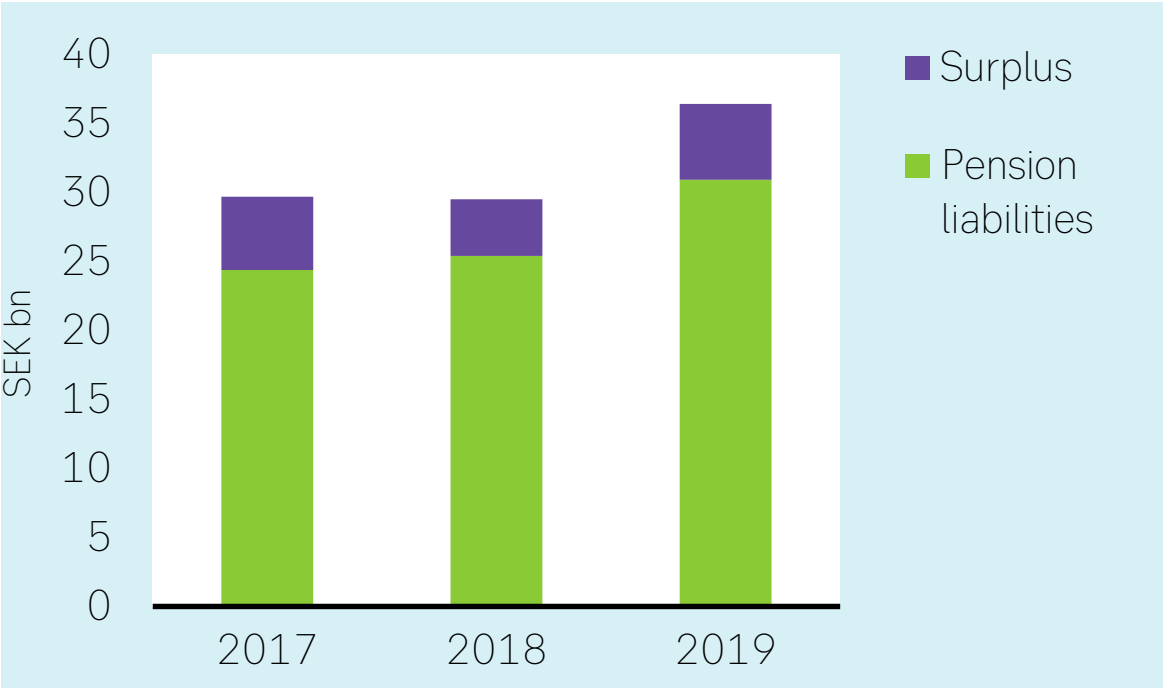


Sensitivity to currency fluctuations



±5% SEK  
impact 40bps CET1 ratio

Sensitivity to surplus of Swedish pensions



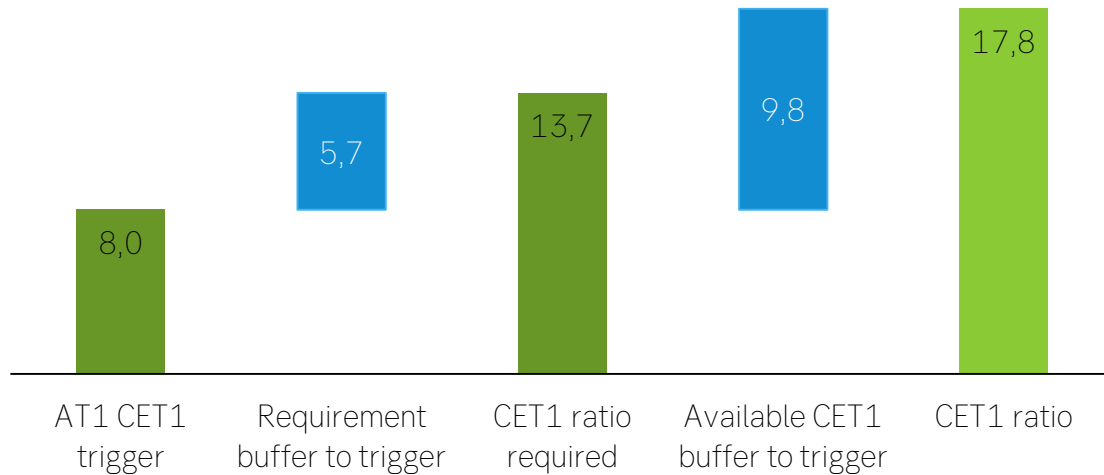
-50 bps discount rate  
impact -50bps CET1 ratio

...& general macroeconomic uncertainties

# SEB retains strong buffers to trigger levels and MDA threshold

## SEB Group's buffer to trigger

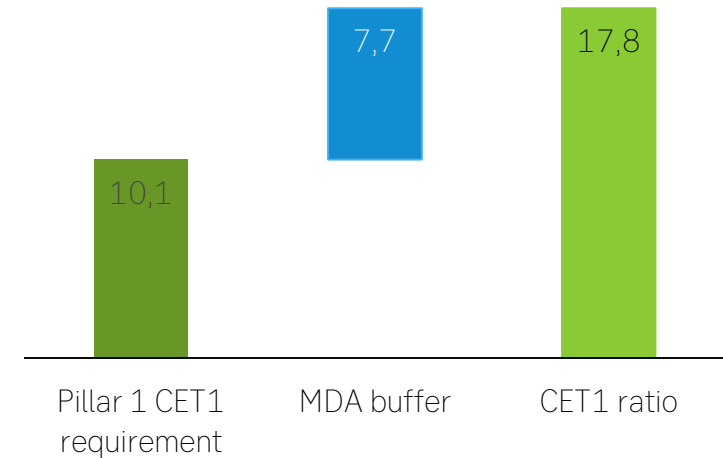
30 Jun 2020, %



- SEB's AT1 transactions have a dual trigger structure, implying a trigger event in the case that Group CET1 ratio falls below 8.0% or Bank CET1 ratio falls below 5.125%
- As of 30 June 2020, SEB retains a strong buffer to both triggers:
  - Buffer to Group 8.0% Trigger: 9.8%
  - Buffer to Bank 5.125% Trigger: 11.9%
- SEB's capital target is to have a management buffer of around 150bps above regulatory requirements

## Coupon risk: SEB's buffer to MDA

30 Jun 2020, %



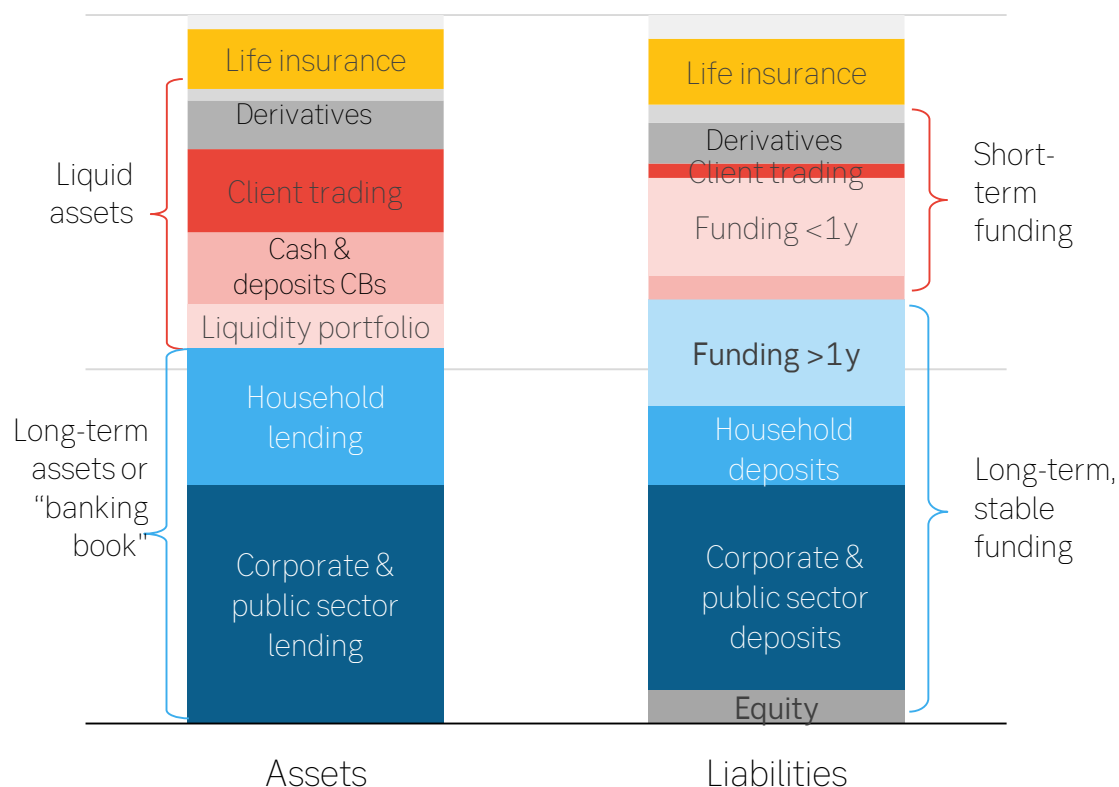
- The Swedish FSA does not normally intend to make a formal decision under Pillar 2 : *"Insofar as a formal decision has not been made, the capital requirement under Pillar 2 does not affect the level at which automatic restrictions on distributions linked to the combined buffer requirement come into effect"*
- In addition, SEB has a significant amount of Available Distributable Items (SEK 88.3bn as of 30 June 2020) to cover coupon payments

