

# Debt investor presentation second quarter 2010

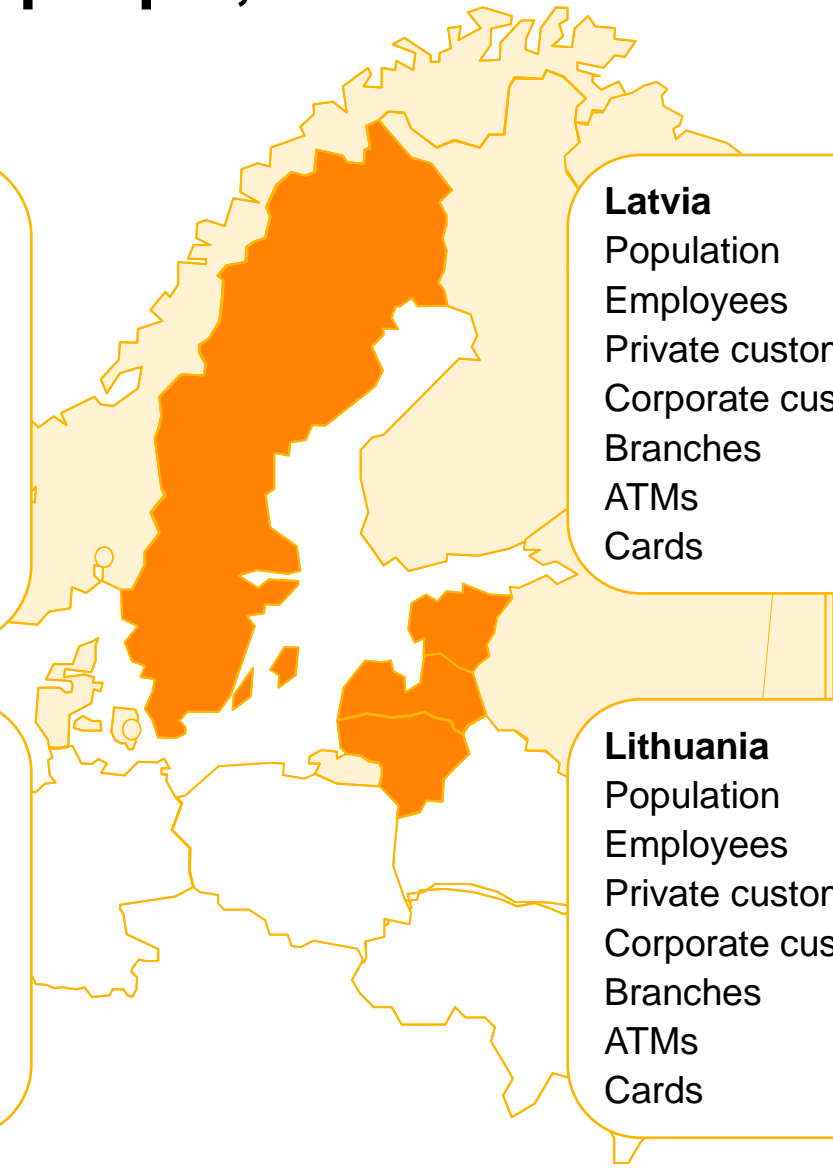
Jonas Erikson, Head of Group Treasury





# 1. This is Swedbank

# The bank for the many people, households and businesses



| <b>Sweden</b>       |         |
|---------------------|---------|
| Population          | 9.2m    |
| Employees           | 8 328   |
| Private customers   | 4.1m    |
| Corporate customers | 283 000 |
| Organisations       | 112 000 |
| Branches            | 362     |
| ATMs                | 772     |
| Cards               | 3.7m    |

| <b>Latvia</b>       |        |
|---------------------|--------|
| Population          | 2.3m   |
| Employees           | 1 769  |
| Private customers   | 1.0m   |
| Corporate customers | 62 000 |
| Branches            | 59     |
| ATMs                | 373    |
| Cards               | 0.9m   |

| <b>Estonia</b>      |         |
|---------------------|---------|
| Population          | 1.3m    |
| Employees           | 2 562   |
| Private customers   | 1.2m    |
| Corporate customers | 100 000 |
| Branches            | 65      |
| ATMs                | 548     |
| Cards               | 1.1m    |

| <b>Lithuania</b>    |        |
|---------------------|--------|
| Population          | 3.4m   |
| Employees           | 2 307  |
| Private customers   | 3.2m   |
| Corporate customers | 93 000 |
| Branches            | 98     |
| ATMs                | 451    |
| Cards               | 1.7m   |

