

SEB

“Acquisition of AirPlus Conference Call”

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 CUSTOMERS

OPERATOR: Good morning. This is the conference operator. Welcome, and thank you for joining the SEB Acquisition of AirPlus Conference Call. At this time, I would like to turn the conference over to Mr. Masih Yazdi, CFO of SEB. Please go ahead, sir.

MAIH YAZDI: Thank you very much, operator, and good morning, everyone, on the call. We will this morning present the acquisition we've announced early this morning of...on AirPlus, and my name is Masih Yazdi, I am the CFO of SEB. I am joined here today by Jonas Söderberg who is and Head of our division, Corporate and Private Customers. And we'll be referring to the slide deck that was published **in** this morning together with the press release on this acquisition.

On Page 2 in the slide deck, you can see the agenda of this presentation. I will remind you of our strategy that we presented for 2030, and early parts of 2021, then Jonas will talk about the card market, SEB Kort, the current business we have and AirPlus that we are acquiring at this point. And then in the end, we'll give a summary of the transaction and open up for Q&A.

So if move to Slide 3 in the slide deck, you can see the summary of the strategy 2030 that we presented in January 2021, and you can see how this acquisition fits into that strategy. We believe that this acquisition will help us with our efforts to expand our corporate and investment banking business, especially in Northern Europe and in the DACH countries, Switzerland, Germany, Austria and the Netherlands. This is clearly a strategic partnership for us, where we see an opportunity to combine our current business with a new

business and it creates strengths to that combination. And then finally, this will accelerate our technology development, as Jonas will describe later on.

If we move to Slide 4, and double-click on the strategy presented back then, when it comes to the corporate and private customers division, heart of that strategy was to expand the corporate investment banking business within that division and then within that to grow the card franchise.

With that, I'll hand over to Jonas.

JONAS SÖDERBERG: Thank you for that, Masih, and then if we then turn into Page 6 in the slide deck, we have tried to describe there the market that we are operating in, in this...in the franchise and I that the card market is divided in the consumer and the commercial cards, and this acquisition is in the company active in the commercial card business, which is important to notice. Then...and I think that we believe that there is an importance of the global card infrastructure and that continues to increase. And...and then also I think that the proxy for this market if you were to look on the right hand side of this graph, this is the franchise that was severely impacted by the closure in the pandemic, of all the traveling restrictions that we were having, but it's also different that this is recovering rapidly from that one. So you will see this is one of the proxies [ph] in the market as you can see on the global business travel spend. There are other parts of course that is also driving these different markets, but this is one of the proxies that we have been used in our analogies and benchmarking.

We think that what is characterizing the commercial card market is that there is an attractive market with a high complexity and the

stickiness in the customer, so you can look at the customer in terms of figures in the market, they have one proxy of how strong the different players are in the market, and these card sales are deeply integrated into the corporates, and so I think that the entry barriers is also been something that is also characterizing relatively high entry buyers in this market.

If we then go into Page #7 and to look in the two different companies in this transaction, I think that SEB Kort Bank AB, that is the acquiring company, that is a leader in commercial cards in the Nordic market, we have a strong business and I think that one of those that has to be remember that there especially Sweden and some other Nordic markets had not a severe lockdown in the pandemic, so they have recovered fully then from the pandemic. It's a very well-positioned customer franchise in this one, I think that also with the DNA of SEB being a corporate bank, this is also a natural thought of the cross selling opportunities that we are having already, and that we are continuing to expand as the LC and FY division is continuing to expanding in other markets. This business is generating roughly 4% to 5% of the group's operating profit and it's having attractive business equity of about 20%.

If I then look on the target and the company that we are now announced an acquisition on, AirPlus, that is a leader in the company accounts business, has a very strong presence and a very high customer retention figures. And then since they're mainly operating in...outside the Nordic markets, they have still the recovery still ongoing post the pandemic, but this franchise is a very well positioned corporate franchise and as you can see also on the customer penetration there in the mid...in the tables, you can see that there is

roughly over 50% of the EURO STOXX are customers of this company, and the current ownership is then Lufthansa Group.

Also important to remember is that while we are quoting acquisitions, then sometimes we can describe on acquisitions in the bank, I think that this franchise in the bank has...so to say, has been developed and evolved over a number of acquisitions and I think that has, so to say, created the position that we are having in the card franchise as of today. So, I think that this is not maybe not something that we have spoken so much about, but I think that it is important to remember that the scale that we have built and the monetary position that we are having today is established through a journey as you can see in the bottom page of different acquisitions of portfolios and companies over the last 30 years.