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# Stable deposit base and structural funding position

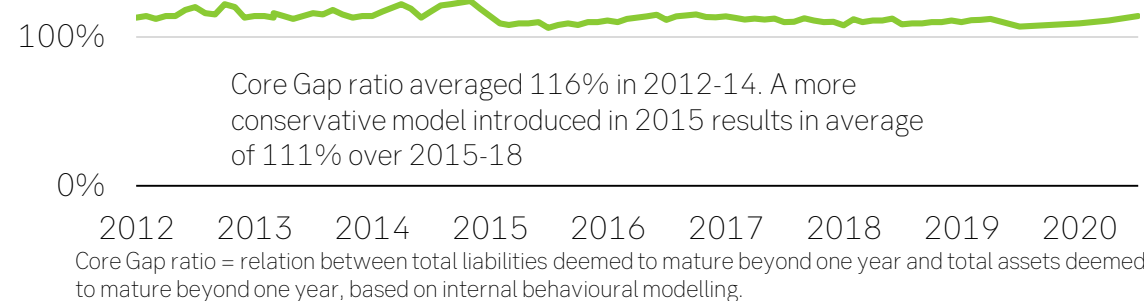
## Strong balance sheet structure with deposits as primary source of funding 30 Jun 2020

SEK 3,218bn

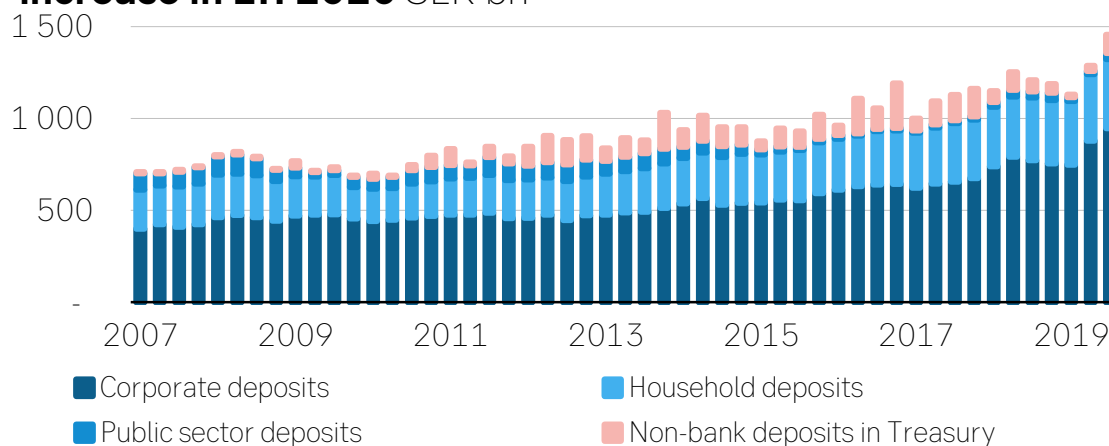


## Stable structural funding position

Core Gap Ratio – SEB's internal NSFR-like measure



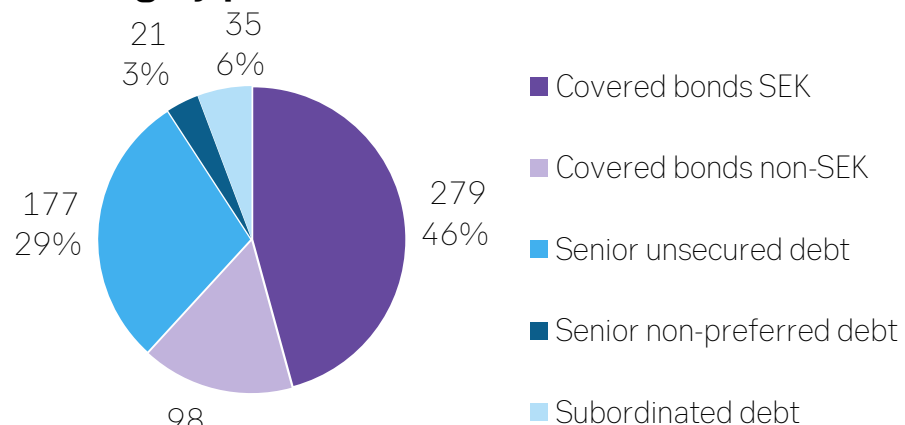
## Long-term stable development of deposits - strong increase in 1H 2020 SEK bn



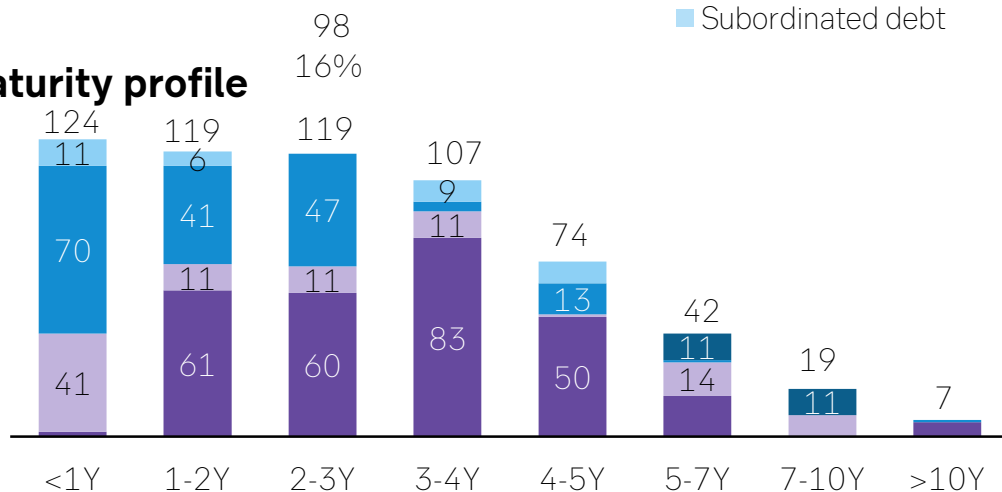
# Well-balanced long-term funding profile and solid credit rating

## Wholesale funding by product

SEK 610bn  
equivalent<sup>1</sup>



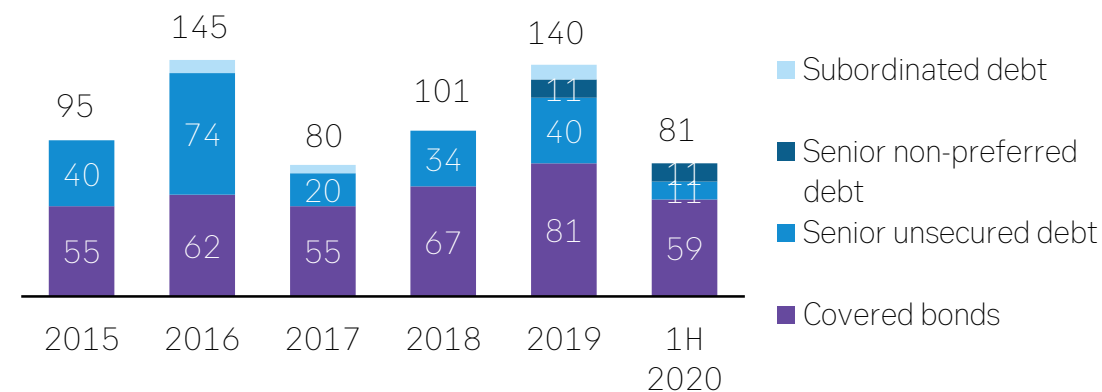
## Maturity profile



## SEB's credit rating

Rating Institute	Short term	"Stand-alone rating"	Long term	Uplift	Outlook
S&P	A-1	a	A+	1	Stable
Moody's	P-1	a3	Aa2	4	Stable
Fitch	F1+	aa-	AA-	0	Watch Neg

