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CREDIT OPINION
19 January 2024

Update

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RATINGS

Skandinaviska Enskilda Banken AB	
Domicile	Sweden
Long Term CRR	Aa2
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Aa3
Type	Senior Unsecured - Fgn Curr
Outlook	Stable
Long Term Deposit	Aa3
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Skandinaviska Enskilda Banken AB

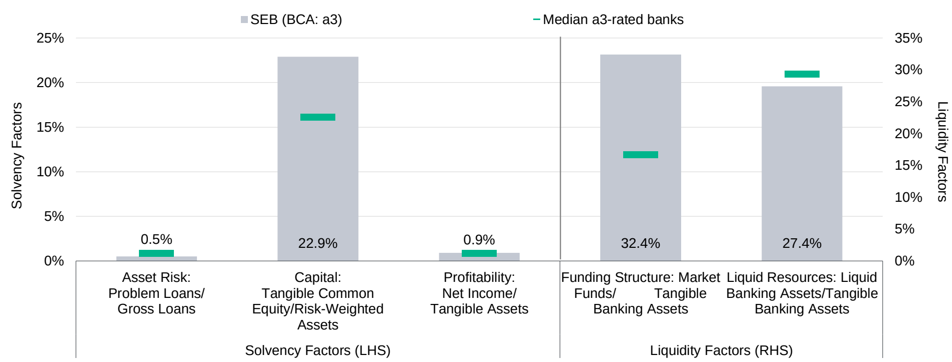
Update to credit analysis

Summary

The Aa3 long-term (LT) deposit and senior unsecured debt ratings of Skandinaviska Enskilda Banken AB (SEB) reflect (1) the bank's a3 Baseline Credit Assessment (BCA), our forward-looking Advanced Loss Given Failure (LGF) analysis, which leads to two notches of rating uplift, and (3) our assumption of a moderate likelihood of support from the Government of Sweden (Aaa stable), which results in an uplift of an additional notch.

SEB's a3 BCA reflects the bank's strong credit quality and solid capitalisation, which we expect will demonstrate continued resilience despite the challenges in the real estate sector in Sweden and the economic downturn. Whereas the bank has good underlying earnings generation, SEB's focus on corporate banking makes its earnings potentially more cyclical than peers. In addition, similarly to many Nordic peers, the bank's BCA is constrained by the bank's high reliance on market funding.

Exhibit 1
Rating Scorecard - Key Financial Ratios



These ratios are calculated based on our Banks Methodology scorecard. The bank's problem loan and profitability ratios are the weaker of the average of the latest three year-end ratios and the latest reported ratio. The bank's capital ratio is the latest reported figure. The bank's funding structure and liquid resources ratios are the latest year-end figures.
Source: Moody's Investors Service

Credit strengths

» Broadly resilient credit quality, although its focus on large corporate banking implies a degree of concentration risk and the real estate sector is facing challenges.

» Solid capitalisation, well above minimum regulatory requirements.

» Strong and sophisticated risk management, which mitigates the risks associated with being a large corporate bank.

Credit challenges

» Sizeable exposure to the real estate sector, which poses risks as the sector is challenged by higher interest rates and significantly higher funding costs.

» Elevated risks in the residential housing market and household sector in Sweden, although broadly contained by underwriting standards, high wealth levels and a very strong repayment culture.

» High reliance on confidence-sensitive market funding, which is partly mitigated by proven access to capital markets, a resilient domestic covered bond market and good liquidity.

Outlook

The outlook on SEB's long-term deposit and senior unsecured debt ratings is stable, as we expect the bank's financial performance to remain broadly resilient despite the ongoing challenges in the real estate sector and the economic slowdown.

Factors that could lead to an upgrade

» The bank's BCA could be upgraded if SEB were to significantly improve its leverage ratio, or its funding and liquidity profiles on a sustained basis.

Factors that could lead to a downgrade

» The bank's BCA and ratings could be downgraded if the bank's problem loans, capital and/or profitability were to deteriorate meaningfully because of a fall-out from developments in the real estate sector.

» The bank's senior unsecured debt ratings could also be downgraded if the stock of senior unsecured debt were to fall more than what we currently expect in relation to the nominal balance sheet, resulting in higher loss-given-failure.

Key indicators

Exhibit 2
SEB AB (Consolidated Financials) [1]

	09-23[2]	12-22[2]	12-21[2]	12-20[2]	12-19[2]	CAGR/Avg.[3]
Total Assets (SEK Million)	4,133,665.0	3,532,810.0	3,144,444.0	2,846,485.0	2,713,979.0	11.9[4]
Total Assets (USD Million)	380,485.0	339,057.5	347,569.5	346,601.8	289,922.5	7.5[4]
Tangible Common Equity (SEK Million)	210,751.0	197,355.0	186,002.0	164,590.0	172,084.0	5.6[4]
Tangible Common Equity (USD Million)	19,398.7	18,940.9	20,559.6	20,041.3	18,383.0	1.4[4]
Problem Loans / Gross Loans (%)	0.3	0.3	0.6	0.9	0.7	0.6[5]
Tangible Common Equity / Risk Weighted Assets (%)	22.9	23.0	23.6	22.7	23.1	23.1[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	2.6	3.3	5.1	8.6	6.4	5.2[5]
Net Interest Margin (%)	1.2	0.9	0.8	0.8	0.9	0.9[5]
PPI / Average RWA (%)	5.5	4.4	4.2	3.6	3.7	4.3[6]
Net Income / Tangible Assets (%)	0.9	0.7	1.2	0.7	1.0	0.9[5]
Cost / Income Ratio (%)	38.9	42.6	43.4	45.8	45.2	43.2[5]
Market Funds / Tangible Banking Assets (%)	34.8	32.4	26.2	30.0	34.0	31.5[5]
Liquid Banking Assets / Tangible Banking Assets (%)	37.9	27.4	30.5	30.0	26.3	30.4[5]
Gross Loans / Due to Customers (%)	102.9	116.3	111.4	122.3	143.3	119.2[5]

