



SEB's Swedish Residential Mortgage Lending and Covered Bonds

Stockholm
September, 2013

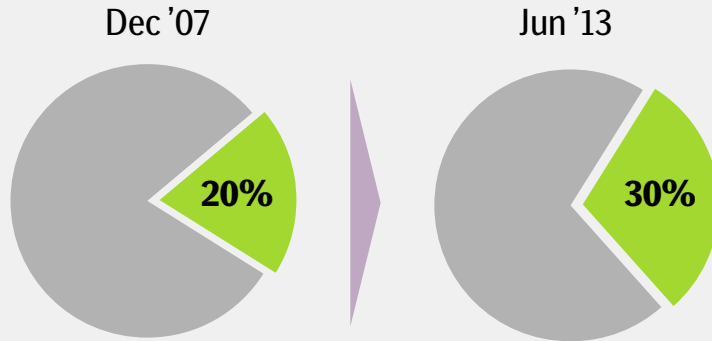
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SEB's Swedish Residential Mortgage Lending

Swedish Retail Banking increasingly more important to SEB

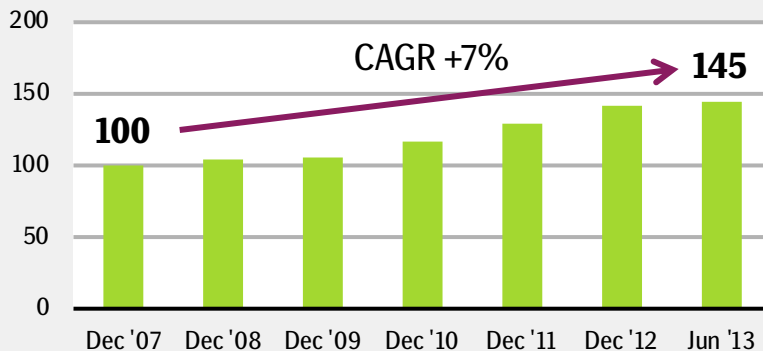
Increased relative importance of SEB's total income



Successful client acquisition strategy

- Major organisational changes in the Retail Division in 2008 – strategic move
- Successful product offerings and focus on long term customer relationships have contributed to increased volumes and profit gearing in the Retail Division

Deposits from Private Individuals (SEK bn)

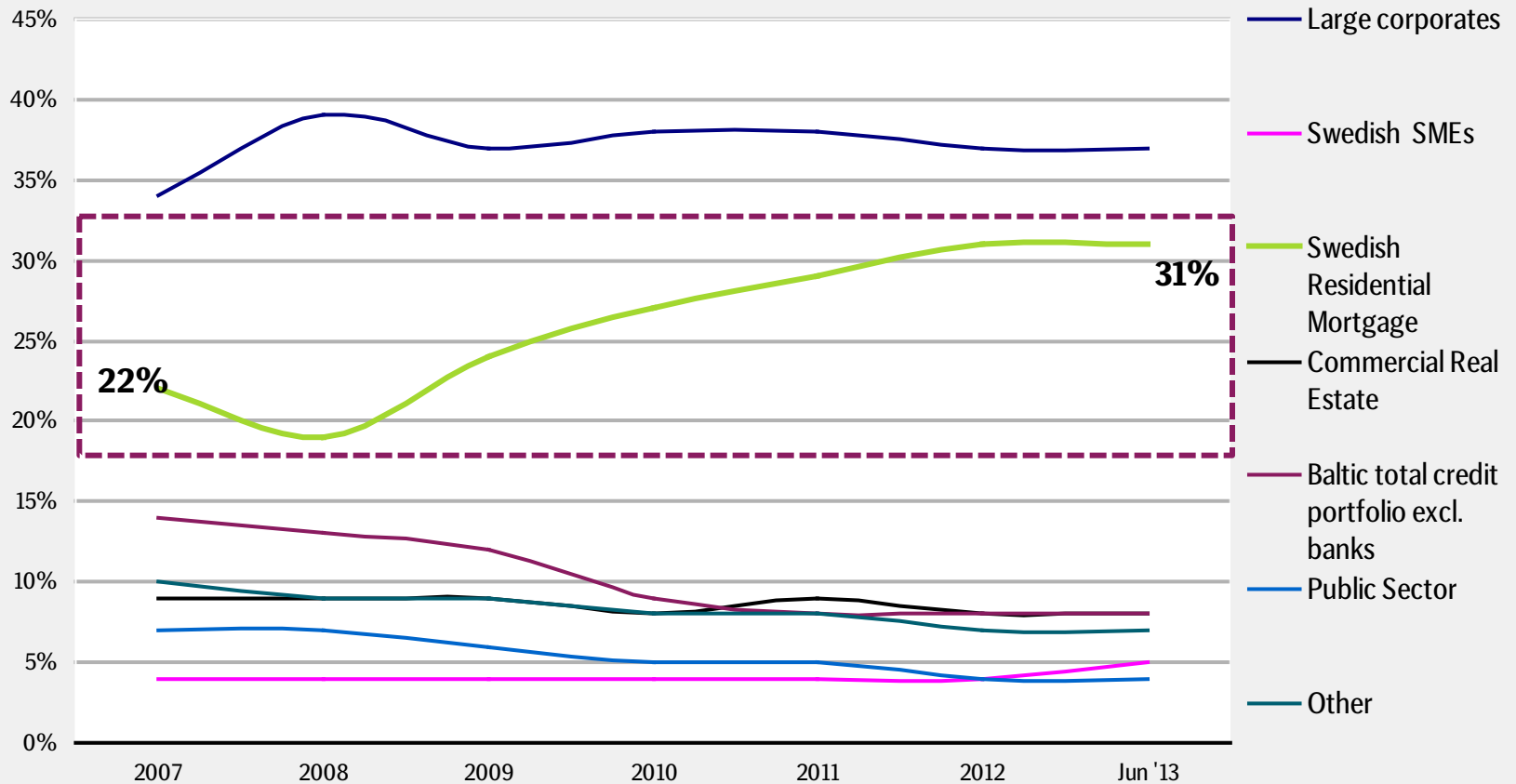


Strong development of key ratios

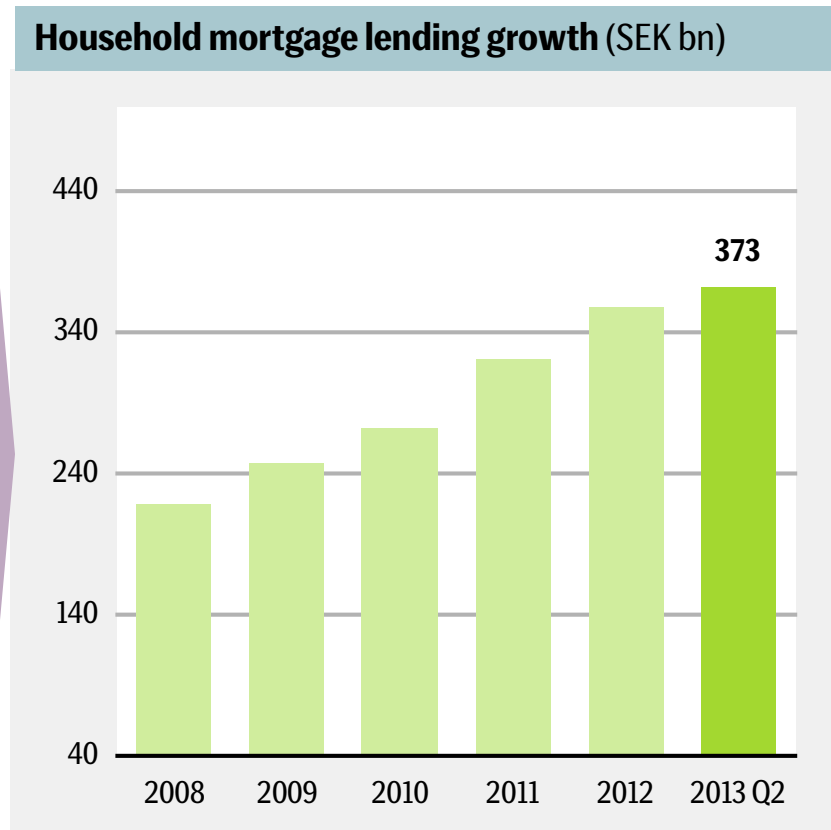
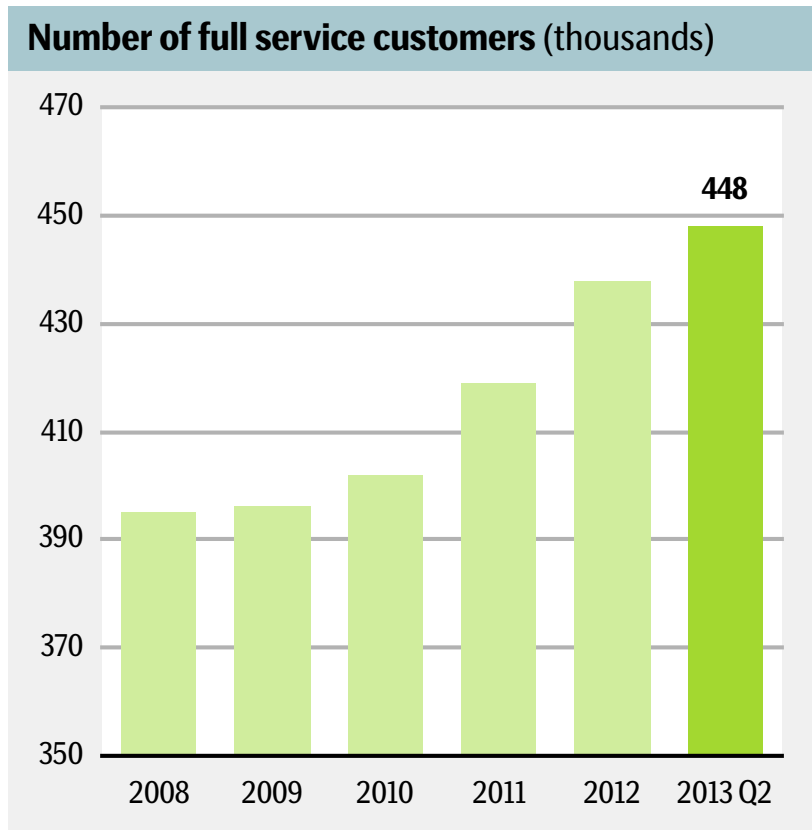
	C/I	Equity	RoE
2010	71%	SEK 9.7bn	14.5%
2011	65%	SEK 10.8bn	21.4%
2012	57%	SEK 14.4bn	22.3%
H1-13	51%	SEK 20.2bn	20.0%