## Issuance history



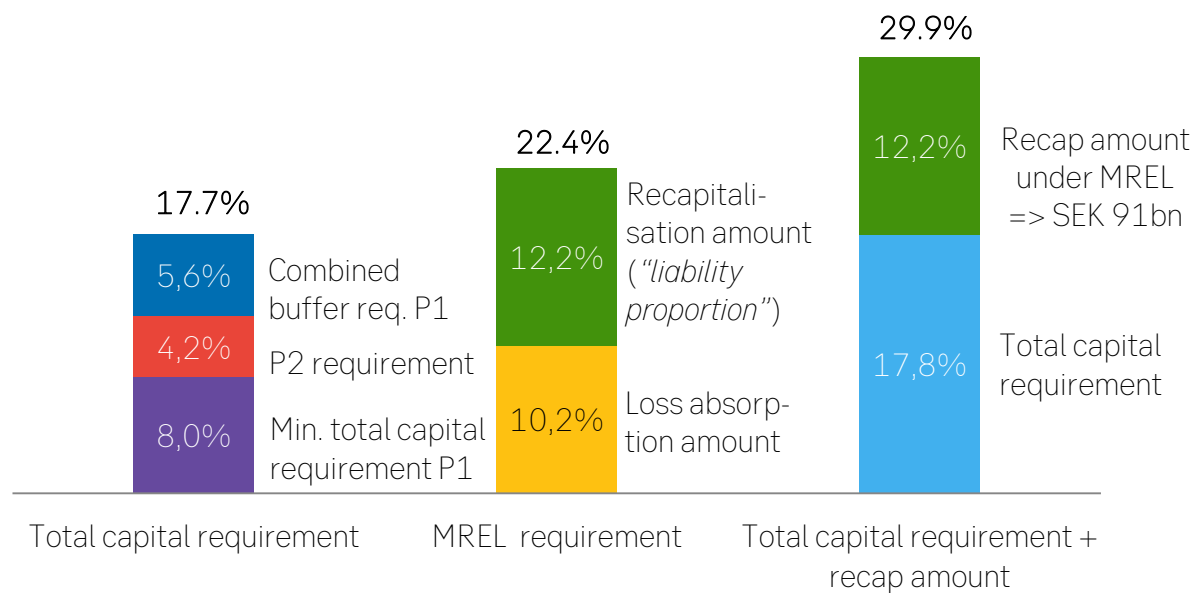
<sup>1</sup> Excluding participation in lending facilities from Riksbanken during Q1 2020. Excluding public covered bonds.

<sup>2</sup> Tier 2 and Additional Tier 1 issues assumed to be called at first call date.

# MREL requirement

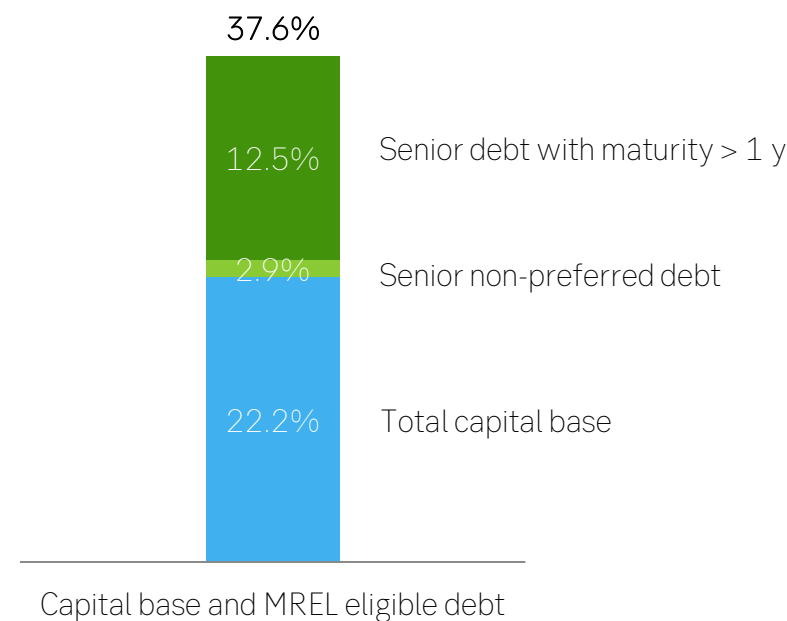
## SEB's Total capital and MREL requirements

30 Jun 2020, % of REA



## SEB's capital base and outstanding senior debt with maturity > 1 year

30 Jun 2020, % of REA

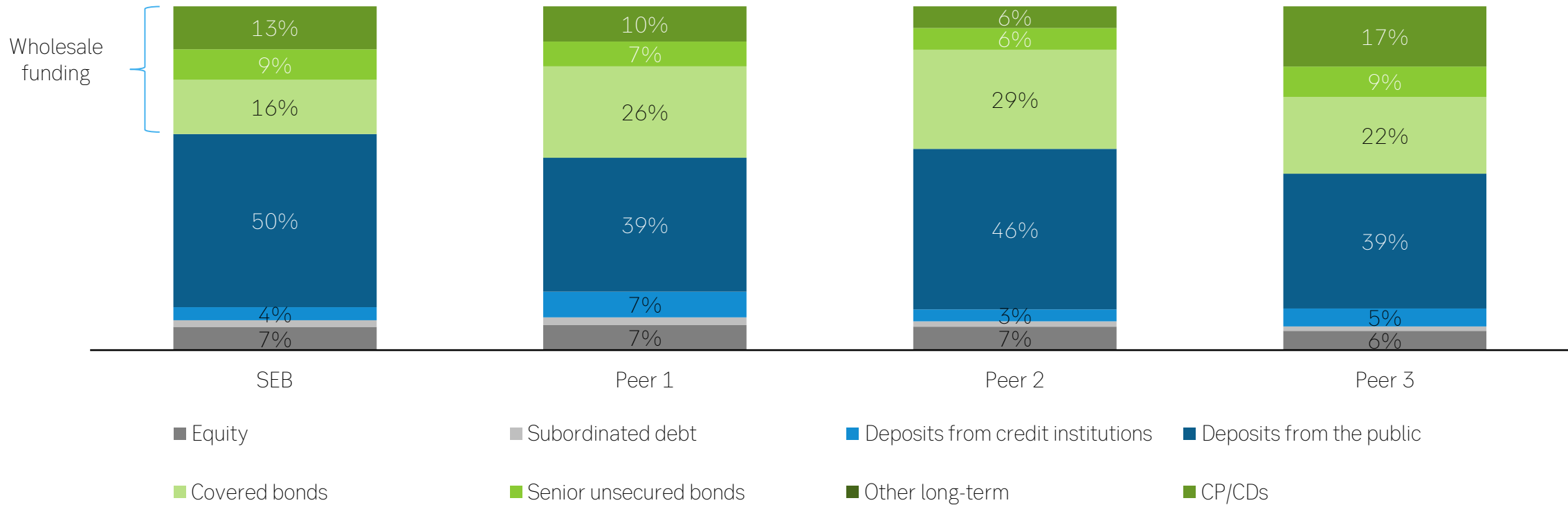


- Recapitalisation amount of SEK 91bn based on the applicable capital requirement at 30 June 2020
- SEB has issued SEK 22bn equivalent of senior non-preferred debt to date

# Strong funding structure with low wholesale funding dependence compared to peers

## Benchmarking Swedish banks' total funding sources incl. equity

Balances as of 31 Dec 2019



# Profile of outstanding covered bonds

30 Jun 2020

Total outstanding covered bonds (SEK bn)

