

# Investor Presentation

Q3 2019

S|E|B



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• <b>SEB in brief</b>	<b>3</b>
• Financials & quarterly update	12
• Credit portfolio & asset quality	28
• Capital	35
• Balance sheet, funding & liquidity	42
• Covered bonds & Cover pool	50
• Business plan 2019-2021	54
• Appendix	63
– Swedish housing market	
– Organisation & governance	
• Contacts and calendar	70

# Executive summary

## **Strong macroeconomic operating environment**

- SEB operates principally in economically robust AAA rated, northern European countries

## **Stable, long-term ownership structure**

- The Wallenberg family founded SEB in 1856, and remains main shareholder through Investor AB (20.8%)

## **Well diversified business model built on long-term relationship banking renders sustainable value creation**

- Leading market positions in core business areas and markets
- Diversified earnings base in terms of customer base, product mix and geography
- Continued improvement of operating leverage through diligent efficiency savings

## **High asset quality**

- Strong risk culture and with conservative credit policies
- 10-year average annual credit loss level of 0.16%, including the Baltic crisis

## **One of Europe's best capitalised banks**

- Sustainable earnings and capital generation
- CET1 ratio of 16.4% and buffer of 170bps above regulatory requirement

## **Solid funding and liquidity structure**

### **Solid rating position**

- Moody's Aa2/Stable
- Fitch AA-/Stable
- S&P A+/Stable

# A leading Nordic financial services group operating in strong macroeconomic economies



2,300  
Large corporations

700  
Financial institutions

400k  
Small- & medium-sized companies

4m  
Private individuals

## Key numbers in brief

Jan-Sep 2019

13.2%

Return on Equity

0.47

Cost / Income

16.4%

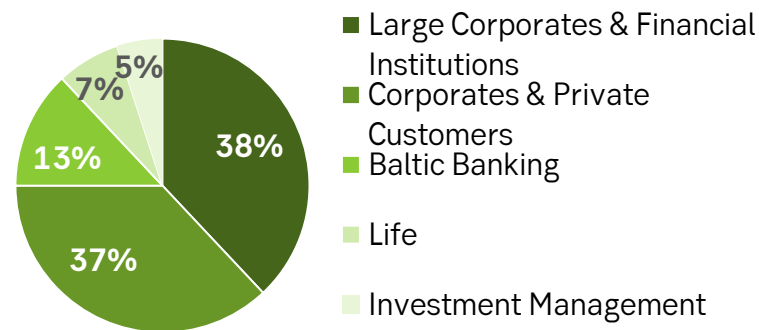
CET1 ratio

8bps

Net ECL level

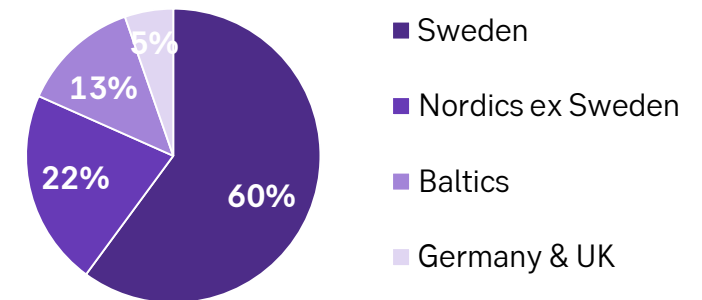
## Divisional breakdown

Operating profit 9M 2019<sup>1</sup>



## Geographical breakdown

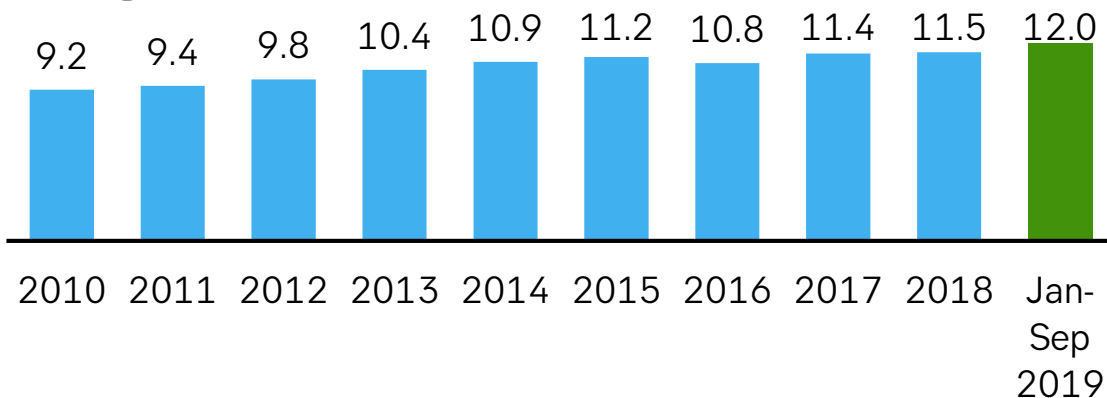
Operating profit FY 2018<sup>1</sup>



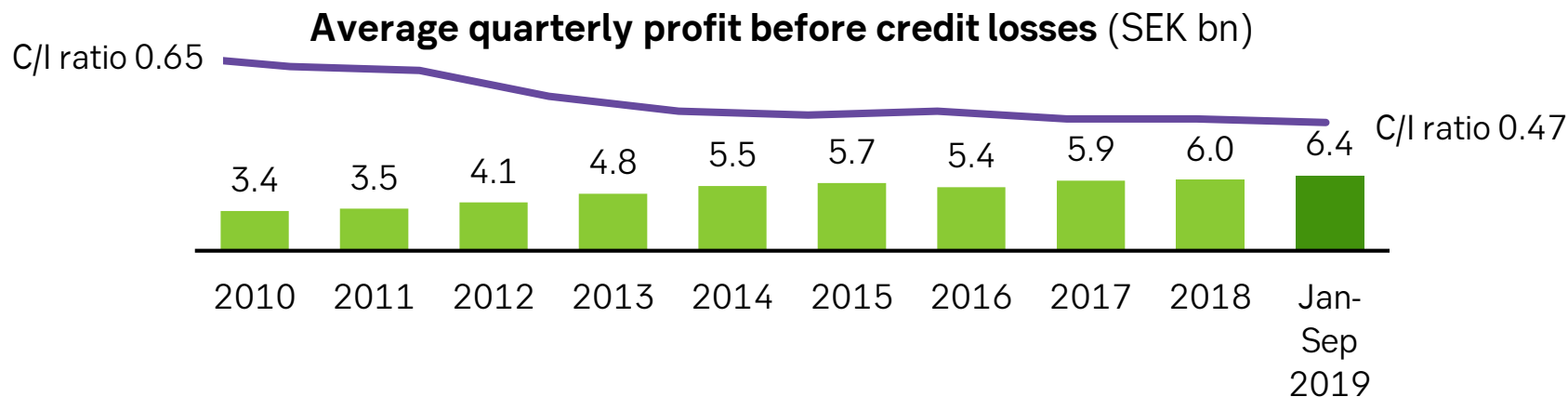
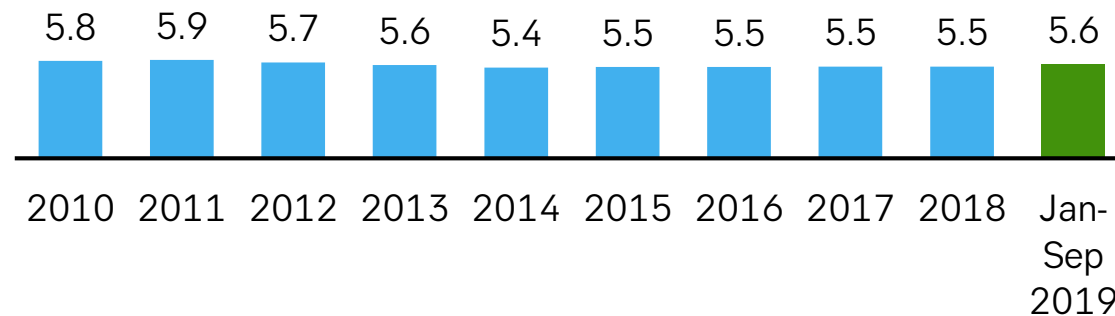
<sup>1</sup> Operating profit before items affecting comparability. Excl. International network and eliminations

# Continued improvement of operating leverage through diligent efficiency savings

Average quarterly income (SEK bn)



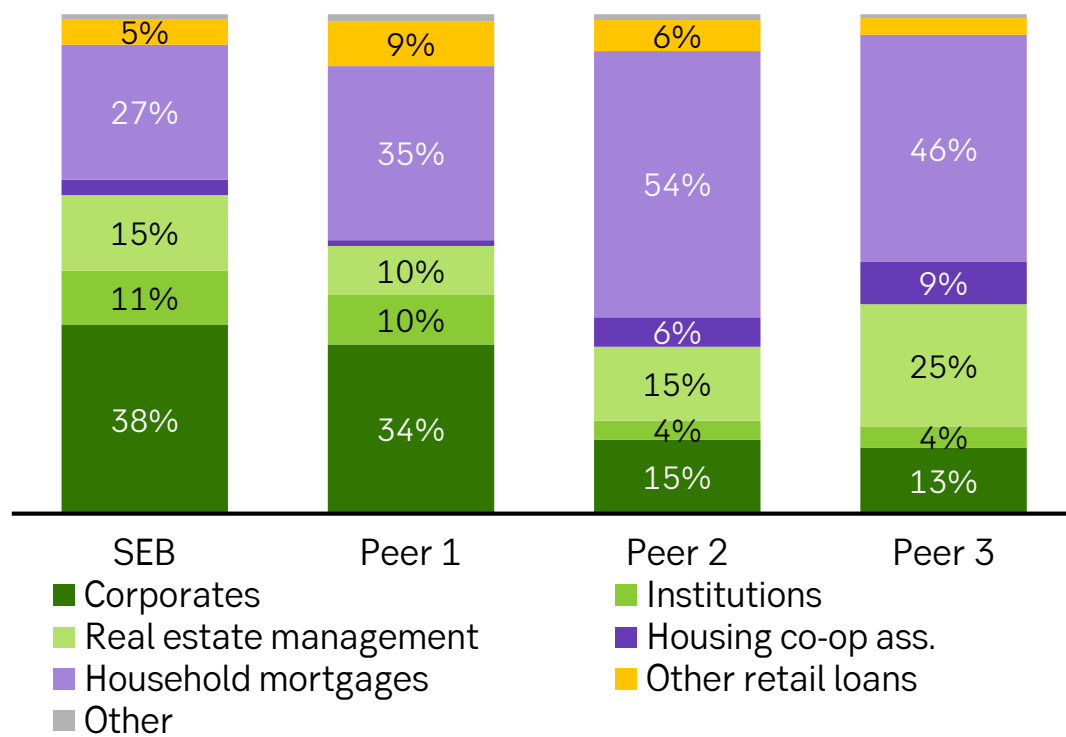
Average quarterly expenses (SEK bn)



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

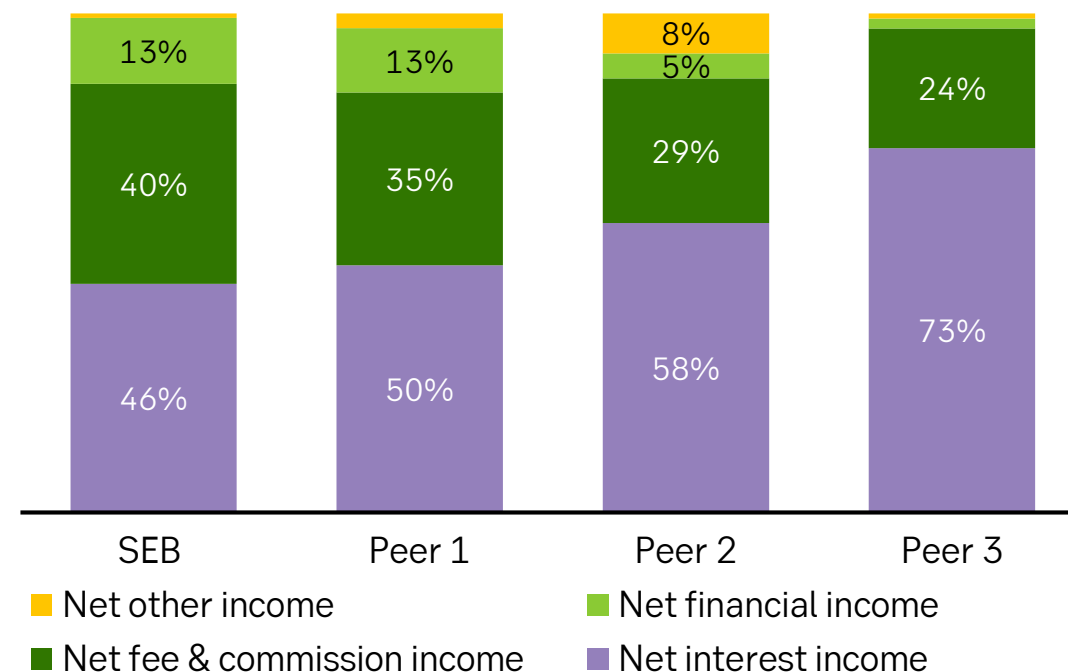
## Highest corporate & institutional exposure and low real estate & mortgage exposure

Sector credit exposure composition, EAD<sup>1</sup>, 31 Dec 2018



## Diversified income stream

Operating income by revenue stream, FY 2018

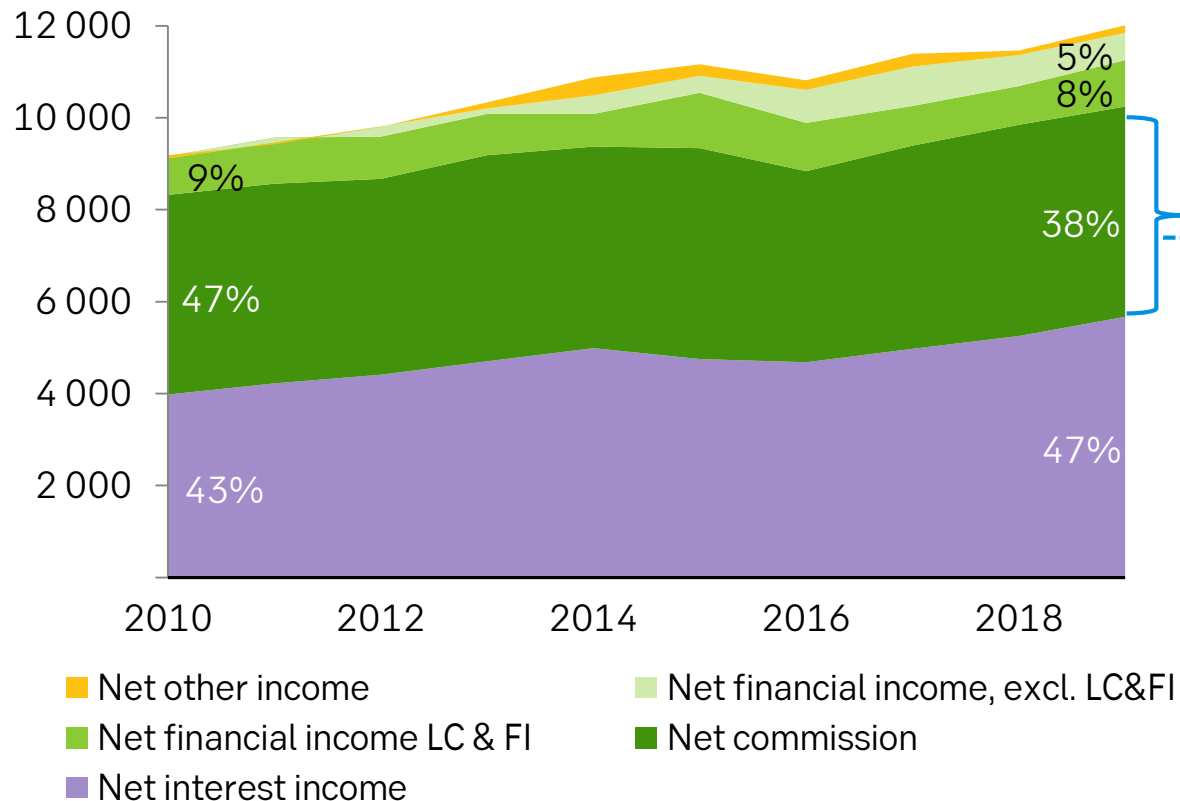


<sup>1</sup> EAD = Risk Exposure Amount/Risk Weight. Source: SEB + Swedish peers Q4 2018 reports

# Business mix generates diversified and stable income

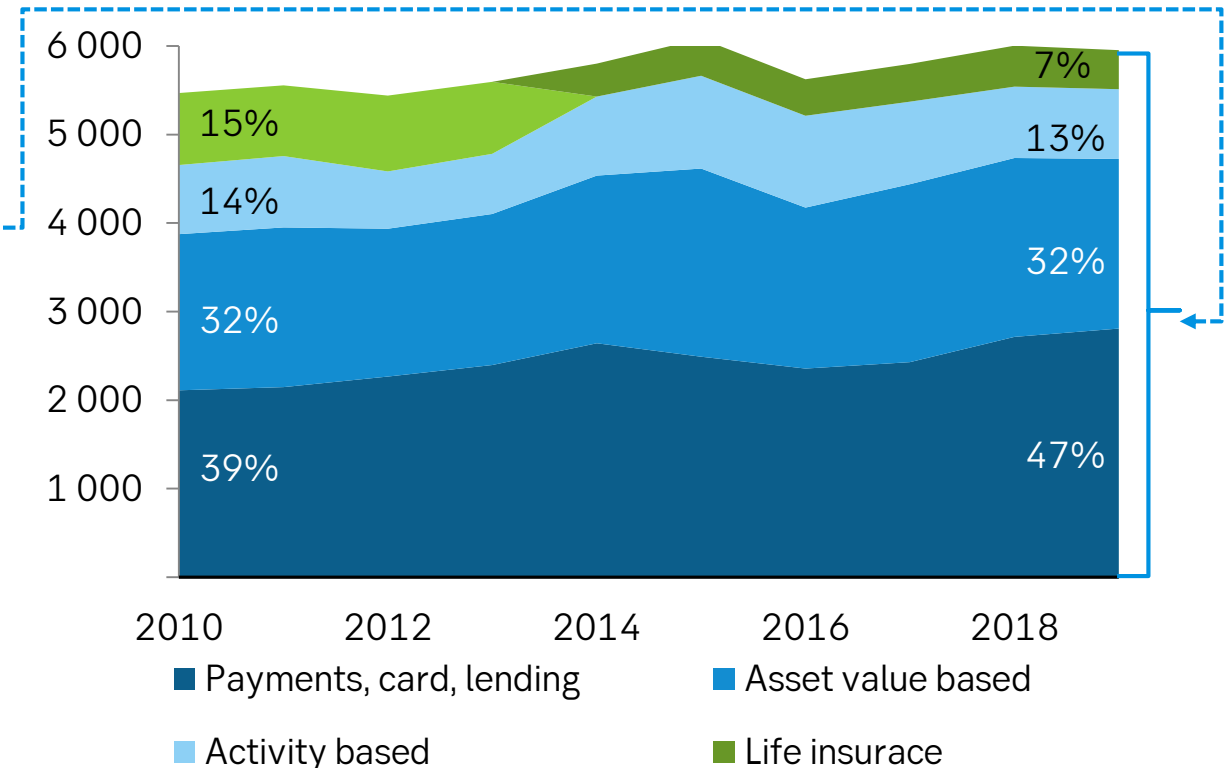
## Balanced mix of NII (net interest income) and non-NII

Average quarterly income, SEK m



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

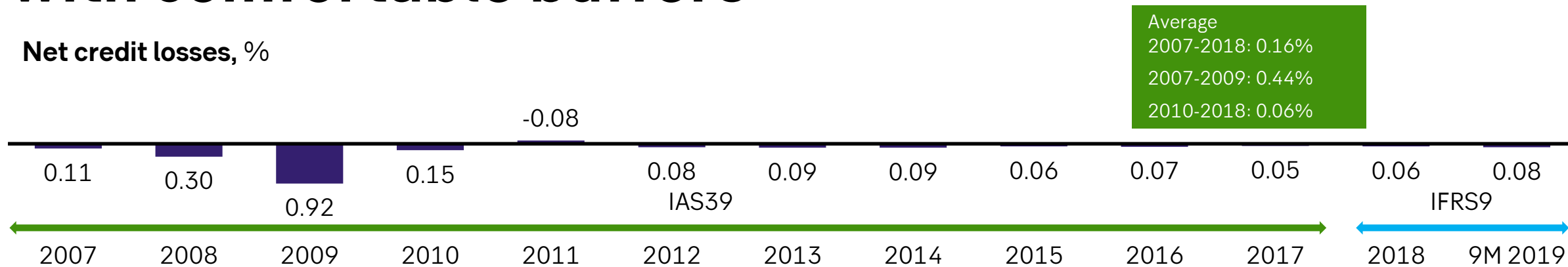
Average quarterly fees & commissions income, SEK m





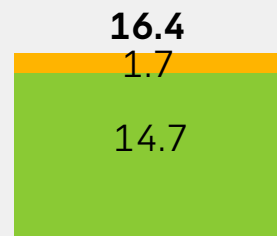
# Strong asset quality and robust capital ratios with comfortable buffers

Net credit losses, %



CET1 ratio, %

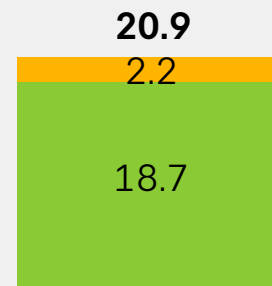
Requirement ■ Buffer ■



CET1 ratio

Total Capital ratio, %

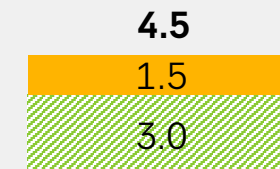
Requirement ■ Buffer ■



Total Capital ratio

Leverage ratio, %

Future requirement ▨ Buffer ■



Leverage ratio

# Customer satisfaction

## Large Corporates & Financial Institutions

Customer satisfaction (Prospera, ranking)

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

## Corporate & Private Customers

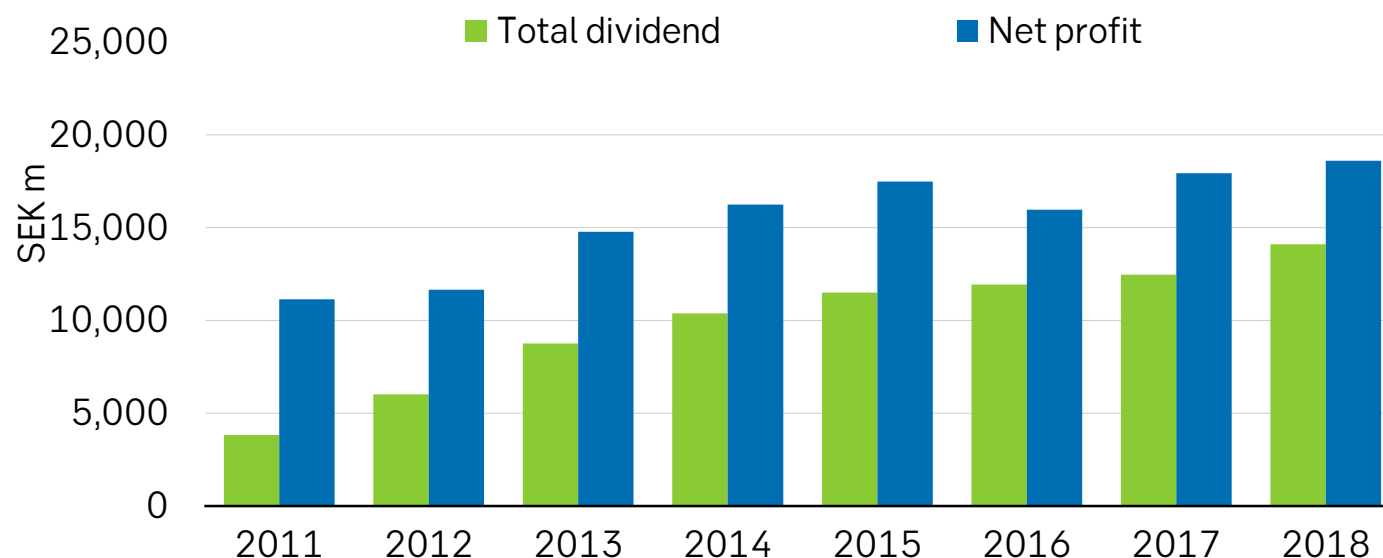
Customer satisfaction (Net Promoter Score)

		2015	2016	2017	2018
Corporate Customers	Advisory	43	49	43	<b>46</b>
	Teller	13	2	10	<b>20</b>
Private Customers	Advisory	33	40	44	<b>46</b>
	Teller	17	21	22	<b>29</b>

# Generating sustainable shareholder value

## Dividends paid

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



DPS, SEK	1.75	2.75	4.00	4.75	5.25	5.50	5.75	6.00 + 0.50
Payout ratio	35%	52%	59%	54%	66%	75%	70%	70%

## SEB's main shareholders

30 September 2019	Share of capital, per cent
Investor AB	20.8
Alecta Pension Insurance	6.5
Trygg Foundation	5.2
Swedbank Robur Funds	4.1
AMF Insurance & Funds	3.6
BlackRock	2.4
Vanguard	1.9
SEB Funds	1.6
Own shareholding	1.5
Nordea Funds	1.3
Total share of foreign shareholders	26.3

