In Essence

Friday 16 August 2019

The Danish Bond Market

Claus Hvidegaard
Phone: +45 33 28 10 88
E-mail:
claus.hvidegaard@seb.dk

Henrik Arp
Phone: +45 33 28 10 75
E-mail: Henrik.arp@seb.dk

Focus on relative value leading up to the flex bond auctions

On Monday August 19, this year's October refinancing-auctions begin. With an auction supply of only approx. 41bn DKK-flex bonds, it is the lowest flex bond-supply in 9 years, when we disregard NYK's July-auctions. Both compared with previous flex-auctions' supply and the recent months callable issuance, this must be regarded as a supply parenthesis. In the coming auctions, the total supply will be almost 28bn 1-year, approx. 6bn 3-year and approx. 7bn 5-year flex bonds. Nykredit finishes the week with their floater-auctions, where 16bn in a new 3M CB NYK H 04/23 and 840mn EUR in a new 3M EB NYK H 10/20 are auctioned.

1Y Oct-20 is currently approx. 3,8bps vs Cita, which basically is at level with the clearings at NYK's July flex bond-auctions, but almost 2bps tighter than at the Apr-19-auctions. The 3Y (Oct-22) is currently traded at -23bps ASW (vs6M) and the 5Y (NDA Oct-24) at -16bps (ASW (vs 6M), which is respectively 2bps wider and 1bps tighter than at the July-19 auctions and 5bps tighter in 5Y flex bonds than at the Apr-19 auctions, reflecting the continuous flatter 3/5Y ASW-structure. If we look at the potential for funded ASW-overlays, the risk-adjusted return-perspectives are thus pushed further out the flex bond-curve. However, as a consequence of the better roll, the horizon-return per OAS-risk, is relatively more attractive for short maturities than for longer.

Even though the flex bonds look reasonable vs swap, they are for the outright investors challenged by the significant flattening of the curve, which puts a significant damper on the roll-potential and thus the horizon-return. The horizon return for a 5-year flex bonds is approx. -0.35% (Jul-24 flex), which is 1%-point lower than in Jan-24 6 months ago. The carry in the shorter 1.5% callables now not only dominates the horizon-return for flex bonds with equivalent duration, but the whole flex bond-curve out to 10 years as a consequence of the curve-flattening.

If we look at concrete draw-contemplations in the individual callable bonds, the market currently prices the high-coupons in order for them to survive the consequences of draws even at stressed level equivalent to 0.50'50 are above price 98 in the period before the notice deadline of the January-term. We have calculated expected draws and 1Y-returns in a scenario, where 0.5'50 is above 98, by using the prepayment-levels observed for higher coupons in connections with the notice deadline for the October-term. The resulting returns are in general at level or higher than flex bonds, where the effective yield at Apr-22 or shorter flex bonds is lower than -0.7%.

FOCUS ON RELATIVE VALUE LEADING UP TO THE FLEX BOND AUCTIONS

Focus on coming weeks' auctions and relative value in the flex segment

With a starting point in the historically low negative yield-environment, the October-refinancing auctions start on Monday August 19, which compared with earlier flex bond-auction substantial supply and the recent months historically high callable issuance must be seen at a supply parenthesis. At next week's auctions, there is total supply of only 41.3bn DKK-flex bonds, which is the lowest flex bond auction-supply in 9 years, when we disregard NYK's July-refinancing, and almost 50bn lower than the supply at the most recent April-auctions and 7bn lower than at last year's October-refinancing. Nykredit finish the week with their floater-auctions, where 16bn in a new 3M CB NYK H 04/23 and 840bn EUR in a new 3M EB NYK H 10/22 are auctioned.

With the final announcement of series and amounts during the week, the total auction-supply of DKK-denominated flex bonds ends at only 41.3bn, equivalent to a refinancing-rate at the auctions of 68%, which is slightly higher than at recent years' auctions, primarily due to the absence of refinancing of social 5F-loans at the coming term.

Auction-supply in DKK variable-rate bonds excluding the sal e in the funded social housing-loans bn, DKK

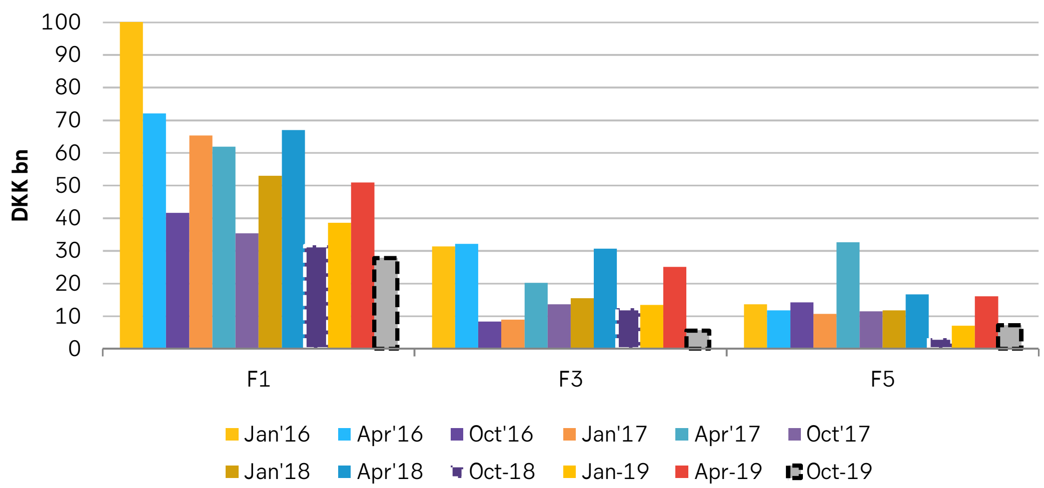
Supply	*RD*	NYK	NDA	JRK	DLR	Sum	%-share
F1	-	12.7	4.9	10.2	0.1	**27.8**	**67%**
F2	-	0.0	0.2	0.0	0.1	**0.3**	**1%**
F3	-	1.9	2.8	0.3	0.7	**5.6**	**14%**
F4	-	0.2	0.0	0.0	0.1	**0.3**	**1%**
F5	-	0.8	2.3	2.8	1.4	**7.2**	**17%**
Total	**-**	**15.5**	**10.2**	**13.3**	**2.4**	**41.3**	**100%**
Refi-rate Oct-19	**-**	**67%**	**65%**	**79%**	**43%**	**68%**	
Refi-rate Apr-19	62%	58%	72%	65%	77%	**63%**	
Refi-rate Jan-19	58%	53%	60%	74%	64%	**59%**	
Refi-rate Oct-18	-	64%	66%	48%	39%	**59%**	
Refi-rate Oct-17	-	75%	67%	71%	56%	**70%**	

