

SEB Capital Markets

*May 9th, 2011*

The background features several thick, wavy lines in shades of green and grey. A prominent light green wave starts from the left and curves upwards towards the right. Below it, a grey wave moves from left to right. At the bottom, there are more overlapping waves in various shades of green and grey, creating a layered, abstract effect.

## Nordic Capital Markets Forum

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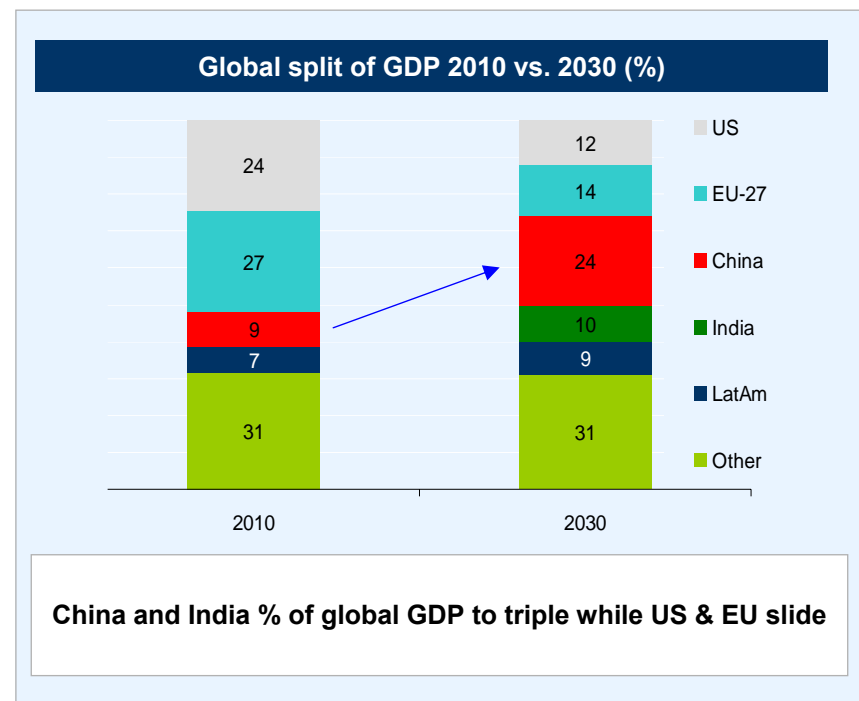
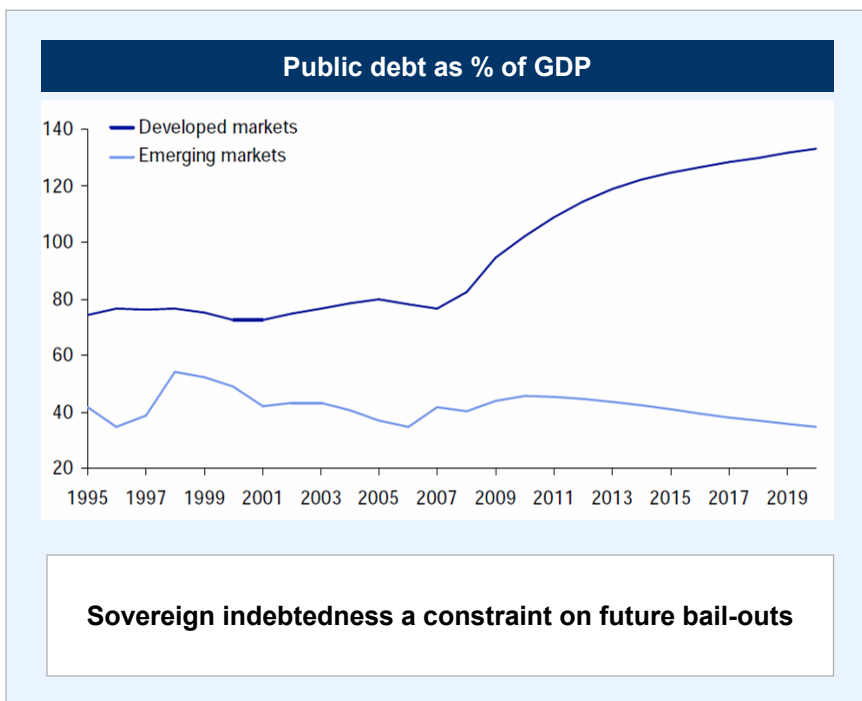
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- Macro Environment
- Changing landscape in banking sector
- Capital consumption
- Who are the investors
- Evolution Nordic Capital Markets
- Measures supporting the development of the Nordic capital markets

