



# US Debt Investor Presentation

## Financials full year 2012

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SEB

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# Content

**SEB's Core Markets, Franchise, Financial Results and Strategy p. 4**

**Credit Portfolio and Asset Quality p. 19**

**Capital p. 26**

**Balance Sheet, Funding and Liquidity p. 30**

## **APPENDICES:**

**Appendix 1: Swedish Housing Market p. 42**

**Appendix 2: SEB's Swedish Residential Mortgage Lending & Covered Bonds p. 49**

# SEB's Core Markets, Franchise, Financial Results and Strategy

# SEB in Brief

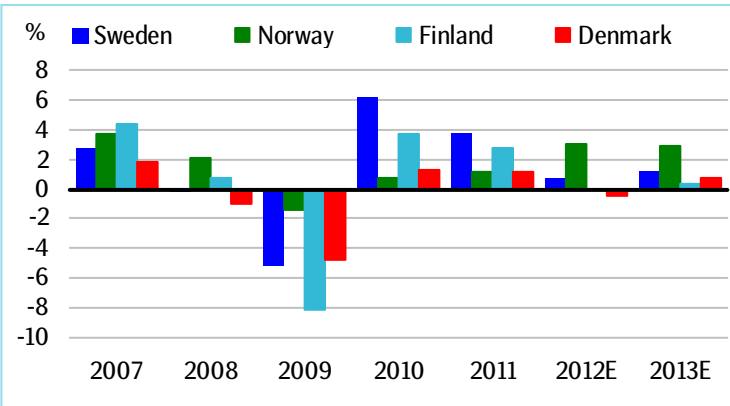
- ❑ Founded in the service of enterprise by the Wallenberg family in 1856  
Still the largest owner via Investor AB - a listed company on Nasdaq/OMX Stockholm
- ❑ Three largest shareholders have about 35% of share capital
  - Investor AB 21%; Trygg foundation 8%; Alecta 6%
  - Non-Swedish shareholders 24%
  - Among the five most commonly owned listed shares by the public (number of shareholders) in Sweden according to Nasdaq/OMX (Stockholm Stock Exchange)
- ❑ One of the four major banks in Sweden and in the Nordic area with total assets of SEK 2,453bn (USD 377bn) as at December 31, 2012
- ❑ Ratings
  - Moody's
    - ✓ A1 / P-1, stable outlook
      - The outlook for the Swedish banking system was changed to stable in November 2012
  - Fitch
    - ✓ A+ / F1, stable outlook
  - S&P
    - ✓ A+ / A-1, negative outlook
    - ✓ All major Swedish banks' long-term rating put on negative outlook in November 2012 due to:
      - S&P's view of a weakening economic outlook for Sweden resulting in increasing economic risks for the banks
    - ✓ It *may* lead to a one-notch downgrade for banks operating in Sweden, *if* S&P sees a sustained economic decline *over the next 18-24 months* with rising bankruptcies, falling property prices and rising unemployment

## SEB's Core Markets

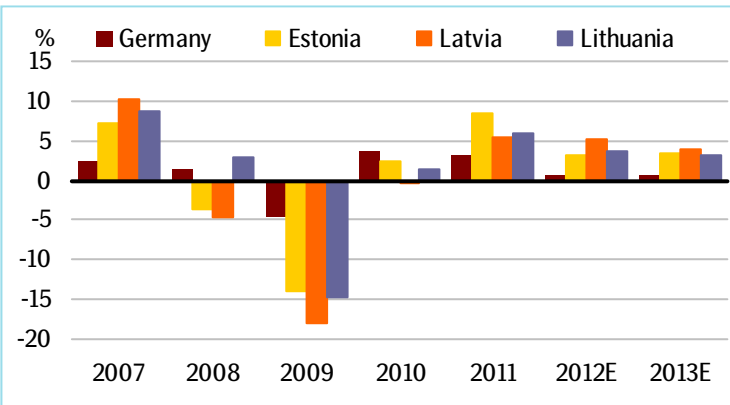
# Economic Fundamentals remain relatively robust



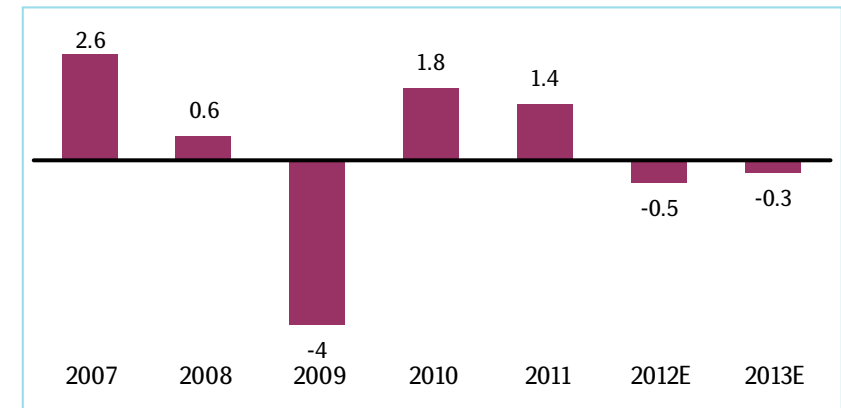
### Nordic GDP development \*



### German and Baltic GDP development \*

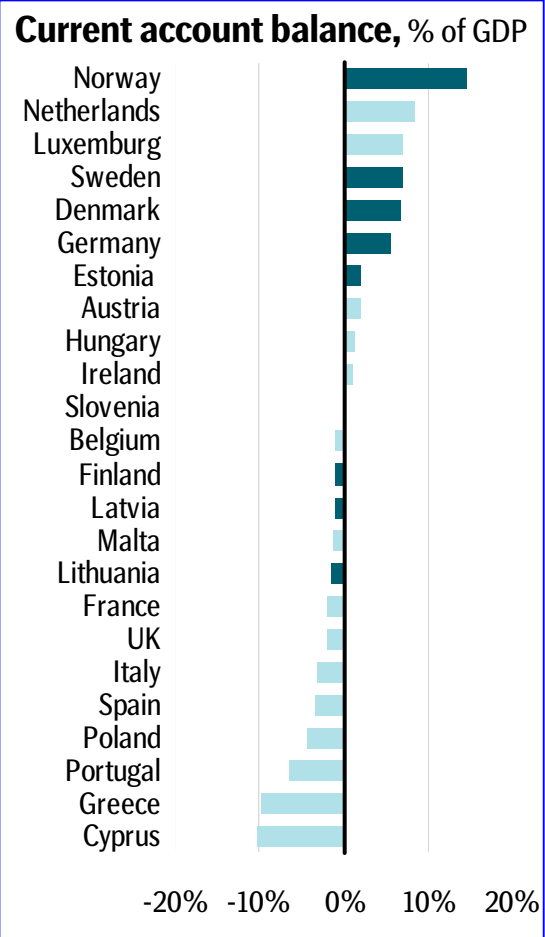
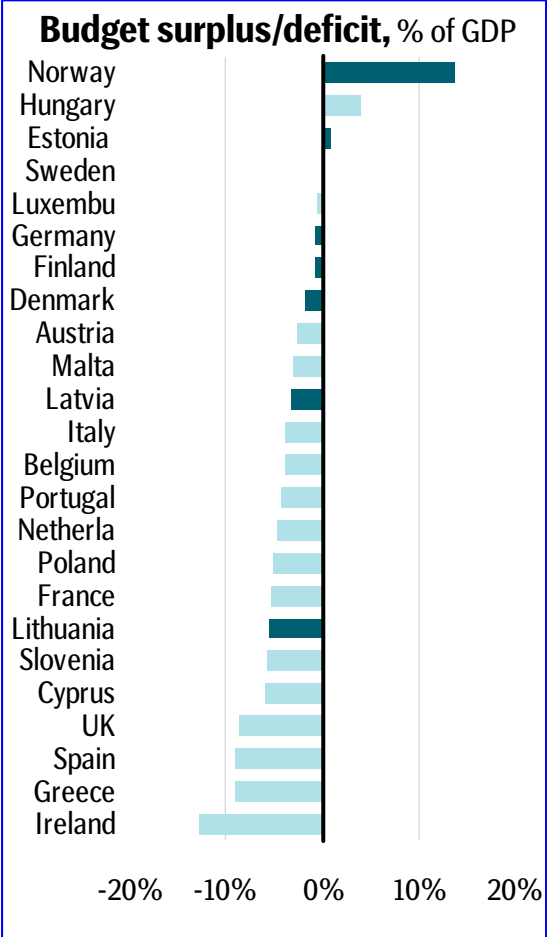
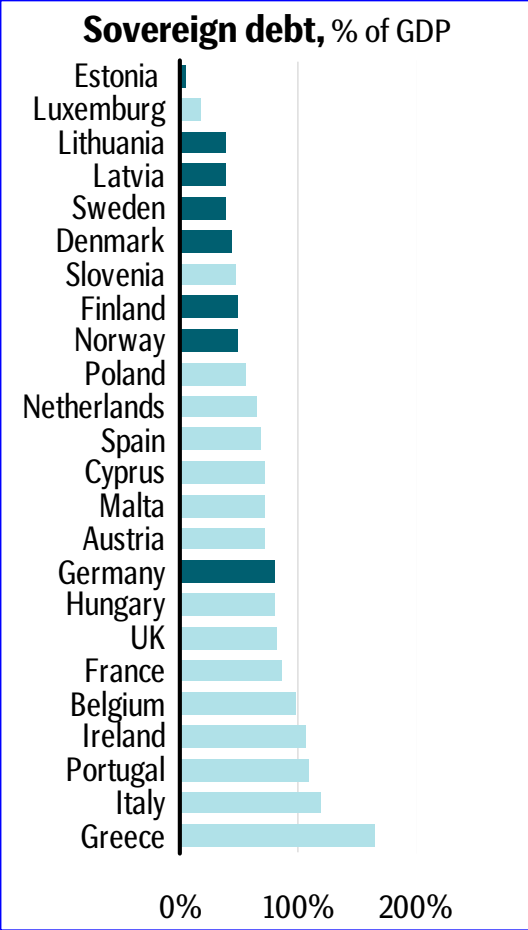


### Eurozone GDP development in % \*



\* Source: SEB Nordic Outlook, Feb 2013

# SEB's Core Markets enjoy strong sovereign finances



Source: IMF WEO  
 Updated Jan 2013 with data based on 2011 figures



# Swedish Economy 2012 and 2013 <sup>1)</sup>



- ❑ Central government debt forecast to stabilize slightly above 30% of GDP in 2013
- ❑ Current account as a % of GDP 7% in 2012 and expected to be above 6% 2013
- ❑ Sweden's main export markets <sup>2)</sup>:
  - Countries: Germany 11%, Norway 9%, UK 7%, Finland 7%, Denmark 7%, US 6%,
  - Geographic Areas: Eurozone 40%, Nordics 24%
  - Exports as a % of GDP is around 50% of which goods constitute approx 33% and services 17%
- ❑ GDP Recovery in 2013 after a better than expected GDP number in Q4 2012
  - GDP 0.8% in 2012 and expected to be 1.2% in 2013
  - Expansionary fiscal policy and consumption main drivers in 2013
- ❑ Housing price risks reduced (10% down from peak)
  - Structural lack of supply in major cities and low new residential construction are important stabilizing factors
- ❑ Unemployment may rise just above 8% in 2013
  - Upturn driven by a strong increase in the labour force. Weak GDP growth signals a slow-down of job creation and an increase in unemployment
- ❑ Inflation well below 2% target; 0.9% and an estimated 0.1% in 2012 and 2013 respectively
  - Central Bank's repo rate maintained at 1%
- ❑ Central bank did not lower the repo rate at its February, 12 2013 meeting due to:
  - Stabilizing economic situation and less risk for greater decline in economic activity, more optimistic corporate sentiment reports
- ❑ Fiscal stimuli: SEK 23bn in 2013 (budget bill)

1) Source: SEB Nordic Outlook Feb 2013

2) IMF and Eurostat 2011



# Well-diversified Business Mix and Franchise

## Large Corporate and Institutional business (Merchant Banking division) \*

- ❑ The leading Nordic franchise in Trading, Capital Markets and Fx activities, Equities, Corporate and Investment Banking
- ❑ Second largest Nordic asset manager with approx. SEK 1,328bn (USD 204bn) under management
- ❑ Largest Nordic custodian with approx. SEK 5,191bn (USD 799bn) under custody

## Retail business (Retail Sweden and Baltic division) \*

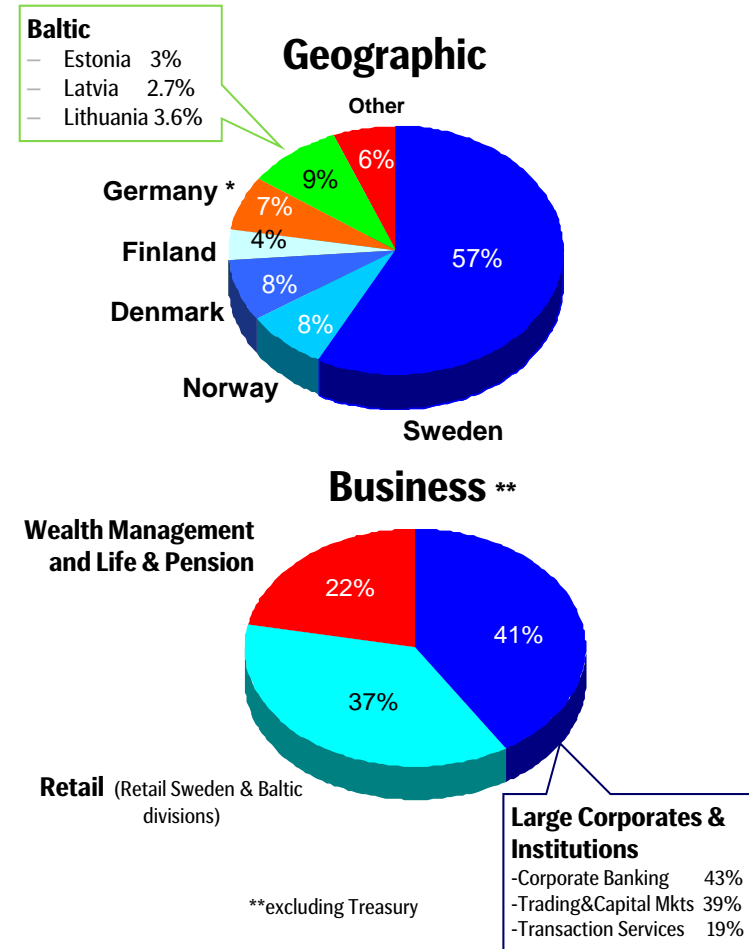
- ❑ The largest Swedish Private Bank in terms of Assets Under Management
- ❑ Total Swedish household savings market: No. 2 with approx. 11% market share
- ❑ Life insurance & Pensions: No. 1 in unit-linked life business with approx. 17% of premium income of the Swedish market and approx 9% of total household savings in unit-linked and traditional life & pension plans in Sweden
- ❑ Third largest in Swedish household mortgage lending with a approx. 16% market share
- ❑ Second largest bank in the Baltic countries

\* latest available data and company reports

1/ Unit-linked = A regulated open-end mutual fund with an insurance wrap

**Fx rate Dec 31, 2012 :**  
**USD/SEK = 0.15**  
**SEK/USD = 6.50**

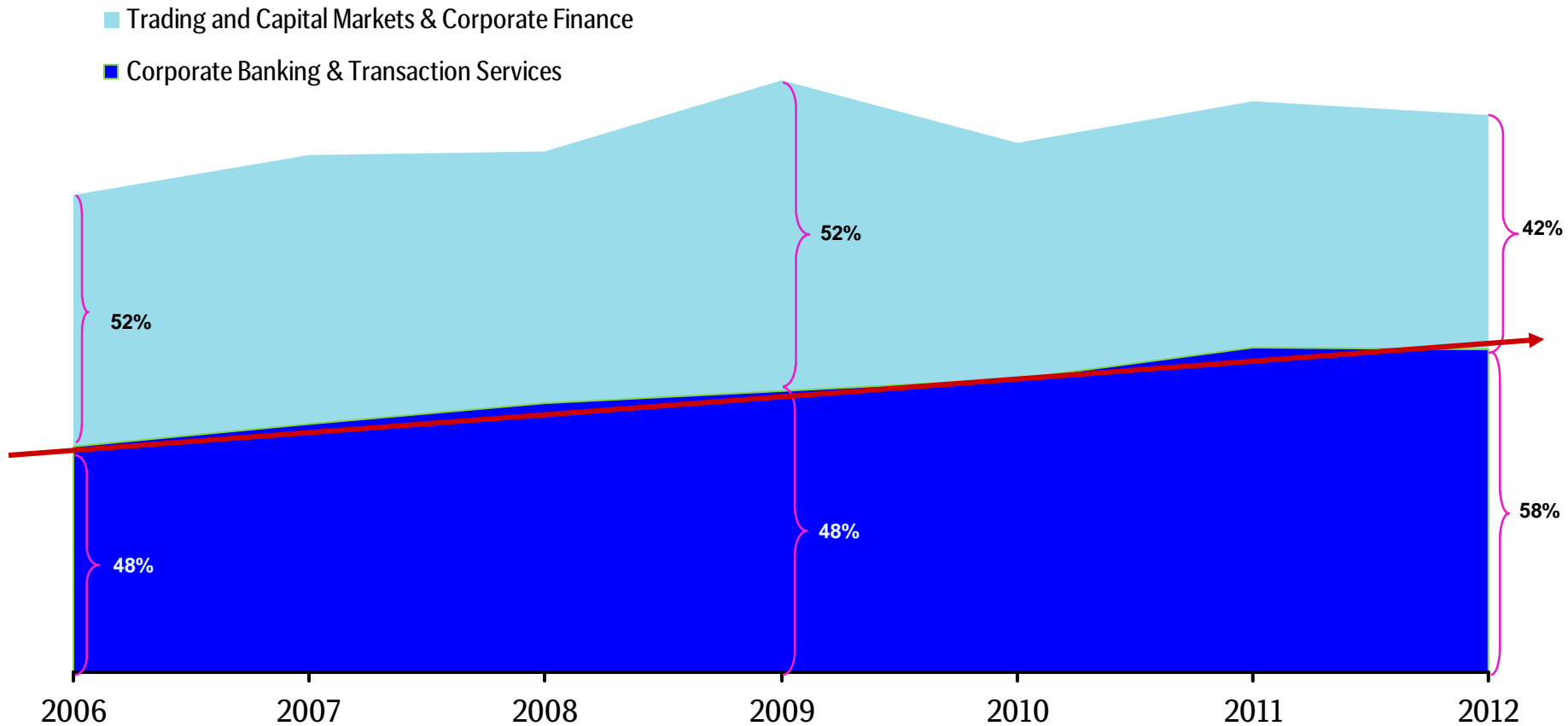
## Total operating income December 2012



## SEB's Large Corporate & Institutions Business

# Broad product offerings and entrenched business franchise create an increasing stability of income

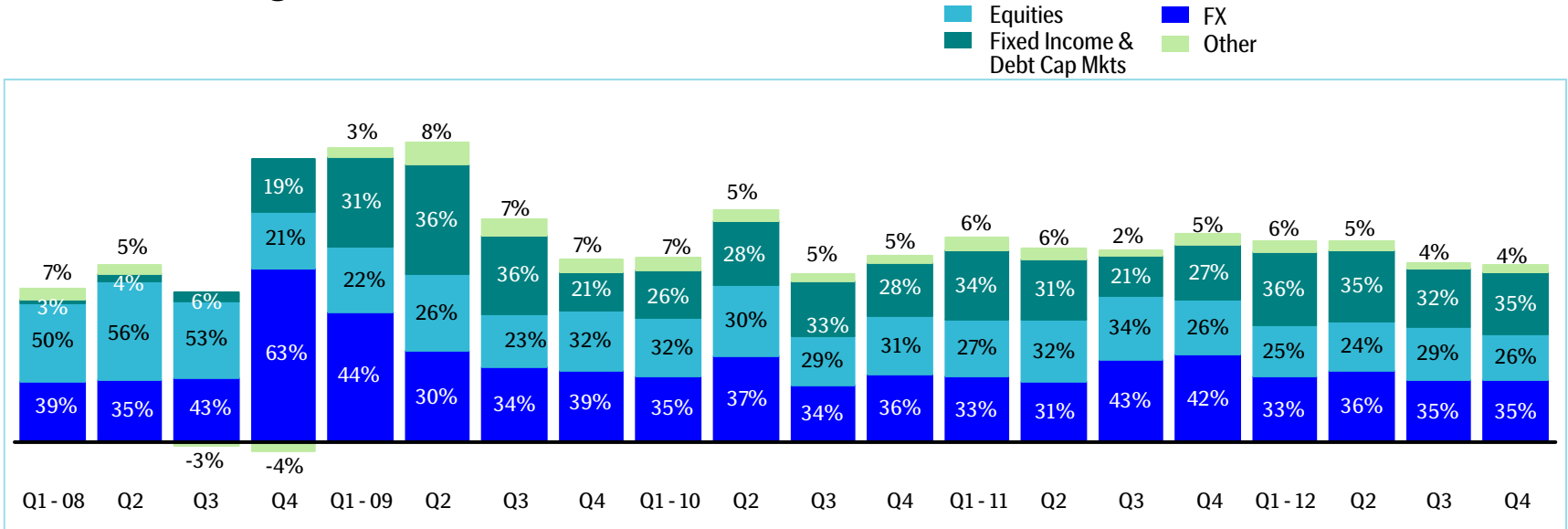
Total operating income



# SEB's Large Corporate & Institutions

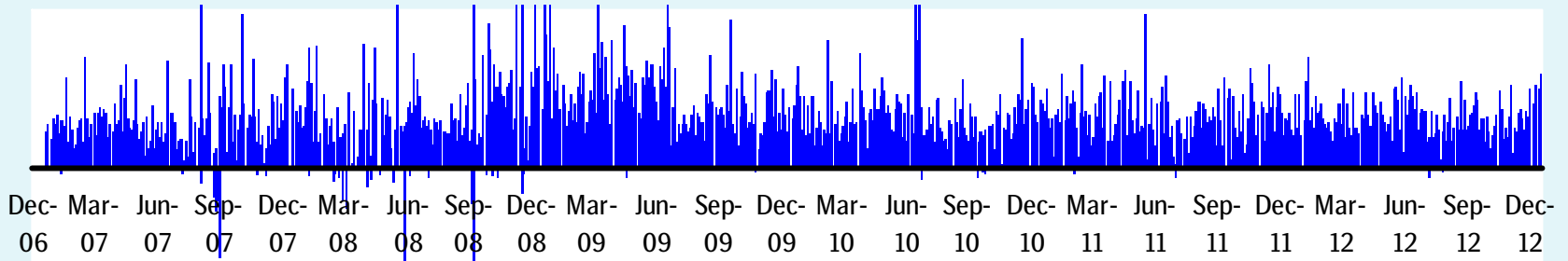
## Client driven and low risk Trading & Capital Market activities