Note) The final numbers from Nykredit, Nordea, Jyske Realkredit and DLR.

The total auction-supply is in both absolute and relative terms extremely modest in 3-year and 5-year flexes

On a series-level, the supply is distributed on approx. 28bn 1-year series, 6bn 3-year series and only approx. 7bn 5-year series, which reflects the underlying maturity-profile in the Oct-19-series per F-loan type in the shape of a refinancing rate of 48% in the 3-year-series against averagely 50% at the recent years' auctions. Also the supply of 5-year series equivalent to a refinancing-rate at 61% of estimated F5-maturity is in line with the two recent auctions, but markedly above Jan'18 to the Oct-18-auctions, where the refinancing of social F5-loans increased. At the coming week's auctions, there is a supply of government-guaranteed flex bonds at Jyske Realkredit on August 20th for a total of 850mn from JRK's capital centres, while approx. 170mn in NYK J flex bonds on August 19th are to be auctioned.

Historical distribution of auction-supply per F-loan type



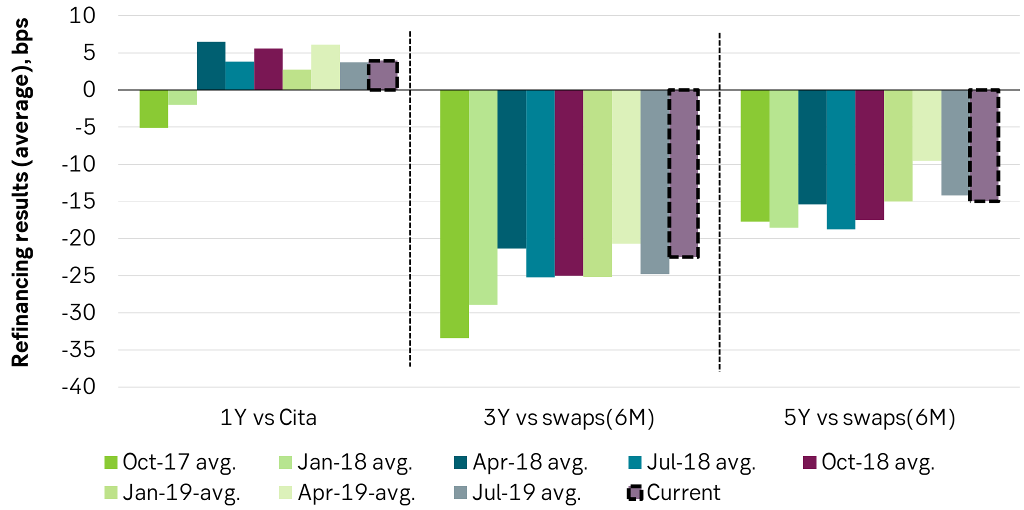
Source: SEB

Minimal F3- and F5-supply in the coming week compared with recent years' auction-supply

If we start by looking at the current 1Y, 3Y and 5Y spread-levels vs respectively Cita and DKK-swap (vs 6M), the flex bonds-segment as a whole is not traded very differently than the earlier applicable spread-levels at the recent years' auctions . 1Y Oct-10 is currently in approx. 3.8bps vs Cita, which basically is at level with the clearings at NYK's July-flex bonds auctions, but almost 2bps tighter than at the Apr-19-auctions. In 3Y (Oct-22), there is currently traded in -23bps ASW (vs 6M) and in 5Y (NDA Oct-24) in -16bps (ASW (vs 6M), which is respectively 2bps wider and 1bps tighter than at the July-19-auctions and 5bps tighter in 5Y flex than at the Apr-19-auctions, which reflects the continued flattening of the 3/5Y ASW-structure.

Historical average auction-results compared with current levels.

