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Ulrika Lilja: Hello, everyone, and a warm welcome to SEB's presentation of our fourth quarter results and annual accounts 2021 as well as our strategy update.

My name is Ulrika Areskog Lilja, and I'm Head of Marketing and Communications. I will soon hand over to our CEO, Johan Torgeby; and our acting CFO, Peter Kessiakoff. But first, a few words about today's program and set up.

We run this event from our large auditorium with no external audience present due to pandemic restrictions. The program has three parts. We start with our quarterly results and annual accounts for approximately 20 minutes. We will then continue with SEB's 2030 strategy and our new three-year business plan, and this will take around 1.5 hours. In this strategy section, we also, in addition to our CEO and acting CFO, have additional members from our group Executive Committee presenting. We will then have a short break before we conclude this program with a Q&A session in telco format.

And please remember, for those of you who wish to ask questions, dial in on the link that you find in the invite to this event. With that, I hand over to our CEO, Johan Torgeby.

Johan Torgeby: Thank you, Ulrika. And also, I would like to extend a warm welcome to everyone participating in this very new format for us and particularly that you are now setting aside almost 2 hours to join us today.

But starting with the fourth quarter and the annual accounts. The highlights we have decided to particularly focus on is that we had a return on equity of 13.9 percent on a capital buffer of 590 basis points. Towards the latter part of the year, we saw an acceleration in customer activity, which was high across the whole year, but in particular, investment banking LC&FI and also event-driven financings in Q4. This led to a more than a 70 percent uptick in securities and advisory fees.

Also very supportive during the quarter was the development in the financial markets, particularly for our AUM and our AUC business. So asset on the custody broke SEK20,000 billion and AUM is now more than SEK2,500 billion. We also have a recommendation from the Board to the AGM that for 2021 pay a dividend per share of SEK6, very much in line with the financial targets as well as an incremental SEK5 million to SEK10 billion planned for share repurchases during the year.

Looking at the full year results. Income was up 10 percent, cost was up 2 percent and profit before credit losses were up 16 percent. Of course, post credit losses, the big number of plus 48 percent was predominantly driven by the cost of risk, which was much lower than we normally would have. And that needs to be seen in the context of the expected credit loss level that we reserved in 2020.

We're also closing the last three-year business plan, which was announced in December 2008. And our summary of how this went is that we were broadly in line with what we then said when it comes to the activities and what we wanted to achieve. And here are nine examples of areas that we think particularly has gone well and that we have seen improved.

Financially, it's actually been a little bit stronger than we expected with income going from SEK45.9 billion in 2018, which was the base and almost

SEK10 billion up. And expenses have increased 2 percent per year, roughly, according to plan, generating a profit of 11 percent per annum.

This quarter, we saw heightened activity in M&A. We have seen a lot of activity in ECM that has also been very constructive, but particularly, we saw a shift. And here are some logos of some public transactions that we have been involved in, and I'll just extend a large thank you to all of those clients that they've engaged with SEB.

We also have now gotten the corporate and the financial institutions customer surveys, which are critical to us for both Norway, Sweden, Denmark, Finland and the Nordic as a whole, and this ended up as a very strong result with number 1 position in both, which is the first time SEB achieved this. We were also named the business – the Bank of the Year by a Swedish paper.

Two negative developments that we need to also address is, first, we've had a bank tax introduced in Sweden, which is currently active. We are, of course, highly skeptical to the merits of this tax, and this has an expected effect of SEK1 billion in 2022. And following this tax implementation, we are, of course, trying to reflect the new cost of doing business, also towards the pricing of our products to our clients.

We also have an ongoing tax audit in Germany, which we have disclosed through a press release, has now been in the scope of all the securities finance transactions that SEB has done in Germany between 2008 and 2015. And the withholding tax, which is the ground for the tax audits, amounts to EUR1,500 million. We still believe it's more likely than not that this will be something we will win.

We've also had a visit by the public prosecutor and we have known for some years that there has been a large tax fraud in Germany. We knew that there was a few individuals at SEB that were of particular interest for this investigation. And to our knowledge, no indictments have been given to any of these individuals, but we are now cooperating with the prosecutor to see what's what.

Looking at the credit portfolio development, we have had 3 quarters in 2021 with a sideline movement. We were discussing a lot around the credit demand, and we really saw a very significant uptick in the fourth quarter, particularly driven by event, almost transformative large transactions for those clients. This resulted in a 13 percent year-on-year increase in credit exposure. However, this is not a broad-based credit demand uptick, is very concentrated to a few of these very large events transactions. FX adjusted, the quarterly growth rate was 8 percent. And year-on-year, it was also 8 percent. A little bit lower growth rate was recognized during the quarter in the other areas.

With that, I'll hand over to our acting CFO, Peter Kessiakoff.

Peter Kessiakoff: Right. Thank you, Johan. So now turning into the quarterly results and digging a bit more into the numbers. If we start off by looking at the Q4 results, focusing on income, it was up 1 percent quarter-on-quarter. Here, we saw very strong activity in the quarter, which drove up commission income up some 13 percent quarter-on-quarter. While on the other hand, the net financial income was a headwind in the quarter, predominantly driven by the benefit that we saw from strategic shares in the third quarter, which turned into a headwind in Q4.

Turning to operating expenses, up some 8 percent quarter-on-quarter to SEK6.1 billion. Here, we have seasonally higher costs, as always, in the fourth quarter as well as a goodwill write-down related to the cards Norway business of some SEK180 million. That means that profit before credit losses, that was down some 3 percent – was down 3 percent quarter-on-quarter, but still up 8 percent year-on-year.

Net expected credit losses of almost SEK300 million, equaling roughly 5 basis points was mainly related to single write-offs within LC&FI, while underlying credit quality remains very stable. And what we're expecting for 2022 is for credit losses to remain on a low level. That means that operating profit was down from 7 percent quarter-on-quarter; however, up 17 percent year-on-year.

With that, we ended the year with a cost-income ratio of 0.44, a common equity to 1 ratio of 19.7 percent and a return on equity of 12.9 percent. So pretty much a year that ends in a similar fashion that we've seen throughout the year with very strong activity driving commission income.

Turning to the next slide, digging a bit more into the numbers, focusing on net interest income initially. NII up some 5 percent year-on-year or SEK1.2 billion. Here, we can see that the year has benefited both from lower funding costs as well as positive volume growth, mainly within Swedish household mortgages as well as real estate lending.

Looking at the quarterly developments, NII was up 1 percent, again, driven by volume growth that continues as well as improvements within treasury and other. If we look at the markets NII, which has been elevated throughout the year and where we've been very clear that we expect it to come down, it normalized in the fourth quarter. Looking at the divisions that we can see at the bottom of the slide, the divisional NII on a year-on-year basis in Q4 was down. This is, however, mainly related to internal funds transfer pricing and the lower deposit margins, which in turn benefited the other and treasury, which you can see to the bottom right.

Looking at corporate margins, they improved somewhat in the quarter, but were, to some extent, mitigated by some of the lower effects from lower mortgage margins and the continued pressure that we're seeing on new lending margins there.

Turning to net fees and commission income, which really was the results driver during this year as well as in Q4. We can see that net commission income improved 17 percent year-on-year or SEK3 billion. Roughly 2/3 of that relates to net securities commissions, meaning custody and mutual funds brokerage. And here, we've obviously benefited from rising asset values with strong stock markets, et cetera as well as some inflows. The remaining part can pretty much be explained by very high activity throughout the year where issued securities and advisory, for instance, was up some 80 percent year-on-year or SEK800 million to a record result.

In the fourth quarter, we also saw that the lending fees benefited significantly from the very strong activities that we saw with very large transactions being done.

Our cards income continued to recover during the year, but still remains below the pre-pandemic levels. Focusing on the quarter-on-quarter development, it was mainly lending fees, which benefited. Again, coming back to the large transactions that benefited the results and that Johan talked about earlier. And then we also have the rising asset values which benefited net securities commissions as well as some performance fees booked during the fourth quarter.

Turning to net financial income, which was up 11 percent year-on-year or SEK700 million. Here, the year benefited from several items. We had the revaluation of the Tink holding of some SEK0.5 billion during the first half of 2021. We have strategic shares which benefited roughly SEK300 million and then XVA benefiting roughly SEK0.5 billion. This means that the underlying activity throughout the year from customer-driven was somewhat weaker what we've seen historically. Looking at the fourth quarter, however, we saw good underlying activity from our customers, mainly on the FX side. However, as you can see to the top right, with other being negative in the quarter, we had strategic shares, which was negative some SEK300 million, while having been positive some SEK500 million in the prior quarter. So the delta there is roughly SEK800 million. And we stick to our guidance of NFI from SEK1.3 billion to SEK1.5 billion per quarter.

Finally then, on operating leverage, we've reached an average quarterly income that was a record high, with very strong year. Our average quarterly expenses continued to increase, largely in line with our expectations, and that enabled us to have a quarterly profit before credit losses that reached record levels. So the jaws that we've seen throughout the years continued yet another year.

Turning to capital. We ended the year with a capital buffer of some 590 basis points, which is down some 50 basis points quarter-on-quarter. Our profit generation for the year remained very strong, benefiting our capital base by some 40 basis points after the accrued dividend. As Johan mentioned and as I've mentioned as well, in terms of growth in the quarter, we had significant credit exposure growth during the quarter driven by the significant transactions that we've seen as well as the negative FX effects, which weighed on the capital buffer. But ending at 590 basis points as well is above the capital target that we have announced of 100 to 300 basis points.

Turning to asset quality and the balance sheet. We ended the year with a strong asset quality and balance sheet with a net expected credit losses of some 2 basis points, customer deposits that were up more than SEK300 billion during the year and with a very strong liquidity position with an LCR as well as NSFR at 145 percent and 111 percent. In terms of capital, we ended the year on a common equity to 1 ratio of 19.7 percent, a buffer of 590 basis points and a leverage ratio of 5 percentage points.

As we announced roughly a year ago, we introduced our financial aspirations. And as we also mentioned, these would be evaluated annually and updated. During the fourth quarter, we have done minor adjustments as well as introduced pro forma numbers following the creation of the division, Private Wealth Management & Family Offices. Looking at the changes that we made, mainly relating to the Baltics, where we've increased the aspirational target in terms of cost-to-income ratio from below 0.35 to below 0.4, mainly related to intense competition and larger investments being made by competitors in the Baltic region.

This also means that the cost-to-income ratio targets for the group, the aspiration target is increased from below 0.45 to around 0.45. With the establishment of the Private Wealth Management & Family Office division, we are also announcing the pro forma numbers for C&PC and the newly ones for PWM&FO (as we call the) division.

For C&PC, it's predominantly the return on equity target that is reduced from above 17 percent to above 16 percent, while the cost income target of below 0.4 remains unchanged. Within Private Wealth Management &

Family Office, we're introducing a return on equity aspiration of above 25 percent and a cost/income below 0.5. And again, these are our long-term aspirational targets.

Finally, turning to our group financial targets, which obviously remain unchanged. We have a 50 percent dividend payout ratio of EPS. We have a common equity to 1 target, a buffer of 100 to 300 basis points above the regulatory requirements and to have a return on equity that is competitive with peers, but have a long-term aspiration of 15 percent. And during times when we are above our capital buffer of 100 to 300 basis points, share buybacks is the main form of cash distribution. And as Johan mentioned in his initial speech, we are announcing that we aim to do buybacks of some SEK5 billion to SEK10 billion for the year. On top of that, we're also saying that we aim to be within our target range of 100 to 300 basis points by the end of the business planning period. Thank you.

Johan Torgeby: Thank you, Peter. Now that concludes the annual result of the quarter. And we will now switch gear and start looking backwards and forwards in a longer perspective.

A quarter has 60 working days, and it's very, very difficult sometimes to look at the horizon and not become bogged down in this quarterly type of thinking. So now we're switching into decades of thinking, and that's a completely different ball game.

First, when we think long-term, we look back, SEB is a very proud institution with a very long heritage and a lot of cultural and other values that we want to maintain working for SEB. This is really, really long term. So when we go into strategy work, one can think about it this way. What do you need to do in the next 3 to 5 years to secure the decades coming after? And where do you go in such discussions to point to some point in the future where you have a roadmap, how you want to guide yourself in the short run.

We can talk also about who do you work for because long-termism is really not that easy to find sometimes. And here is a list of the top 4 shareholders of SEB. We have 270,000 shareholders, but we have millions of individuals who are the actual beneficial owners of SEB. And first, of course, investor with its 478,000 shareholders, but they are also a huge contributor to the Wallenberg Foundations. Then we have 3 pension funds with millions of beneficiary, and these are really long-term. We are now talking 10, 20, 30 years from now. We are here to create longevity, stable earnings and be able to secure that we are proof and that we are fit for the future.

Why is SEB different? Or what do we believe in that we can build on? What's the foundation for this long-term value? And I'll start with long-term relationships. For us, the correlation between client satisfaction and profitability and stability is very, very key. This is not in the short or medium term, it's in the long run. We also then have financial strength. If you do not have a position of strength financially, you have some inward-looking work you have to do. Something is obviously not working as well as it could. And it's very important to have financial strengths to attract the capital that we are so desperately in need of in order to conduct our business. It's the shareholders' capital that we then redeploy in society.

We then have operational stability, resilience, long-term value creation in banking is as much about avoiding pitfalls as it is increased income and profit. Often over decades, you can actually see that it's more important not to do mistakes as well as, of course, always create more value through growing your business.

And last one, a very rarely talked about topic in banking these days, as regulation over the last 10 or 15 years, clearly had made us follow rule books all the time, and that's business acumen. We are in business and we meet clients, and this is where all the value that we create comes from. So how do one create these things? Well, simply put, it's all about the people. There is sometimes too much focus on technology and software and hardware. But in the end, software, hardware and technology is also created by people. So people is at the core of everything that we do. And here, employee satisfaction, that is checking how people live and how they feel within the bank is very key. Our target is to be the top quartile in the industry. We have included here last year's survey of 79 with the benchmark just beneath it.

It's also important that leadership works because we are in an industry of change, and therefore, leadership becomes more important than otherwise would be the case. And here, I'm very proud to say that when we ask the 15,000-plus employees, everyone, what do you think about your leader, your manager and the leadership of the bank, we score even higher at 83. We also want to be attractive for people not working in the bank because attracting talent is key. And right now, it is a very interesting development that banking as an industry is increasing in popularity around engineers and tech schools. And we, of course, particularly securing to be the first bank of attractiveness when we do the student surveys as well as we do in the business schools. And right now, both looks very comforting, but we really need to work on this because there's a huge war on talent out there.

How do we do the planning sessions. Well, every 5 years or so, we sit down and we talk about strategy. This is a 10-year perspective we typically use, this time we've used Strategy 2030. And this is really to point out a direction, to look at the trends and see what strengths and weaknesses do we have, which we need to fix, we should not even address or what strengths should we build on. We then boil down that to a financial three-year plan. We'll focus on the first year because we don't even know now what's going to happen in 2023, but we need a plan that can be translated from strategy into some type of document and storyline and narrative for all the 15,000 employees plus to operate from. And then we have a very clear, what are we going to do the next 12 months. And then we'll calibrate the three-year plan every year.

This has resulted in a history where we're very much focused in the bank from 2005 inwards. It was really restructuring the core, looking inwards, getting group functions, changing a lot of things. Thereafter, we started to strengthen that core, when that was done, coupled with growth initiatives, particularly outside Sweden. We also did a transformation of retail as it was known as we had retail at the time in many places. And today, we only have Sweden and the Baltics. Thereafter, we went into the customer centricity to really excel what we think we, in the end, care about, and that is that customers are satisfied and that they pick SEB and engage with us when required.