Increasing mortgage lending - a consequence of strategic focus

Development of certain business areas' relative importance (credit exposure)



Focus is on full service customers – Growth of Mortgage lending is a consequence of the strategy



Household Mortgage Lending dominates the portfolio

Split between Household and Residential Apartment Buildings – June 2013

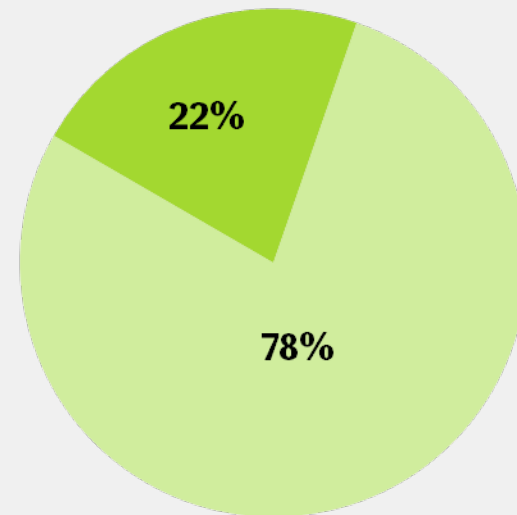
Residential Apartment Buildings – SEK 102bn ("Multi-family")

Private companies	47%
Housing co-operative associations	38%
State/municipality owned	15%

Households – SEK 373bn

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

Total SEK 475bn



Household Mortgage Lending in public focus

On the agenda

- High level of household debt a threat to the macro-stability?
 - Amortisation behaviour/requirements in focus and proposal expected from SFSA on Oct 15th
- Are Swedish banks sufficiently capitalised?
 - Household mortgage risk weight floor of 15% implemented
- Pricing transparency to be improved?
 - Proposal expected from SFSA on Oct 15th
- Pre-payment conditions and fees under scrutiny
 - More consumer friendly regulation proposed

Billigare att lösa bundna bolån i höst

Regeringen vill förenkla och göra det billigare för konsumenter att byta bank genom att se över reglerna för så kallad ränteskillnadsersättning. Förslaget kommer i höstbudgeten, enligt Peter Norman.



28 augusti 2012 kl 15:05 , uppdaterad: 28 augusti 2012 kl 15:11

Minister for Financial Markets

Head of Central Bank

Ingves kräver amorteringar på bolån

Riksbankschefen Stefan Ingves vill ha statliga regler om obligatoriska amorteringar på bolånen om bankerna "inte tar sitt ansvar".

239, uppdaterad: 15 januari 2013 kl 14:20

OMX Sjölin, kl 14:15
-0.06% 399,62 SEK

IMF varnar för svensk bostadsbubbla

Uppdaterad 2013-09-06 11:01. Publicerad 2013-09-05 16:42



Foto: Hasse Holmberg/Scanpix

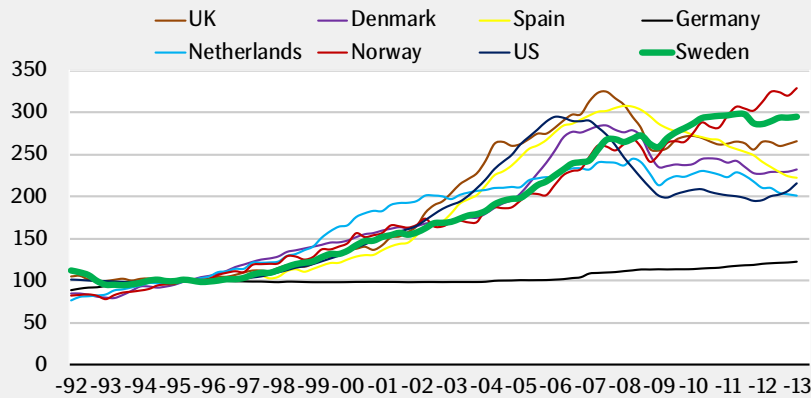
Bostadspriserna är övervärderade med 15 procent och det finns risk för bakslag i Sverige, enligt en ny IMF-rapport. Och om vi inte spelar korten rätt så kan det även drabba grannländerna.

Ekonomi i Sverige kommer att växa, men i långsam takt framöver. 2013 blir tillväxten 1,1 procent och året efter 2,3 procent enligt prognosen. Men det finns "risker på nedsidan" som det heter på finanssvenska. För Sveriges del handlar det framför allt om en stor banksektor och överpriser på bostadsmarknaden med överpriser på cirka 15 procent enligt utredarna på IMF.

Price development and Household indebtedness

Increase in Swedish house prices driven by lack of supply and higher affordability

House prices (index 1992=100)

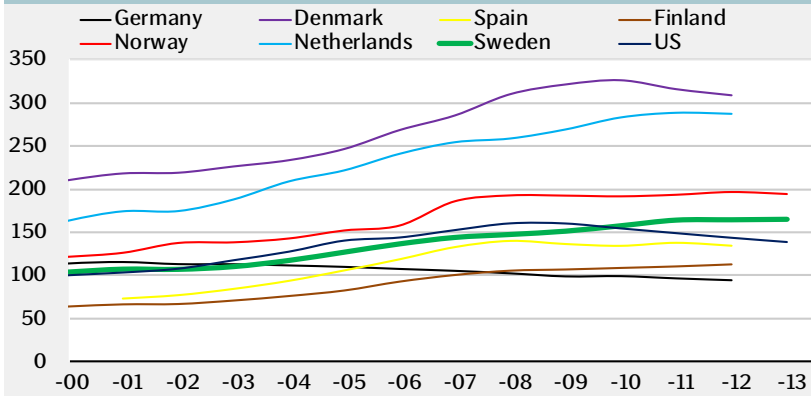


Price drivers for Swedish market

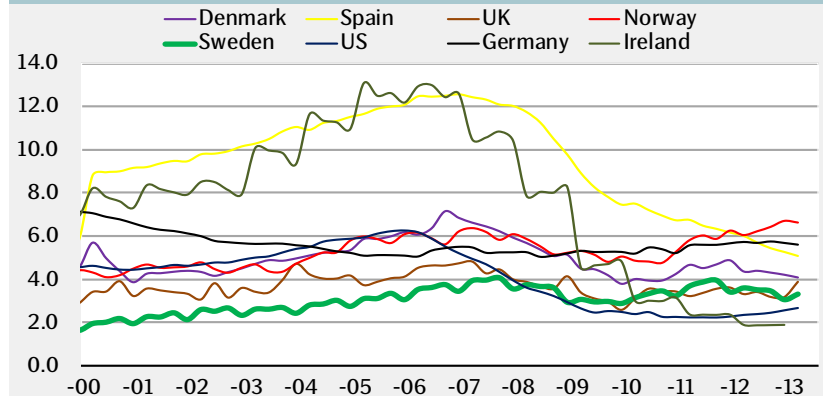
- Reduced subsidies in the beginning of the 1990s caused a decline in residential construction (rental units in particular) - Lack of supply in the larger cities
- Abolition of residential real estate and wealth tax in mid-2000
- Low debt servicing costs
- Interest costs deductible to 30% (20% above SEK 100th)

Swedish Household indebtedness not worst in class - but Residential investments are

