Financial Results
Q3 2020

Friday, 22nd October 2020

Q3 Report

Johan Torgeby

President and CEO, SEB Group

Financial markets development

Thank you very much and a dear welcome to everyone to SEB's Q3 Report. I'm starting on Page Two. As customary, we just comment briefly on the macroeconomic and financial market developments during Q3. And I think, in one word, one could say that this is a new type of stabilisation that we've seen in the third quarter.

Equity markets

The equity markets, after a very strong recovery, predominantly in Q2, has more or less been stable although been moving a little bit, but kind of come up to new all-time-high levels in the US and healthy recovery in other stock markets, and moved around in the quarter around this newly-found elevated level.

Credit spreads

Credit spreads were tightening during most of the quarter, but widened at the later end of the quarter in September. But there was still a marginal drift downwards on credit spreads during the quarter, but still marginal.

Interest rates

And interest rates were more or less flat in Sweden and marginally down, and will now come into a more stable level around -0.5% on the ten-year yield in Germany and just below the zero line in Sweden.

Development of credit exposure

Credit exposure by main sectors

Going to Page Number Three, the development of credit exposure in SEB. We continued to see healthy growth on the exposure of the Bank to corporates, households, et cetera. The FX-adjusted growth rates in the third quarter, year-on-year, was 9%, in line with what we've seen lately. And this is, of course, close to two times what we've seen the market grow, on average.

Credit exposure growth rates

Households grew by 6%, but mortgages grew more than household. That means that consumer lending were not growing as fast as mortgages. And this is the exposure that grew with 8%. So it includes all the mortgage promises that we made. The underlying actually extended mortgage growth was closer to 5% during the quarter.

A bit more cautious on commercial real estate. You can also see that both commercial and residential real estate had a tailing-off on growth rates in the quarter. However, quite differently on the annual growth rates, where we've seen a strong uptick in activity around real – residential property. And housing co-ops also grew with a healthy 3%, albeit a little bit lower.

Development of credit exposure

Large Corporates and Financial Institutions (LC&FI)

Going to Page Four, we'll just drill down, a slide we've used now for three quarters, a little bit more on the corporate exposure to large corporates, in particular. And just comparing to year-end 2019, one can see that the on-balance sheet credit exposure or, if one wish, the drawn actually borrowed money, is flat.

So even though credit exposure has grown quite significantly, it's not come in the form that the companies actually draw on the money to put them to work, but continues to have this characteristic of having more available financing at their fingertips. And also, financial flexibility has been increased. This is, of course, important as NII has a different implication, depending on where the loans are positioned in the undrawn or in the drawn off-balance sheet area.

However, the exposure has grown with a full 24% on an undrawn basis. Doing that, the full exposure for large corporate is up 11%. And these are currency adjusted to be related to the previous slide's 9% in growth rate. So on the margin, a driving force behind the loan exposure growth has been large corporates and financial institutions.

Solid market position among SME customers…

Going to the next page. There's been a lot of speculation, dialogue, and worry around the state of the SME market – so, the medium-sized and small companies. And of course, this is where a large portion of the government programmes have been directed as well as the responsibility for the banks to lend and provide liquidity have been directed. So I thought I'd just give a short update on SMEs.

Continuous market share gain, with a solid position in Swedish market

Here, we have a proxy for our market share to see if SEB has performed. And I think we've had a long-term, ten-year, very steady transition up in the market share. This is very much by design, and we have an ambition and aspiration in the Bank to come to a 20% market share in the Swedish corporate lending market. This is a ten-year graph where we've gone from somewhere around 11% up to 17%. And we are one of the top three banks in Sweden.

Satisfied customers

This year's Business Bank of the Year survey, which is one closely followed customer survey result coming out in Sweden, SEB came out as number one for the second year in a row. These are the two first years that we have been number one in this measure in the last decade and even more than a decade. So I'm quite encouraged that we are performing okay with our clients.

…while developing next-generation offering to SME customers

Digital ecosystem enabled by SEB's API platform: Oxceed, Capcito, and PE Accounting

The next page, Page Number Six, is just a short update on some of our strategic initiatives, namely, to the left, our open banking and API cloud platform, to give some concrete evidence of what's actually happening and what customer value can we provide. And this is really to talk about an ecosystem where we now can combine external capabilities in the SEB frame in order to provide it, in this example, to particularly SMEs to give them a complete, new customer experience of banking with SEB.

And this combination that we point to here is, first of all, to use an external provider in PE Accounting, an ERP provider, which is commonly used by SMEs in order to pay bills, in order to track salaries, and also to have their financials in order.

That can be combined with Capcito, which is an online dynamic credit scoring, call it, supply chain financing engine, which is quite innovative.

And now, most lately, during the quarter, we've invested in a start-up called Oxceed, which is a cloud-based smart technology platform for management reporting. So you, in real time, can get the P&L, a balance sheet, a – key statistics of – and key metrics of your business presented in a very professional layout, easy to read. And this is done automatically.

Together, these three, we're now integrating it in the Bank. So you can have bank services in the ERP systems, and you can get ERP, credit scoring, and professional account – professional reporting – reports, all done also in the SEB environment. And this is quite exciting, as an example of where we are going.

SEBx – a bank within the Bank

To the right, as many of you have heard before, we, in December, I think, 2018, created something called SEBx, which is a organisation within the Bank at the fringe of the organisation, trying to explore new technologies and do things to limit the legacy problem that everyone has of an incumbent nature.

SEBx first launch is to create a bank within the Bank, ruthlessly targeted towards solopreneurs – so, self-employed or very few employed companies – who doesn't have a great bank, in our opinion, today. It's neither private banking, or personal banking, or corporate banking. It is something in between.

And this has now been up and running for a few months. And we've had up to 20 pilot customers. It's working. But before we launch it at a greater scale, we're now taking the second step and inviting another 100 to 200 solopreneurs to join. And hopefully, we have more information around year-end or early next year if we think this new initiative has a more important bearing on the future for the Bank.

Accelerating the sustainability transition

Strengthened governance

Next page, Page Number Seven, I just want to give an update during the quarter. We've made two different, what we think, notable areas on sustainability improvements.

The first one is that we have institutionalised a large change, when it comes to governance of sustainability work in the Bank. We found that the last two, three years, this has exploded from just being a few people here and there to being hundreds, if not 1,000 people, interested and actively working with questions relating to a sustainable society and SEB, in particular, how to create products, financial services, and also accounting, transparent reporting around these issues.