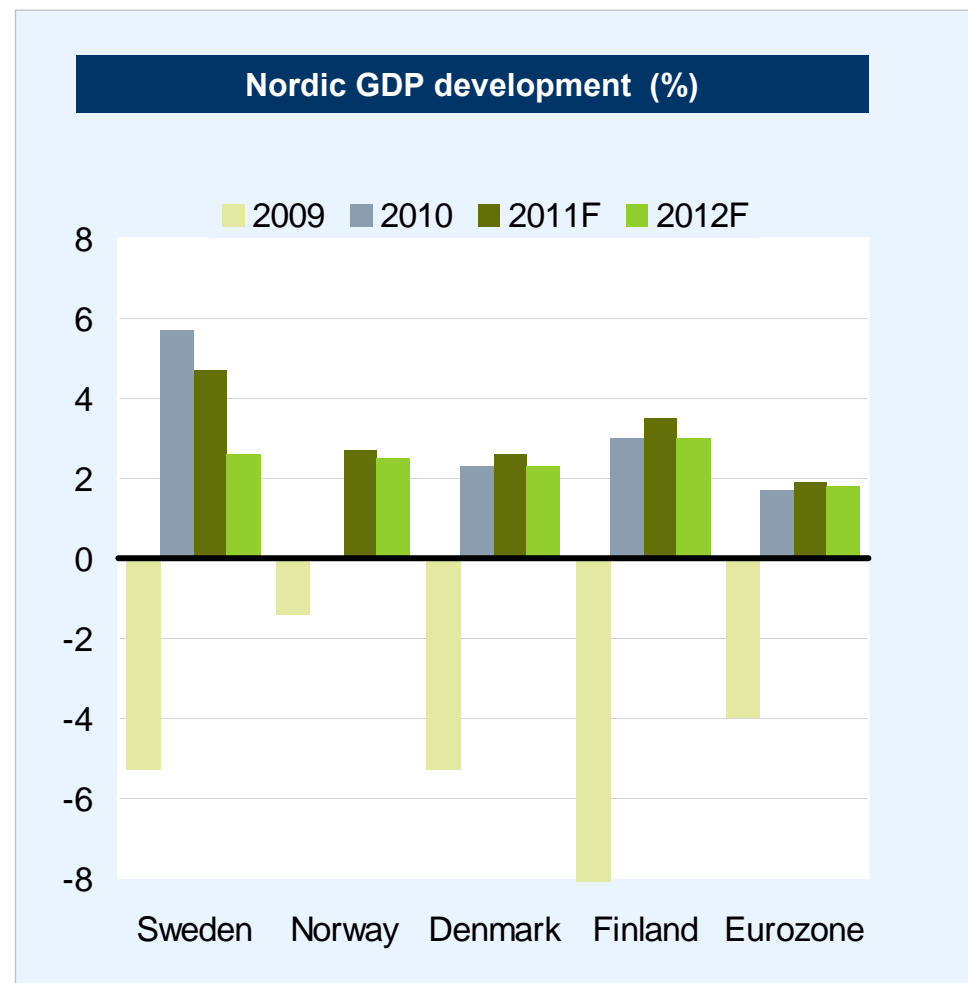
# Challenging Global Macro Environment

- Global imbalances and sovereign debt
- Low growth environment
- Recovery in US and Europe still fragile
- China and India – expectation of significant increase of % of global GDP
- Sovereign risk remain high (PIGS)



## Nordic macro environment

- Nordic region well off in comparison
- Strong export to growth markets
- Budgets in control
- Central banks start to hike rates
- Strong banking sector
- Blue chips harvesting cash
- Company expansion plans



# Changing landscape in Banking sector

- Sector exposed over the years to regulation, de-regulation and now back to re-regulation
- Basel III
  - matched funding
  - composition of liquidity portfolio
  - capitalization
- Regulations impact...yet to be seen
- Nordic banking sector in good shape



# Increasing cost of capital for banks vs. corporates

iTraxx Main & Senior Financials



iTraxx Xover



Source: Bloomberg

# Significant upcoming loan maturities...

Nordic Loan Maturity Volume (Euro mln)