And now I'll come back to the next phase in a bit. So as I've said now 3 times, I'll say it again, customer satisfaction is key for us in the long run. We start this strategy and business plan from a position of strength, and this is probably the best results we've ever had during 2021, and we did 40 external customer surveys in all areas of the bank, and here is the sum of the results. There is no lack of areas one can improve. So we can clearly do better in many areas, but also to protect one's position, shouldn't be underestimated. You actually have to fight complacency when you also are doing very well, which is equally hard, but very different from chasing to win where you're not performing.

Financially, we also have a very strong track record and really looking to the future, this is something that guides us is how do we actually replicate the last 30 years of profit expansion. And during these 30 years, there's been different times. Sometimes there has been a very flat cost. Sometimes there have been more investments. But the important thing is that everything that we do should result in value creation also financially. And interesting to see that if you look at the average income, cost, the profit generation over the last 30 years, it has actually increased if you look at the last 10 years and increased a bit further in the last three. And in the last three years, of course, we allowed for a marginal investment in what we call the strategic initiatives from 2018, which I went through in the quarterly results.

We don't only compare ourselves to ourselves. We also need to compare ourselves to others. And here is the very simplistic picture that I like to use to make a quick snapshot. We have return on equity, the capital efficiency of the bank. We have cost income, the operational efficiency of the bank. Core equity Tier 1, the capital strength of the bank, and we have the CDS spread representing the cost of risk in SEB or the cost of raw material or cost of funding of SEB. And it's important that when all of these 4 are in a position where you find that you have strengths, to consider how do you use it. And that's very much what the plan that we are now designing has come out of.

Now we start looking forward. And I'll start with this. When we started this work in the spring of 2021, this is not a target. This is not a commitment. We ask ourselves, what would be the desired state in 2030 in management? What would you like to say about yourself in 2030? And it's a little bit dreamy, so what would you like? Because this is a very nice exercise to do when you then start designing plans and checking if you have the capabilities or not, if you can achieve some or go at least in that direction.

And just to pick a few, what we said in the spring, we would love to be the number 1 customers' choice. Satisfaction all across the bank is number 1. Wouldn't that be nice? We would like to have 100 percent of all the capabilities that we have available in digital format, including sales, follow-up communication and in mobile format? Wouldn't it be nice if we continued to take a larger part of the midsized corporate finance and investment banking market? Wouldn't it be nice if we have more than 20 percent market share in the SME space in Sweden, et cetera? And these are very much guiding us in then what is this about. And we have said, this is about future-proofing SEB, fit for the future, and we need to invest to accelerate income.

Income is the key because if income grows, you can actually invest more. Profit increases, but you cannot forget your clients because that's where the income is generated and have a focus on clients. We also identified, of course, an external perspective. These are the kind of mega trends that we have picked for this presentation. The first external perspective is that the activity level and the demand for advisory services, corporate finance, DCM, ECM, et cetera, has never been higher and increasing. Here, we see some volume graph on how ECM in Sweden has developed lately.

The second trend that we want to relate to is the ever-increasing interest in savings and investments. Here in this graph, depicted by the savings ratio – where is it? Yes. Either it's – I can't read it from the screen, it's too far away. It might be the wealth accumulation actually. We had to do both. So this is the wealth accumulation amongst households, which have had an 8 percent CAGR. And this is clearly playing right into the asset management industry, investment management, saving in equities, saving in funds through mobile channels.

Thirdly, the ever-increasing need to invest in the financial industry for emerging technology. And here we show the proportion of technology that is called emerging. So the new things, not maintain or keep the lights on in a bank. And you can clearly see that the Americans have spent more according to this survey than the European. And for us, this is key. If you do not do a further enhancement of investments in emerging technology, I think the risk is that you will lose out.

Fourthly, sustainability. Here depicted by sustainability financing and the financial market, it's just exploding. And we know this is going to be decades to come that we need to transform, we need to help clients. It's a fantastic opportunity with everything the financial industry can do to enhance or accelerate clients, in the end, ambition to contribute to a greener planet.

And lastly, the risk side of doing banking is shifting, and we need to also invest here. Right now, nonfinancial risks such as cyber risks, sustainability risks, regulatory risks, reputational risks, et cetera, are really growing much faster than the classic financial risk that we are so accustomed to; credit risk, liquidity risk, et cetera.

This means that the future proofing has two very simplistic legs when we think about it. One is protect the customer, make sure that there are some income-oriented initiatives. So you have a return on investment, which is undisputable in our thinking. Secondly, future-proof the platform from which we need to service our clients. That then boils down to what we call the strategy slide, which is kind of the one we go around with today and in the future.

We have one area we call acceleration of efforts, very much future-proofing the customer relationships and profit generation. This, we call acceleration of efforts because we have no strategic dilemma. We know how to do these things. It's about doing it better and hands and feet on the ground and making sure you execute. And those are corporate finance, corporate banking, investment banking, custody, et cetera.

We also have now bucket number two. Same thing. Things we do today. We think we do it quite well, but we don't think it's strategically that easy to relate to and change these businesses to be as relevant in the future. So something fundamental needs to happen. Digitization of retail banking, we are establishing complete new Private Wealth Management & Family Office initiative. And we have, of course, our SEBx, where we're trying out completely new technology in order to be fast in adopting changes in the marketplace.

Partnerships. To recognize that you cannot do everything. Recognize your relative weaknesses even in areas you really want to perform and also recognize that we are the bank we are. We don't have the critical size of some of the largest banks in the world. Hence, we need to have a very open and welcoming attitude to team up with others. For example, we announced last year the strategic partnership with Google.

And lastly, it's the future proofing of our platform, cost control, making sure that we have return on investment, we have productivity gains and that unit labor cost is controlled and it all comes from efficiency. And here, we talk about automation, data, accelerate technology and, of course, regulatory efficiency is absolutely key for the future.

One particular area I want to double-click on is, of course, the sustainability area. As we had a capital markets like session this fall, and I'll just remind everyone, these are the three metrics where we boil this down to. Reduce the carbon exposure that we have. That's the brown index. Replace that with a very vivid and high ambition in sustainability activity for financial services, the green INDEX, where we have 6x to 8x as an ambition right now. And lastly, find a way to make sure that we support our clients in their transition. So we make sure that the use of proceeds when we lend money or when we invest is actually earmarked, transparently reported that this is for a client that has high ambitions aligned with ours to transition to something better.

And with that, I'll conclude the introduction and hand over to Peter.

Peter Kessiakoff: Right. Thank you, Johan. And before going into the financial implications, I'd just like to take a step back and let you understand what kind of operating environment that we see ourselves being part of. I mean first of all, just summarizing the previous business plan, which you can see in the chart here. We've clearly been outgrowing our peers. The investments that we've made have been bearing fruit, and that's evident in the results that we're delivering both today and during the last few years.

In terms of income growth, growing more than 4x relative to our Nordic peers, while European banks have hardly grown their income at all. And on the cost side, again, the investments that we made have been bearing fruit, meaning we have seen higher income growth than cost fixed growth. And especially looking at the European banks, in general, they've been playing very defensive, trying to mitigate the income pressures that we've seen by cost efficiencies and running down costs.

Secondly, on the right-hand side with return on equity. We have seen a stable and improvement return on equity during this period, and that can be compared to our peers, which have seen largely flat in the same period and are close to or below cost of equity in general. I'd also like to emphasize here, if you look at 2020, the year when the pandemic struck, where we clearly demonstrated financial resilience, having a return on equity that was above 10 percent even during stress times.

Looking a bit at how we view the competitive environment. We to simplify, divided into five buckets. We have the incumbents to the left with the European and Nordic ones. As I mentioned in the previous slide, playing a very defensive play. They are trying to protect the meager income growth that they've seen by focusing a lot on cost efficiencies. Here, we argue that we've been taking market shares, and that's evident in the high income growth that we've delivered, which has been well above market average. Then to the right-hand side, we have the fintechs, the niche banks typically focused smaller players focusing on single products or single areas. Here, they're investing significantly, and we have been losing volumes. They are taking market share.

So what we're presenting today is a strategy where we will continue to play on our strengths by investing – continuing to invest in our business, continue to take market shares from the players to the left with the incumbents as well as reducing the outflows that we're seeing to the smaller players. In the end, benefiting our market shares while growing income well above market average.

When coming to Big Tech, we see it more as a partner than competitor. And we have the partnership that Johan mentioned with Google on Google Cloud, for instance, and a part of various different wallets on the payment side. Then in terms of costs, I mean, if we divide costs up into 2 simple buckets, we have capital costs and we have operating expenses. Looking at the growth that we've been producing historically, which you see it in the chart to the left and especially illustrated by risk exposure amount, we have had a more capital-driven cost expansion, while our operating expenses have barely grown old during this period.

What we are saying is that we are – we want to shift our product mix from capital to operating expenses. And while this is relevant to highlight this on the chart to the right, where you can see that it is actually a strong correlation between higher cost/income ratios and return on equity. And generally, in banking, we talked about cost/income ratio being a very relevant metric for cost efficiency, and it is, if we compare apples and apples. But when we actually dig into numbers and look at various products, we actually see that high ROE products tend to have a higher cost/income ratio.

To the bottom left in the chart, we typically have very lending-intense businesses. We have investment-grade lending as an example. In the middle, we have more transaction-related products. One example can be our card business, our subsidiary. And to the top right, we have areas such as corporate finance, which has a high cost income ratio, but also a very high return on equity. And what we're striving for here is to grow more towards the top right-hand side of this chart.

If we then look at the building blocks and how we aim to drive long-term value creation, I mean, first of all, we are talking about future-proofing SEB. That means growing EPS, focusing on capital-efficient growth and investing for the future while maintaining cost control. In the very short-term, that means that we are increasing our cost base or investing to SEK24.5 billion for 2022, assuming 2021 FX rates. And for the long-term, all of this will set us on a path to deliver on our long-term aspirational target of a return on equity of 15 percent. So we are investing to accelerate income growth, increase profitability and future-proof our business.

Double clicking a bit on the cost line and what we plan to do. But we ended 2021 on a cost level of SEK23.2 billion, which is largely in line with the cost level that we set out three years earlier during December 2018. We're expecting roughly 2 percent to 3 percent cost inflation for the year, equivalent to some SEK400 million to SEK600 million of increased costs. But similar to what we've done during the previous business plan, where we've been able to meet the cost inflation by annual efficiencies and pretty much be self-funded within this area. We aim to continue doing that during the year.

As we've talked about during 2021, we have had lower cost in certain areas due to the pandemic, one example being travel and entertainment. And we've used the decline in costs here to front-load some of the investments in certain areas. And as we also mentioned, as the world hopefully normalizes and goes into a post-COVID world, we do expect these costs to come up, and that will impact our cost base. And we expect COVID effects to be some SEK300 million to SEK400 million during 2022. And this is not a normalization to the levels we saw in 2019.

Finally on the investment plan and the (juicy) stuff, we're investing SEK800 million to SEK900 million more during this year in order to future-proof our business and set us on the right path for the long-term. These investments can be divided into 3 buckets. We call it the front, technology and data and then house in order. If we start off with the front, we have initiatives such as custody, investment banking, the expansion to Austria, Switzerland and Netherlands as well as investments within the newly established division, Private Wealth Management & Family Office where they're focusing on the family office business. Within C&PC, we have areas such as remote advisory, which is a clear focus area. And my colleagues will come back to this later.

On the technology side, which really is an enabler for pretty much everything, even though people are at the core, people tend to use computers and software. Here, we're increasing our investments by some SEK350 million, equivalent to an increase of roughly 8 percent during 2022. And this goes into areas such as data, which is highly critical. We have areas such as on and offboarding, cybersecurity and cloud capabilities. But this will fuel the initiatives that we have, both on the front as well as the house in order.

And then finally, turning to house in order. And as Johan mentioned, nonfinancial risks are increasing rapidly. And here it's critical for a bank to be a trusted partner in society. We're investing roughly SEK250 million more during 2022 in areas such as financial crime prevention, the unit that we set up earlier this – earlier during 2021 as well as in risk and compliance. Thank you.

Ulrika Lilja: Thank you so much, Peter. We will now continue with presentations from 3 of our divisions as well as our technology organization. And first out is LC&FI, Large Corporates & Financial Institutions, with our divisional heads, Joachim Alpen and Jonas Ahlstrom.

Joachim Alpen: Thank you, Ulrika. So the large corporate and financial institution division is made up of about 2,000 professionals who service over 3,000 customers or groups of customers. We have a proud and strong legacy in being the leading corporate and institutional bank in Sweden ever since the foundation of the bank back in the mid-1800s. Over the last decade or so, we have successfully grown our franchise by expanding into the other Nordic markets outside of Sweden to Germany and to the U.K. Going forward, we aim to continue that growth. We will do so in a cost-efficient, controlled and return-enhancing way.

Our business model is based very much around three strong core beliefs, and that is around long-term client relationships. It's around a strong product offering and strong product competence and its high client satisfaction. As Johan already pointed out, we're very happy with the feedback we have gotten from clients in 2021, where we did more or less a clean sweep across the Nordics.

On the product side, our ambition is really to be the leading and largest provider of services to our customers, product by product and customer by customer. In order to achieve that, we need to invest, and we're committed to investing both in our staff and also into our technology platforms. Over the last years, that focus, when it comes to technology investments, has been primarily on the institutional side, where we have invested into our trading platforms and our custody platforms. Those investments have been quite successful, and we are seeing larger volumes, more customers, higher client satisfaction and higher profitability as a consequence.

Going forward, the focus will shift somewhat more towards the corporate segment, which Jonas will soon talk about. Another important building block in our strategy is advisory, being close to our customers and really advising them on strategic decisions. I think a testament to our success in this is the statistics from last year where we saw a record number of ECM transactions and M&A deals in 2021. We see a large potential going forward to continue to invest in advisory capacities and we'll continue to do so and see that as a way of strengthening and growing our net fees and commissions.

Jonas Ahlström: Zooming in on the left-hand part of the slide, starting with Corporate and Investment Banking. As Joachim said, we have been growing our client franchise across the Nordics, Germany and U.K. over the past decade. And we will continue to do so. It will remain an important income growth and profitability driver for the division.

With this track record, we see that we have a prudent business model in corporate banking also in a broader European context. So we are starting to actively prospect clients also in Austria, Switzerland and the Netherlands. And we will build this business step by step and grow it into profitability. And just to give you a sense about the scope of this initiative, we are now talking about a prospecting list of some 100 customer groups.

With our growing client base and also the trends that Johan talked about earlier, that is that more and more issuers are coming to the equity and debt capital markets. We will continue to invest into our investment banking franchise. And we see that this will contribute to the fee generation capacity and also the return profile of the LC&FI division also going forward.

Moreover, we see scope to gain market share in the mid-market SME part of the investment banking space. And here, we are built and are investing into a team called Corporate Finance Growth, which is also catering to growth companies, tech, Greentech and so forth, and we see traction in this already. And in coming years, we will also invest into our payments infrastructure. The payment formats are changing across the globe, and we simply need to adapt our infrastructure to this. But more importantly, it offers also of the possibility to really enhance and improve the customer experience in our payments and cash management offering.

Joachim Alpen: Moving over to our institutional business. We have seen a growth in our institutional franchise over the last couple of years. We aim to accelerate that growth in the coming years, and I think we're in a good position to do so. If our corporate growth strategy is very much centered around our home markets, and not least, as Johan has pointed out, growth in our non-Nordic home markets.