So we've said this is of the same importance as credit risk, which is something we are very used to and have everywhere in the Bank. And hence, inspired by the credit risk governance, created a new group called the Group Executive Sustainability Committee, which I am chairing personally, with all business areas represented, including a wide group of people who are dedicated to the sustainability issue.

This is important to point out. It's not only about Group communication and reporting. That is, of course, important and part of this work. But the ambition is to combine product development, innovative solutions to create a more sustainable society where the Bank can play.

Advisory areas – we have hired 40 bankers within corporate and investment banking relating to the energy transition bet, which is one of the major initiatives we have in the Bank. And all this we want to put together with all the other bits and pieces, namely credit risk, sustainability risk, transparent reporting, etc., in one senior forum within the Bank.

Enhanced offering

To the right, we just have a few transactions that we thought were notable during the quarter.

The first one is, of course, we're very proud to have been participating and structuring the first Swedish Government Green Bond, which came out at €2 billion equivalent, SEK20 billion. We were also named the adviser – the financial adviser to Mercedes for their green transition to electrification of the vehicle fleet. And we also did participate in Daimler's first Green Bond of €1 billion. And we also participated in Volvo Cars' first Green Bond during the quarter, which was a €500 million transaction.

We've also changed our sustainability criteria for our passive funds, our index funds in investment management and made them having sustainability criteria included, hence being index-linked rather than 100% index-like in the future. There are many, many thousands of index funds and we thought this would be our contribution to make all our index funds having some sustainability criteria. And we're talking about SEK51 billion in scope.

SEB Greentech

And lastly, we have spoken to, but now formally launched and announced our initiative to put some money aside to support entrepreneurs in a Greentech venture capital form in order to make this new start-up community have an additional source of funding. This is, of course, in an equity-like form and we have hired a new person outside the Bank who will run this effort. And it's very much a cut-in or a parallel to our pre-existing fintech venture capital investments. And we would like to do one similar for technology companies and other companies who has a very clear sustainability or environmental type of ambition.

Highlights in Q3 2020

Strong capital and liquidity position, with a return on equity of 11.7%

Going to Page Number Eight, we could just now move over to the financials. And we classify this quarter as a quarter where we've saw – seen continued stabilisation in the financial markets and we are entering into a new normal.

This new normal is definitely characterised by increased uncertainty and unclarity about the future. But it's not the same type of, 'What's going on?', and panic feel that we had in Q1 and beginning of Q2. This being said, still worried about the future, and the second wave, and the health concerns. They are still looming around.

Despite what we would call elevated provisions of just north of SEK1 billion this quarter, we came out with a return on equity of 11.7%. We have a strong capital and liquidity position.

And we have confirmed, in this quarter, that the Board does not intend to propose a dividend to be paid out for 2019 during the calendar year of 2020.

Financial summary YTD 2020

With those, I'll just flip to the next page and, before I hand over to our CFO, Masih Yazdi, just do the financial results so far this year.

We have continued to see a marginal acceleration of income growth, which is coming in, year-to-date, at 2%. Costs are unchanged and under control, and our cost guidance remains for 2021. This means that the profit before credit losses increased by 3%, year-to-date, compared to last year.

Given the increased expected credit losses, net profit, however, before items affecting comparability, is down 19%. And when we do include the SEK1 billion sanction fee from the Finance Inspection in Sweden, operating profit is down 24%, compared to last year.

Core Equity Tier 1 has increased to 19.4%, and something Masih will come back to. It is driven partly by the treatment of the dividend for 2019. Return on equity, year-to-date, comes in at 9.7%, before items affecting comparability. And the elevated credit loss level this year has so far been 30 basis points and a marginally improved cost/income of 0.46.

I will now hand over to Masih.

Q3 2020 Financial Update

Masih Yazdi

Group CFO, SEB Group

Financial summary Q3 2020

Thank you, Johan. And good morning, everyone on the line. So I'm on Slide 11 now, and digging a bit into the third quarter.

As you can see, we've seen income growth of 5% this quarter versus the same quarter last year. And with costs under control, you can see that the pre-provision profit growth is 10%. And despite the fact that ECL (Expected Credit Losses) have more than doubled, we see a marginal improvement of the operating profit versus the same quarter last year. The cost/income ratio this quarter is 0.44. ECL is 19 basis points and return on equity of 11.7%.

Net interest income development

Moving to net interest income on Page 12. You can see that we, year-to-date, have seen 9% NII growth versus the same period last year. This is mainly due to the rate hike we had in December '19, which has improved deposit margins. We also pay a lower resolution fund fee this year. And we've seen solid volume growth over this period. This – these positive effects have been marginally offset with lower margins.

Quarter-on-quarter, net interest income is up 5%. If you recall, we had some negative temporary effects during Q2 related to elevated levels of liquidity as well as temporary lower margins within our C&PC divisions. Those effects have now been reversed.

Worth noting also this quarter is that we have a negative FX effect of about SEK50 million as the Swedish krona has appreciated. And regulatory fees are up SEK30 million versus the last quarter.

Net fee and commission income development

Moving to the next page, net fee and commission income on Slide 13. There's a drop of 3%, year-to-date, versus last year. This is predominantly due to the lower card fees. But this has been partly offset by higher lending fees this year as well as asset management-related fees.

Quarter-on-quarter, fees are down 1%. We see some recovery, when it comes to card fees, but they are still depressed and lower – clearly lower than a normalised level. We also see an improvement, in terms of asset management fees related to the strong equity markets.

But at the same time, we have negative effects mainly coming from seasonality, with lower activity within investment banking and the markets business. On this slide, you should also note that there's a negative FX effect of SEK60 million. So slightly larger than the negative FX effect you had on net interest income.

Net financial income development

Moving to the next slide, 14, and net financial income. So the – despite the very negative development at the start of the year, we see that NFI now, year-to-date, is only down 6% versus last year. And after the strong recovery in Q2, we now show a more normalised level of NFI.

CVA/DVA

You can see that the CVA/DVA effect is a positive SEK200 million this quarter. This means that we have recovered about SEK800 million of the SEK1.3 billion in reserves we took in Q1 due to the financial markets development. This also means, obviously, that we have about SEK500 million in additional reserves that are expected to gradually come back in the next few quarters, depending on the market developments.

We continue to guide for this line to be at around SEK1.2 billion to SEK1.4 billion, excluding CVA/DVA as well as treasury. As you can see in the numbers, this quarter is at the higher end of that interval.

Operating leverage

Next slide, 15, our favourite slide, operating leverage. It still works during a COVID year. So income is up versus the same period last year. Costs are unchanged on average, so far this year, which leads to an increase of the operating profit, year-to-date.