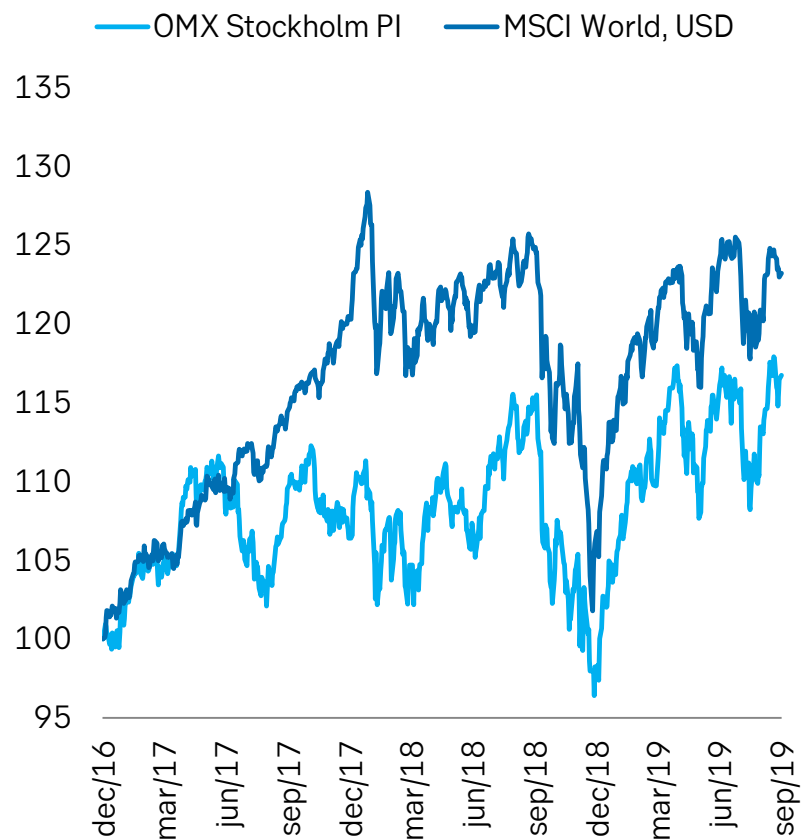
Source: Euroclear Sweden/Modular Finance

Note: 2014-2018 Excluding items affecting comparability. Payout ratio 2018 excl. IAC and extra ordinary DPS, incl. the latter pay-out 76%

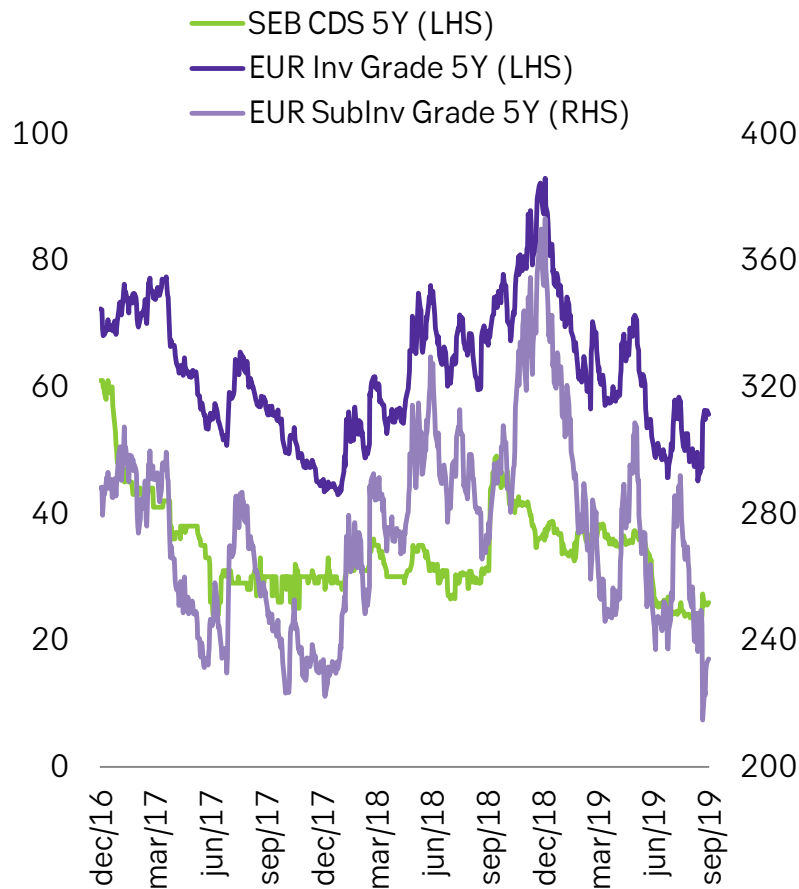
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# Financial markets development

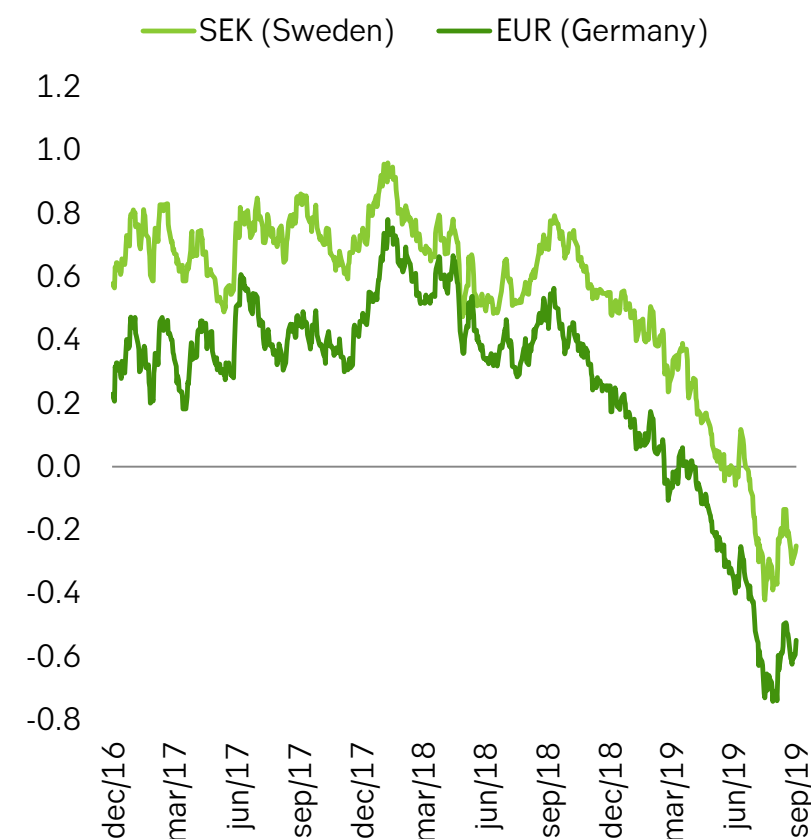
## Equity markets Sweden & Global



## Credit spreads SEB vs. corporate



## Interest rates Annual yield of 10-year gvt bonds



Note: equity market data series are indexed assuming 2016-12-30 = 100.



# Highlights Q3 2019

SEB

Solid financial performance despite seasonal slowdown and softer macroeconomic environment

Broad-based demand for advisory services, lending and capital market financing

Swedish mortgage sales in line with SEB's market share



# Financial summary of nine first months of 2019

## Profit and loss

SEK m	Jan-Sep 2019	Jan-Sep 2018	%
<b>Total operating income</b>	<b>36 045</b>	<b>34 123</b>	6
Total operating expenses	-16 918	-16 379	3
<b>Profit before credit losses</b>	<b>19 127</b>	<b>17 745</b>	8
Net Expected credit losses	-1 297	-753	
<b>Operating profit before IAC</b>	<b>17 831</b>	<b>17 011</b>	5
IAC	0	4 506	
<b>Operating profit</b>	<b>17 381</b>	<b>21 517</b>	-17

## Key figures

Return on equity, %	13.1	17.7
Return on equity excl. IAC, %	13.2	13.6
Cost /income ratio	0.47	0.48
Earnings per share, SEK	6.64	8.57
CET1 ratio B3, %	16.4	19.7
Leverage ratio B3, %	4.5	4.8
Net ECL level, %	0.08	0.05

# Financial summary of third quarter in 2019

## Profit and loss

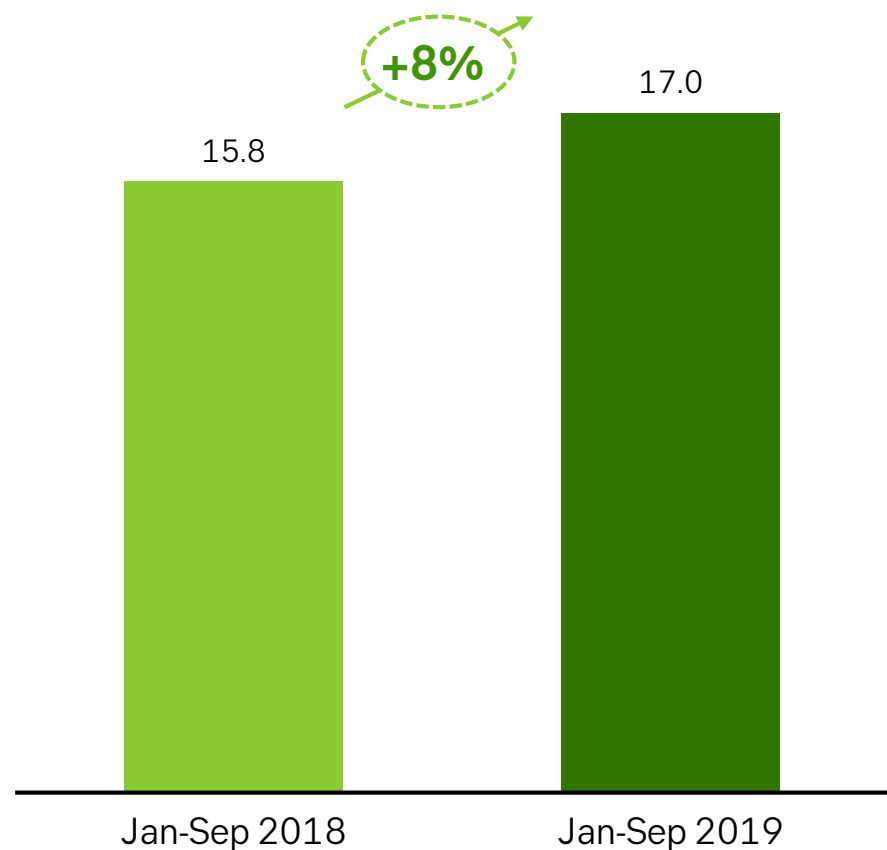
SEK m	Q3 2019	Q2 2019	%	Q3 2018	%
<b>Total operating income</b>	<b>11 942</b>	<b>12 197</b>	-2	<b>11 433</b>	6
Total operating expenses	-5 589	-5 708	-2	-5 421	3
<b>Profit before credit losses</b>	<b>6 353</b>	<b>6 489</b>	-2	<b>6 012</b>	6
Net Expected credit losses	-489	-386		-424	
<b>Operating profit before IAC</b>	<b>5 864</b>	<b>6 103</b>	-4	<b>5 587</b>	5
IAC					
<b>Operating profit</b>	<b>5 864</b>	<b>6 103</b>	-4	<b>5 587</b>	5

## Key figures

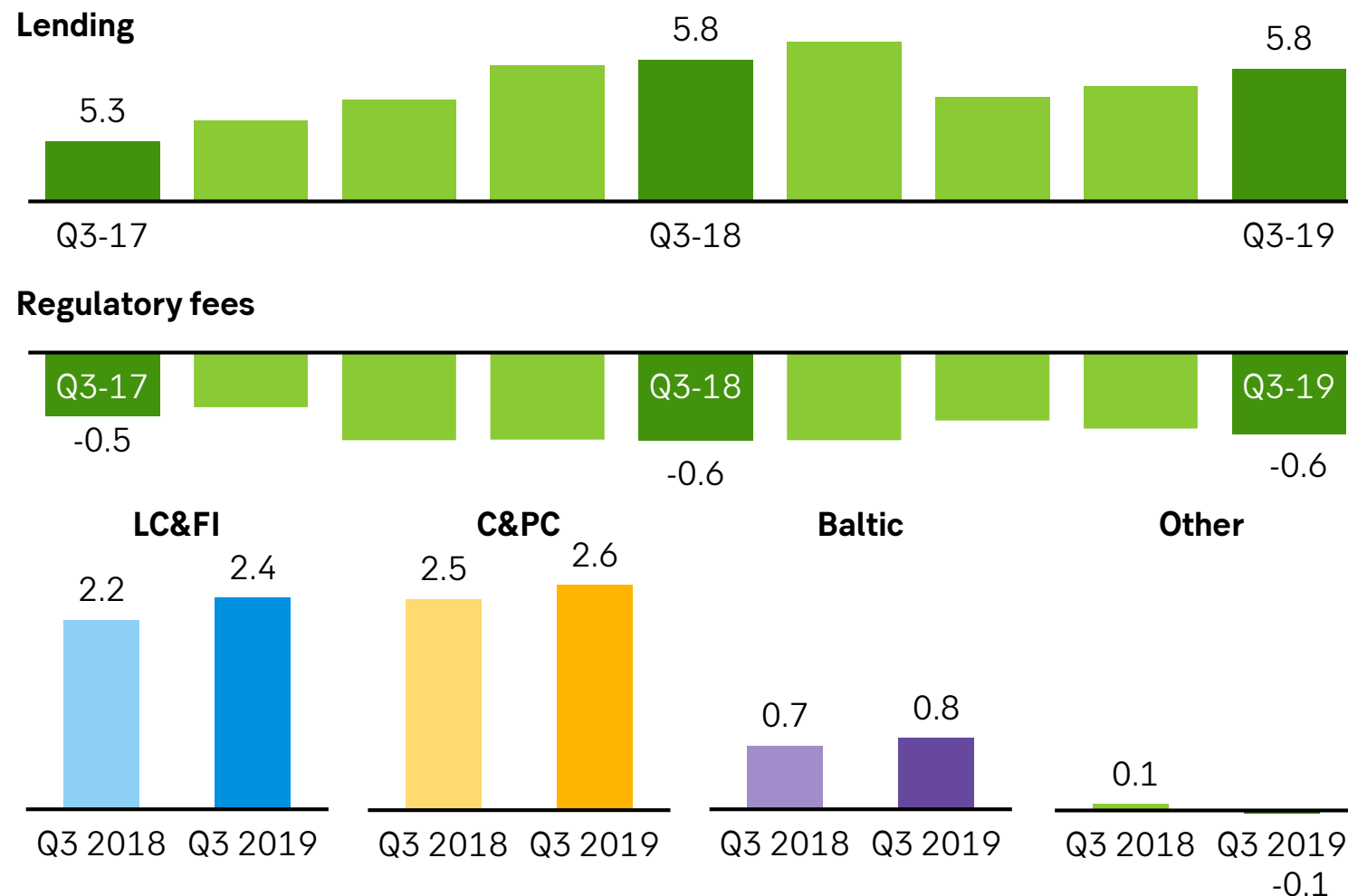
Return on equity, %	13.2	13.9	12.7
Return on equity excl. IAC, %	13.2	13.9	13.1
Cost / Income ratio	0.47	0.47	0.47
Earnings per share, SEK	2.21	2.26	2.10
CET1 ratio B3, %	16.4	16.6	19.7
Leverage ratio B3, %	4.5	4.6	4.8
Net ECL level, %	0.09	0.07	0.08

# Net interest income development

**Net interest income** (SEK bn)  
Jan-Sep 2019 vs. Jan-Sep 2018

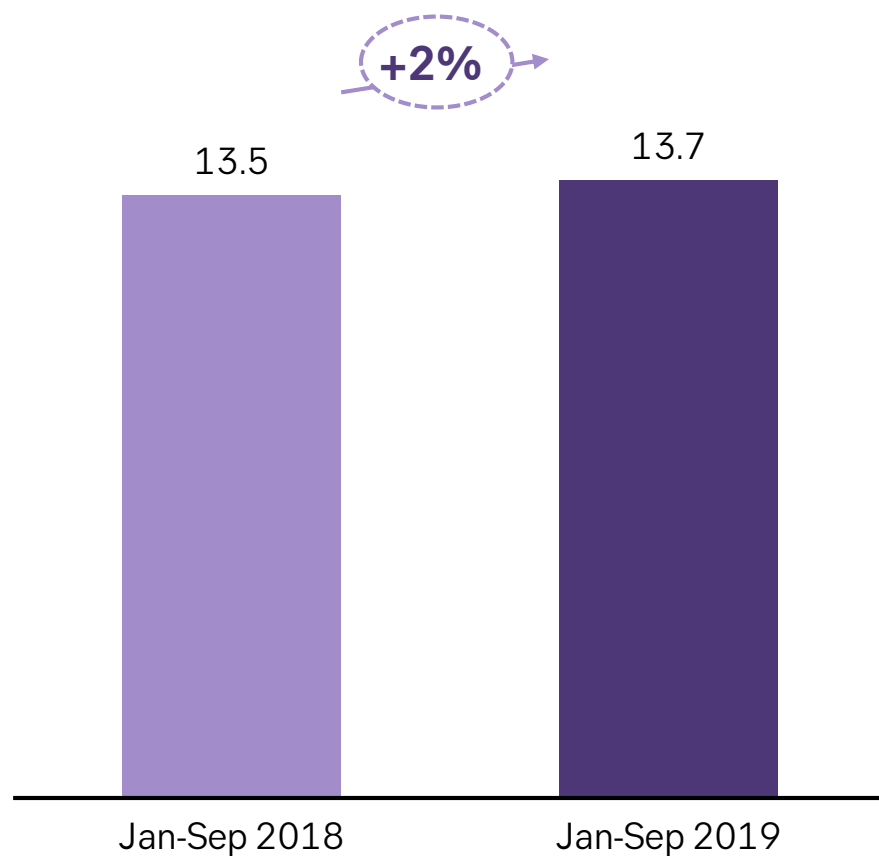


**Net interest income type** (SEK bn)  
Q3 2017 – Q3 2019



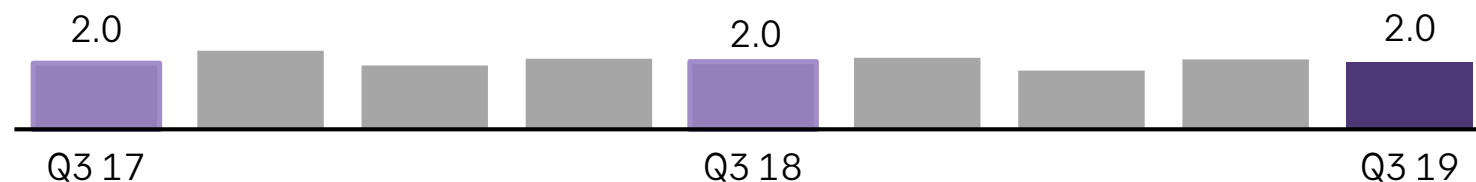
# Net fee & commission income development

**Net fee & commissions** (SEK bn)  
Jan-Sep 2019 vs. Jan-Sep 2018

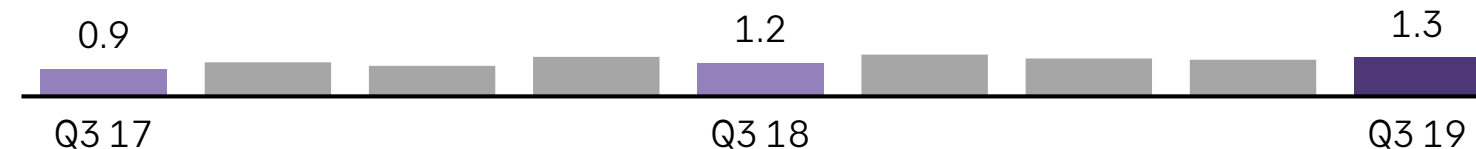


**Net fee & commissions by income type** (SEK bn)  
Q3 2017 – Q3 2019

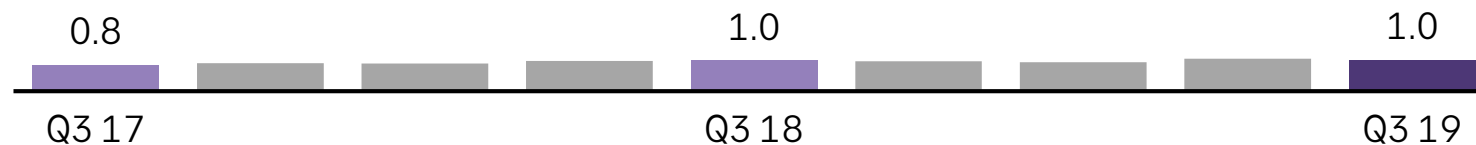
**Net securities commissions** (custody, mutual funds, brokerage)



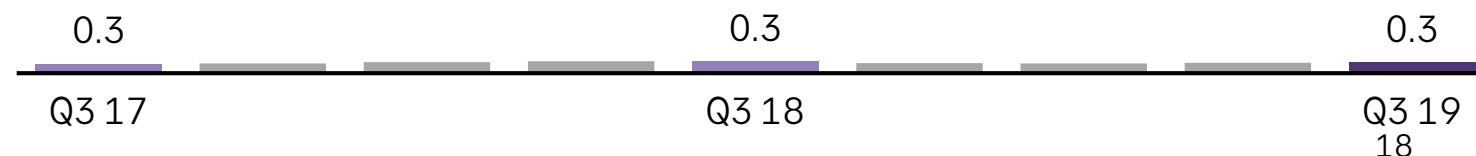
**Net advisory fees, lending fees & other commissions**



**Net payment & card fees**



**Net life insurance commissions**



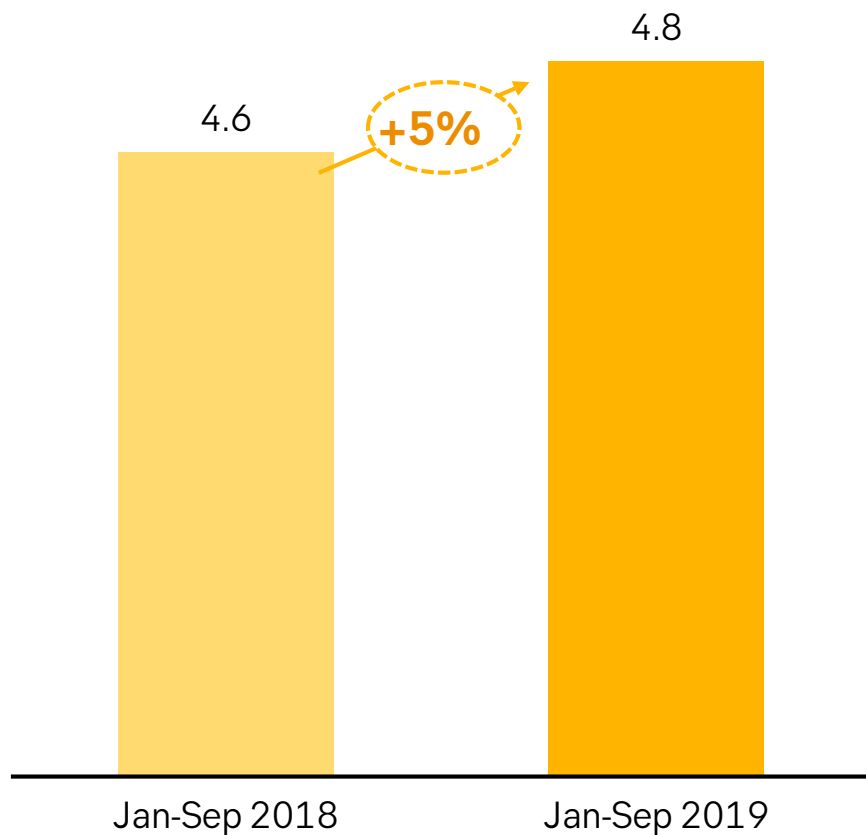


# Net fee & commission income development

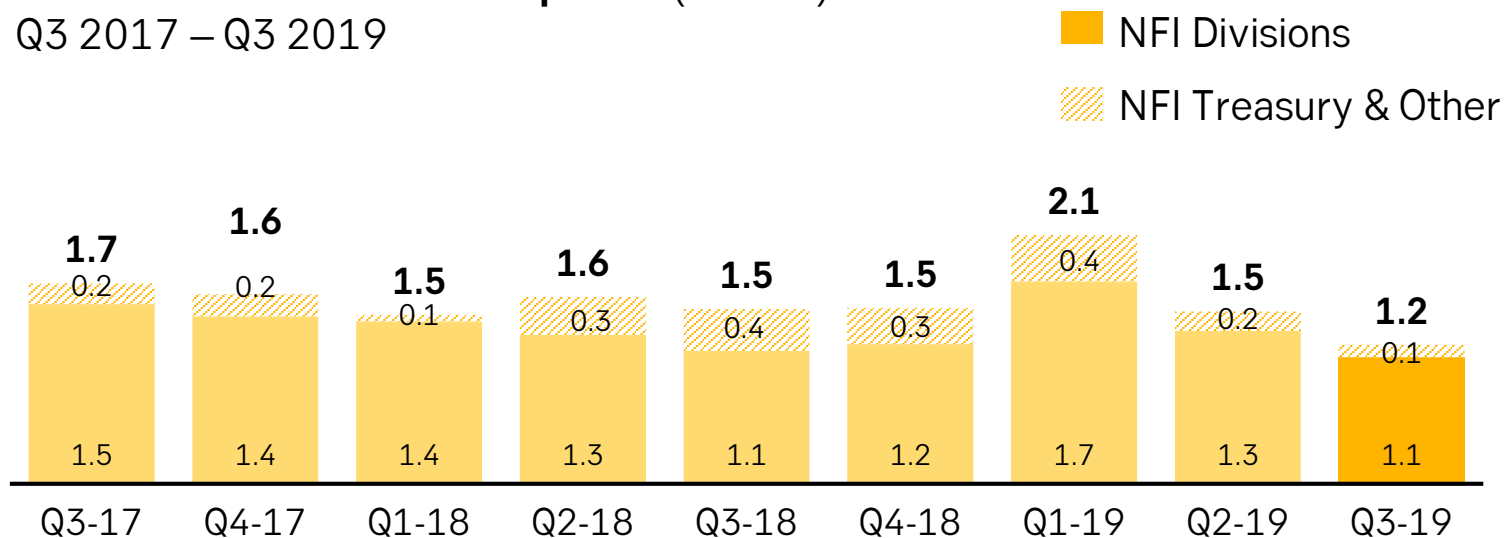
SEK m	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
Issue of securities and advisory	137	317	136	298	168	448	232	284	326
Secondary market and derivatives	547	561	514	594	496	575	523	549	455
Custody and mutual funds	1,942	2,210	1,923	2,049	2,036	2,075	1,794	1,975	1,977
<i>Whereof performance fees</i>	39	225	24	5	12	187	12	56	11
Payments, cards, lending, deposits, guarantees and other	2,350	2,570	2,628	2,847	2,628	2,756	2,705	2,877	2,843
<i>Whereof payments and card fees</i>	1,366	1,429	1,410	1,509	1,498	1,537	1,483	1,613	1,597
<i>Whereof lending</i>	519	602	501	784	577	665	683	737	687
Life insurance	424	429	485	487	449	427	435	447	435
<b>Fee and commission income</b>	<b>5,400</b>	<b>6,087</b>	<b>5,687</b>	<b>6,274</b>	<b>5,777</b>	<b>6,281</b>	<b>5,690</b>	<b>6,133</b>	<b>6,035</b>
<b>Fee and commission expense</b>	<b>-1,371</b>	<b>-1,359</b>	<b>-1,496</b>	<b>-1,460</b>	<b>-1,265</b>	<b>-1,433</b>	<b>-1,398</b>	<b>-1,398</b>	<b>-1,342</b>
<b>Net fee and commission income</b>	<b>4,029</b>	<b>4,728</b>	<b>4,190</b>	<b>4,814</b>	<b>4,512</b>	<b>4,848</b>	<b>4,292</b>	<b>4,735</b>	<b>4,693</b>
<i>Whereof Net securities commissions</i>	1,986	2,356	1,920	2,116	2,035	2,149	1,764	2,106	2,026
<i>Whereof Net payments and card fees</i>	840	908	895	988	996	971	939	1,057	1,019
<i>Whereof Net life insurance commissions</i>	266	285	317	349	330	288	282	305	310