Diversified earnings



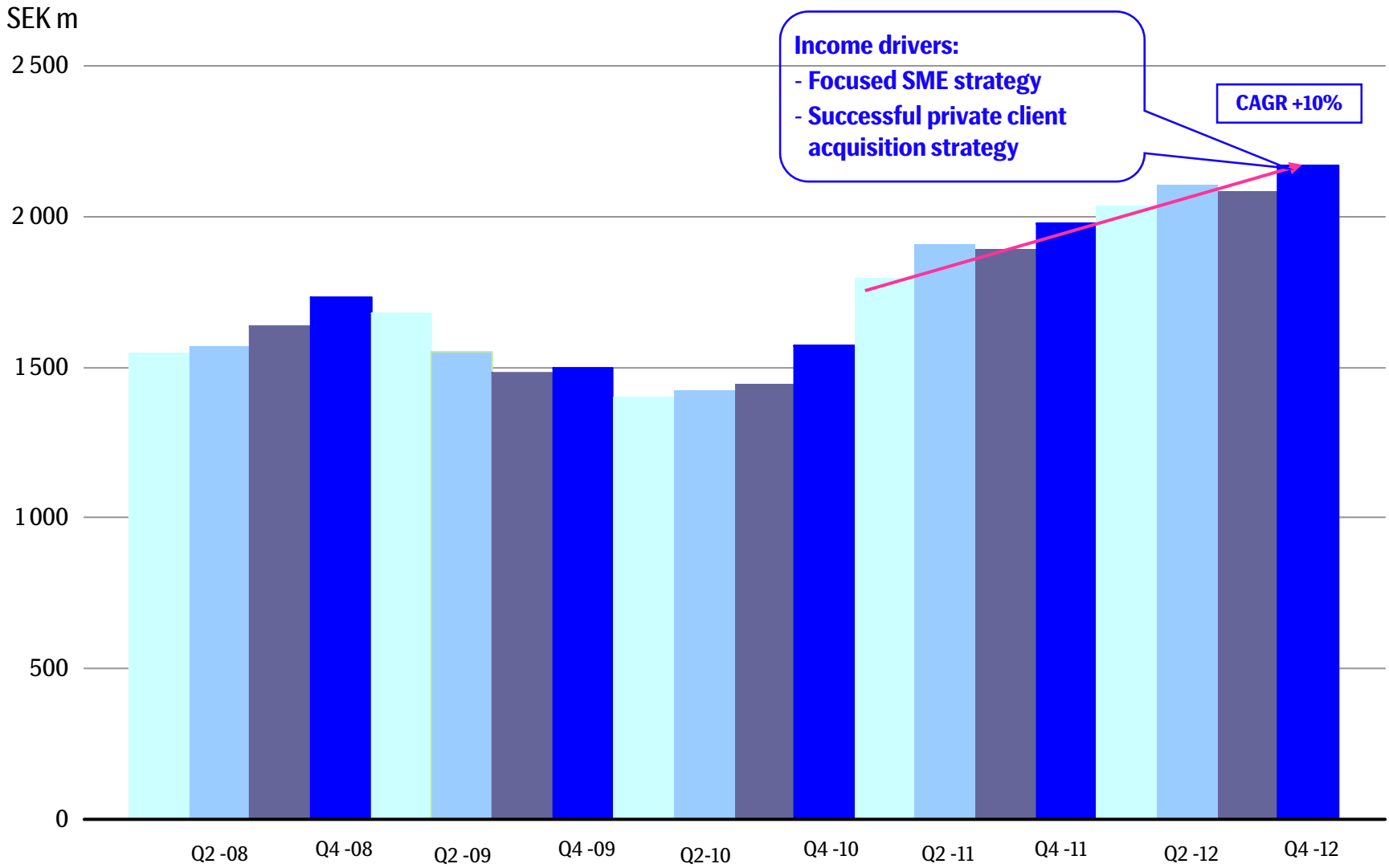
### Low VAR and next to none losses in the trading operations \*

Daily trading income 2007 – 2012. 43 negative trading days out of 1,505. Average loss SEK 13m (USD 2m)



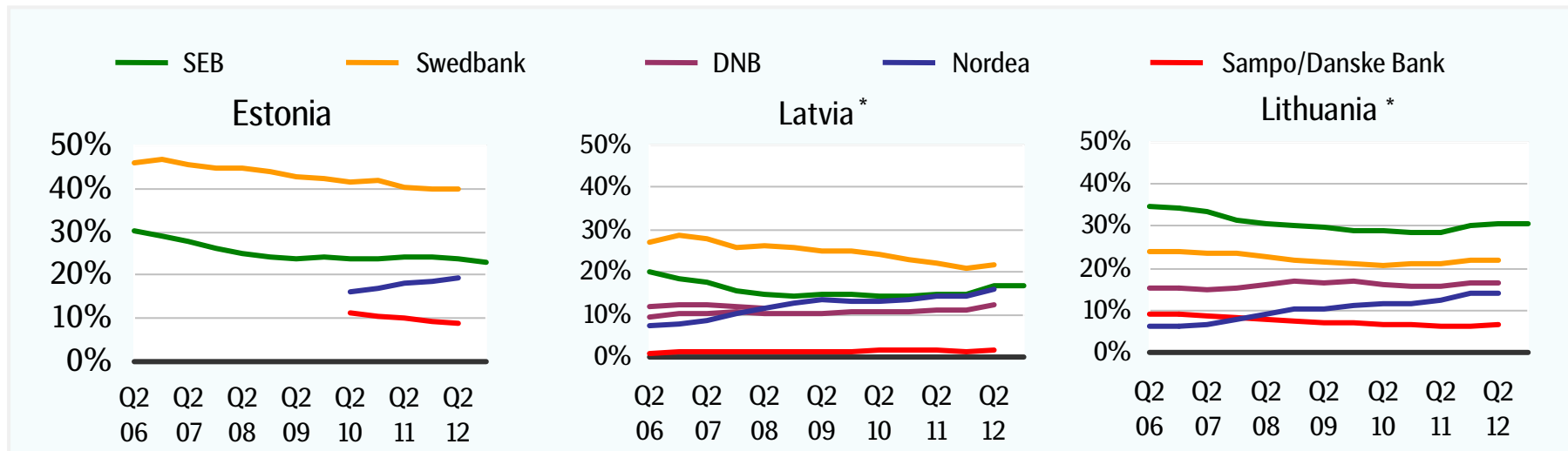
\* Daily trading income 2007 – 2012

# Swedish Retail - strong growth of operating income



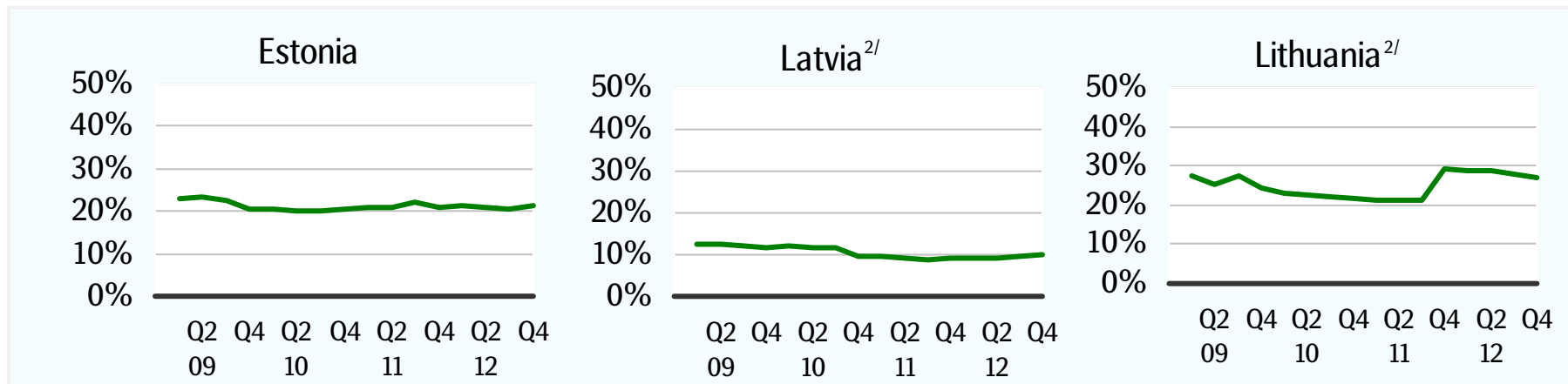
# Maintaining leading market shares in the Baltic countries

Deliberate reduction of lending market shares before the financial crisis <sup>1/</sup>



1/ Competitors' Q4 2012 volumes not available

## Deposit market shares stable throughout the crisis. Sharp increase in Lithuania in late 2011



2/ Q4 2012 Figures are November 2012

Source: Bank of Estonia, Association of Latvian Commercial Banks, Association of Lithuanian Banks, SEB Group

# SEB's Financial Results

## Clearly improved financial strength

SEB Group Key Figures	2012	2011	2010	2009
Return on Equity, % <sup>1)</sup>	<b>11.5</b>	12.3	8.9	3.3
Return on RWA, %	<b>1.36</b>	1.35	0.83	0.13
Cost /income ratio, % <sup>1)</sup>	<b>61</b>	61	65	60
Common Equity Tier 1 capital ratio, % <sup>2)</sup>	<b>15.1</b>	13.7	12.2	11.7
Tier I capital ratio, % <sup>2)</sup>	<b>17.5</b>	15.9	14.2	13.9
Net credit loss level, % <sup>3)</sup>	<b>0.08</b>	-0.08	0.15	0.92
Net level of impaired loans, %	<b>0.28</b>	0.39	0.63	0.76
NPL coverage ratio, % <sup>4)</sup>	<b>66</b>	64	66	65
NPL / Lending, %	<b>1.0</b>	1.4	1.8	1.9

1) Excluding discontinued operations

2) Without transitional floor. Basel 2.5 for 2011 and 2012. 2012 also incl. IAS19 (new pension accounting) effect

3) Net aggregate of write-offs, write-backs and provisioning

4) NPLs = Non Performing Loans (impaired loans + loans >60 days past due)

### Key Features 2012

❑ Operating profit before net credit losses 2012 vs 2011 +7% (excl. one-time effects +15%)

➤ Operating profit after credit losses in 2011 influenced by reversals of provisions of SEK 0.8bn

❑ C/I ratio - Higher income and efficiency measures have an effect. Underlying C/I ratio is at 58%

➤ 2012 C/I ratio influenced by one-time effects

❑ Common Equity Tier 1 capital ratio at 15.1% <sup>2)</sup>

❑ Key asset quality indicators:

➤ impaired loans,

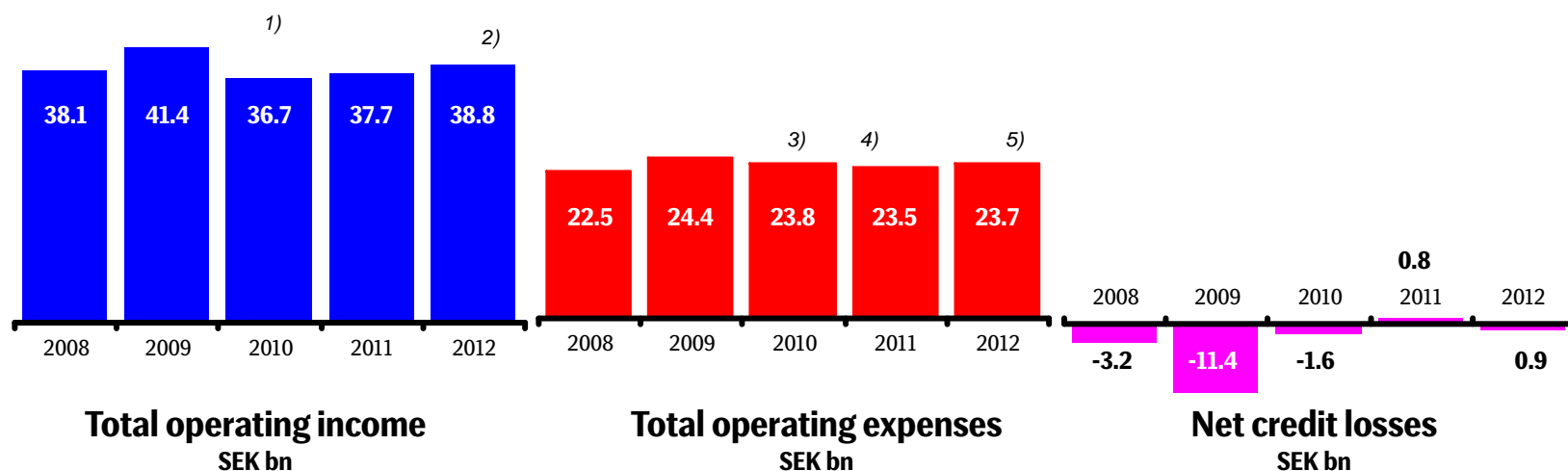
➤ loans 60 days past due and

➤ watch list volumes

❑ Indicate continued stable strong asset quality but SEB maintain high coverage ratio

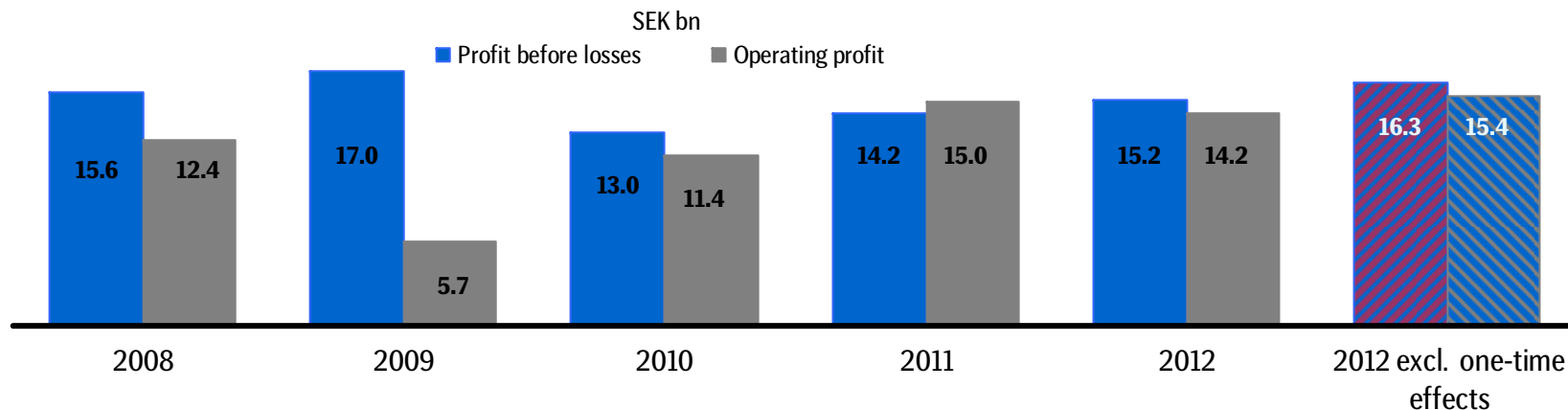
# SEB's Financial Results

## Stable underlying profit generation also in uncertain times



### Operating profit before and after net credit losses

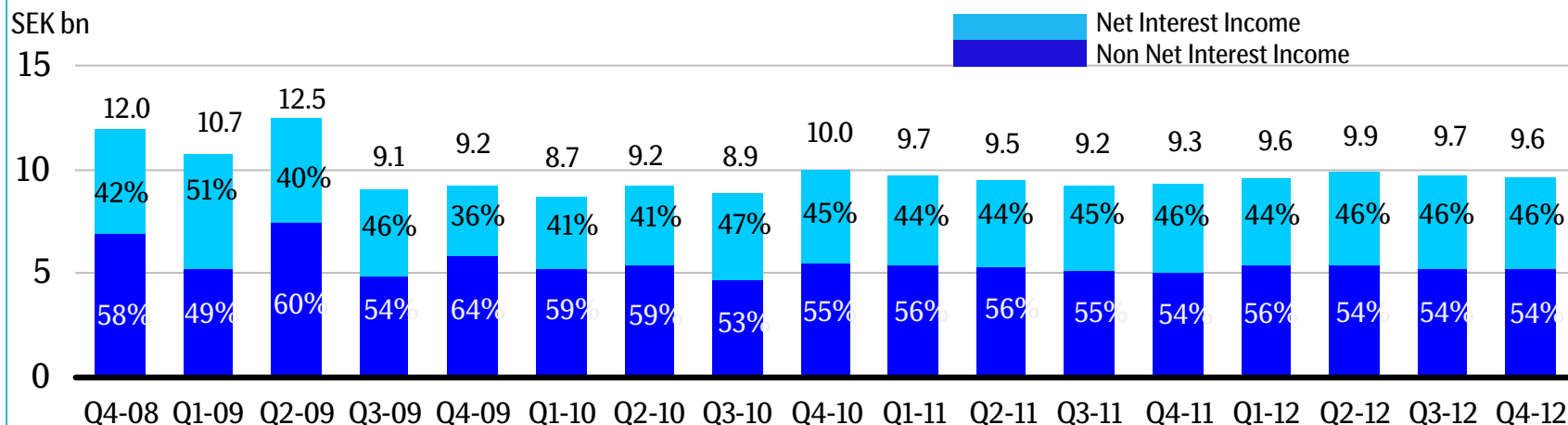
Items of one-off character of SEK 1.2bn reduce operating profit in 2012