[-] Further to the publication of our revised methodology in July 2021, only ratios from annual 2020 onwards included in this report reflect the change in analytical treatment of the "high-trigger" Additional Tier 1 instruments. [1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.
Sources: Moody's Investors Service and company filings

Profile

Skandinaviska Enskilda Banken (SEB) is the largest Swedish bank, with total reported assets of SEK4.1 trillion ($380 billion) as of September 2023. It has strong domestic market positions in retail banking, wealth management and commercial banking. SEB is also one of the largest financial groups in the Nordic region, where it has a leading market position in corporate and investment banking. While the bank serves retail and SME clients, its main focus is on large corporates.

As of December 2022 SEB distributes its products through around 137 branches, including 56 branches in the three Baltic countries, as well as other international locations. SEB operates through subsidiaries in the Baltic states, and through branches in most of the other countries where it is present, including Germany and the United Kingdom.

SEB was founded in 1856 as Stockholm's first private bank and one of the first commercial banks in Sweden. Its shares are listed on the NASDAQ OMX Stockholm Stock Exchange (Ticker: SEB). As of September 2023, its largest shareholder was Investor AB (Aa3 stable), which held 21.3% of the bank's total share capital.

Detailed credit considerations

SEB's BCA is supported by Sweden's sound operating environment

Swedish banks operate in a wealthy, diversified and highly competitive economy, and benefit from the country's very high institutional strength. However, we view Swedish household debt levels and the multiyear growth of household debt along with the challenges in the real estate sector as key vulnerabilities to the financial system. We reflect this by assigning a 'Strong+' macro profile.

SEB has most of its operations in the Nordic countries (around 77% of the credit portfolio as of September 2023), with the vast majority in Sweden. SEB's macro profile is 'Strong+', in line with that of Sweden.

SEB's home markets also include the three Baltic countries, Germany (Aaa stable) and the United Kingdom (Aa3 stable). SEB aims to expand its business for large corporates to the Netherlands (Aaa stable), Austria (Aa1 stable) and Switzerland (Aaa stable).

SEB's credit quality is strong; focus on large corporate banking implies concentration risk

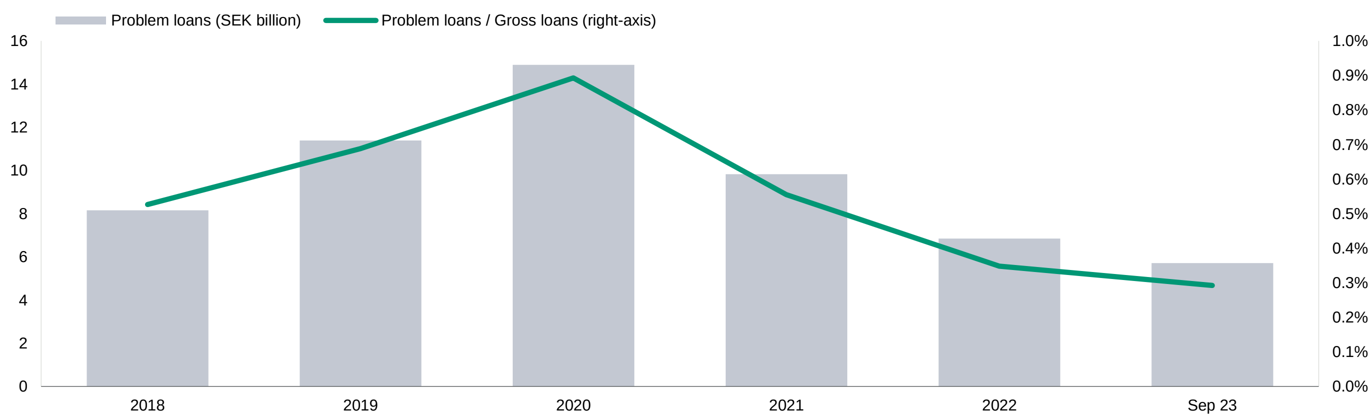
Our a3 score for Asset Risk reflects SEB's strong asset quality with a low level of problem loans. However, we negatively adjust the bank's score to reflect the risks stemming from the very sizeable concentration in real estate, despite the relatively low loan-to-values (LTVs). The score also incorporates the bank's stronger focus on corporate and investment banking compared with that of its Swedish peers, which also implies a degree of concentration risk. We expect SEB's loan portfolio to be broadly resilient even as the real estate sector goes through necessary deleveraging.