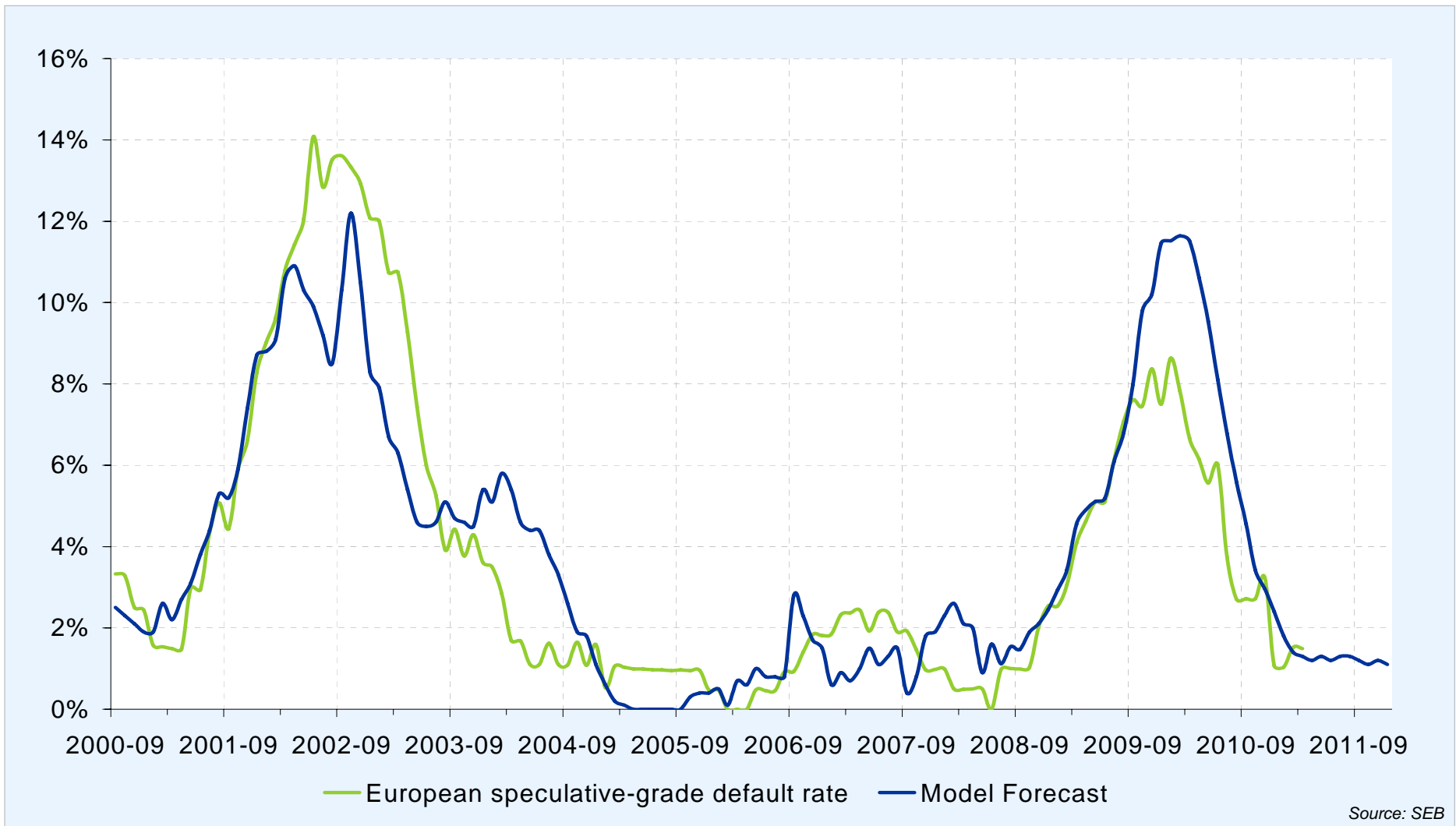


# ...more modest upcoming bond maturities