If we take then a step into the Page 8, I think it's important also to remember and I think that we have, let's take this as a...more of an educational slide on the difference in their commercial cards. There are actually two main lines of business that we are offering. The first one is what you mainly are most familiar with, that is the commercial card that you will get from your employer that gives you, so to say, a better access, and better procurement routines and also helps you in the T&E stance, both as an employee and also as an employer, real-time payments done on the networks...card networks around the world.

Then another part of the offering is then the more integrated so-called company accounts. That is when your company is having a specific solution that is integrated then with the travel agency so that you can have everything in one-stop shopping and you can have all the billing and there is a lot...plenty of other services that you can add

into that company accounts. So, I think that you are using the same rails [ph] across the world. I'm using this, but there are two different set of business lines that you are doing here. And I think that the great combination of these two companies of SEB Kort and AirPlus is that we can use their leveraged strength on the commercial cards from SEB Kort and we can leverage the strength of AirPlus in the company accounts.

So, combining these two will create a unique value proposition for us simplifying a very time-consuming and admin...a process for managing both the commercial cards and the company accounts and we will be very well placed with this acquisition and to continue to develop the...this payment service system for corporate customers across the markets where we are represented. So, we are then creating...we think that we are creating then a European leader in this corporate payment solutions market.

And that is then summing up on Page 9 then, I think that's the dark green marked countries are where...that is then considered SEB's home markets as of today and the light green is where AirPlus have a strong position as of today. So, you can see that there is a very good fit for trade in this European leader for corporate payment services. We should also say that in this area, we are also taking then a technological lead in this transaction of...we have reviewed different things in this...what Masih was mentioning when it comes to growing the corporate card franchise.

You could do that either by investing yourselves in upgrading your Core Ledgers or you can do an acquisition like this and I think that we have then found that the latter has been more attractive because AirPlus has spent a lot of time and interest into investing into a very

state-of-the-art new ledger down for the company accounts. So, that you are combining that and taking a technological leap when it comes to that investment. So, we feel that this is more attractive and starting an own investment and replacing the ledger ourselves. So, with that, I am handing back over to you Masih, to the concluding remarks.

MASIH YAZDI:

Thank you very much, Jonas. So, if I move to Slide #11 and summarize the transaction, so we believe that there is a very strong strategic rationale behind this transaction. We are getting access to an attractive and profitable corporate market segment and we will get access to an attractive European corporate customer base through this acquisition and as Jonas mentioned, we will be able to use a secure and modern IT platform. This card business will get much better scaled in as today which will enable us to continuously invest in this business. And then overall, we will get a European market leader in the markets we operate in Europe.

If you look at the financial effects of transaction, we are buying this company for €450 million all paid in cash. On closing, this will have a negative effect on our Common Equity Tier 1 ratio of about 35 to 40 basis points. Over time, this transaction will lead to both income, funding and cost synergies and then we say in the press release that this will be EPS accretive year 1. So, the first 12 months after the closing, excluding implementation cost, this will be accretive and year 2 including implementation costs.

The transaction will be return on equity enhancing in the medium term. If you look at the commercial card part of our current SEB Kort business that typically operates on a return on equity of around 25% to 30%, and obviously, our ambition is to get this combined entity to

those kind of levels in the medium term. We will give you more details on strategic and financial implications when we close this deal, which we expect will happen in the first half of 2024. And this is obviously subject to different closing conditions and regulatory clearances.

With that, we can open up for Q&A.

Q&A

OPERATOR: Excuse me, this is the conference operator. We will now begin the question and answer session. Anyone who wishes to ask a question, may press "*" and "1" on their touchtone telephone, to remove yourself from the queue, please press "*" and "2." We will pause momentarily while the participants join the queue.

The first question is from Andreas Hakansson of Danske Bank.

ANDREAS HAKANSSON: Good morning, everyone. So, Masih, just a quick question on capital. When you say you've reduced your CET1 by 35 to 40 basis points once you close the deal somewhere...sometime next year, could you tell us, do you see any reason why this transaction should have an impact on your ongoing or coming buyback that we see? Thanks.

MASIH YAZDI: Yes, thanks, Andreas. On the current buybacks, it has no implications. If you look at the level of capital we are generating today and if you exclude the dividend from that and look at the fairly, sort of, subdued growth in our balance sheet, there is a clear room to do share buybacks until year end 2024 where we have said that we are going to be within our target interval in terms of capital buffer of 100 to 300 basis points.

And obviously, had we not done this transaction, the share buybacks would have been larger than now...than they will be now, but it doesn't really risk the current level of share buybacks, the current pace of share buybacks that we are doing. This is obviously dependent on how much the balance sheet grows in 2024, which is difficult to say, but currently, it is at subdued growth. We are generating a lot of capital and the current pace of share buybacks is not jeopardized by this.