362

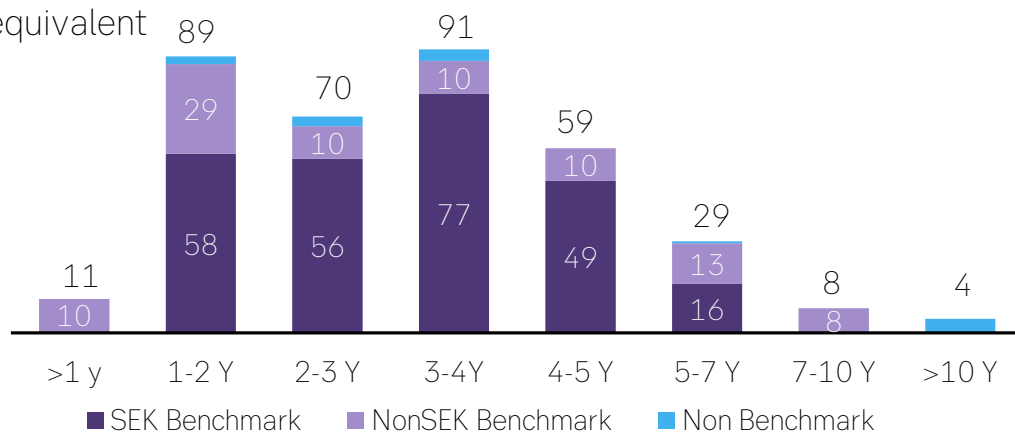
Rating by Moody's

Aaa

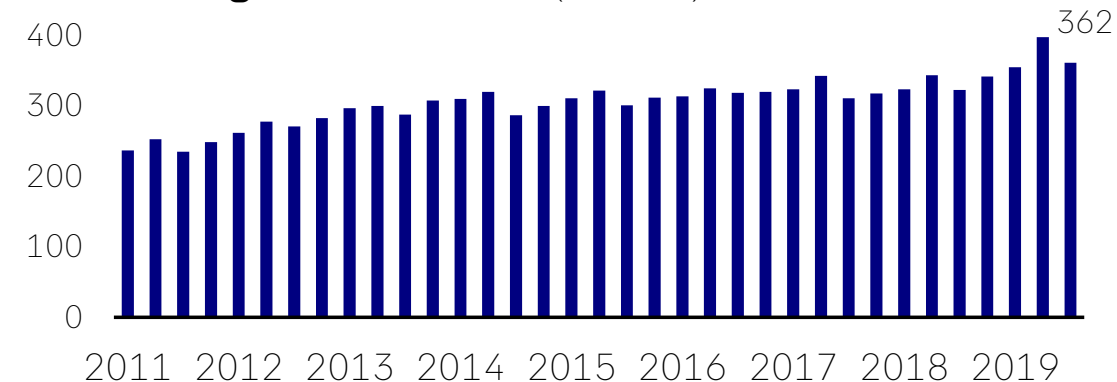
Benchmark issues

96%

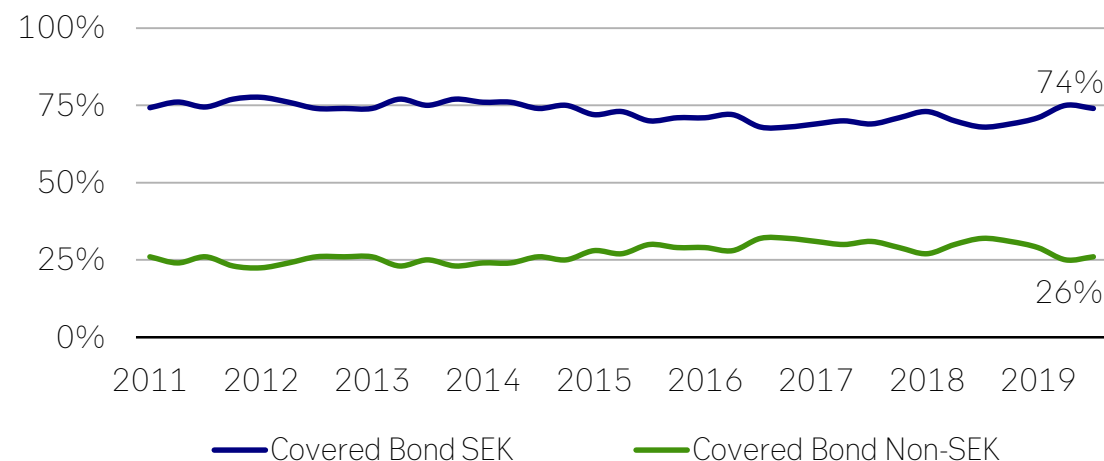
## Maturity profile

SEK bn  
equivalent

## Outstanding covered bonds (SEK bn)



## Currency mix



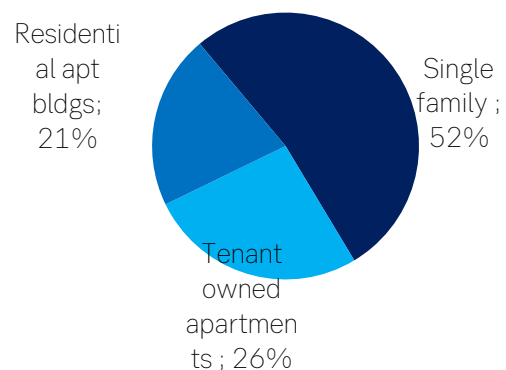
# Only Swedish residential mortgages in SEB's cover pool

Cover pool	30 Jun 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016
Total residential mortgage assets (SEK bn)	633	613	501	525	510
Weighted average LTV (property level)	52%	51%	53%	51%	50%
Number of loans ('000)	743	737	713	717	711
Number of borrowers ('000)	429	428	418	423	424
Weighted average loan balance (SEK '000)	852	831	702	732	718
Substitute assets (SEK '000)	0	0	0	0	0
Loans past due 60 days (bps)	4	5	1	5	4
Net Expected Credit Losses (bps)	0	0	0	0	0
Overcollateralisation level	75%	73%	55%	62%	63%

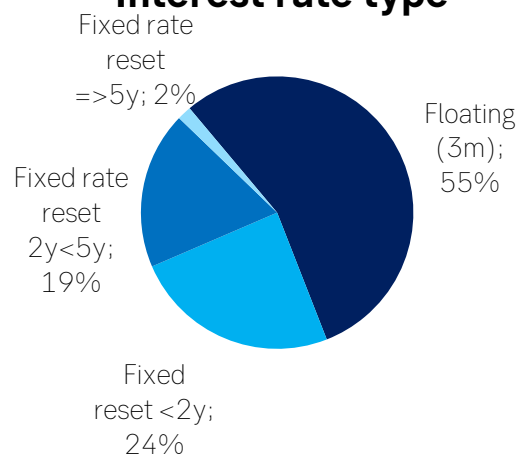
- Only Swedish residential mortgages, which historically have had very low credit losses
- More concentrated towards single family homes and tenant-owned apartments, which generally have somewhat higher LTVs
- On parent bank SEB AB's balance sheet contrary to major Swedish peers
  - All eligible Swedish residential mortgages are directly booked in the cover pool on origination, i.e. no cherry picking
  - Covered bonds are issued by SEB AB 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 over-collateralisation level

# SEB's mortgages mainly in three largest and fastest growing city areas

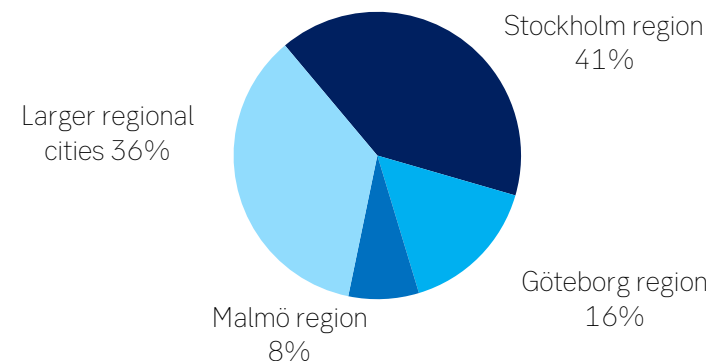
## Type of loans



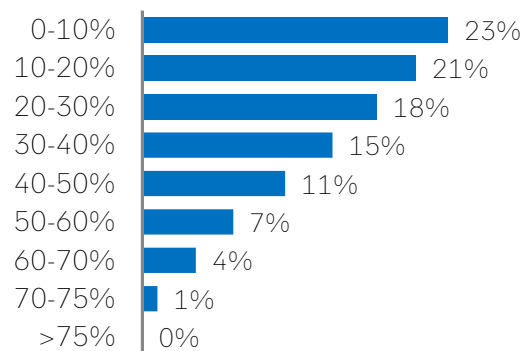
## Interest rate type



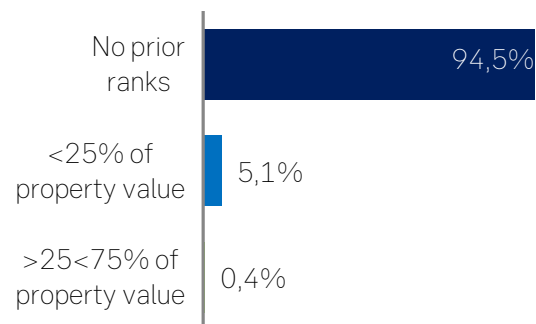
## Geographical distribution



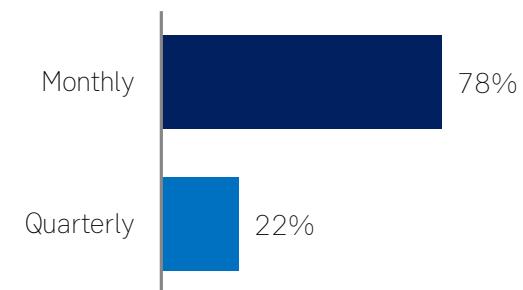
## LTV distribution by volume in % of cover pool