Provisioning for future expected credit losses

FY 2020 net ECL expected to amount to around SEK6 billion

Slide 16, looking at provisions. On this slide, to the left, you can compare what we've done, in terms of provisions in Q3 versus what we did in Q1 and Q2.

As you can see, this quarter, we are reporting a net expected credit loss level of SEK1.1 billion and that this net number is all coming from the LC&FI division. We've seen underlying losses within LC&FI of around SEK1.4 billion, but we've also recovered some of the reserves we have taken on a portfolio level in that division of about SEK300 million, leading to a net level of SEK1.1 billion.

For C&PC and the Baltics, we haven't seen any real underlying losses this quarter. And the macro model update that our economists did has led to recoveries driven by this model. But being conservative, we have decided to offset these recoveries coming from the model by taking additional model overlays for the businesses within C&PC and the Baltics, leading to a net ECL level of around zero for those two divisions.

We continue to guide for an expected credit loss level of around SEK6 billion for the full-year 2020.

Capital development

CET1 buffer development

On the next slide, the capital development during the quarter. So last quarter, we reported a capital buffer above regulatory requirements of 410 basis points. That has now improved to 580 basis points. And as you can see, most of this is coming from the back – fact that we have put back the initially proposed dividend to 2019 on the capital base. At the same time, we're accruing more, in terms of dividend for 2020. We're accruing the entire profit achieved so far this year for dividends.

Asset quality and risk migration

I think worth noting here as well is that we've talked a bit about asset quality and risk migration. And now, we have another quarter with asset quality improving, leading to risk migration having a positive effect on the capital buffer.

This is mainly coming from the fact that the new business we're issuing is of higher quality than the old business and that the low-quality asset quality has moved into default, which means that you provision for it and the capital requirements go down.

Accounting treatment of dividends

It's important to say that the accounting treatment for the 2019 dividend, or the 2020 dividend, should not be used as any signalling effect of what the Board intends to do, in terms of readjusting the capital base of the Bank. We have a buffer of 580 basis points. We had a Management buffer target of 150. And over time, the Board will make sure that that will be adjusted.

Strong asset quality and balance sheet

On the next slide, a few key ratios. I think the one to highlight here is the growth in customer deposits. It's up SEK270 billion, year-to-date. This means that the loan-to-depo ratio in the bank has come down to 118%, which is probably the lowest level this bank has had in several decades.

Stable profitability despite increased regulations

Now, I'm going to talk about bank regulation for a couple of minutes. So on Slide 19, we are showing you some of the regulation that have been introduced in Sweden for last eight years and where the Swedish authorities have decided to go further than European countries have done, on average.

When this has been done, the similar reasoning has been used the same time. It has been about the systemic risk posed at the Swedish economy from the banking sector. It's been the large banking sector relative to the economy. And it's also been arguments related to the wholesale funding dependence of the banks. These arguments have come while the Swedish banking sector, if you compare it to Europe, on average, is average size, relative to the Swedish GDP.

The wholesale funding dependence is, to a large degree, driven by other regulation forcing banks to issue debt and the fact that Swedish banks have continuously shown to be more resilient with – in terms of profitability and asset quality than other banks.

Now, I think if you, eight years ago, had known that all of this regulation will be introduced in the coming eight years, the expectations would have been that you would have a significantly negative effect on banks' profitability. But as this slide shows, our profitability has been very stable during this period, albeit, as you can see, it's below the average profitability of Swedish companies. So if banks' shareholders are not paying for this regulation, it obviously means that it is paid by Swedish corporates and households.

Impact from Swedish regulation on mortgage rates

Excess Swedish regulation versus the European average

On the next slide, Slide 20, we show you a pre – concrete example of what excess regulation does, in terms of the pricing of financial products. And we're – here, we're using a Swedish three-month mortgage. The average price of a three-month mortgage in September in Sweden was 160 basis points or 1.6%.

Here, we are showing you how much of this price is derived from the excess regulation in Sweden relative to European average, in terms of deposit guarantee schemes, resolution fund fee, MREL, and capital requirements.

If Swedish regulation would have been in line with the European average, the price of a Swedish mortgage would have been 1.22% instead. The difference here is the same as SEK16 billion of annual cost for Swedish households.

Now, the authorities here, or Government, is proposing a banks tax and the same argument has been – is being used as has been used before: the banks are large and risky. And as you can see here, this argument, to the extent that it's true, has been dealt with other regulation that already is in force.

So our view is that this argument doesn't hold. The tax is unjustified. And the in the in – and in the end, it will only have an adverse effect on Swedish households, corporates, and, obviously, society at large.

That was it. Back to you, Johan.

Johan Torgeby: Thank you very much for everyone participating. We now open up for Q&A. So I don't know, operator, maybe you would arrange the Q&A. So please go ahead.

Q&A

Operator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. As a reminder, if you wish to ask a question, please press star one on your telephone and wait for your name to be announced.

Your first question comes from the line of Magnus Andersson. Your line is open.

Magnus Andersson (ABG Sundal Collier): Yes, good morning. First of all, thanks, Masih, for this refreshing loss slide. Finally, a Swedish bank standing up against the excess regulation.

Turning to my questions, starting with NII. First, I would like to know if you could say something about the competitive situation within the household mortgage market in Sweden. We've seen Handel, Swedbank, LF, and now, this morning, SBAB lowering list prices and also on premium mortgages. That's the first one on NII.

Secondly, we talked about this SEK250 million to SEK300 million negative funding effects in Q2. I just like to know whether we saw everything coming back now in Q3 so that there should be nothing left for Q4. And secondly, if there is anything in this rather strong NII in Q3 that is not sustainable, looking into Q4 onwards.

Masih Yazdi: Thank you, Magnus. And thank you for the compliment on the last slide.

So if you talk about the competitive landscape on mortgages, you know it's been a fierce competition there for quite some time. I don't think that has changed too much. Maybe this year, on average, has been slightly less competition in the sense that the incumbent banks have been taking a larger share of the new sales.

Our view is that when you look at the price adjustments seen right now, it's very much driven by the funding costs of the banks coming down. If you look at those price changes and compare that to our funding costs, you can see that they are pretty much in line with the drop of funding costs.

And here, there's always a lag effect in Q2. We had higher funding costs. We changed prices later on. Now, funding costs are coming down. And then, you change prices when you feel that those developments are more stable. So I think – I don't think there is a big change in competition. It's been intense for quite some time. I don't think it's intensifying right now.