I would say that the institutional strategy has more of a two-pronged approach. But the most important – or firstly and most importantly, it's continuing to focus on the Nordic markets where our ambition is to be the undisputed leading institutional bank. In order for that to be achievable and realistic, we have invested heavily into our institutional infrastructure services over the last 5 to 6 years. We are seeing those investments pay off significantly already.

And the good – perhaps the best example of that is assets under custody. We started last year with assets under custody of SEK12,000 billion that was a market-leading portfolio. We ended the year at SEK22,000 billion. We achieved that growth primarily by winning very many and very large mandates. That was a consequence of us investing into this business and our Nordic competitors exiting this business. This puts us in what we think is a very interesting position where we will be the only Nordic bank that has a full service offering towards local institutions going forward. That's a position of strength that we aim to leverage off.

The other part of the strategy is very much centered around Nordic investment and trading products towards global investors outside of the Nordics. We see that there is a growing and continue – and believe there is a continued interest to grow investments into the Nordics, and we are well positioned to harvest and capture that. We – as we talked about before, we have a strong product offering. We also have in the Nordic context, a fairly unique distribution capacity by having several sites in Asia, we're represented in North America and across several of the financial centers in Europe. So we will harvest that growth and aim to grow our market share in this space, too. 2 products worth highlighting that we think we'll have extra focus are equities where we see both the cyclical and structural growth, we are investing into that, and we'll continue to invest in it, both from a research and from a distribution capacity.

And the other one is the Euro-denominated credit bond market where in order to support our corporate growth strategy in the Eurozone, we will strengthen our franchise and have as an ambition, in the next couple of years, to significantly increase our league table position in the Eurobond market.

Jonas Ahlström: Sustainability is really an integral part of our business plan and really a cornerstone of the strategy. And late last year, we clarified our ambitions when it comes to the climate transition, and we launched the metrics, The Green, The Brown and The Future. And this is really about partnering up and advising our clients on their journey towards Paris alignment. And in this, also future-proofing our balance sheet and our business model. And in the sustainability area, we see a significant CapEx expansion coming across public, private markets.

We're talking companies, infrastructure projects, new ventures and so forth. And we believe that we are strongly positioned here to advise our clients, to help them access the capital markets and also provide balance sheet to help fund their transition. And we also see that we need to continue to invest in our product innovation here and with a particular focus on bridging the funding need that we see with institutional capital on the other side.

And finally, I would also like to add that this year, we'll make an additional effort to really increase sustainability training across the division to really see a general uplift in competence in this very important area. And we really see this as a strong growth opportunity in the coming decade and probably decades.

And then moving on to the right-hand part of the slide. And just a few remarks just to illustrate that we are working continuously to improve the customer experience and efficiency in the daily business. And data is a key focus area here. We're talking about data quality, data accessibility and data analytics. And data is also the foundation for automation and digitalization. And if you look across our business lines, you could say that transaction banking and trading and those type of transaction-oriented areas already have a high degree of automation. But in other parts of the business, such as the lending process, the KYC process and not the least, the regulatory reporting processes, we see clearly scope to increase the level of end-to-end automation and thereby efficiency.

And then to sum all of this up, we are ranked as the number 1 bank for corporate and institutions and also an ESG advisory in our part of the world. We're coming off a very strong 2021. And with this brief presentation, we hope to have given you a little bit flavor on how we intend to strengthen this position further in the coming years. Thank you.

Ulrika Lilja: Thank you so much, Joachim and Jonas. And we will now continue with C&PC, Corporate and Private Customers and our divisional head, Jonas Soderberg.

Jonas Soderberg: Thank you, Ulrika, and thanks also for hanging in there for this strategy session. I think we're past the halfway mark, so you will soon be ready for your technical break. My name is Jonas Soderberg. As Ulrika mentioned, I have the privilege of running the C&PC and as we name it, the Corporate and Private Customer division.

Some short facts. We are serving some 1.3 million private customers in the Swedish market, and we're having some 270,000 SMEs and mid-corp customers across Sweden that corresponds to a market share of around 16.5 percent, and the mortgage book is around 13.5 percent to 14 percent. So putting this into perspective and you have listened into my colleagues here on the strategy update.

And what does that mean for our part of the bank? And how would we like to engage in as well? And then stepping back and say what have we done in the last 10 years? I think that we have successfully been able to increase the market shares and accelerated the growth in one of the hidden assets that we have had in the bank.

And I think we are now entering into 2022 in a much stronger phase. We've seen customer satisfaction in very high levels. We have seen the inflow of new customers across both the private segment and the corporate segment being very, very good for us. So I think that it is also a privilege to start and do corrections and adjustments into the – what we can do together in the division and across the bank to enhance the offering to our customers even further for the coming 10 years.

The focus for the coming three years, I think we have divided this one into 3 building blocks. Let's first start talking about the transformation of the retail bank to go more digital. I think digitalization and sustainability is the 2 megatrends that we are being facing in society. And we have been icing the cake with the pandemic over the last 2 years that has put some extra pressure on the banks to accelerate technology innovation and drive to face the pandemic and the ways of working and the way that we should face our customers.

So I think that we have continued to accelerate the development of both digital and remote capabilities. And I think one should not underestimate the importance of that when you add digital capabilities, you also need to add other capabilities because the customers would like to check their assumptions that they are doing, the more they grow in their digital capacity, the more they also learn, they also would like to engage because they get a higher degree of experience and confidence in their financial literacy. So they also would like to talk to human individuals in other areas on a higher level. So I think the combination of digital and remote and physical is something that we strongly believe in.

We also have in the – as Johan mentioned earlier, the savings and investments (do) and I think that hand and heart, we have to admit that we kind of missed the first game of when savings turned into investments for the private individuals. But I think we've been catching up. So I think that we are now at par with the full-service banks at least on the mobile channels and what we can do and what we can offer on that one. And I think with the launch that we have now done with the Private Wealth Management & Family Office division, we will get a fortune of having a product innovation hub catered for the really, really investment savvy customers that we can also benefit from in the other customer segments that we are responsible for covering in this division.

Also, the unique position that we're having with the Life division, that we're having in Bancassurance, that is something that we have in our DNA. We continue to expand into that one and building on that platform. We have seen strong improvements in the sales that we have been doing. So I think that the model is working. We have to have to continue and believe in the continuity and the strength that we're having in our offering.

And then advance the savings and investments offering. As I mentioned, I think that the combination with the PWM & Family Office division and the C&PC as a distribution network can really make us accelerate and then take more market shares when it comes to the savings and investments market because we have been punishing under our normal weight class in this area.

Turning the gear, from the more of the digital side and then going into the corporate and investment banking part. And I think looking into the customer platform that we are responsible for is down to SME and the mid-corp client segments. And I think that we would – we have seen and as they've been – my colleagues have been talking about, we have seen an increased awareness and also activity for investment banking like products. And we've seen growing, much more fast-growing companies.

So it's the connection between the different divisions has been coming more and more tighter. And we can then use this customer base to find the new unicorns and the new large caps of the future with a tighter cooperation between the two divisions. So I think we have done a lot of progress. We have done some early investments when it comes to corporate finance in 2021, and we have seen that we are taking market share in this important market for us.

The sustainability supercycle hasn't really reached this segment due to the lack of regulation, the requirements post on this customer segment in society. But I think we are really ready to take on that challenge and make use of the market-leading position that we're having within sustainability in the Swedish market and expand that and be an adviser. And I think together, it's a really key word here that we – you cannot solve the transition in society to a net 0 carbon world without working together and the partnership and the need for advice in this society is ever increasing, and we are ready to start that discussion and start to transition with Swedish society at large.

The other hidden asset that we are having, and I think the one that is hugely or mostly impacted by the pandemic is the card business. I think that in the card business, we enter that from a strong position, but we have managed in this crisis to take and strengthen that position even further.

So I think, I'm hoping that the recovery now, hopefully, soon we will open up society then again, and we can then see that the card business is coming out stronger than we entered into the pandemic. And that is a relatively good swing factor for this division.

I think Jonas and Joachim, they touched upon the regulatory complexity. And I think one has to admit that the complexity of running a bank in 2022 is much higher than coming into the last 2 decades. So I think that there is – we have been working a lot of just two and adding up and piling and understanding the new regulation. So I think now for the coming years, I think honing that, how we are working, finding efficiencies in the models that we're doing, creating and using regulation as an enabler for creating more value for you as a customer. That is also something that we are really looking forward to doing.

And I think how you can then, in the digital channels, you would like to add and/or take on another product. You would like to seize the product relationship and then add another one, these processes should go smoother, and we should also be making sure that we are compliant with that one. That can also then fill into the advisory tools that we're using and then making use of regulation as an enabler. And I think here, being sometimes it can be very problematic and bureaucratic to being a larger bank. But I think that the positive side of that one is that we are used to being compliant with the regulations and working with them. So we should be in a good position to also using that as a lever and enabler for better services.

Then I think that sometimes we don't speak, when you can see the valuations of fintechs around the society today. I think that the common initiatives that we have done as a banking industry in the Swedish market, take (Swish) or take the bank ID or take other investments that we've been doing successfully. We seldom speak about them publicly. But I think that we can do more as the Swedish banking industry to increase, put more investments into these common initiatives and get even more value out to the society at large.

When we're doing this, I think that other additional benefits that we will face and that we look forward to is then an increased customer convenience and then also creating a better employee engagement if we do this correctly, and that will also then increase the attractiveness of us as an employer. If we were to turn these investments into financial implications, I think as Peter mentioned in his part of the presentation, we have made minor adjustments to the financial aspiration for the C&PC division.

So we are now working towards a 16 percent return on business equity target as the long-term aspiration and the point for cost income. And I think that in the macro environment, with leaving the 0 interest rate environment and then rebounding on the card and doing all of these investments, we are then looking forward to achieving that within this business planning period.

And then – so if we were then to sum up what we've done up to in this, we are aiming for being the number 1 full-service bank in the Swedish market by being digital first and with the human touch or face-to-face in normals that matters. That's ending my part of the presentation. Thanks for hanging in there.

Ulrika Lilja: Thank you so much, Jonas. Next up is William Paus, Divisional Head for Private Wealth Management & Family Office. Over to you, William.

William Paus: Thank you. The new division, Private Wealth Management & Family Office is responsible for private banking clients, family, owner families, successful entrepreneurs and the professional family offices. We are currently about as close to 450 employees across the Nordic countries. We are in U.K., in Germany, in Luxembourg, in Singapore. And soon, we will also be in France. We serve about 15,000 clients across the different segments. The majority of the clients are in Sweden and in the international Swedish community abroad. We look after or manage about SEK1,400 billion from our clients. Now the ambition and the plan is to become the leading accumulator of wealth in our part of the world, and we will serve the very important client community in our markets.

Our plan is basically in three dimensions. We are expanding the client base and increase share of wallet. We are broadening and complementing the product offering and improving quality in products and services. And we are future-proofing the platform, as you have heard from many of my colleagues.

In the client, I mentioned, we will be expanding the footprint in the Nordic market with additional resources selectively. We will also add resources and start in Sweden to complement the strong organization. We will broaden the focus in the international business from being focused very much on the Swedish business community outside Sweden and to be a more Nordic player. We will also have more people on the ground in some of the markets like in U.K. and in Germany. And as you have seen, we have announced that we will open a representative office in (this) to be closer to our clients.

Then we are very enthusiastic about the fast-growing new segment of professional family offices. We have established a separate unit to cover that client segment, and we do this in all the home markets. Then we are complementing and adding capacity to products and services, both in the investment area and in other areas. In the investment area, it's all about improving quality and capacity on asset management and also on the capital market side.

On capital markets, we have a very strong collaboration with the investment bank that has been intensified during the year. We will continue that to secure a steady flow of capital market and transactions to our clients.

Then on the financing side, we see that financing solutions are increasingly important also for these client segments. We will add capacity and competence also in this area, range, and we see growth opportunities ranging basically from more plain vanilla products like international mortgages out to more complex financing structures for professional family offices.

Then there is a trend that we see a high demand for nonfinancial services in our client segment. This can be accounting services, declaration services, legal advice, insurance advisory and also in the future, we will look into opportunities in art and collections advisory, et cetera. Here, we will do this or approach this growing business from two angles, both the organic in-house angle and also then through partnerships with external partners. We gather all these nonfinancial services, new business in a concept that we call SEB 1856.

Then as you have heard from many of my colleagues, it's important or vital to future-proof the operational platform. We are looking at this in 2 angles. So first of all, we are improving the digital, let's say, interfaces towards clients. Here, we have an aim to be the leading, let's say, accumulator of assets and liabilities and also nonfinancial assets for clients and report and good insights on these assets and liabilities. We also then see big opportunities to improve the operational platform across our different countries by consolidating and simplifying the bank infrastructure supporting this business.

As a summary, although we see an attractive and fast-growing market, we see this initiative, as Jonas alluded to, as a next step developing the business that has been built up in C&PC. And we also see this Nordic expansion or Northern Europe, European expansion as a very logical next step after the, let's say, successful rollout of the corporate investment banking platform in our home market. We, however, have a relatively large dependency on macroeconomical factors like interest rate levels and asset values.

So our focus is on activities and investments that will fundamentally improve and grow the value of our franchise over time. So we will measure ourselves on issues like client satisfaction, obviously, that we have heard from my colleagues, new net assets into the bank, a number of new clients and then, let's say, improved share of wallet on existing clients will be important.

So all in all, we think it's possible for the bank to create value through growth and investments in a strong growing underlying business where SEB has a good brand. And as I said, we have a logical follow-up to the investments that we have done on LC&FI.

If you look then on the goals that we will be measuring ourselves towards and what are the, let's say, aspirations that Peter also have talked about. We think it's possible to run this business over time with a cost-to-income ratio of less than 0.5. This is a valuable and return accretive business. So we have an ambition to stay above or to get above and stay above 25 percent. And then on the client satisfaction side, the only goal we can have is to be the leading bank in this market in our home markets with the SEB brand.

So with this, thank you very much.

Ulrika Lilja: Thank you, William. Now it's time for Petra Ålund, Head of Group Technology. The floor is yours, Petra.

Petra Ålund: Thanks a lot. As you have heard from our CEO, Johan Torgeby; and our colleagues, this is about ensuring that we have great digital products for our customers and that they are of a higher level of security and trust. And you all know the security landscape, how that is changing constantly. That will, of course, remain one of our top priorities moving forward. We speak very much about technology as such, being a driving force of modern banking. How can we use that to make sure we nail our common priorities and set the strategy?

Within our unit, we have 3,000 colleagues working and we are mainly within Sweden and in the Baltics. You all know, with COVID-19, we all became much more digital savvy, so also our customers. We have never ever had so many digital interactions as we have today. But having that in place, we need to be even faster. We need to really make sure that we go mobile first and that we are where our customers are in the right channels. We are, of course, thinking how we can enlarge the ecosystem, bringing in more things into our channels, working with different partners, fintechs, tech firms and other partners. This great ecosystem also using open banking gives also us great possibilities. We can offer our services like our Banking-as-a-Service that we have built within our innovation studio SEBx, that is truly cloud native.

Speaking about our products and offerings, we need to continue to make sure that we build and buy them smart so that we can reuse. When we work in the whole financial crime area, we know that that data can be used with all the different parts of the bank. We also know that a lot of tools we buy there can be used with different parts of the bank.

So we work a lot with that finding out how to use that in the right channels. And of course, we work with the basics. The basics meaning all the processes we have can always be smarter, can always be more automated, both in the front or in the back. Like for instance, how we work with loans internally. We can speed up that process. We can make them more quality assured. And we can drive down the cost by digitalizing and automating even further.