Household debt as % of disposable income



Residential investments as % of GDP



Source: Macrobond

Risk mitigating factors in the Swedish Housing market

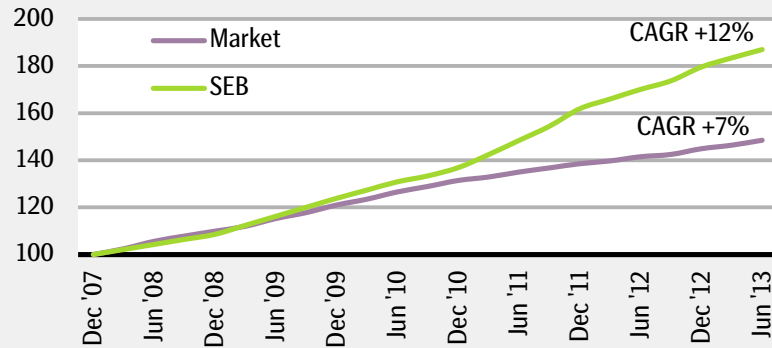
Highlights

- Increased affordability among Swedish households
- Structural lack of housing since the 90s
- The household savings ratio is high both in absolute terms and compared to international peers
- Socio-economic factors such as external credit bureau ("UC" – Sweden's "FICO"), no buy-to-let market, personal liability, dual income etc.
- Sweden has robust government finances and a social security system that reduces volatility. The pension system is also well financed

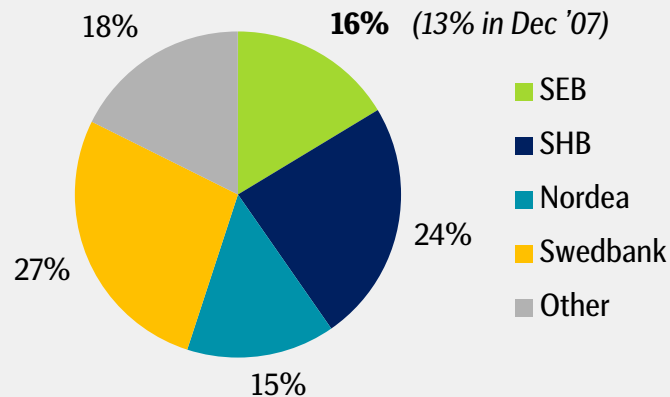
Successful private customer acquisition strategy

Lending development

Index =100 at lending balance Dec '07



Market shares – June 2013



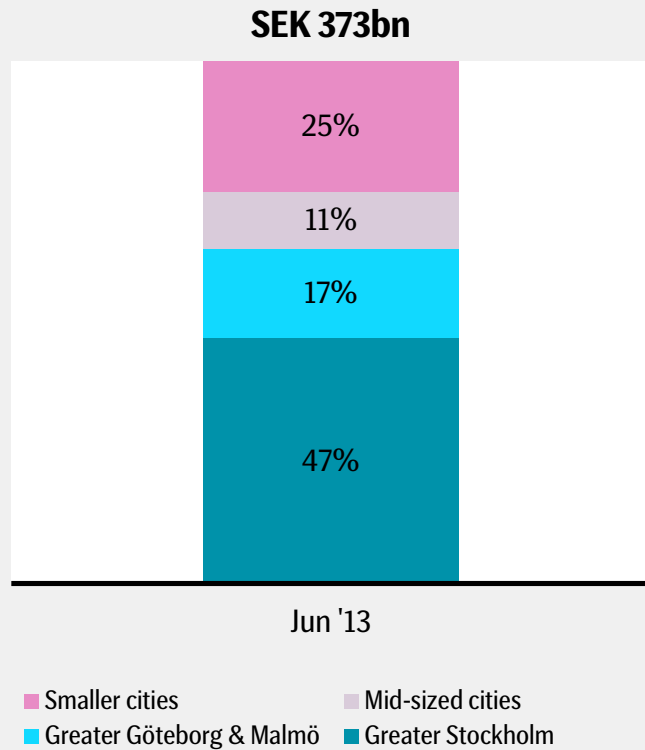
Source: Statistics Sweden

Swedish Household Mortgage Lending a consequence of SEB's long-term strategy

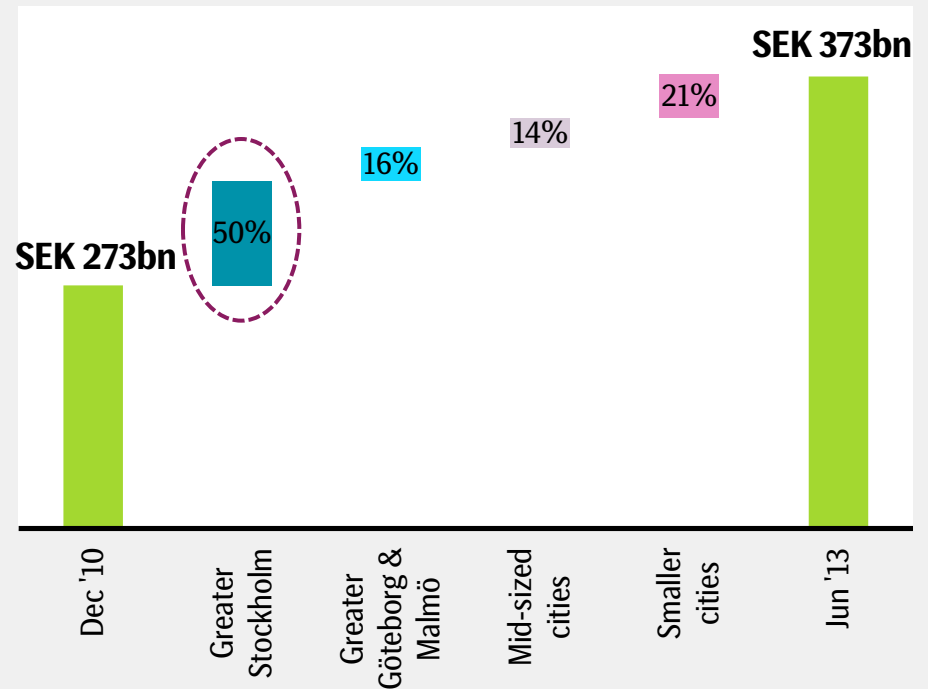
- Mortgage lending a main income driver within Private market
 - creates cross selling opportunities
- Full service customers in focus
 - crucial for long term profitability
 - 46,000 new full service customers for Swedish Retail between 2010-June 2013
- Efficient administration process and increased sales distribution have supported the growth
- Pricing based on risk
 - Borrower's repayment capacity (PD)
 - Loss given default (LGD)
 - Loan-to-value (LTV)
 - Collateral type

Strongest growth in larger cities with a structural lack of supply

Distribution of lending



Geographic split of growth

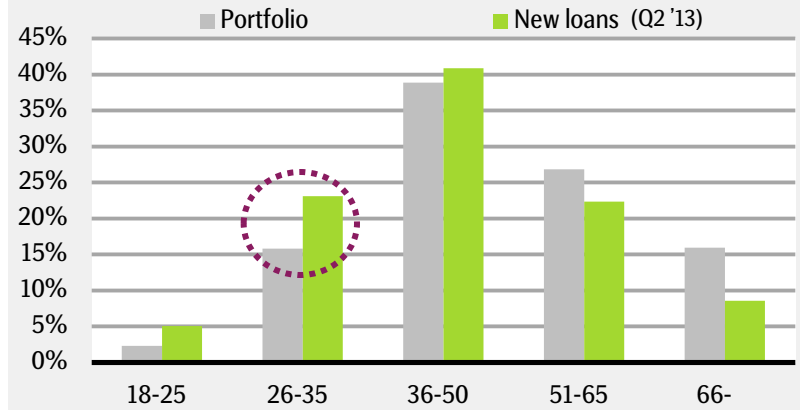


SEB's borrowers have a strong economic profile

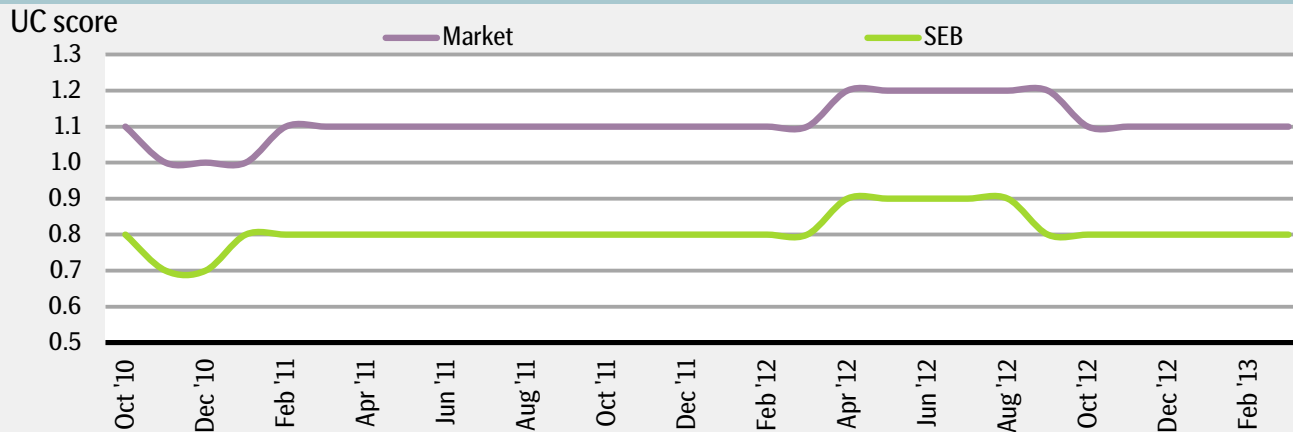
SEB's typical mortgage customer

- Dual income households in larger cities
- Personal savings above average
- Stronger credit rating vs. market average
- New lending concentrated to younger professionals in larger cities