Current spread-levels vs. DKK swaps not much different from recent auctions

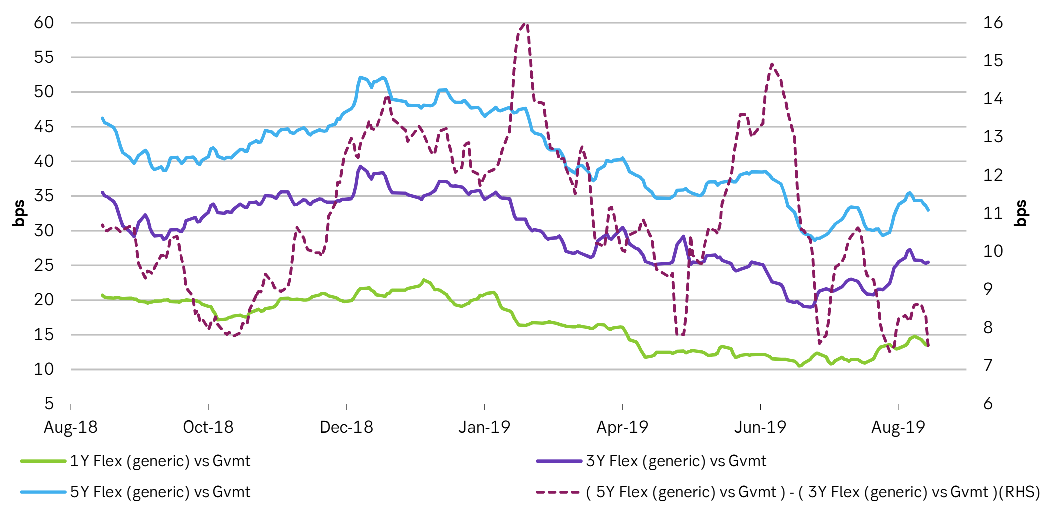


Source: SEB

Compared with government bonds, flex bonds have lost some terrain in July due to the lower government bond-swap-spreads within the curve, but the last few weeks they have reversed some of the widening, and now 3-year flex bond/government bond-spreads in currently 24bps are at the same level as 3 months ago, while 5Y flex bonds/government bonds in currently 31bps are traded approx. 6bps tighter.

Flex bonds against government bonds

3Y flex/govie more attractive than in longer flexes

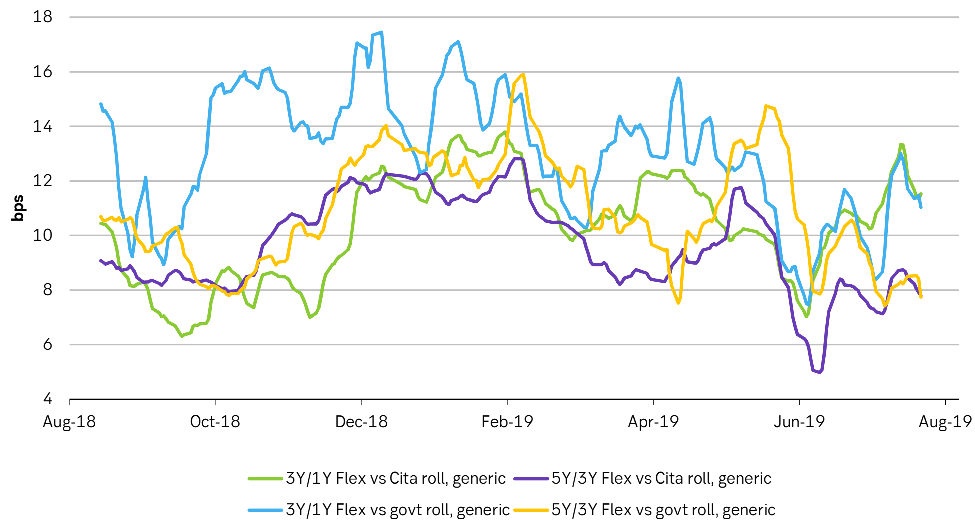


Source: SEB

As illustrated below with the development in the roll in the respective flex bond maturities vs respectively Cita and government bonds, the 3-year flex bonds are favoured with the highest roll vs government bonds, which is almost 3bps higher than 5Y flex bond roll vs government bond roll. Against swap, the roll-potential in 2-3-year flex bonds are also currently higher than the ASW-roll in 5-year flex bonds and more or less at the same level as at the last auction.

The flex spread-roll vs Cita and government bonds is highest in the 3Y-segment

Higher roll in 3Y flexes vs Cita and govies than in 5Y

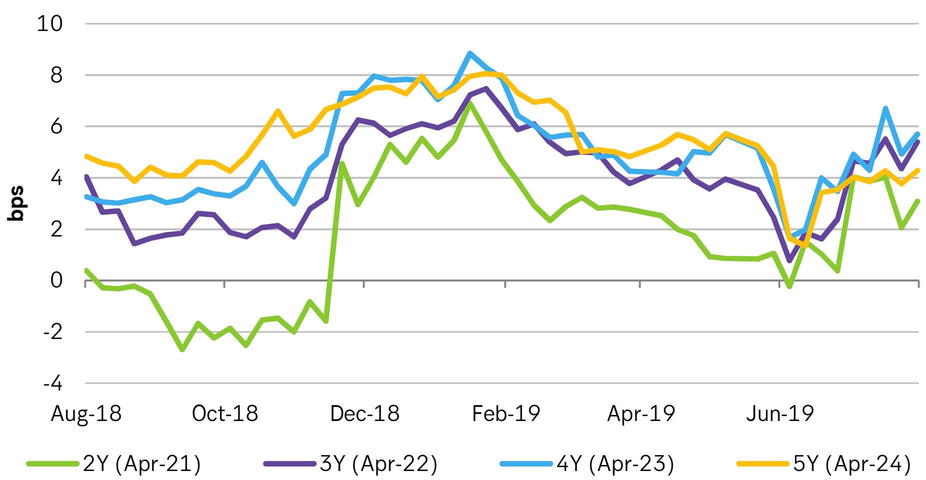


Source: SEB

If we look at the potential for funded ASW-overlays, the risk-adjusted return-potentials are pushed longer out the flex bond-curve. As a consequence of the better roll, the horizon-return per OAS-risk is, however, relatively attractive for short maturities rather than longer, and all else being equal it must be expected, that funded ASW-investors' interest will be in the shorter maturities and not 5-year flex bonds, unless the ASW-structure against expectations steepens markedly during the auctions.