When we are speaking about future-proofing SEB, we mean several things. Our airing is that the investments that we do in our tech stack, no matter if it's in-house or bought, is to ensure that we quickly have the right digital solutions that can be trusted and are secure. We have worked for quite a while in modernizing our core. We put a lot of efforts in the last years in our payments infrastructure.

We're going to stepwise introduce that new functionality. We also work in many different ways. That is the architectural design, driving down the amount of applications, making sure we can create scalability by using cloud and APIs. Speaking about APIs, our application programming interface, we have been working with that for a long time. We do that with our core to be able to interact internally. We do that to be able to also interact externally.

Cloud, we took a step already two years ago, we're going to do cloud first. We said that we're going to partner up with Google Cloud, and we can already see some really great traction because we focus jointly with Google Cloud on innovation, like in the sustainability area, our private customers, they want to understand the sustainability footprint. We have lots of great data. But here is also an area where we can buy lots of new data. And really we have a good solution here now using that innovative possibility. Another area where we aim to use cloud even more with Google is, of course, in transaction reporting and also internally with the whole risk area where we have massive amounts of data that we can do smarter.

But one of the most important things and the trends that you are all seeing is that you can buy a lot of the services with its operations. We call it Software-as-a-Service. We have worked for a couple of years already with Microsoft in using their whole collaboration platform on the cloud. We worked with Oracle for the financial space. So wherever we can, we try to buy with its operations that will make us smarter, faster and always updated.

Even though I say we're going to buy a lot more, we're still going to build and we're still going to integrate a lot of stuff. So it's actually important that we continue to invest in the tools we have for our developers' community. And we can see how the speed is increasing and how we are getting better quality. And that doesn't matter in what platform you are, what programming language, we work the same.

And how we work is also really, really important. I guess you know that we have been working agile for four years. And then I don't speak about the tech colleagues. I speak about all of SEB. We are having 60 tribes together, manned virtually with all the different collective knowledge, each tribe own their solution. They understand their customer requirements. They understand how to run or build or buy. And we can see that we are a lot faster nowadays than we were before. But of course, that could be further enhanced. We measure it to see where are we going to put the next improvement in our way of working. And last year, we invested quite a lot in training in these agile roles all over the bank.

I think you heard all of my colleagues speaking about data, making sure that we have the right data, get in the new data. That is really the enabler for us as a bank, embarking on the continuous journey being data-driven. We have the technical prerequisite in place, but we can do more, and we've decided jointly, let's do that business case-driven. So where we do the tech investments are on the right business cases. And in those business cases, of course, when we take that data, we will make sure everybody within the bank can use that data. On those business cases, we will also put in the best resources, the one who is having the greatest knowledge of data, AI or machine learning. Some of those use cases are within transaction reporting.

We are 100 percent sure that we can by doing this fight – asset possibilities in fighting financial crimes and also have even more efficient processes. We also know that we can do more in regulatory reporting. A completely different area is to get a completely data-driven process for mortgage for our private customers in their app, in their mobile, so we can do so many different things. I spoke a bit before about the ever-changing landscape of cybersecurity. This has always been the core of the bank. You can trust us always.

So of course we work relentlessly with this area. And that is things like the basics. Having the right control sets in place always, making sure where we put the investments in the tech stack. It's so important. And you've all seen the major trends that how you want to hit the company is through the third parties, taking down a complete supply chain. So of course we've worked a lot figuring out how, do we protect us? So we have the same way of working even if we buy a solution or if you build it ourselves. But most important of all is security you build from scratch or you buy it from scratch. So we invest a lot of time within the whole bank in training security and of course, especially for the tech unit that we have.

Also, when I go and meet colleagues, wanting to join us, I speak about that threat landscape. And I speak about those massive amounts of data and that fast pace we have because we don't want the average developers. And if you're a good developer, you want to work very hard, and we have that area. And in this space, of course, we cooperate with others. We constantly ask, are we understanding the threat landscape correctly or not? We bring in different external cyber experts to say, are we investing right? We are doing so many things in this important area.

And speaking about important things, that is, of course, our tech staff. We spend a lot of time in really explaining what do we do in the bank and what will we do in the future. It's not only within the tech units. It's with all parts of the bank that we're going to need more technology and data knowledge. So we are super happy when our team write and brag in their tech blogs, in their hackathons, they drive (dragoness) to find innovative ideas. It's so great to see how we create this community in whole bank in driving this new knowledge. What is also important for our tech team is, of course, sustainability and how you can contribute in your role. We work very much in figuring out having the right partners, driving down the efficiency, the cost and how we utilize that. And of course, green software engineering is coming strongly where we are leaning forward.

So in summary, we continue to invest in our tech stack with our partners to make sure that our data is available, which help us to drive innovation and deliver the right customer solutions to all our businesses. Thank you.

Ulrika Lilja: Thank you, Petra. It has been very inspiring to listen to all of you, and we will now have Peter back on stage.

Peter Kessiakoff: Right. Thank you, Ulrika, and thank you to my colleagues. Hopefully, you found the presentations as exciting as I did. And now you've heard 3 of my colleagues present within 3 other divisions, including technology. And what I would like to give you a sense of is that we have initiatives throughout the bank. These were snippets, different focus areas, with some of the divisions we're focusing on – but again, we have initiatives throughout the bank. And we've, on this slide, listed a selection of investments that we are doing in order to future-proof the bank.

What I want to like to emphasize here as well is that there are different time perspectives with these investments. We have investments that we expect to bear fruit already in the short term, meaning 2022, but we also have those that will benefit during the medium to the long term. To give some examples, we have the custody area, which we've referenced several times today. During 2022 – sorry, during 2021, during the latter half, we recruited roughly 50 people as we onboarded significant volumes. Here, we expect benefits on the income line already in 2022.

So clearly, a benefit in the short-term. We have other areas such as within Baltic with our digital sales automation platform, where we expect to continue investing in our next-generation digital sales platform, benefiting both the customer onboarding journey as well as the customer experience as well as helping customers get better products and better service and more interactive and as well helping our efficiency.

We have areas such as within Investment Management that are investing into their alternatives franchise, clearly meeting up on the demand from customers on alternative products, especially within private equity and real estate. And this is a benefit that we expect to generate our income over the long-term.

And finally, we have SEBx, which is our innovation lab, you can call it, where they have been and are investing in their Banking-as-a-Service platform. And this is a platform on top of which customers can develop financial services on. And here, we expect them to sign their first customer during 2022. Then we have house in order, which obviously is critical given the increase in nonfinancial risk, and I will come back to that. But clearly emphasizing here that we have different times perspectives benefiting both short, medium and the long-term.

So what this means is that we are setting ourselves on a path to continue to deliver long-term income growth combined with operational resilience. We have the future proofing of our customer relationships, which means we are investing into our business, delivering good products to our customers, which in turn will generate the income. The majority of the benefits will, however, be on the medium and long-term benefits, but we do see short-term benefits as well. Again, ensuring that we continue to have a strong financial resilience and progress towards our aspirational targets of a return on equity of 15 percent.

Looking at the future proofing of the platform and the fact that nonfinancial risks are increasing dramatically, we are investing highly into this area. We have areas such as data management, which pretty much is an enabler for all products and services as well as regulatory compliance, a very critical area for us, benefiting areas such as customer satisfaction, efficiency, regulatory compliance, et cetera. Customer onboarding, critical area as well as financial crime prevention. Again, the unit that we set up earlier during 2021 in order to improve our regulatory efficiency.

Finally, I'd just like to mention a few words on sustainable banking where we really feel that we are in the forefront here, which is an area that we have been focusing on. And as you perhaps remember, we had our Sustainable Day during the autumn of 2021, releasing our new targets with the brown, the green and the future.

And here, again, we are in the forefront, and we are in a pole position to benefit from the green or the sustainability supercycle that we expect will materialize over the long term. So again, investing here in order to ensure operational resilience and progress towards our aspirational targets. Now what does this all boil down to? I mean we are focusing on creating shareholder value, obviously, by delivering good products and service to our customers and being an integral part of society. I think this picture pretty much summarizes it all and how we try to create shareholder value.

EPS growth. I mean we are investing into growth-oriented initiatives. And this in order to ensure that we continue to have a very attractive earnings growth over the long-term, similar to what we have been demonstrating over the long-term with a very strong track record for 30 years. Return on equity, by directing investments into capital efficient areas. And as you've seen, we have a very attractive return on equity relative to our sector. But here, we are continuing to strive towards our aspirational targets of return on equity of 15 percent over the long-term.

Then we have cost of equity or operational resilience, you can call it. And here we are investing and by – to future proof our platform and to future proof our business. And one example of this is what Johan mentioned in the start, where we continuously are assessing and evaluating the long-term direction of the banking industry and making sure that we are never complacent and always in tune with where the direction is. And again, this year, we're presenting the 2030 strategy.

So all in all, these 3 elements will enable us to deliver shareholder value and continue to deliver that, both during the business planning period '22 until 2024 as well as in the long term.

Finally then, just reiterating our financial targets, and I've been through this already, but we have a target to pay out half of our profits in ordinary dividends to have a capital buffer of 100 to 300 basis points over the regulatory requirement and a return on equity that is competitive versus peers. For the long term, that means an aspiration of 15 percent. And when our capital base is above our target range of 100 to 300 basis points, share buybacks is the main form of capital distribution. And just reiterating the message that we've also started the day with is that we plan to, by the end of the business plan, to be within our target range of 100 to 300 basis points versus the 590 basis points that we are at today. And for 2022, we aim to or we plan to buy back shares of some SEK5 billion to SEK10 billion, subject to market conditions. Thank you.

Johan Torgeby: Thank you, Peter. That concludes this presentation, and I thought I'll give a few impressions and final remarks. First, when I'm listening to our own presentation, there's a lot of talk about investments, and I'd like to put it in context. If you think about the value creation that has happened in the financial markets over the last 10 or 20 years, you can clearly see that the most market caps that have been built to astronomical levels, they have been associated with very large investments, not to be mixed up with SEB. So in that context, this is still very modest, SEK800 million, SEK900 million in the context of an operating profit of SEK30 billion.

The other one is banking is a long game. So what this is all about for us is to create value in the long run. Those values are not only shareholder value, which is the obvious one because the way to create it is also to create value for our employees because they are the ones that create the shareholder value. It's also based on creating the value for customers. And the fourth value is to be a value creator for society, for investments to happen, for realization of dreams to be possible in terms of upgrading your house or building a factory or starting a company. This is about investing to change the direction of travel with a few degrees that might increase the probability of outperforming the market average significantly, but with 1 percent or 2 percent. And over time, in banking, this means a lot of value, but it's in the long-term perspective.

Thank you very much for attending this session. And now I hand over to Ulrika.

Ulrika Lilja: Thank you, Johan. We will now have a break, and we will open up the Q&A session at 10:30 CET. For those of you who wish to ask questions, please remember to dial into the telephone conference. For those of you who only wish to listen, you can remain on this slide. Thank you so much for your attention.

Operator: Ladies and gentlemen, we will now begin with our question-and-answer session. If you wish to ask a question, please press star and 1 on your telephone keypad. If you want to withdraw your question, please press the hash key. Once again, please star and 1 if you wish to ask a question.

And the first question comes from the line of Andreas Hakansson, Danske Bank. Please go ahead. Your line is now open.

Andreas Hakansson: Good afternoon or good morning everyone. Thanks for the presentation. Looking at your R.E. targets, and I was hoping that we get something a bit more tangible for 2024. And when I read your statement it says that you do all of those things in order to reach your long-term target of 15 percent. Could you tell us when is it that you expect to reach that 15 percent target? That's the first question.

Johan Torgeby: Hey, Andreas, Johan here. Well, we don't have a particular timestamp on it. It's more aiming to be a reflection of the bank that we see, the one that we know, as we see it, has this ability in a stable fashion to generate it.

There are so many things in the return on equity in the short and medium-term that we do not control. I have no clue about income levels, macro levels, interest rates in order to make such a prediction of when, but I also say one thing is very clear, the surplus capital, which we currently consume, is a major factor behind why it's not there already, and that we have committed to. During these three years, we will try to normalize. So, I think if you were to do that, you would end up that we are probably there without any particular drama if that would happen subject to the current market conditions.

Andreas Hakansson: And I mean, a key piece of the puzzle to get there is the cost level, and you gave us a good cost target for 2022. But if I go back to the previous three-year plan then you were very on around a three-year cost development. What do you expect will happen post 2022?

Johan Torgeby: Yes, I mean, we go to one year because we have not yet decided, and this is a more forward leaning strategy. This is actually quite a large change from the last 10 years where we had zero, most of the time, further resources at our disposal. We have to had a flat cost. This little thing we did was almost like a test balloon in 2018 to see if we could control the cost and see if we can get the operational leverage on the income, which we have no reason to believe we didn't, although it's always very hard to attribute what income and what activity was linked to a particular dollar, cent, krona or ore in a spend.

So, what you have to be guided from is that we will and say now one year 24.5. That's the target. We will have to muscle up all people in the back to keep that one. We will then play it smart. So, if this return – if the return on these investments changes, we won't spend it. And if there's a market opportunity, we might want to increase it. And this is about a 10-year plan to try to do the right things over the next three to four years here so we have another decade of outperformance just like the last one. And we are saying if we do not to do this, there is no more added initiatives in the 10-year perspective, so we need to make some changes here.

The cost income you have, that's a medium to long-term, so it doesn't mean, first of all, that you can't invest if you find a good opportunity. If we do that, of course, we need to describe to you guys what the return on that investment would be in terms of income. And the other one, we don't dictate income, so cost income is, of course, very dependent on where income goes. So, I think return on equity of 15, the cost income for the group and by division coupled with exactly saying cost and income will have a link in the medium to long-term.

Andreas Hakansson: That's fine. Just one maybe odd question. I can't remember if it was Jonas, but someone said that you don't really get credit for their FinTech products that you have together without a bank solution, bank idea, which I agree with. But then you also have developed this SEBx, and maybe I would hope to hear from Christopher today. And do you think that over the next year we could actually start to get some data or given that today SEBx is valued at zero within your group? Is it some way that you could show us enough that we can actually start to value it because I think it's quite an interesting holding that you have there.

Johan Torgeby: It's a good point. I haven't thought about it, but I can commit that I will think about it, and it would be nothing strange for us to ask for Christopher and team to give you guys a presentation on the status of SEBx. And there's a lot of interesting things happening there right now. And I completely agree with you, for good or bad reasons, there's no way we can monetize these things as 100 percent owner of these FinTech or a part owner with other banks. We just don't get any of that value.

We know that if this would have been outside the bank, they would have done fundraisings very, very quickly as we are helping. Many of these FinTechs do that and the tricky task of valuing them before they have an income. So, we'll take that with us, that my ambition is to share that with you.

Banking as a service, Peter Kessiakoff talked about it – it was in several slides – is really the new thing, which is super interesting. And we are – we are saying we expect to sign on the first banking as a service that counterpart is doing in 2022.

Andreas Hakansson: Perfect, thank you.

Operator: Thank you. And the next question comes from the line of Magnus Andersson, ABG. Please ask your question. Your line is now open.

Magnus Andersson: Thank you and good morning. First of all, following up on Andreas' question there since we tend to leave in three years cycles as equity analysts. I – my thinking was similar data there about tangible data potentially for the coming three years, which we got to a larger extent historically.