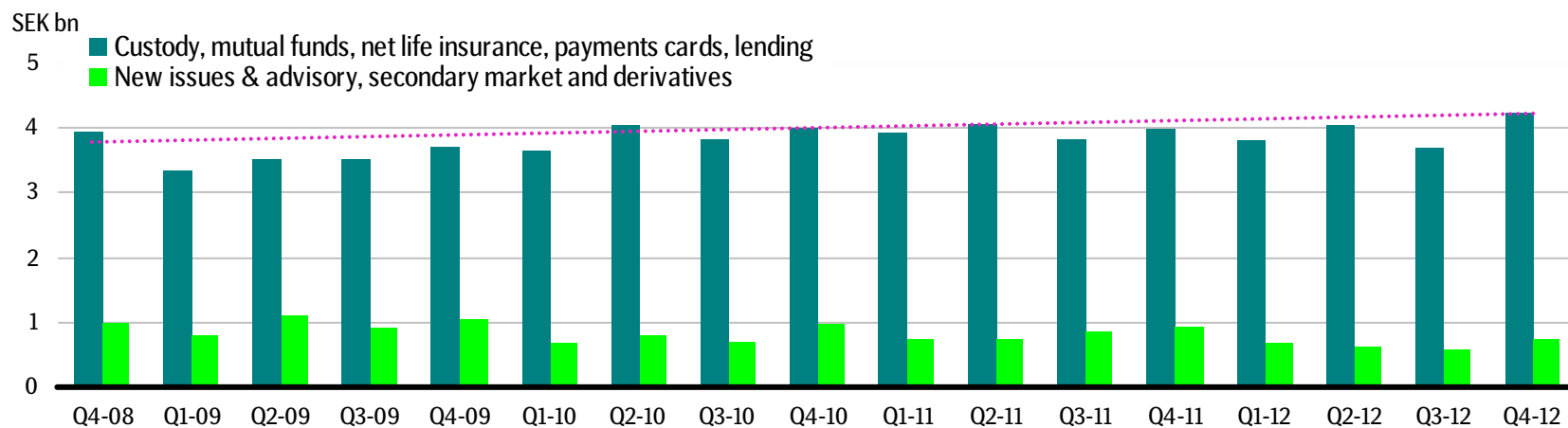
1) of which SEK 1.3bn gain on buy back of subordinated debt 2) SEK 0.4bn in one-time loss on buybacks of covered bonds 3) of which 3.0bn goodwill write-offs 4) of which 0.8bn restructuring costs in our German subsidiary 5) SEK 0.8bn effect of write-down of IT investments

## Business mix creates stable and diversified revenues

### Total operating income split between Non-NII and NII



### Underlying market shares render stable commission\* and net life income



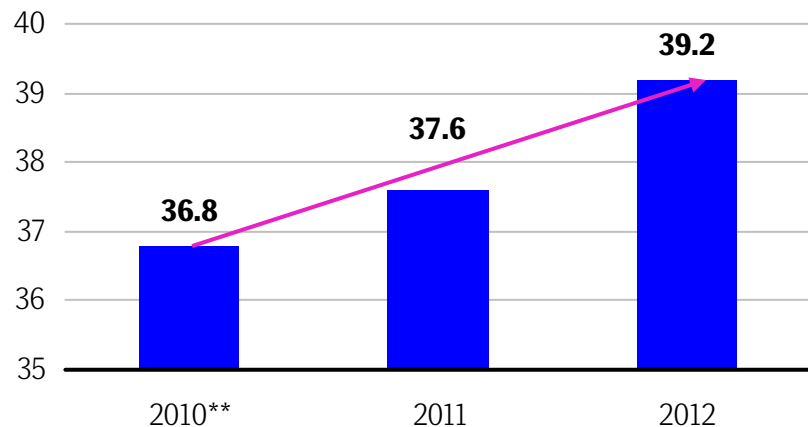
\*Gross commission development



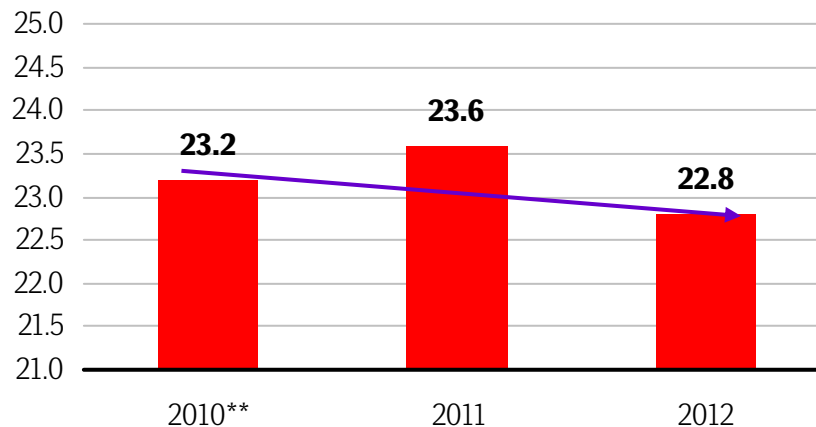
## SEB's Financial Results

# Clearly improved underlying efficiency over the last three years \*

### Yearly income (SEK bn)

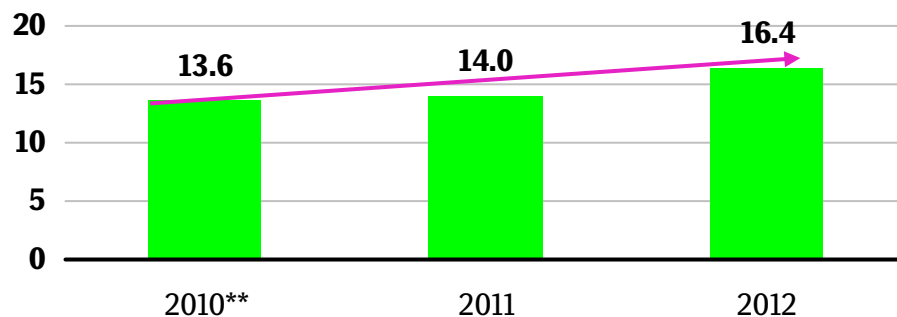


### Yearly expenses (SEK bn)



## Operating leverage

### Yearly profit before credit losses (SEK bn)



*Increase of 20% in 2012 vs 2010*

- Larger number of clients
- Larger share of clients' wallet
- Cost efficiency measures

\* Excluding one-off items

\*\*Estimated IAS 19 costs in 2010

# Going forward 2013-2015

## Growth Strategy

- ❑ **Large Corporate and Institutional Business**
  - Nordic and German corporates and institutions
  - International institutions
- ❑ **Small and medium-sized companies**
  - Sweden
- ❑ **Asset gathering**

## Financial Targets

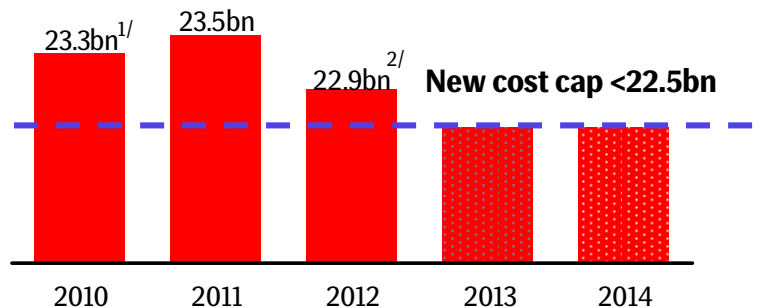
**Dividend payout ratio of 40% or above**

**Common Equity Tier 1 ratio of 13%**  
*(fully implemented Basel III)*

**Generate ROE that is competitive with peers**  
**Long-term aspiration 15%**

**Further improved operating leverage**

### Capped cost base



1/ Estimated IAS 19 costs in 2010

2/ Excl. one-off write-down of IT investment of SEK 753m

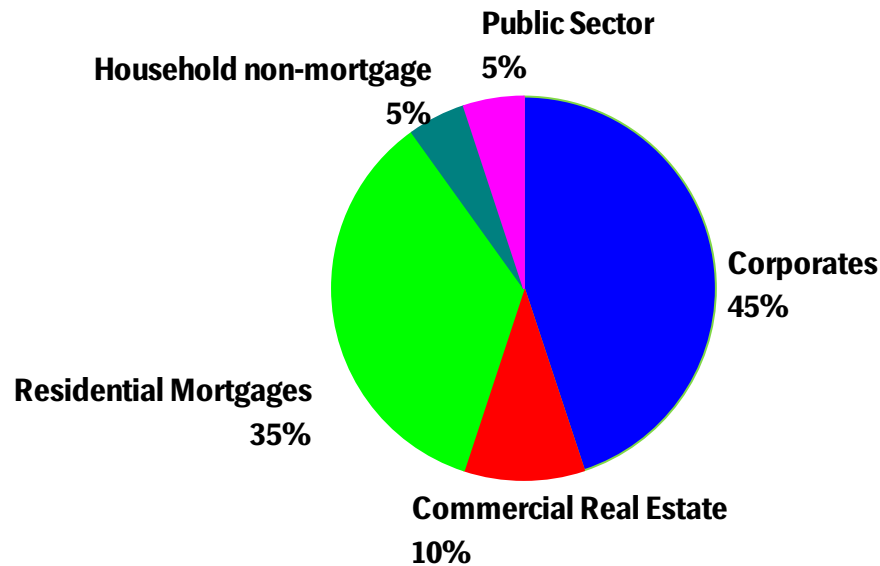
# Credit Portfolio and Asset Quality

## SEB's total credit portfolio excluding banks – Sector development

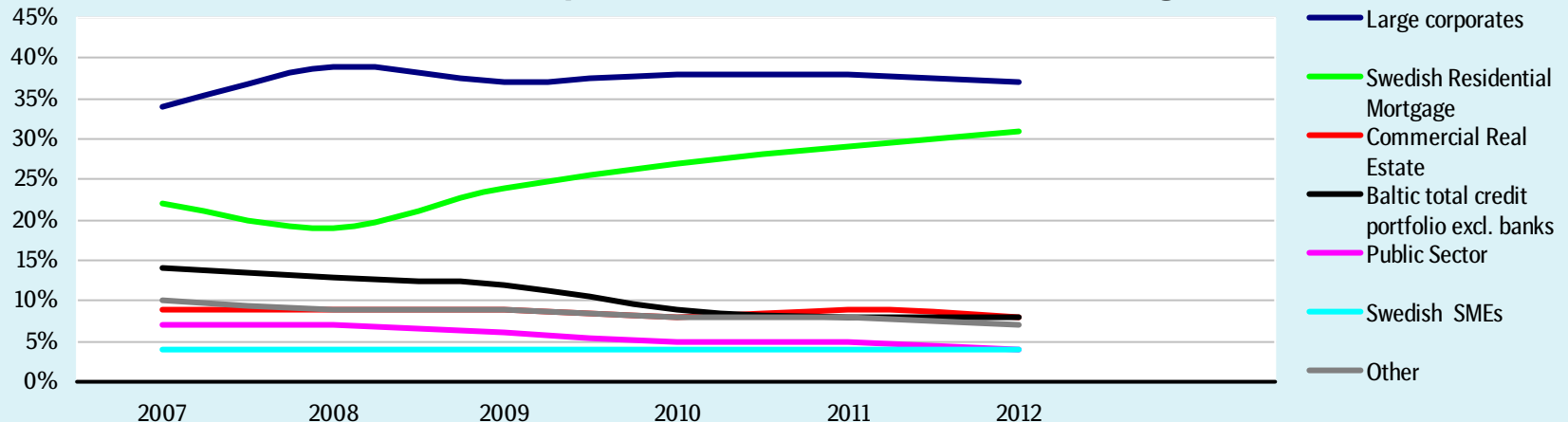
# Large corporates and Swedish Residential Mortgages dominate

December 2012

SEK 1,606 (USD 247bn)

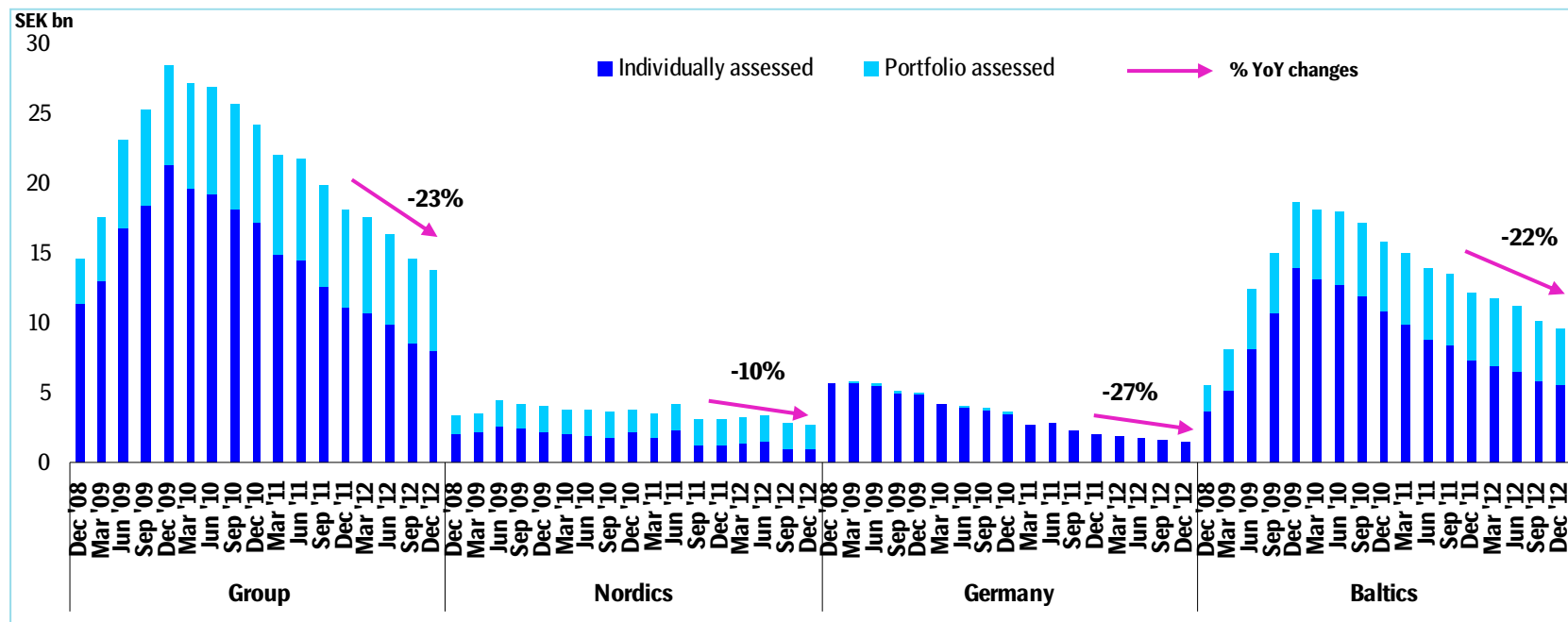


### Certain business areas' relative importance of the Credit Portfolio, excluding banks



# Asset Quality – the Group and Geographic regions

## Sharply reduced Non-Performing Loans



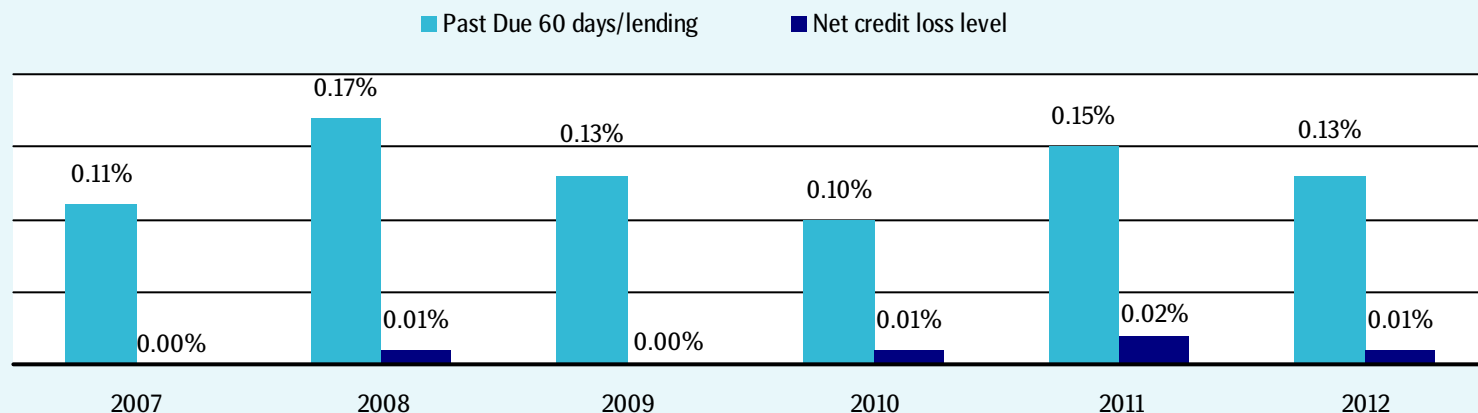
<b>NPL % of lending</b>	<b>1.0%</b>	<b>0.3%</b>	<b>0.8%</b>	<b>9%</b>
<b>NPL coverage ratio</b>	<b>66%</b>	<b>76%</b>	<b>84%</b>	<b>61%</b>

- ❑ 70% of SEB's NPLs are related to the Baltic exposure
  - Baltic reductions of NPLs driven mainly by improving weighted average risk classes in 2011, write-offs and repayments in 2012
- ❑ Nordic and German NPL reductions driven by write-offs
- ❑ German NPLs are to a very large extent related to the legacy commercial real estate portfolio

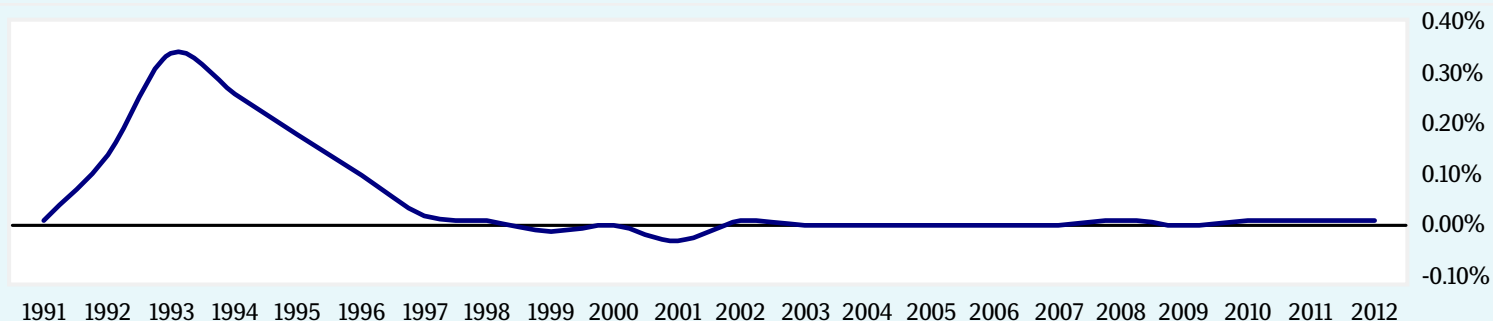
# Asset Quality – SEB’s Swedish Household Residential Mortgage lending

## Negligible losses in the portfolio after the early 90s crisis

### Loans past due 60 days do not typically turn into credit losses



### Effectively no net credit losses since the 1990s

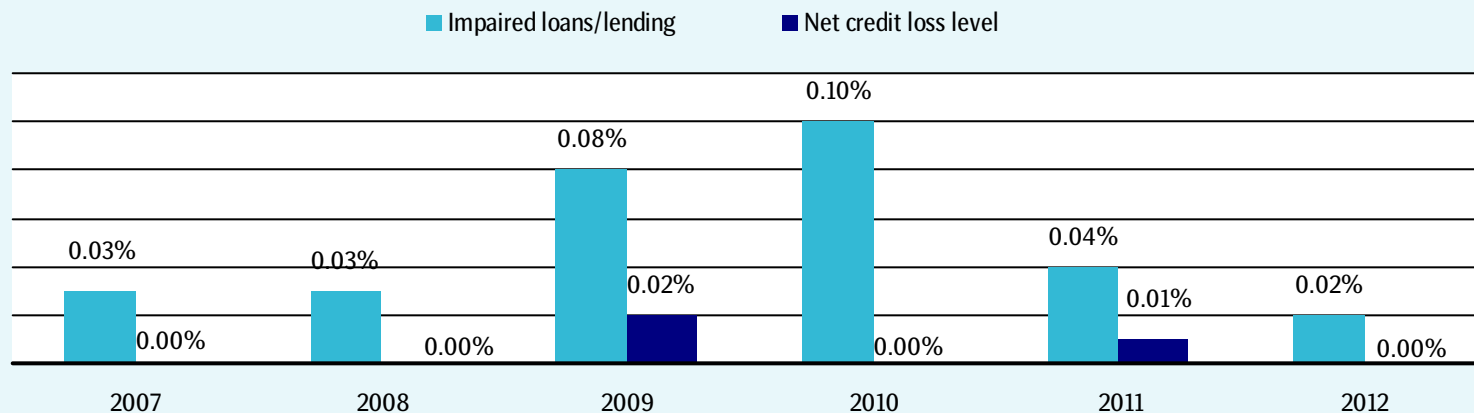


*Net credit losses = the aggregated net of write-offs, recoveries and provisions*