Problem loans (IFRS 9 Stage 3 loans) decreased to 0.3% of gross loans as of September 2023, broadly unchanged compared to the end of 2022 and considerably lower than the 2020 peak level. On a nominal basis, problem loans also declined consistently since 2020, reflecting ongoing clean up and write-offs of exposures in problematic sectors, including oil and gas and shipping. The Stage 3 coverage ratio was strong at 55% as of September 2023. Stage 2 loans, which include loans with heightened credit risk, were broadly stable at 3.4% of gross loans as of September 2023 (December 2022: 3.4%). Although we expect a moderate increase in problem loans, we expect SEB's loan portfolio to be broadly resilient despite the macroeconomic challenges. Our expectation reflects our view that higher problem loans will not stem from a broad deterioration in the quality of the bank's loan portfolio but rather from specific exposures.

Exhibit 3

SEB's problem loans have declined from pandemic levels

Problem loans / Gross loans



Sources: Company reports, Moody's Investors Service

SEB continued to report a low level of credit losses of SEK 298 million in the nine months that ended in September 2023, equivalent to only 1 basis point of total gross loans[1], supported by reversal of provisions of specific exposures as well as updated macroeconomic scenarios. The bank increased its total stock of model overlay provisions to SEK2.5 billion as of September 2023, driven by an increase in reserves as a buffer against challenges in the real estate sector, partly offset by a partial release of the overlays booked in 2022 relating to geopolitical uncertainties. While we expect credit losses to rise from unsustainably low levels, we expect the increase will be contained.

As of September 2023, 22% of the bank's credit portfolio comprised mortgages. Current economic conditions, including a 15% decrease in house prices since the peak in spring 2022 and higher interest rates, could challenge weaker households. However, risks are mitigated by good underwriting standards, an average loan-to-value (LTV) of 56%, affordability assessments (that include stressed interest rates) and Sweden's strong repayment culture. The bank's customer base is strong, as evidenced through recent voluntary amortization of mortgages as customers repay loans using their savings.

SEB's loan book has high borrower and sector concentrations because of the bank's large corporate banking business. Corporate and property management exposures accounted for around 56% and 14% (including housing co-op associations, which we consider low risk), respectively, of SEB's credit portfolio as of September 2023.

We believe that SEB's high single-borrower concentrations result from the limited number of large domestic enterprises in Sweden, but recognize the fact that these companies are diversified across industries and geographies, and acknowledge the bank's comprehensive and strong risk management framework in this area, as demonstrated by a strong through-the-cycle loan performance, with credit costs averaging 9 basis points, according to the bank, over the period 2007-2023, excluding the Baltic crisis in 2009.

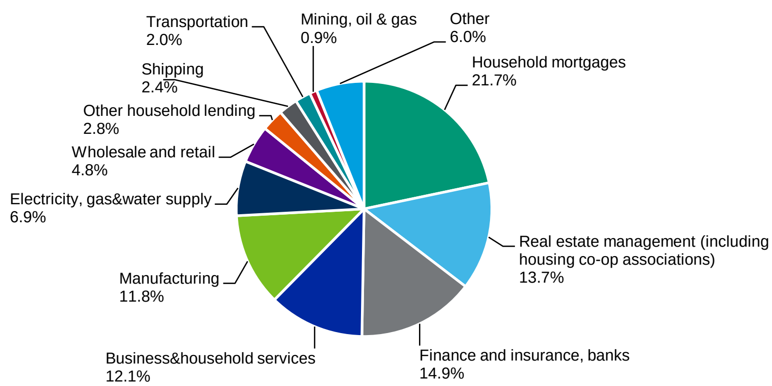
The bank's exposure to the real estate sector, accounting for 16% of the bank's lending portfolio as of September 2023, although lower than peers, presents a potential risk due to the local challenges within the sector. Specifically, Swedish real estate companies are dealing with the need to reduce leverage amid rising interest rates and tougher refinancing conditions in capital markets. However, SEB has seen very little deterioration in its loan portfolio, with the increase of Stage 2 loans in the bank's property management exposure, rising to only 2.1% in September 2023 from 1.4% as of December 2022. Whereas we consider the Swedish real estate sector among the most vulnerable in Europe for senior unsecured investors, the Swedish banks have a strong position due to fully collateralised exposures to the operating companies, which are performing well with low vacancy rates. We believe that SEB will be broadly resilient to the ongoing restructuring.

The bank's residential real estate exposure is predominantly in Sweden, while its commercial real estate exposure is diversified across other Nordic countries, and - albeit to a lesser extent - in the Baltics. The bank's property lending risks are also mitigated by relatively low LTVs, which were an average of 46.3% and 44.5% for the bank's commercial and residential real estate portfolios respectively as of September 2023 and underwriting criteria that focus on borrower cash flow and repayment ability under stressed conditions. In line with other large Swedish banks, SEB's large property management customers also hedge against interest rate rises (for an average period of 3-4 years), limiting an immediate strain on their repayment capacity.