So I was just wondering, when I look at your investments there, Peter, that you talked about the 800 million, 900 million, for example, in 2022, I mean, the last plan entailed in gross investments of 2 billion, 2.5 billion, is it fair to assume the coming three years that that will be if I – if I take that times three, it would be around 2.5 billion that you will have roughly the same investment pace or will that be more adopted as you alluded to now, Johan, to where income is.

And related to that, when I look at the slide, it looks like you have the front 300 technology and data 350 house in order to 50. Is it fair to assume that of the investments you are doing, roughly one-third is more kind of ticket to play investments that generate no income really, two-thirds or initiatives where you're into projects with clear expected returns? That's the first one.

Johan Torgeby: OK. I might as well start and ask Peter to fill in the gaps. So, on the first one, I think it's not unreasonable to assume that the investment level we have now come out with today, the 800 million to 900 million is a good guidance for how we're thinking in terms of the future. It is not a guidance I can give you today that we will replicate that next year, so many things.

I mean, if we have a – one of our risks that we have identified materialized such as tapering or quantitative tightening that affects asset market prices, we will be smart about it to protect also cost income and profit in the near-run. It's structural changes you can't stop. So, the strategic investments we do, they will continue regardless.

So, we will believe in becoming a data-driven company. We will expand our capabilities to a certain extent regardless of cyclical considerations, but we need as we are switching from a cost flat nominal to a profit generation through cost income gap. We need to switch the whole gear from what you have been used to to be a little bit tactical and smart in the short run.

If you can assume that two-thirds would be the forward side and one-third you don't really have any income, yes, it's not an unreasonable assumption. We viewed, of course, any spend to be income-generating. The income can also increase by reducing cost or reducing mishap or reducing regulatory problem. That's also profit-improving compared to what otherwise would have been the case.

But you're right, we have the platform and we have the front. And this is – don't focus too much on the numbers in terms of what is important to SEB. It's a very different cost depending on. I mean, setting up in Netherlands, and Austria, and Switzerland, we're talking maximum tens of people and that's it, whilst buying a new I.T. system or it could be hundreds of millions that you need to do. It doesn't mean that it's less fundamental change for SEB when we now expand into a northern European bank because we didn't spend that much money on it. That presence is clearly a very lot – strategic change for us.

Johan Torgeby: Peter, anything to add?

Peter Kessiakoff: Well, I can just take Magnus' question on the cost side. I mean, we're talking you mention gross investments and now we're talking that investments, so we're talking two different languages here.

I guess, if you simply take the 800 million to 900 million range and you just simply multiply it by three to get the same time period you would end up with a similar number. I mean, we're not – we're not necessarily committing to anything on the long-term, but from a purely mathematical standpoint, yes, you can say that we in one year are saying that we're going to invest in the same pace that we – that we announced during the last three-year plan.

But I mean, coming back to what Johan said, this is a long-term ambition. We want a future-proof bank. We will calibrate our investments as we go along if initiatives are performing better than planned or things are not – don't turn out as we expected.

Magnus Andersson: Yes, OK. And just on that R.E. target, Johan, it sounded when you answered Andreas that if that's a five-year perspective but is not necessarily 2026, it can be a year before a year after or whatever depending on the income development.

Johan Torgeby: That's correct. We're looking forward.

Magnus Andersson: Yes, yes, OK. If I – yes, just on the bank tax and potential repricing, my second question, how much of the bank tax do you think you can offset with repricing in, let's say, a three-year period?

Johan Torgeby: We don't know what we think we will achieve, but we have an ambition to where appropriate to try to offset as much as possible of it. We do have these dynamics when considering this. Just illustratively speaking, half of our business is global competition, and we are a price-taker. There is no chance for half of our business to make any adjustment because local taxation is changing. It's something you just need to swallow and you need to – you can compensate by operational efficiency. But we're doing that anyway. We don't need any increased tax to focus on improving effectiveness.

Half of our business we do have pricing power. We have price lists, et cetera where you can compensate for. And what has been announced already is a five-basis point increase on the list prices on the mortgages and also the fees that we are charging in order to get the package of the basic banking products.

And I don't know. Well, I mean, if we are getting somewhere between 25 percent and 50 percent of the products that we can and we'll see where that ends up. The price elasticity of this is very unknown, so what happens to the volumes if you do increase prices too much because we live in a very competitive environment, and the number one reason we dislike this is tax is actually that it's only nine banks that have to pay it. So, there are several who won't have this problem, so we increase. I know for some who doesn't need to do that and then you might lose volume. And right now, we find – we find our strategy to strike the right balance to compensate for this.

Peter?

Peter Kessiakoff: Oh, yes. If I can just add just a clarification on the bank techs because I know there seems to be some confusion in terms of the numbers. I mean, what we're saying here is that the bank techs is expected to cost 1.2 billion in 2022 on a gross level and 1.4 billion for 2023. Given that it's tax-deductible, that means the net profit impact of 1 billion for '22 and 1.2 billion for 2023.

Then in terms of the accounting, where will this end up? There are still discussions ongoing where everything is flying around from the income side to the cost line or something else, so we will revert back on that during Q1. But again, the net effect is 1 billion for 2022.

Magnus Andersson: Yes. OK, thanks. And just finally on capital. You're mentioning share buybacks between 5 billion and 10 billion for 2022 and that you will be down within your management buffer range in 2024. Does this mean that we should not expect any extra dividends now that you are down? So, it's total buybacks to get down with the new management buffer range from here ...

Johan Torgeby: No, you should not ...

Magnus Andersson: ... (inaudible) dividends.

Johan Torgeby: No, you should not expect that. There's nothing limiting us for doing an extra dividend. Today, we've just concluded what we will do for 2022 with the information we have now, and this is, of course, a board decision taken yesterday. And this will be revisited on an ongoing basis. And part of why we introduce this strategy or policy is just to do that, to be able during the year to calibrate it through the share buyback while dividends are very prominent.

But we have said it's a preferred route, but we still have a capital position that is affected by COVID. So, there's an – there's an adjustment, so to speak, that could be still argued needs to happen during the three years, and there's nothing limiting us to do an extra dividend.

Magnus Andersson: OK, thank you very much.

Operator: Thank you. And the next question comes from the line of Nicolas McBeath, DNB. Please ask your question. Your line is now open.

Nicolas McBeath: Thank you. So, first question, looking back a bit and reflecting on the previous business plan, so it would be interesting to hear if you think that your financial performance in this ending business plan, how much can be attributed to the investments you're taking over these years and how much driven by macro development?

So, I mean, granted you've been outperforming a lot of bank peers over the time period, but I guess, you could argue that it's partly related to your footprint and the business mix relative to these peers and potentially also some internal headwinds to some banks in this peer group. So I mean, how confident are you that those investments have been lifting your revenues? So yes, start with that question please.

Johan Torgeby: Yes, I mean, it is very hard to be call it academically accurate in this type of question because we don't view the bank as that incremental investment of 1 billion generating the 50 billion of income. We are investing 23.2 billion in this bank. That's the way we see it. It's just that the incremental needed to be explained in 2018. And it's only anyone's guess what would the income have been if we did not to do those 11 or 12 strategic initiatives.

But I can tell you, we wouldn't have had the energy. We wouldn't have had the sustainability set-up, which is as quite significant compared with others. And the energy is, of course, a corporate finance advisory lending transition. And we wouldn't have had the investment banking fees – or I should – I should say we shouldn't – we wouldn't have had the investment banking staff that we now have dedicated to generate this result, what is – what is very difficult.

So, we are fairly confident that their business activities that came out has gone according to plan. When it comes to the financial result, that has been very strong, and it is very hard to hand on heart say that if we wouldn't have done it, we wouldn't have had it. So, a little bit of humbleness in there.

But the big picture is that we are not spending 800 million to 900 million in 2022, we are spending 24.5 million. We just increase it a bit, and that's – that is not – that marginal investment is almost impossible to track to the marginal income.

Nicolas McBeath: OK. And then a question early, I think, to the Slide 32 on the – on the presentation on the new business plan on shareholder value, and you mentioned EPS growth has a shareholder value driver over the business plan period. So, I was just wondering if you think you can achieve positive EPS growth over this time period, keeping in mind potential headwinds from the bank techs, higher cost and potentially, I guess, some kind of normalization of loan losses. If you could please elaborate on what kind of the assumptions or what would be needed for you to deliver EPS growth over the business plan please.

Johan Torgeby: I'll ask Peter to start, and then I can fill in.

Peter Kessiakoff: Yes, thank you, Johan. Yes, so as you're mentioning that we have some headwinds in terms of bank tax, et cetera, as well as the announced increase in investments. I mean, I think what is important to highlight here is that we have an ambition to grow this over the long-term. We are highly exposed to cyclicality and external little factors when it comes to the income which, in turn, impacts our profit growth as well during the same period.

So, I mean, I think it's – we don't really look at it that way. Our ambition is to drive long-term growth and then their external factors that can impact the development in the short-term. So, I don't – I don't really want to guide on anything on that – on EPS growth over that time period.

Johan Torgeby: And if – I mean, our job is not your job to predict things or try to do estimates that are accurate. We – our job is to do the right things for our clients in order to maximize the profits with the constraints we have through income. And there's definitely a possibility for EPS growth, but you need to make some assumptions around it. On macro, nothing can go wrong, et cetera. We also don't know what will the short-term income effects be from these investments that are already up and running.

Just point to custody. You might have seen in the report that we have almost 6,000 billion in assets under custody. And that is, of course, associated with an immediate full-year positive impact if that in – maybe end of '22 or at the latest end of '23, but you need those assets on boarded. You need to have the staff onboarded. You need to have it for a year, and we don't know exactly. But there's definitely that possibility.

Now, we have the headwinds with tax. We also have the credit loss level, which is, of course, very low at the moment. Those two – one – well, you cannot design a strategy that compensates for that bank tax or the credit quality of the 100 countries we operate in next year. So those are definitely headwinds. We can just do what we think is the right thing to do for the long run.

Nicolas McBeath: OK, fair enough. And then final question from me on the German tax reclaim. So, if you could please – yes, what value do you estimate the potential reclaims to be if we also include the accrued interest on these claims? And by what year do you think such payments could be due in case you would have to pay those? And yes, is this at all taken into account in your capital planning at this point?

Johan Torgeby: Yes, the tax reclaims are then the EUR1,500 million. This is the full amount of the withholding tax that we will then – we will reclaim if our interpretation holds, which the tax authority in Germany is now wanting to investigate and see if that is the right one. And this is about who is the beneficial owner of an equity if it's a part of a securities finance transaction. And for decades, the treatment has been that if SEB owns the share, we are the beneficial owner in the securities finance format.

Now, that's being challenged that it's actually not SEB, it was the institutional investor who lent the stock to SEB in the – in the transaction who should be treated out. And therefore, that would be a withholding tax for the institutional investor. This is what's being debated.

The full amount is not what has been reclaimed in its true sense, it's the amount that is maximum for being in scope for the tax audits between 2008 and 2015. We are waiting for the tax authority in the year – in the next year or two to come up with the concrete at interpretation and its consequence, so we don't know. We just know that the tax audit is this is the sum.

We don't expect – and this is a probability assessment to pay anything, so we think it's more likely than not that we don't have the incorrect interpretation, but we cannot guarantee that. This can be many years. Our base case is that this will take four to five years, and we will – we will – we will definitely go all the way so we can get clarity in the highest possible instance because we have legal opinions for the last decades that supports our view, and this is a fundamental, very important question for us that we haven't done this the wrong way.

Peter Kessiakoff: Then if I can just add a bit to that and you asked the question about the amount. Just to have it – have it said, I mean, the amount is EUR1.5 billion, obviously, but then in terms of the interest rate component, that equals up to roughly EUR2 billion. So that's in total amount.

Nicolas McBeath: So, is that – is that still accruing, that interest rates on the – on the reclaim?

Peter Kessiakoff: No, we have – we have limited that, so it is not.

Nicolas McBeath: OK, thank you.

Operator: Thank you. And the next question comes from the line of Antonio Reale from Morgan Stanley. Please ask your question. Your line is now open.

Antonio Reale: Hi, morning everyone. Thank you for the presentation. I have a few follow-ups actually. The first one on the use of capital that you've talked about, you're guiding for 5 billion to 10 billion share buyback program for this year, I wonder what is the rationale for the relatively wide range in the buyback program given perhaps feasibility has improved compared to the last few years at least. That's my first question. Related to that, you've talked about growth and investments. I wonder what your stance is with respect to M&A.

And secondly, on cost, it's all clear you provided the guidance, you've outlined the moving parts. I'd like to ask you on how you see the outlook for core revenues for this year, particularly in the United States. And if you can share your thoughts on how you see operating (inaudible) play out in 2022 after a number of years of positive operating leverage.

And actually, lastly, if I can add, could you also comment on your market position in the Baltics in IoT business developed both in light of the geopolitical outlook? That's all for me. Thank you.

Johan Torgeby: Yes, I'll see if I can remember all of them. We start with the range 5 billion to 10 billion. The main reason why there is a range is that we want to maintain the flexibility to decide given more information during the year and those two things, let's call it, uncertainties, why we didn't just say let's launch a program of 8.5 billion and then be done with it is that we want to see where the business takes us.

Right now, you have seen this quarter we probably dropped 40, 50 basis points because of just a few months of superb business consuming a lot of capital driven of events and M&A. We have this looming super cycle idea on green, so there are some really positive tones as well as negative.

The negative one is really the geopolitical tension that is currently around us. The discussion about quantitative tightening and interest rate increases is an uncertainty for us, particularly, when it comes to asset prices. So last year we were very, very positively surprised compared to plan with how much asset under management and asset under custody contributed. More than two – I think around 2 billion extra in P&L terms from these areas outside our control because the market was strong.

What if this would be reverse? So, we will, of course, have the five to 10, and if we do not end up in that range, more or less, that merits a comment and an explanation to you guys. Otherwise, that's the – that there's some upside and downside potential that means that we want to keep the range.

On M&A, I assume you asked for the bank's sake. The plan you have hopefully seen today is in all important aspects organic, so there's nothing in what we have said today that is dependent on or decided on in terms of have an acquisitive growth plan. It's an organic growth plan by hiring people around in the bank.

Now that should be said with a few exceptions. So, in the FinTech space, in the green tech, clean tech space, we are, of course, acquiring some companies all the time, but these are non-transformational, non-significant for the DNA of the group. And that we will continue to do. And then we are not against looking at transformative larger transaction. Any of the initiatives that we have gone through today, there may be a discussion in the future of some quicker way to get there, but it's not based on the plan, so let's call it reactive and curious, but it's not part of the going forward.

On the cost, I actually didn't hear it, so I'll take that last and I'll say market position in Baltics. We've had a very fortunate competitive dynamic for years in the Baltic. So as banks and many, many banks have exited in the last decade, of course, we have been committed together with, more or less, one another. And that has been quite good in terms of trade. I often have said it it's not good to only have two, you need more.

Right now, we feel a clear shift. So now, we have entrants. We see competition increasing, so this whole run of margins and volumes automatically coming our way, that's over. And therefore, we've also calibrated a little bit or would think about the future. So, competition is heating up. There are definitely a well-functioning economy now, very good credit quality, and now people are getting a bit more interested.

Peter Kessiakoff: And if I can just add to that, I mean, as you perhaps seen, I mean, we are a common thing also that in terms of business momentum, lending growth has started to pick up again after being fairly muted after COVID-19. So, in terms of market growth, it is improving again.

Antonio Reale: And may I ask about the cost – the cost question clarification?

Peter Kessiakoff: Yes, absolutely.