# Net financial income development

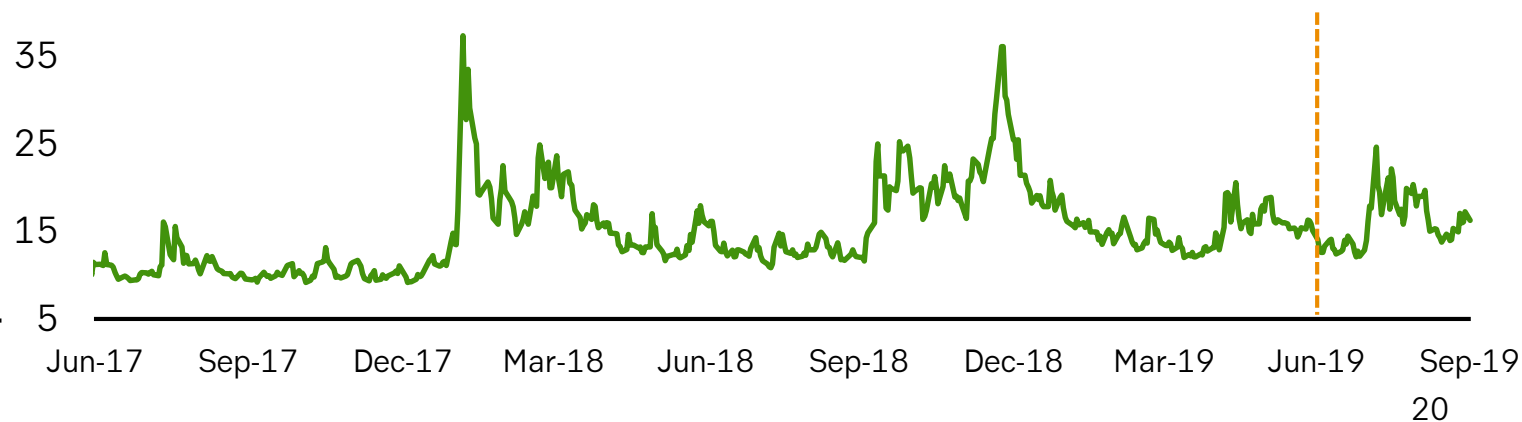
**Net financial income (SEK bn)**  
Jan-Sep 2019 vs. Jan-Sep 2018



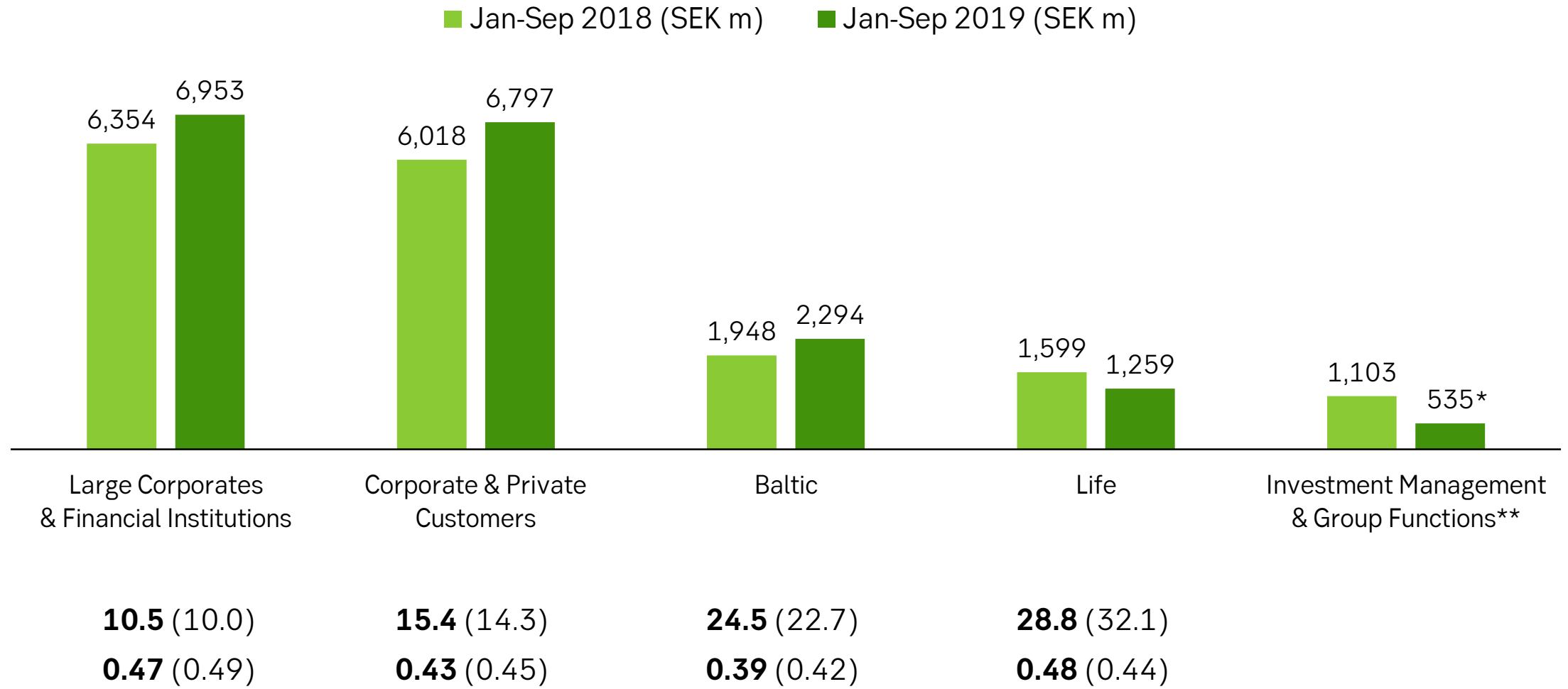
**Net financial income development (SEK bn)**  
Q3 2017 – Q3 2019



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



# Operating profit by customer segment



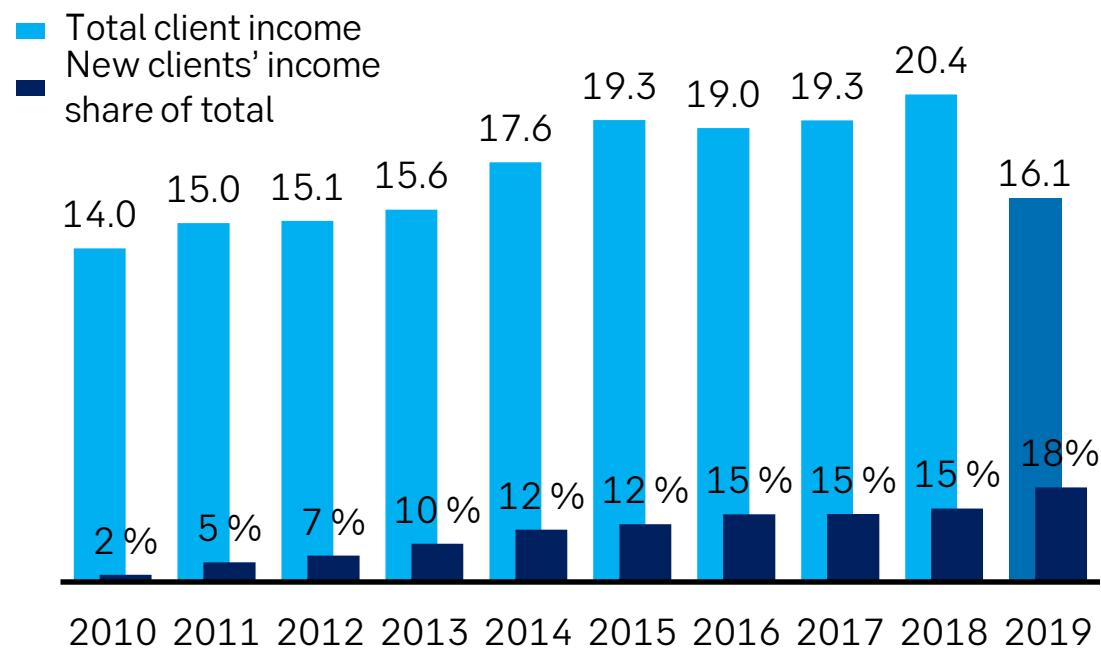
\* Operating profit for Investment Management corresponded to SEK 983m Jan-Sep 2019 (971).

\*\* Group Functions consist of Business Support, Group Staff, Group Treasury and the German run-off operations.

# Strong franchise and successful client acquisition strategy

## Large cross-selling potential

Total client income in SEK bn



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

	C/I ratio (%)	Business Equity (SEK bn)	RoBE <sup>1)</sup> (%)
9M 2019	47	67.4	10.5
2018	49	63.8	10.3
2017	49	65.8	10.1
2016	47 <sup>2)</sup>	62.4	11.7
2015	45 <sup>3)</sup>	66.4	12.5
2014	46	57.7	13.3
2013 <sup>4)</sup>	50	48.8	12.9
2012 <sup>4)</sup>	54	36.7	14.3
2011 <sup>4)</sup>	54	26.1	20.6
2010 <sup>4)</sup>	52	25.0	22.8

1) Return on Business Equity

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

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

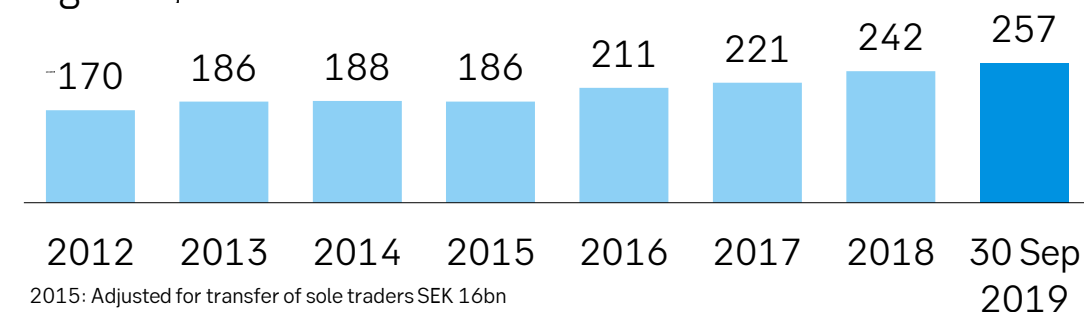
4) Restated figures following the new organizational structure as of Jan 1, 2016. As a result 2010-2013 figures not quite comparable

\*For 2019, including also Swedish clients.

# Successful client acquisition strategy

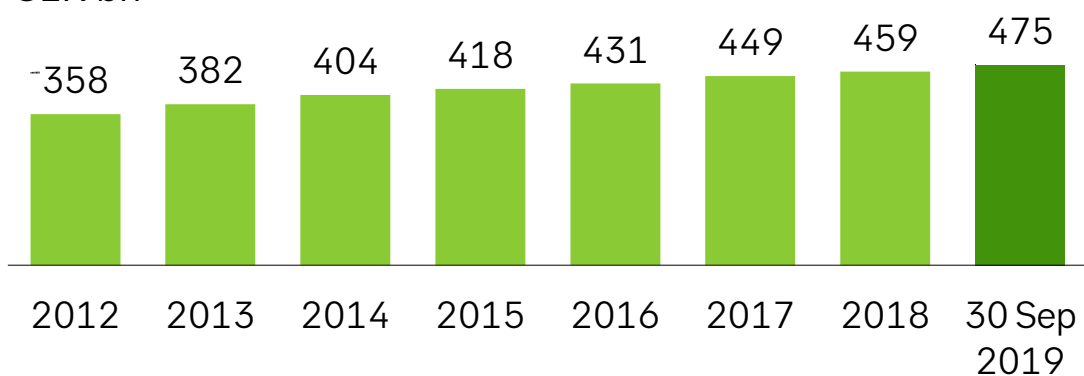
## Stable lending growth in corporate segment

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



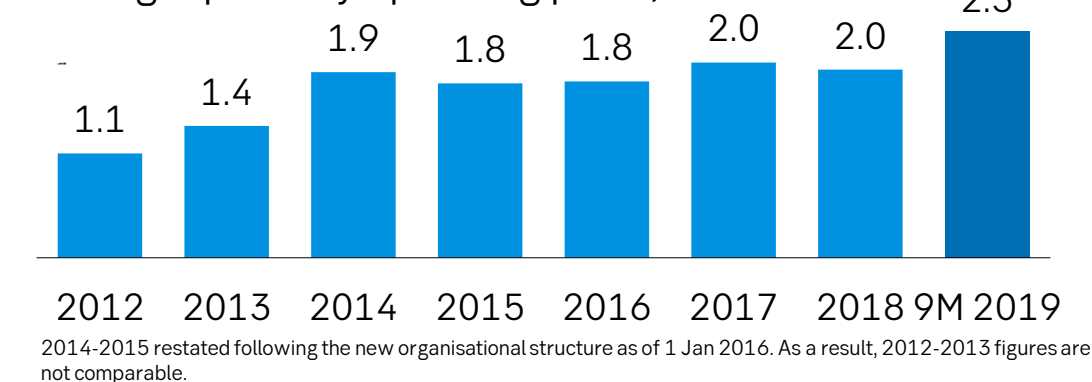
## Stable growth in Swedish household mortgage lending

SEK bn



## Solid operating profit

Average quarterly operating profit, SEK bn



## Steady improvement in efficiency

	C/I ratio (%)	Business Equity (SEK bn)	RoBE (%)
9M 2019	43	45.0	15.4
2018	46	42.4	13.9
2017	46	40.6	15.0
2016	48	37.3	15.2
2015	48	38.1	14.7
2014	46	27.8	21.4
2013	49	20.2	21.9
2012	57	14.4	22.3

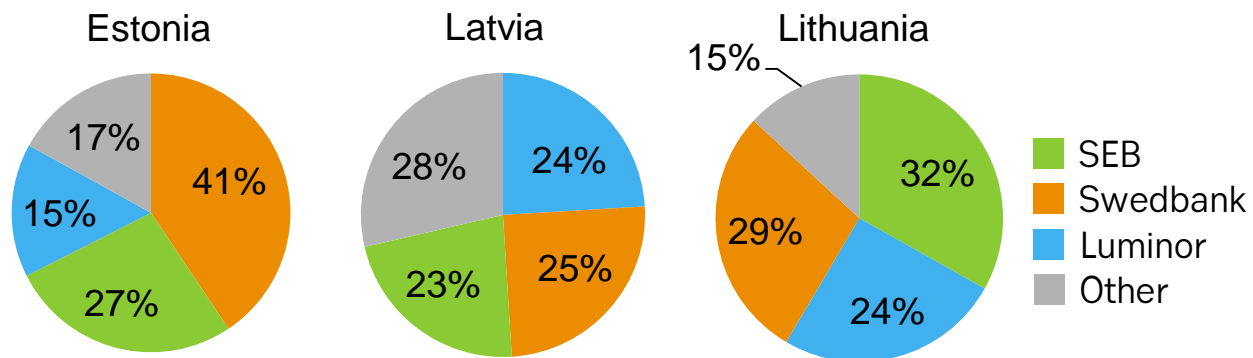


# Strong profitability in the Baltic division

## Continued robust operating environment

- GDP growth above Eurozone average, growth supported particularly by private consumption
- Continued high growth in real wages, low unemployment and high levels of consumer confidence
- Baltic manufacturers and exporters somewhat concerned about economic development in Western Europe

## Leading position in terms of lending market share



Source: Estonian Financial Supervision Authority, Association of Latvian Commercial Banks, Association of Lithuanian Banks (latest figures as of Q2 2019, SEB Latvia as of Aug 2019)

## Strong development of key ratios

	C/I ratio (%)	Business Equity (SEK bn)	RoBE <sup>2</sup> (%)
9M 2019	39	10.7	24.5
2018	41	9.6	22.6
2017	44	7.8	24.4
2016	51	7.6	19.3
2015	50	7.5	18.6
2014	50	8.9	14.5
2013	52	8.8	12.9
2012	62	8.8	9.7
2011	58	8.8	29.6

<sup>1</sup> Before 2019, excluding Real Estate Holding Companies

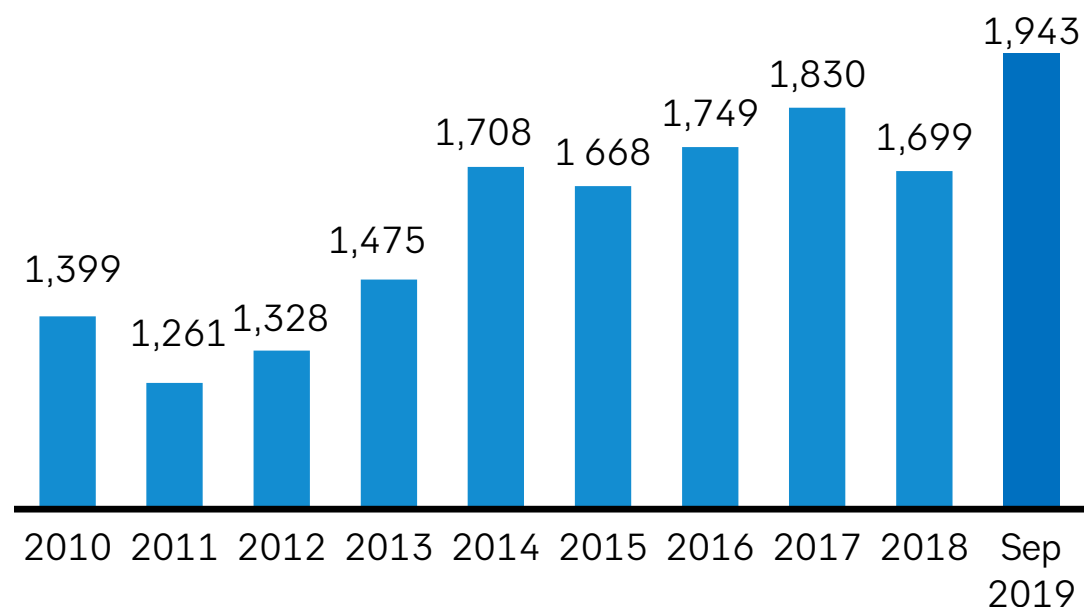
<sup>2</sup> Return on Business Equity

<sup>3</sup> Write-backs of provisions of SEK 1.5bn

# Assets under management

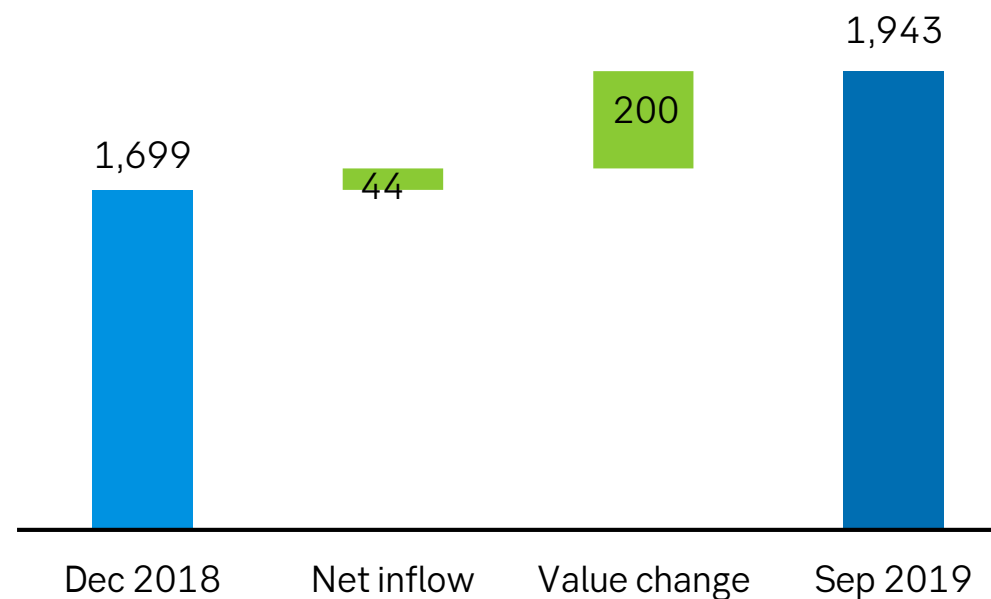
## Assets under Management<sup>1</sup>

SEK bn



## Development of Assets under Management YTD

SEK bn



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

# Summary key financials

Key figures	Jan-Sep 2019	2018	2017	2016	2015	2014	2013	2012	2011 <sup>1)</sup>
Return on Equity, % <sup>6)</sup>	<b>13.2</b>	13.4	12.9	11.3	12.9	13.1	13.1	11.5	12.3
Cost/Income ratio, %	<b>47</b>	48	48	50	49	50	54	61	62
CET1 ratio, % <sup>2)</sup>	<b>16.4</b>	17.6	19.4	18.8	18.8	16.3	15.0	NA	NA
Total capital ratio, % <sup>2)</sup>	<b>20.9</b>	22.2	24.2	24.8	23.8	22.2	18.1	NA	NA
Leverage ratio, % <sup>2)</sup>	<b>4.5</b>	5.1	5.2	5.1	4.9	4.8	4.2	NA	NA
Net ECL level / Credit loss level, % <sup>3)</sup>	<b>0.08</b>	0.06	0.05	0.07	0.06	0.09	0.09	0.08	-0.08
ECL coverage ratio Stage 3/NPL coverage ratio,% <sup>4)</sup>	<b>38</b>	40	55	63	62	59	72	66	64
Stage 3 loans/total loans, gross/NPL/lending, % <sup>4)</sup>	<b>0.65</b>	0.50	0.5	0.5	0.6	0.8	0.7	1.0	1.4
Liquidity Coverage Ratio, % <sup>5)</sup>	<b>174</b>	147	145	168	128	115	129	NA	NA
Assets under Management, SEK bn	<b>1,943</b>	1,699	1,830	1,781	1,700	1,708	1,475	1,328	1,261
Assets under Custody, SEK bn	<b>9,267</b>	7,734	8,046	6,859	7,196	6,763	5,958	5,191	4,490

Notes:

1) Restated for introduction of IAS 19 (pension accounting).

2) 2016 - 2014 is according to CRD IV/CRR and 2013 was estimated based on SEB's interpretation of future regulation.

3) Net aggregate of write-offs, write-backs and provisioning. Net ECL (expected credit loss) level (2018) is based on IFRS 9 expected loss model, net credit loss level (2011-2017) is based on IAS39 incurred loss model..