Magnus Andersson: Okay.

Masih Yazdi: On the negative effects on NII in Q2, you're right. We talked about SEK250 million to SEK300 million. If you recall, we said that some of that could be more permanent, which was related to the Baltic business, and that we've seen deposit inflows outgrowing loan growth, and that that excess liquidity had to be placed at the Central Bank.

That part has not come back this quarter and we do believe that it's probably more permanent. So in that sense, there's nothing left for Q4 or later on. I think this NII level we're showing in this quarter is the underlying correct level for what the Bank is achieving at this point in time. But then, obviously, you have this negative FX effect that we had this quarter and it's difficult to so – to know how that's going to develop, going forward.

Magnus Andersson: Okay. Thank you. And then, just one on costs and your headcount increases that continues.

You're now up almost 400 employees, year-to-date. I think some – although some of it is due to a change of definition in Q1. And it's continued, basically, since, I think, the low point in Q3 '18 or so. Where – what – is this primarily related to AML measures? And where are we going from here, in terms of headcount?

Masih Yazdi: Yeah. I think if you split it up, there are two main areas driving up FTEs. The first one, and the most important one, is the strategic initiatives that we launched back in December '18. And then, more than 50% of the FTE increase is coming related to those initiatives. So it's fully according to plan.

Magnus Andersson: Yeah.

Masih Yazdi: Most of the remainder is coming related to AML and KYC work. I think what's important to say is that a large share of this FTE increase is happening in the Baltics, where salaries, in general, are 60% to 70% below the Swedish average level.

So although FTEs are going up, I think you can see that staff cost is not increasing to the same extent. So yeah, there is an increase in FTEs. It is largely planned. And it's not reeling – leading to that large increases of staff costs for the Bank.

Magnus Andersson: Thank you. And finally, just have you any estimated impact of the proposed bank tax that you can share with us so we can check our calculation?

Masih Yazdi: Yeah, if you give me the definition. It's a bit difficult to fully understand. What you need to do, as a bank, is to track exactly how much of your liability side is related to your Swedish business. And that work, you need to put some effort into.

But I think if you look at the banks tax and you take our market share of the Swedish market, you can assume that we get a proportion of that. And if you do the calculations like that, it will be maybe SEK1.2 billion to SEK1.4 billion. And then, I'm talking about the six basis points going up to seven. So six – SEK1.2 billion initial, and then SEK1.4 billion.

But we'll see when it's introduced. Obviously, we will do whatever we can to mitigate effects. And then, if it's introduced, we will obviously try to do what we can to offset it.

Magnus Andersson: Yeah. Okay. That's all from me. Thank you very much, guys.

Operator: Next question comes from the line of Andreas Håkansson from Danske Bank. Your line is open.

Andreas Håkansson (Danske Bank): Thank you. Good morning, everyone. Also back starting with you, Masih, and your comments on regulations, I also really agree. But just a – follow-up questions.

I mean, we know that the regulator has been very tough on regulation. And now, when you are significantly above those requirements, you're still not allowed to pay a dividend. Well, actually, you're allowed. I mean it's a recommendation. Why do you think that your Board doesn't turn around and tell the FSA, 'Look, this is what we believe is what the capital we need', and actually pay out anyway? Let's start there.

Johan Torgeby: Hi, Andreas. Johan here. I think it is hard for anyone outside to know what the Board has said or Management to have said in the bilateral meetings with regulators. And I can just say that we are not very happy, in many aspects, of how this development has been.

Both in the European Bankers Association, there are difference of opinions. And in the Swedish ones, we are pretty much of the same opinion. And that is that this is a pretty far-fetched European type of narrative to bluntly say that, 'Regardless of who you are, regardless of national law, regardless of the mandates the Board has, and the shareholders' money that are actually theirs, we give this strong recommendation.'

Now, we also play in a very sensitive political arena where we need to be responsible and take everyone's opinion into account. And the balanced conclusion of this has been to follow the Pan-European recommendation for the calendar year for 2020. That's another two months and a week and a bit. And then, we'll hopefully sit here, which is the plan right now, early in January, to do what's appropriate.

Andreas Håkansson: That – yeah, that sounds very good. Then, two more questions.

You write in the beginning of the report that you are discussing AML with the US authorities. You've been mentioned this on conference calls before, but I don't think you've written it in your quarterly report before. Has anything changed? Are the discussions more intensified or why are you mentioning that now?

Johan Torgeby: Well, as we are having a general policy, if one wish, or modus operandi that is that we never normally comment on any information requests from authorities. Given the heightened attention over the last two years, this has not been the case. Both banks, including SEB, but also some of the regulators, have chosen not to keep to that – they call it ' historical modus operandi' – but commenting on ongoing requests or errands.

Last quarter and the quarter before, we got a lot of questions, particularly if we all – also are in dialogue with the US. And rather than just saying it, as you point out on the call, we said we will put it on paper so it is clear to everybody and not dependent on what environment you're in and listening to us.

I would just say this, that we are in 20 countries and we have one to five to ten authorities in each country. And we are in dialogue with all of them, as appropriate. And that's just what we've put down. So it's clear, as we have gotten the question, that it includes also US authorities. Otherwise, nothing more to add.

Andreas Håkansson: Okay. That's very good. And last, finally, a bit more detail. If I look at the increase in Stage 3 loans in the quarter, it seemed to be very much driven by the mining, oil and gas extraction, and also on the provisioning on those Stage 3 loans. Could you tell us a little bit?

I mean, mining could be a big part of it or maybe it's a very small part of it. We don't really know. But could you give us any hint of how much is oil, and then how much of that has been classified as Stage 3 now?

Johan Torgeby: Masih, you can start. And then, I'll see if I choose to finish.

Masih Yazdi: Yes. Mining, as you say, is a very small part. You should see basically all of that being related to oil. And then, almost all of that, within oil, related to offshore. And outside of offshore, within oil, it's actually fairly healthy.

So it's very much related to offshore. It's, by far, the segment in this bag and I think, in generally, in the economy that is struggling the most. So most of that increase in Stage 3 is coming from that. And in this Bank in this quarter, it's made to be in one big exposure.

Andreas Håkansson: But you don't want to say exactly how much of that portfolio has now been moved into Stage 3?

Masih Yazdi: No, I don't have the numbers. And even if I had, I'm not sure I would tell you.

Andreas Håkansson: That's okay. Thank you.

Operator: Our next question comes from the line of Nicolas McBeath from DNB. Your line is open.