Horizon-return/OAS-risk for flex bonds repo-financed and swapped (DKK vs 3M)

The risk-adjusted hedged return is most interesting in 3Y rather than longer out of the curve.



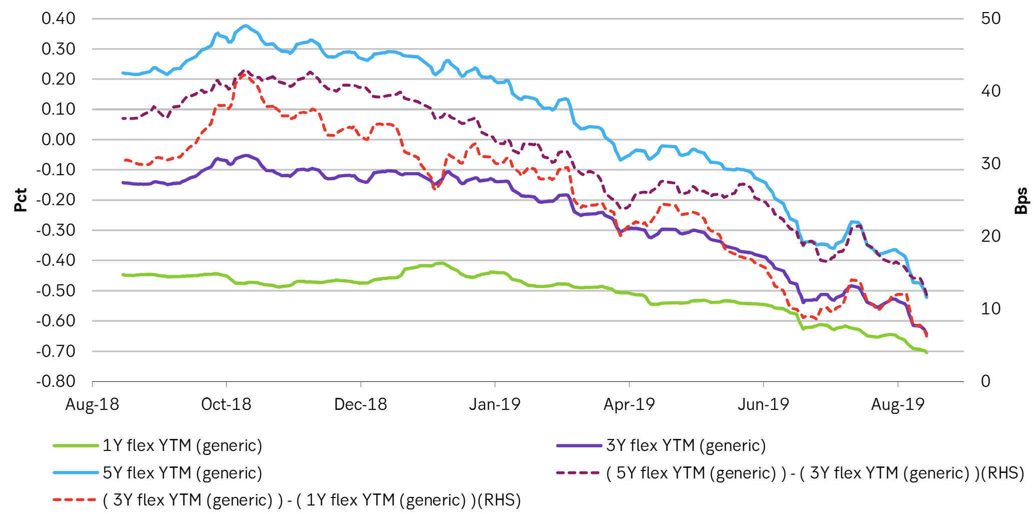
Source: SEB

Even though flex bonds look reasonable vs the swap, to outright investors they are challenged by the significant flattening of the curve, which puts a damper on the roll-potential and thus the horizon-return. In other words, it will take further significant yield decline in the short yields to obtain a positive return. In a carry-perspective, there is now a markedly smaller pick-up in moving further out the flex bond-curve and thus obtain carry by taking a yield-risk. The potential in pursuing carry by taking on prepayment-risk/sell yield-vol through callable bonds, however, is unchanged or better.

Before the coming week's auctions, the current effective flex bond yields are at respectively -0.73%, -0.69% and -0.59% in the 1-, 3-, and 5-year flex bonds. In addition, the anchoring of the prospect of coming monetary political rate-cuts following the continued decreasing growth- and inflation-prospects has driven the YTM-pickup in the 3/5Y flexYTM-curve-slope down in only 10bps and only 4bps in the 1/3-slope, which further dampens the reasoning for taking risk longer out the flex bond-curve.

Flex YTM and yield-roll still more challenging for outright ROR-potential

Flex YTM in deep negative terrain on further curve-flattening

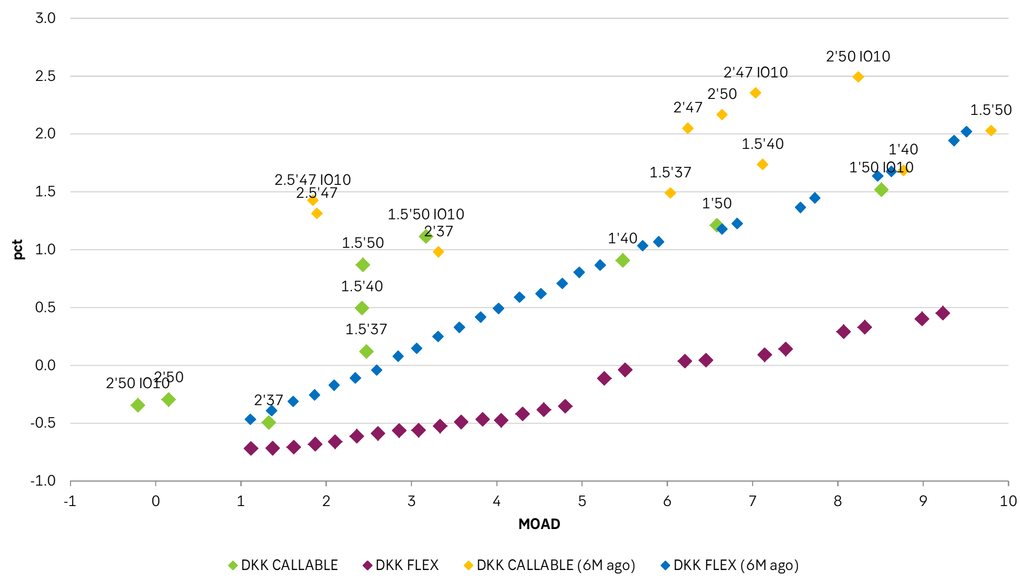


Source: SEB

Below, we have illustrated the change in the horizon-return during the last 6 months. The horizon-return in 5-year and shorter flex bonds is now markedly negative. The level for a 5-year flex bond is in approx. -0.35% (Jul-24 flex), which is more than 1%-points lower than in Jan-24 than 6 months ago. The equivalent decline in the horizon-return in callables is more difficult to calculate precisely, but is has been smaller. In addition, the carry in the shorter 1.5% callable bonds now not only dominates the horizon-return for flex bonds with equivalent duration, but the entire flex bond-curve out to 10 year as a consequence of the curve-flattening.