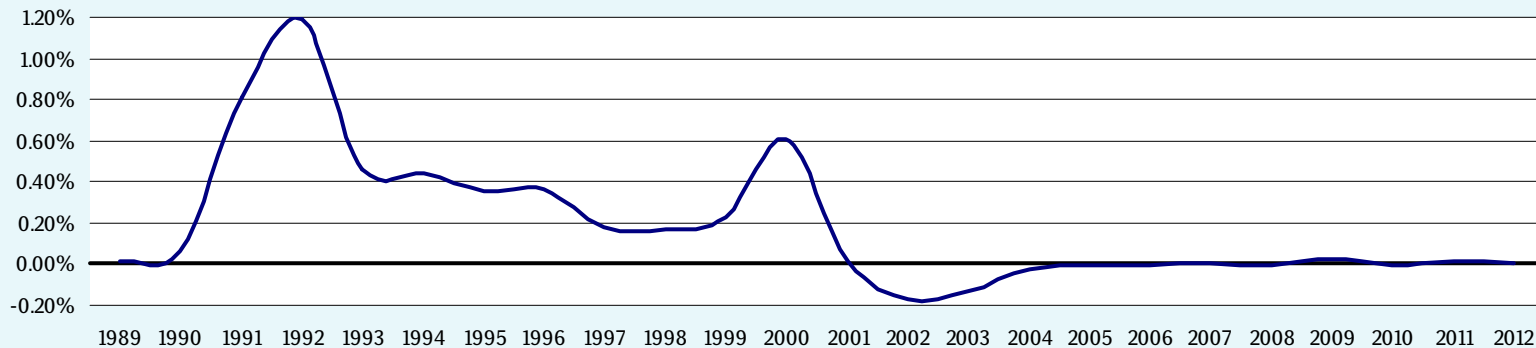
# Asset Quality - Swedish Multifamily Residential Mortgage lending

## Very low levels of impaired loans and negligible credit losses

### Impaired loans do not typically turn into credit losses



### Effectively no net credit losses since the early 2000s

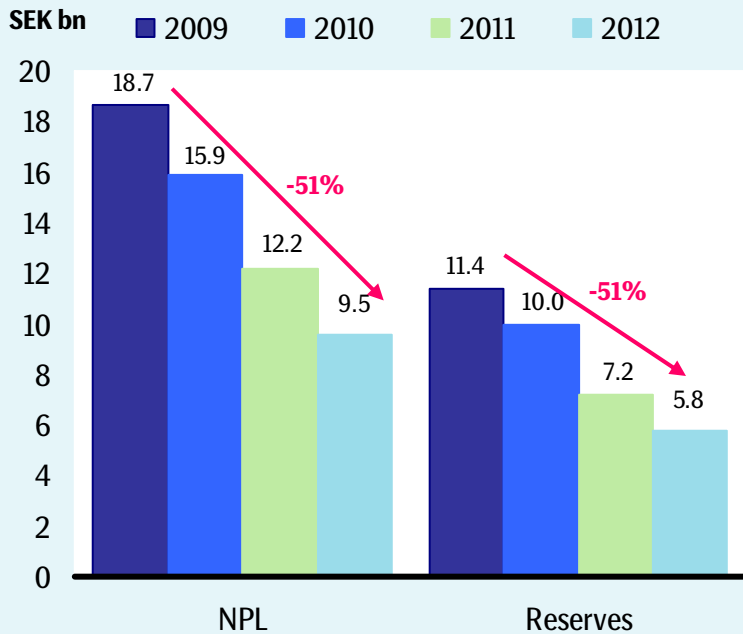


\* Net credit losses = the aggregated net of write-offs, recoveries and provisions

## Asset Quality – Baltic subsidiaries

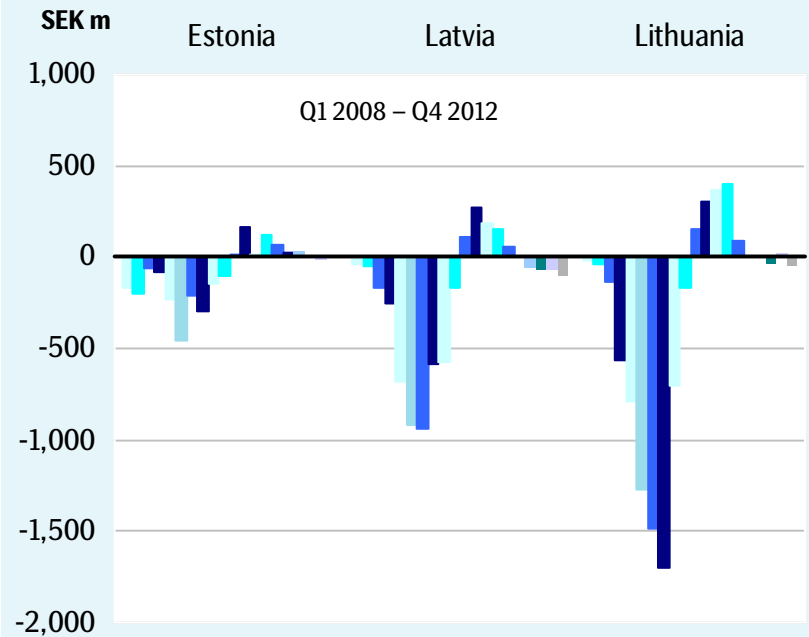
# Baltic asset quality substantially improved

### Rapid decline of NPLs and need for Reserves



- ✓ Sharp reductions in impaired and watch-list volumes driven mainly by improving weighted average risk classes in 2011, write-offs and repayments in 2012

### Stabilizing trend of Baltic net credit losses



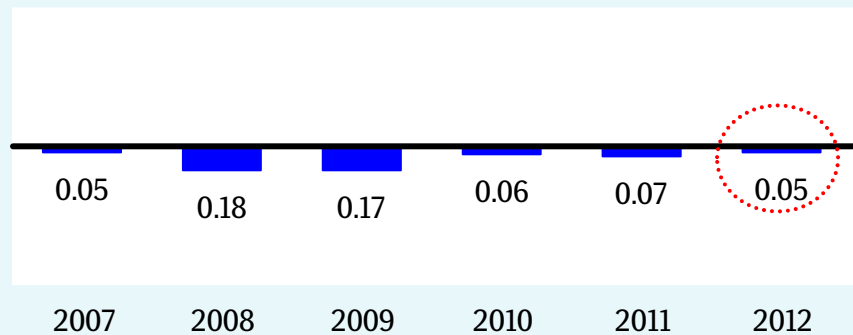
- ✓ Large provisioning in 2008 and 2009 was followed by releases of provisions as of 3rd quarter 2010 until fourth quarter 2011
- ✓ Stabilizing trend with regard to net credit losses as of 2012



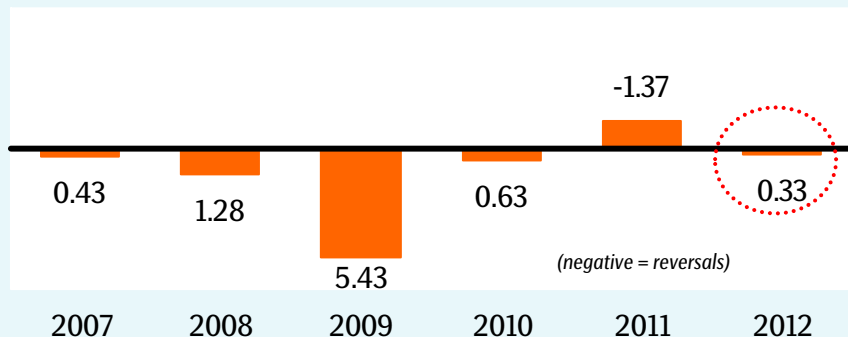
# Asset Quality – the Group and Geographic regions

## Very low net credit losses

**Nordic countries, net credit losses in %**



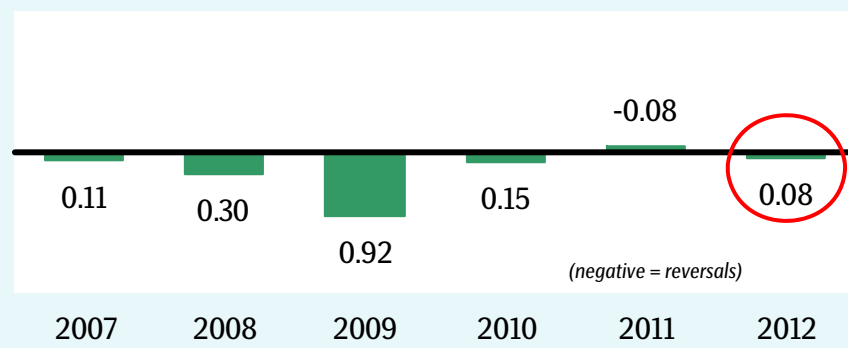
**Baltic countries, net credit losses in %**



**Germany, net credit losses in %**



**SEB Group, net credit losses in %**



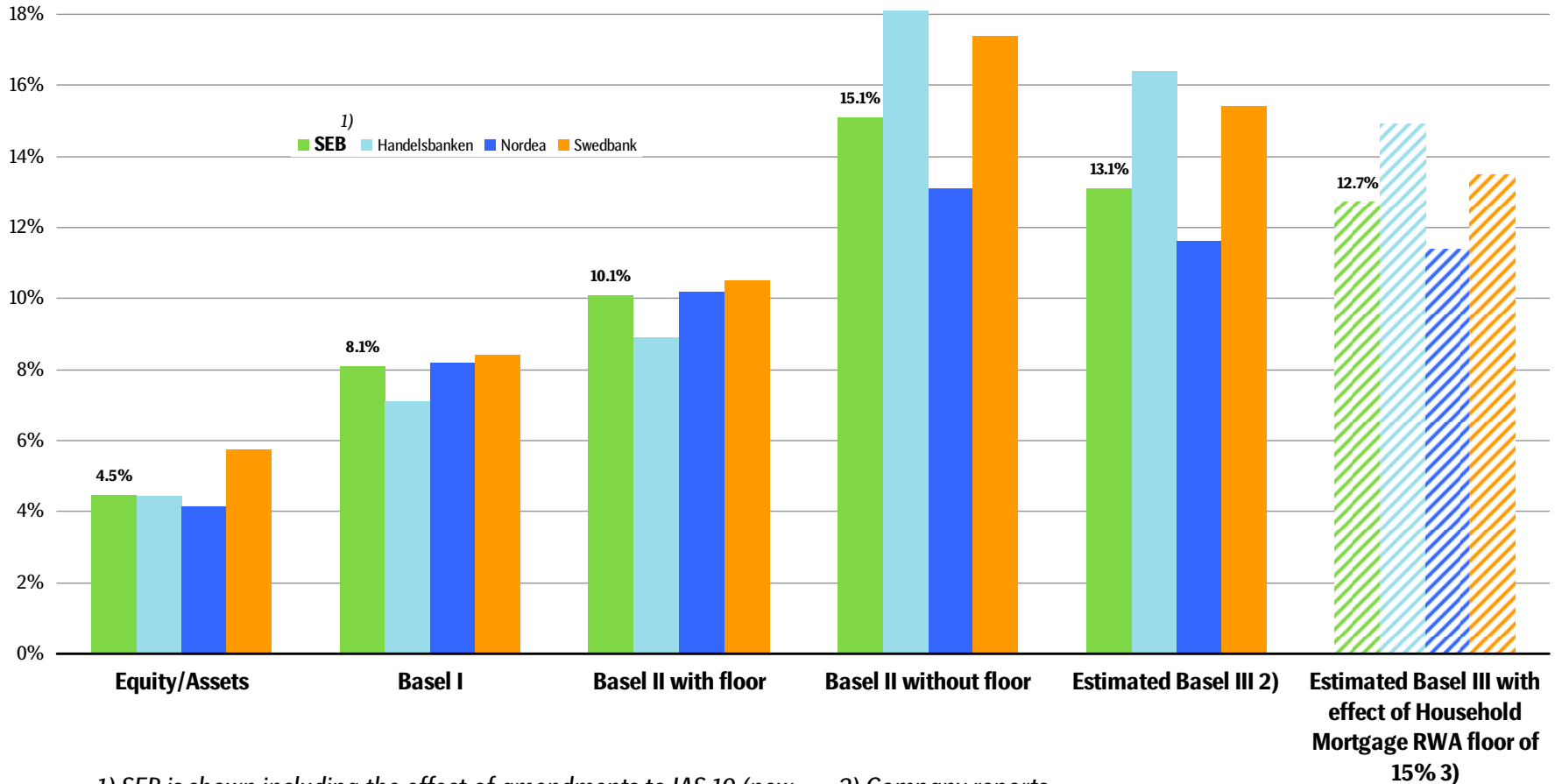
*Net credit losses = the aggregated net of write-offs, write-backs and provisions*

**Capital**

## Capital benchmarking

# SEB has high quality capital across all regulatory metrics

Different regulatory Equity and Common Equity Tier 1 ratios December 2012



1) SEB is shown including the effect of amendments to IAS 19 (new pension accounting) The other major Swedish banks do not show that effect as per FY 2012

2) Company reports

3) Source: Swedish FSA Memorandum Nov 26, 2012 – effect of Household Mortgage RWA floor of 15%

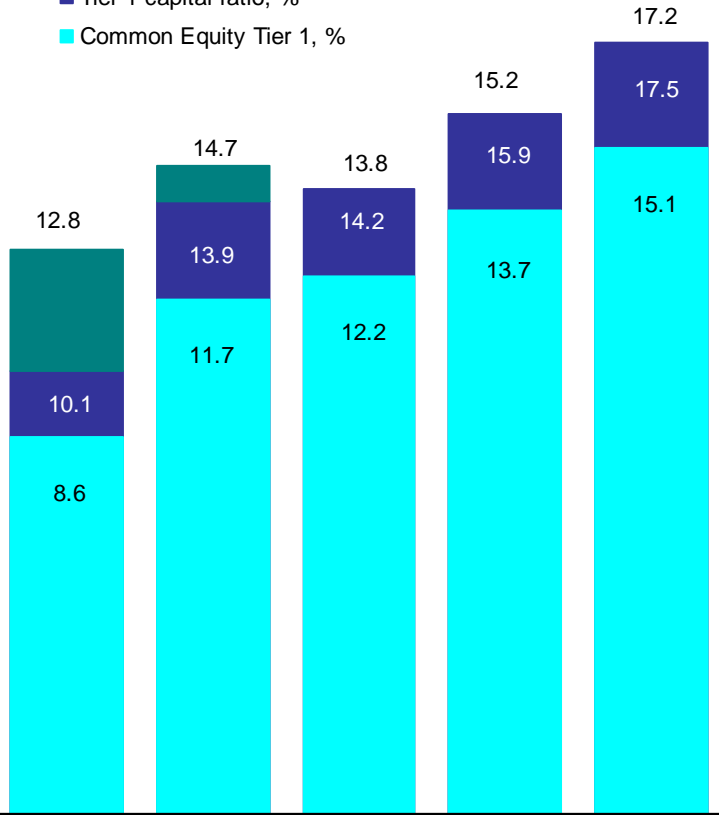
Source: Company reports



# Strong Common Equity Tier 1 ratio via efficient risk management and profit generation despite volume growth and stricter regulations

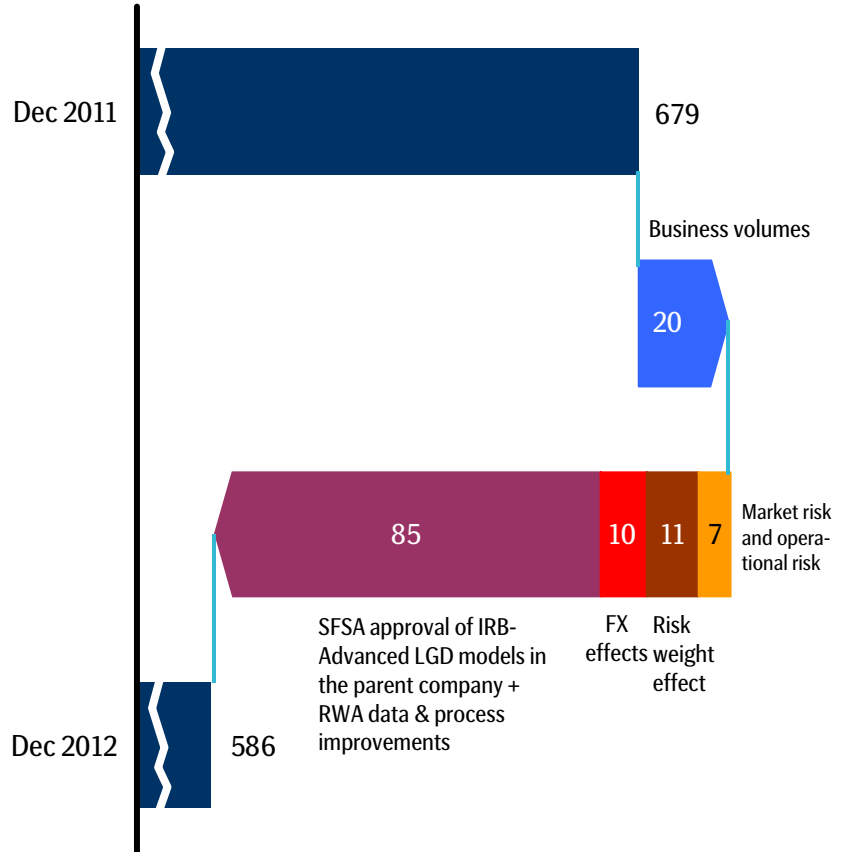
## Development of Capital Base

- Total capital ratio, %
- Tier 1 capital ratio, %
- Common Equity Tier 1, %



## Risk-weighted assets

SEK bn

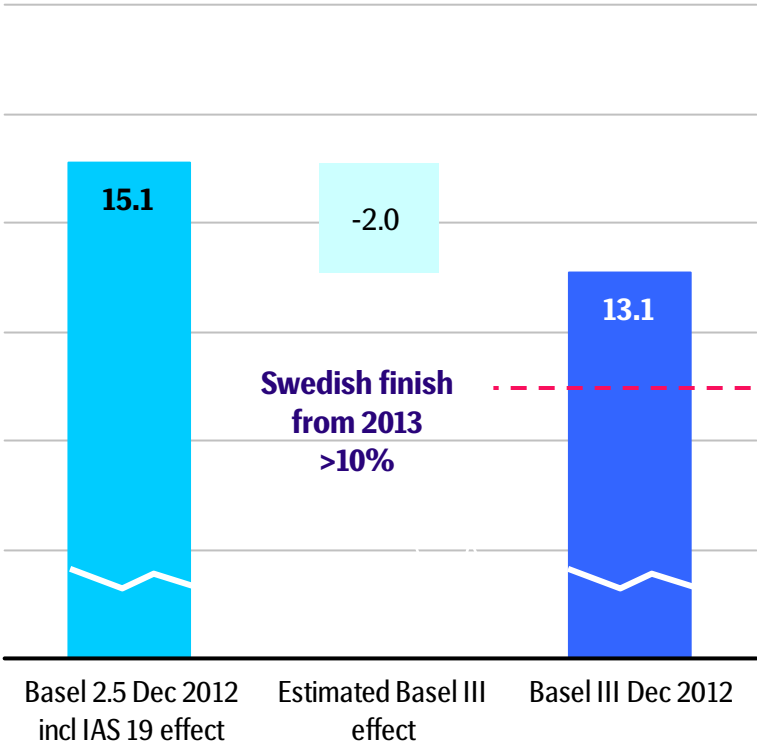


SEK bn	Dec 2008	Dec 2009	Dec 2010	Dec 2011	Dec 2012
Tier 1 capital	82.5	101.6	102.0	107.7	102.4
Capital base	104.7	107.3	99.1	103.4	100.9
RWA	818	730	716	679	586