## Prior ranking loans

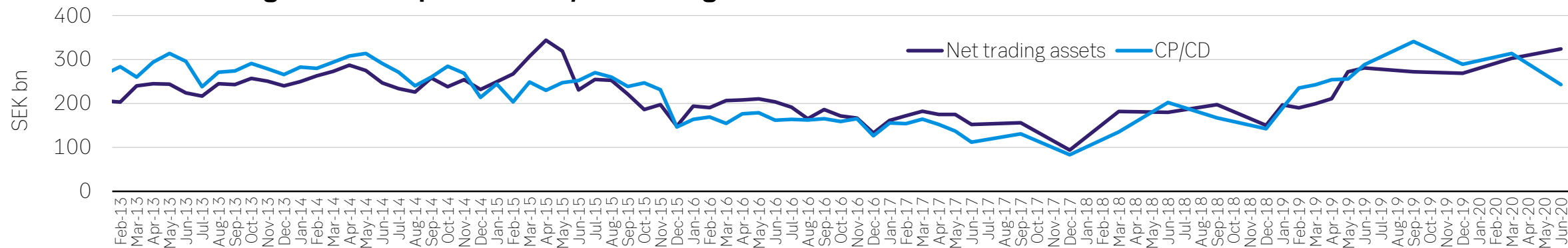


## Interest payment frequency

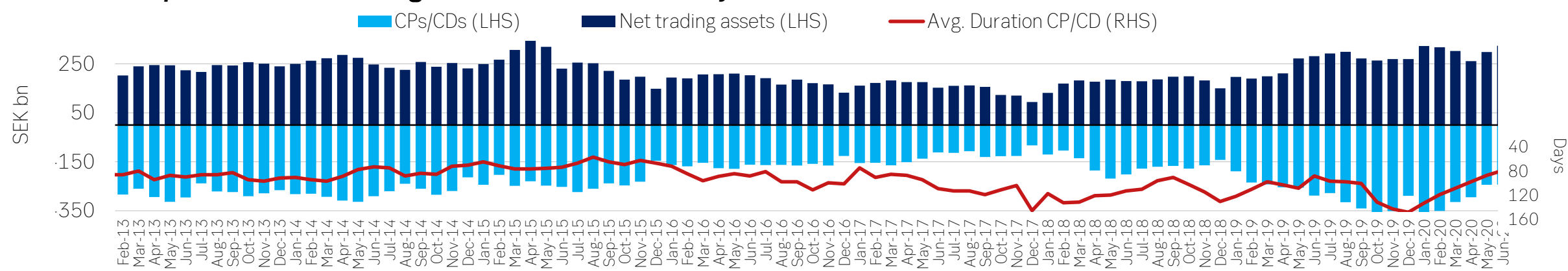


# Short-term CP/CD funding to support client facilitation business

## Volumes: Net trading assets adaptable to CP/CD funding access



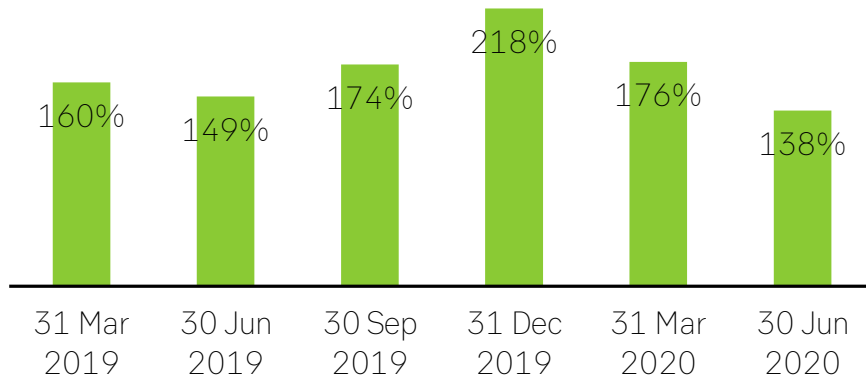
## Duration: CP/CDs fund net trading assets with considerably shorter duration



Note: Net Trading Assets = Net of repoable bonds, equities and repos for client facilitation purposes

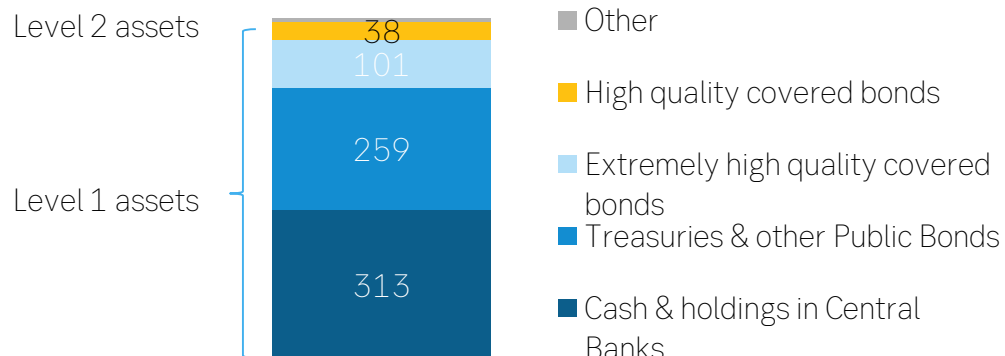
# Strong liquidity and maturing funding position

## Liquidity Coverage Ratio



## Liquid Assets

30 Jun 2020, SEK 717bn

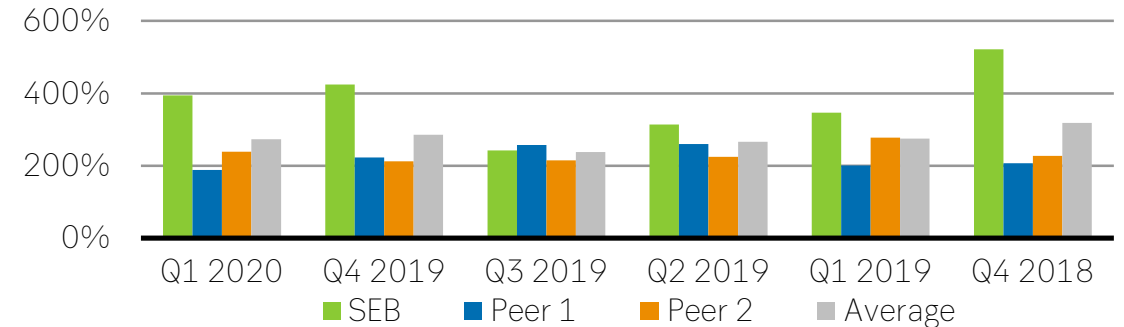


Note: Liquid Assets in accordance with Liquidity Coverage Ratio in CRR. Liquid assets defined as on balance sheet cash and balances with central banks + securities (bonds and equities) net of short positions