1-year horizon-return in flex bonds and callables – now and 6 months ago

1Y Horizon-return declined markedly for the flex-curve as is has flattened



Source: SEB

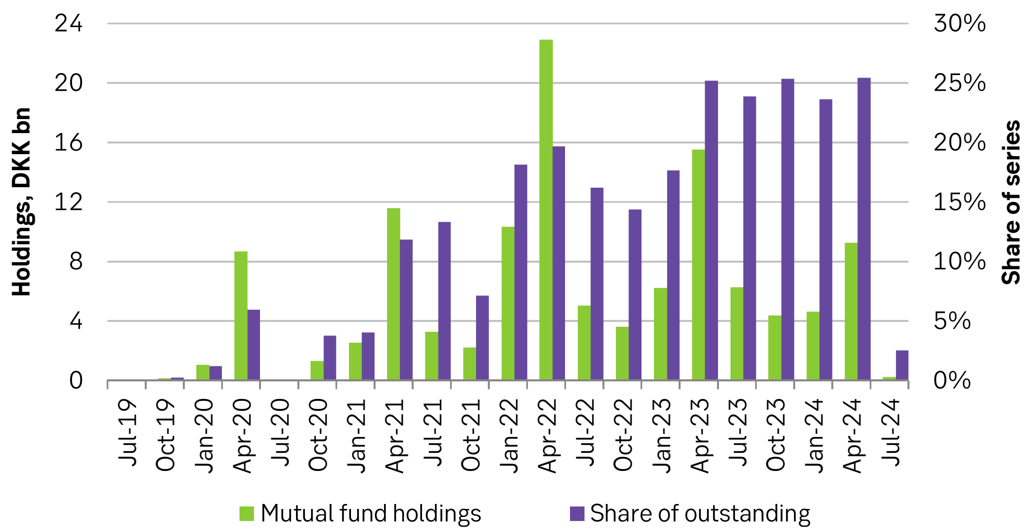
With the twisting of the relative carry-conditions, it is relevant to expect that implied interest rate volatility can go lower, when ECB will communicate the expected shift to a more lenient monetary policy and the market get a chance to settle down a bit. That would also be in harmony with the general experiences from EUR and JPY-yield-volatility, where the traded normalized yield-volatility has declines in line with the interest rate has declined to very low levels. A shift like that could support longer callable bonds.

With the very low and flat yield-curve, the flex bonds are also challenged for the private investors by bank deposit account rates, which are kept at 0%. The last few days, the largest Danish banks have communicated a strong commitment not to introduce negative yields on private accounts.

At the same time, Finanstilsynet have had increased focus on investment-products offered to private mustn't be have a negative expected return. If we look at Nationalbanken's ownership-distribution statistics per end of June, Danish mutual funds still own approx. 120bn flex bonds with a maturity under 5 years, which isolated must be expected to give a return under 0%. On the yield-decline this year, these have been a good short duration investment and in certain mutual funds there will still be a need for short liquid investments to support the asset-allocation choice, but with the underlying pressure to create positive return in the future as well, is seems likely that an even larger share of the investments will be focused on i.e. 1.5% callable bonds.

Mutual funds' holding of flex bonds <5Y

120bn. flexes with expected negative return in mutual funds

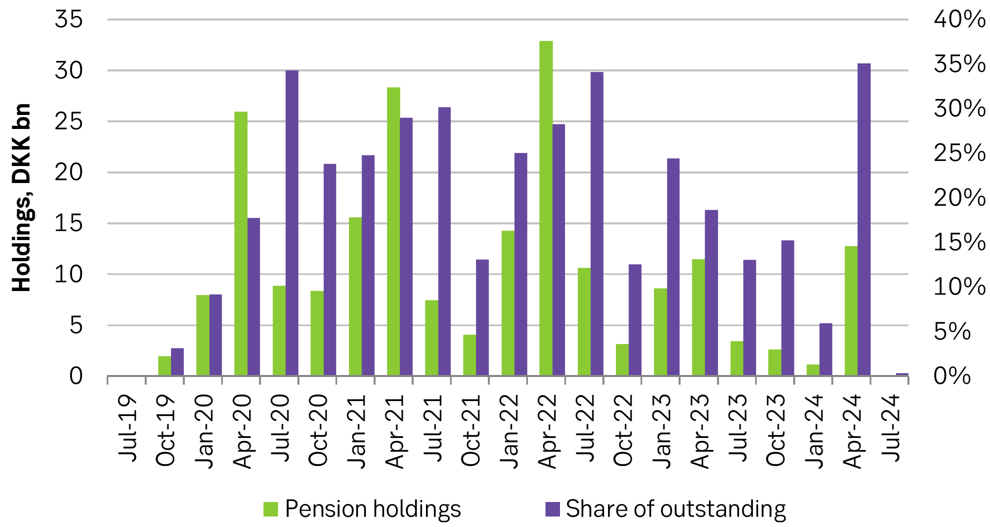


Source: SEB

With the recent massive yield-decline, the situation has become so extreme, that the discussion also can cause equivalent considerations in regard to pension-payments. Where private investors for free funds can get an account with 0% in interest, safe relatively short DKK-bonds in the retirement savings now have an expected negative return. As for the mutual funds, the bonds have been good so far and there will be a certain requirement for short liquid investments to support the choice of asset-allocation. However, one must expect that the pension funds increasingly have to assume responsibility for such investments, which can lead to a reduction of the ownership–share. Based on Nationalbanken's ownership-share, pension funds own approx. 200bn flex bonds with maturity under 5 years.