Antonio Reale: So, it was confusing the way I phrased it. It was not on cost because I think it's all clear what you said. It was more on the outlook for core revenues, NII and fees, particularly for this year, if you could comment on what you expect performance to look like there and share your thoughts on how you see operating jaws in '22?

Johan Torgeby: Yeah, I have now guidance to give actually on the lines of the core revenue lines, et cetera, other than the plan and that the plan is, of course, how we organize ourselves. We love the NII. We are here to lend, but we do want to increase the focus on capital-efficient banking as we conduct it. And that means more advice to refocus, try to get deeper relationships with our lending clients and one whose lent from us. There is more we can do, and that's where the focus is in order to get the return equity up and have an accretive strategy.

Peter Kessiakoff: I think maybe if I can just add to that as well is that, I mean, it's off – I think you refer to operating leverage. I mean, what I try to emphasize in my – in my presentation and especially when we're kind of putting our strategy in a – in a bit of context, we are striving to grow within products with higher ROEs, which tends to be products that also have a high cost income ratio, meaning we don't really need to have a positive operating leverage in order to improve our return on equity.

And as you probably agree, return on equity is really what pays the bill in the answer to shareholders. So, I mean, we were focusing slightly less on operating leverage in that sense.

Johan Torgeby: And there's two types of …

Antonio Reale: Thank you.

Johan Torgeby: … (inaudible) two types of operating – and this is an important point as we'll have that slide for a decade, and it's been built on flat cost and a modest income growth, which is then doubled the bottom line.

We're going into an investment and allowing the bank to increase its footprint, meets more clients in new areas. You're expanding your bankable – your bankable presence or footprint if you – if you wish. But there's – even if you do that and using cost income as some type of – of guidance, that type of operating leverage you've experienced will not happen. But there's another one, which will happen in even more, and that's the scalability of our operations.

So, when we enter into a new country for corporate and investment banking, there is no incremental meaningful cost in the platform we require. It's the front, the people, and we can add it to the (inaudible). There's a very, very high operating leverage in terms of revenue per cost we spend and scalability of the technology platforms, and the infrastructure, and the systems that we have to add one more client, one more large core client. So, it's fantastic marginal return on equity and marginal cost income of those transactions. But the people that we need to also hire has, of course, an advisory tone to them, and as we shared today, you know all that corporate finance and these areas they have very high return equity, but also higher cost income than average.

Antonio Reale: Thanks for the call.

Operator: Thank you. And the next question is from Robin Rane from Kepler Cheuvreux. Please ask your question. Your line is now open.

Robin Rane: Good morning. Thanks for the presentation this morning. So, try to get some more sense on the investment versus underlying cost, and I know, Johan, that you said that you – that 24.5 billion of almost all of the investments in the bank. But if I look at the 2021 figure, you said in the previous business standards of the cost in 2021, about 1 billion would be investments. Are these investments now to be seen as sort of transforming into underlying costs going forward in the years ahead?

And also, on that, I guess, the underlying cost in 2021 was 300 million to 400 million lower because of the COVID situation. Have – should we view it as this amount being – that there has been an investment for this month instead? Thank you. That's my first question.

Johan Torgeby: Yes, thank you. It's – I mean, this is a fascinating topic to discuss because we are talking in the financial industry about investments, but it is not a factory, so we don't have a fixed capital formation investment. When we talk about investments in the financial services industry, it's around putting more money towards a business opportunity and often in the form of people.

Sixty-six percent of our bank is staff cost. The rest is premises, hardware, external software, information, and a little bit of extra. That's where it is. So, when we invest, it is operating costs. Hence, it's very difficult for a service company to differentiate. I usually take for fun the example of a hairdresser. When they invest, they hire another hairdresser that then can cut 10 people's hair.

Banking is very similar in an advisory sense except for the capital side. So yes, the large – if you look at the slide in today's presentation that I think Peter showed on the cost, those are the investments that's on there as a example. Custody, expand investment banking, get remote advisory in retail, which is people that needs to see clients on teams like capabilities, and it's people that needs to answer the phone. So, we won't see them physically. We would also increase the ambition of meeting customers physically by appointment, and hopefully we can do that more efficient in a matter.

And there are PWMs or private wealth management and family office. We will establish it outside Sweden. All that is investments in the narrative we presented today, but they are permanent. There are other areas in technology and projects that you can definitely see has a slightly different, more classic. We invest to increase productivity and there will definitely be productivity gains and maybe cost savings in the long run that you can shut down systems, but I wouldn't exaggerate that. So, this is, for me, very much an increased size of SEB that we are talking about here, both on cost and income.

Robin Rane: All right, great. Thank you. And then to go back to income and maybe the lending, so you said that the event-driven lending balances in the – in the fourth quarter are all very high. And just wondering how pipeline look? Will it be challenging for you to remain at these levels or can you grow them further?

Johan Torgeby: It is a very constructive pipeline. So, if I – if I forget the market's side a bit, we have no indication that we don't continue this very benign environment. What's good is that there has been a little bit of shift that you also complement a very large activity in equity capital markets and ECM with M&A. And now I showed you a few logos here, which is more – which were more transformative in nature.

However, uncertainty is increasing in the market, so this is – we know that the big transactions they need stability, they need predictability. And this volatility is typically very good for the markets and trading operations because activity goes up, but let's see if anyone – as Joachim or Jonas sits here, maybe I'll just open up and see if anyone would like to give some more color on the sustainability of this level.

Jonas Ahlstrom: No, it's Jonas here. And I think I can only think of your comments, Johan. I mean, the pipeline remains good. And as you say, there's been a good mix of M&A and ECM activities. M&A complementing the strong ECM, and -- yes. So -- and that said, sort of market volatility has increased in recent weeks. And as Johan said, we -- I mean, typically a more stable environment is favorable. But at this point, we have no indication that this pipeline outlook should change.

Robin Rane: OK, thank you very much for that. And the last question on the investments into the savings area. Is -- should we view this as a measure from your side to just extend the outflows of customers to niche banks like Banco Nordnet? Or have you an ambition to actually gain market share in this segment? Thank you.

Johan Torgeby: Yes, first just to conclude, we've had a pretty – it's not a great track record in the last years, but this year, just we are noting a little bit light in the end of the tunnel. So last year we had net outflows of 13 billion in the bank. This year we had net inflows of low 550 billion.

On the slide with the competitive dynamic where you are losing market share to FinTechs and niche banks like the ones you are mentioning, that has been a 25-year-old trend. So, the trading, the investments, and the buying and selling of funds and equities has, of course, gone from where it used to be in the 90's – early 90's to this call it online brokers or wealth accumulators, what do you call them.

Now that is something that we want to stop. It doesn't mean that we can sit here and say we will take market share, but we might lose, which means we will take because we still have a lot of people dealing with SEB. I mean, we are – we are very, very large in AUM and trading of equities and funds.

It's a little bit about being good enough to know – never ever have an outflow again because for many, many years in traditional banks, you've had almost – you had enforced if you are a financially literate and interested person and you want to trade to go to someone else because the banks have not kept up with the development of digital web-based and nowadays with mobile the last 10 years. So, we want to put an end to that and we can see very, very clearly that when we launched the trading of single stocks in the mobile app April last year, things have started to change quite dramatically, but it is – it is not to say that we are on par with the best yet.

Robin Rane: OK, great. Thank you very much.

Operator: Thank you. And the next question comes from the line of Nick Davey from BNP Paribas Exane. Please ask your question. Your line is now open.

Nick Davey: Morning everyone, three questions please. The first one, can you update us on your rate sensitivity please in the key markets? The second one, coming back to this discussion around Slide 22 and the more cost-intensive growth from here as opposed to capital-intensive, do you have a sense from here on that risk-adjusted growth will be lower than we've been used to in the previous plan as a result?

And the third question, which is related, because when we talk about ROE, you obviously made lots of comments about the problem you have with excess capital in that equation. My question is in a – in a vision of the future where you're not using much capital for growth, I'm wondering why not start to push your total payout ratio to get it above 100 percent. Otherwise, we could be here for a few years yet and are complaining about this excess capital problem. But I think with a 50 percent payout and even 10 billion of buybacks this year, we're still looking like about 100 percent distribution.

So, I know Q.T. is the risk of this year. I'm sure there'll always be a risk in January, so why not push a bit hard on distribution now and get started on the denominator. Thank you.

Johan Torgeby: Thank you. I'll ask Peter to do the rate sensitivity. I'm going to start with RWA.

You shouldn't interpret today's presentation that we don't like to expand our lending activities in a profitable way, we do. We're just saying that the proportion between what is very capital-efficient lending or doesn't consume any capital, we would like with this plan – we would like to try to increase that, so we get more leverage on the low return investment grade lending we do. You can turn this around and don't forget, this is also why we have such a strong balance sheet and good credit quality, but the downside is that you don't have any terms of trade in investment grade lending for that to be a good business on its own. You need to do more.

So, I don't know where RWA will go. It has very much to do with the demand from our existing client base and the little incremental client base that we are now going to be in pursuit of, so it will increase if we are not failing completely. The important thing is that it doesn't increase more than profit because then return on equity doesn't go up. So, we need some type of bottom line to improve more than the business equity consumption is. And this is for planning purposes.

In reality, I'm very humble, I have no clue where it goes. This – I couldn't predict in September that we would have done a 13 percent increase in the – in the – exposure. It's like 10 clients that really go for it and do massive M&A transactions, and they choose us to work out their sole or joint lead advisor and arranger of the financing. So, the important bit, I think, is to see that in that slide I think you refer to lending is the low return equity at very – sorry, low return on equity, very low cost income business. You got to be careful with that because we are wanting to have an increased return on equity.

Transactional banking is in the middle. It's around the 15 percent to 20 percent mark. It's transaction finance, it's SEB cards – credit card business where you do transactions, move money from A to B and you charge a fee.

And then on the advisory side, you have no capital, so it's – in some instances, it's infinite return on equity on the margin if you do more, but they tend to be much more to the point six, seven, and eight in cost income. And that's the point. We want to do more of the balance – do more on the balance sheet we've already committed. But in order – a ticket to play in this industry is to be a top lending bank in the core group of any corporate, and we need to be there.

Peter Kessiakoff: Yes, then on the rate sensitivity side, I mean, we're pretty much sticking to the message that we have had since before, which is 25 basis points in terms of short-term rates is roughly 1 billion gross for the bank, meaning gross standing in that – then you have a customer behavior changing that number in different ways. I can also mention this, when you look at the resolution fund fee and the deposit guarantee scheme, those will increase cost by roughly 100 million or expenses by roughly 100 million during 2022, pretty much in line with how it mathematically works.

Nick Davey: And on payout ratio?

Johan Torgeby: OK, I'm sorry, (inaudible) there. I guess there's nothing theoretically limiting us. I think you're absolutely correct in your assessment that if the bank stands and goes as we see it today, your conclusion is accurate. And I think we just have to play it by ear and see if we get there. But the only way to do it if you don't want to take 10 years, if things go as well as they do now, is exactly like you said, you got to get to the 100 or above 100, otherwise, it won't go down. So that's – but it's a board question, so don't kill me. It's up to the owners of the banks to decide.

Nick Davey: Very good. OK, thank you.

Johan Torgeby: Thank you, Nick.

Operator: Thank you. And the next question comes from the line of Johan Ekblom from UBS. Please ask your question. Your line is now open.

Johan Ekblom: Thank you. Just a couple of follow-ups please. So maybe starting on the kind of short-term lending facilities in (LC&FI), when we think in the very short run what kind of maturity do they have? Should we expect a lot of these to fall off already in Q1 or do we have some staying power beyond that just to think about the near-term line trends?

Secondly, just on the cost side, you talked about these 800 million to 900 million investments. I'm assuming you are not at the – at that kind of run-rate on the 27th of January. So, if there is spillover effect in terms of cost growth irrespective of what kind of incremental decisions you make for 2023 into next year, and either if you can quantify that or maybe give us some pointers as to how we should think about that.

And then thirdly, just on – we spoke a lot about excess capital and capital distributions. What capital headwinds do you see apart from organic RWA growth, be it model reviews or do you have anything to share with us on potential Basel 4 estimates, et cetera? Thank you.

Johan Torgeby: Thank you, Johan. The first question I'll hand over to Joachim after I've answered the second and third. So, you're absolutely correct, the second one is at 800 million to 900 million. It's not really – let's call it with surgical precision that's starting the first of January one and that is ending the last of December. So as this plan has been in the making for almost a year, you can probably trace many of the things we presented today that are already in motion. So, we have started some of it.

Now, regardless, if we have taken cost already accounted for in 2021 or not, the 800 million to 900 million is the incremental that we see. And just so I can say my – in this way, if we wouldn't have asked for you're the shareholders, let's say, confidence enough to spend a bit more, we would've ended up with the cost target 800 million to 900 million.

As you have seen the inflation, it's constant, it doesn't change. The cost efficiencies that we need to, call it, address inflation with they have for the last 10 years been lined up this way, we kind of – we have to do that as best as we can.

And the normalization of behavior in the bank due to COVID, we must expect to partly come back. And that's the T&E, the conferences, the meeting, the – everything else. So, even though we call it investment, it's like an 800 to 900 extra to put in to SEB's future.

And those will definitely be ramping up during the year. So, they will not – they are not the run rate here now, which means that you could have a run rate which is above this at the very end of the year, that is then indicating a continuation of further investments or not depending on where.

But for now, we can commit to doing our best to keep it at 24.5 and then we will, of course, clearly review as we go along what income are we estimated to get out of this, which is the key to continue and have the faith in allowing us to do more.

The capital headwinds, it's – well, it's pretty much macro away from the things you mentioned. The models, I don't think are there really as a – as a headwind. There is a little bit of margin, plus and minus.

And then there's Basel IV for which is – which is beyond this planning period. So, that's in 2025 beginning and coming on thereafter. And right now, it is not really affecting us in terms of capital planning, et cetera, but as we go closer to the 2025, of course, you extend the planning period every year. It will, of course, come into account and I think be quite relevant to discuss in 2024. Peter?

Peter Kessiakoff: Yes, if I can just add there, on the – on the – in terms of capital headwinds, I mean what we are expecting, however, is, of course, some sort of normalization of the countercyclical buffers which were lowered in connection with COVID. And there are already announcements with hikes over the coming years. So, if you look over the business planning period, we are expecting it to pretty much normalize versus what we had in the past.

Johan Torgeby: OK. And then, Joachim, on the short term or maturity profile of lending?

Joachim Alpen: Yes, thanks, Johan. So, it's – I don't have an exact number but I would say that the average duration of those bridge facilities is somewhere between 6 and 12 months, probably about 9 months.

Normally, they get taken out in the bond equity market earlier than so. So, perhaps I would calculate for the duration of about six months. As Johan pointed out, we have a higher and larger amount of those than usual at the moment, some will most certainly run off in Q1, and they should, but with the pipeline we have, we're fairly optimistic that we will be able to replace those for now. Thank you.

Johan Ekblom: Thank you. And maybe just a quick follow-up, with the way that the buyback announcement is structured today, from an accounting perspective, will you do this piecemeal announcing 2.5 billion a quarter or something like that or how should we think about it just from a walk forward on the CET1?

Johan Torgeby: Let me come back to you on exactly how it works. The rule of thumb is that when you announce it and you implement it, you deduct it. And I don't think you should do this as a commitment or an activation of the buyback.