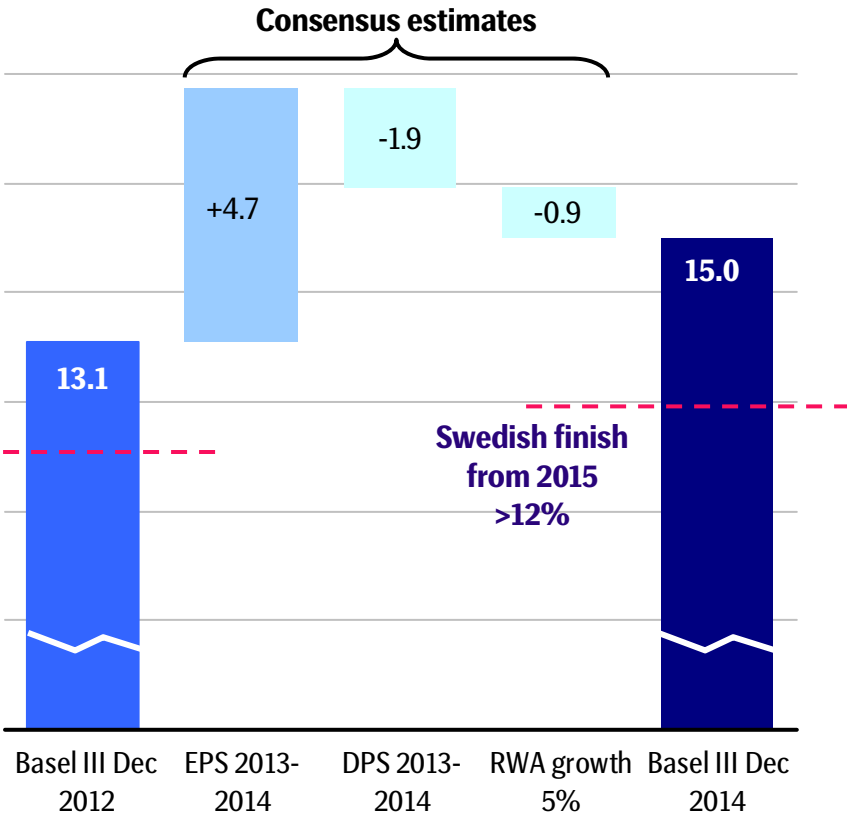
2012 ratios include the effect of amendments to IAS 19 (new pension accounting)

# SEB's road to Basel III Common Equity Tier 1 ratio

Basel II to Basel III Dec 2012 (%)



Basel III progression to Dec 2014 (%)



*“Swedish finish” is a proposal, but not yet decided, by Swedish regulatory bodies implying that Swedish banks should have a common equity tier 1 ratio of min. 10% as per 2013 and 12% as per 2015*

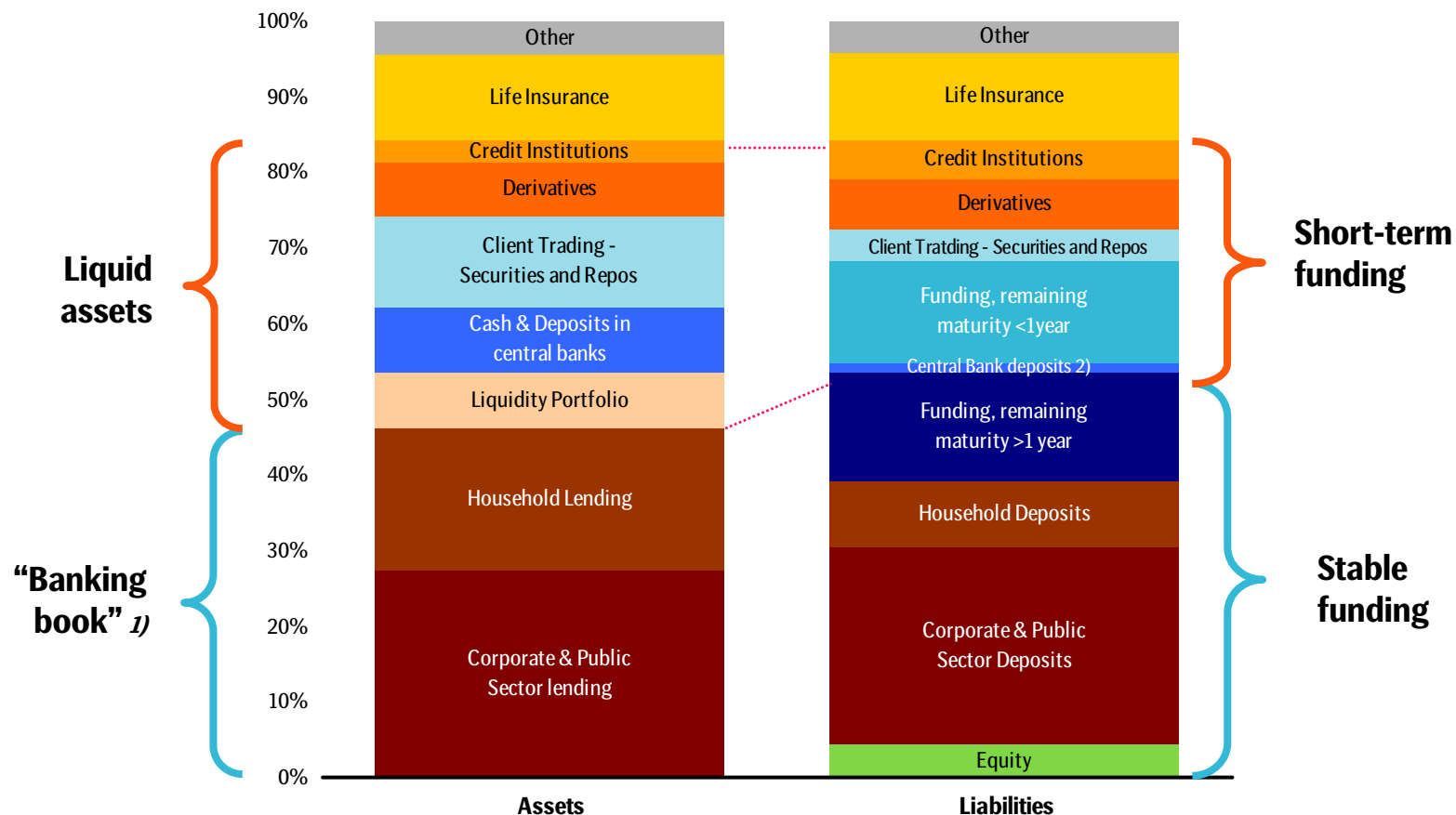


# Balance sheet, funding, and liquidity

## Balance sheet

# Diversified and Liquid Balance Sheet

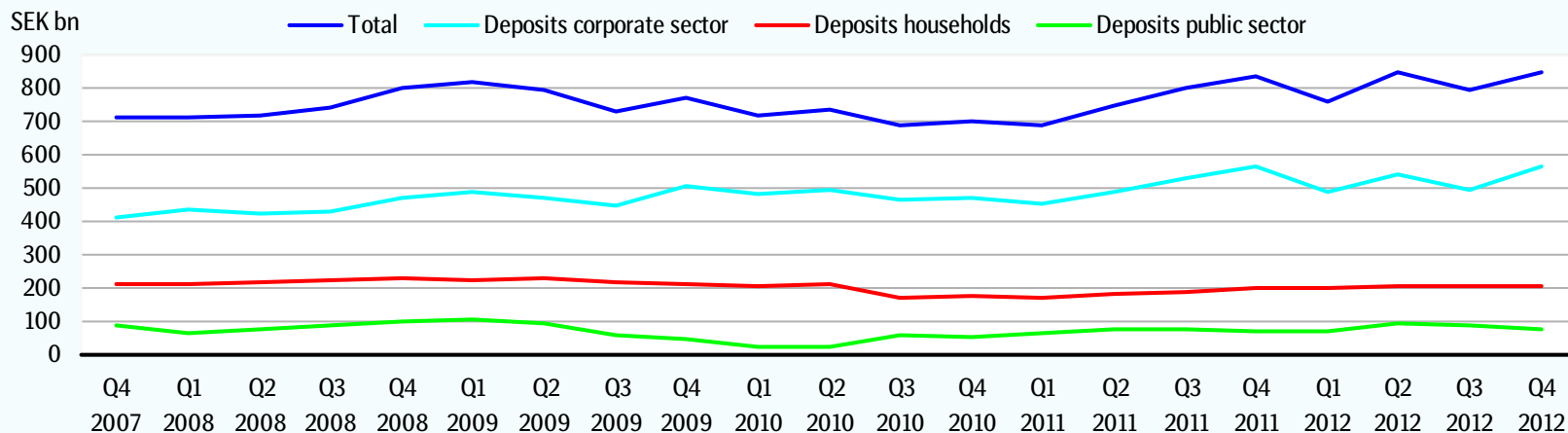
Total SEK 2,453bn (USD 377bn) December 2012



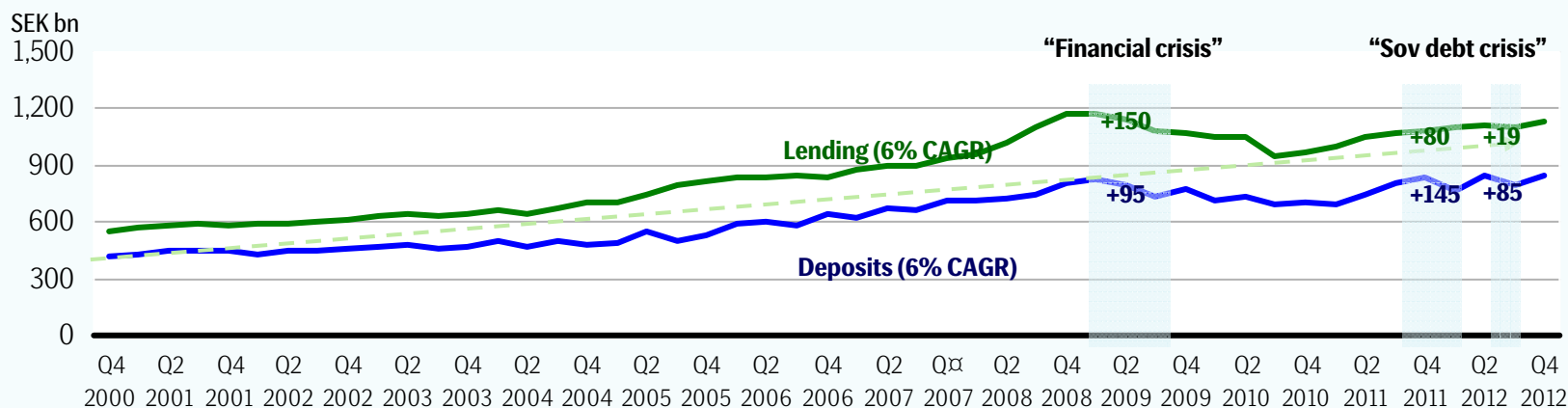
1. A relatively large share of lending is contractually short which allows for swift re-pricing to adjust for e.g. changed funding costs.
2. Central bank deposits refer to long-term relationship-based deposits from central banks and do not refer to borrowings from central banks

## Solid development of Lending and Deposits from the general public

### SEB's deposit mix – stable and increasing corporate deposit trend



### Liquidity support to clients and deposit growth in times of stress and uncertainty <sup>1)</sup>



2012 Loans / Deposits ratio = 134%

2012 Loans / (Deposits + outstanding Swedish covered bonds) = 102%

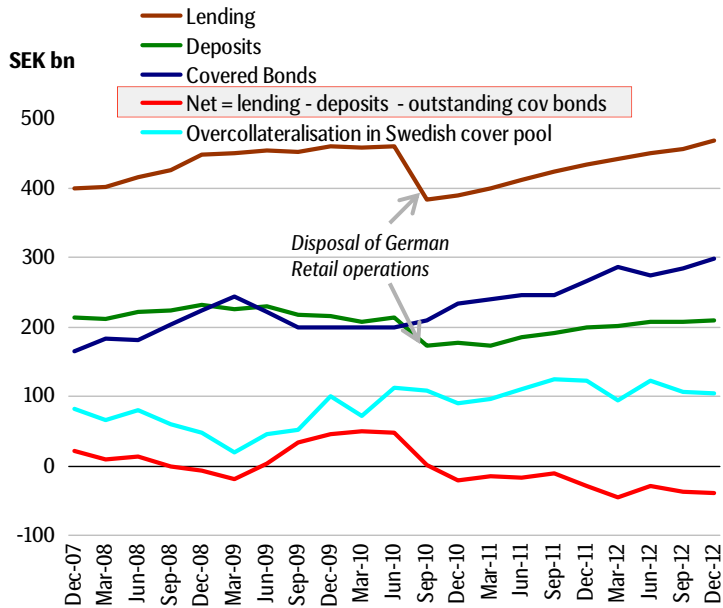
<sup>1)</sup> Excluding divested businesses