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

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

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

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

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

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

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

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

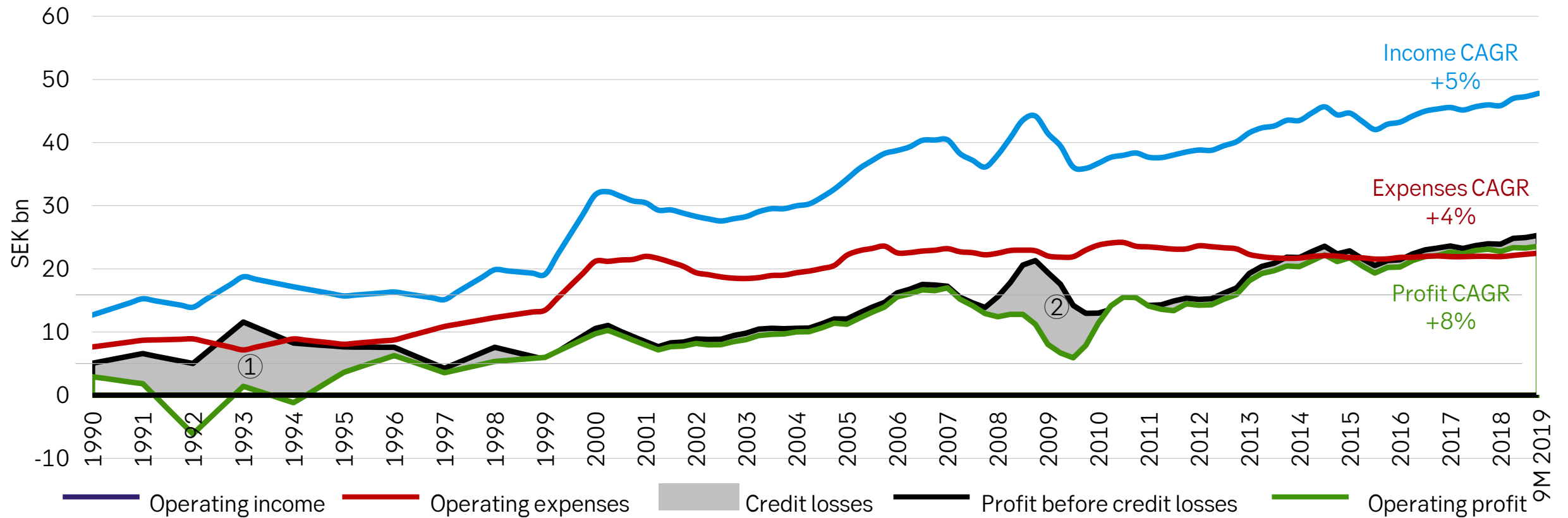
**To show the underlying operating momentum in this presentation:**

a. and b. The FY 2014 and FY 2015 results' presentations, profitability, capital generation and efficiency ratios exclude the effects of the above-mentioned items affecting comparability

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

# Sustainable value creation through focused business strategy and cost control

Long-term profit development 1990-Q3 2019, rolling 12m



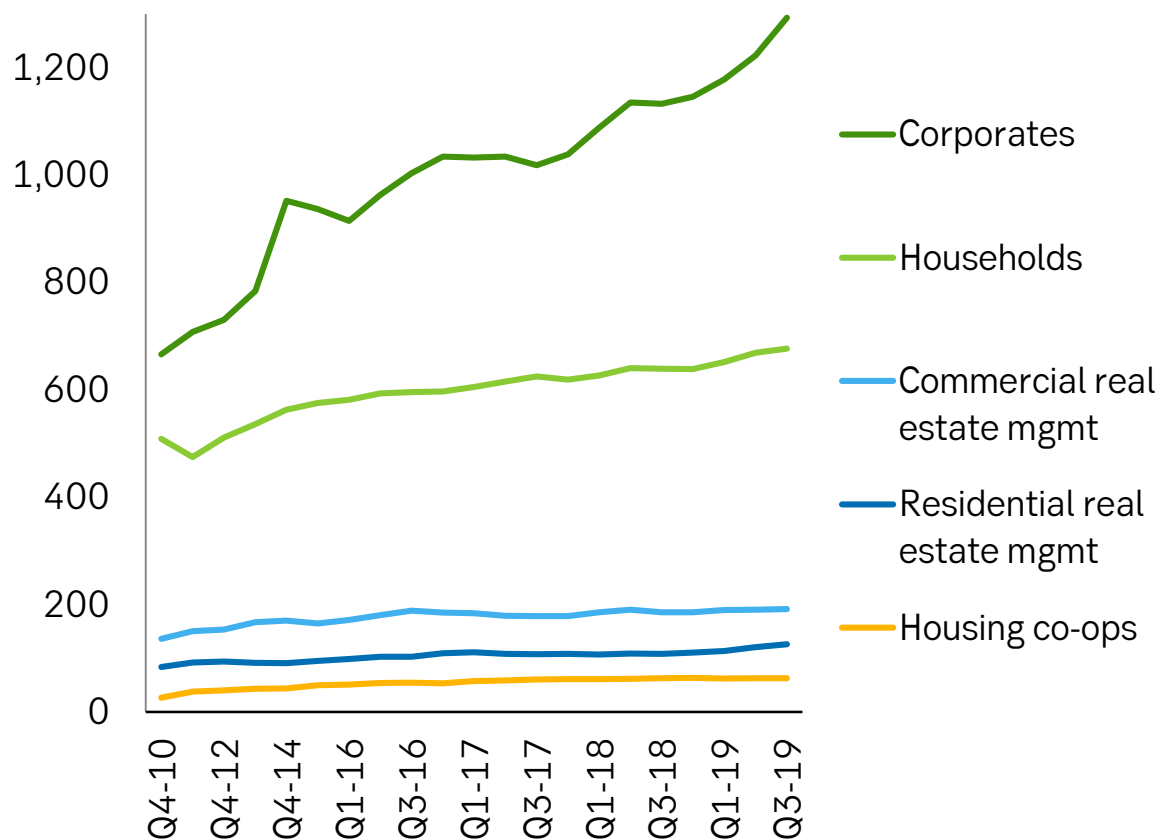
1. Consequences of Swedish economic paradigm shift and the ensuing financial crisis. SEB was one of two of major banks that was not taken over or directly guaranteed by the State 27
2. Credit losses driven by the Baltics during the Financial Crisis – important to note the strong revenue generation and overall profitability during this period notwithstanding the Financial Crisis
3. Adjusted for items affecting comparability in 2014-2018

• SEB in brief	3
• Financials & quarterly update	12
• <b>Credit portfolio &amp; asset quality</b>	<b>28</b>
• Capital	35
• Balance sheet, funding & liquidity	42
• Covered bonds & Cover pool	50
• Business plan 2019-2021	54
• Appendix	63
– Swedish housing market	
– Organisation & governance	
• Contacts and calendar	70



# Credit portfolio development in line with strategy

Credit portfolio by main sectors (SEK bn)

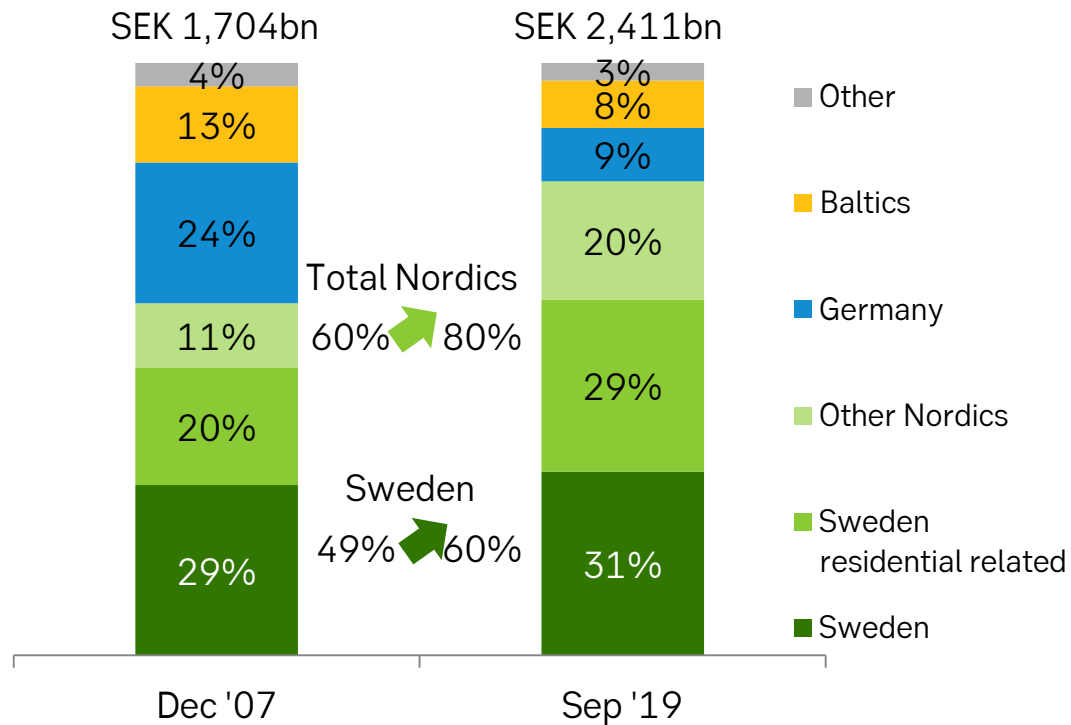


Credit portfolio growth rates

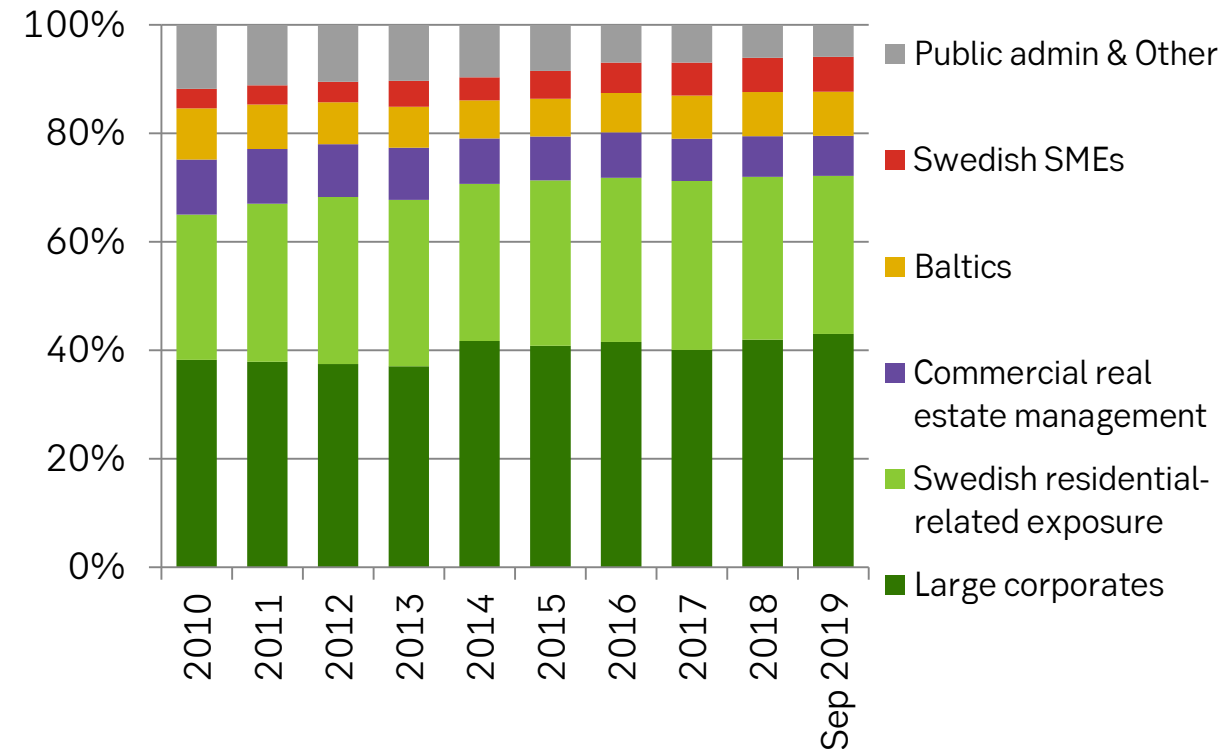
Sector	QoQ	YoY	CAGR 10-Sep 19
Corporates	6%	14%	8%
<i>FX-adjusted</i>	2%	9%	
Households	1%	6%	3%
<i>Swedish mortgages</i>	1%	6%	
Commercial real estate management	1%	3%	4%
Residential real estate management	5%	17%	5%
Housing co-op associations	0%	0%	10%
<b>Credit portfolio excl banks</b>	<b>4%</b>	<b>10%</b>	<b>5%</b>

# SEB's risk profile supported by diversified credit portfolio and shift towards lower risk

Credit portfolio has shifted towards Nordics with high degree of international exposure



Credit portfolio focused on large corporates and Swedish residential-related segment  
% of credit portfolio

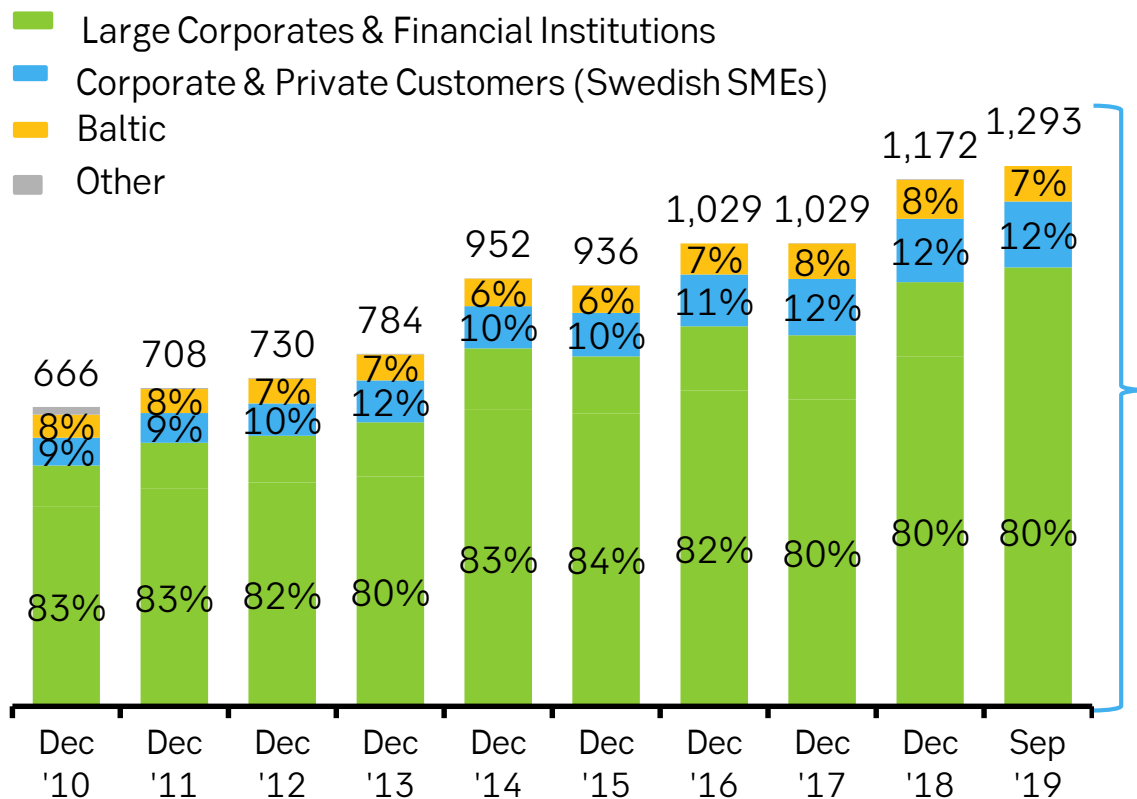


Note: Credit portfolio (on and off balance credit exposure) excluding banks. Geography based on operations.

Swedish residential-related exposure includes Swedish household mortgages, Residential real estate management, Housing co-operative associations

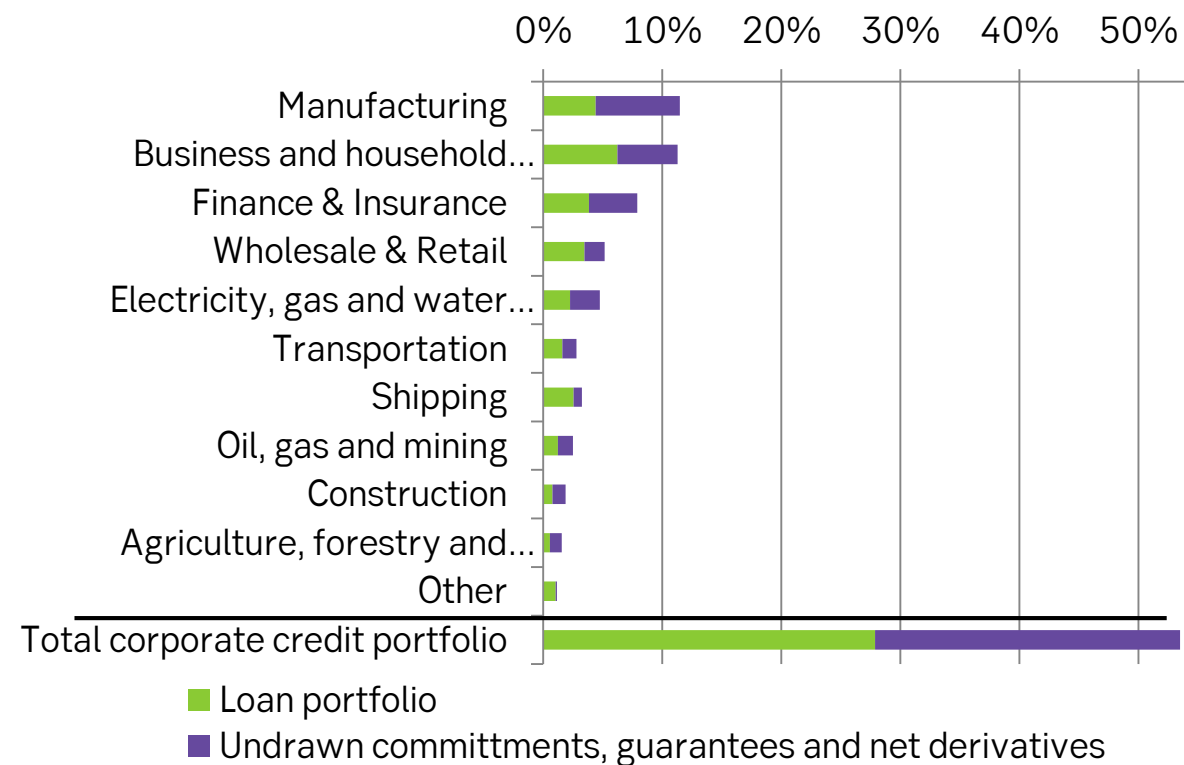
# Industry diversification and relatively low on-balance sheet exposure render lower credit risk

Corporate credit portfolio by division (SEK bn)



Corporate credit portfolio by sector and by loans and other exposures

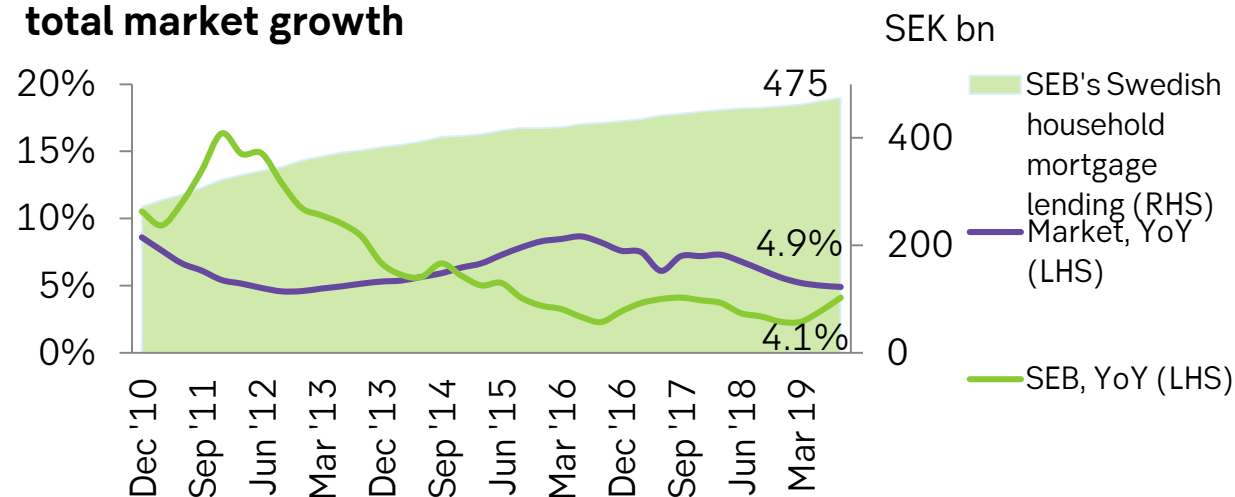
% of credit portfolio excl. banks



Note: Corporate credit portfolio does not include real estate management

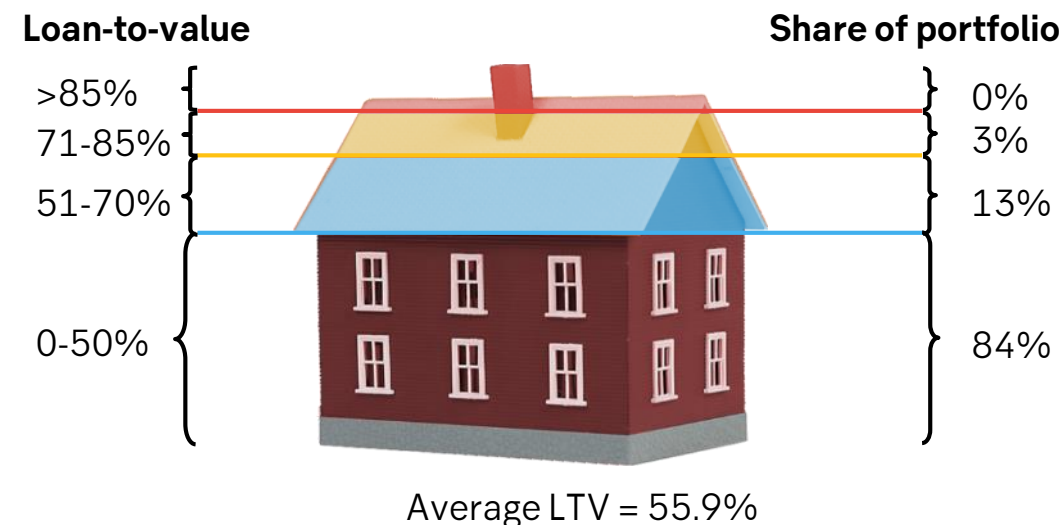
# Robust Swedish household mortgage portfolio

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



Source: SCB's market statistics as of Aug 2019. SEB as of Sep 2019

## Low LTVs by regional and global standards



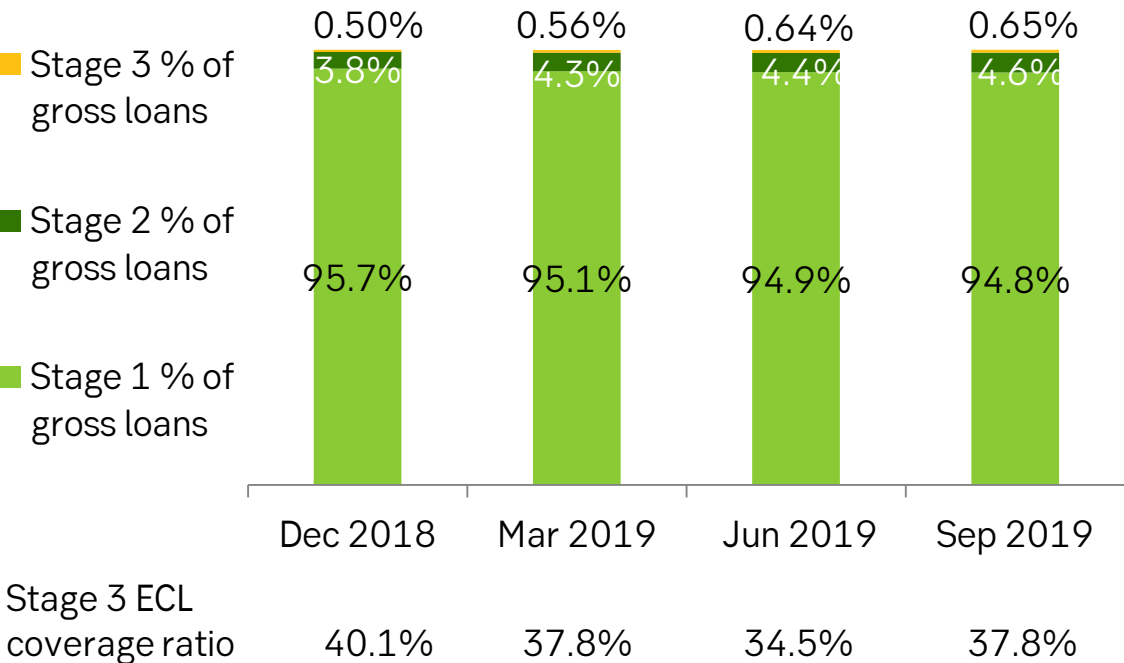
## Selective origination - SEB's mortgage lending based on affordability

- The mortgage product is foundation of the client relationship
- Strong customer base:** According to UC AB (national credit information agency), SEB's customers have higher credit quality than market average and are over-proportionally represented in higher income segments. Customers are also concentrated to larger cities
- High asset quality** – negligible past dues and losses
- Strict credit scoring and assessment**
- Strengthened advisory services** - "sell first and buy later"
- Affordability assessment** (funds left to live on post all fixed costs and taxes) includes stressed interest rate scenario of 7% on personal debt and 3% on a housing co-op's debt which indirectly affects the private individual ("double leverage")
- Amortisation requirement:** LTV 70-85% loans amortise min. 2%/yr and between 50-70% at least 1%/year. As of 2018, loans with DTI > 4.5x amortise an additional percentage point – regulatory requirement
- Max loan amount:** In general 5x total gross household income irrespective of LTV and no more than one payment remark on any kind of debt

# Robust credit portfolio with high asset quality

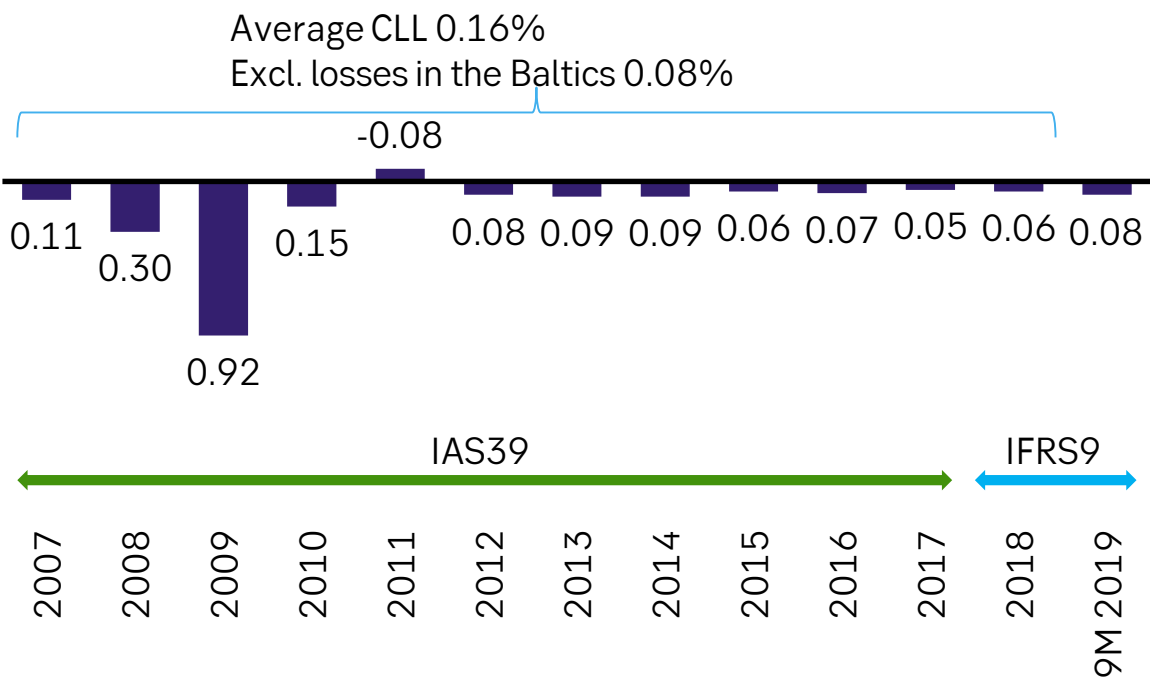


Gross loans by stage and Expected Credit Loss coverage ratio (IFRS9)



High asset quality renders low credit loss level over time

Credit loss level, %



# Net expected credit losses by division

SEKm	Net ECL										
	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018	ECLL Dec '18	Q1 2019	Q2 2019	Q3 2019	YTD 2019	ECLL Sept '19
Large Corporates & Financial Institutions	-46	-110	-287	-259	-702	0.07%	-322	-261	-349	-933	0.11%
Corporate & Private Customers	-87	-128	-97	-115	-427	0.05%	-71	-101	-129	-301	0.04%
Baltics	17	17	-44	-45	-55	0.03%	-20	-33	11	-41	0.03%
Other <sup>1</sup>	7	0	4	7	18		-9	9	-22	-22	
<b>Net expected credit losses</b>	<b>-109</b>	<b>-221</b>	<b>-424</b>	<b>-413</b>	<b>-1,166</b>	<b>0.06%</b>	<b>-422</b>	<b>-386</b>	<b>-489</b>	<b>-1297</b>	<b>0.08%</b>