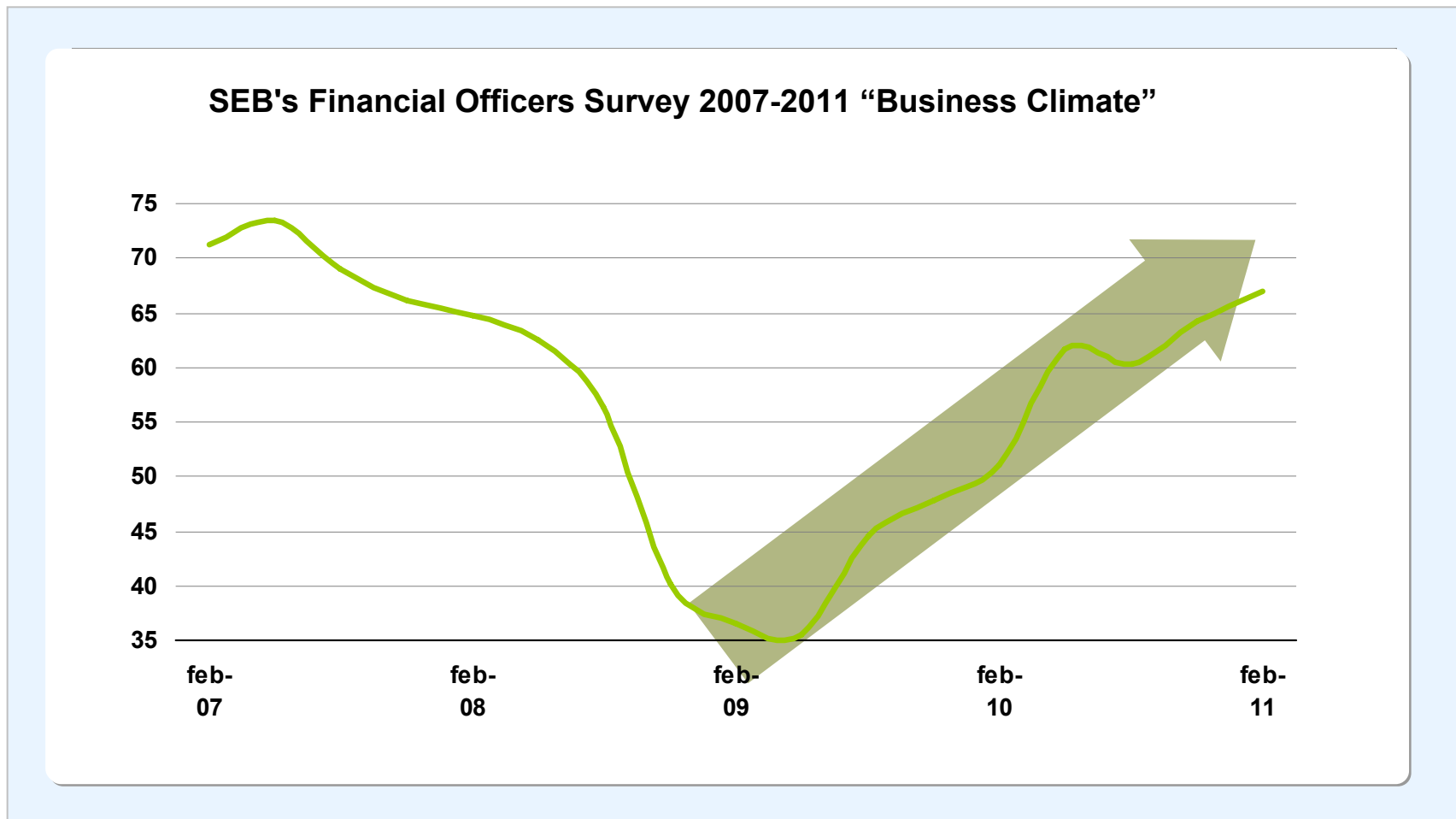
Nordic Bond Maturity Volume (Euro mln)