ANDREAS HAKANSSON: Perfect. Thank you.

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

SOFIE PETERZENS: Yes, hi. Here is Sofie from JP Morgan. So, could you just maybe give some details on the magnitude of the one-off that you expect in year 1 and year 2? And then the second question would be that if your SEB Kort is around 4% to 5% of EPS and you already have a 20% ROE there, considering AirPlus has got 60% in terms of the size of SEB Kort, is it fair to assume that the EPS accretion will be only kind of 2%, 3% [ph] or just you have reached all the synergies and, so just how do you think about that? Thank you.

MASIH YAZDI: Yes. Thank you, Sofie. We will come back with more details on implementation costs and other implications when we announce the closing of this transaction. Currently the AirPlus business, you can see in the press release that the revenues in 2022 were €231 million and we are saying that it's not EPS accretive year 1, which basically means that year 1 if you take the underlying cost of that franchise plus implementation cost, that will exceed whatever revenues we

expect, sort of the first 12 months of the transaction. So, we can't sort of give you any details on the implementation cost yet.

We don't fully know exactly how they will look the first year. It depends on different sort of...at what pace we do different things. But then this business, the underlying business of AirPlus is not that profitable as our commercial card business today, but the ambition is always to get it there to the income funding and cost synergies that we expect to find in the transaction.

Your numbers there on EPS accretion, I can't really comment on it. You just have to wait. It's going to take a long time. As you can see, it's almost 12 months until we close this transaction and we get more details by then, but they are not totally off if I say that much.

SOFIE PETERZENS: Okay. Thank you. And just on the technological or IT side, like do they have any...you mentioned that their IT platform is modern, but are you going to use their IT platform for SEB Kort or you are going to kind of leverage off SEB Kort IT platform with AirPlus?

MASIH YAZDI: I think that we have...as I mentioned in my short introduction, we are...we will use AirPlus modern cloud-based technological platform for the company accounts, and use that in the existing markets while we are running SEB Kort to get scale on that one. So, that is the...one of the most important pillars of this transaction.

SOFIE PETERZENS: Great. Thank you.

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

RICCARDO ROVERE: Thanks. Good morning, everybody. Thanks for taking my questions. If...3 if I may. The first one is...correct me if I am wrong; the 35 to 40 basis point capital erosion is going to mostly come from goodwill I would imagine. I would imagine there is not much capital allocated, generated by AirPlus.

The second question I have is if you can give us an idea of the average profits posted by AirPlus over the past, let's say, maybe 5 years just to have an idea of the underlying profitability. And the final question I have is on Slide 9, where you show the map of Europe with differentiated green. What does differentiated green mean? Do they...if I look at Germany, Austria, Switzerland, and then you got France, you got Belgium, you have got Italy...why is that the footprint of AirPlus and if that is the footprint of AirPlus, considering the labor legislations in France, in Germany, in Italy, in Austria, it's not exactly flexible, let's put it this way. Does it mean...I mean just how your cost synergies, do they mostly come from headcount reduction, just for me to have an idea? Thanks.

MASIH YAZDI: Thank you, Riccardo. I will take the first 2 questions, and hand over the last one to Jonas. When it comes to the capital impact, it's about 50%, 50% mix between goodwill and an increase our risk exposure amount when we do this transactions. So, about half of the impact is goodwill and half is area [ph] increase. The average profit of AirPlus last 5 years, it's obviously a bit complicated in the sense that you had a quite subdued profit during 2021 and 2022 as you had the impact of the pandemic. And again, I mean in 2022, despite the fact that the pandemic sort of started to end by mid-year of 2022, you still had a fairly large impact in the early parts of 2022. If you look at the period previous to the pandemic, it was a profitable company back then, but obviously last 2 years have been a bit more difficult. Yes, Jonas.

JONAS SÖDERBERG: Yes, and then regarding the map on Page 9, I think that you should see that the dark green is SEB's existing home markets and what we are adding, what kind of markets that we are adding where AirPlus has a major presence in the European markets. So, I think that this should more be seen that as that we are complementing our offering and becoming...going from a Nordic provider in this business area to a European provider. When it comes to all the financial effects as Masih has been saying earlier, I think that we will come back to that at closing and I think that, you know, we have spent...you have to take comfort in that we have spent sufficient due diligence then to make up the plans going forward.

RICCARDO ROVERE: Okay, fine. Thanks, okay, Jonas.

OPERATOR: For any further questions please press "*" and "1" on your touchtone telephone. Mr. Yazdi, at this time there are no questions registered, sir.

MASIH YAZDI: Okay. Thank you very much. And if you come up with new questions do please call into our Investor Relations team and they will be able to answer them to the best of their ability. Thank you, everyone, have a good summer.