Nicolas McBeath (DNB Markets): Thank you, and good morning. So first, a question on the corporate loan demand outlook.

Curious just of what kind of corporate loan demand you're meeting currently. And yeah, any comments about the outlook for corporate loan volume growth over the next few quarters that you see would be interesting here. Thanks.

Johan Torgeby: Okay. Hey, Nicolas. I'll take that. I think the first thing I'd like to say is the second derivative of the growth rates of the corporate loan demand, which is falling. So if you look at the 9% annual increase, you look at where did that come from, it was predominantly focussed around two, three months – let's say, starting April – and we've seen a tailing off. You can also look at the Q3 to – sorry, Q2 to Q3 percentage increase. It's much lower than year-end to Q3. So there is a little bit of an inflection point right now.

As we've seen a stabilisation, as companies have not – no longer shut down production, but rather focussing on restarting production, meeting former pipeline requests, and pipelines are still building in industrial land, this is right now a lesser demand, let's call it, for corona-related available funds for a rainy day. And right now, that is shifting slowly into working capital real need in order to get input goods and services that one requires in order to produce – for the produce. And right now, there is a little bit of an inflection point. So it's hard to say where this goes.

Going back to the financial crisis, which is the last time we had exactly this pattern, albeit different in magnitude and in length, this was then a little bit of a pause that came after the worst worry came out from the financial crisis. I think we are right there now. So even if we stay at this level now for some months in order to kind of grow into the costume, we will still have a very unhealthy underlying growth.

And there are no indications to us, from client satisfaction surveys, or activity levels, or pipelines, that the recent 24 months' momentum is different, relative to the market. So all those feels still encouraging, but there is some inflection point there between for a rainy day type of demand versus actual money required for one's business.

Lastly, I'll just point out that one effect of the corona has been something that we are – if not dependent on, something we work very hard at, and that's large-scale M&A deals and DCM deals. Both of those, from time to time, require significant capital. And this is also a reason why fees and commission has not had, if you look at the year-on-year number from issuance, etc.

Of course, we had a super strong base last year, not the least because of the EQT IPO. But still, those have been hampered by increased uncertainty in the wake of corona. Whilst there's been a high activity in DCM loans, of course, but also smaller IPOs, the SME market, mid-corp market has been active. But we are, of course, mostly exposed to the large corp market.

Nicolas McBeath: Okay. Thanks. That's interesting. And a follow-up on that. Do you see anything changing in the large-scale M&A pipeline then –

Johan Torgeby: No. If –

Nicolas McBeath: – or do you just see a bulk of it?

Johan Torgeby: Let – if you look at our work level and pipeline discussions, they are coming back, in the normal sense. So nothing to – I'm not worried about it. You know, what would happen if we would have a more – as a longer crisis mode? We will go into the defensive type of corporate finance, where you talk about rights issues of defensive nature. That's not happening.

So companies are feeling that they do better. And I think you need to acclimatise to that to find the confidence to make strategic moves. And we're not there yet. But I can say that it looks promising that we will come back to some type of new normal also for large-scale corporate finance.

Consolidation, as a theme, I think, has picked up, but it's mostly noise, in my book. But there's a lot of talk, both in our sector and other sector, and I'm not indicating anything is happening here, of course. But there is definitely a more frequent dialogue around companies being bought and sold.

Nicolas McBeath: Okay. And then, a question on cost. If I annualise the cost level in Q3, I end up at around 22.2%. So that's – yeah, 5% below the 23.2% you're guiding for 20 – or for the next year, FX adjusted.

So I was just wondering if – what's going to drive that increase? Do – or do you see like your activities being hampered now in COVID-19 and that's the reason why the cost base is depressed and you could expect activity pickup? So how should we think about cost development here into next year?

Johan Torgeby: Yeah. I will start and I'll ask Masih to fill in the blanks. First, it is a little bit – we've been – you know, it's now by except – excellent Management decisions, costs are now under where we would have been today, should we not have corona. So the travel and entertainment and all those areas are, of course, helping us right now to cost less.

There is a big uncertainty. It will come back. I don't know when and how much. And right now, there's very little showing that corporate business travel, which is one of the larger expense lines we have outside salaries, is coming back in the short term. But we are still hopeful that we can get to a more normalised travel schedule next year. It might – maybe not come back to 100%. We need to keep that in mind.

Then, there are several initiatives that are actually being accelerated in the digital transformation due to what's happening as well. So we've just built a very nice studio, financed by Let's Go! Travel, in order to have online video and live broadcastings, really, in the Bank with our customer base. And that is now accelerated also to include digital collaboration teams. And those will drive costs according to plan, but they will be a little bit faster and advanced, compared to what we otherwise planned.

And then, we have the share price. As you know, we do have an effect on the future liability that we incur because of the LTI programmes and that the share price had been lower. And that could easily, without our control, bounce back. And then, that would be taken into account. And then, the financial initiatives were – are, of course, going according to plans. So we know that will come up.

Masih, anything else?

Masih Yazdi: No. There are no blanks.

Nicolas McBeath: Okay. And then, I guess, the last question on the net expected loan losses.

You – yeah, you have said – reiterate your guidance of SEK6 billion for 2020. So that implies SEK700 million for Q4. So continued decline in the trend here. And just if you could share your thoughts if you anticipate this falling trend to continue also into 2021 or is there any reason we should expect the net expected loan losses to pick up again in 2021, please?

Johan Torgeby: What we know today, which is, of course, a little bit of a humble caveat, we do not expect this to come up. So we stand by the SEK6 billion. That's the best guess we have. Of course, it's only, you know, two months and a bit left. So we have a reasonable degree of confidence that we can deliver on that.

There is a big question mark for 2021. And there, we feel fine with what we know today. But we are very worried about the second wave and the Government's national responses to an outbreak, which is more significant than we can see right now. However, we are quite hopeful, one could say, for 2022.

So in our thinking, we have had the elevated level of SEK6 billion and we hope that when we end 2022, we will come back to a new normal, which is more similar to what we experienced in 2019 and the beginning of 2020 when we talked about a little bit higher than the exceptional low – losses we've had in recent years. And that kind of is a trajectory, if you see what I mean, from here on to end of 2022. But exactly what pattern it will take, we, of course, need to be very cautious around.

Nicolas McBeath: Okay. Perfect. Thank you.

Operator: Your next question comes from the line of Sofie Peterzens from JP Morgan. Your line is open.

Sofie Peterzens (JP Morgan): Yeah, hi. So just going back to the US investigation that you flag in your third quarter report. Does this relate to the SEK85 billion of non-resident deposit flows that you saw in Estonia or is it relating to something else within the SEB Group? So that would be my first question.