Exhibit 4

Breakdown of SEB's credit portfolio

As of September 2023



Note: Includes banks.
Source: Company reports

SEB is exposed to the Baltic countries (around 8% of the credit portfolio[2] as of September 2023), which was the main driver of the bank's deterioration in asset quality in 2008-09 because of the Baltic financial crisis. Risks in the Baltic portfolio stemming from geopolitical uncertainty, higher interest rates and elevated inflation have not yet manifested through asset quality deterioration. However, risk in the portfolio remains higher compared to the Swedish portfolio, in our view.

Solid capitalisation well above regulatory requirements

We consider SEB's capitalization to be solid relative to its risk profile, supported by good underlying earnings which results in a good capacity to generate capital. The aa3 assigned score also reflects the bank's comparatively lower leverage ratio and our expectation that the bank's capital, which benefits from significant buffers over its requirements, will decrease moderately going forward as the bank manages down its capital towards targeted levels.

SEB's Common Equity Tier 1 (CET1) ratio was 18.9% as of September 2023, exceeding the minimum regulatory requirement of 14.6% by 430 bps. The requirement includes a pillar 1 component of 4.5%, a pillar 2 component of 1.6% as well as a pillar 2 guidance of 0.5%[3], a combined systemic risk and O-SII (other systemically important institutions) buffer of 4.1%[4], a 2.5% capital conservation buffer and a 1.5% countercyclical buffer.

The reported CET1 ratio incorporates the full impact of a recently approved share buyback program[5] as well as regulatory changes[6].

SEB's profit distributions are in line with its targets which include a 50% dividend payout ratio, complemented by share repurchases, which enhance financial flexibility for the bank. The bank's CET1 ratio is also well above the management's target range of around 100-300 basis points above the requirement, which covers sensitivity of the bank's capital levels to currency fluctuations in risk-weighted assets, changes in the net value of the bank's Swedish defined benefit pension plan and general macroeconomic uncertainties. We expect SEB's capital buffers to reduce as the bank gradually manages these towards its targeted levels. However, capital will remain strong as we expect SEB to maintain higher capital headroom than usual given continued macroeconomic and geopolitical uncertainty.

SEB's tangible common equity (TCE)/risk-weighted assets ratio remained strong, at 22.9% as of September 2023. However, similar to the other Nordic peers, we apply a downward adjustment to SEB's capital score in our BCA scorecard to take into account slightly lower risk-weights compared with the average of the peers that we rate similarly. SEB's leverage ratio (TCE/total assets) was 5.1% as of September 2023, relatively low compared with that of similarly rated global peers, with a median of 7.0% for banks with a BCA of a3. The bank's leverage ratio is typically lower during interim quarters, reflecting a typically smaller balance sheet at year-end reporting dates.

Good underlying earnings generation; focus on corporate banking may add to earnings cyclicality

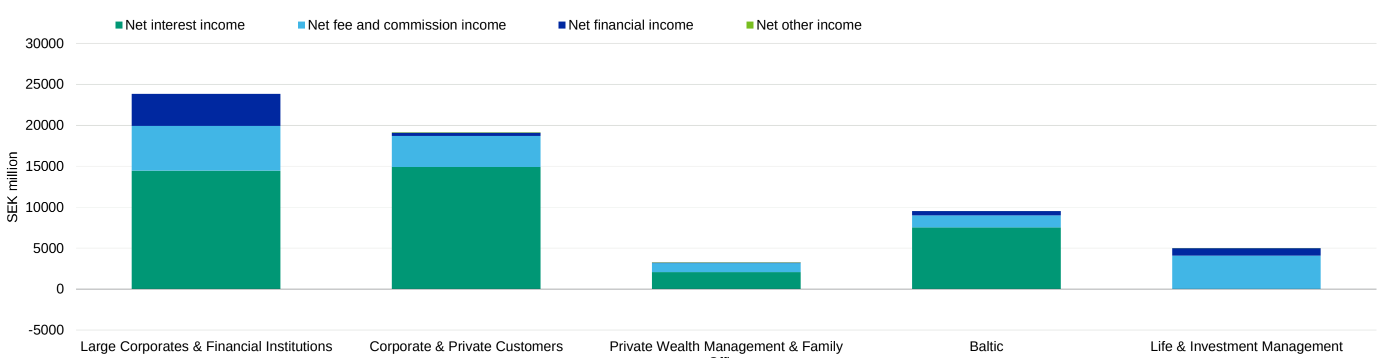
Our assigned profitability score of baa1 reflects SEB's underlying earnings, which provide a good capacity to generate capital internally and/or absorb loan losses. Consistent operating income growth combined with contained cost growth over the last decade has led to sustained efficiency gains for SEB. Also, the bank's earnings are well diversified by activity but the focus on corporate banking could add to earnings cyclicality. Following strong profits in 2023 as a result of higher policy rates, we expect more limited upside potential going forward.

SEB reported higher-than-usual net profits of SEK29.7 billion in the nine months that ended in September 2023, up by 53% year-on-year and equivalent to 1.0% of tangible assets. Profitability benefited from a strong increase in net interest income (49% year-on-year), driven mainly by higher deposit margins. Higher net financial income driven by positive portfolio valuation effects as well as lower loan loss provisions (down by 80% year-on-year) and other one-off items[7] also benefitted the bank's profitability. These increases were partly offset by operating expenses (up by 11% year-on-year) due to higher salary costs, currency and inflationary effects as well as higher regulatory costs[8].