Investment funds' holdings of flex bonds <5Y

... and approx. 200bn in pension funds

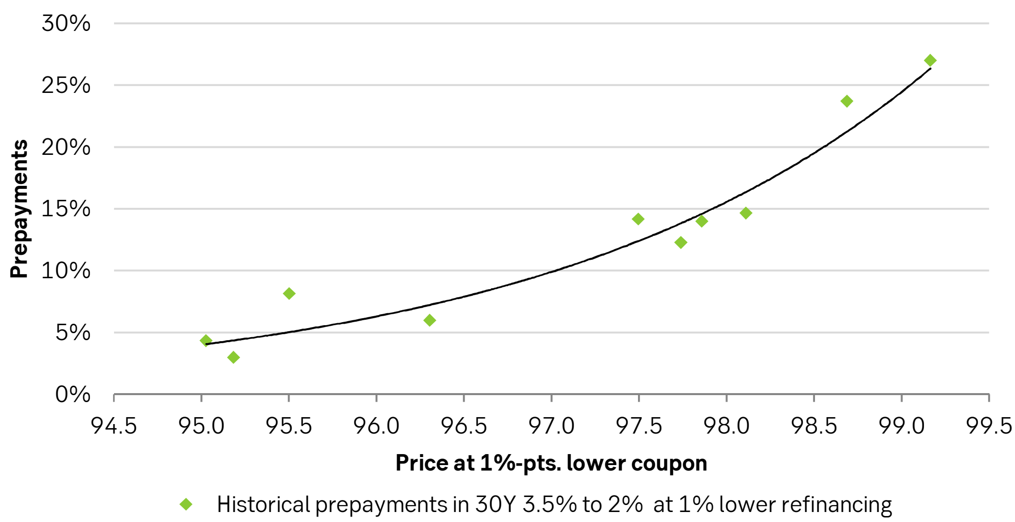


Source: SEB

Callable "high–coupons" in shape of 1.5 and 2% bonds are much more probable to deliver a positive return than flex bonds, especially in a situation with moderate interest rate increases, which will make the currently very high prepayment-expectations decline. In addition, 145bn disappear from the segment October 1st, of which some must be expected to be re-invested in the segment, which also should support the price.

Even minor yield-increases could cause substantial decline i the prepayments

Relatively limited price-increases can reduce the prepayment-expectations markedly....



Source: SEB

If we take a look at concrete draw-contemplations in the individual bonds, the market currently prices high-coupons in order for them to survive the consequences of draws even at a stressful level equivalent to 0.5'50 being above price 98 in the period leading up to the January–term's notice deadline. Below, we have calculated expected draws and 1Y-returns in a scenario, where 0.5'50 is above 98, by using the prepayment-levels observed for higher coupons in connection with the notice deadline for the October-term. In comparison, the effective yield at Apr-22 or shorter flex bonds is -0.7% or lower.

1Y net ROR – with expected draws, if 0.5'50 exceeds price 98

Series	Early price	Price change	Oct-19	Jan-20	Apr-20	Jul-20	1Y RoR
1.5'37	103.250	0.25	14	20	18	16	-0.6%
		0.75	14	20	18	16	-0.4%
		1.25	14	20	18	16	-0.1%
1.5'40	103.20	0.25	10	20	18	16	-0.4%
		0.75	10	20	18	16	-0.2%
		1.25	10	20	18	16	0.0%
1.5'50	102.55	0.00	2	24	20	16	-0.3%
		0.50	2	24	20	16	0.0%
		1.00	2	24	20	16	0.2%
1.5'50 IO	102.25	0.00	1	24	20	16	-0.1%
		0.50	1	24	20	16	0.2%
		1.00	1	24	20	16	0.4%
2'47	102.70	0.50	22	29	21	15	-0.5%
		1.00	22	29	21	15	-0.4%
		1.50	22	29	21	15	-0.2%
2'47 IO	102.55	0.50	26	34	23	16	-0.7%
		1.00	26	34	23	16	-0.6%
		1.50	26	34	23	16	-0.4%
2'50	102.78	0.50	20	29	21	15	-0.5%
		1.00	20	29	21	15	-0.3%
		1.50	20	29	21	15	-0.1%
2'50 IO	102.60	0.50	22	34	23	16	-0.7%
		1.00	22	34	23	16	-0.5%
		1.50	22	34	23	16	-0.3%
2.5'47	103.65	1.00	29	26	20	14	-0.8%
		1.50	29	26	20	14	-0.6%
		2.00	29	26	20	14	-0.4%
2.5'47 IO	103.23	1.00	35	28	21	15	-0.8%
		1.50	35	28	21	15	-0.7%
		2.00	35	28	21	15	-0.5%