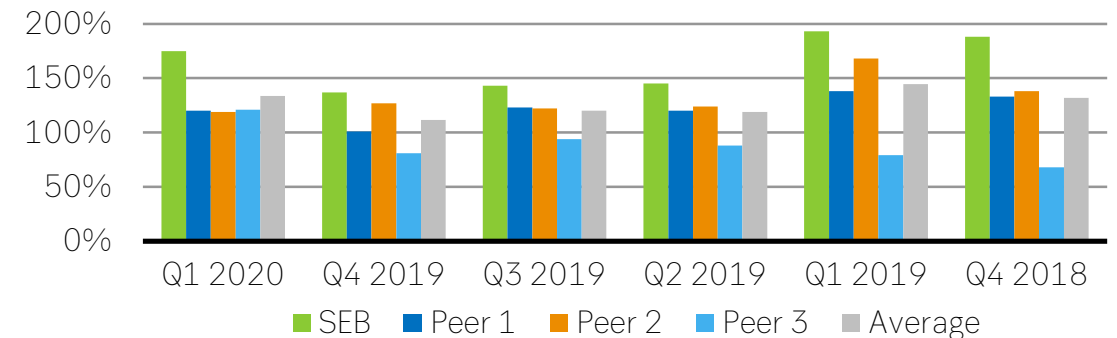
## Maturing Funding ratio, 3m and 12m

Peer benchmarking

### Development 3m funding ratio

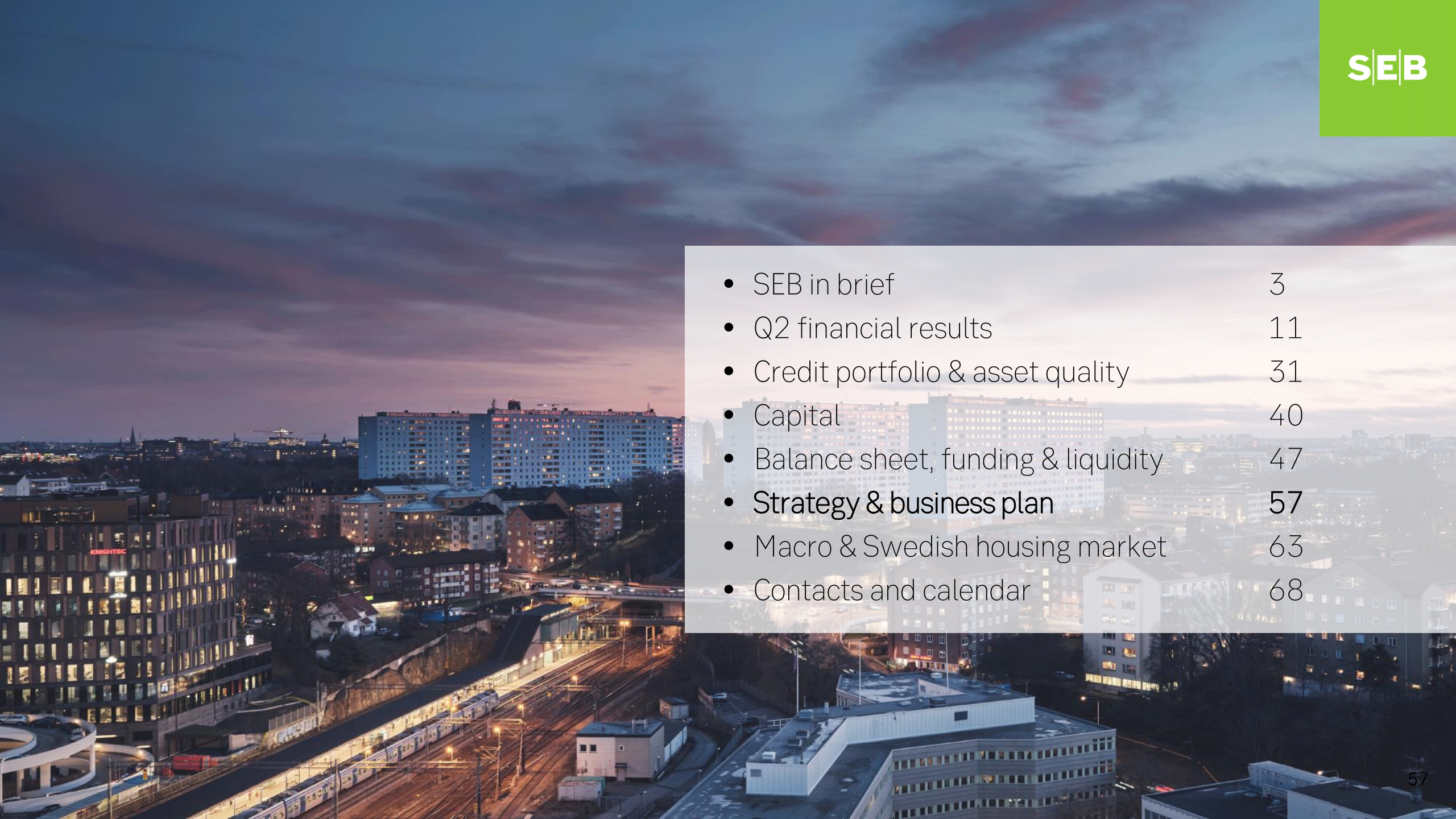


### Development 12m funding ratio



Definition: Liquid Assets / (Maturing Wholesale Funding within 3/12m + Net interbank borrowing within 3/12m)

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



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# Our strategic focus areas for world-class service



## Operational excellence

Efficiency & speed, including swift transaction execution, through technology & data



## Advisory leadership

Value-enhancing advisory based on human & digital interaction



## Extended presence

Part of digital ecosystems & sharpened offering through integration of external products & data

# Progress in line with business plan 2019-2021

STRATEGIC INITIATIVES	SELECTION OF DELIVERIES 2019	INVESTMENTS 2019
Critical enablers	<ul style="list-style-type: none"> <li>Automation, agile and centres of excellence</li> <li>Launch of SEB Campus, digital learning platform</li> <li>Sustainable solutions and classification of portfolios</li> <li>Enhanced capabilities to combat financial crime</li> </ul>	SEK 121m
Advisory	<ul style="list-style-type: none"> <li>Establishment of dedicated energy client team</li> <li>Launch of SEB Singular</li> <li>Development of Private Banking offering including digital tools</li> </ul>	SEK 85m
Assets entrusted to us	<ul style="list-style-type: none"> <li>Custody business benefitting from infrastructure</li> <li>Strengthened institutional distribution outside Sweden</li> <li>Continued focus on bancassurance</li> </ul>	SEK 43m
Ecosystem	<ul style="list-style-type: none"> <li>Integration with a growing number of ERP systems</li> <li>Development of API-driven architecture</li> <li>Strategic partnerships established</li> </ul>	SEK 122m
Digital explorer (SEBx)	<ul style="list-style-type: none"> <li>Agreement with cloud provider</li> <li>Launch of closed beta</li> <li>Knowledge exchange with SEB Group</li> </ul>	SEK 79m

TOTAL INVESTMENTS  
STRATEGIC INITIATIVES

450  
SEK m

# Our ambition by division



The undisputed leading  
Nordic corporate & institutional bank

## Large Corporates & Financial Institutions

- Nordic, German & UK corporates
- Leverage Markets' business
- Advisory within Corporate & Investment Banking

## Corporate & Private Customers

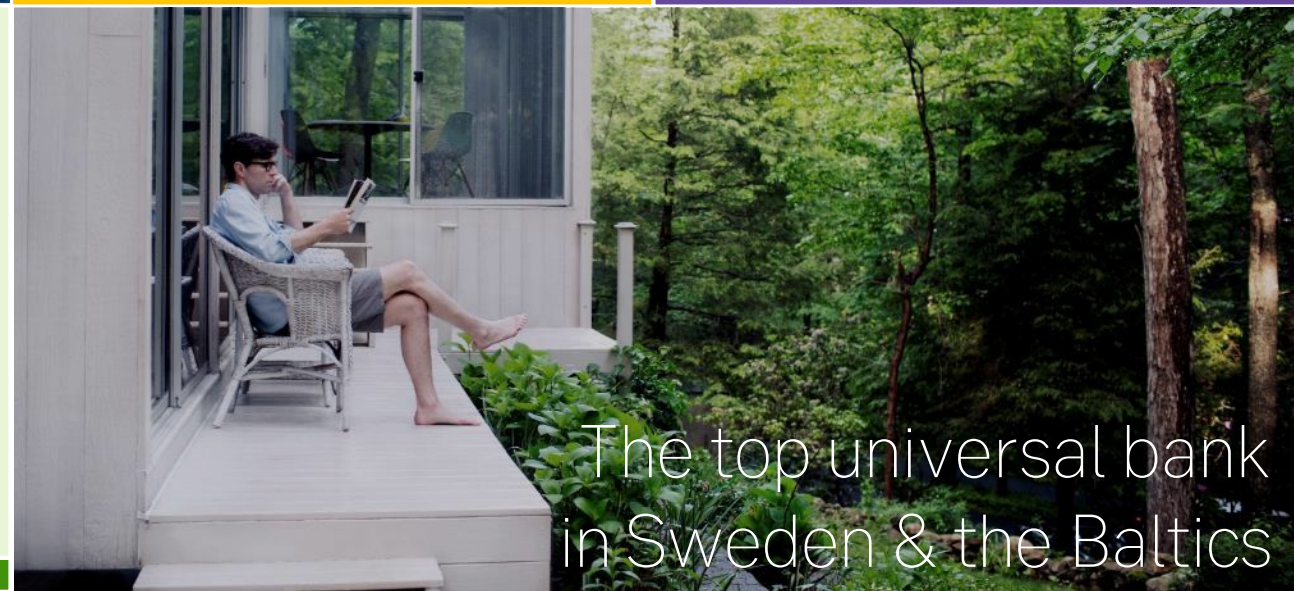
- Attract SME customers
- Expand Private Banking
- Improve mortgages & savings

## Life & Investment Management

- Strengthen Investment Management capabilities
- Accelerate Bancassurance
- Re-model Life