Johan Torgeby: Hey, Sofie. Nice to talk to you. We don't go into details on the information requests that we get from the authorities. We will comment on them when they're no longer information requests. If there is any findings – in the worst case, accusations – or if there's a sanctions process which is significant for the Group, that we will always comment. And I can just iterate, to our knowledge, there is no such things right now.

The information request, I won't comment, but I can just say that it is a very – you think about a bank like us in any jurisdiction, it's on a very broad area the information requests come, generally. And it is AML, it is KYC, it's capital, it's liquidity, it's investor protection. So it is within all these areas that they come. It's nothing we can comment on now with a specific relation to what you mentioned.

Sofie Peterzens: Okay. There is not similar to the requests, for example, Swedbank has had? So this is purely an information request from the US authorities?

Johan Torgeby: Yeah. I don't know how to put it in comparison with Swedbank. I can just confirm that it is information request from the US.

Sofie Peterzens: But the media was already talking about the information request for SEB about one and a half years ago. Why did you deny it at that point in time and now you got to acknowledge that there are information requests?

Johan Torgeby: We did not deny or confirm the media reports on information requests from the US, which is very, very important. And why I say that is you have to understand that some regulators and some information requests are, by law, forbidden for us to comment on. It's the first line. And you'd be – you are then risking or breaching your – a regulation which is very firm that some of these things are not to be commented on.

Some are allowed to be commented on. And therefore, we choose not to go into one or two specific discussion, when they are on the information-sharing stage, as it becomes first. And you can, by deduction, maybe conclude what is what and that is potentially not legal for us to do.

Why we have now said American or US authorities is because we said it verbally. So we have confirmed. But we always have information-sharing with authorities in the US. But as it is such a interesting topic, we put it on paper and we have said it also in the last couple of quarters.

Sofie Peterzens: Okay. And just in terms of the cancelling the dividend for 2019, that has nothing to do with this US investigation?

Johan Torgeby: No. No. The cancelling has to do just by the recommendations from the EBA, ECB, and the Finance Inspection.

Sofie Peterzens: Okay. And you briefly mentioned earlier on M&A – you were saying a lot of sectors are talking about M&A versus the M&A across banks in other jurisdictions. But what's your view on M&A, considering that you have so much excess capital?

Johan Torgeby: This is a question about how you view an excess capital. And for us, it is, of course, not because something that we control. So hence, it is not a permanent situation where that excess capital necessarily needs to be deployed. We will have to wait for the regulator's appetite for allowing us to decide on our own before we decide on what's the permanent.

What is true is what Masih said. We have not changed the ambition or the target for the bank, which is 150 basis points of a Management buffer approximately. So – and that's what we have now between the Management and the Board to relate to. But given the circumstances, the question is how and when will that kind of adjustment occur.

Sofie Peterzens: Okay. And then, just a final question. When I look at your Stage 3 loans, they increased around 13% – 1-3% – quarter-on-quarter. What drove this?

And also, almost all of your Nordic peers sold one of their oil – big oil exposures. According to the press, SEB was the only one not selling that exposure.

Why did you not sell that exposure? And why did your Stage 3 loans increase by around 13%, quarter-on-quarter?

Johan Torgeby: If I do the exposure and I'll ask Masih to complement on Stage 3. The press reported on one specific client that we normally do not comment. So I'll do it generally.

When banks find themselves in trouble, when it comes to high probability of default, every bank will have to make a decision. Can you work with the company in order to come out better for yourself, for your shareholders, and particularly for your client and your client's shareholders, or do you think it's the wise strategy just to exit?

And once – when banks like SEB make that decision, we often think that we can work together with the client because we think it's better for everybody. So if there was any instance where we would choose to stay in, that would be most likely the reason.

Stage 3?

Masih Yazdi: Yeah. I think we answered this before, Sofie. So it's very much driven by the oil sector and specifically offshore. And as you can see, this increase is not too far off the actual ECL report this quarter. So you can also see that the coverage ratio for the increase is higher than the back-book coverage ratio of the Bank, leading to the Stage 3 coverage ratio going up to 48% this quarter, compared to 44% the last quarter.

Sofie Peterzens: Great. Thank you very much.

Operator: Your next question comes from the line of Robin Rane from Kepler. Your line is open.

Robin Rane (Kepler Cheuvreux): Yes. Good morning. Thank you.

So the first question on capital and – if you have any comments on future IRB model reviews and how that might affect the capital, going forward?

And then secondly, a more general-level comment. In 2020, we have seen oil price going down with the corona and so on. And I think you guys are more – also more willing to build a more like sustainable bank. Is 2020 accelerating sort of the trends that we see that you might exit or decrease your exposure to oil-related industries, for example, or where you also see some asset quality troubles? So I just want – I'm just interesting to hear your thoughts on that. Thank you.

Masih Yazdi: Okay. Yeah, I'll start with the capital question. Future IRB reviews? Yeah. I mean, the case is that until year-end 2021, all banks need to reapply to use the IRB models we are using. And then, they will harmonise how they have interpreted the regulation.

Whether this will lead to capital requirements going up or down or the risk weights derived from the models going up or down, we have to wait and see. So yeah, it's an outstanding issue. We haven't sent in our – all our applications yet and we have no feedback from the FSA. So yeah, we don't know yet.

Johan Torgeby: On the oil-related areas, we are, I would say, halfway through a process which is encompassing the following aspects.

First, we're classifying the full exposure – the indirect exposure the Bank contributes to through its lending operations, and with particular focus on energy sector and oil. And we've more or less done that. We then have a Paris-aligned ambition. So the exposure in the Bank over the coming decade or decades should be aligned with the principles that we have signed, including principles for responsible banking. That's also been done.

But the question is the how. So what we cannot know is exactly where do the investment come next year from the clients that we do have and how should we behave. But as a general rule, we are working hard now to find not only the ambition and intention to align the operation with Paris, when it comes to oil and energy, but also the how. And we will, of course. Stay tuned in because we will, of course, come out with many things on this topic, going forward.

There are two typical ways of doing it. One is by excluding yourself completely, and one is engaging yourself with the companies that you find have a very transformative business strategy which is credible. And we will have to use both, but the general principle is that we engage. Because most of the clients that we do have, we definitely like. And we think that they are on to something.

I'm spending personally quite a lot of time with many of the industries that do have a very negative footprint from their operation. And I'll tell you they are on to this. So we would like to be part of it and see if we can be a positive catalyst through the financing relationship that we have to accelerate.