Customer age distribution



SEB's mortgage customers have a relatively stronger credit quality than market average



NOTE: UC score is defined as the probability of getting a payment remark within one year

Conservative underwriting criteria support robust asset quality

Regulatory requirements

- 85% regulatory LTV cap
- 15% household mortgage risk weight

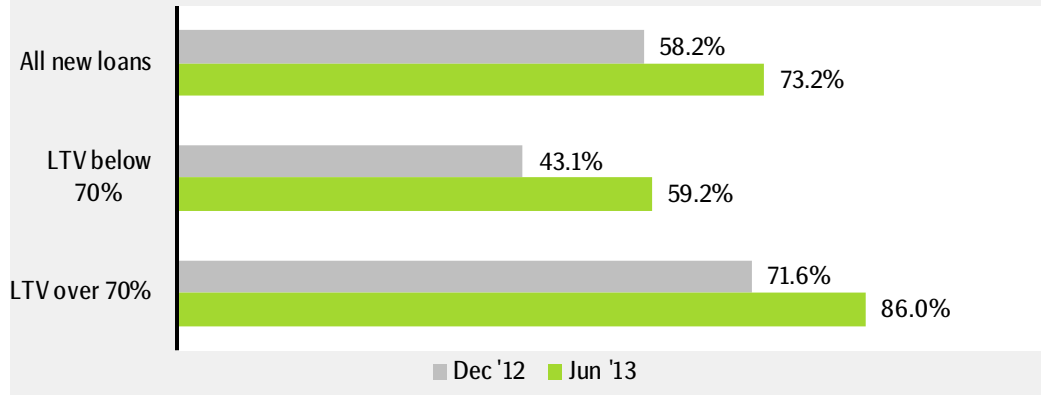
Additional internal requirements

Strong focus on repayment capacity

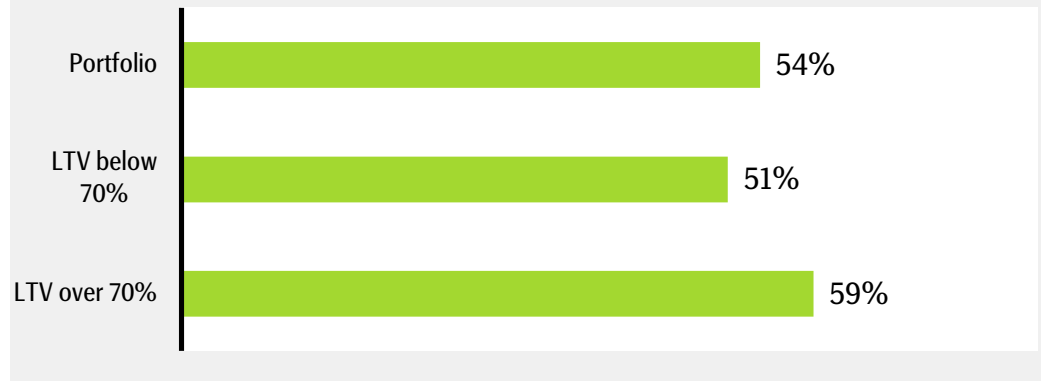
- Customer should afford 7% interest rate and a straight amortisation over a period of 60 years
- Regardless of LTV all customers are recommended to amortise
 - **Mandatory to amortise on new loans above 70% LTV**
- Max loan amount 5x total gross household income irrespective of LTV
- No more than one payment remark
- 'Sell first and buy later'

New policy has led to increased loan amortisations

New loans: Amortising loans' share of total



Total portfolio: Amortising loans' share of total

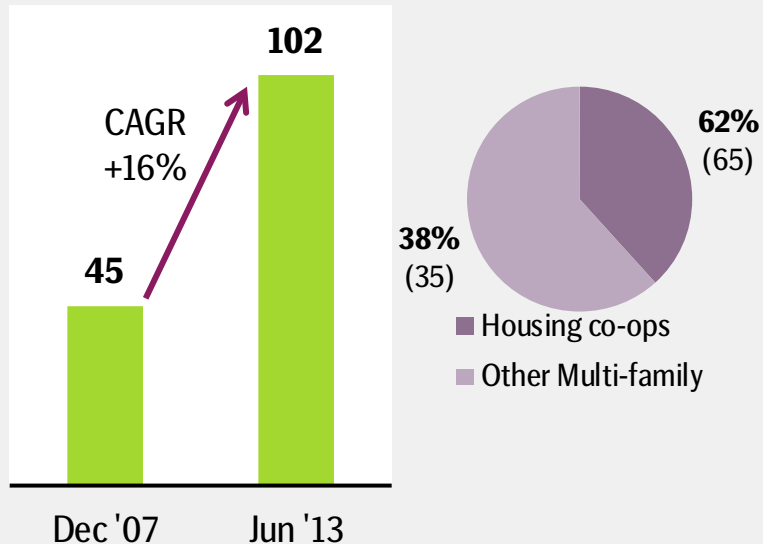


Highlights

- New amortisation policy adopted in January 2013
- Increase in amortisations both within higher and lower LTV ranges
- Majority of total portfolio amortising

Robust growth also in the Multi-family segment

Credit exposure (SEK bn)



Weighted average max LTV

Housing co-ops	39%
Other Multi-family	55%

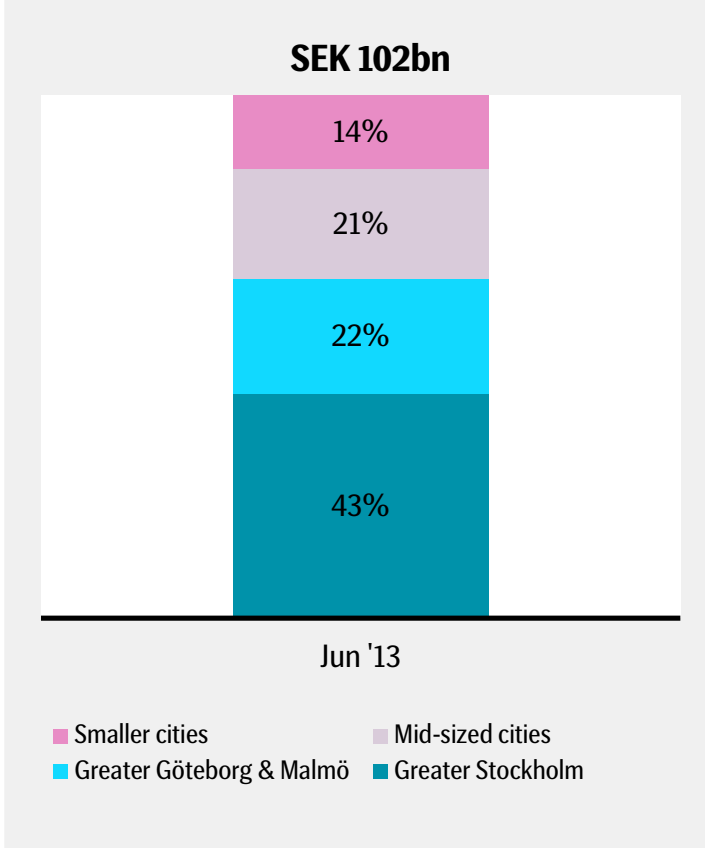
Swedish Multi-family part of SEB's long-term SME strategy

- Target is to become the customer's main bank – creates ancillary business
- New lending focused to larger cities
- Growth achieved with maintained credit assessment criteria – i.e. strictly cash flow based lending
 - Max tenor 10 years
 - LTV <75% but depending on geographic location
- Pricing based on risk;
 - Borrower's repayment capacity (PD)
 - Internal RoBE requirements
 - LTV
 - Location
 - Level of relationship
 - Size of loan