Yes, we will do it gradually, you can think by quarter. We also might do it by six months. So, the one that is currently running is 2.5 billion, and that's six months. So, that's what we announced. This is – we are, of course, a little bit more than halfway through the first round, which was 2.5 billion. You do that two – times two, that would have been the five. Now, we open up for doing a bit more in the next 12 months starting the day after the AGM. So, the cycle for the buybacks as we have them right now is in the AGM.

And then technically speaking, there are two limitations to the buyback. One is, of course, the AGM always needs to approve it, which is a standard issue of up to 10 percent of market cap, and the other one is that we have limitations on volumes how much you can do for it not to be deemed to perhaps affect the price. So, there are those limitations that it can't be as large as you want perhaps.

Peter Kessiakoff: And I mean as we also disclosed on our webpage and as we talked about before, we have a buyback program of 2.5 billion running for – during a six-month period and roughly half of that has been done and runs up until the AGM, which is in March. So, when we announced the next buyback, they will be deducted. But I will double check so I'm not mistaking and correct myself if I'm wrong.

Johan Ekblom: Thank you.

Johan Torgeby: Peter said I'm right so maybe we're fine.

Johan Ekblom: Good, thanks.

Operator: Thank you. And the next question comes from the line of Rickard Strand, Nordea. Please ask your question. Your line is now open.

Rickard Strand: Yes, hello. In terms of capital, you have talked about capital distribution and focusing on capital-light advisory business, et cetera. But did you see any scope at all for working with your current (REA) in terms of sort of working with your current loan book or optimizing your market operations?

Johan Torgeby: Yes. And we are constantly doing that. I mean there's a – there is a task force any day of the week who's trying to optimize and capital efficient – make the capital that we do have as efficiently treated and secure as possible. So, there's nothing new under the sun.

I cannot guide that there will be a meaningful improvement because I don't know of any particular low-hanging fruits after all these years. And Joachim and team have done a tremendous job in the market side.

There are always things that will be very relevant now, and that is particularly on the collateralized side. So, if we can get all the collateral that we have in the bank perfectly aligned with data and knowledge around the accuracy, you will have a little bit of improvement potential in there.

When it comes to overlay strategies, which is very common for some investment banks to come and propose, you can sell off portfolios. So, particularly bad yielding balance sheet, we have none of those. We are pretty happy with the exposure that we have.

Rickard Strand: Thank you. And then one of your investments there in the, what you call, house in order of 250 million, just curious to see if there's anything – if you see that you're previously underinvested in these areas or if there are some regulatory changes, something that you foresee that makes you see it necessarily to do this further investment?

Johan Torgeby: Yes, no, it's not coming from the sort of underinvested in the – in the past, however, a little bit humbleness is appropriate. I have very, very much trouble saying in hindsight, did you invest too much or too little? But we look forward.

And looking forward, we see as many of my divisional peer – my divisional colleagues pointed out, complexities is increasing further, the regulatory pressure, and now we have all these things around -sustainability, this coming a – an absolute tsunami is coming our way in classifying millions of credits that we have extended and calculate what is the actual CO2 footprint of that credit to a company, a household or a real estate.

And financial crime prevention is the second one. This is really – we have – we have just announced this reorganization. So, we are gathering all resources in the bank who are actively working with transaction monitoring, with on-boarding/off-boarding screening to making sure that sanction lists are approved. They have been scattered around in all divisions and in technology and around the bank. And we named this the financial crime prevention unit.

And we are now talking here 200, 300, 400 people in the coming years and we're starting, I think, with 200-plus. And this is really to the next-generation technology that we need to do for improving our track record in finding crime.

Rickard Strand: Thanks. And Johan, you talked about in the presentation about the looming requests from clients related to ESG-related lending and services. Can you share anything about what you see here in terms of timing if you think that this will materially impact your revenues in the medium turn or if it will be later on?

Johan Torgeby: Yes. If we start with the looming – let's divide it into two. When we talk about the super cycle, that has nothing to do with this quarter or next year's assessment of green bonds, sustainability-linked loans, et cetera.

This has to do with the massive amount of new fresh money that needs to go into infrastructure in the next 30 years in order for the – some of the installed capital in the economy on the planet as we know it needs to be changed. And energy is, of course, the easiest one to make references to or automotive industry that needs to go into electrification.

We are already today seeing this mega shift towards purposeful lending. So, I will hand over to you Joachim or Jonas to give you some stats. But we have seen very, very much more of the traditional loans being replaced now and then refinance them with some sustainability-linked loan or so. And I – we might not be able to quote numbers but we are quickly growing in this.

The P&L impact is not – you – it's not meaningful in the negative sense that we will, of course, stop doing some business, we will have to rethink some client relationships, but the money that you will potentially give up because we don't have alignment on future strategy is much smaller than the opportunity which we call the green index and we've specified the four areas on advisory, lending, investments and asset management in comparison. Any other comments maybe to add from LC&FI on the sustainability activity?

Jonas Ahlstrom: Sure. And I mean if we look at our interaction with clients, I think not everyone but close to it where we talked about refinancing has an ESG component or typically, every refinancing we do have some sustainability-linked. And that is gradually transforming our credit portfolio as we speak. And on top of that, we see a good and healthy deal flow on the infrastructure side. So, infrastructure projects would typically have a green angle, be it wind farms and solar or similar.

Johan Torgeby: Hundred percent growth – 100 percent growth is sustainability lending right now, doubling from last year in the pace.

Rickard Strand: Yes. Then finally, just a clarification there on the slide, you showed with the potential income growth from your growth investments, if you could just clarify what you see as medium term in – yes, is that two or five years or something else?

Johan Torgeby: Yes, two to five.

Rickard Strand: Yes, OK, thank you very much.

Operator: Thank you. And the next question comes from the line of Sofie Peterzens from JPMorgan. Please ask your question. Your line is now open.

Sofie Peterzens: Yes, hi. Here is Sofie from JPMorgan. I was wondering, can you just give an update on Masih, your CFO, when he – when will he be back and what's the reason he's out? Is it any kind of health-related or is it anything to do with the kind of SEB or is it kind of a personnel issue? So, if you could give an update here.

And then in terms of your efficiencies on Slide 23 or sorry, 24 in the presentation, you talked about efficiencies of 2 percent to 3 percent or 400 to 600 million. Could you give an update on where these efficiencies are coming from because 2 percent to 3 percent is quite a lot? Are you looking to reduce staff and kind of what are you doing to take out of the 600 million, of course?

And then just a final clarification, so there's a German tax litigation case, given that they are – given that the withholding tax is a maximum of EUR2 billion, is it fair to assume that in a kind of worst-case scenario, this could be the maximum amount that you're kind of liable to pay to the German authorities? And also kind of related to litigation, you mentioned at the very beginning of the presentation that some employees in Germany were also under investigation, what is the potential maximum plan here? And also related to the litigation, is there any update on the U.S. request that you have had? You have now had it for quite some time in your interim reports, so how should we think about the U.S. investigations? Thank you.

Johan Torgeby: OK, thank you, Sofie. On Masih, I think he is doing very well. He is home and relaxing and will get back to you. So, in a couple of months, I think we will – we will tell everyone what Masih is doing and what's the permanent solution is. For now, we're very happy to have Peter onboard to act as his – as an acting CFO.

On the -- we can start with the efficiency. This is what we've done over the last more than a decade. So as we have maintained a fixed cost, nominal cost as our target year in and year out, that is not to say that we haven't invested a lot. I think, for example, Joachim Alpen was describing today the massive investment we've done in markets and custody for the financial institution space.

So, just to give me a minute how it works from our point of view how to run the firm, so every year, we need to increase productivity, we need to do more with less resources. This is a mindset of running the bank as effectively as we can.

The tricks are many in how to gain that kind of cost efficiency. One is to stop doing something, which we have deployed many, many times over the last 12, 15 years. We have cut businesses, we have stopped complete segments, cash management in mid-corporate Germany, in the retail business in Ukraine, retail business in Germany, the Paris office, et cetera, et cetera.

So, we will have to find something, this is one area, which you stopped doing, which is not high return on equity, which is not contributing to P&L but mostly cost and you tried to take it out. The problem we have had now in the recent three, four years is that we are very clean. There is not a lot of bad things in the bank like if you compare it to 15 years ago where we've done all these massive restructurings to these benefits.

The other one is, of course, when we hire people for a new initiative. Let's take expansion in Austria, Holland, and Switzerland, the way that happens more likely than not is for people internally to take those positions.

So, that doesn't mean that we add anyone just because we appoint a person called Jonas Ahlstrom as Head of the Netherlands, but he is then leaving another golden opportunity to review, do we need him to be replaced at the same cost, a lower cost or at all? Can that be shared by others?

And this we do about 1,500 times a year because that's the number of times people leave us plus all the people that are now take on. And every one of those is an opportunity to rejuvenate, to get a different price point, to hire maybe a more junior person, that's another area how to gain this.

I.T. systems, we, of course, have a very forward-leaning agenda or new things and we need to never forget the agenda needs to be equally energetic on shutting down things. So, this is the gross side of how you need to replace legacy systems. And we know this is very difficult. It takes a long time, but it's, of course, an area.

Then we have procurement. This is the way we buy away from salaries and staff costs, which is about 66 percent of the bank. We do spend about 5 billion, 6 billion or so just having external providers. The procurement effect is fantastic. In many instances, good people in the bank are renegotiating contracts on everything from I.T. systems, which are very expensive and – very expensive providers to consultants, et cetera.

Another area would be to replace consultants with staff. So, you might have FTs going up, but you actually reduce cost. And if you were to do the staff costs in 2021 versus 2020, you will see a fantastic number, the average staff cost.

So, take the total staff costs divided by employees, you see it's – there's no uptake, less than salary inflation, and we have added people. And that is between these two, rejuvenation, taking younger, less expensive people to replace more expensive when they leave and also be very smart about who – whom you hire as a consultant versus hire as a permanent part of the bank. And there are many other areas, but to give you a little bit of flavor how we think about running it.

Then on Germany, yes, you're right. For the tax audits, I believe with what I know today, the maximum will be the 15 – the fifth EUR1.5 billion plus interest, and that is for what we know today is around the EUR2 billion maximum.

And then I have no news or information – new information on the U.S., and that is not, as I point out, a litigation. So, we are nowhere near to having a litigation situation in the U.S., but we are having a request for information, which we have complied with but not heard anything back.

And I think just from experience now since 2016, 2017, many of our peers are still waiting to hear back, and it's been four or five years. So, we're not holding our breath, but we really would like to accelerate this because we will just want to get clarity so we can move on.

And I have no fine guidance on the German situation, the other one, which is the employees. So, no information to give. We just know that – the little I know that it's not the institution predominantly that can conduct a tax fraud, it's an individual. So, it might be very severe punishment for any person who will do this.

And, of course, if they work for an institution, the institution will be, of course, dragged into that. But as I understood a lot recently, it's not something we have any sense of if that could punish, but we can't rule it out hence we decided to disclose it very transparently in this quarter.

Sofie Peterzens: Thank you, that's clear.

Operator: Thank you. And the next question comes from the line of Riccardo Rovere from Mediobanca. Please ask your question. Your line is now open.

Riccardo Rovere: Thank you. Thanks and good morning, everybody. Two, three questions if I may. Johan, by the beginning of this call, you stated that the 15 percent target that there is no precise time for that.

Now, if I understand it correctly, the strategy that you are unveiling today is part of a longer journey that goes till 2030. Now, the 15 percent is a target that we should think about to be achieved anywhere between 2024 and 2030 or within 2024 just to have – just to have a rough idea if I understand it correctly.

The second question I have is on the 15 percent target. If – let's assume it goes a bit further away. This includes any different rate scenario than we have today. So, the rate scenario hiked 25 percent, 50 percent or wherever – or whatever at some point.

The other question I have is when I look at the strategic of today's presentation slides, I think it's 21. You provided 55, sorry, 55 billion right in the middle of the slide. Is that a formal target? What is that? Is that a revenue target? What should we do with the numbers?

And then the other – the other question I have is on COVID overlay, if you can just update us what is going to happen there. I understand that it's Ukraine, Russia, all these things, but just to have an idea whether this will be used one way or the other by the end of this year.

And last thing if I may on the cost, you showed 300, 400 million of COVID-19 related costs. These 300, 400 million would bring you back to the same level of 2019 with regard to these costs only, OK, like we were traveling or leaving exactly as we were in 2019.

And on the 800, 900 million investments, this is the – this is the amount for '22 if I understand it correctly. Is it fair to assume that this number will not really change over the next – in '23 and '24? Thanks.

Johan Torgeby: Thank you, Riccardo. You have to guide me because I don't think I can remember it all. I love the way you post the question of the return on equity in '24 or in the span of '24 to '30. It's in the span '24 to '30 and not in 2024.

It's not necessarily to say that we wouldn't love to achieve it this year. So, don't mix up the plans we are making for the long-term aspirations with what we're trying to achieve. But as we are investing now in a few areas like we've talked about today like custody and expansion of PWM, it takes some time before the income comes.

So, therefore, of course, the investments have a time to the return is crystallized. But as I also pointed out, I think we are around there right now. So, the group as such is subject to capital if we would have been in the – in the – in the financial range.

On the different rate scenarios, no, we are doing the return on equity assessment also, based on peers, who is – what's the reasonable number to say best-in-class. If rates were to go up, this could definitely change. There's definitely upside for the whole industry.

And as I've talked to you about, Riccardo, in the past, this is probably the number one reason why profitability is low, everything else being equal for European banking. It's the negative and low yielding environment in which we all operate. And very few have the ability to compensate for that through other means in terms of their business mix. But we have been in a fortunate position to be able to do so to a certain extent.

So, if rates were to go up, that could fundamentally change the profitability picture of banking and we will not rest on our laurels, we will definitely calibrate it to be top-of-the-class. That's the kind of ambitions that we have.

On COVID costs, this is a recovery of travel, entertainment, conferences, physical meetings, taxi trips, et cetera. And this is not a full recovery with a 300 to 400 to the '19 level adjusted per person. So, we are not expecting us to come back in the near future to the same level and we actually have also targets in the bank part of the efficiencies to permanently at least in the medium term lower the cost of spend on T&E and things we have learned.

We've also implemented very expensive digital collaboration tools. We don't want that to be lost once we start returning back to normality. And as an example, we now do all my executive meetings, one physical, one hybrid, and one digital. That's 50 percent saving in all the travel that would have been associated in a year with just coming to Stockholm from faraway countries to sit in the management group for a day, as one example. And the last one, what was that? Rate scenario to on return on equity?

Riccardo Rovere: (Inaudible). Well, the 800, 900 investment …

Johan Torgeby: Yes.

Riccardo Rovere: … and the 65 in Slide 21, I think.

Johan Torgeby: Yes. No, I don't – either you can think about it, will you always do 800 to 900 more of new investments, and we certainly do not say that. We don't guide at all actually for beyond this period. Just to say that the 24.5, well, that's what we are committed to doing everything in our power to meet this year.

And if it's lower, that wouldn't be too bad. If we can invest more cheaply than the current plan, that would be excellent, but also saying that it's sticky. So, you should not view that as that type of investment that you buy something to improve and then you get rid of it. This is very much a labor-intensive investment. Even in technology, we are talking about people that needs to join us, software programmers, et cetera.

I don't know if Peter wants to add something.

Peter Kessiakoff: Well, just very briefly coming back to the question about the 55 billion number, that's the income that we – we're seeing for this year. And then just – or sorry, that we report for '21 to be to be very clear.

Then on the COVID side, I mean just put a bit more color on that, for instance, one COVID effect is the lunch subsidies that SEB is very kind and offering its employees in different – in different offices. So, that is – and that is the cost that, for instance, comes in under staff cost. So, you have – I mean you have a bit of a bit of these COVID-related expenses throughout the P&L, so you – it's not enough simply looking at the T&E line.