Source: SEB

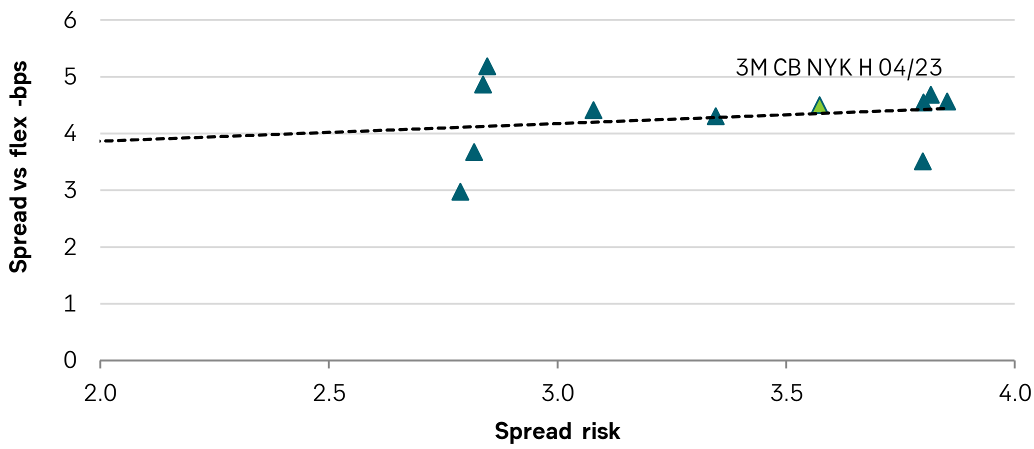
Stress-scenario for high-coupons' horizon-return, if 0,5'50 ends above price 98 in the month leading up to the Jan-20-term's notice-deadline

In regard to 1.5'50/IO, there is an expected positive return even with 0.5'50 above price 98. One could argue, that the bonds relatively quickly will have duration and negative return if the yields increase. On the positive side, however, it can be harder to activate the 1.5'50/IO-borrowers to make prepayments, than what in our estimate is equivalent to the average level for the recent term's prepayment in 30-year 2s. This is both due to the fact, that the 1.5% borrowers recently have taken the loans and that a significant share of them have been through a prepayment, which has increased their outstanding debt, and it might be rather overwhelming to increase the outstanding debt once again in such a short period of time.

If we finally look at the pricing in the floater-segment, on Friday August 23rd Nykredit auction 16.0bn in their new 3MCB NYK H 04/23-floater on a refinancing-rate of 93% of the maturing outstanding debt in 3M CB+24NYK H 10/19, while there in the EUR-denominated floaters is auctioned 840mn Euro in 3MEB NYK H 10/22 EUR. Currently, the on-the-run floaters are traded indicatively around 3-5bps above spread-risk-equivalent flex bonds in the spectrum out to approx. 4 (2023-maturities).

Current on-the-run floater-flex bond-spread structure

The floater-flex-premium is still at 3-5bps in the on-the-run SDO/SDRO -series



Source: SEB

If the floater/flex bonds spread-structure is at around spread-risk 3-5, where the new floater is at, this creates a starting point for the auction-pricing at 3-4bps above SDO-flex, and then there is the addition of a moderate emission-premium. Overall, we regard a spread vs flex bonds at 4-6bps as being a fair starting point for the auction-pricing on Friday, equivalent to a coupon-addition of 5-7bps.

Indicative pricing of the new 3MCB NYK H 04/23-floater

Pricing of 3MCB NYK H floater 04/23 (952214) – Auctioned: 16,0bn - Auction d. 23/8 with deadline 10:30

Coupon-addition	Cita OAS	MM flex	Vs. MM Flex
4	22.0	19.1	2.9
5	22.9	19.1	3.9
6	23.9	19.1	4.9
7	24.9	19.1	5.9
8	25.9	19.1	6.9

Source: SEB

FIXED INCOME RESEARCH COPENHAGEN

Claus Hvidegaard	+45 33 28 10 88	claus.hvidegaard@seb.dk
Henrik Arp	+45 33 28 10 75	henrik.arp@seb.dk
Søren Rasmussen	+45 33 28 10 72	soren.rasmussen@seb.dk
Simon Schultz	+45 33 28 10 73	simon.schultz@seb.dk

FIXED INCOME AND DERIVATIVES SALES COPENHAGEN

Frederik Nordsborg	+45 33 17 77 34	frederik.nordsborg@seb.dk
Steffen Nielsen	+45 33 17 77 04	steffen.nielsen@seb.dk
René Jæger	+45 33 17 77 29	rene.jaeger@seb.dk
Bo Madsen	+45 33 17 77 02	bo.madsen@seb.dk
Alan Vittarp Rasmussen	+45 33 17 7705	alan.rasmussen@seb.dk
Mads Geisler	+45 33 17 77 21	mads.geisler@seb.dk
Thomas Balslev Jørgensen	+45 33 17 77 03	thomas.jorgensen@seb.dk

Copenhagen

Bernstorffsgade 50
DK-1577 Copenhagen V
Telephone: +45 3328 2828
Fixed Income & DCM Sales
Telephone: +45 3317 7715
Fixed Income & Derivates Sales

Helsinki

Eteläesplanadi 18
P.O Box 630
FI-00100 Helsinki
Telephone: +358 9 616 280 00
Fixed Income & Derivatives Sales
Telephone: +358 9 616 28560

London

1, Carter Lane
GB-London EC4V 5AN
Telephone: +44 20 7246 4000
Fixed Income & Derivates Sales
Telephone: +44 20 7236 4672

Gothenburg

Östra Hamngatan 24
SE-405 04 Göteborg
Telephone: +46 31 62 10 00

Hong Kong

17 Floor, Jardine House
1 Connaught Place, Central
Central, Hong Kong
Cross Asset Sales
Telephone: +852 3919 2626

Frankfurt

Stephanstrasse 14-16
DE-60313 Frankfurt am Main
Telephone: +49 69 9727 7732

Luxembourg

4, rue Peternelchen
L-2314 Howald
P.O. Box 487
Telephone: +352 26 23 1000

New York

245 Park Avenue, 33rd Floor
New York, NY 10167
Telephone: +1 212 907 4700
Fixed Income & DCM
& Treasury Sales
Telephone: +1 212 351 4900