Robin Rane: All right. Thank you very much. That's very helpful.

Operator: Your next question comes from the line of Rickard Strand from Nordea. Your line is open.

Rickard Strand (Nordea): Yes. Good morning. Thanks for taking the call. Most of my questions have been asked already, but I have a short one on the cards development.

We see a sequential pickup in Q3. Would you say that's solely driven by household cards or is there also some signs of improvements on the corporate side there?

Johan Torgeby: I think you could – not maybe solely, but definitely mainly driven by the recovery on the private cards. The picture is pretty different. So we've seen many banks in the US and also here in the Nordics report positive momentum on the private cards.

We still are below on the card – private card volumes, compared to the same week or month last year. The last data point I have is somewhere around 8%, 9% below. We do see the recovery quite healthy. And hence, you have a – I think it's a 9% increase quarter-on-quarter, but still depressed levels, compared to where we were before.

On corporate cards, the last data point I have is more than 40% down on volume year-on-year, even here and now. And we are very dependent on industrial companies and exporting companies changing their travel and entertainment. Because that's the major driver for the corporate card spend – is travel and entertainment.

So I think the slightly weaker recovery that we have seen in our Bank on card fees is that, we think, very much explained by a higher propensity of corporate cards, which is, of course, not recovering as well as private.

Rickard Strand: And would you – could you remind us what the year-over-year drop on corporate cards was in Q2?

Johan Torgeby: 40…between 40% and 46%. I don't know if –

Masih Yazdi: Yeah. I think the low point in March and April was -65%, -70% and now we're back to -40%, compared to the same period last year.

Rickard Strand: Okay. Thank you.

Operator: Your next question comes from the line of Riccardo Rovere from Mediobanca. Your line is open.

Riccardo Rovere (Mediobanca): The – good morning to everybody. A couple of questions, if I may.

The first one is on your dividend aspirations. In general – as a general comment, do you think that SEB is somehow benefitting – enjoying from the various initiatives and facilities made available by governments, central banks in Sweden and outside Sweden? Because you've – your profitability is somehow supported by such initiatives, this could be eventually an argument for regulators. This is just a general comment I would love to have from you.

And the second question I have relates to corporate loan growth. It's not that clear, from some of your previous comments, if you think that at some point, corporate loan growth in SEB is going to come to a kind of stall or do you think that SEB can continue growing at least in line with the rest of the country?

Johan Torgeby: Hey, Riccardo. Thank you. First question, if we deem to be supported when it comes to the current profitability from Government programmes. I would say not really. So we have no such analysis that indicates that anything we are doing right now is thanks to or due to that. It's almost like we are doing what we can and they are doing what they can in order to support the corporates of Nordic, Baltics, Germany, and UK, where we operate.

However, there is one benefit, that is implied rather than direct, one should be aware of. And that is that the bankruptcies that we saw in September is down more than 30%, compared to September last year, which is, of course, a very notable number, given what's going on. And here, one explanation must be – reasonably be that the Government programmes are sheltering many of the SMEs and helping them not to be facing liquidity problem and bankruptcies.

Hence, there is, of course, a potential for a backlash once and if those programmes are stopped for the mass market. I wouldn't say this is relevant for the large corporates, but it could be very relevant for the small and medium-sized corporates. And that implies, of course, a cost of risk that is now better for banks than it otherwise would have been, should that support not have been there.

And also, when I look at what other banks are doing, including ourselves, thanks to the Government programme, we do not have a lot of reserves coming right now for the domestic local economy. It's mostly in SEB coming from the international, export-dependent, large corps, which is the full amount, actually, we'll reserve – the SEK1.1 billion this quarter. So there is an implied benefit, of course, coming there.

Riccardo Rovere: Okay. Thanks. Okay. And on corporate loan growth, if I may?

Johan Torgeby: Yeah. Sorry. No, I am a bit unclear because it is a little bit unclear. This inflection point means that it could very well be that once the demand for corona-related financings disappear or tail-off, which we are seeing right now, there might be a period before confidence is reintroduced for it – for real lending investments, M&A, and expansions of businesses in our client base actually starts occurring. And I don't see it massively right now. We're still in the kind of a mode of getting back rather than looking forward and expanding.

When it comes to – in line with the broader economy, I have no reason in my mind right now to say anything but that we, of course, expect to grow in line with the general economy and the general market. So I see no reason why this – a little bit stronger momentum, actually, that we've seen, relative to the average, is maintained. But when I think –

Riccardo Rovere: Okay.

Johan Torgeby: **–** about it a little bit more over medium term – because, you know, a quarter has 60 working days. It is very hard to assess these things on that short time frame.

Riccardo Rovere: Thanks. Thanks a lot, Johan. Very clear. Thanks.

Operator: Next question comes from the line of Namita Samtani from Barclays. Your line is open.

Namita Samtani (Barclays): Good morning. And thanks for questions. I've got two, please.

Could you, firstly, give us a sense of how front-book margins within the corporate book are trending versus the back-book?

And secondly, are you happy with your mortgage market share in Sweden?

Johan Torgeby: Yeah. On the corporate book, I think I would say stable. So they are in line. There – it doesn't feel, right now, that there are any pressure downwards and I don't think we have any tailwind where we could see increased margins.

Credit spreads in the market is a decent long-term indicator. And that also indicates that we've kind of come back to these little – lower levels than we saw at the very height of corona where pricing was improved. So I would say stable.

What was the second question, sorry?

Masih Yazdi: Mortgage market share.

Johan Torgeby: Mortgage market share. Yeah. We're pretty happy around here. So in SEB, we do not have an explicit market share gain strategy on mortgages. So the relative size, call it around 15% of the Swedish private market, is roughly where we stand. And we try to make it as good with the best offer in a shareholder-friendly way.

That's kind of where we stand. Not to be mixed up with SMEs, which is also part of CPC, where we do have a market share ambition of increase towards the 20%, as we previously spoke about.

Namita Samtani: Thanks very much.

Operator: Next question comes from the line of Jacob Kruse from Autonomous. Your line is open.

Johan Torgeby: Jacob? Are you on mute or should we ask the operator to take the next question, Jacob?

Operator, I think we lost Jacob.

Operator: Our next question comes from the line of Adrian Cighi from Crédit Suisse.

Adrian Cighi (Crédit Suisse): Hi, there.

Operator: Your line is open.

Adrian Cighi: Hi, there. Thank you very much. I have a couple of follow-up questions, please.