We expect more limited upside potential from higher rates in the upcoming quarters due to a gradual shift of customers towards savings and fixed term accounts and potential deposit repricing triggered by competitive pressures that incrementally compel banks to raise their deposit rates. The trajectory of the bank's net interest income will also depend on whether policy rates stabilize at current levels, and on other factors such as business activity levels, which is currently muted, and wholesale funding costs.

However, SEB has lower reliance on net interest income compared to its main peers, accounting for 59% of total operating income in the nine months ending in September 2023, and the bank's earnings are well diversified by activity (Exhibit 5). SEB's diversified revenue streams through the bank's fixed income, fx, investment banking, custody, and asset management businesses is a relative strength, lowering its dependence on a single sector or segment, but also adds complexity and costs. As part of its business plan, the bank has an increased focus on savings and investments, an area where the bank has underperformed in recent years. However, a large portion of operating income (around 39% in the nine months ending in September 2023) originates from large corporates and financial institutions, and part of this income is more dependent on market conditions. For this reason, we consider earnings from these activities as potentially more volatile than more traditional retail and commercial banking. We note, however, that SEB has shown a high degree of earnings stability over the recent past. Also, within the large corporates and financial institutions division, SEB has increased the geographic diversification of total client income, with Sweden accounting for 47% in 2022 compared to 65% in 2011.

Exhibit 5
SEB's operating income by division and activity for the nine months ending in September 2023



Source: Company reports

SEB's cost-to-income ratio stood at 39%[9] in the nine months ending in September 2023, a stronger efficiency than most of its Nordic peers despite being a large corporate bank with more customer-tailored solutions. The bank has improved its efficiency in recent years, reflecting operating income growth that averaged 7% over the last decade[10] while cost growth remained contained at an average 1%. We believe that further efficiency gains will be constrained by higher inflation, heightened compliance costs and a continued need to invest in technology and other strategic initiatives. For example, the bank's full-time employees increased to 17,492 as of September 2023, compared to 16,491 a year earlier, reflecting the need to hire highly skilled, specialized personnel.

The bank is targeting a return on equity of 15% on a sustainable basis in the long-term. To achieve these, the bank has set specific goals within its various divisions. The main pillars of the bank's 2022-2030 strategy announced in the beginning of 2022 include an acceleration of efforts to further strengthen customer offering, including in the sustainability-linked business where SEB benefits from a strong positioning, evaluating areas of strategic changes, entering into strategic partnerships to strengthen innovation and efficiency improvements.

High reliance on confidence-sensitive market funding, which is mitigated by access to diverse capital markets and strong liquidity

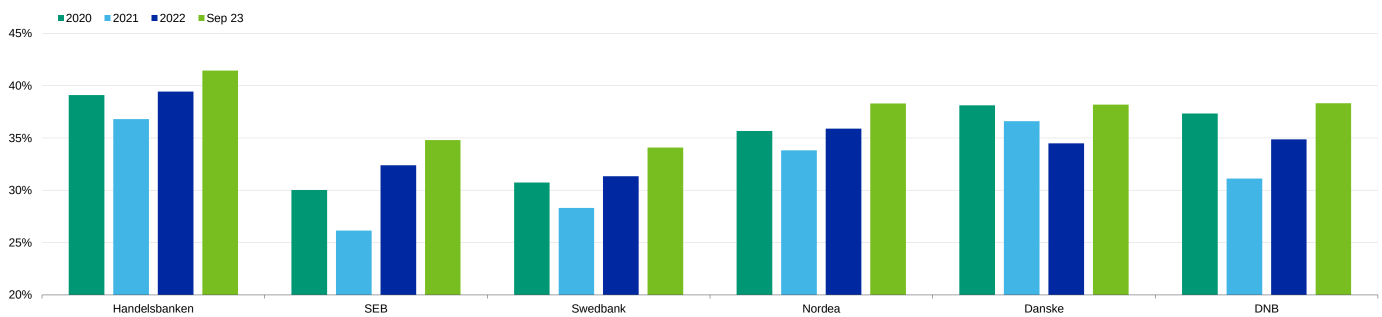
The ba1 assigned score reflects SEB's relatively high share of wholesale funding, similarly to many of its Nordic peers, which we consider a key credit weakness as it exposes the banks to changes in market conditions and renders them more sensitive to swings in investor confidence. This is mitigated by the bank's strong liquidity and its track record of having strong access to funding markets even in times of stress.

In our view, SEB's overall liquidity and funding profiles are adequate. Although SEB's market funding/tangible banking assets ratio increased to 35% as of September 2023 (Dec 2022: 32%), it is still lower than that of its main Nordic peers. The bank's core gross loans to deposits ratio declined to 122%[11] of customer deposits as of September 2023, from the peak of 148% as of December 2019. We expect growth in deposits to moderate and market funding to continue to edge up going forward, given quantitative tightening by the Riksbank.