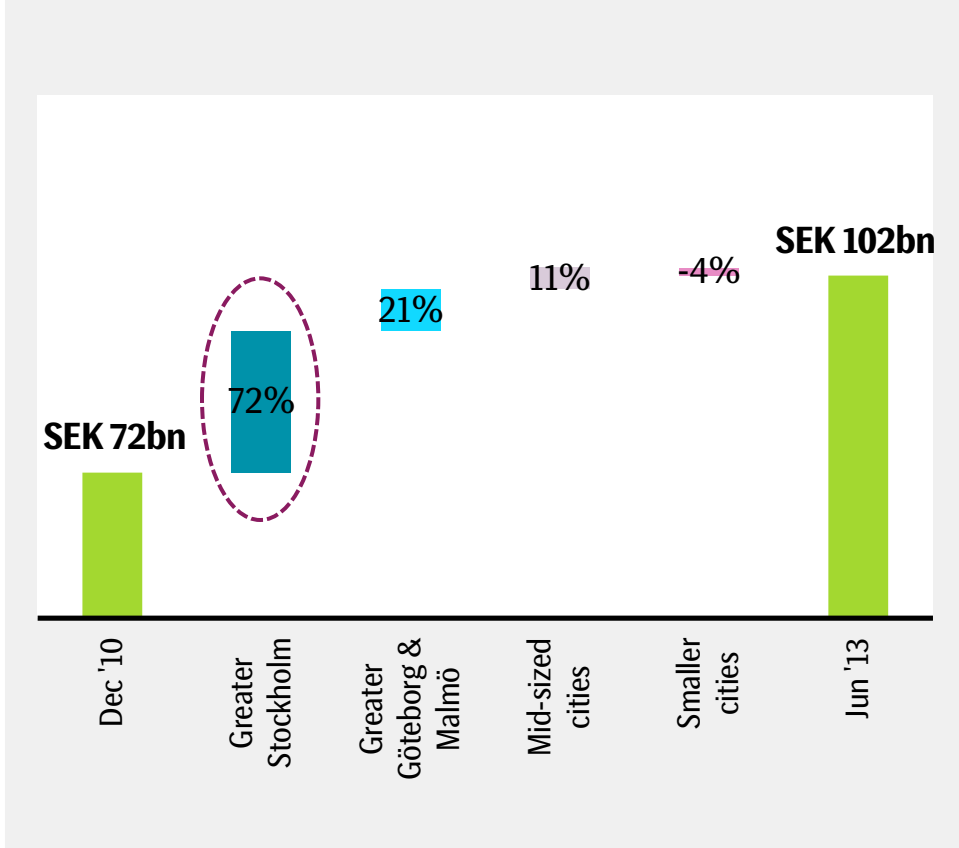
SEB's Swedish Multi-family Lending

Lending growth in larger cities

Distribution of lending



Geographic split of growth



Summary

The successful overall client acquisition strategy also rendered increased mortgage lending

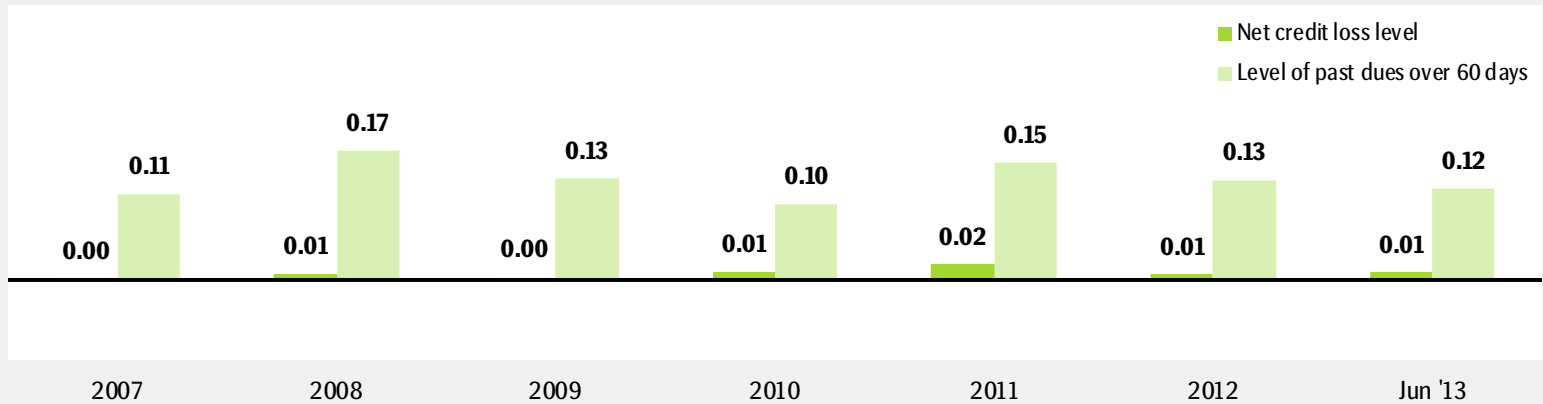
The growth is particularly strong in the major cities

Conservative risk assessment and underwriting policy support the robust asset quality

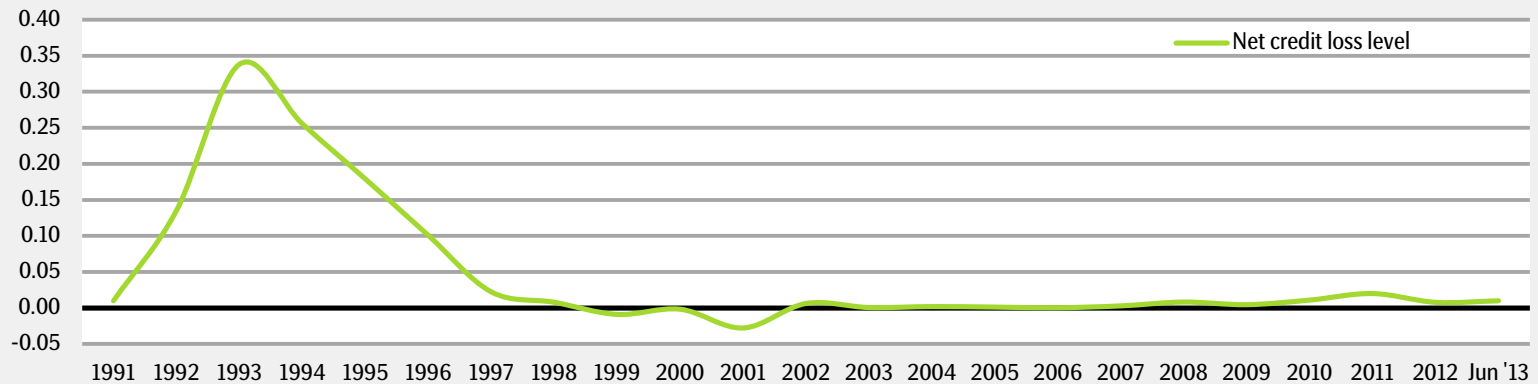
Asset Quality

Negligible losses in the portfolio after the 90s crisis

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



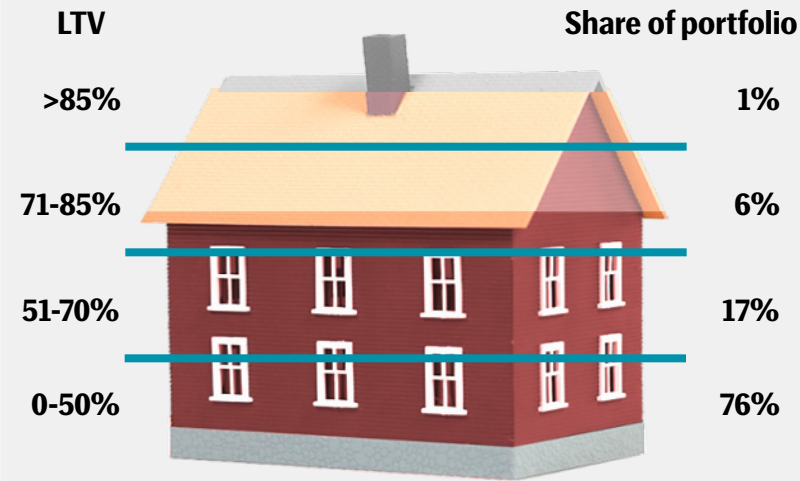
Effectively no net credit losses since the 90s



Swedish Household Mortgage LTV stable over time

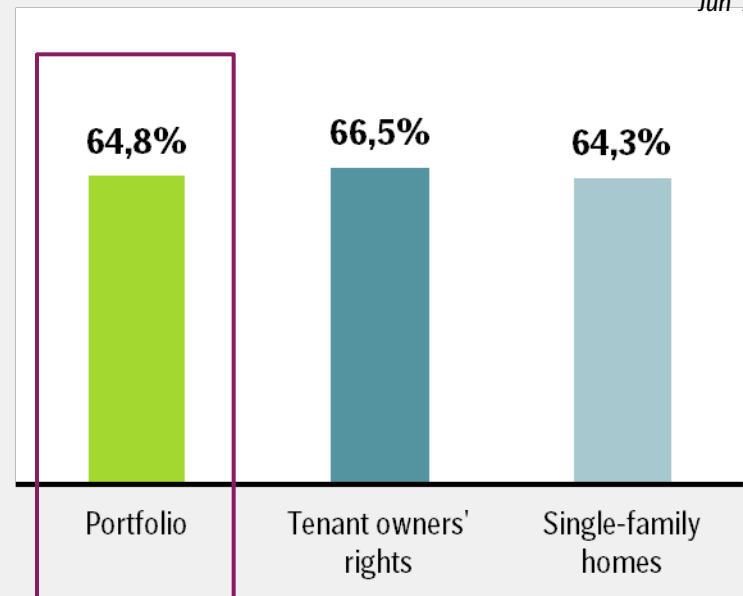
Loan-to-value distribution ("bucket method")