# Swedbank Group today

## Home markets, universal banking

**Sweden** - Swedbank

**Estonia** - Swedbank

**Latvia** - Swedbank

**Lithuania** - Swedbank



## Other markets

**Ukraine** - Swedbank

**Russia** - Swedbank in Moscow, Kaliningrad, St Petersburg, rep. office in Krasnodar

**Denmark** - 2 Swedbank branches

**Finland** - Swedbank branch

**Norway** - Swedbank branch, investment banking through First Securities (51%), EnterCard (50 % owned)

**USA** - Merchant/investment banking and corporate banking in New York

**Luxemburg** - Private Banking

**China** - Swedbank branch in Shanghai

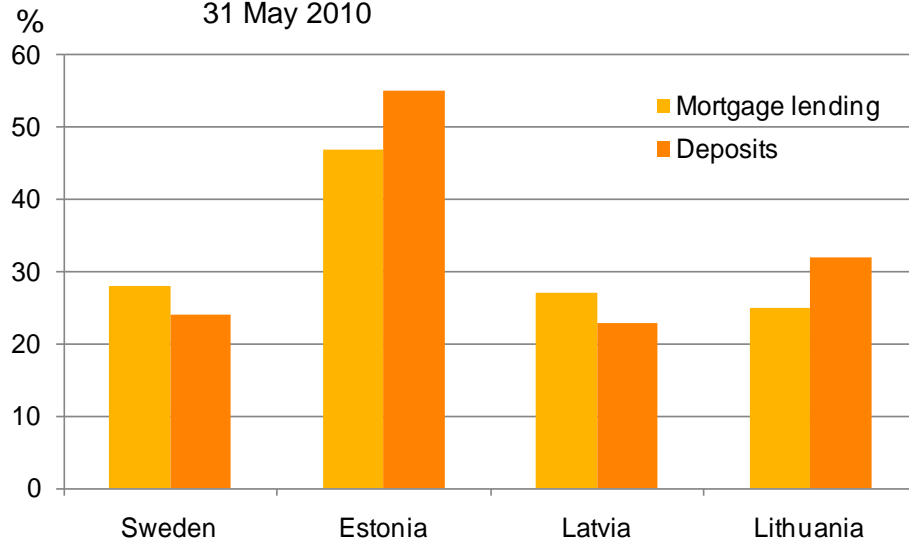
**Japan** - Rep. office in Tokyo

**Spain** - Rep. office in Marbella

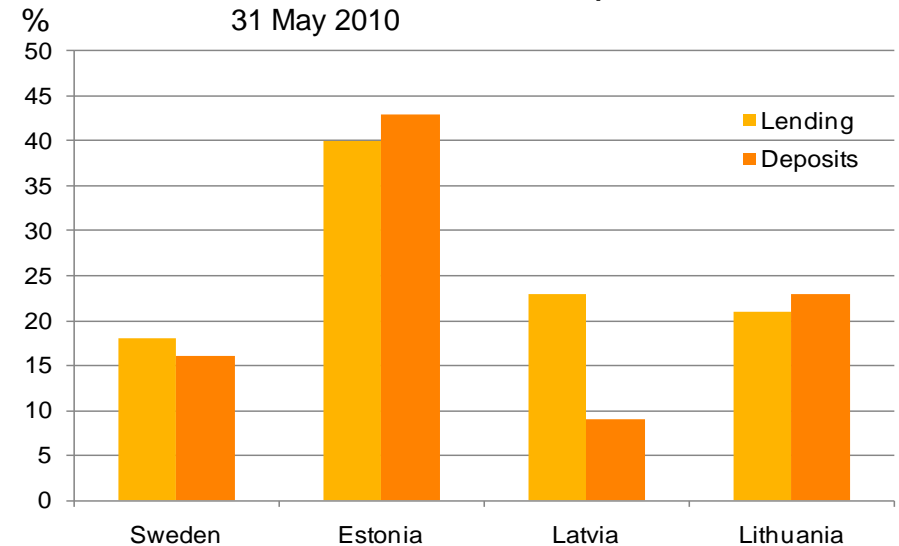
# Swedbank – a strong retail franchise

- Leading provider of services in many market segments