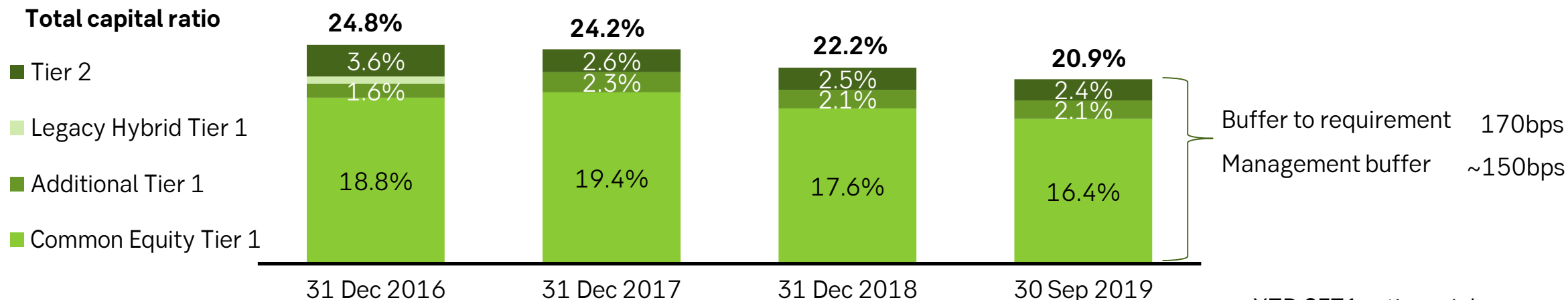
<sup>1</sup> Life, Investment Management, German run-off operations & Eliminations



• SEB in brief	3
• Financials & quarterly update	12
• Credit portfolio & asset quality	28
• <b>Capital</b>	<b>35</b>
• Balance sheet, funding & liquidity	42
• Covered bonds & Cover pool	50
• Business plan 2019-2021	54
• Appendix	63
– Swedish housing market	
– Organisation & governance	
• Contacts and calendar	70

# Strong capital position

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



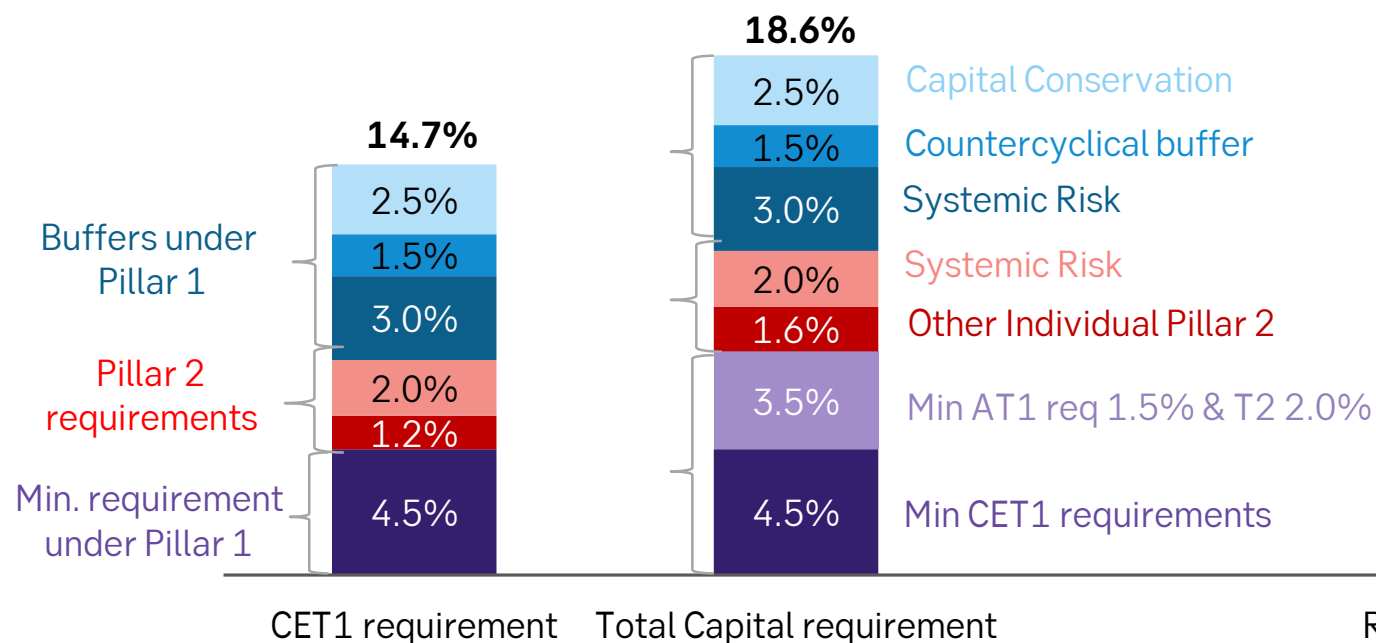
Key metrics	31 Dec 2016	31 Dec 2017	31 Dec 2018	30 Sep 2019
Leverage ratio	5.1%	5.2%	5.1%	4.5%
REA (SEK bn)	610	611	716	777
CET1 ratio requirement	16.9%	17.2%	14.9%	14.7%*
Buffer to requirement	190bps	220bps	270bps	170bps

- YTD CET1 ratio mainly impacted by volume growth, FX, market risk and IFRS 16 implementation
- On 31 Dec 2018, the risk weight floor for Swedish mortgages was moved from Pillar 2 to Pillar 1, resulting in 260bps decrease in the CET1 ratio

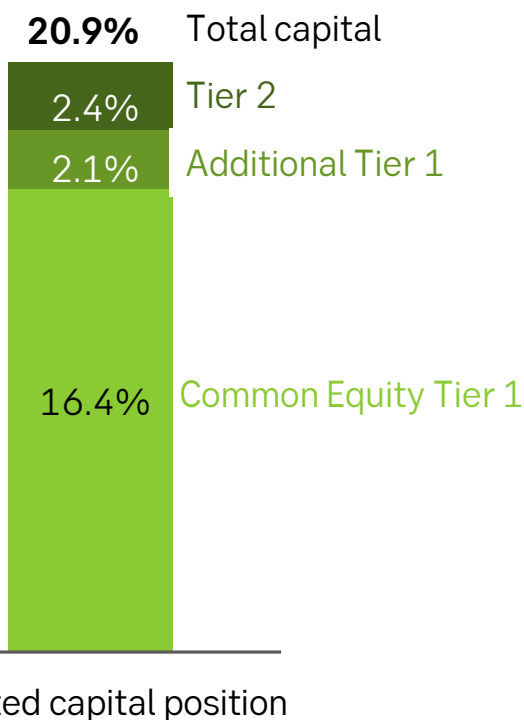
\*Estimated regulatory requirement as of 30 September 2019

# SEB's capital adequacy exceeds SFSA's risk-sensitive and high requirements

Composition of SEB's CET 1 and total capital requirements



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



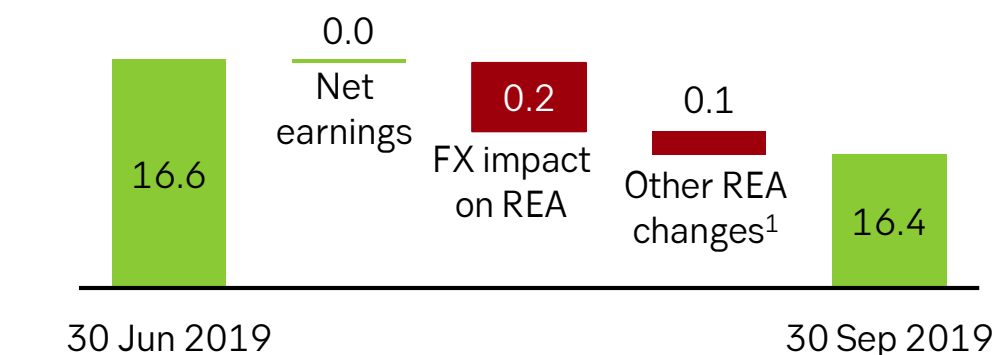
Note: Estimated regulatory requirement as of 30 September 2019

# Development of CET1 ratio and REA

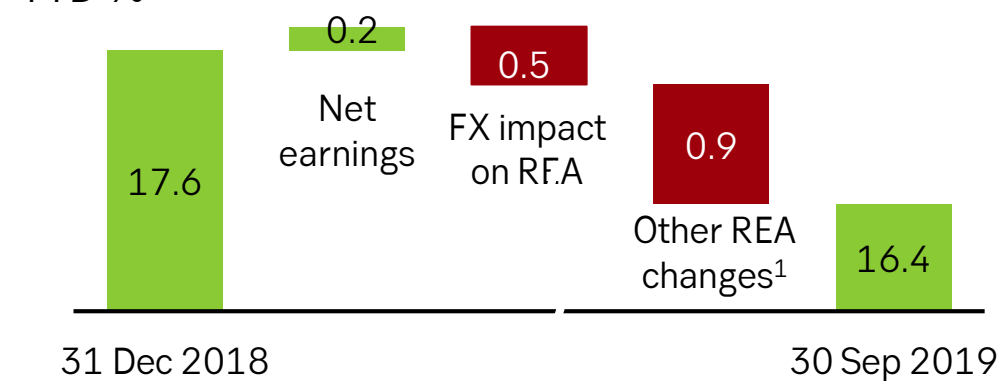
SEB Group – Basel III

## CET1 ratio development

Q-o-Q %



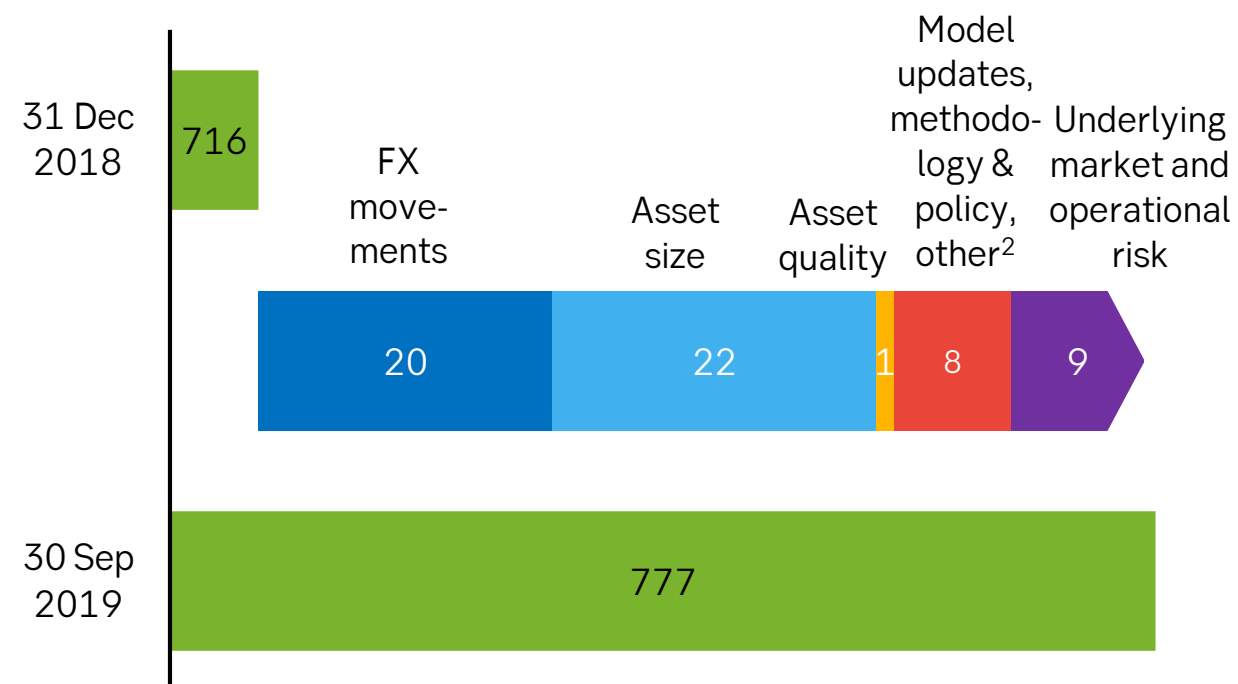
YTD %



<sup>1</sup> Impact of REA changes due to credit volume growth, model & methodology updates, asset quality, market risk exposures..

## Risk exposure amount development

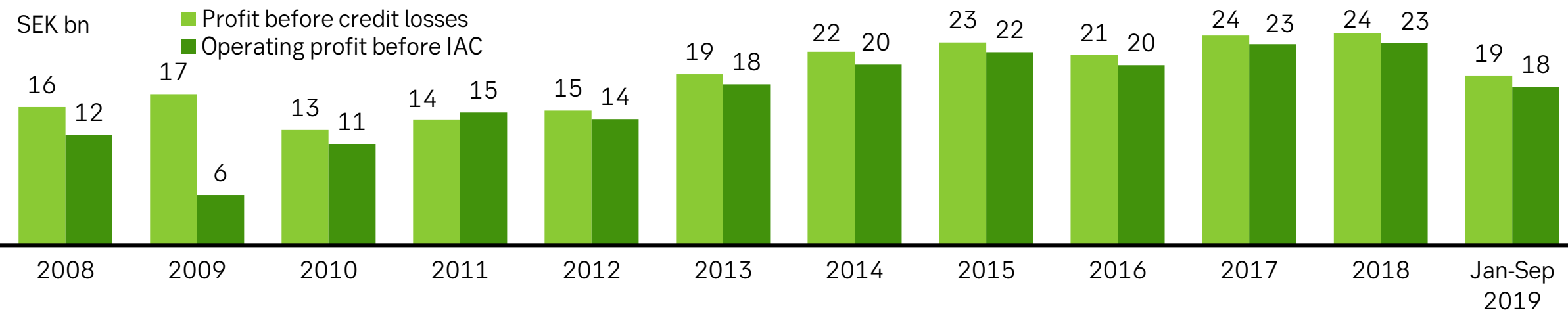
SEK bn



<sup>2</sup> Implementation of IFRS16 increased REA by SEK 5bn in Q1 and updated Baltic credit risk models in Q3 is reflected in Model, methodology and policy updates.

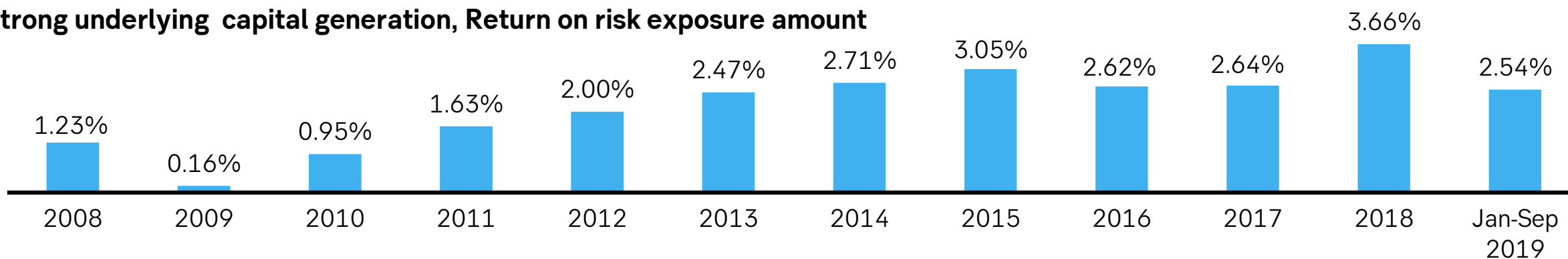
# Sustainable strong earnings and capital generation

## Profitable throughout the financial crisis



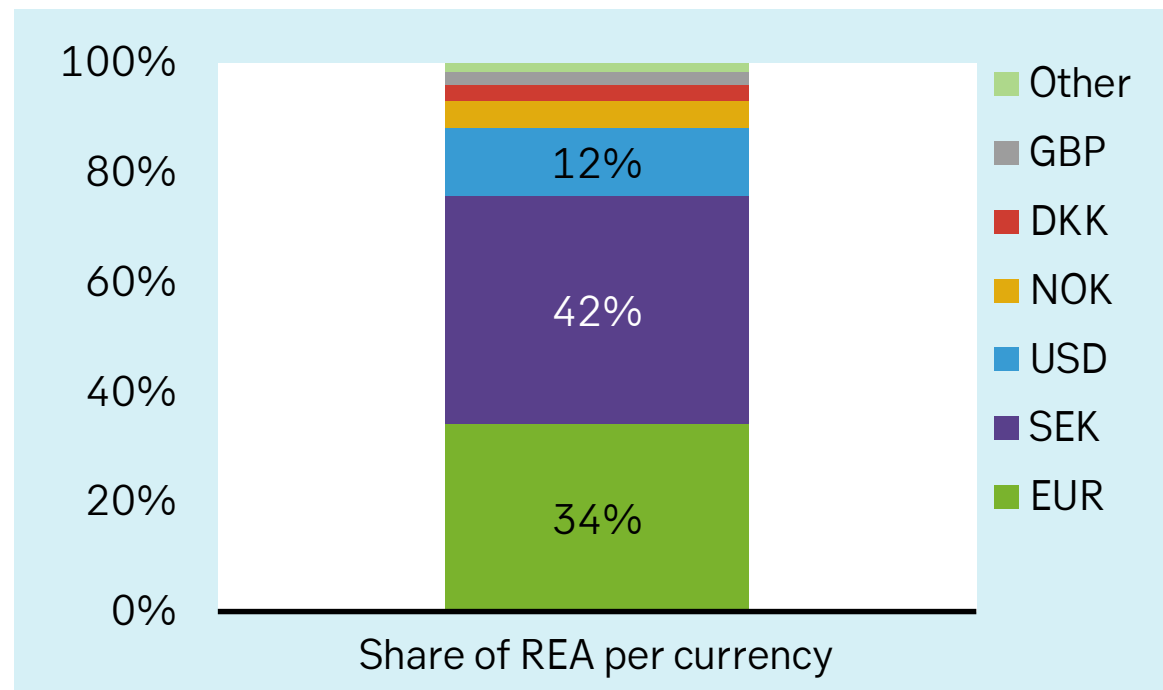
## Sustained underlying profit

## Strong underlying capital generation, Return on risk exposure amount



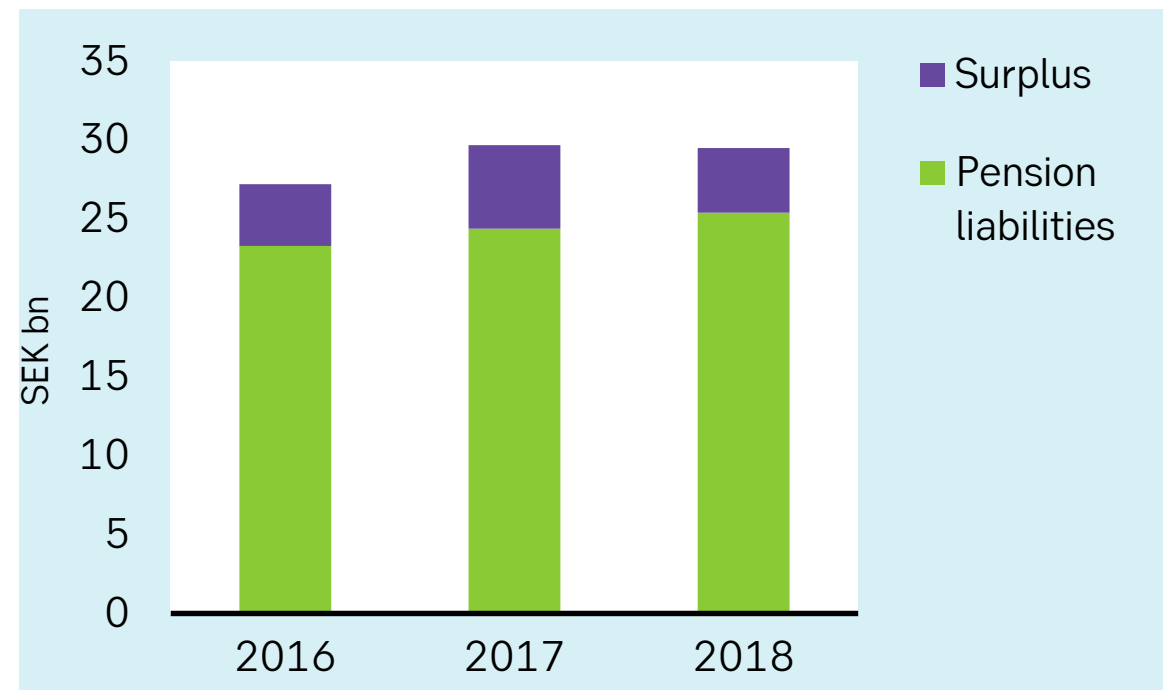
# Reasons for management buffer of c. 150bps

## Sensitivity to currency fluctuations



±5% SEK  
impact 40bps CET1 ratio

## Sensitivity to surplus of Swedish pensions



-50 bps discount rate  
impact -50bps CET1 ratio

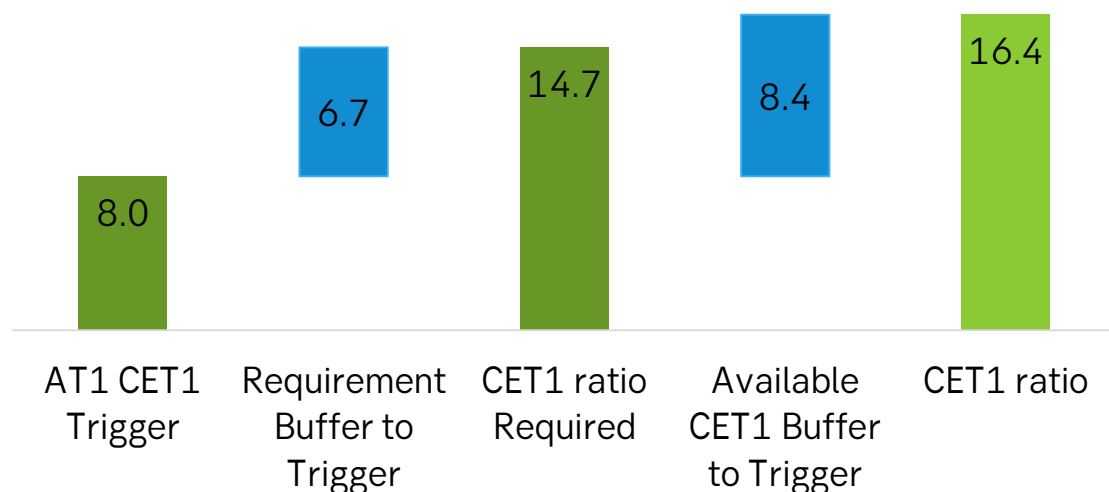
...& general macroeconomic uncertainties



# SEB retains strong buffers to trigger levels and MDA threshold

## SEB Group's buffer to trigger

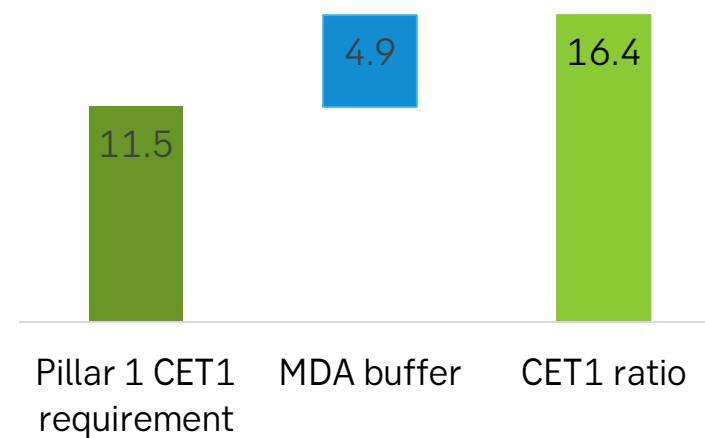
30 Sep 2019, %



- SEB's AT1 transactions have a dual trigger structure, implying a trigger event in the case that Group CET1 ratio falls below 8.0% or Bank CET1 ratio falls below 5.125%
- As of 30 September 2019, SEB retains a strong buffer to both triggers:
  - Buffer to Group 8.0% Trigger: 8.4%
  - Buffer to Bank 5.125% Trigger: 11.1%
- SEB continues to operate with a management of buffer of c. 150bp to min. capital requirements