Jun '13



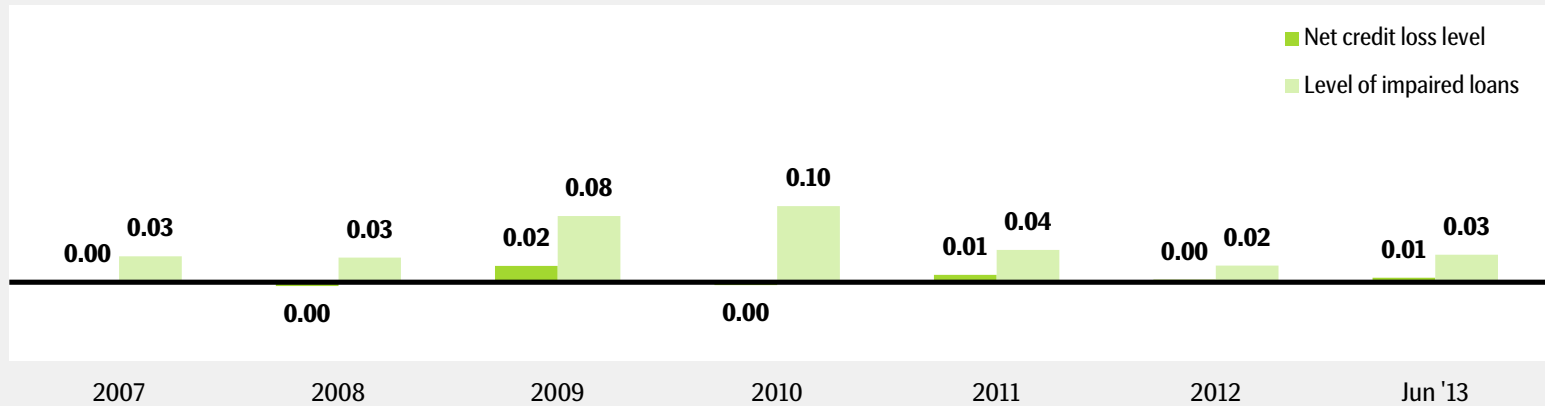
Weighted average max LTV by property type

Jun '13

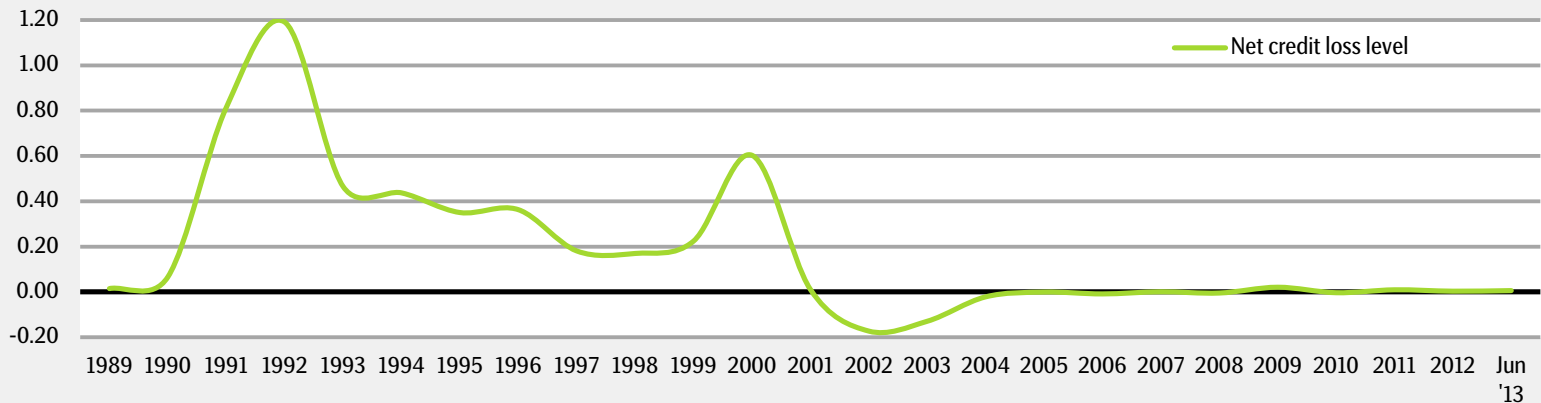


Very low levels of impaired loans and negligible credit losses

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



Effectively no net credit losses since the 90s



Additional conservative provisions for legacy 90s portfolio, later reversed

Stress testing indicates that losses in an extreme environment would be manageable

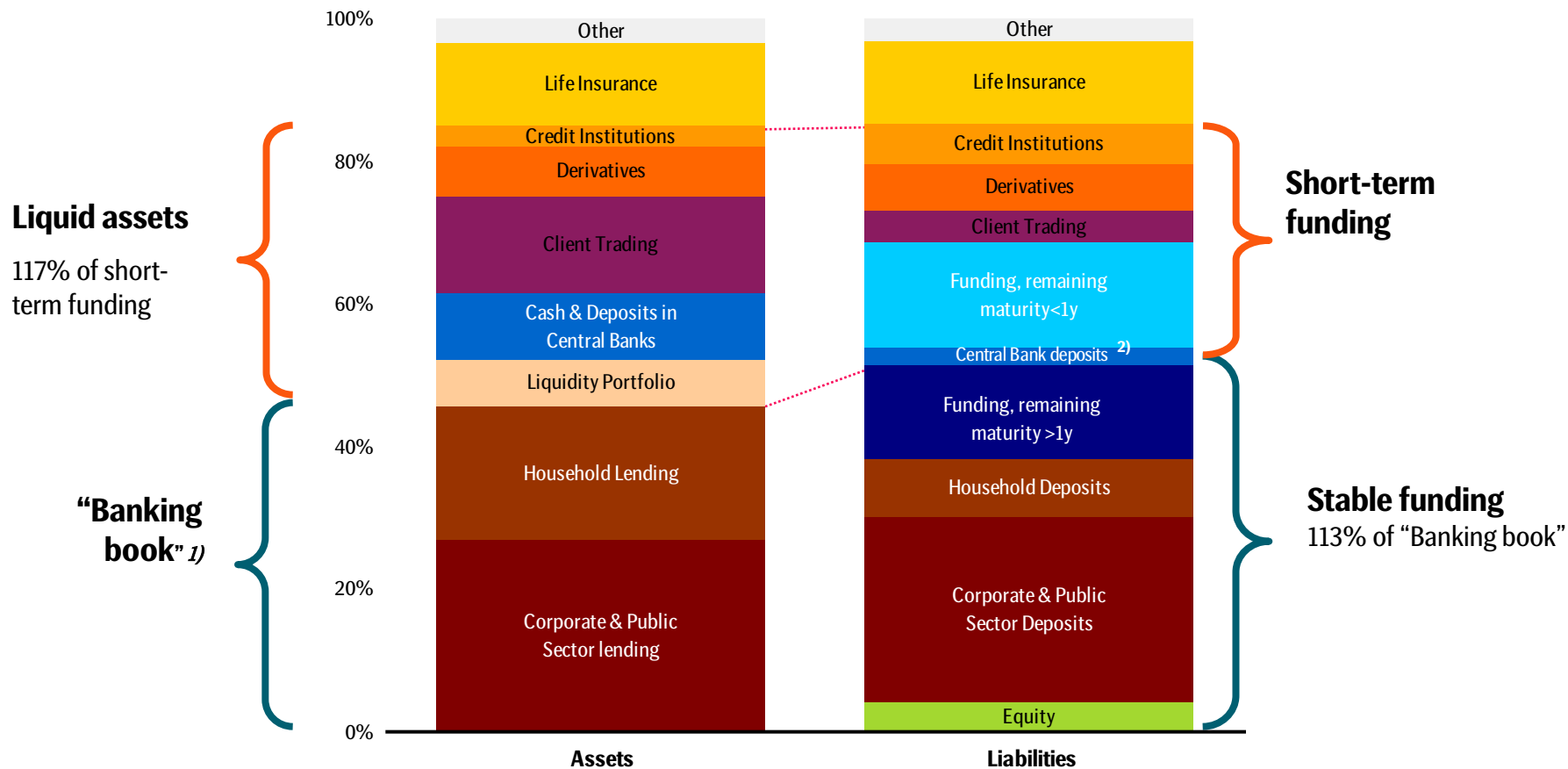
Highlights

- In an extreme environment – under circumstances with both unemployment rates and interest rates substantially above current levels, in combination with falling market values – in-house stress tests show that net credit losses for will be manageable
- The accumulated net credit loss level over a 3 year period is estimated to some 0.80% – which is largely in line with what was experienced during the early 90s crisis