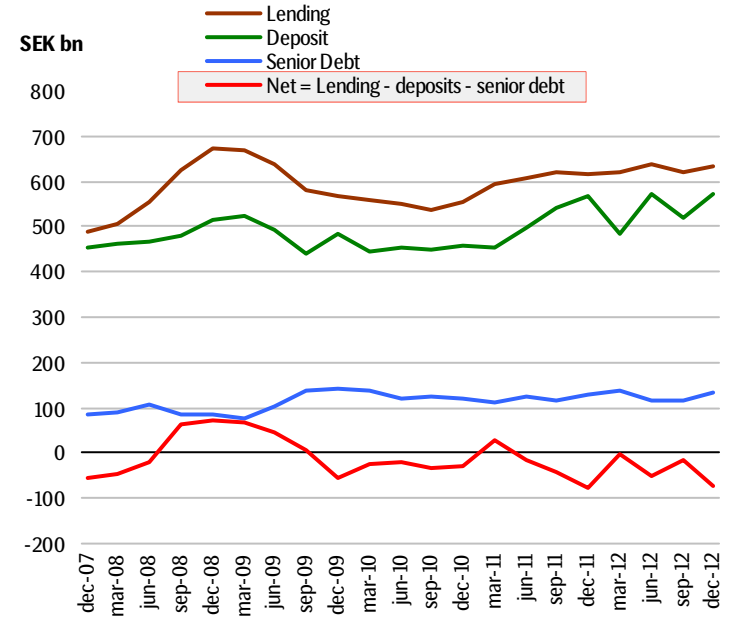
## Funding

# Banking book asset growth funded through stable deposit accumulation and long-term covered and senior bonds

### Household lending, deposits and covered bond funding



### Corporate & public lending, deposits and senior bonds



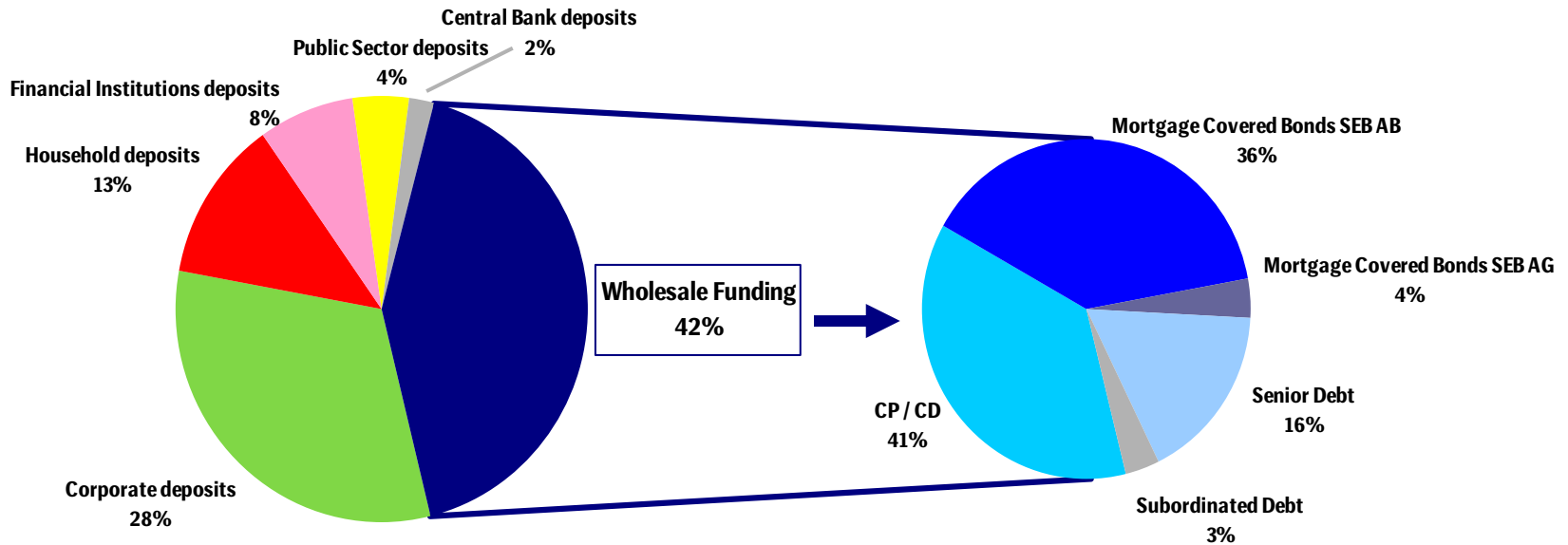
# Funding

## Diversified funding mix

December 2012

**Total deposits\* & wholesale funding\*\***  
**SEK 1,661bn (USD 256bn)**

**Wholesale Funding SEK 697bn (USD 107bn) \*\***

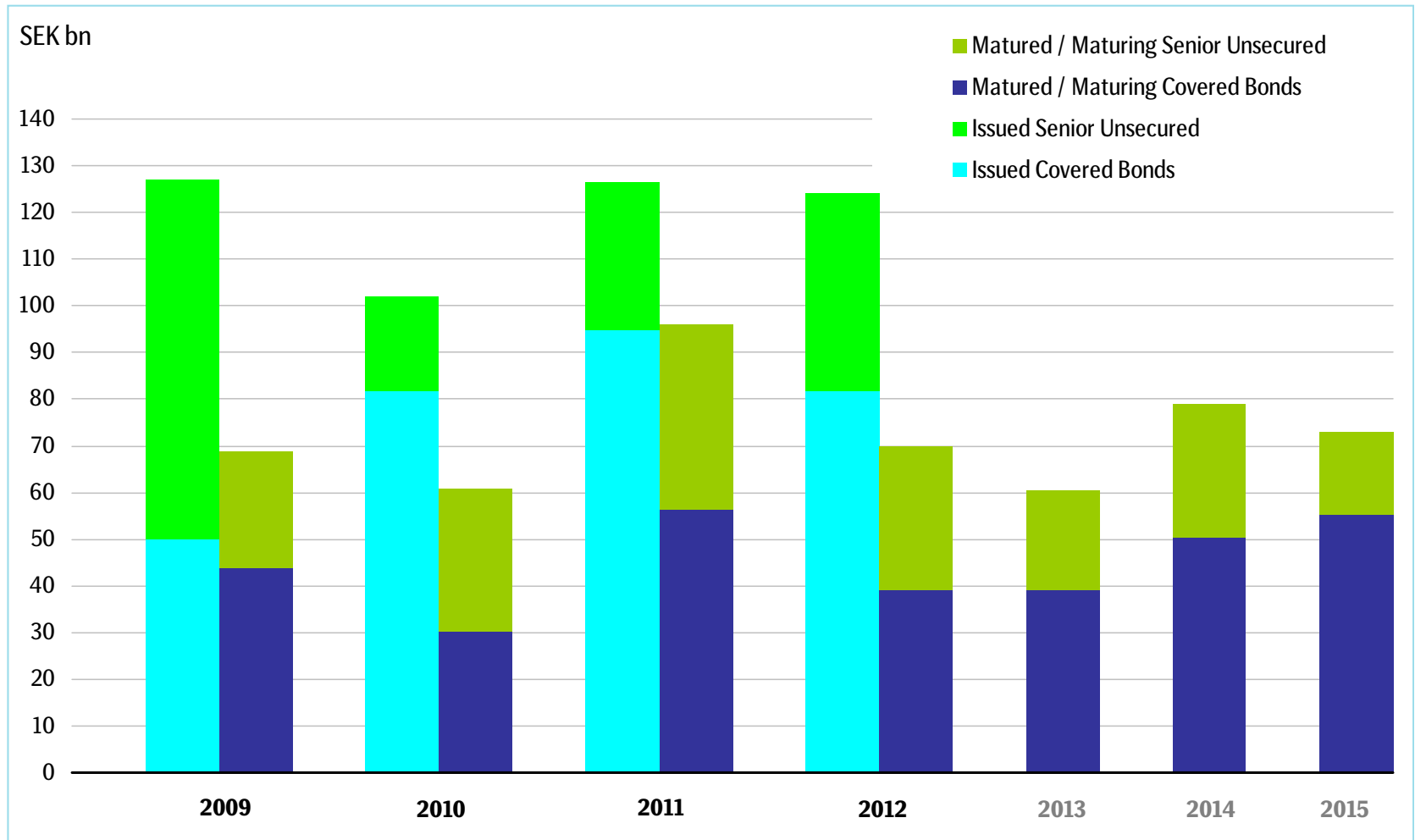


\* Excluding repos

\*\* Excluding public covered bonds issued by SEB AG which are in a run-off mode

## Funding

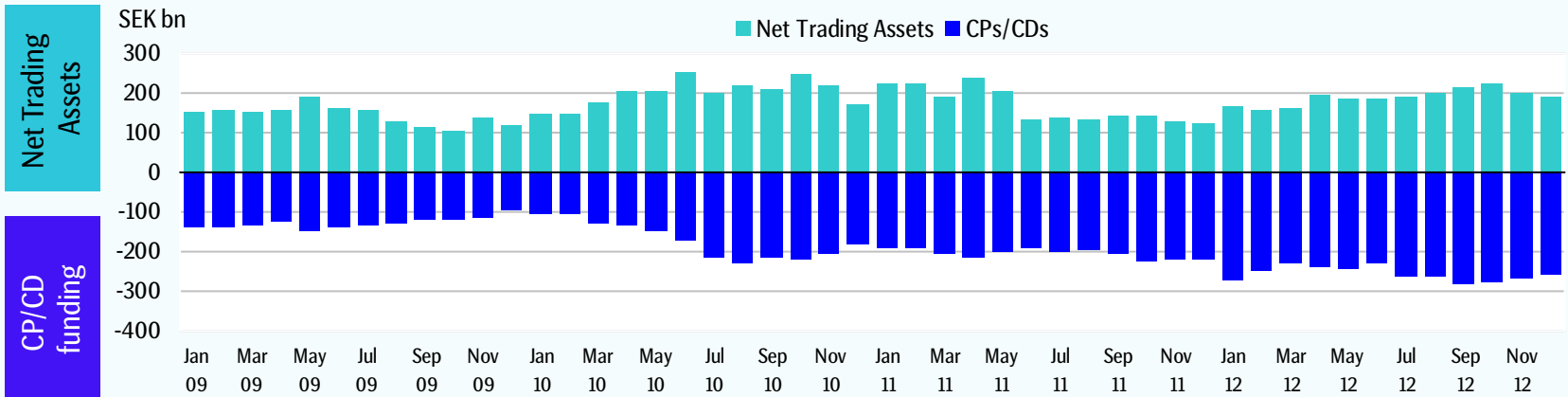
# Long-term funding - 2012 maturities more than 175% refinanced



# Funding

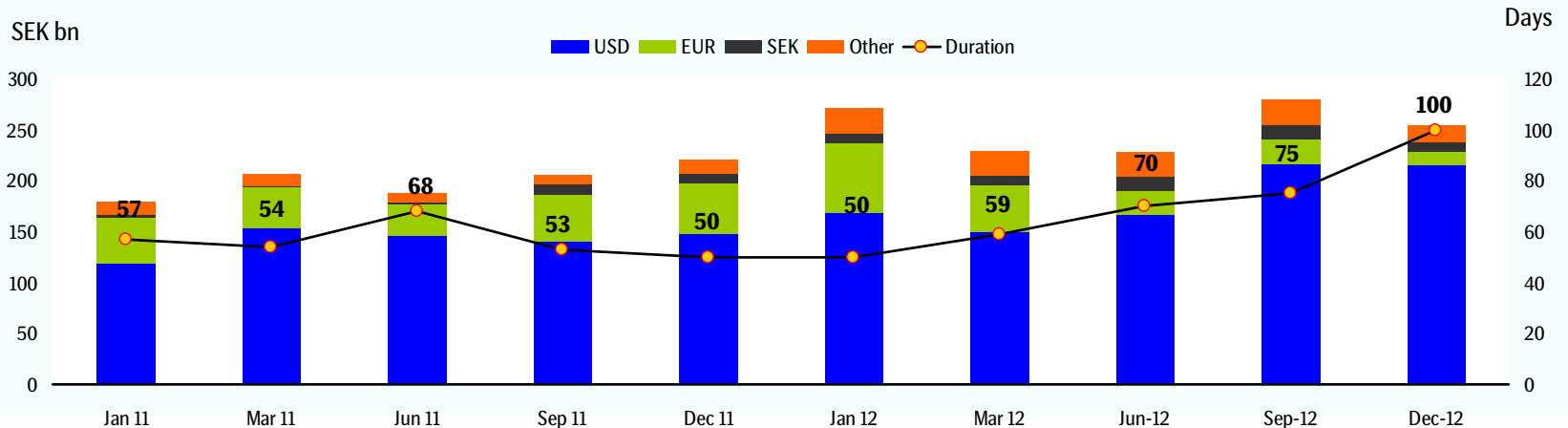
## Strong access to CP/CD markets

CP/CD funding moves in line with trading assets for client facilitation



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

## Considerably increased duration during 2012



# Regulatory Liquidity and Funding Metrics

### Liquidity Coverage Ratio – LCR

- Ensure sufficiently high quality liquid resources immediately convertible into cash to survive a 30-day predefined stressed net cash outflow and to be above 100%
- The revised Basel III draft is less disadvantageous for corporate deposits
- SEB's LCR above 100% in 2012 - 113% at December 2012 (*Basel III 2010 definition*)
- Swedish banks are required to meet the Swedish FSA LCR at all times on a total level but also in EUR and USD from 2013 whereas Basel III says to be phased in between 2015-2018 and only on a total and on a quarterly basis

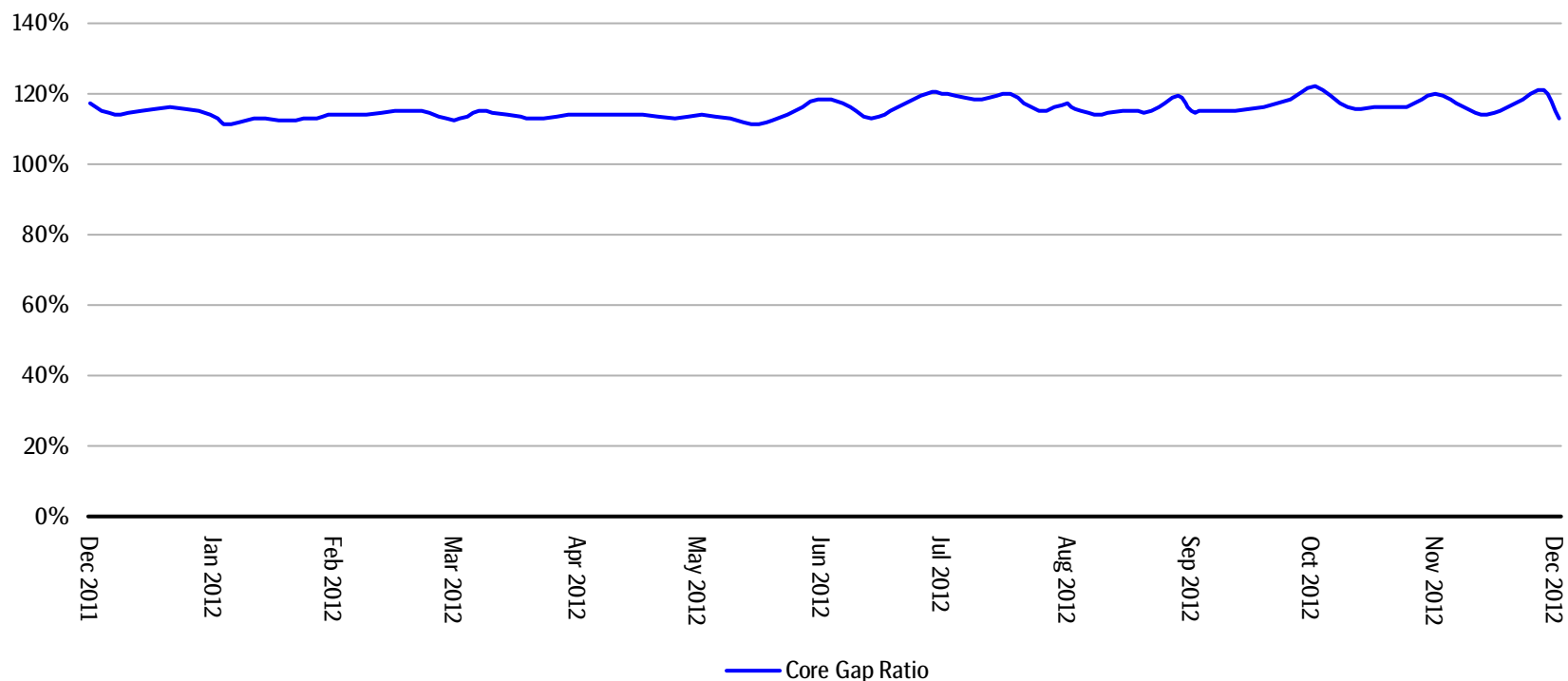
### Net Stable Funding Ratio - NSFR

- NSFR is a structural balance sheet metric showing available stable funding (liabilities > 1yr) in relation to required stable funding (assets > 1yr) and is proposed to be above 100%.
- Basel III NSFR ratio to be revised
- NSFR is at a satisfactory level for SEB since SEB's similar metric (Core Gap Ratio) is stable above 110%

# Liquidity and Funding

## Stable structural liquidity position

### Core Gap Ratio

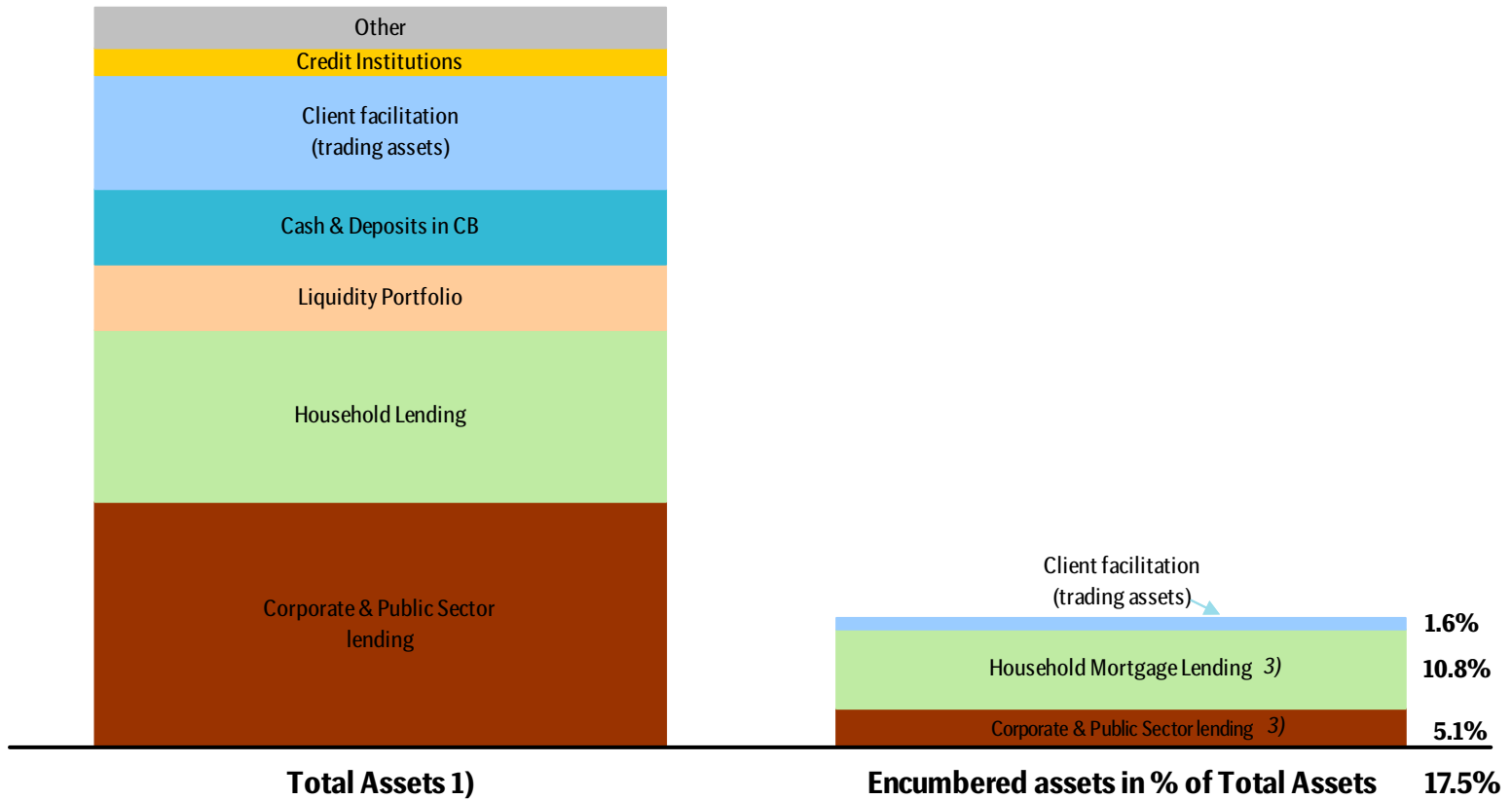


*Core Gap Ratio is an SEB defined internal measure similar to the regulatory-defined NSFR and measures the amount of more than 1 year funding in relation to more than 1 year assets based on internal behavioral modelling.*

# Liquidity

## Low Asset Encumbrance level

SEB Group Balance Sheet Structure, December 2012



- 1) Group Balance Sheet excluding Insurance assets
- 2) Client facilitation (trading assets) includes net derivatives
- 3) For covered bonds

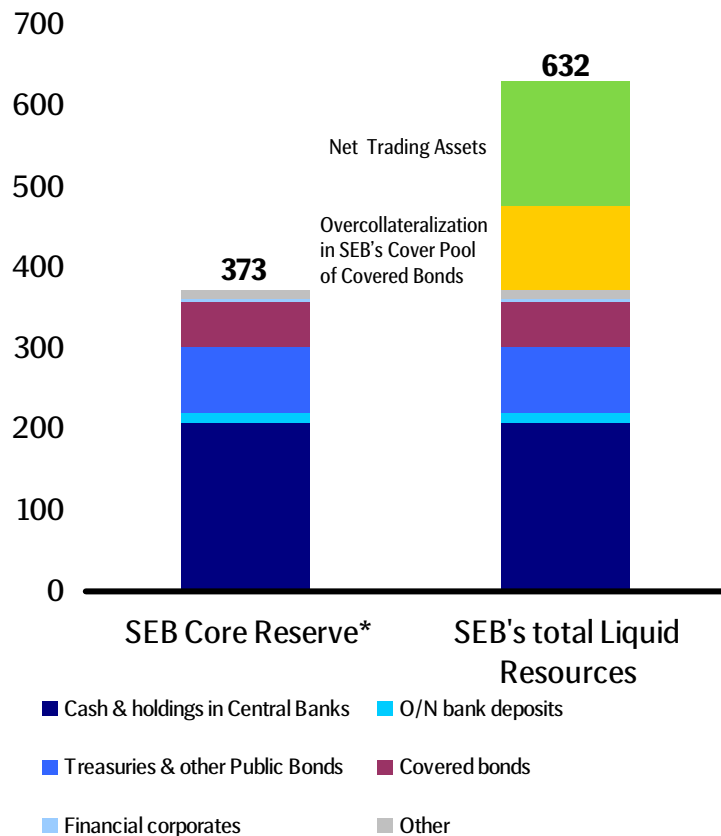
# Liquidity

## Sizable liquidity buffer

December 2012

### SEB's total Liquid Resources close to 200% of wholesale funding maturities within 1 year

SEK bn



### Core liquidity reserve

#### Directives of Swedish Bankers' Association

- Assets held by the Treasury function
- Not encumbered
- Eligible with Central Banks
- Maximum 20% risk weight under Basel II Standardized Model
- Lowest rating of Aa2/AA-
- Valued marked-to-market

### Composition of SEB's Liquidity Portfolio

- Government or state-guaranteed securities of Nordic countries, other selected Northern European countries, principally Germany, and the US
- Supra-nationals
- High quality triple-A rated covered bonds issued by banks in the Nordic countries and other selected Northern European countries, principally Germany

\*Definition according to Swedish Bankers' Association



**Focused organic growth**

**Resilient and diversified income base**

**Excellent asset quality**

**Well-aligned balance sheet structure, strong liquidity and high quality capital structure**

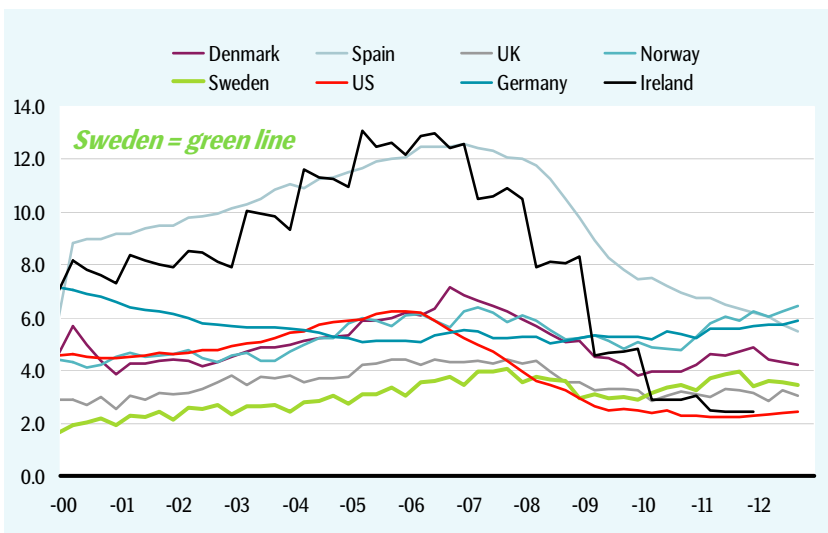
# Appendix 1: Swedish Housing Market

# Swedish Housing Market

## Structural lack of housing

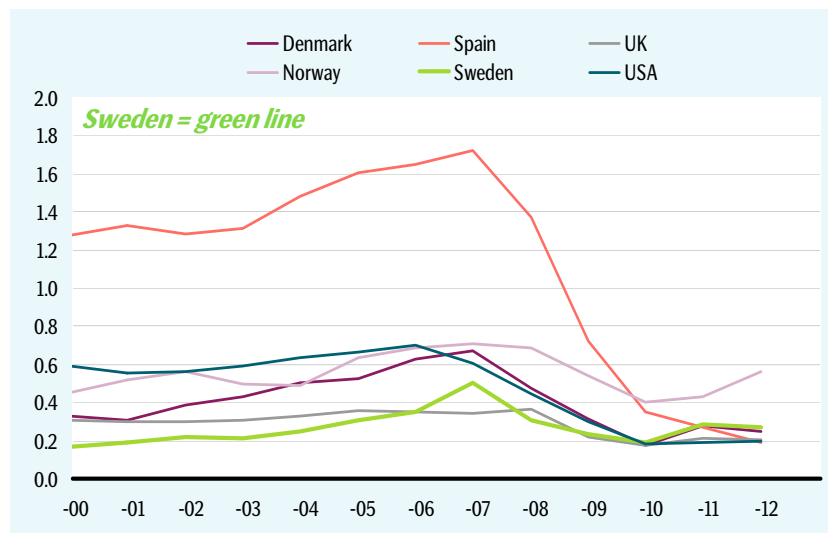
- ❑ Shift in government policy on subsidies in the beginning of the 90s had a huge impact on residential construction
- ❑ Strict rent regulation continues to reduce the incentive for the construction of rental apartment buildings
- ❑ Construction needs to be 30,000 / year to keep pace with population growth
- ❑ Housing starts the last 5-10 years have been on average below 20,000 / year
- ❑ Structural lack most significant in the larger urban areas like Stockholm and Gothenburg