## Coupon risk: SEB's buffer to MDA

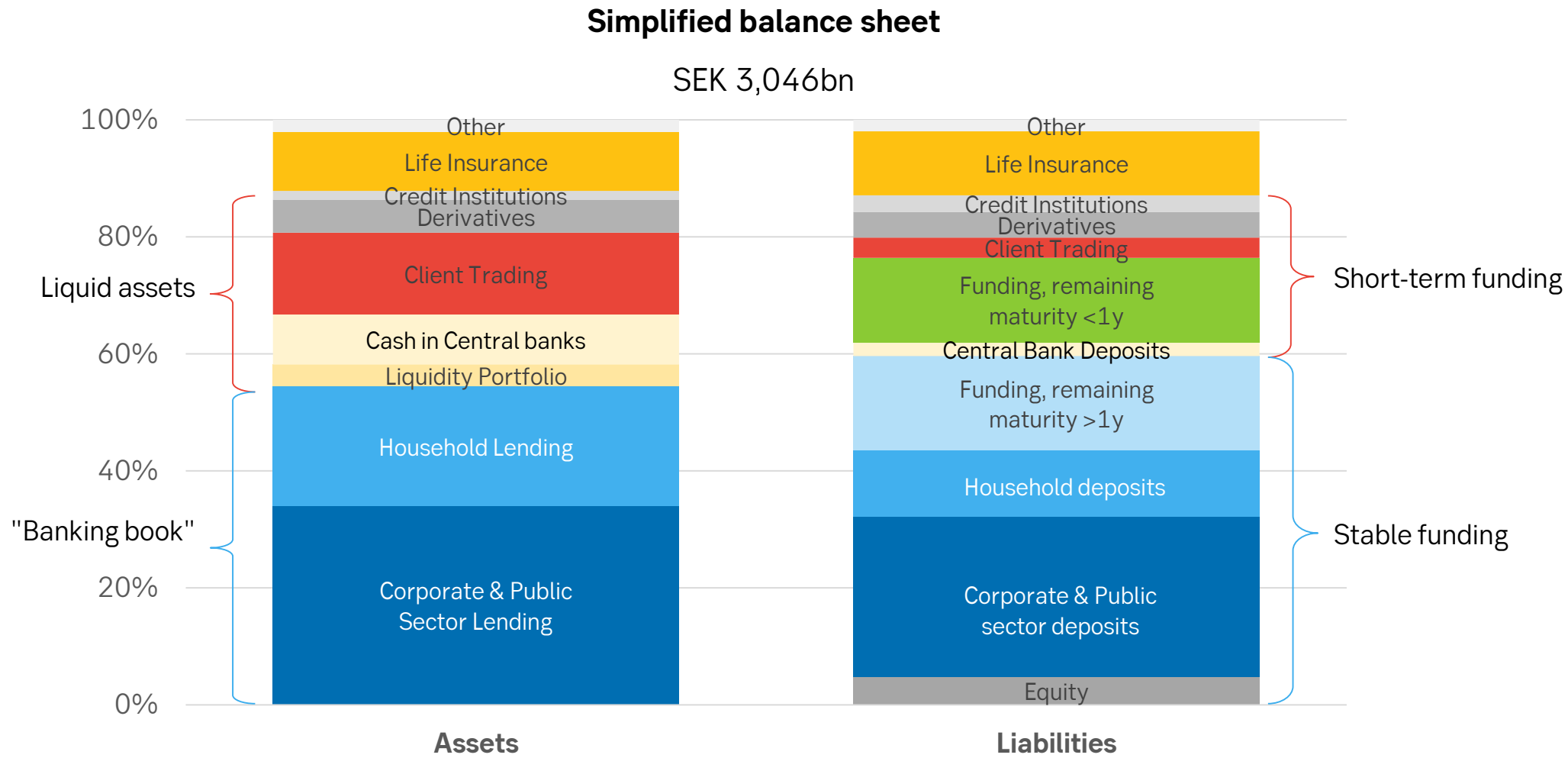
30 Sep 2019, %



- The Swedish FSA does not normally intend to make a formal decision under Pillar 2 : *"Insofar as a formal decision has not been made, the capital requirement under Pillar 2 does not affect the level at which automatic restrictions on distributions linked to the combined buffer requirement come into effect."*
- In addition, SEB has a significant amount of Available Distributable Items (SEK 77bn as of 30 September 2019) to cover coupon payments

• SEB in brief	3
• Financials & quarterly update	12
• Credit portfolio & asset quality	28
• Capital	35
• <b>Balance sheet, funding &amp; liquidity</b>	<b>42</b>
• Covered bonds & Cover pool	50
• Business plan 2019-2021	54
• Appendix	63
– Swedish housing market	
– Organisation & governance	
• Contacts and calendar	70

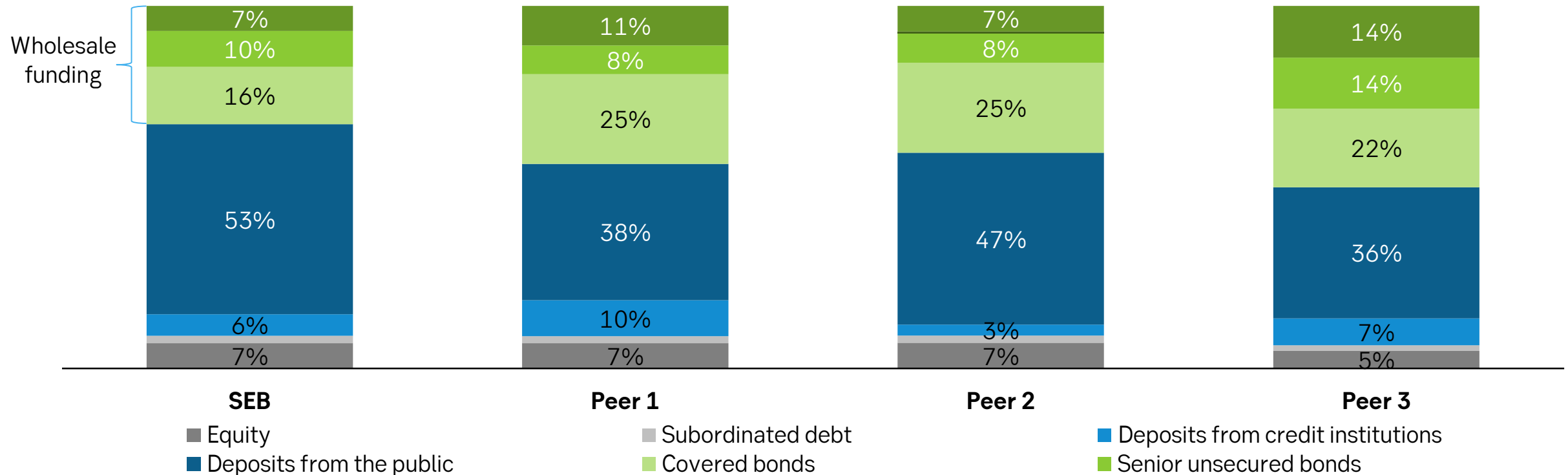
# Strong balance sheet structure



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

Benchmarking Swedish banks' total funding sources incl. equity

Balances as of 31 December 2018

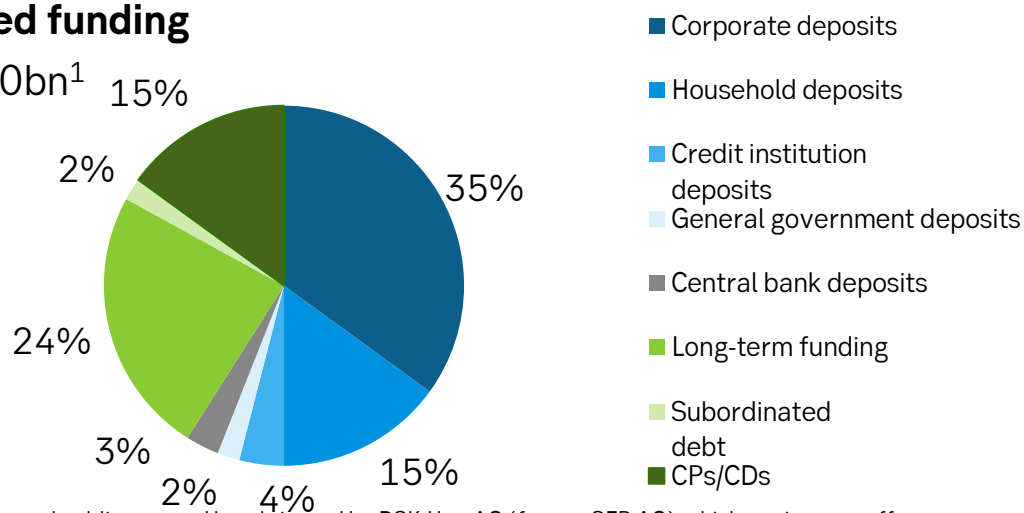


Source: SEB + Swedish peers' Q4 2018 result's reports. Swedish banks defined as largest banks with operations in Sweden.

# Stable deposit base and structural funding position

## Diversified funding

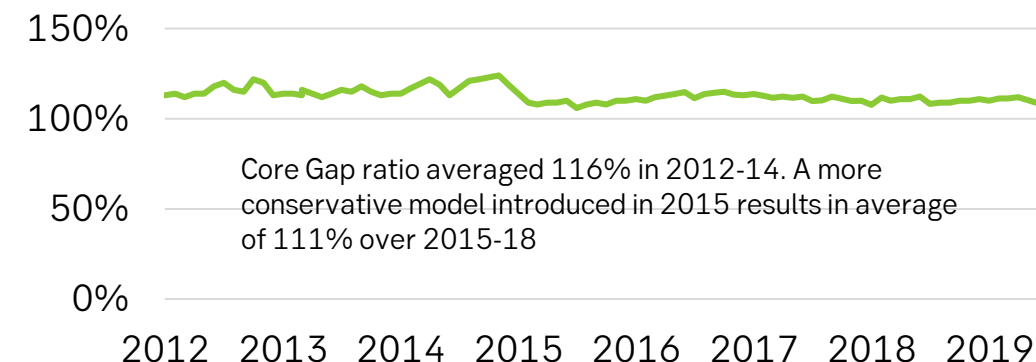
SEK 2,260bn<sup>1</sup>



<sup>1</sup> Excluding repos and public covered bonds issued by DSK Hyp AG (former SEB AG) which are in a run-off.

## Stable structural funding position

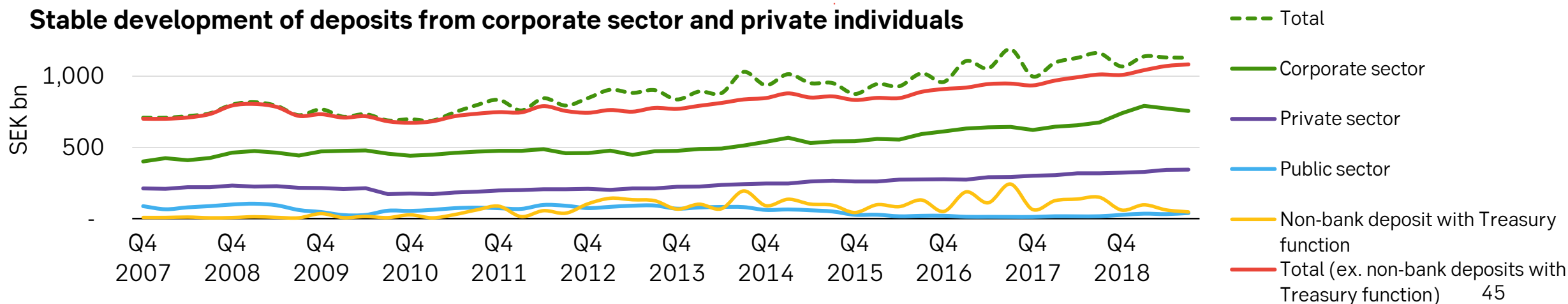
### Core Gap Ratio



Core Gap ratio averaged 116% in 2012-14. A more conservative model introduced in 2015 results in average of 111% over 2015-18

Core Gap ratio = relation between total liabilities deemed to mature beyond one year and total assets deemed to mature beyond one year, based on internal behavioural modelling.

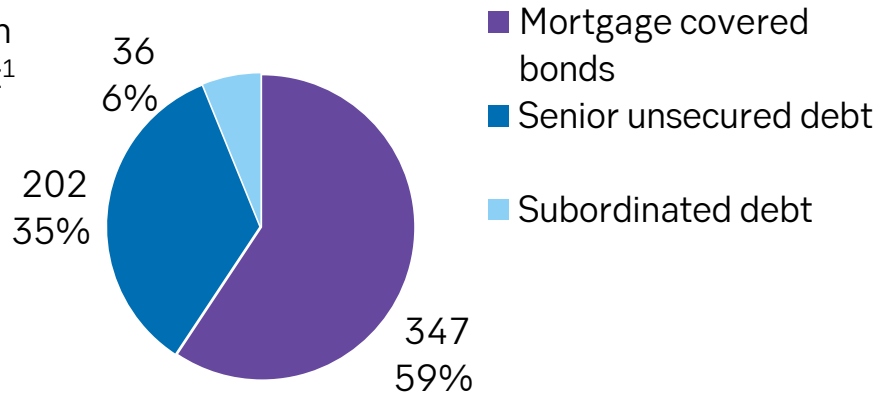
## Stable development of deposits from corporate sector and private individuals



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

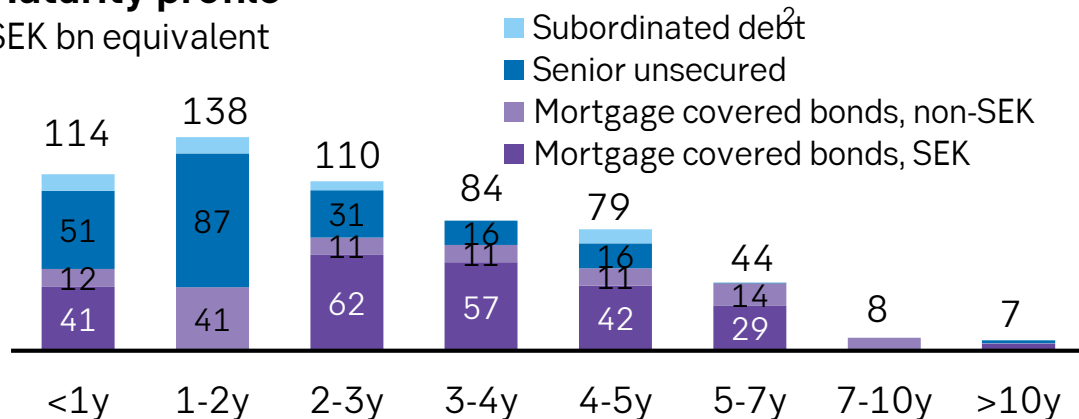
## Wholesale funding by product

SEK 584bn equivalent<sup>1</sup>



## Maturity profile

SEK bn equivalent



<sup>1</sup> Excluding public covered bonds.

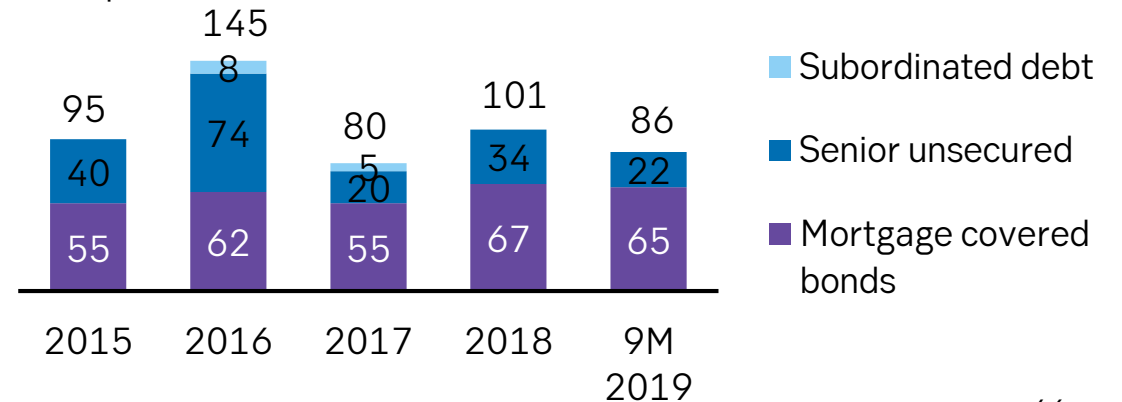
<sup>2</sup> Tier 2 and Additional Tier 1 issues assumed to be called at first call date.

## SEB's credit rating

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

## Issuance history

SEK bn equivalent

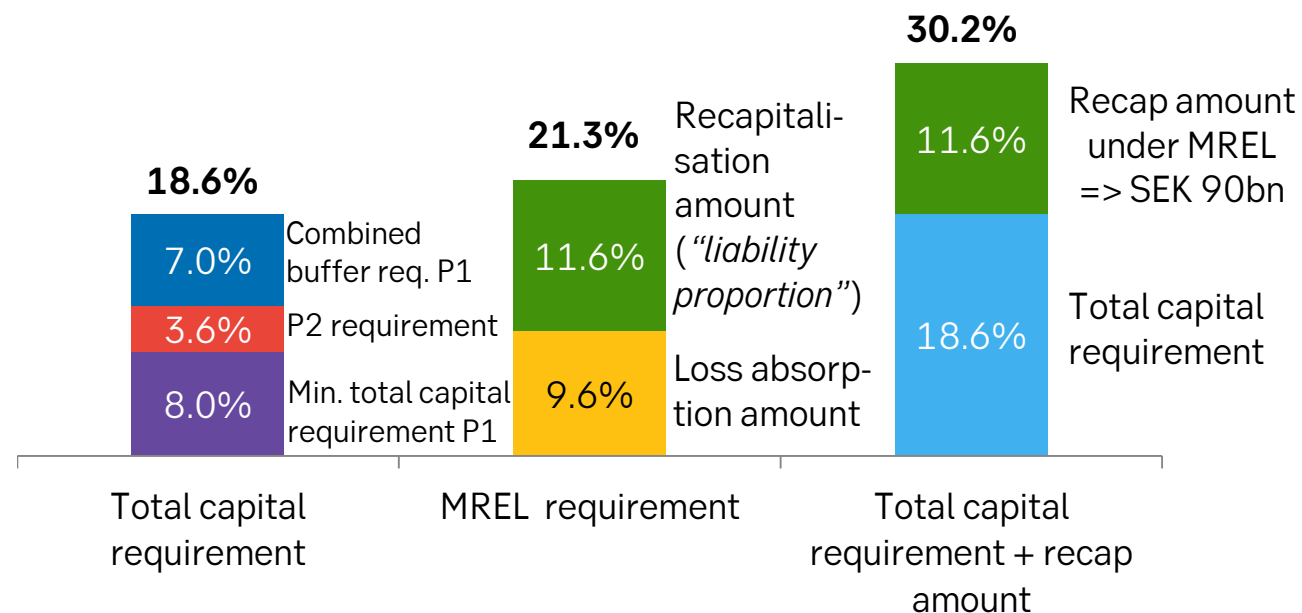




# MREL requirement

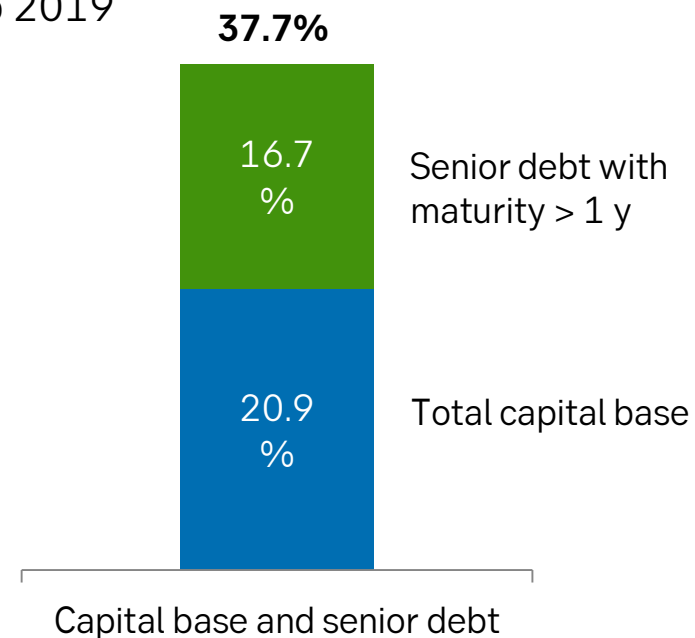
## SEB's Total capital and MREL requirements

30 Sep 2019



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

30 Sep 2019

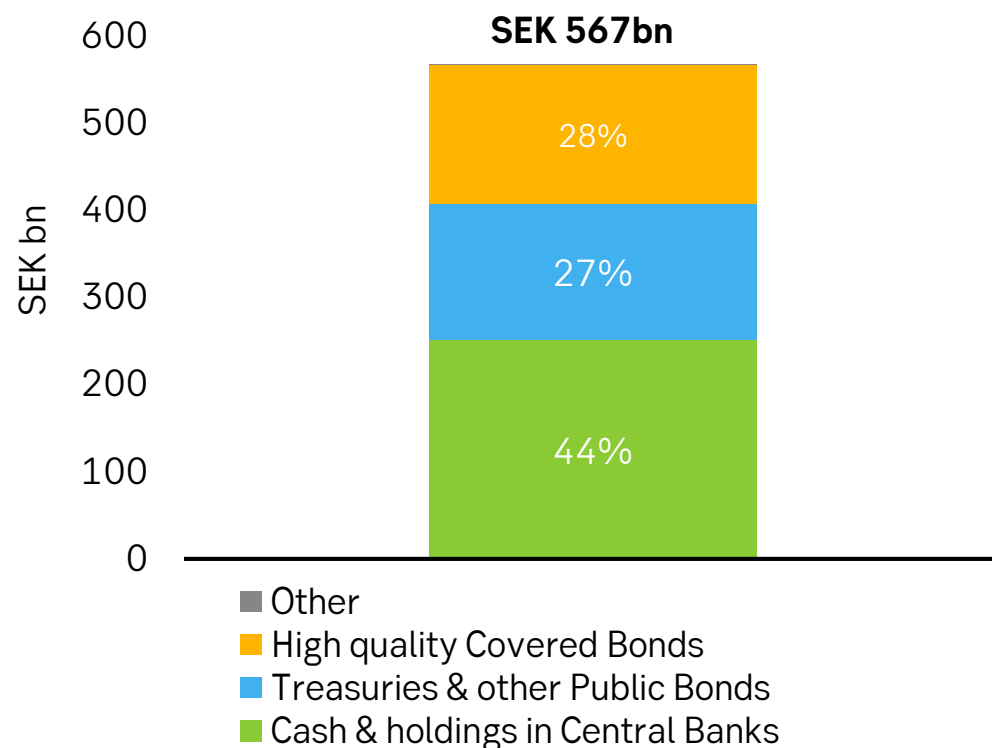


- The Swedish National Debt Office's "*liability proportion principle*" implies an issuance need of SEK 90bn in senior non-preferred debt, based on the capital requirement at 30 September 2019

# Strong liquidity and maturing funding position

## SEB's Liquid Assets

30 Sep 2019

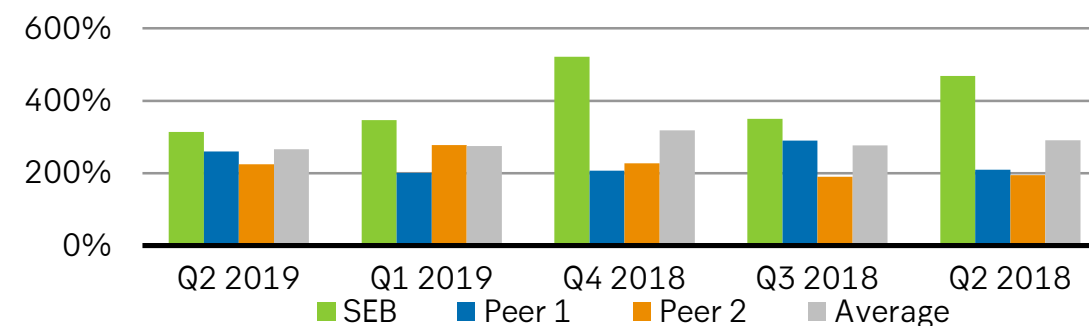


Note: Liquid Assets in accordance with Liquidity Coverage Ratio in CRR. Liquid assets defined as on balance sheet cash and balances with central banks + securities (bonds and equities) net of short positions

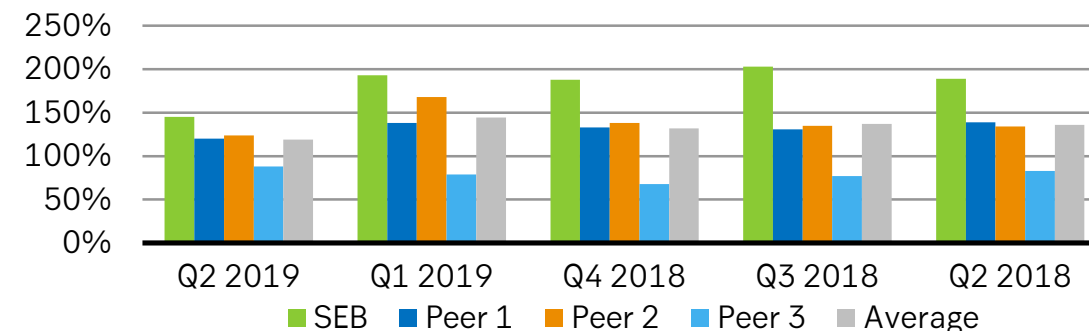
## Maturing Funding ratio, 3m and 12m

Peer benchmarking

### Development 3m funding ratio



### Development 12m funding ratio

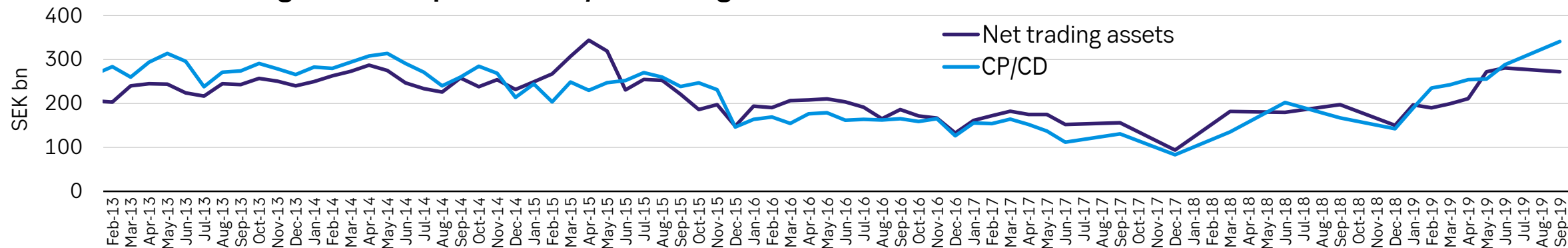


Definition: Liquid Assets <sup>1)</sup> / (Maturing Wholesale Funding within 3/12m + Net interbank borrowing within 3/12m)

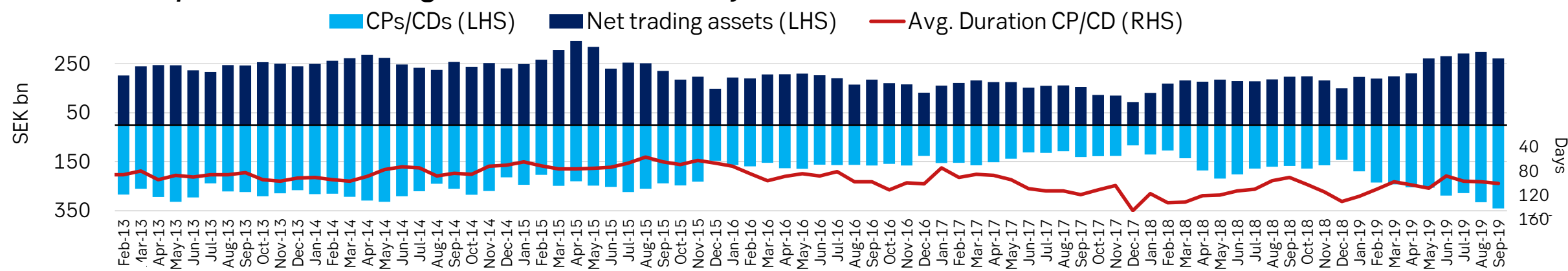
Source: Fact Books of SEB and three other major Swedish banks. One peer does not disclose 3m ratio