Cover Pool and Covered Bond Funding

Diversified and Liquid Balance Sheet

Total SEK 2,596bn June 2013



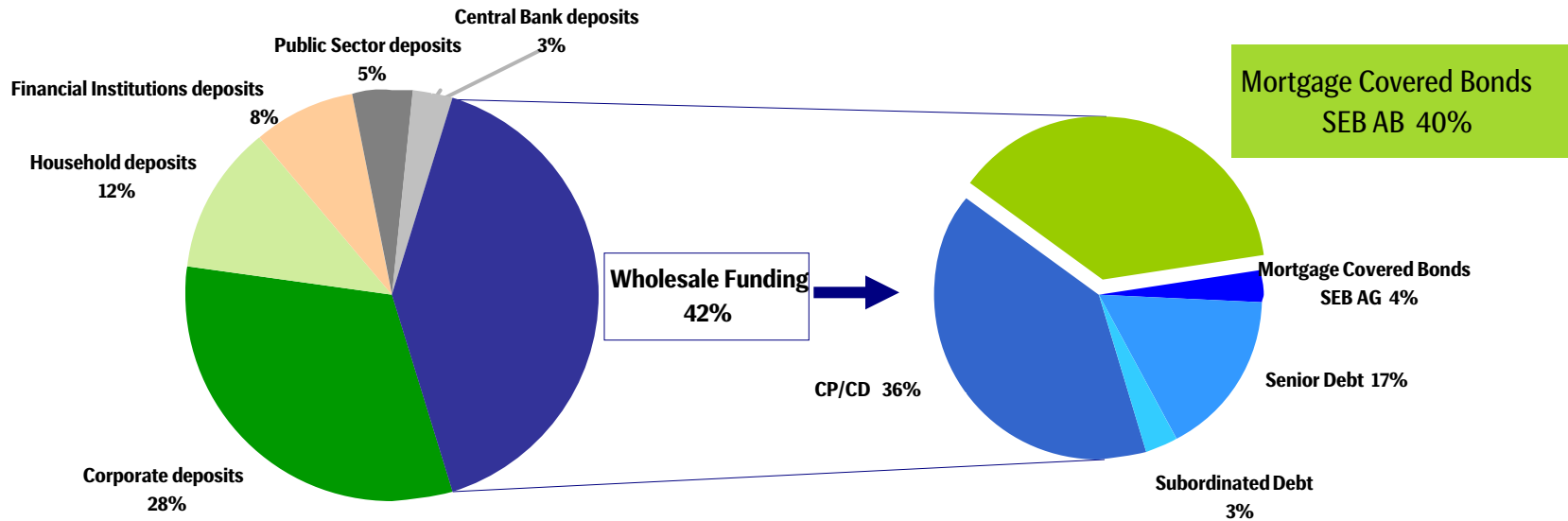
1. A relatively large share of lending is contractually short which allows for swift re-pricing to adjust for e.g. changed funding costs.
 2. Central bank deposits refer to long-term relationship-based deposits from central banks and do not refer to borrowings from central banks

Diversified Funding Base

June 2013

Total Funding Base */ SEK 1,792bn**

Wholesale funding SEK 744bn **

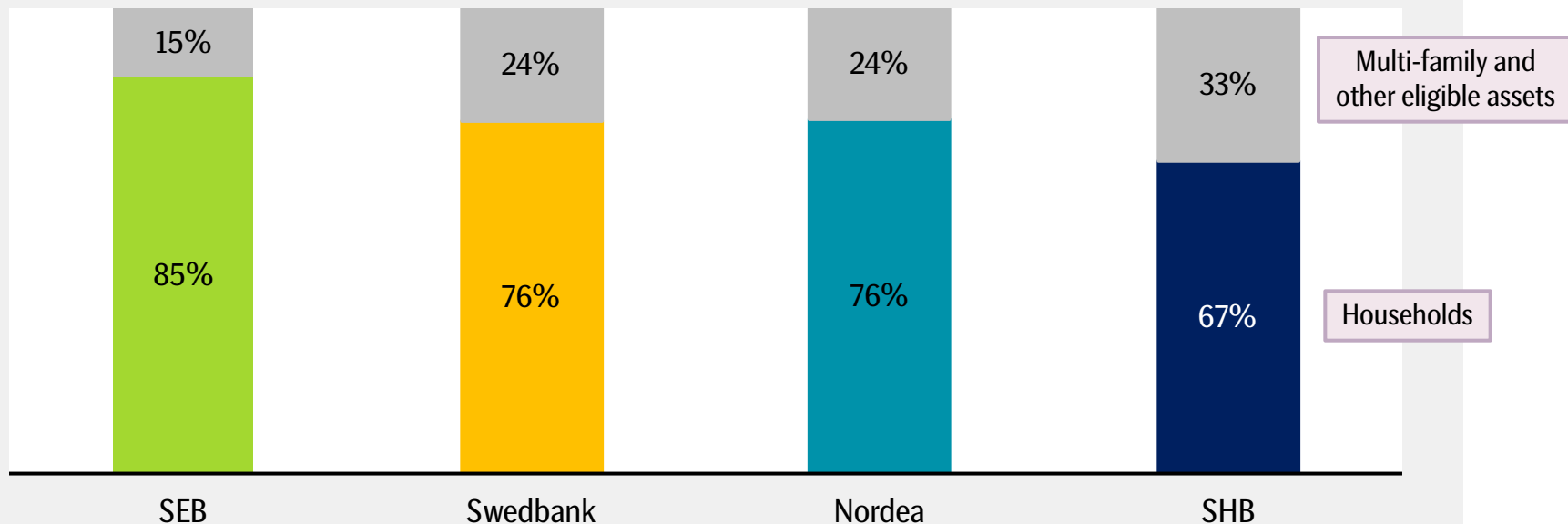


* Excluding repos

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

SEB – more lending to Households than to Multi-family

Major Swedish banks' Cover Pools – June 2013



	SEB	Swedbank	Nordea	SHB
Cover pool size	SEK 422bn	SEK 722bn	SEK 409bn	SEK 610bn
Overcollateralisation (OC)	56%	46%	42%	16%
Cover pool: Weighted average max LTV (property level)	59%	58%	55%	47%
Swedish household mortgage portfolio: Weighted average max LTV (property level)	65%	63%	n/a	65%

Source: Fact books, Investor Relations sites, Interim and Pillar 3 reports

Cover Pool

Only Swedish Residential Mortgages in SEB's Cover Pool

Highlights – June 2013

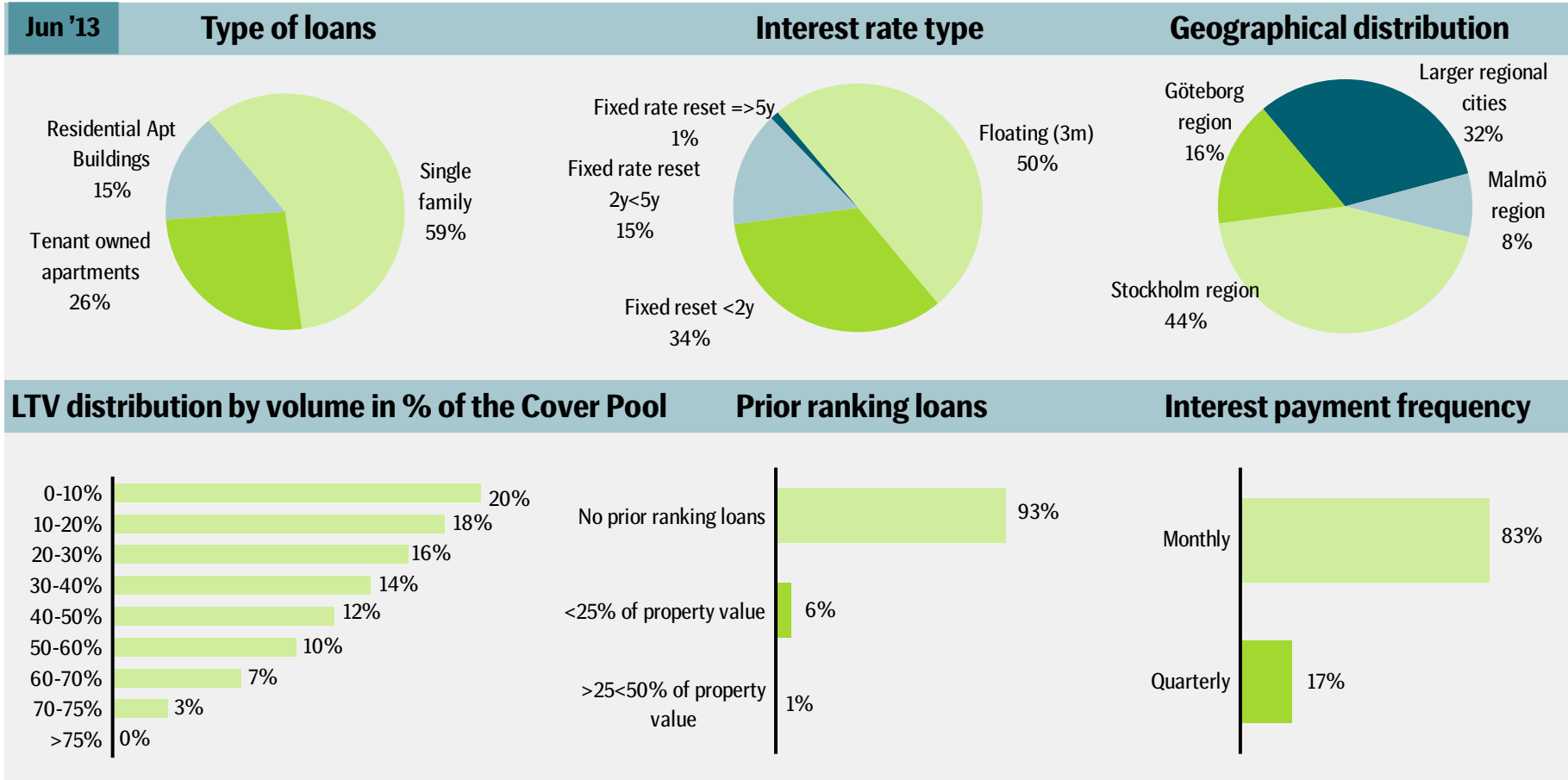
- Only Swedish Residential Mortgages in the Cover Pool, which historically have had very low credit losses
- SEB's Cover Pool is more concentrated towards Single family and Tenant owned apartments, which generally have somewhat higher LTVs
- The Cover Pool is on the parent bank's balance sheet contrary to SEB's major Swedish peers
 - All eligible Swedish residential mortgages are directly booked in the Cover Pool on origination , i.e. no cherry picking of mortgages from balance sheet to Cover Pool
 - Mortgage values are updated on a regular basis
 - Covered Bonds are issued out of the parent bank and investors have full and dual recourse to the parent bank's assets as well as secured exposure to the Cover Pool
 - All legal requirements and matching criteria are met
- SEB has by far the highest OC of all the Swedish peers – 56%