Exhibit 6

SEB has a lower market funding reliance than peers

Market Funds / Tangible Banking Assets



Nordea, Danske, DNB: June 2023

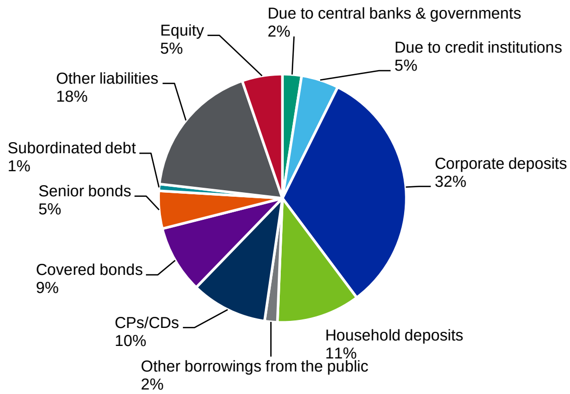
Source: Moody's Investors Service

The bank's funding includes a significant proportion of short-term instruments such as commercial paper (CPs) and certificates of deposits (CDs). The use of these instruments is mainly driven by the bank's trading business, which is mainly customer-driven and which generally increases when financial markets are volatile. SEB's funding also includes retail and corporate deposits, senior unsecured debt and covered bonds. SEB is more reliant than its Nordic peers on corporate deposits, which we generally view as more volatile than retail deposits because these tend to be larger and more sensitive to changes in market yields. However, we note that SEB's corporate deposits have been fairly stable in the past, helped by the bank's long-term relationship model and its leading market position in the cash management and custody business, which tend to be less volatile than that of other corporate deposits.

Exhibit 7

SEB has a reliance on corporate deposits

Breakdown of total liabilities (September 2023)



Corporate deposits include financial and non-financial corporations deposits. Other borrowings from the public include margins of safety, repos and registered bonds. Senior bonds include senior preferred (senior unsecured) and senior non-preferred (junior senior) debt. Other liabilities include liabilities to policyholders, financial liabilities at fair value, liabilities held for sale and other liabilities.

Source: Company reports

We reflect the greater stability of covered bonds, compared with unsecured market funding, through a standard adjustment to the funding structure ratio. Given the long history of the Swedish covered bond markets, local currency and deep domestic investor base, we make additional (positive) adjustments for local currency denominated covered bonds issued in this market.

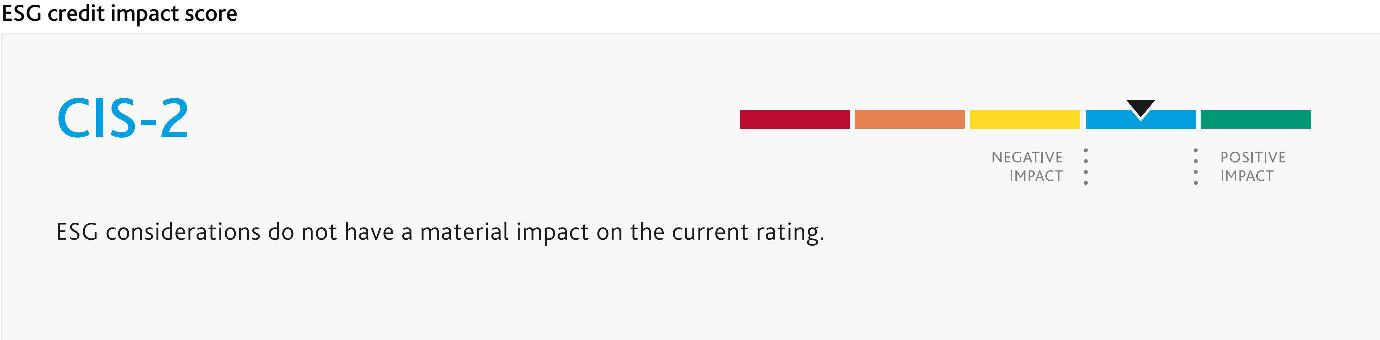
SEB reported a liquidity coverage ratio (LCR) of 123% as of September 2023. SEB's liquid banking assets/tangible banking assets was a high 27.4% as of December 2022. This reflects its leading position within cash management and custodian business which imply larger volumes of short-term assets and liabilities. In our view, the bank's strong liquidity position largely mitigates refinancing risk from the dependence on wholesale funding. Our assigned score also reflects the level of the bank's highly liquid assets and some asset encumbrance, captured in a negative adjustment.

ESG considerations

Skandinaviska Enskilda Banken AB's ESG credit impact score is CIS-2

Exhibit 8

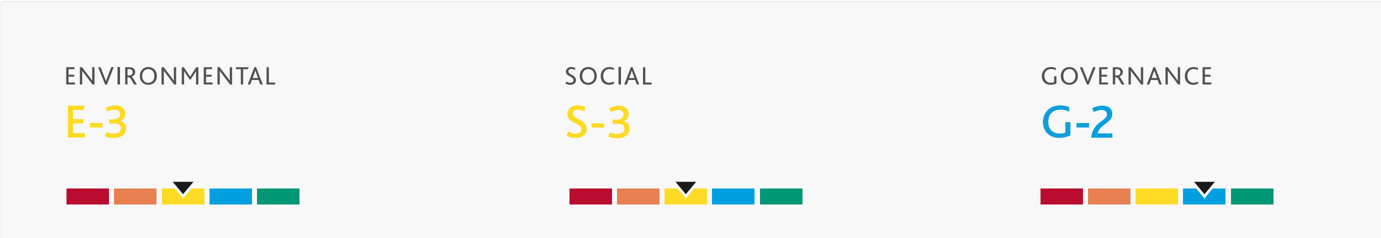
ESG credit impact score



Source: Moody's Investors Service

SEB's **CIS-2** indicates that ESG considerations do not have a material impact on the current rating.