# CP/CD funding to support client facilitation business

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



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



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

• SEB in brief	3
• Financials & quarterly update	12
• Credit portfolio & asset quality	28
• Capital	35
• Balance sheet, funding & liquidity	42
• <b>Covered bonds &amp; Cover pool</b>	<b>50</b>
• Business plan 2019-2021	54
• Appendix	63
– Swedish housing market	
– Organisation & governance	
• Contacts and calendar	70

# Only Swedish residential mortgages in SEB's cover pool

## Highlights of SEB's cover pool

Covered bonds		30 Sep 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016
Total outstanding covered bonds (SEK bn)		342	324	324	314
Rating		Aaa Moody's	Aaa Moody's	Aaa Moody's	Aaa Moody's
Currency distribution	SEK	69%	73%	69%	71%
	non-SEK	31%	27%	31%	29%

Cover pool		30 Sep 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016
Total residential mortgage assets (SEK bn)		598	501	525	510
Weighted average LTV (property level)		51%	53%	51%	50%
Number of loans ('000)		732	713	717	711
Number of borrowers ('000)		425	418	423	424
Weighted average loan balance (SEK '000)		816	702	732	718
Substitute assets (SEK thousand)		0	0	0	0
Loans past due 60 days (bps)		4	1	5	4
Net Expected Credit Losses (bps)		0	0	0	0
Overcollateralisation level		75%	55%	62%	63%

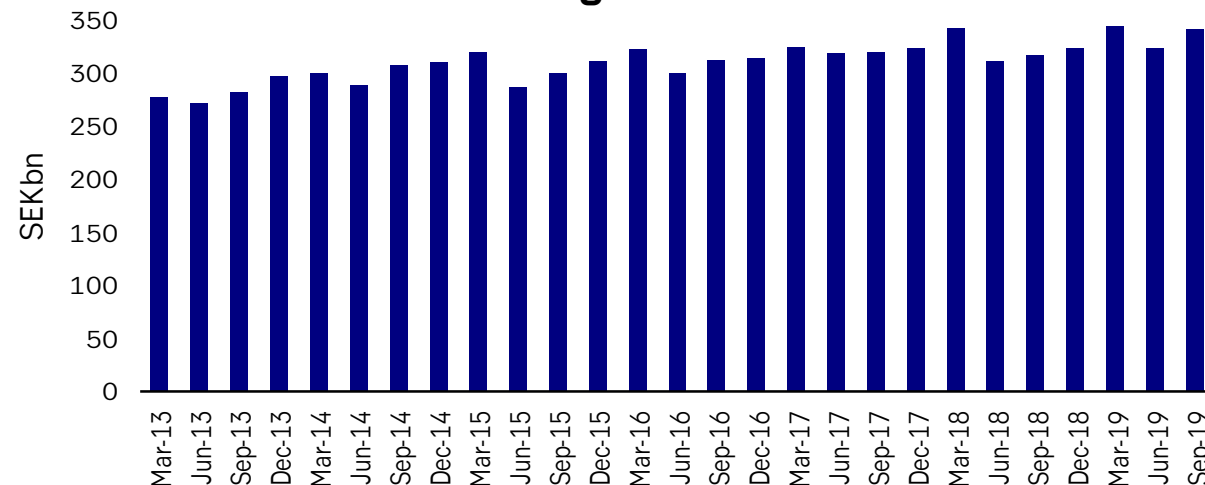
- Only Swedish residential mortgages, which historically have had very low credit losses
- More concentrated towards single family homes and tenant owned apartments, which generally have somewhat higher LTVs
- On parent bank's balance sheet contrary to SEB's major Swedish peers
  - All eligible Swedish residential mortgages are directly booked in the Cover Pool on origination, i.e. no cherry picking of mortgages from balance sheet to Cover Pool
  - Covered Bonds are issued out of parent bank and investors have full and dual recourse to the parent bank's assets as well as secured exposure to the Cover Pool
- SEB runs a high overcollateralisation level

# Profile of outstanding covered bonds

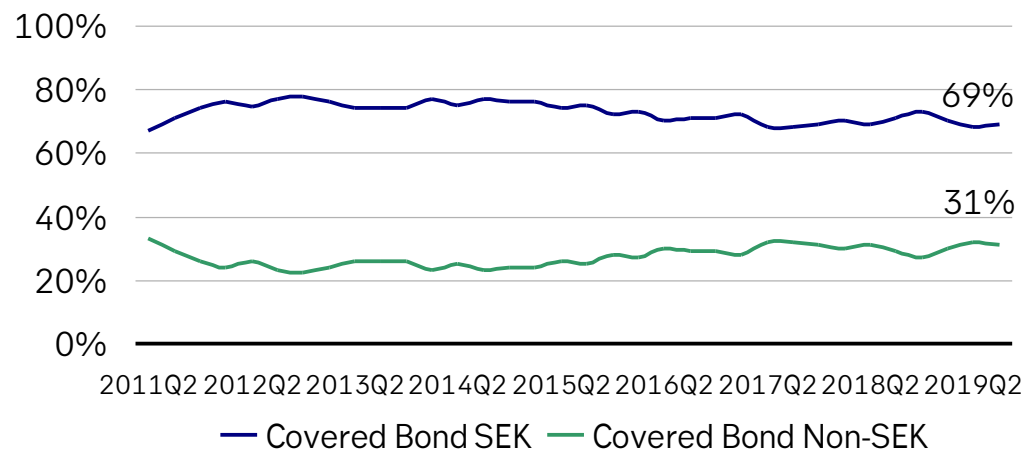
## Overview

<b>Moody's Rating</b>	Aaa
<b>Total outstanding</b>	SEK 342bn
<b>Benchmark</b>	Benchmark 96%
	Non Benchmark 4%

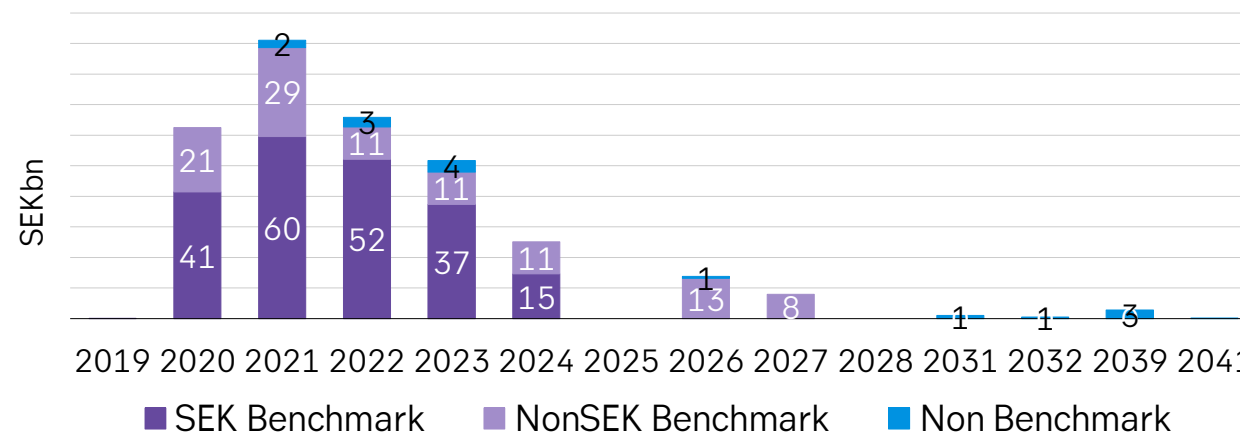
## Outstanding covered bonds



## Currency mix



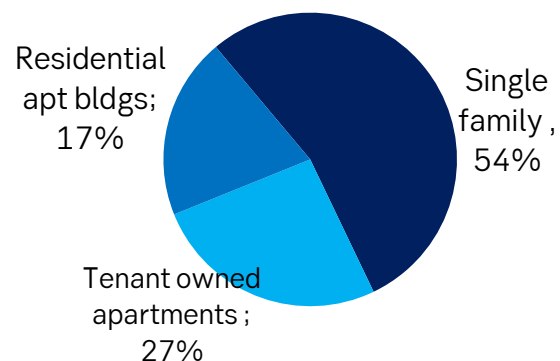
## Maturity profile



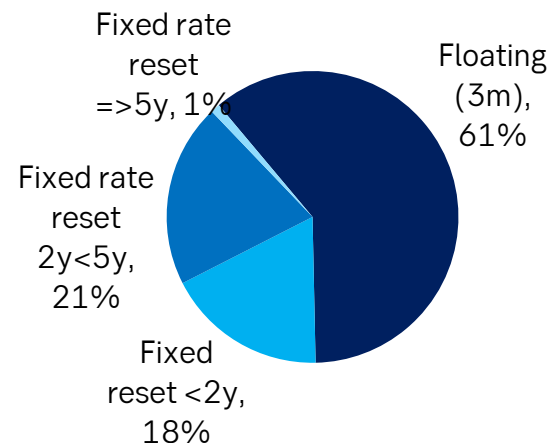


# SEB's mortgage lending is mainly in the three largest and fastest growing city areas

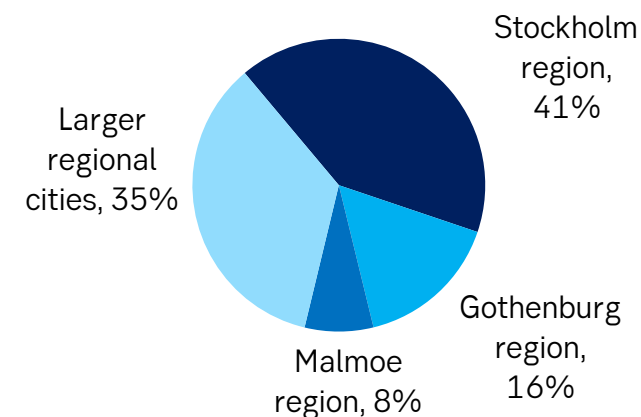
## Type of loans



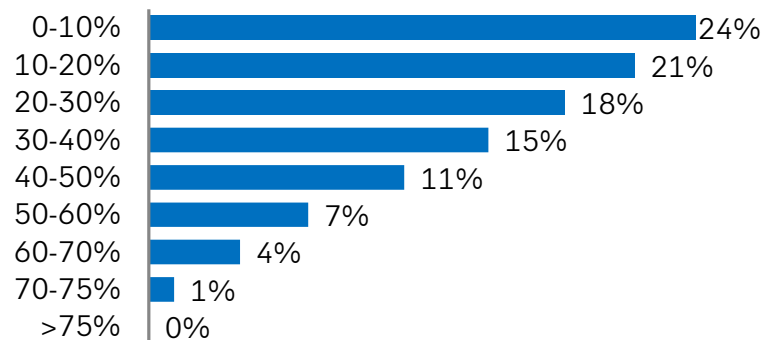
## Interest rate type



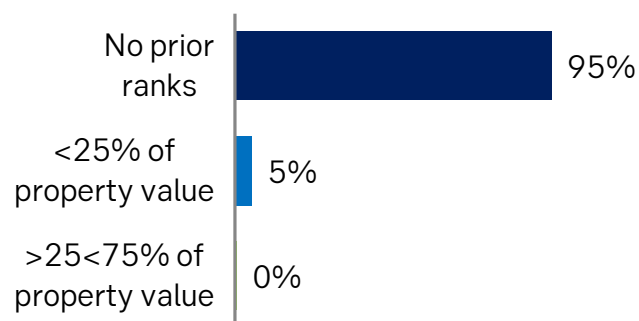
## Geographical distribution



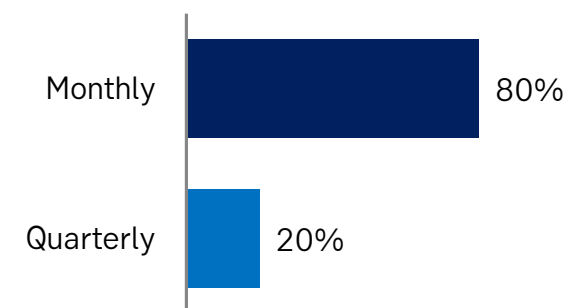
## LTV distribution by volume in % of the Cover Pool



## Prior ranking loans



## Interest payment frequency



Note: Distribution in different LTV buckets based on exact order of priority for the individual mortgage deeds according to the Association of Swedish Covered Bond Issuers ([www.asbc.se](http://www.asbc.se))

• SEB in brief	3
• Financials & quarterly update	12
• Credit portfolio & asset quality	28
• Capital	35
• Balance sheet, funding & liquidity	42
• Covered bonds & Cover pool	50
• <b>Business plan 2019-2021</b>	<b>54</b>
• Appendix	63
– Swedish housing market	
– Organisation & governance	
• Contacts and calendar	70

# An industry in transformation



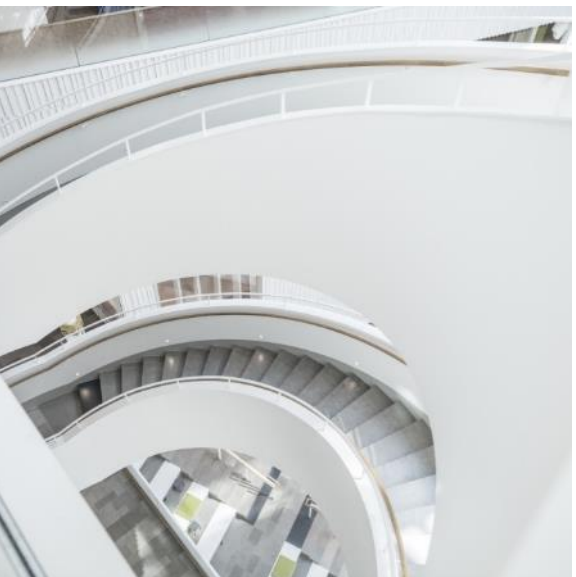
## Customers

Proactive, tailored advice

Data driven & real-time

Sustainability

Seamless & unbundled services



## Regulations

AML & KYC

MiFID II & PSD II

Basel IV

Less new regulatory regimes, more supervision



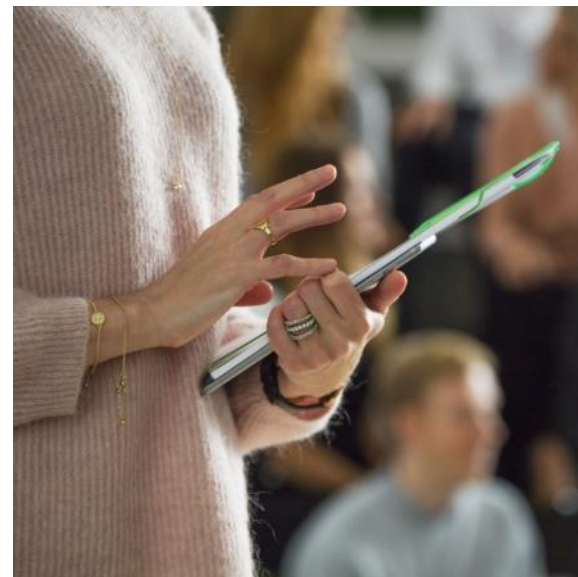
## Competition

Fintechs, challengers & big techs

Payment service providers

Lending

Markets & Investment Banking



## Technology

Artificial intelligence & data

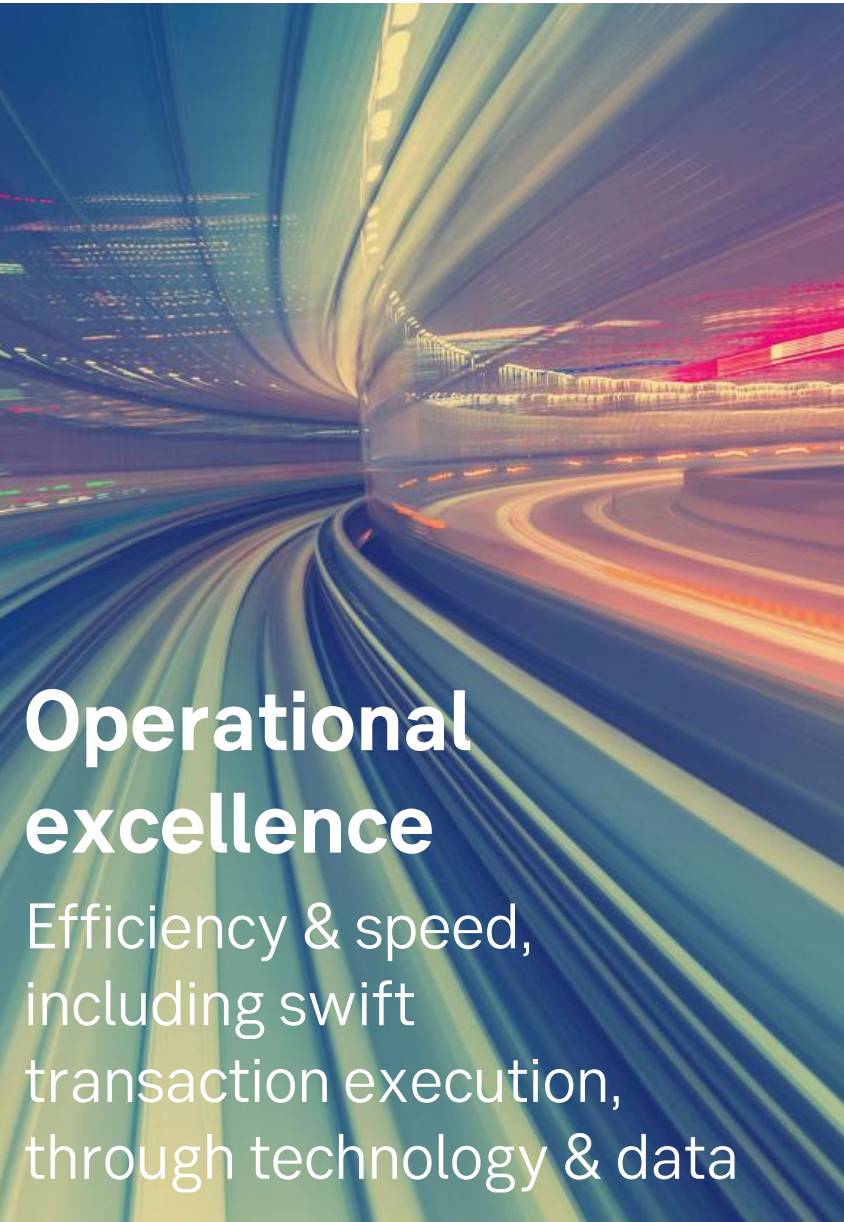
Open Banking

Cloud, blockchain & robotics

Cyber risk tech



# Our strategic focus areas



## Operational excellence

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



## Advisory leadership

Value-enhancing advisory based on human & digital interaction



## Extended presence

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



# Our ambition by division



The undisputed leading  
Nordic Corporate & Institutional bank

## Large Corporates & Financial Institutions

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

## Corporate & Private Customers

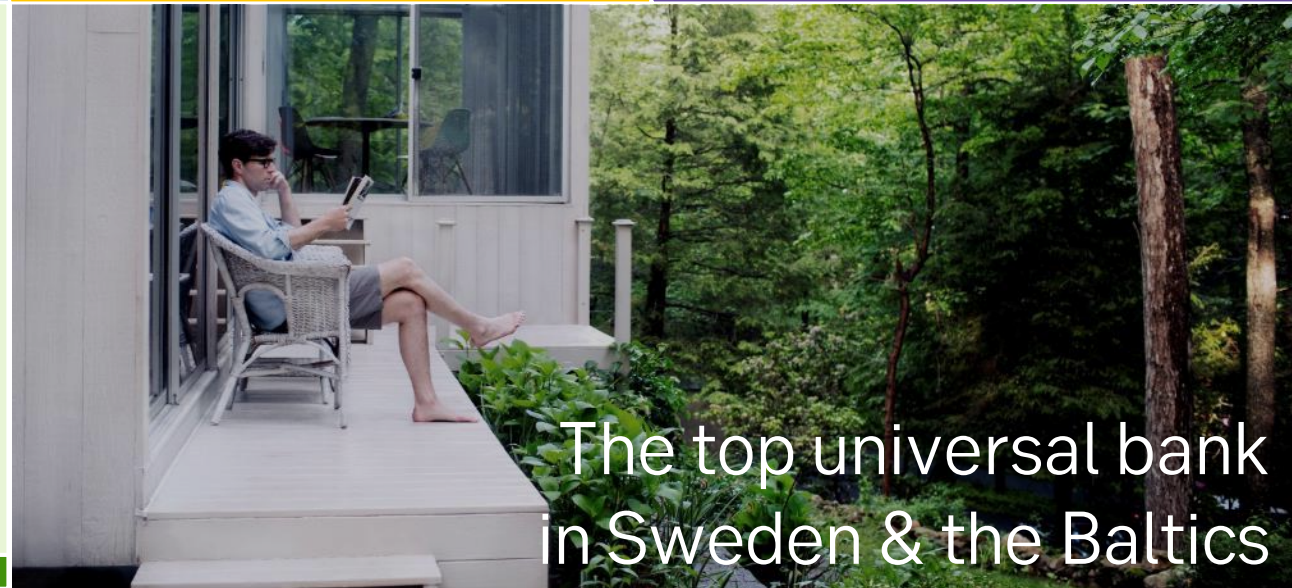
- Attract SME customers
- Expand Private Banking
- Improve mortgages & savings

## Life & Investment Management

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

## Baltic

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

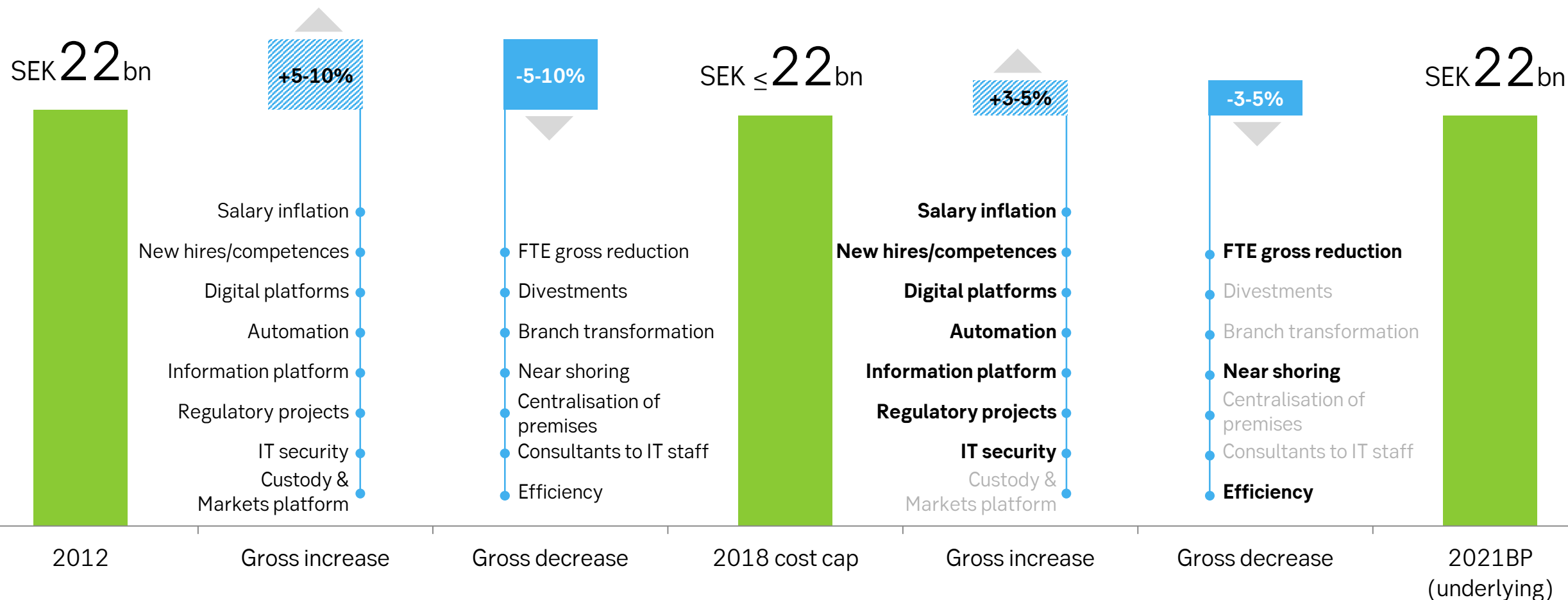


The top universal bank  
in Sweden & the Baltics

# Additional investments of SEK 2-2.5bn planned until 2021

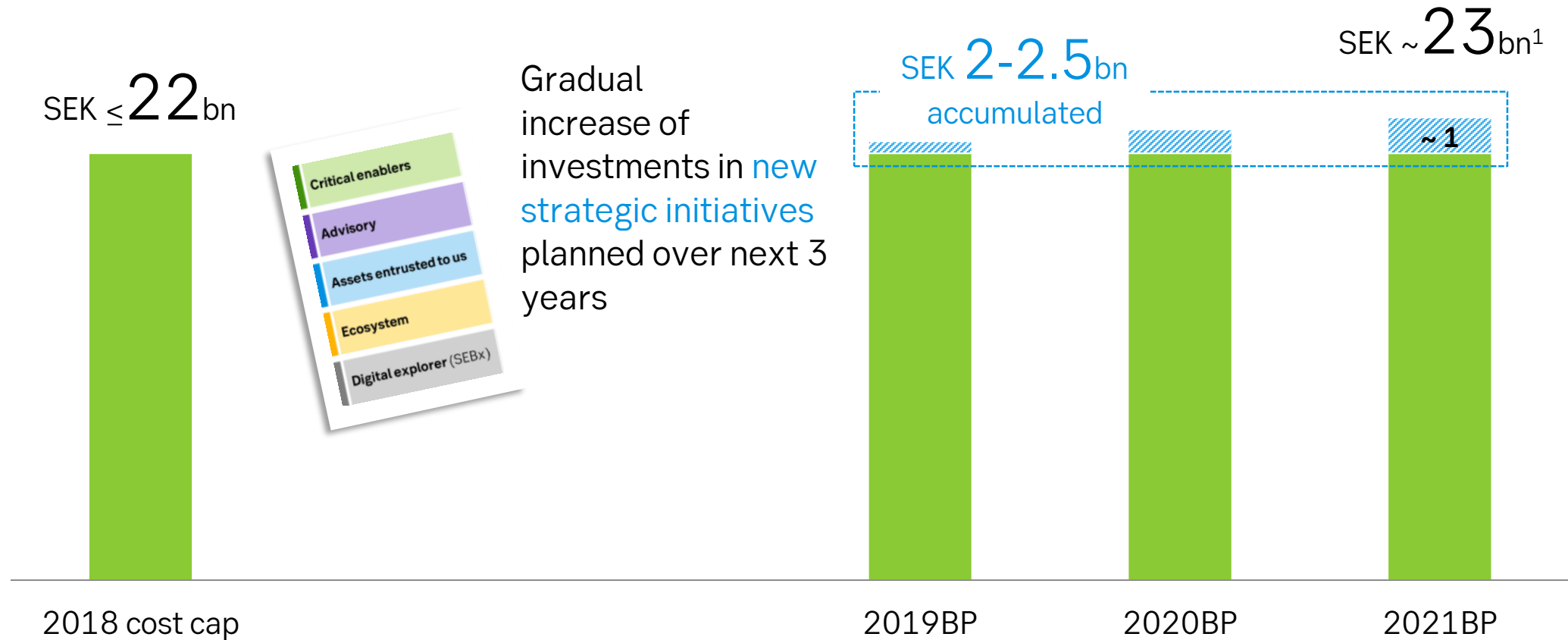
STRATEGIC INITIATIVES		INVESTMENTS 2019-2021
<b>Critical enablers</b>	<ul style="list-style-type: none"> <li>Data, automation, sustainability and competences</li> </ul>	SEK 600-900m
<b>Advisory</b>	<ul style="list-style-type: none"> <li>The undisputed Nordic advisory bank within Corporate &amp; Investment Banking and Private Banking</li> </ul>	SEK 400-600m
<b>Assets entrusted to us</b>	<ul style="list-style-type: none"> <li>Assets under management, assets under custody and deposits</li> </ul>	SEK 200-400m
<b>Ecosystem</b>	<ul style="list-style-type: none"> <li>Open Banking and customer ecosystems</li> </ul>	SEK 300-500m
<b>Digital explorer (SEBx)</b>	<ul style="list-style-type: none"> <li>Exploration of new technology to respond to customer needs</li> </ul>	SEK 200-300m
		<b>SEK 2,000-2,500m</b> <i>(accumulated over 3 yrs)</i>

# Disciplined cost and investment strategy





# Additional investments and total costs



<sup>1</sup> Based on 2018 average FX rates.