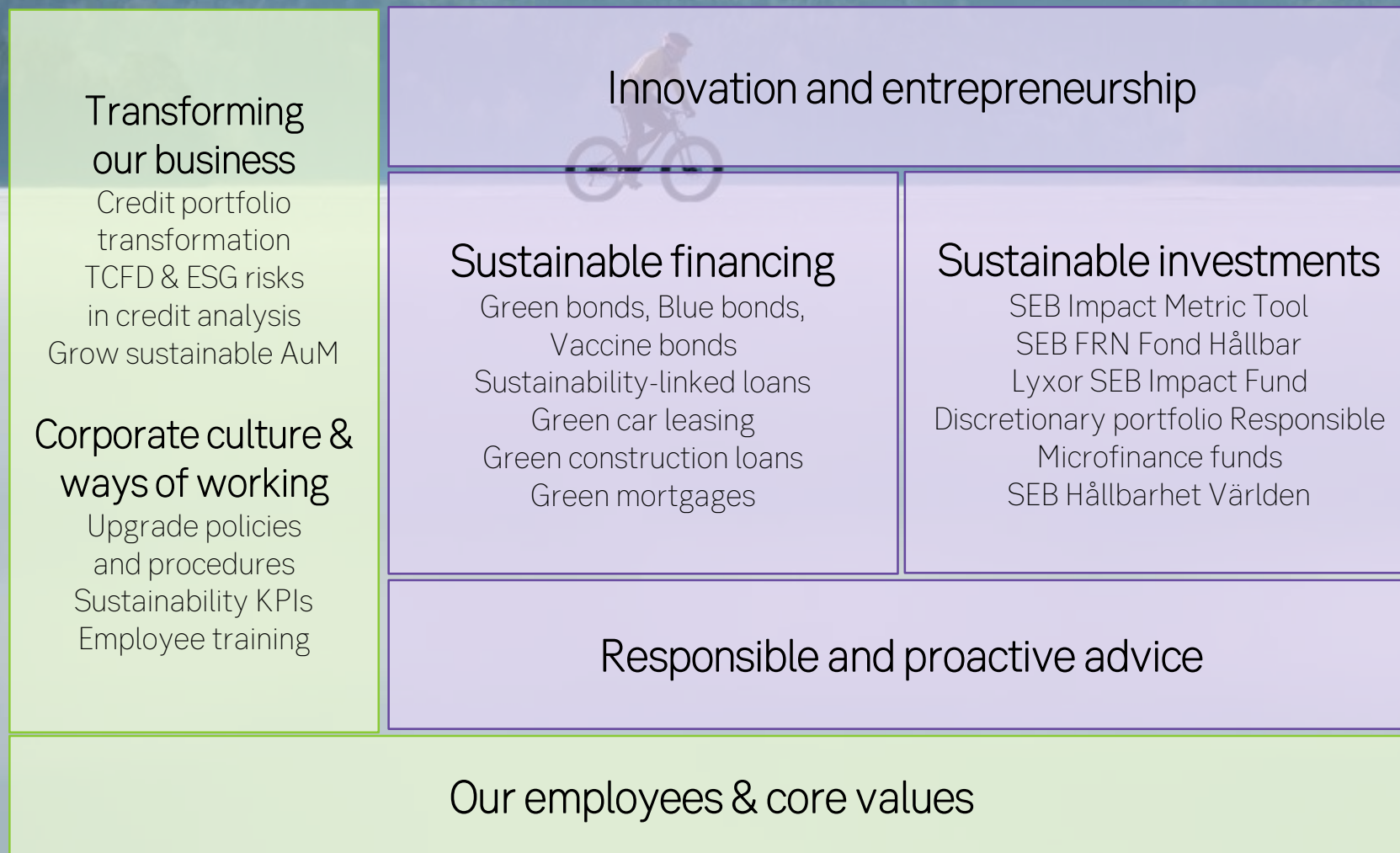
## Baltic

- Balanced growth in private & corporate segment
- Digital sales
- Completion of core IT program



The top universal bank  
in Sweden & the Baltics

# Contributing to a sustainable world



Prioritised UN Sustainable Development Goals:



UNEP  
FINANCE  
INITIATIVE

PRINCIPLES FOR  
RESPONSIBLE  
BANKING

$\geq 40\%$   
dividend **payout**  
**ratio** of EPS

$\sim 150\text{bps}$   
**CET1 ratio**  
above requirement

**RoE**  
competitive  
with peers

---

15% RoE long-term aspiration

SEB



Our  
financial targets  
remain

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# Announced regulatory, monetary & fiscal measures in Sweden following Covid-19

## The Riksbank – monetary measures

- **SEK 500bn targeting loans** to non-financial corporations via the banks. 2y loans where the rate on the loans to the bank is the repo rate (now 0%) provided that banks increase lending to non-financial corporations by 1/5 of the borrowed amounts.
- **SEK 300bn in asset purchases** (6% of GDP) including government, covered, municipal and corporate bonds. Distribution between bonds has so far not been announced.
- **Reduced lending rate** for overnight loans to banks from 0.75ppt to 0.20ppt above the repo rate.
- **Weekly unlimited 3mth loans** to banks against collateral at a rate of 0.2ppt above the repo rate.
- **Loans in US dollars** against collateral through swap facility agreement with the Fed of USD 60 billion.
- **Relaxed rules for lending from the Riksbank**—100% collateral in covered bonds (initially raised from 60% to 80% on 16 March), 100% from an individual issuer (earlier 50%) which can be issued by the counterparty or an institution with close links to the counterparty.

## Government - broad package to support small businesses

- **Shorter working hours/temporary lay-offs.** Gvmt subsidy that reduces wage cost for companies by approx. 70% while the employer keeps roughly 90% of the wage. Est. cost SEK 33bn for 180k users (127bn for 700k users).
- **Increased general government grants to municipalities and regions.** SEK 20bn
- **Increased funds to compensate municipalities and regions** for extraordinary costs (SEK 5bn).
- **Paying for employees on sick leave.** Gvmt takes over cost for first 2 weeks sick leave (that companies usually pay for) and temporarily remove 1st sick-day deduction (employees in the standard system get no remuneration for the 1st sick-day). Apply until 31 July. Cost estimated to SEK 16bn
- **Temporary lower employer contributions** between 1 March-30 June. Cost SEK 33bn.
- **Temporary rent reduction** for companies in sectors hard hit by the crises. Landlord will be reimbursed by the government for up to 50% of the rent reduction. April 1- June 30. Cost SEK 5bn.
- **Delayed tax-payments for companies.** Companies can delay 3m worth of tax payments to the government (regular taxes, preliminary taxes on wages, employer contributions). Gvmt estimated amount up to SEK 315bn
- **Credit guarantees.** Airlines (SEK 5bn), expanded guarantees for Swedish Export Credit Ciro from SEK 125bn to 200bn and capital contribution of SEK 3bn to Almi to support SME lending.

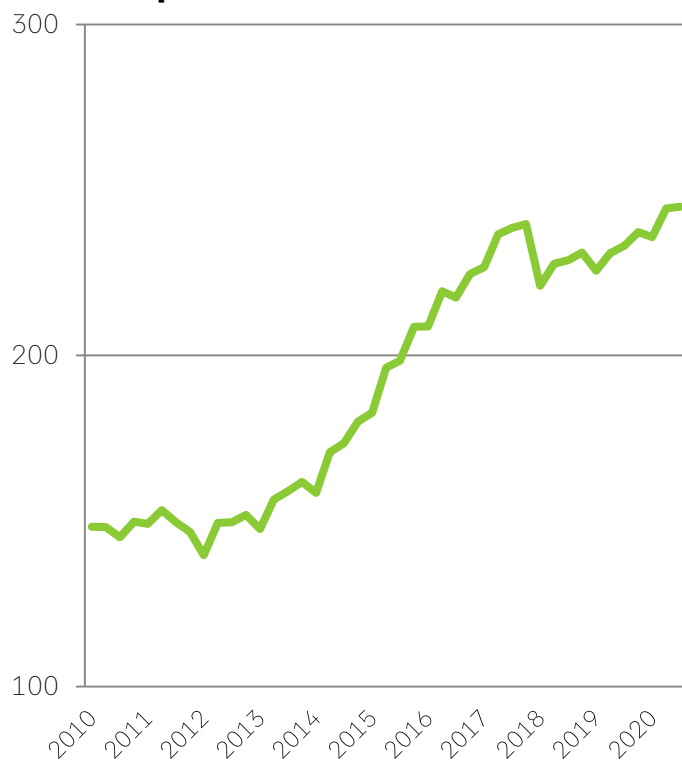
- **Postponed profit tax from 2019.** (SEK 13bn)
- **Additional possibilities to postpone tax payments (VAT)** to improve companies' liquidity. (Total amount SEK 7bn)
- **Loan guarantees.** A government support fund will be set up to guarantee 70% of new bank loans (the banks takes on 30% of the risk) up to SEK 75mn for companies under pressure from the corona crises (exemptions can be made to the ceiling amount). A risk-based fee will be added. No interest payments in year 1. Total loans: Up to SEK 100bn.
- **Temporarily increased unemployment benefits in 2020.** Required employment time to get access to unemployment benefits is lowered to 3 months from 12 months. The levels in the unemployment benefits are raised by approximately 30-35%.. (SEK 6bn)
- **Education measures for unemployed in 2020 and 2021** (SEK 6bn)
- **Direct support to companies with large drop in turnover** (SEK 39bn)

## FSA – regulatory measures to support lending

- **Banks' countercyclical capital buffer** lowered to 0% from 2.5%.
- **Temporary relief from LCR requirements** for individual currencies and total currencies
- **Recommendation to banks to temporarily waive amortisation requirements** on household mortgages