Market shares, private  
31 May 2010



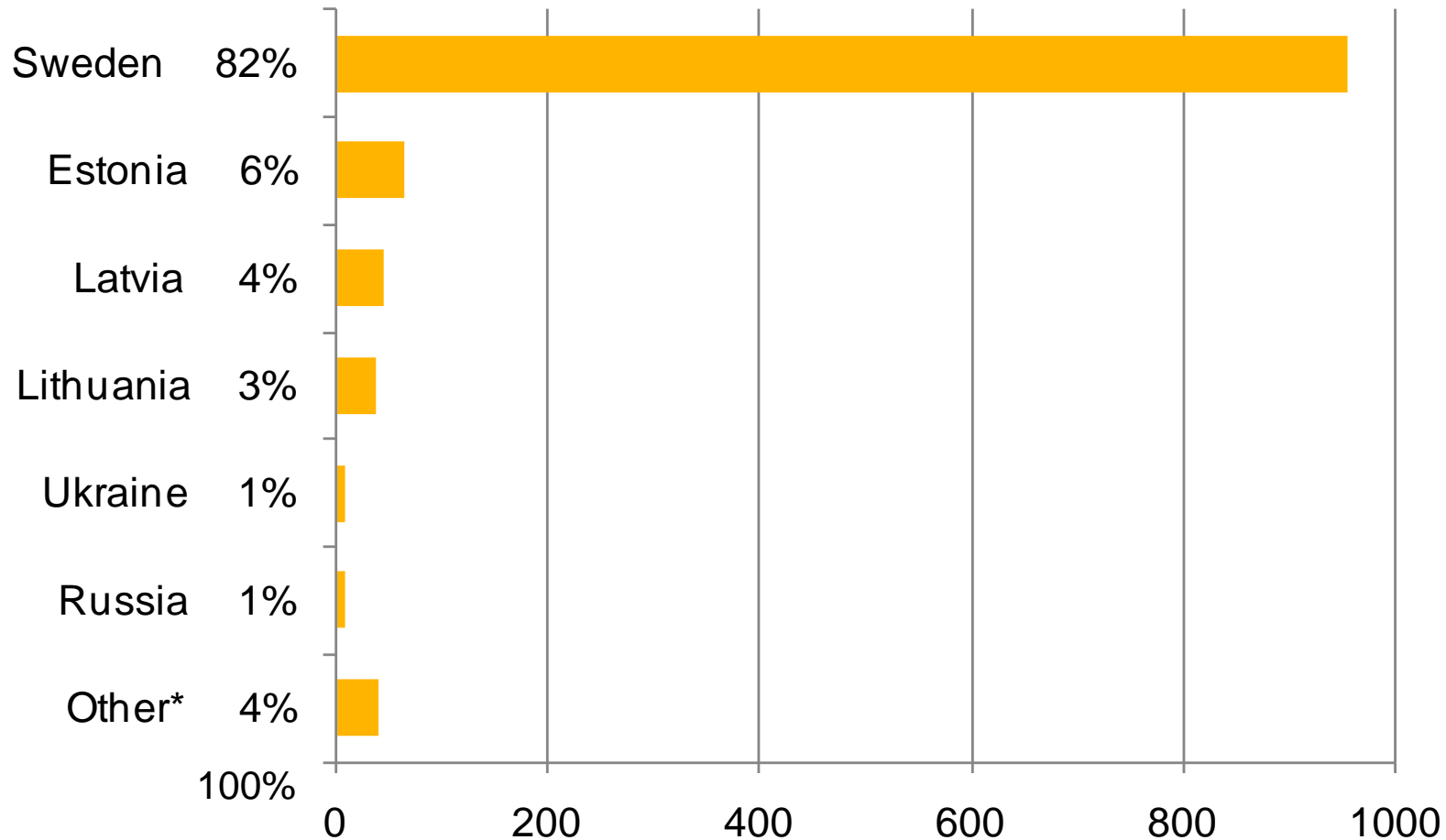
Market shares, Corporate  
31 May 2010



Source: Swedbank Fact book Q2 2010

# Total lending by country, SEK 1 159bn

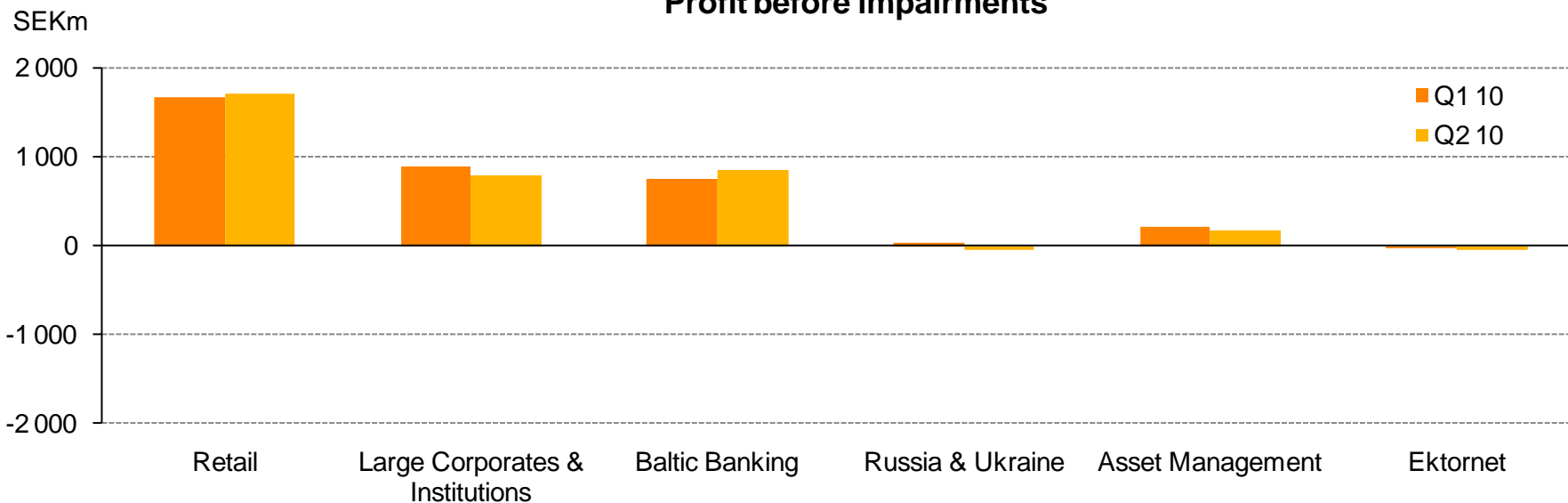
- Lending of SEK 163bn to CEE countries



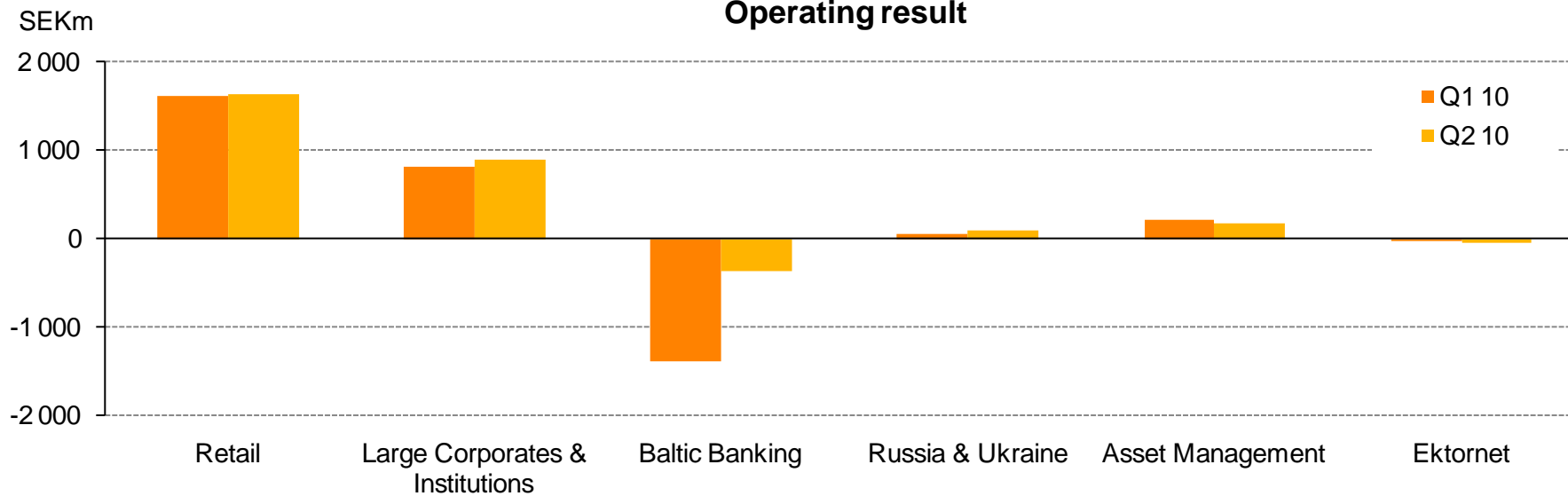
\* Mainly Norway, Denmark, Finland, Luxemburg and USA