On NII, can you maybe spell out the contribution from TLTRO this quarter? On cost of risk, did you say that you expect a normalisation towards the 2019 levels in 2022 or after that?

And then, maybe two very quick ones on capital. On the timing of IRB harmonisations, can I please clarify that you expect the timing to be communicated by end of 2021 or is that the deadline for SEB to submit its models for approval?

And outside of this, do you have any other headwinds coming into the next quarter or next year rather, sorry, EBA definition of defaults, CRE floors, or any other ones that we could think through? Thank you very much.

Masih Yazdi: Yeah. Hi, Adrian. On your first question on NII, there is no benefit from TLTRO. We don't participate in that. So there's no benefit in our NII.

On ECL, I think Johan's comment on – was that 2021 will be a middle year. It seems like right now, we'll see how it develops. And then, by 2022, we hope that the ECL level will be more normalised.

On the IRB models, the deadline to get the models approved is by the end of 2021. Now, there are a lot of models that needs to be approved from us and other Swedish banks. So whether the Swedish FSA can keep up to that timeline, it's difficult to say. I think it's challenging for them to be able to approve all the models by then.

In terms of other tailwinds or headwinds, in Q4, we have this software deduction that's going to come. That will be marginally positive for us. Beyond that, we've talked a bit about risk migration last couple of quarters that we have expected that to be negative on the risk exposure amount.

That hasn't been the case, but we still expect that to be a headwind in the coming quarters, depending on market conditions. So that's maybe the only real headwind I can see that we expect. But again, we've been wrong for three quarters on that headwind. So we'll see what happens.

Adrian Cighi: Thank you very much.

Operator: Next question comes from the line of Chris Hartley from Redburn. Your line is open.

Chris Hartley (Redburn): Hi, there, guys. Thanks. Just a very quick follow-up on your capital and dividends.

Just next year, are you limited to a 100% payout ratio at all and is there anything special you have to do regarding getting permission to go above that? So just thinking in the context of you perhaps taking slightly firmer stance with the regulators. Thanks.

Johan Torgeby: Yes. Thanks. No, we are likely not limited. There is one regulation which says, basically, that if you do something with your capital base that reduces the capital base, you need approval from the FSA. Well, in theory, everything you do, in terms of dividend, reduces your capital base. But typically, you don't need approval for that. And whether a payout ratio above 100% can be viewed as reducing the capital base, then there could be some arguments on that.

But then, I mean, we still have after the calendar year 2020 to have new thoughts about the dividend for 2019. And if the Board feels that that is reasonable, then there could be a dividend for that year, which could be less than a 100% payout ratio for the profit for 2019. And then, you have the profit 2020, where you can also have a lower payout ratio than 100% and still have a large dividend to be able to adjust the capital base after 31st December this year.

Chris Hartley: Yeah. Okay. Thanks. So I didn't realise you could effectively redo the 2019 dividend. Yeah, that makes sense. Thank you.

Johan Torgeby: Yeah. You have until the next AGM, so 3rd March for us, to propose a dividend for 2019.

Chris Hartley: Okay. Brilliant. Thanks.

Operator: Next question comes from the line of Jacob Kruse from Autonomous. Your line is open.

Jacob Kruse (Autonomous Research): Hi. Can you hear me this time?

Johan Torgeby: Yeah. Hey there, Jacob.

Jacob Kruse: Hi. Sorry, I think I was on two lines. Okay. So I just wanted to – two questions.

Firstly, on this AML debate that, I guess, has an impact on the share, certainly. You said in Q2, on the conference call, something along the lines of, 'We can confirm that there is no ongoing sanctions case against SEB in the US.' Is – can – is that the statement that still stands? So is there, so to speak, no change from where we were in Q2?

And just secondly, on this topic, is that fair to say what you've put in the report is just formalising what you've been saying for some time, in terms of there always being information requests or potentially being information requests from regulators to respond to?

And then, I just wanted to check or ask on the capital side. You just said you can still pay until the 2020 AGM in, I guess, March for the 2019. So given that and given the sort of temporary hold-off, what is the point of this cancellation or, you know, formalising the return of the capital in your capital base this quarter, if that's a decision that can still be – that still needs to be ultimately decided or if we have the six-months' time line from today that you're talking about? Thank you.

Johan Torgeby: Thank you, Jacob. If I start with the AML, this is – it's a very, as you know, sensitive topic how one express oneself. We always need to take into consideration what is public, what is allowed, and what is a fair representation. And if there's anything that has been – that's tricky the last two years, it's to express oneself in a clear and concise manner, genuinely honest, and then that it is perceived that way.

So when it comes to the sanctions process, this is a distinction between having ongoing dialogue and requests for information, traditional investigations. And we would, I would say, any given day, have 60 ongoing authority relationships which are on a particular topic. That is the normal course of banking, and nothing strange. And every single one of them can theoretically lead to criticism and/or a sanctions process and, after that process, a administrative fine or a sanctions fine.

Now, what we are then saying, that we can differentiate between that and something that is of a sanctions process. We broke the long-standing history of not commenting, not even on sanction processes, until there is a firm decision. Firm decisions are always made public and/or commented on once they are done, if they are of any material impact.

So now, we are saying that as far as we know – we said that in Q2 and I can reiterate that right now – we are not part of a sanctions process. And that is, of course, also semantic. What is the sanctions process? In our book, it is – has anyone identified a misdoing or accused the Bank for something or is there a formal process where we've been asked and accused for anything where we need to defend ourselves or explain what's happened? So I don't know exactly how to better describe it, but this is where we are.

Jacob Kruse: Okay. So basically, what was said in Q2 can be reiterated in Q3 essentially?

Johan Torgeby: Correct.

Jacob Kruse: Great. Thank you.

Masih Yazdi: Yeah. On your second question, well, yeah, we do. It's correct that we do have until the next AGM to propose a dividend for 2019. And to be honest, we could have treated the dividends for '19 either way this quarter. We felt that this was the prudent way to do it.

And I think the most important thing here is that – look at the capital buffer we have. It's 580 basis points even though we've deducted the entire profit for 2020. And we have a Management buffer target of around 150 basis points. And then, in addition to that, you have the Bank's profitability.

And that should be your guidance on what kind of dividends you can expect from this Bank, going forward. And then, exactly what the timing of that will be, it depends on several different factors, not least what the different authorities say.

Jacob Kruse: Okay. Thank you very much.

Operator: There are no further questions at this time. Please continue.

Johan Torgeby: Thank you very much. We wish you all a good day and hope to see you soon. Bye-bye.

[END OF TRANSCRIPT]