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

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

**RoE**  
competitive  
with peers

---

**15%** RoE long-term aspiration



Our  
financial targets  
remain



# In summary

To meet future client needs



Operating excellence,  
advisory leadership and  
extended presence



Accelerate  
transformation  
and growth



Additional investments of  
SEK 2-2.5bn planned until  
2021; SEK ~23bn<sup>1</sup> in  
cost target by 2021



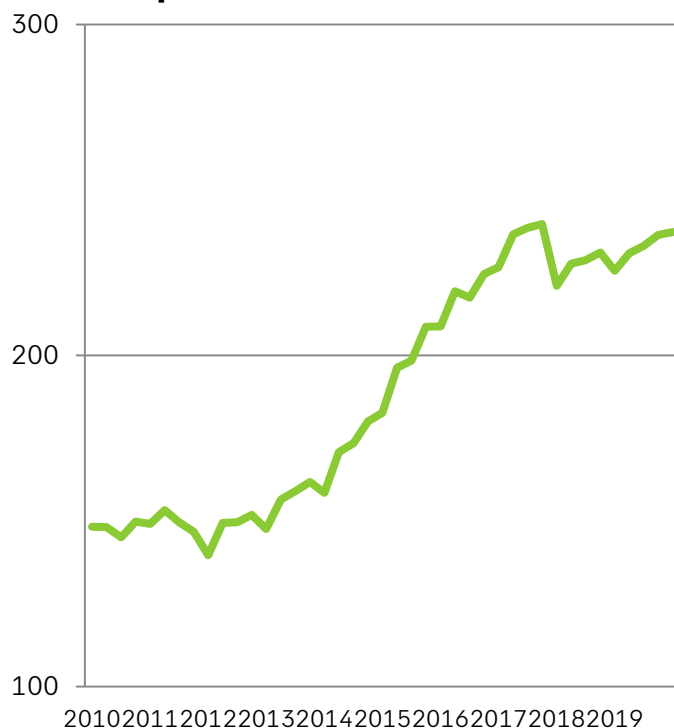
Operating leverage,  
capital efficiency and  
resilient balance sheet

<sup>1</sup> Based on 2018 average FX rates.

• SEB in brief	3
• Financials & quarterly update	12
• Credit portfolio & asset quality	17
• Capital	35
• Balance sheet, funding & liquidity	42
• Covered bonds & Cover pool	50
• Business plan 2019-2021	54
• <b>Appendix</b>	<b>63</b>
– Swedish housing market	
– Organisation & governance	
• Contacts and calendar	70

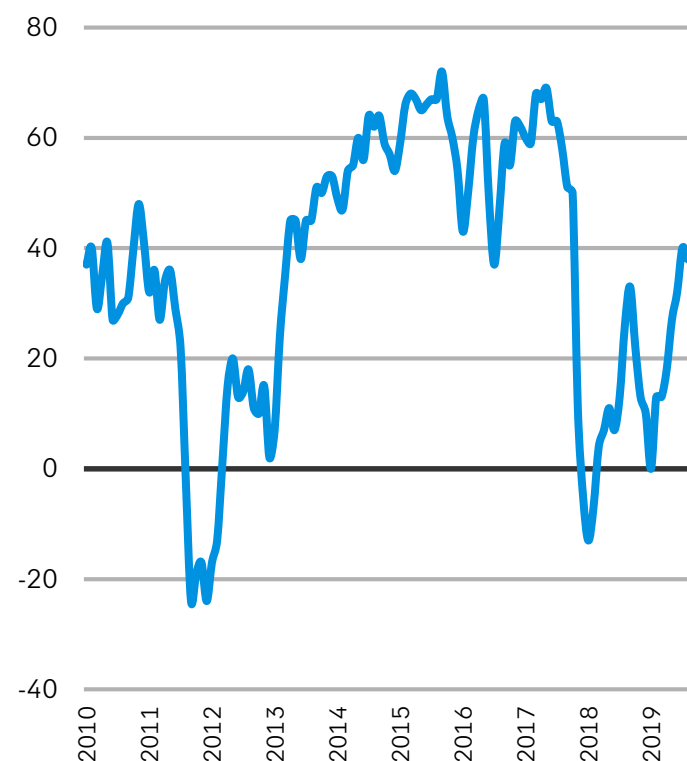
# Housing prices have stabilised

Swedish housing price development



Source: Valueguard, HOX index, October 2019

Swedish housing market sentiment



Source: SEB's Housing Price Indicator, October 2019

Valueguard – housing prices

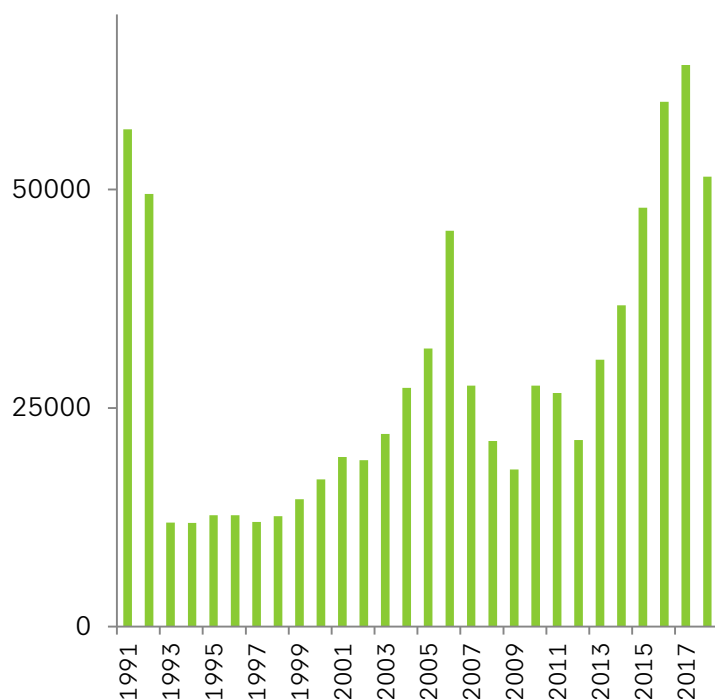
30 Sep 2019, %	Single family homes		Apartments	
Area	3m	12m	3m	12m
Sweden	+1.8	+3.0	+1.8	+2.1
Stockholm	+2.6	+2.1	+1.7	+1.7
Gothenburg	+2.5	+2.9	+2.3	+1.2
Malmö	+2.7	+6.2	+1.9	+5.3
HOX Sweden: 3m +1.8%, 12m +2.7%				

Svensk Mäklarstatistik – housing prices

30 Sep 2019, %	Single family homes		Apartments	
Area	3m	12m	3m	12m
Sweden	+1	+2	+3	+3
Central Stockholm			+4	+3
Greater Stockholm	+1	+1	+2	+3
Greater Gothenburg	+1	+2	+3	+1
Greater Malmö	+1	+5	+4	+7

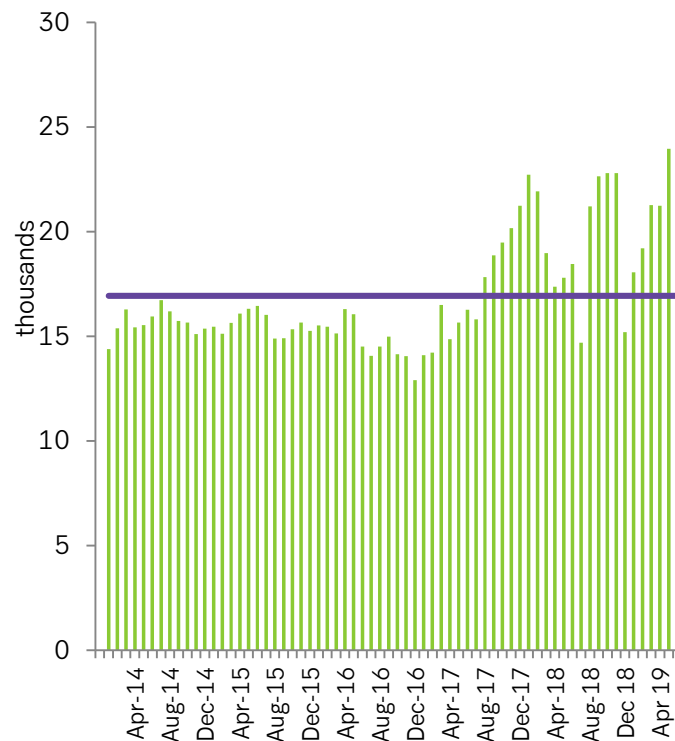
# Following period of high building starts, supply is higher than normal and prices still high compared to income

**Housing starts high in historic perspective**



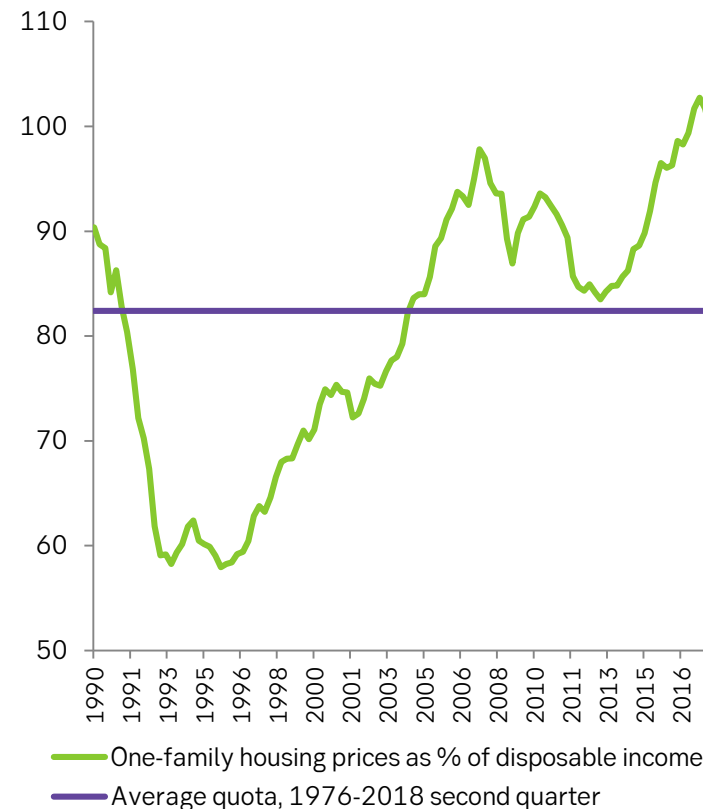
Source: SCB, Riksbanken

**Higher than normal supply**  
Apartments for sale on Hemnet



Source: Hemnet June 2019, FI

**Continued high prices compared to income**  
Housing prices as % of disposable income

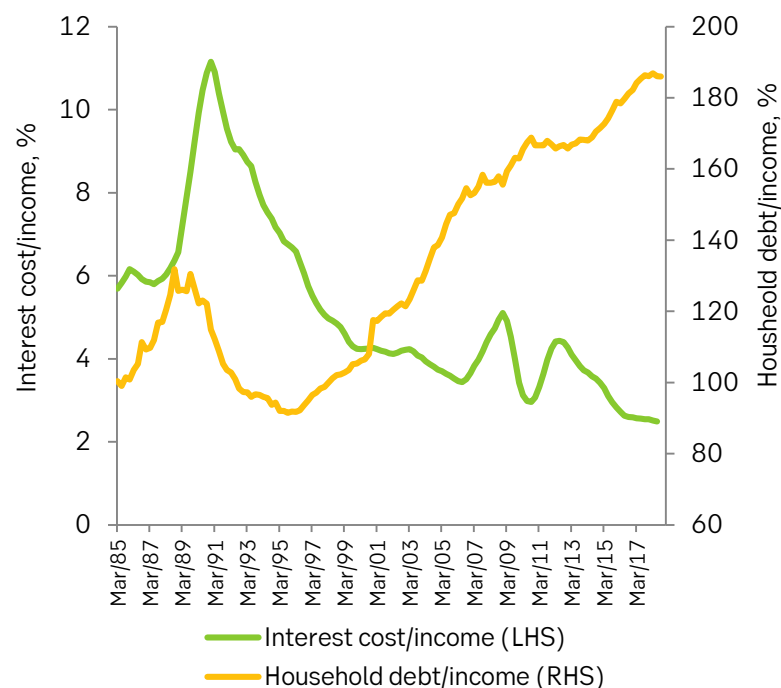


Source: FI and SCB

# Sound household resilience supports housing market

## Interest payments low in relation to household debt

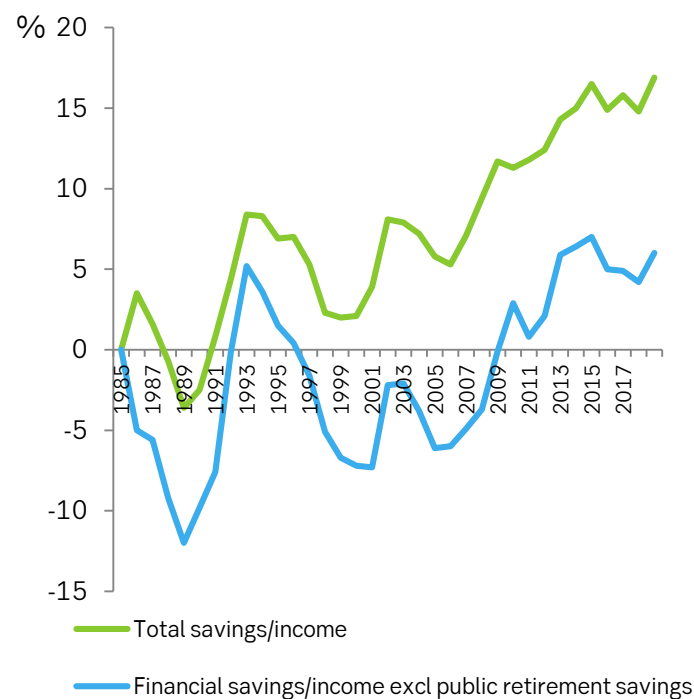
Households' interest costs and debt as % of disposable income



Source: SCB, Riksbanken

## Strong household balance sheets with high savings

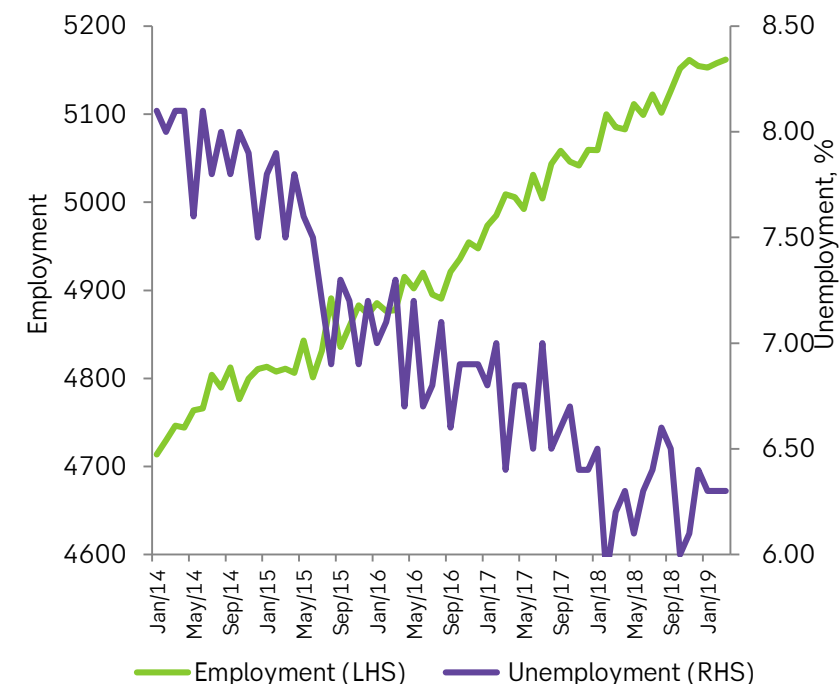
Household savings as % of disposable income



Source: SCB

## Strong labour market

Employment ('000) and unemployment %



Source: SCB



# Special features of Swedish mortgage market

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

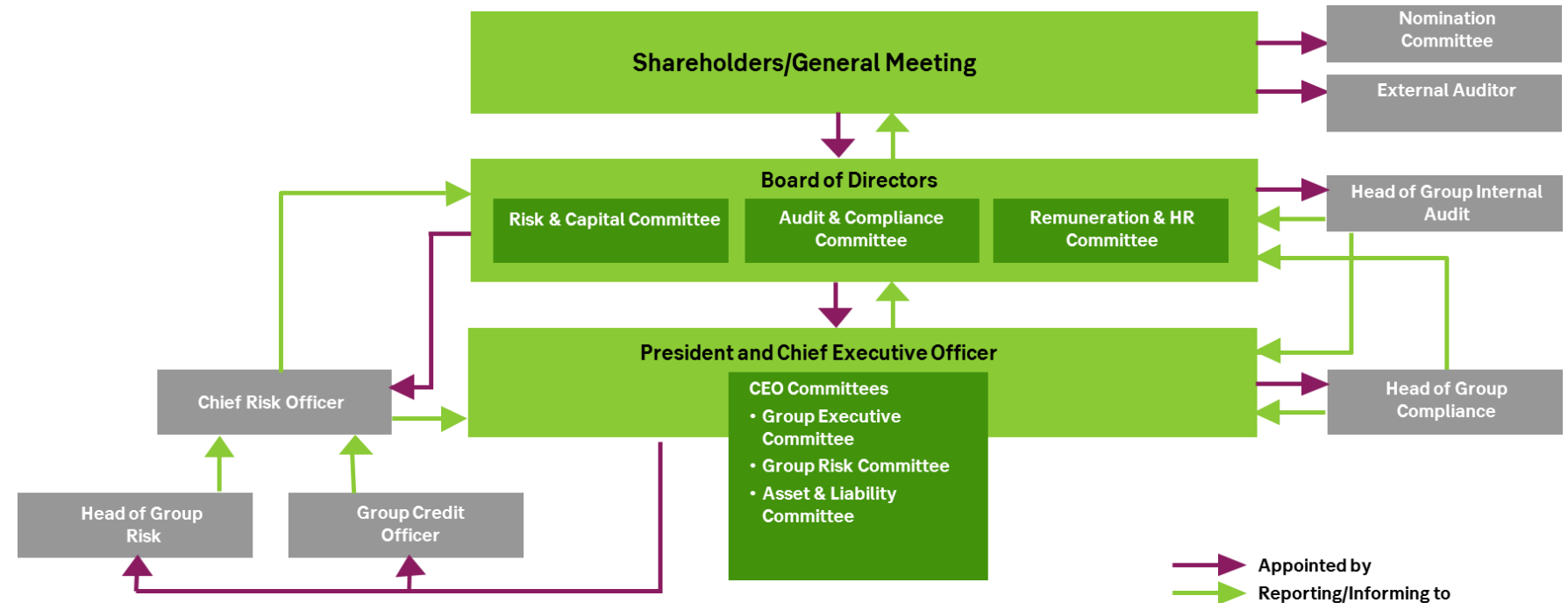
## **Macroprudential measures :**

- LTV ceiling of 85%. Amortisation requirement: loans with LTVs 70-85% amortise min. 2%/year and between 50-70% at least 1%/year. As of 2018, loans to households with debt/income >4.5x amortise an additional percentage point
- Mortgage risk weight floor and higher countercyclical buffers (raised to 2.5% as of Sept 2019 for Sweden)



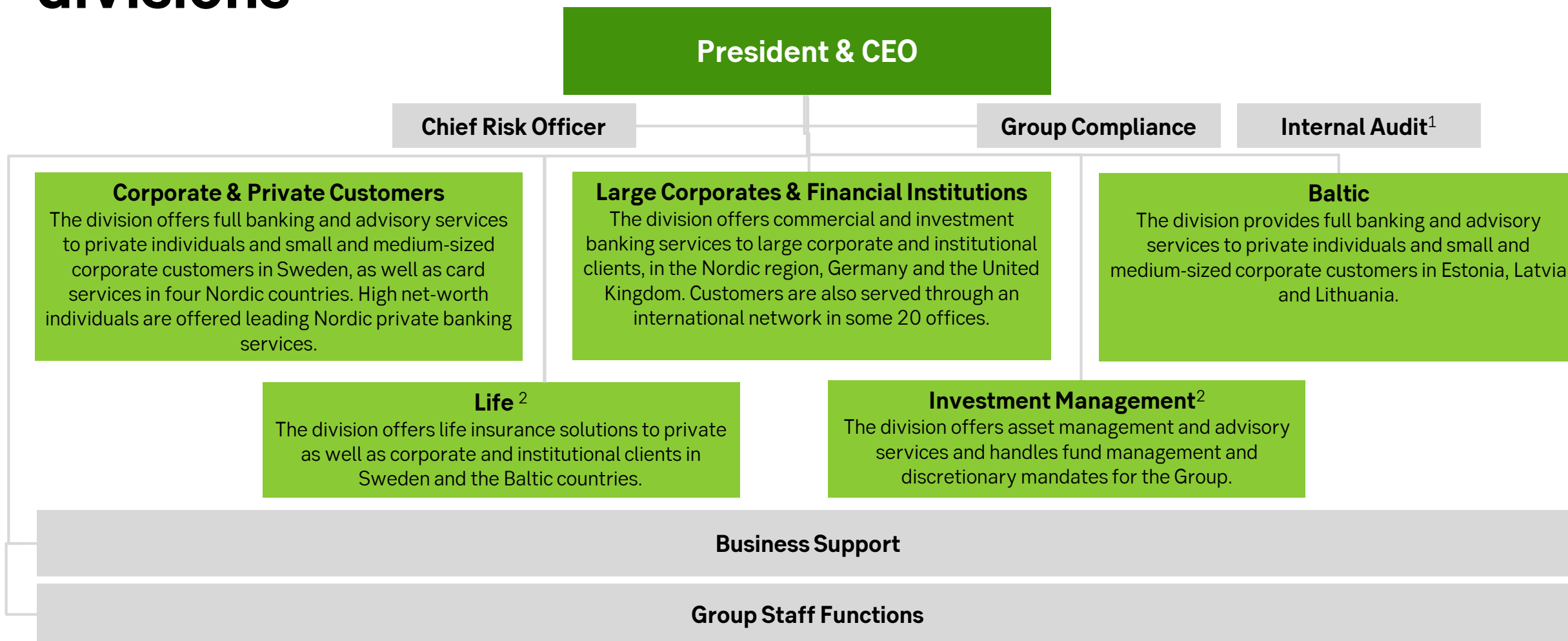
# Corporate governance structure

- **Long-term major shareholders**
- **Strong corporate culture**
  - Tone from the top
  - Code of Conduct
  - Responsibility of first line of defence
- **Strong governance and internal control**
  - Clear implementation of three lines of defence and independent control functions
  - Group-wide Compliance function
- **Compliance integrated in performance management**



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

# SEB is organised in five customer-focused divisions



<sup>1</sup> Reports directly to SEB's Board of Directors.

<sup>2</sup> Life and Investment Management are two separate divisions since 1 January 2019.

• SEB in brief	3
• Financials & quarterly update	12
• Credit portfolio & asset quality	28
• Capital	35
• Balance sheet, funding & liquidity	42
• Covered bonds & Cover pool	50
• Business plan 2019-2021	54
• Appendix	63
– Swedish housing market	
– Organisation & governance	
• <b>Contacts and calendar</b>	<b>70</b>

# IR contacts and calendar



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## Financial calendar

### 2020

1 January	Silent period
<b>29 January</b>	Annual Accounts 2019
<b>2 March</b>	Annual Report 2019 available online
<b>23 March</b>	Annual General Meeting
1 April	Silent period
<b>29 April</b>	Interim Report January-March
1 July	Silent period
<b>15 July</b>	Interim Report January-June
1 October	Silent period
<b>22 October</b>	Interim Report January-September



The journey towards...

...**world-class service**  
to our customers  
continues

SEB