Oslo

FILIPSTAD BRYGGE 1
Box 1843 Vika
NO-0123 Oslo
Telephone: +47 22 82 70 00
Fixed Income & Derivatives Sales
Telephone: +47 22 82 72 68

Singapore

50 Raffles Place #36-01
Singapore Land Tower
Singapore 048623
Telephone: +65 6223 5644

Stockholm

Kungsträdgårdsgatan 8
SE-106 40 Stockholm
Telephone: +46 8 763 80 00
Fixed Income & Derivatives Sales
Telephone: +46 8 506 232 18

Disclaimer

This report is ''non-independent research'' produced by Fixed Income & Derivatives, a team within Skandinaviska Enskilda Banken AB (publ) ("SEB") to provide background information only. Non-independent research publications are marketing communication and do not constitute independent, objective investment research, and are therefore not protected by the arrangements which SEB has put in place designed to prevent conflicts of interest from affecting the independence of its investment research, and is not subject to any prohibition on dealing ahead of the dissemination.

This report is confidential to the recipient, any dissemination, distribution, copying, or other use of this communication is strictly prohibited. See the front page of this report for the date of first publication. This report is intended for institutional clients or professional clients. It is not intended for use by retail clients.

Opinions, projections and estimates contained in this report represent the author's present opinion and are subject to change without notice. Although information contained in this report has been compiled in good faith from sources believed to be reliable, no representation or warranty, expressed or implied, is made with respect to its correctness, completeness or accuracy of the contents, and the information is not to be relied upon as authoritative. To the extent permitted by law, SEB accepts no liability whatsoever for any direct or consequential loss arising from use of this document or its contents.

Conflicts of Interest
SEB or its affiliates, officers, directors, employees or shareholders of such members (a) may be represented on the board of directors or similar supervisory entity of the companies mentioned herein (b) may, to the extent permitted by law, have a position in the securities of (or options, warrants or rights with respect to, or interest in the securities of the companies mentioned herein or may make a market or act as principal in any transactions in such securities (c) may, acting as principal or as agent, deal in investments in or with companies mentioned herein, and (d) may from time to time provide investment banking, underwriting or other services to, or solicit investment banking, underwriting or other business from the companies mentioned herein.

The non-independent research team may sit within the Sales and Trading functions to produce marketing materials.

Your attention is also drawn to the fact that:
The analysis and valuations, projections and forecasts contained in this report are based on a number of assumptions and estimates and are subject to contingencies and uncertainties; different assumptions could result in materially different results. The inclusion of any such valuations, projections and forecasts in this report should not be regarded as a representation or warranty by or on behalf of the SEB Group or any person or entity within the SEB Group that such valuations, projections and forecasts or their underlying assumptions and estimates will be met or realized. Past performance is not a reliable indicator of future performance. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related investment mentioned in this report. Anyone considering taking actions based upon the content of this document is urged to base investment decisions upon such investigations as they deem necessary. This document does not constitute an offer or an invitation to make an offer, or solicitation of, any offer to subscribe for any securities or other financial instruments.

Financial models and/or methodology used in this research report
Calculations and presentations in this research report are based on standard econometric tools and methodology as well as publicly available statistics for each individual security, issuer and/or country. Several of the econometric tools that calculations in the report are based on have been developed by the SEB Group, including modeling of Danish callable mortgage bonds. Technical descriptions of internally developed econometric tools for modelling of Danish callable mortgage bonds may be obtained upon request.

Risk warning
There can be major risks connected with recommendations or opinions in this research report, including a sensitivity analysis of relevant assumptions.

Recipients
In the UK, this report is directed at and is for distribution only to (I) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (The ''Order'') or (II) high net worth entities falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as ''relevant persons''. This report must not be acted on or relied upon by persons in the UK who are not relevant persons. In the US, this report is distributed solely to persons who qualify as ''major U.S. institutional investors'' as defined in Rule 15a-6 under the Securities Exchange Act. U.S. persons wishing to effect transactions in any security discussed herein should do so by contacting SEB Securities Inc. (SEBSI).

The distribution of this document may be restricted in certain jurisdictions by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions.

The SEB Group: members, memberships and regulators
SEB is a member of, inter alia, Nasdaq OMX Nordic, Oslo Stock Exchange, the London Stock Exchange, NYSE Euronext, SIX Swiss Exchange, Frankfurt Stock Exchange, Tallinn Stock Exchange as well as certain European MTF's such as BATS-Chi-X, Turquoise and Burgundy. SEB is regulated by Finansinspektionen in Sweden and, for the conduct of investment services business, in (i) Denmark by Finanstilsynet, (ii) Norway by Finanstilsynet, (iii) Finland by Finanssivalvonta, (iv) Germany by Bundesanstalt für Finanzdienstleistungsaufsicht, (v) the UK by the Financial Conduct Authority and Prudential Regulation Authority (details about the extent of our regulation by the Financial Conduct Authority and Prudential Regulation Authority are available from us on request), (vi) Estonia by the Estonian Financial Supervision Authority, (vii) Lithuania by the Bank of Lithuania, and (viii) Hong Kong by Securities and Futures Commission. SEBSI is a U.S. broker-dealer, registered with the Financial Industry Regulatory Authority (FINRA). SEBSI is a subsidiary of SEB. SEBSI is authorized to engage in the underwriting of securities but does not make markets or otherwise engage in any proprietary trading in any securities. For a list of execution venues of which SEB is a member or participant, visit http://www.seb.se.For a list of execution venues of which SEB is a member or participant, visit http://www.seb.se.