Cover pool	Q2 2013	Q4 2012	Q4 2011
Total residential mortgage assets (SEK bn)	422	401	360
Weighted average LTV (property level)	59%	59%	44%*
Number of loans (thousand)	645	625	561
Number of borrowers (thousand)	400	391	357
Weighted average loan balance (SEK thousand)	654	642	610
Substitute assets (SEK thousand)	0	0	0
Loans past due 60 days (basis points)	10	11	13
Net credit losses (basis points)	0	1	1

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

Cover Pool

SEB's mortgage lending is predominantly in the three largest and fastest growing cities with an interest rate reset date within two years



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

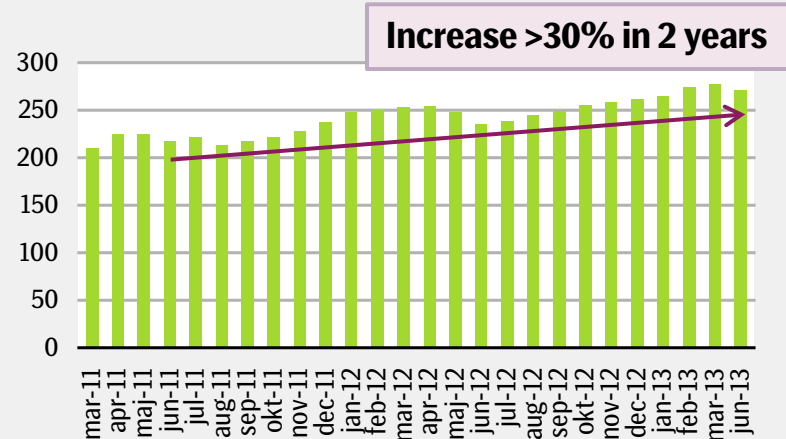
Covered Bonds

Profile of outstanding Covered Bonds – June 2013

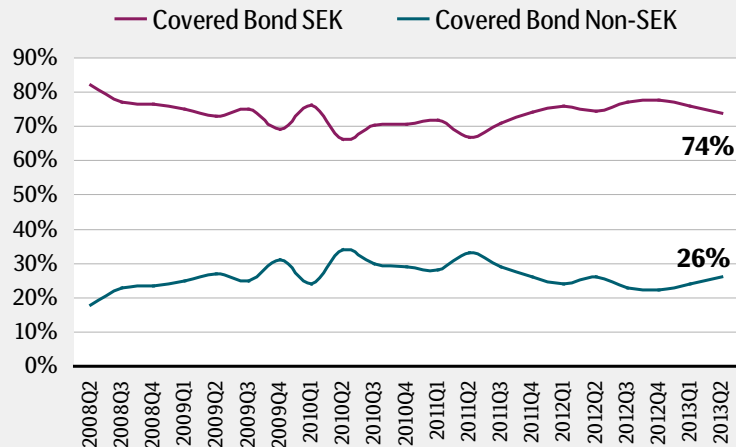
SEB Swedish Mortgage Covered Bonds

Moody's Rating	Aaa
Total outstanding	SEK 271bn
FX distribution	SEK 74%
	non-SEK 26%
Benchmark	Benchmark 93%
	Non Benchmark 7%

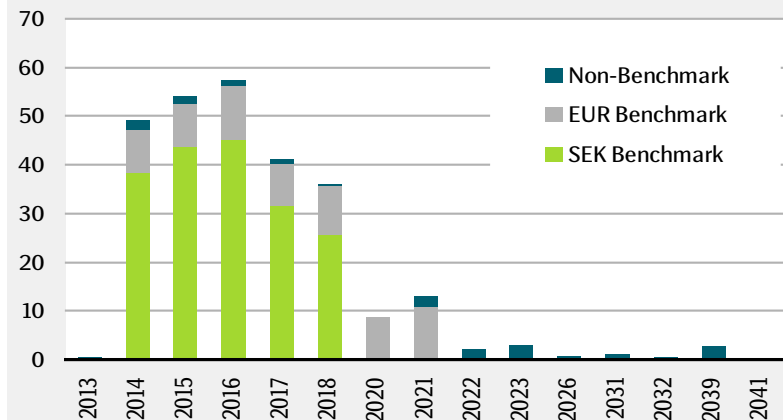
Outstanding covered bonds (SEK bn)



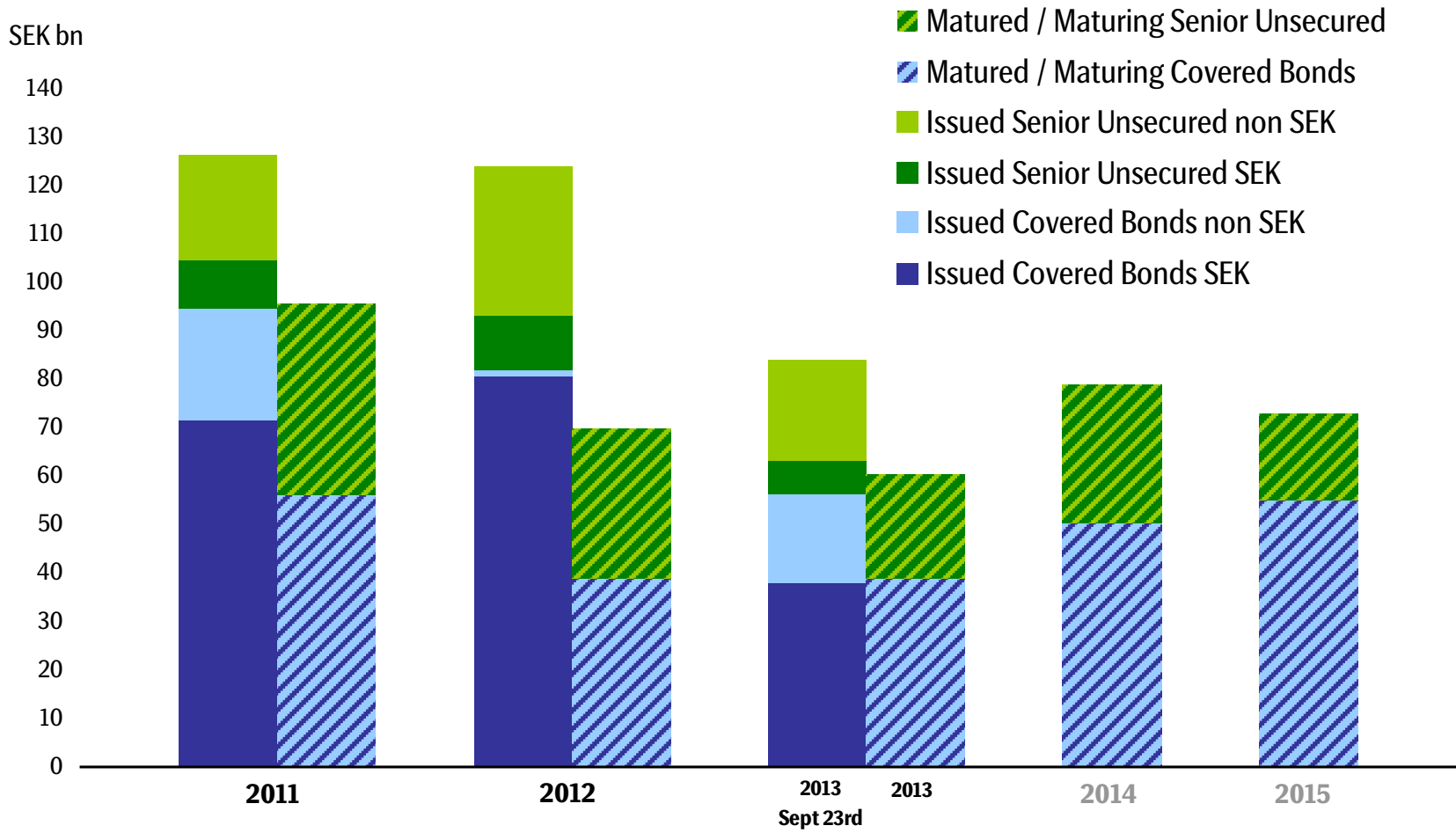
Currency mix



Maturity profile (SEK bn)



Modest re-financing needs the next few years



SEB contacts and information

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More information

Available on www.sebgroup.com

You will find it under Investor Relations