Exhibit 9
ESG issuer profile scores



Source: Moody's Investors Service

Environmental
SEB faces moderate environmental risks primarily because of its exposure to carbon transition as a large corporate bank. In line with its peers, the bank is facing mounting business risks and stakeholder pressure to meet broader carbon transition goals. In response, the bank is developing its climate risk and portfolio management capabilities, and it has set clear targets to phase out exposures with high carbon transition risks.

Social
SEB faces moderate social risks related to regulatory and litigation risks, particularly in the area of customer relations, requiring high compliance standards. The exposure to customer relation risks is lower than those of its peers, given the bank's untarnished customer conduct track record. Cyber and personal data risks are mitigated by a strong IT and cyber framework, and the bank has a stronger track record in this regard.

Governance
SEB has low governance risks. SEB's very strong and sophisticated risk management framework mitigates risks arising from the bank's large corporate focus. The bank has a track record of strategy execution, relying on a long-term business model with strong financial and risk performance. The investigation by the Swedish FSA in 2019-2020 identified a number of deficiencies in the bank's governance and control of its Baltic subsidiaries' anti-money laundering function, which are primarily historical and have been largely addressed.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Loss Given Failure analysis
We apply our advanced LGF analysis to SEB as the bank is domiciled in Sweden, which we consider to be an operational resolution regime because it is subject to the European Union Bank Recovery and Resolution Directive. For this analysis, we assume residual tangible common equity of 3% and losses post-failure of 8% of tangible banking assets, a 25% run-off in junior wholesale deposits, a 5% run-off in preferred deposits, and assign a 25% probability to deposits being preferred to senior unsecured debt. These are in line with our standard assumptions. For our LGF analysis, we use the deposit split as provided by SEB in its financial results (76% of deposits are junior as of September 2023).

Our Advanced LGF analysis is now applied to SEB at a group level (that is, including its Baltic operations), which reflects our view that group-wide resolutions coordinated in a unified manner will be more common following the requirement to issue internal loss absorbing capital (ILAC), leading to a likely transfer of losses from subsidiaries to parents at the point of failure. We apply a forward-looking approach on the bank's near-term bail-inable debt issuance, which indicates a very low loss given failure for junior depositors and senior unsecured creditors, resulting in a two-notch uplift in the relevant ratings from the bank's a3 Adjusted BCA.

The assigned LGF notching for the junior senior unsecured bank debt is positioned one notch higher than an analysis of the current balance sheet would imply. This is based on our assessment of SEB's approach to fulfilling Sweden's Minimum Requirement for Own Funds and Eligible Liabilities (MREL), and the evolution of the bank's balance sheet.

For junior senior debt issued by SEB, which is positioned at the level of the bank's Adjusted BCA, our Advanced LGF analysis indicates a moderate loss given failure, given the limited volume of debt and protection from more subordinated instruments and residual entity.

For subordinated debt issued by SEB, which is positioned one notch below the bank's Adjusted BCA, our Advanced LGF analysis indicates a high loss given failure, given the small volume of debt and limited protection from more subordinated instruments and residual equity. We also incorporate additional notching for more junior instruments.

Government support considerations

We assess a moderate probability of government support for SEB's long-term senior unsecured and junior depositors, resulting in a further one-notch uplift incorporated in the relevant Aa3 ratings as well as in the Aa2 CRR and CR Assessment.

For junior senior and subordinated securities, we continue to believe that potential government support is low and these ratings do not include any related uplift.

Counterparty Risk Assessment

SEB's CR Assessment is Aa2(cr)/Prime-1(cr)

The CR Assessment is positioned four notches above the Adjusted BCA of a3, based on the substantial buffer against default provided to the senior obligations represented by the CR Assessment by subordinated instruments, along with one notch of government support. The main difference with our Advanced LGF approach used to determine instrument ratings is that the CR Assessment captures the probability of default on certain senior obligations, rather than expected loss, therefore we focus purely on subordination and take no account of the volume of the instrument class.

Counterparty Risk Ratings (CRRs)

SEB's CRRs are Aa2/Prime-1

The CRR, before government support, is positioned three notches above the Adjusted BCA of a3, reflecting the extremely low loss given failure from the high volume of instruments that are subordinated to CRR liabilities. SEB's CRRs benefit from one notch of rating uplift based on government support, in line with our assumptions on senior debt and deposits.