### Low residential investment as a % of GDP



Source: ReutersEcowin

### Low number of housing starts as a % of the population

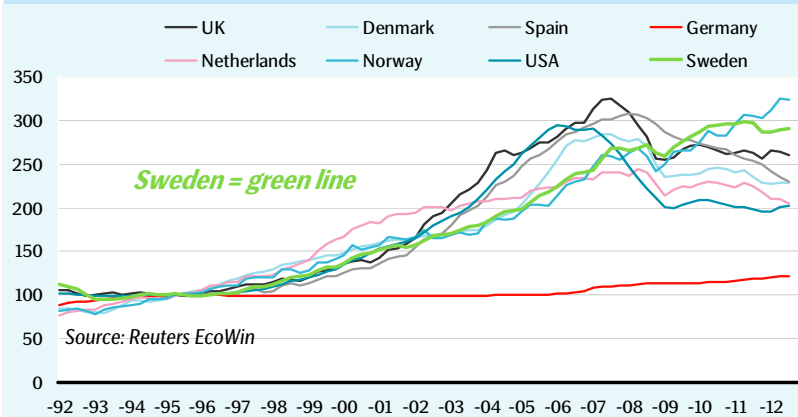


Source: ReutersEcowin

## Swedish Housing Market – Long-term development

# The sustained increase in house prices seems to have come to a halt

### House prices (index 1992=100)

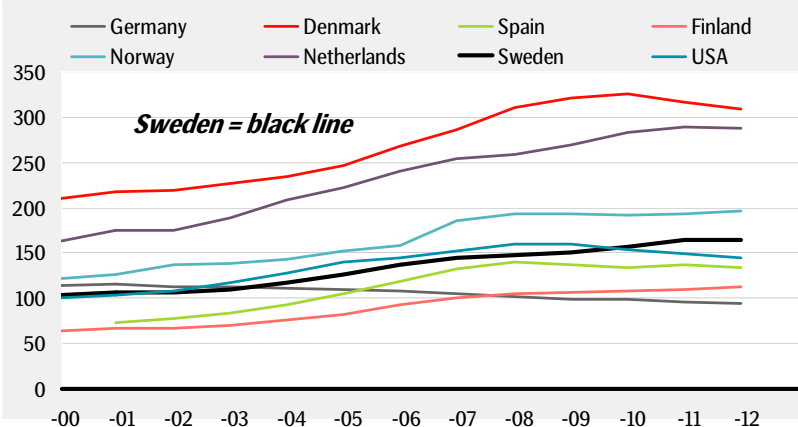


### Reasons for the development

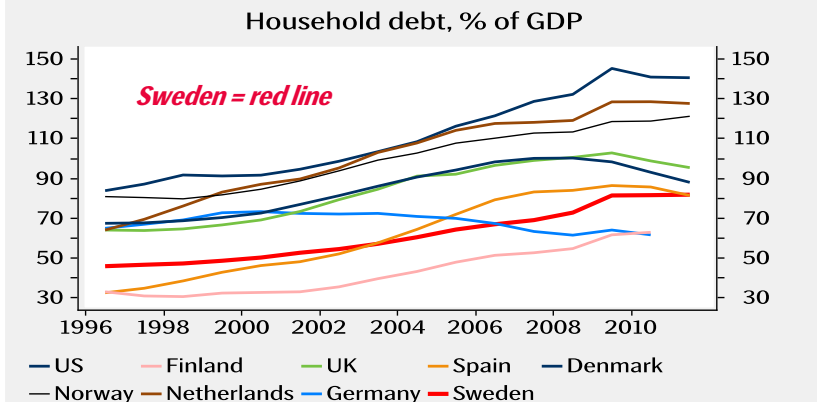
- Reduced subsidies at the beginning of the 1990s caused a decline in residential construction which eventually led to an upward pressure on equilibrium price levels
- Structural lack of supply particularly in the larger cities
- Abolition of residential real estate and wealth tax in the mid-2000s
- Relatively low debt servicing costs and interest costs deductible to 30% (20% on amount above SEK 100 thousand)
- The effect of regulatory LTV cap, debate on overall household indebtedness, stricter bank lending criteria

## Swedish household indebtedness lower than in many countries

### Household debt as a % of income is stabilizing



### Household debt as % of GDP is stabilizing



## Swedish Household Mortgage Market - Current market development

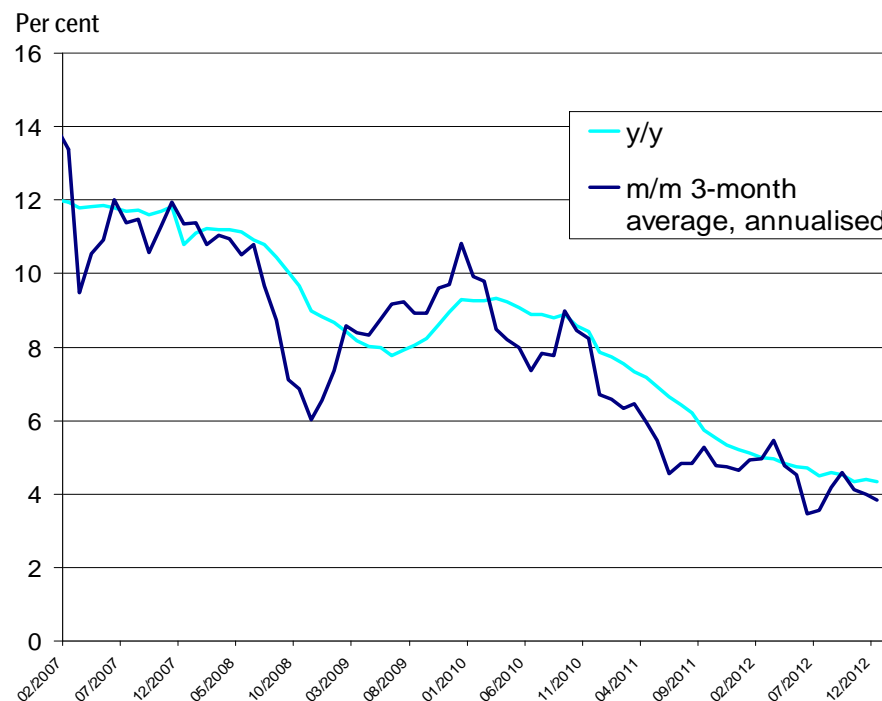
# Dampened price development and a downward sloping trend of lending growth to households

### Falling Swedish house prices, December 2012

Area	Single family homes		Apartments	
	3m	12m	3m	12m
Per cent				
<b>Sweden</b>	<b>-1</b>	<b>+2</b>	<b>+2</b>	<b>+8</b>
<b>Greater Stockholm</b>	<b>0</b>	<b>+3</b>	<b>0</b>	<b>+6</b>
<b>Central Stockholm</b>			<b>-1</b>	<b>+6</b>
<b>Greater Göteborg</b>	<b>+1</b>	<b>+4</b>	<b>0</b>	<b>+10</b>
<b>Greater Malmö</b>	<b>-1</b>	<b>-2</b>	<b>-4</b>	<b>+1</b>

Source: Mäklarstatistik

### Declining lending growth to Swedish Households 2007- 2012



Source: Sweden statistics

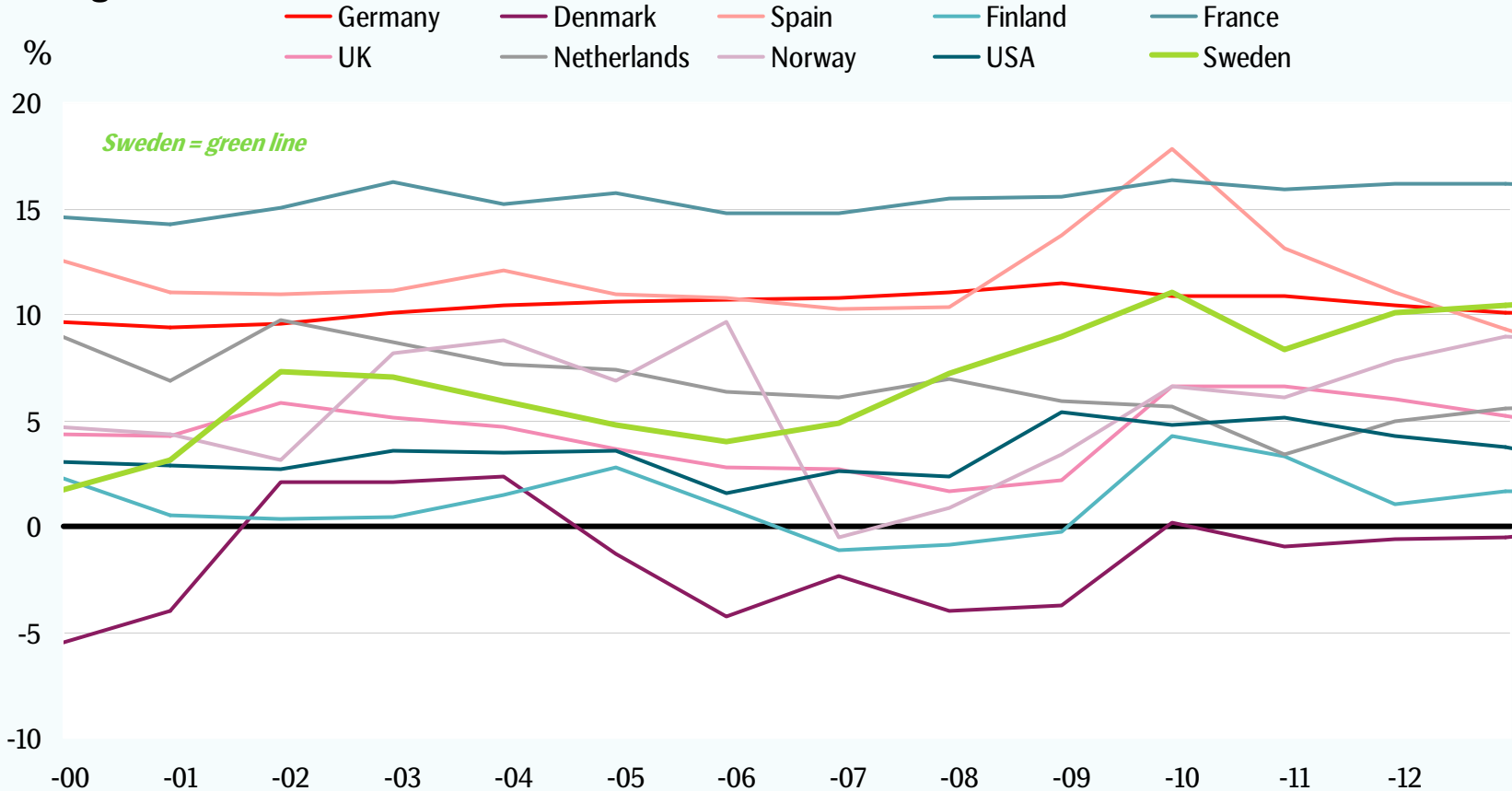
## Households' debt-servicing ability is solid

Swedish Central Bank's Stability Report 2012:2 states that:

□ Household total wealth including market value of housing is 600% of disposable income

□ Household liquid wealth is 150% of disposable income

### Savings ratio



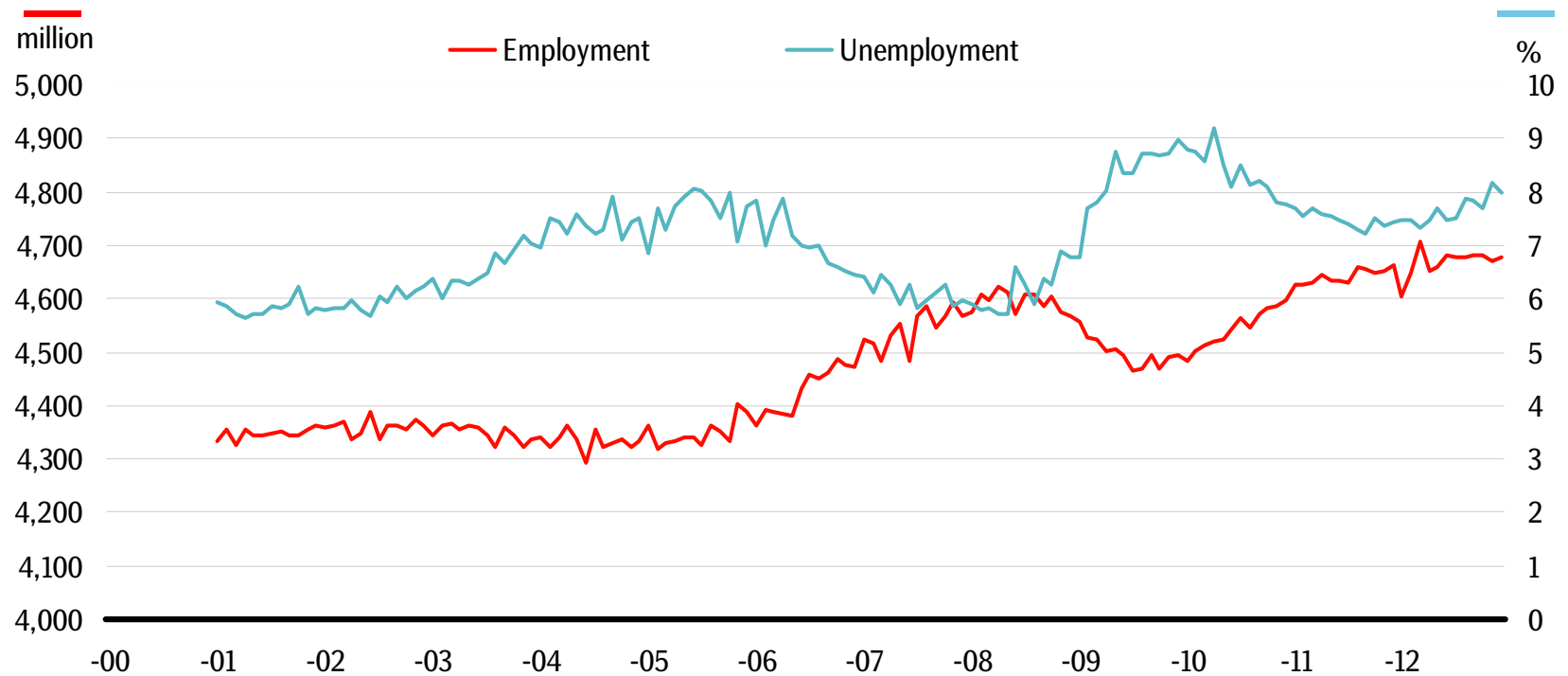
Source: OECD

## Swedish Housing Market – Affordability

# Increasing unemployment will have minor effect on asset quality

Swedish Central Bank stress tests show that:

- ❑ Debt servicing ability is to a larger extent affected by higher mortgage rates than higher unemployment
- ❑ Although the proportion of vulnerable households increases if unemployment rises, the potential loan losses only increase marginally thanks to socio-economic factors



Source: Statistics Sweden, SEB

# Some explaining factors behind the strong asset quality

### Credit information agency (“UC”)

Provides unique information regarding the customers, e.g. marital and employment status, age, income, fixed assets, debt, payment record, property ownership

### Practically impossible to escape claims

A borrower is personally liable, for life, even after a default and foreclosure procedure

### Strong household income

A household’s income is to a very high degree based on two persons’ income. A mortgage loan is typically a joint liability

### No buy-to-let market

No buy-to-let market due to a regulated rental market and tenant owner subletting restrictions

### Direct debit

Customers make payments via authorized direct debit from their account

### State enforcement office

Enforcement orders are processed in a expedient and reliable way

### Strong public finances

Increase in debt to income amongst households is offset by a low public sector debt and a capacity for countercyclical measures



**Appendix 2:  
SEB's Swedish Residential Mortgage  
Lending & Covered Bonds**

# SEB's Swedish Residential Mortgage lending

## High quality

Total SEK 454bn (USD 70bn)  
December 2012

### Multifamily Residential Mortgage lending

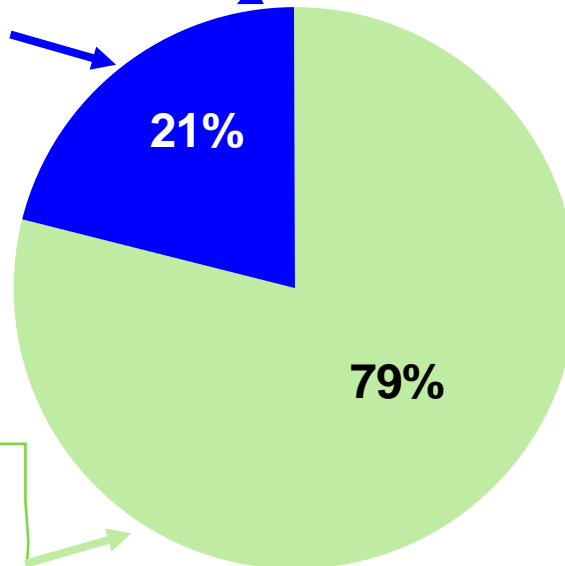
SEK 96bn  
(USD 15bn)

- Private companies 48%
- Tenant owners' associations 38%
- State/Community owned 14%

### Household Mortgage lending

SEK 358bn  
(USD 55bn)

- Single family homes 64%
- Tenant owned apartments 31%
- Second homes 5%



### Multifamily Residential Mortgage lending

#### Strong asset quality

- ❑ Impaired loans at 4bps or USD 6m
- ❑ No net credit losses
- ❑ No major problem loans since the 1990's
- ❑ Low and conservative LTVs

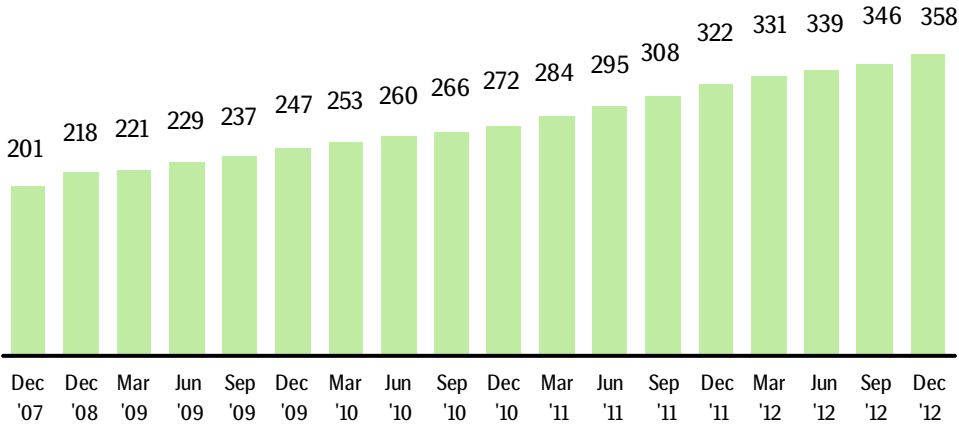
#### Conservative lending policy

- ❑ Cash-flow generation
- ❑ Legal structure: Counterparty has to have direct and immediate access to the cash-flow and the assets taken in as collateral.
- ❑ Tenor max 10 years
- ❑ LTV <75% but depending on geographic location
- ❑ Amortization structure required depending on geographic location

# SEB's Swedish Household Mortgage lending

## Successful overall business strategy aimed at Private Individuals increased the mortgage lending

SEK bn



### Selective origination

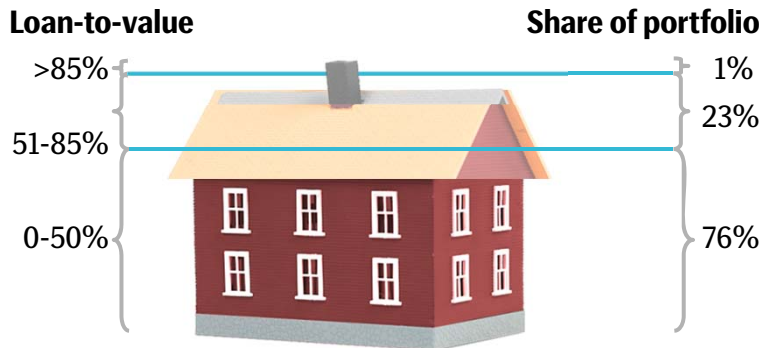
- The mortgage product is the foundation of the client relationship
- SEB's customers have higher credit quality and personal savings than the market average and are over-proportionally represented in higher income segments <sup>1)</sup>