Riccardo Rovere: OK, just – Peter, just to be sure, the 55 is an actual number, it's not a target, it's an actual number.

Peter Kessiakoff: Yes, yes, yes.

Riccardo Rovere: Yes, yes, yes, OK, I got it. OK, I got it.

Operator: Thank you. And the next question comes from the line off Jens Hallén from Carnegie. Please ask your question. Your line is now open.

Jens Hallén: Perfect, thank you. Two follow-ups from me. First question is on the capital and adjusting ROE for excess capital. I mean, I hear what you're saying about potential growth opportunities, market volatility, countercyclical buffers, et cetera. But I guess, presumably, your normal 100 to 300 basis point buffer target factors in the market effect and now you -- I think you expect to grow ROE slower than profitability. So can I just ask how do you then see this 590 basis points buffer that you start with? I mean, that's above your target range even if we deduct a full countercyclical buffer.

Johan Torgeby: Yes. I mean, this is now me representing the discussion in the board amongst the shareholders. And they're very – it's very clear that we are going now for this communication today to clearly say, we are going towards the explicit financial target of 100 to 300.

But it's also clear to everyone on this call, and you have done the math as well, it's a very gradual process, and there are 12 quarters before the last one on 2024. And I do think you're absolutely right. If some of the risks – identified risks that have been discussed in the industry and in SEB and around in the market does not materialize, that will, of course, be an opportunity to accelerate the pace.

And also you need to make some assumption on operating profit for '23, '24, but we have such a strong year behind us so, it's very easy to come to the conclusion that we will just accumulate more unless we change.

And we agreed that sensitivity analysis is one of them to be the case. But there are uncertainties and I think you should see it in that perspective that this bank is a very conservative bank. You can look at the owners, the main owners, and you can – and just be saying, this is very, very prudent institution, and with these recurrent uncertainties, we will make a gradual change but still committed to reach the target.

Jens Hallén: OK. And OK, I think – we are – I think – I guess we'll just have to do a little bit of modeling on our side. The second question is something on the bank tax and then the offset. I mean you already mentioned the list price increases and the higher fees. It does transform then fully without being negotiated and completed away. What portion of the – of the bank tax for 2022 without makeup i.e. how much have you already tried to offset?

Johan Torgeby: We're not – we're not commenting on that, but I think you would get pretty close if you do the math. You're absolutely right that the list price is one thing, the actual mortgages you extend and at what price is a separate thing.

But at least it's important for us also to show that we do not like this. This is not a positive effect on the economy, investments will be lower, et cetera. We will in no way compensate for the whole thing through the mortgage side. It's much larger question.

And as I alluded to before, a lot of things in the bank, we – there is no list price discussion to be had. We are competing on global terms at fixed prices. The price of a barrel of oil doesn't change because we had a risk tax. We just get – we got to eat that and find other ways to compensate for that increase of the price on what we sell or what we buy.

And then there are other areas, and that the tricky thing is, of course, it's a balance sheet tax. So, if you want to be a little bit linked to what is actually the taxable base, it should be done on lending and deposits.

But deposits are already zero and we are limited there. We can't really charge as far as we – as we see today for retail deposits. That's a very big question that day I think the country of Sweden would go in to start charging negative interest rates for people.

On the corporate side and the institutional side, that's different. But this is a very competitive market so it's not as easy to say, "Well, just put the five basis points on top of whatever negative interest rate they're already experiencing." But rest assured, business acumen is a key pillar in our strategy and we'll do our utmost to make sure we strike the right balance between the client's price point and the profitability.

Jens Hallén: OK, perfect. Thank you. And then, yes, the final part, which is a little bit linked to this bank tax offset. And so, I guess – I mean we have the buildup of the resolution fund and perhaps will even reach the 3 percent in 2023 and then your fee should be coming down. But when you did your budgets, how do you see the resolution fund fees then coming out in 2023? And will that be almost enough to offset or offset part of the bank tax that you're now getting?

Johan Torgeby: Peter?

Peter Kessiakoff: Yes. So, thanks for the question, Jens. Well, I mean, first of all, clearly, we're seeing what you're seeing as well. But I would say from planning purposes, we expect no change really going forward and we have no real comment on what our expectations are there either.

Jens Hallén: OK, OK, perfect. Conservative budgeting and that's not included in any of your forecasts here rather or on costs or on an ROE aspirations.

Peter Kessiakoff: Correct.

Jens Hallén: OK, perfect. Thank you.

Operator: Thank you. And the next question comes from the line of Namita Samtani from Barclays. Please ask your question. Your line is now open.

Namita Samtani: Hi and thanks for the questions. I've got three, please. Firstly, on the Swedish mutual funds market, what's the incentive for customers to come to SEB directly for funds when the disruptors or the new entrants are offering substantially lower fees? And longer term, do you think SEB and the other incumbent banks have to follow the fee structure of the disruptors? So, could we potentially be seeing some margin pressure?

And secondly, just a question on SEB's cards business given its majority corporate cards and business people still aren't traveling back at 2019 levels and possibly weren't for a while, how do you see the outlook of this business and would you consider scaling back?

And lastly, just to follow up on the rate sensitivity question on the Swedish mortgage book, how many basis points is the front book below the back book to get a sense of any asset margin pressure should rate prices occur? Thanks.

Johan Torgeby: Thank you. I can start with, actually, we do card and the mortgage with Jonas. So, I'll hand over to him.

Jonas Soderberg: OK. Hi, Namita. I think regarding the cards, I think we have taken the position that we came into the crisis as a market leader. So, we have strengthened that. We saw very early signs of a strong recovery when the society opened up now in Q4. So, I think we don't have any reason to doubt that the recovery of the customer base that we're having shouldn't change the materials so that we are endeavoring a scale down on that franchise. I think on the contrary, you can see that it should be coming out with a stronger market, as I mentioned in my part of the presentation.

I think just reminding you of the – on – down on the mutual funds, I think that the key decision point for a customer when it comes to mutual funds is always a belief on – or look at the historic track record on performance, that is the main driver and then also sustainability is coming into that one – coming into the picture also as being one of the key ingredients when you – when you choose and can differentiate yourself.

So, I think that the price in itself is not the key decision driver for the mutual funds market and we don't expect that to change materially going forward. And on the mortgage side, we can only say that, as always, the Swedish mortgage market draws a lot of attention to it. It's tough competition, it's strong underlying growth. And I think that the normal economics standard of increased demand shouldn't be – you should have a higher pricing power. I think that doesn't work on the Swedish mortgage market.

So, I think new competitors and also the new models coming into that – to that one and then you have topped that up with the – with the bank tax that we have been discussing earlier today. I think that it's too early to say how that is developing, and we don't disclose any delta between the front book and the bank book.

Johan Torgeby: I would like to add one thing, which is counterintuitive. And when we talk about disruptors in the fund market, we are also a disruptor. So, we are one of the incumbent banks who have a very open attitude to distributing any products.

And I'll give you just a rough illustration, 50 percent of what we do with our clients in SEB are other firms' savings products. So, there's no lack of opportunity as a client in SME to get the low cost funds. We, of course, do not produce all of them but we are charging the fee and making good business in providing that.

Then SEB itself has all the price points, I would say on average is SEB investment management, which is also distributed by all the disruptors that you probably are thinking of and they are an important future potential distribution channel for us.

We are middle of the pack on fees. So, half of the funds out there are more expensive and then there are many funds that are much cheaper. The cheaper ones are, of course, attracting a lot of volumes right now, but alpha and beta are both valid business strategies for investment management, cheap and cheerful, or very good money managers that is worth paying for.

And SEB itself, we start our cheapest fund – or we start at point one. So, we have some of these low – if cost of fund is the one you're interested in, we have some of those too. And then it goes all the way up to, I guess, around 2 percent or so which are the most expensive.

And those are being challenged in the long-only space because if you don't have the best money managers, there will be a definite risk for margin pressure and we've seen it over the last 10, 15 years. Slowly but surely, the passive side, the cheap side, the new – the new way to charge is lower and cheaper than the old ways, but we're on to it.

Namita Samtani: That's helpful. Thanks very much.

Operator: Thank you. And the next question comes from Andreas Håkansson from Danske Bank. Please ask your question. Your line is now open.

Andreas Håkansson: Yes, hi. So, I just had one follow-up. I'm looking at Page 22 of your presentation on the graph on the right-hand side, which I think is extremely interesting and probably one of the best loan from a bank in a very long time.

And when I look at it, it seems like the profitability you have on your lending is then significantly below the average, if the average is somewhere in the middle. And I assume that some of that lending is done so you can do other products.

But couldn't you also see that it's time to scale back some of the balance sheet and shrink in order to free up that capital and distribute it in order to improve the profitability of the group? Could you take such a step in the future, you think?

Johan Torgeby: Yes. Well, I'm very happy you say that, thank you. And this is something we think is very key when we think about the future. We can give you some rough and ready numbers. The investment grade lending, this is the lowest RWE consuming part because risks are low, but volumes are massive. It's a huge percentage of the gross number in NII.

I would say return on equity for an industrial, we're talking low single-digit five, six, seven at best. And if you don't have our cost income, you will have a look at a European kind of average, they will have zero. You cannot get any return on equity.

Now, if you look at them that, yes, you should cut the lending, but then all the NII disappears. So, you will have a different problem. We have tried for decades to make sure that we deploy this capital in the right way and we have no meaningful way of taking it out. We think we're very efficient because on this, we look at it as a client return on equity.

So, take a hypothetical client, you lend them EUR100 million at 5 percent return on equity at LIBOR plus 32, just above what we found ourselves internally for that loan. Nothing, there's no economic value being created.

Then you had FX and hedging on that client, all of a sudden, you just doubled – or not doubled, but you took 20 percent, 30 percent more income and all of a sudden now, you're at 7 percent return on equity, 10 percent. And then you do the bond deal, the trade financing, the cash management, and then you end up at 25 percent. That 25 percent is 100 percent dependent on you committing to zero. And if we don't have the zero, we wouldn't – we wouldn't have the relationship.

So, what we work with is called something red zone. So, every year, we review the 10 percent of our client base where we do not manage to live up to what I've just described. We have committed the capital but for whatever reason, the client doesn't engage with us, maybe they have no need, maybe we're not competitive, maybe we have no good relationship and we actively, it's very tricky, try to work those out. So, there's a little bit of what you are alluding to, but for the profitability of LC&FI and the bank, not a lot can be done. We've been at it for a long time.

And then on transactional banking, you are around 15, 20 on those products. And then the advisory said they're not right now with AUM and AUC, you're looking at, what, 70 percent, 80 percent return on equity this year on those. So, it just tells you also that the asset accumulating strategy, assets entrusted to us, the advisory strategy and being smart around the lending.

Now, lending is also much better and C&PC. So, if you've got non-investment grade, you have 15 percent return on equity. And if you go retail mortgages, very good collateral, fantastic risk profile and SME lending, they have a bit of – a bit of better terms of trade. So, that capital is not as challenging to get ancillary business in to motivate. Was that reasonably clear or …

Andreas Håkansson: No, that's perfect. It was basically at a red zone 10 percent that was talked about if you're already looking at it. I mean that's exactly what we want, right, so, thanks.

Johan Torgeby: Yes. I mean we actually have a 12 – if you are below 12 percent, return on equity, we need to have special reasons for those types of businesses or relationships to be done. So, we try to always focus on the lower end to make sure that we're doing the right thing with a long-term perspective. Don't forget, sometimes we need to be there for years, maybe 5 …

Andreas Håkansson: Yes.

Johan Torgeby: … or even 10 to get there, but yes.

Andreas Håkansson: Yes, thank you.

Operator: Thank you. And the next question comes from the line of Jacob Kruse from Autonomous. Please ask your question. Your line is now open.

Johan Torgeby: Jacob, you are on-mute or you're not on the line.

Jacob Kruse: Thanks. I'm off-mute now, I think.

Johan Torgeby: Thank you, Jacob.

Jacob Kruse: Just one quick question. You gave the split of costs going forward for next year or how you invest and you talked to your revenue initiatives. Could you give any kind of indication of what you're looking for in terms of revenue uplift or percentage, so which one is more important or scaling it somehow when it comes to these different initiatives on the revenue side?

Johan Torgeby: No, we don't give any revenue guidance on that. But on Page 35, I can (inaudible) with you for about one minute. So, you have the short-term, medium-term, and long-term initiatives, and these are very much around a revenue or a return on investment perspective. We wanted to share that with you.

And the custody side, you can always see what just happened lately that we put on SEK5,000 or SEK6,000 billion non-asset under custody. You do the average margin on that, you will have a full year effect of that immediately.

Investment banking advisory, you can almost see by the day, just check the league tables, you see exactly what – sorry, Slide 31, the selection of investment. I referred …

Jacob Kruse: Yes.

Johan Torgeby: … to the wrong. Now, I have Slide 30. So, pick one, 30, 31, or 35 it's supposed to be named a selection of investments for future proofing of the bank. And SEB card has, of course, a very clear cyclical uptake and that is that the business travel has not yet come back, which is a good part as Jonas talked about around the FX part which we don't see right now.

The transition and the – the green transition is happening as we speak, but it's definitely a medium to long-term business case for the full impact to come. But you can see in the – in the green league tables, the green bond, the sustainability-linked loans, the sustainability-linked bonds, but you can see we had a 20 percent market share. So, these investments there, they're coming back right now.

Yes, the offering of investment management, we did – we will report in the annual accounts. We did several of these product developments with good fundraising. Private wealth management, that will, of course, be some time before the Nordic expansion comes in.

So, we need to hire the people, we'd need to set up shop and decide where to go and how to do it. So, that's a medium term. I'll stop there, but you get the picture.

Jacob Kruse: Yes.

Johan Torgeby: But I don't – I didn't give you the numbers so I didn't answer your question, sorry.

Jacob Kruse: OK. But then just on that Slide 31, we should look for adding about 4 billion if we had the 2026-2027 forecast to whatever growth rates we had in mind prior to this plan.

Johan Torgeby: Well, the – there are some very detailed numbers on that slide, but I do want to stress a little bit of the dotted lines. They are aiming to be slightly illustrative. But you're absolutely right that when you do the investment, you do have a very limited short-term positive impact, which is overtime, and I'm thinking now 10 years, very meaningful.

The best example where this slide comes from is our disclosure on Nordic German growth. You've seen maybe the chart of the total income for LC&FI, of which came from clients we did not have prior to 2010.

And if you look at that, there's a slowly, slowly upward grinding. And if I remember correctly, we're looking at, was it 15 percent or 20 percent now, of that biggest income line in the bank, which is now coming from this initiative we started in 2011.

This chart is that chart just to share with you how we're thinking. And don't think – it's not too scientific. We don't have an income level of 20, 30 other than an ambition to – for it to be much higher.

Jacob Kruse: Yes, OK, thank you.

Operator: Thank you. And we have one more question from Riccardo Rovere from Mediobanca. Please ask your question. Your line is now open. Riccardo?

Johan Torgeby: Riccardo? (Inaudible) Mute button. Riccardo, are you still there? Operator, can you see if he's online?

Operator: Yes, he's still online but he doesn't seem to have audio. So, please continue with your closing remarks.

Johan Torgeby: Then I'll just thank you all for your attention. This has been a big day for us. We've been muscling up to do this day for a good part of 2021 and we very much look forward to hearing your feedback as we take it very seriously and I hope that you will support us on this journey. Thank you so much.

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