European Corporate defaults (%) & SEB's forecast



# Confidence is returning in the corporate world...



# Drivers for increased Nordic capital markets funding

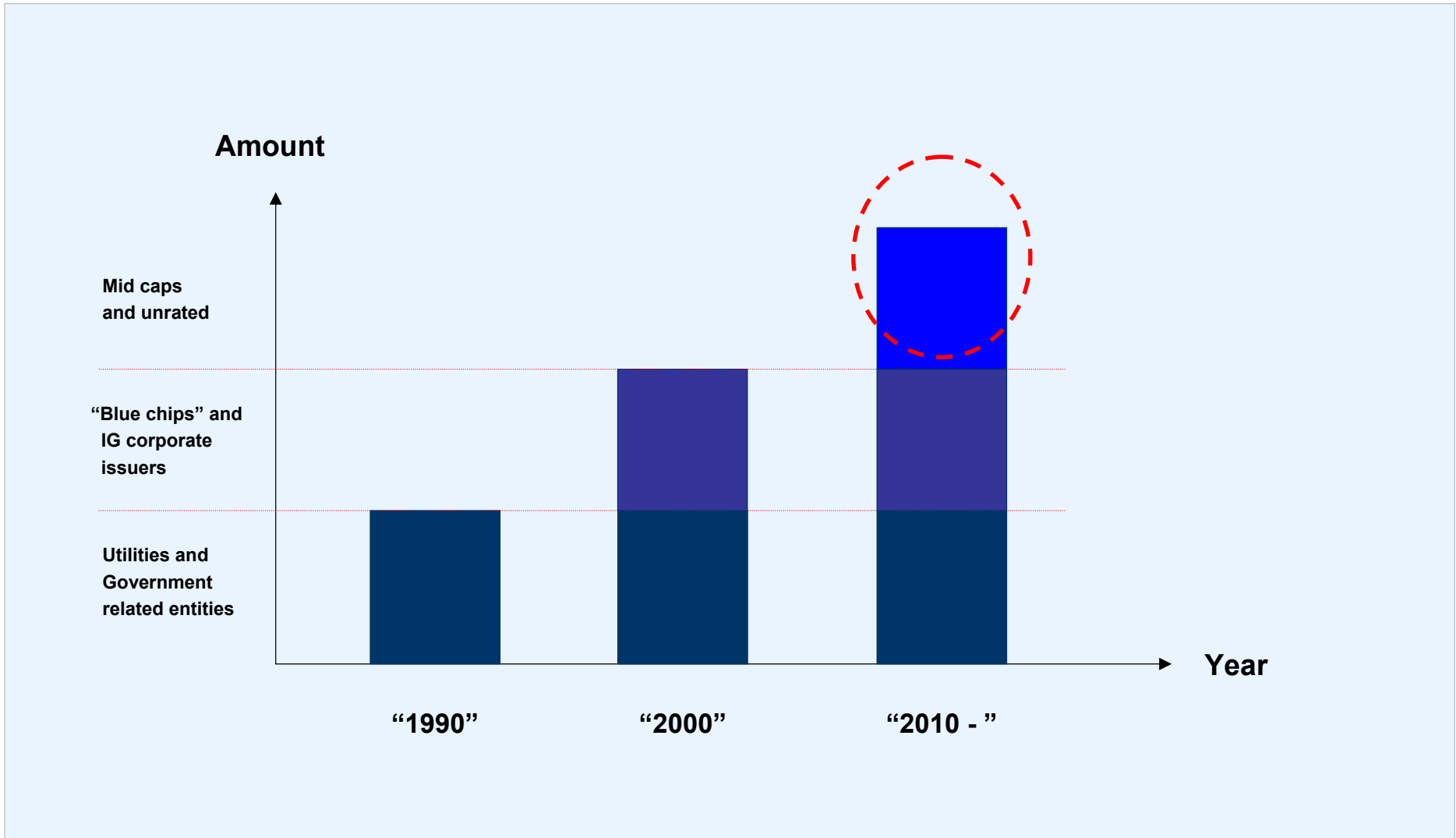
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- Macro scenario is supporting Debt Capital Market products as an asset class
- Banking sector under change – strategy, capital and funding cost
- Significant refinancing of “old loan money” coming up
- Corporate confidence is returning – will drive investments during years to come (M&A, CAPEX)
- Nordic credit product increasingly attracting attention

## Funding to be increasingly supplied by capital markets

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- Increased interest for credit product among institutional investors
- Specialized credit funds being set up
- Hedge Funds community redefining investment strategies
- Fundamental research driven investors attracted
- Asset classes “merging” with investors increasingly investing across capital structures
- Increased interest from outside Nordics
- Limited product supply of corporate credit products vs. demand



# What measures will supportive this development?

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- More product to generate diversification and liquidity in secondary market
- Increase number of investors – promote liquidity
- Screening by banks of what product to bring to market
- Ensure documentation standards in line with international offerings
- Credit research and credit ratings trusted by investors
- Transparency and information sharing
- Standardize Trustee function

## Summary

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- Increased capital markets issuance expected to diminish bank market reliance
  - Capital consumption expected to increase for organic and non organic growth
  - Recognized strength of Nordic market will continue to drive demand for Nordic blue chips tapping the Euro market
  - Given the global reallocation of wealth – Asia will become an important source of funding for the blue chip community
  - New issuer categories will have access to market adding a HY asset class
  - Increasing issuance by private equity owned companies
  - As issuers seek diversity of funding – “new” products like convertibles and hybrids will become more recognized instruments
- **SEB expects increased activity and continued development of the European and Nordic capital markets and are highly committed to support our clients and maintain our leading market position in these product areas during the years to come**