About Moody's bank scorecard

Our Scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 10

Skandinaviska Enskilda Banken AB

Macro Factors		
Weighted Macro Profile	**Strong +**	**100%**

Factor	**Historic Ratio**	**Initial Score**	**Expected Trend**	**Assigned Score**	**Key driver #1**	**Key driver #2**
Solvency						
Asset Risk						
Problem Loans / Gross Loans	0.5%	aa2	↓	a3	Sector concentration	Expected trend
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	22.9%	aa1	↓	aa3	Nominal leverage	Expected trend
Profitability						
Net Income / Tangible Assets	0.9%	baa1	↔	baa1	Return on assets	
Combined Solvency Score		aa3		a2		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	32.4%	ba1	↔	ba1	Market funding quality	
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	27.4%	a3	↔	baa1	Asset encumbrance	
Combined Liquidity Score		baa2		baa3		
Financial Profile				a3		
Qualitative Adjustments				Adjustment		
Business Diversification				0		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint				Aaa		
BCA Scorecard-indicated Outcome - Range				a2 - baa1		
Assigned BCA				a3		
Affiliate Support notching				0		
Adjusted BCA				a3		

Balance Sheet	**in-scope (SEK Million)**	**% in-scope**	**at-failure (SEK Million)**	**% at-failure**
Other liabilities	1,498,895	40.0%	1,873,492	49.9%
Deposits	1,854,436	49.4%	1,479,840	39.4%
Preferred deposits	445,065	11.9%	422,811	11.3%
Junior deposits	1,409,371	37.6%	1,057,029	28.2%
Senior unsecured bank debt	175,388	4.7%	175,388	4.7%
Junior senior unsecured bank debt	73,652	2.0%	73,652	2.0%
Dated subordinated bank debt	21,280	0.6%	21,280	0.6%
Preference shares (bank)	15,210	0.4%	15,210	0.4%
Equity	112,542	3.0%	112,542	3.0%
Total Tangible Banking Assets	3,751,403	100.0%	3,751,403	100.0%

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De Jure	De Facto				
Counterparty Risk Rating	38.8%	38.8%	38.8%	38.8%	3	3	3	3	0	aa3
Counterparty Risk Assessment	38.8%	38.8%	38.8%	38.8%	3	3	3	3	0	aa3 (cr)
Deposits	38.8%	5.9%	38.8%	10.6%	2	3	2	2	0	a1
Senior unsecured bank debt	38.8%	5.9%	10.6%	5.9%	2	1	2	2	0	a1
Junior senior unsecured bank debt	5.9%	4.0%	5.9%	4.0%	-1	-1	-1	0	0	a3
Dated subordinated bank debt	4.0%	3.4%	4.0%	3.4%	-1	-1	-1	-1	0	baa1
Non-cumulative bank preference shares	3.4%	3.0%	3.4%	3.0%	-1	-1	-1	-1	-2	baa3

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	3	0	aa3	1	Aa2	Aa2
Counterparty Risk Assessment	3	0	aa3 (cr)	1	Aa2(cr)	
Deposits	2	0	a1	1	Aa3	Aa3
Senior unsecured bank debt	2	0	a1	1	Aa3	Aa3
Junior senior unsecured bank debt	0	0	a3	0	A3	A3
Dated subordinated bank debt	-1	0	baa1	0	Baa1	Baa1
Non-cumulative bank preference shares	-1	-2	baa3	0		Baa3 (hyb)

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Investors Service

Ratings

Exhibit 11

Category	Moody's Rating
SKANDINAVISKA ENSKILDA BANKEN AB	
Outlook	Stable
Counterparty Risk Rating	Aa2/P-1
Bank Deposits	Aa3/P-1
Baseline Credit Assessment	a3
Adjusted Baseline Credit Assessment	a3
Counterparty Risk Assessment	Aa2(cr)/P-1(cr)
Issuer Rating	Aa3
Senior Unsecured	Aa3
Junior Senior Unsecured	A3
Junior Senior Unsecured MTN	(P)A3
Subordinate	Baa1
Pref. Stock Non-cumulative	Baa3 (hyb)
Commercial Paper	P-1

Source: Moody's Investors Service

Endnotes

1 Bank's reported figures, denominator includes debt securities and off-balance sheet items.

2 Credit portfolio includes on-and-off balance sheet items.

3 According to the preliminary 2023 SREP decision, the bank's Pillar 2 requirement increased by about 0.2 percentage points, driven by a temporary add-on for the ongoing review of the bank's IRB-models. At the same time, the Pillar 2 guidance decreased by 0.5 percentage points.

4 The systemic risk and O-SII buffer in Sweden amount to 3.1% and 1% of risk-weighted exposure respectively. The total requirement also includes systemic risk buffers in Norway and Lithuania.

5 Of up to SEK2.5 billion to be completed by April 2024

6 Relating to the move of the risk weight floor for exposures secured by real estate in Sweden to Pillar I from Pillar II, which deducted 30 basis points from the bank's CET1 ratio

7 These relate to the repurchase of an issued covered bond, which was refinanced with a new issue. The gain will be gradually de-recognised over the coming years. The second item relates to the closing of a subsidiary.

8 SEB's profitability was additionally affected by the implementation of a solidarity tax in Lithuania, which was fully incurred during the third quarter of 2023, adding to ongoing regulatory costs that also include a bank tax in Sweden

9 Moody's adjusted ratio which differs from the bank's reported cost-to-income ratio because regulatory costs are included in operating expenses. Specifically, the risk tax is accounted for in 'taxes other than income taxes' in Moody's accounts, which is included in operating expenses, thus affecting Moody's calculated cost-to-income ratio.

10 2013-Q3 2023

11 Excluding repos for both loans and deposits, deposits also exclude treasury non-bank deposits

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Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454