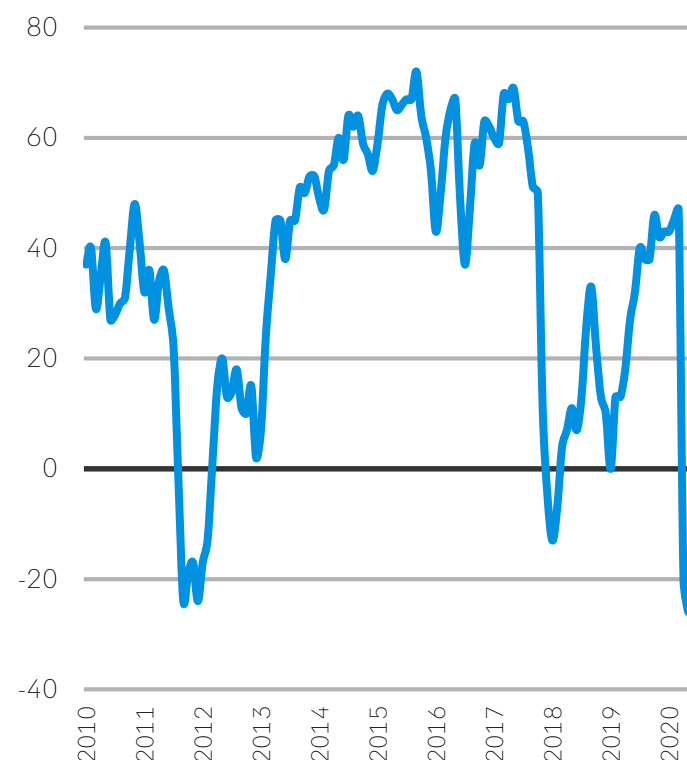
# Market sentiment quickly recovered and prices remain stable

## Swedish housing price development



Source: Valueguard, HOX index, 17 June 2020

## Swedish housing market sentiment



Source: SEB's Housing Price Indicator, July 2020

## Valueguard – housing prices

June 2020, %	Single family homes		Apartments	
Area	3m	12m	3m	12m
Sweden	+1.7	+6.0	-3.4	+2.1
Stockholm	+0.1	+5.6	-4.6	+2.1
Gothenburg	+0.0	+3.5	-3.1	+0.5
Malmö	+2.4	+6.0	-3.0	+3.0
HOX Sweden: 3m -0.3%, 12m +4.5%				

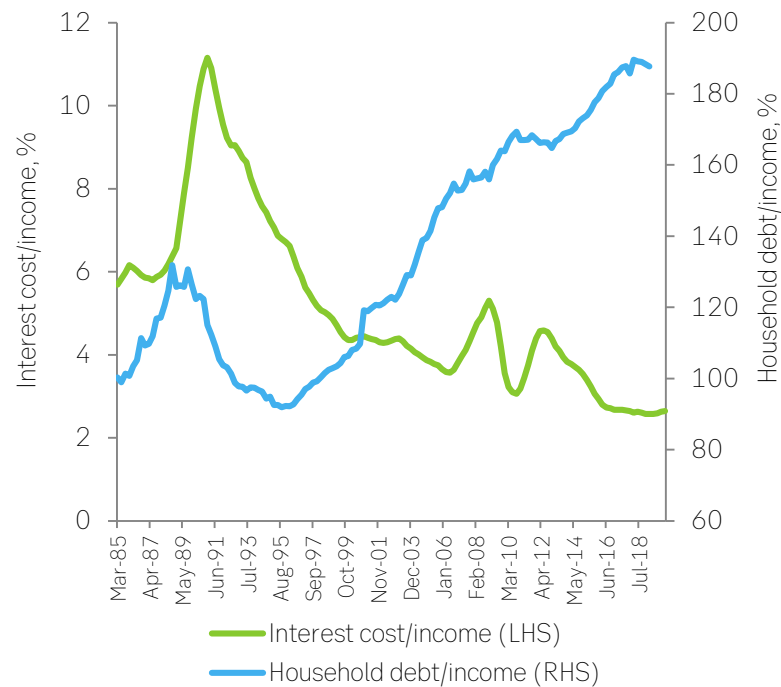
## Svensk Mäklarstatistik – housing prices

June 2020, %	Single family homes		Apartments	
Area	3m	12m	3m	12m
Sweden	+4	+5	-3	+2
Central Stockholm			-4	+4
Greater Stockholm	+1	+4	-5	+2
Greater Gothenburg	+3	+5	-1	+4
Greater Malmö	+3	+7	-4	+1

# Households financially sound going into the crisis

## Interest payments low in relation to household debt

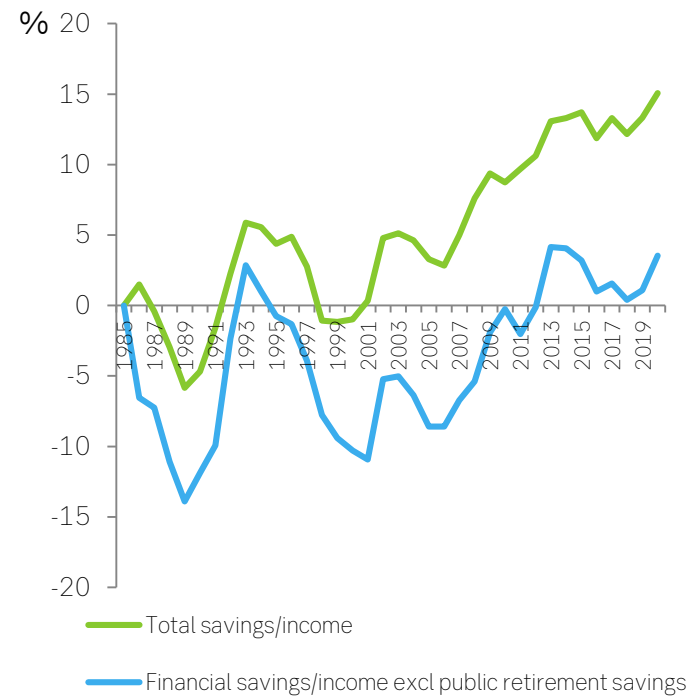
Households' interest costs and debt as % of disposable income



Source: SCB, Riksbanken

## Strong household balance sheets with high savings

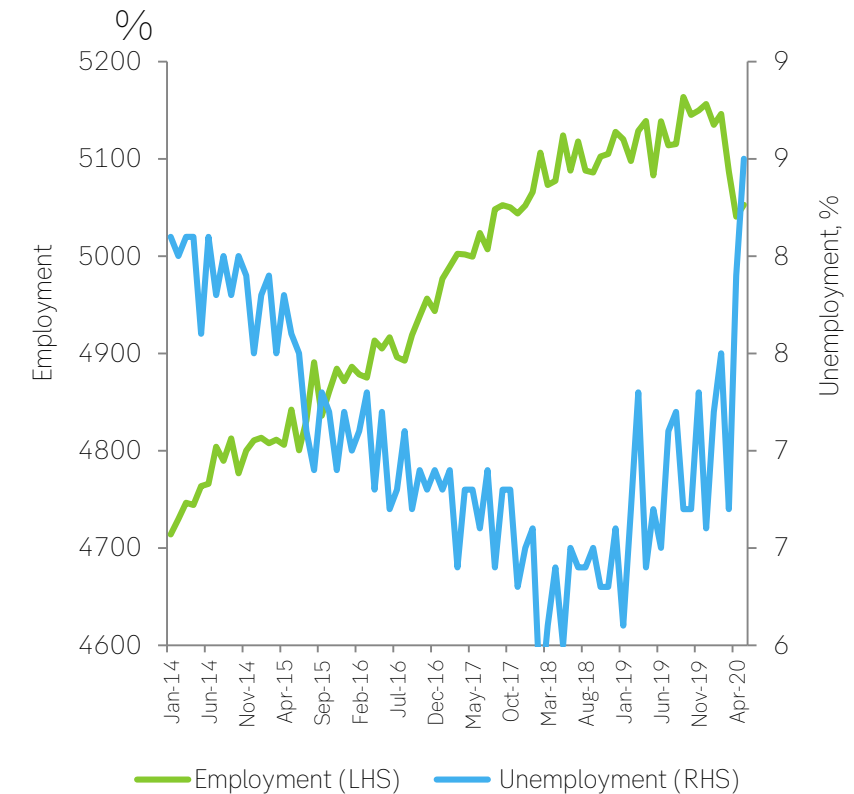
Household savings as % of disposable income



Source: SCB

## Strong labour market affected by Covid-19

Employment ('000) and unemployment %



Source: SCB

# Special features of Swedish mortgage market

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

## Macroprudential measures :

- LTV ceiling of 85%
- Amortisation requirement: loans with LTVs 70-85% amortise min. 2%/year and between 50-70% at least 1%/year. As of 2018, loans to households with debt/income >4.5x amortise an additional percentage point – amortisation requirements exempted until 2021 due to Covid-19
- Mortgage risk weight floor





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# IR contacts and calendar



**Christoffer Geijer**

Head of Investor  
Relations

Phone: +46 8 763 83 19  
Mobile: +46 70 762 10 06  
E-mail:  
christoffer.geijer@seb.se



**Philippa Allard**

Senior Debt Investor  
Relations Officer

Phone: +46 8 763 85 44  
Mobile: +46 70 618 83 35  
E-mail:  
philippa.allard@seb.se



**Per Andersson**

Senior Investor Relations  
Officer

Phone: +46 8 763 81 71  
Mobile: +46 70 667 74 81  
E-mail:  
per.andersson@seb.se

## Financial calendar

### 2020

1 October	Silent period
<b>22 October</b>	Interim Report January-September

The journey towards...

SEB

...world-class service  
to our customers continues