### High asset performance

- Net credit losses consistently low at 1bp (USD 3.8m)
- Loans past due 60 days is at 13bps (USD 75m)

<sup>1)</sup> Source: Swedish Credit Bureau ("UC AB")

### Low LTVs



### Mortgage lending based on affordability

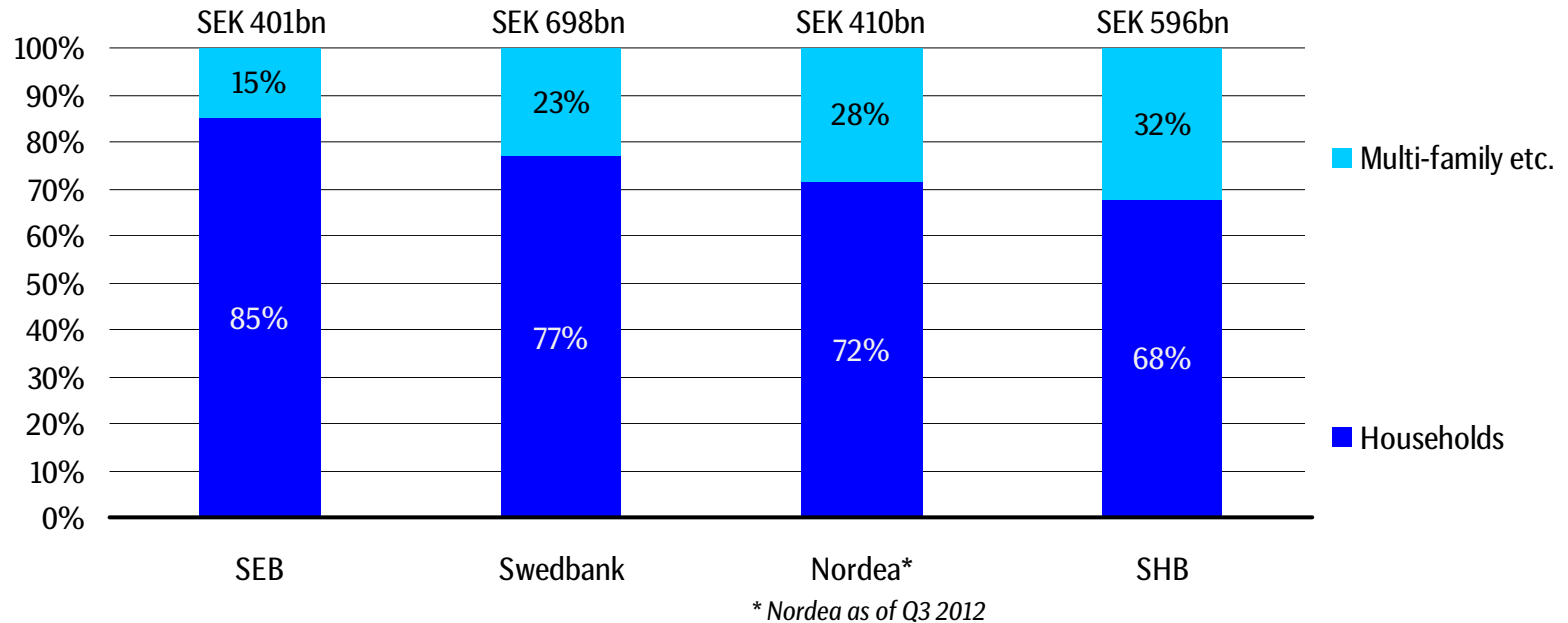
- Strict credit scoring and assessment
- "Left-to-live-on" sensitivity analysis incl. a 7% interest rate test
- 85% regulatory LTV cap when granting a loan
- Loan with LTV >70% must be amortized
- Max loan amount 5x total gross household income irrespective of LTV and no more than one payment remark
- 'Sell first and buy later'

## **SEB's Cover Pool and Covered Bonds**

## Benchmarking the major Swedish banks' Swedish Cover Pools

# SEB – more lending to Households than to Multi-family housing

### Major Swedish banks' Cover Pool Dec 2012



#### Weighted average max LTV

59%

58%

55%

47%

#### Over collateralisation\*

53%

35%

34%

17%

\* OC in nominal terms

Source: Company reports

# Cover Pool

## Only Swedish Residential Mortgages

### Highlights

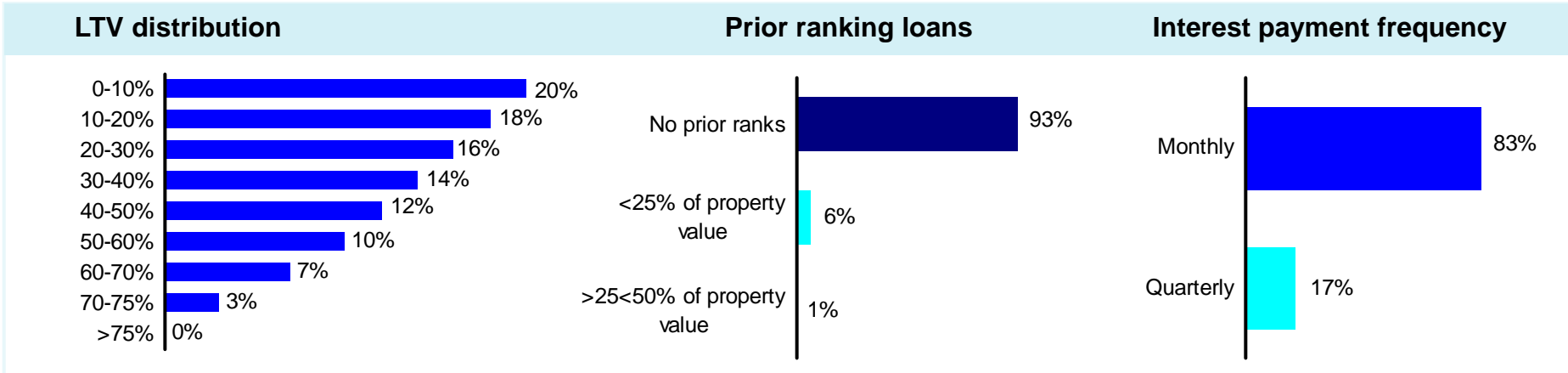
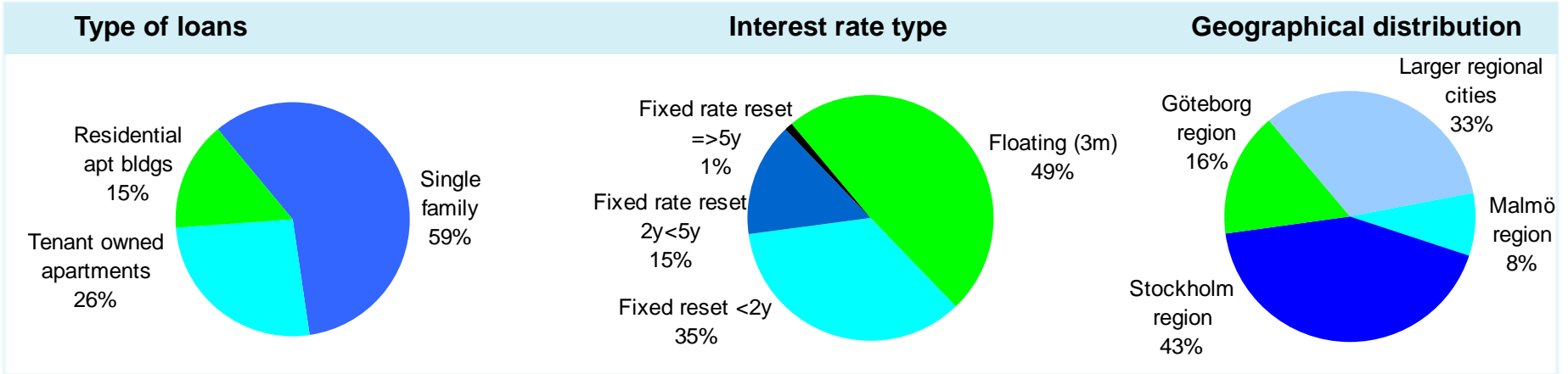
- ❑ Only Swedish Residential mortgages in the Cover Pool, which historically have had very low credit losses
- ❑ SEB has by far the highest OC of all the Swedish peers, currently 56%
  - SEB's Cover Pool is more concentrated towards Single Family and Tenant owned apartments, which generally have somewhat higher LTVs
  - All eligible Swedish residential mortgages are in the Cover Pool, i.e. no cherry picking of mortgages from balance sheet to Cover Pool

Cover pool	Q4 2012	Q2 2012	Q4 2011
Total residential mortgage assets (SEK m)	400,999	380,181	360,099
Weighted average LTV (property level)	59%	59%	44%*
Number of loans (thousand)	625	601	561
Number of borrowers (thousand)	391	379	357
Weighted average loan balance (SEK thousand)	642	632	610
Substitute assets (SEK thousand)	0	0	0
Loans past due 60 days (basis points)	11	13	13
Net credit losses (basis points)	1	1	1

\*LTV for Q4 2011 calculated on a loan by loan basis

# Cover Pool

## SEB's lending to households is predominantly in the three largest cities with an interest rate reset date within two years



Distribution in different LTV buckets based on exact order of priority for the individual mortgage deeds according to the Association of Swedish Covered Bond Issuers

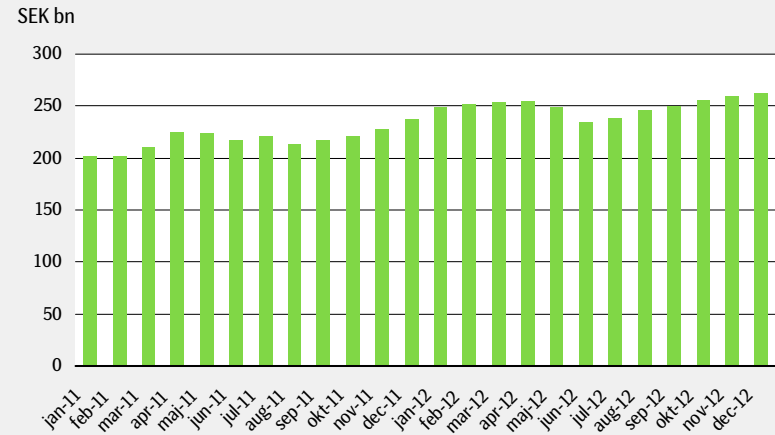
# Covered Bonds

## Profile of outstanding Covered Bonds

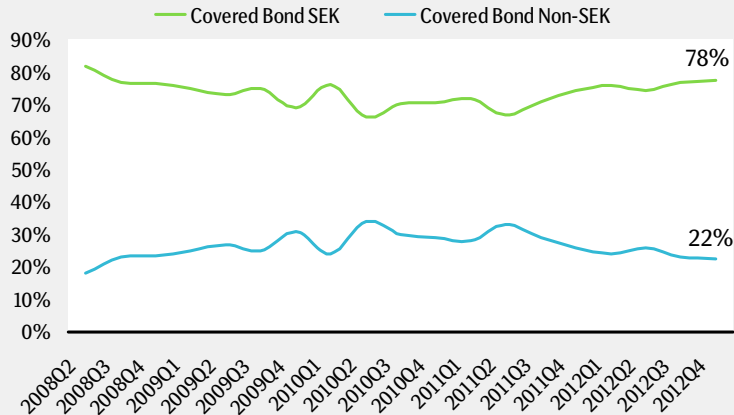
### SEB Swedish Mortgage Covered Bonds

<b>Moody's Rating</b>	Aaa
<b>Total outstanding</b>	SEK 262bn (USD 40bn)
<b>FX distribution</b>	SEK 78% non-SEK 22%
<b>Benchmark</b>	Benchmark 92.5% Non Benchmark 7.5%

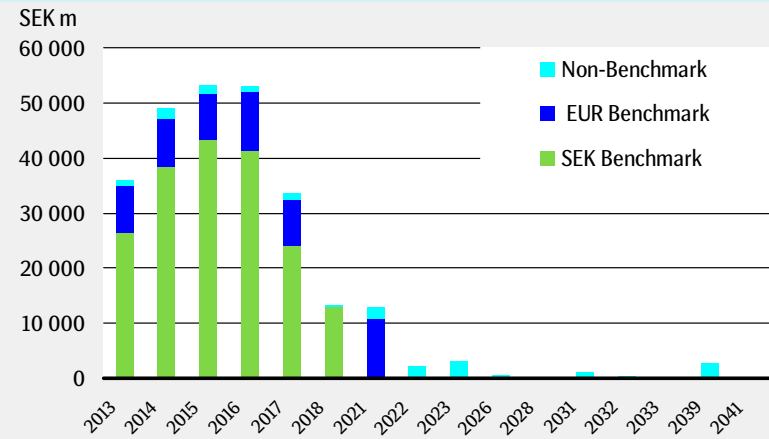
### Outstanding Covered Bonds increased >25% in 2 yrs



### Currency mix, %



### Maturity profile



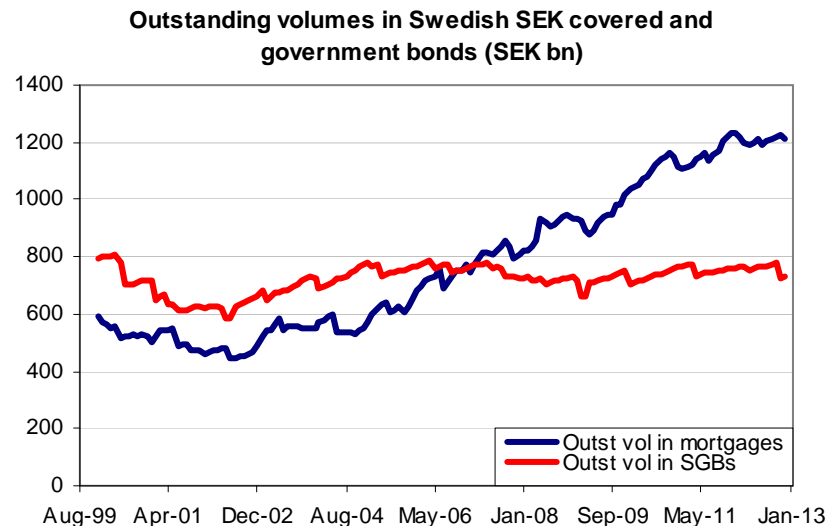


# Swedish domestic Covered Bond market larger than the domestic Swedish Government Bond market

## Characteristics

- ❑ Swedish market is among the five largest in Europe
- ❑ Moody's raised the "the Timely Payment Indicators" (TPIs) to 'Probable High'
- ❑ Total gross issuance in 2010: SEK 701bn (*USD 108bn*)
- ❑ Total gross issuance in 2011: SEK 620bn (*USD 95bn*)
- ❑ Total gross issuance in 2012: 385bn (*USD 59bn*)
- ❑ Dynamic market with frequent taps and active curve management through buy-backs and new issues via dedicated market-makers
- ❑ Strong demand from Swedish Pension Funds and Insurance Companies and Consumer Savings Funds

## 65% larger than the Swedish government bond market



Source: Statistics Sweden

- ❑ Planned government bond issuance for 2013 is nominally SEK 74bn (*USD 11bn*)

# Swedish Covered Bonds Legal Framework

# Swedish Covered Bond Act

## Swedish Covered Bonds (Säkerställda Obligationer)

<b>Specialist banking principle</b>	No, issuance of covered bonds is subject to a licence	<b>Substitute collateral</b>	Max. 20% of total cover pool (up to 30% within limited period with special approval from the SFSA)
<b>Eligible cover assets</b>	Mortgage loans (max. 10% commercial), public sector loans	<b>Legally anchored preferential claim in bankruptcy</b>	Yes (cover assets) including claims of derivatives counterparties
<b>Derivatives allowed as cover assets</b>	Yes	<b>Matching principle</b>	Issuer must ensure nominal coverage, net present value and cash flow matching.
<b>Regional constraint on collateral assets</b>	Mortgage: EEA Public: OECD	<b>Mandatory overcollateralization (OC)</b>	No
<b>Mortgage loan-to-value limits</b>	Residential 75 % Agricultural 70 % Commercial 60 %	<b>Stress tests</b>	Yes, NPV cover must hold even after a 1% upward and downward shift in the yield curve and a 10% change in the currency
<b>Valuation</b>	Market value (excluding speculative and temporary circumstances)	<b>Supervisory body</b>	Swedish Financial Supervisory Authority (Finansinspektionen), "SFSA"
<b>Mark to market of collateral</b>	No formal requirement to revalue properties. The issuer should monitor property prices and revalue in case of significant drop (generally interpreted as 15% drop)	<b>Direct supervision / Independent trustee</b>	Yes
<b>Cover register</b>	Yes, but no segregation between public and mortgage. Only one single register (mainly mortgage)	<b>Art. 22(4) UCITS directive / CRD fulfilled</b>	Yes => 10% risk weighting in most European jurisdictions
<b>Cover assets</b>	Remain on the balance sheet		
<b>Asset segregation in case of bankruptcy</b>	In case of insolvency, the registered cover assets, the covered bonds and derivative contracts are segregated from the general bankruptcy estate. If the proceeds are insufficient to repay all liabilities on covered bonds, covered bond holders and derivatives counterparties would have a claim against the general estate ranking pari passu with joint seniority in relation to the assets outside the cover pool		

For more details on Swedish Covered Bonds please look at the webpage of The Association of Swedish Covered Bond Issuers, [www.ascb.se](http://www.ascb.se)

# The role of the Swedish FSA

- The Swedish FSA monitors that Swedish covered bond issuers comply with the Swedish covered bond regulatory framework
- In addition, the Swedish FSA appoints an independent inspector for each issuer
- The independent inspector is responsible for monitoring the cover register verifying, in particular, that
  - ✓ covered bonds and relevant derivative contracts are registered in the register,
  - ✓ only loans and supplemental assets that satisfy the eligibility criteria are included in the cover pool and registered in the register,
  - ✓ the valuations of the underlying collateral for loans in the cover pool are in accordance with the Covered Bond Issuance Act and the SFSA regulations,
  - ✓ mortgage loans of which the underlying collateral has decreased significantly in value, for the purpose of the matching requirements, are deducted from the cover pool to the extent necessary to comply with the relevant LTV ratio and
  - ✓ the matching requirements are met
- The independent inspector is entitled to request information from the issuer, conduct site visits and is required to report regularly and at least once a year to the Swedish FSA. The Covered Bond Issuance Act does not provide for any changes to the independent inspector's responsibilities upon the bankruptcy of an issuer

# Administration of the cover pool in the event of bankruptcy

- Should an issuer be declared bankrupt, at least one administrator-in-bankruptcy would be appointed by the bankruptcy court and one administrator-in-bankruptcy would be appointed by the Swedish FSA. The administrators-in-bankruptcy would take over the administration of the bankruptcy estate, including the cover pool.
- As long as the cover pool meets the requirements of the Covered Bond Act (including the matching requirements) the bankruptcy would not as such result in early repayment or suspension of payments to covered bond holders or to derivative counterparties since:
  - ✓ Assets in the cover pool, covered bonds and relevant derivative contracts entered into the register are required to be maintained as a unit and kept segregated from other assets and liabilities of the bankruptcy estate of the issuer.
  - ✓ The administrators-in-bankruptcy are required to maintain continued timely payments due under the covered bonds and any relevant derivative contracts.
- If the cover pool ceases to meet the requirements of the Covered Bond Act, and the deviations are not just temporary and minor:
  - ✓ the cover pool may no longer be maintained as a unit and the continuous payment under the terms and conditions of the covered bonds and derivative contracts will cease.
  - ✓ Covered bond holders and derivative counterparties would then instead benefit from a priority claim over the proceeds of a sale of the assets in the cover pool in accordance with general bankruptcy rules.
  - ✓ Such payment could differ from what is contemplated by the terms and conditions of the covered bonds (with accelerations as well as delays) and/or imply that covered bond holders and derivative counterparties are not paid in full
  - ✓ Any residual claims of the covered bond holders and derivative counterparties remain valid claims against the issuer, but will rank pari passu with other unsecured claims.
- The Swedish Covered Bond Act renders, in the case of insolvency, the administrator an express mandate, on behalf of the bankruptcy estate, to borrow funds in the market and enter into other agreements for the purpose of maintaining matching between the cover pool, covered bonds and derivative contracts.

# SEB contacts and information

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## **More information**

Available on [www.sebgroup.com](http://www.sebgroup.com)

You will find it under Investor Relations