# Q2 performance – by business area

## Profit before impairments



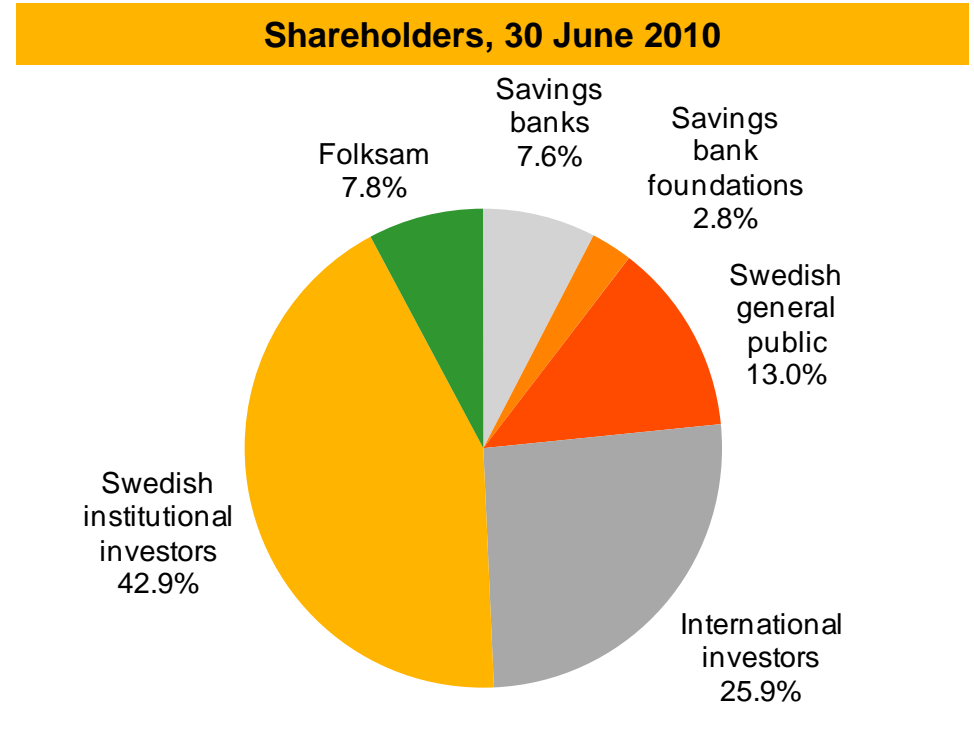
## Operating result





# Swedbank shareholders

| Shareholders, 30 June 2010    | %            |
|-------------------------------|--------------|
| Folksam                       | 7.8          |
| Savings banks                 | 7.6          |
| Swedbank Robur funds          | 4.6          |
| Svensk Exportkredit AB        | 3.3          |
| AMF Insurance & Funds         | 3.1          |
| Alecta                        | 3.0          |
| Savings bank foundations      | 2.8          |
| Skandia Life Insurance        | 2.5          |
| Swedbank profit-sharing funds | 1.9          |
| AFA Insurance                 | 1.9          |
| Nordea Funds                  | 1.5          |
| Other international investors | 25.9         |
| Other Swedish institutions    | 21.1         |
| Swedish general public        | 13.0         |
| <b>Total</b>                  | <b>100.0</b> |



Number of shareholders: 339 811

Source: SIS Ägarservice

# Rating

| 30 September 2009 | S&P   |       | Moody's |      | BFSSR * |
|-------------------|-------|-------|---------|------|---------|
|                   | Short | Long  | Short   | Long |         |
| Swedbank          | A-1   | A     | P-1     | A2   | D+      |
| Swedbank Mortgage | A-1   |       | P-1     | A2   |         |
| Covered Bonds     |       | AAA** |         | Aaa  |         |

STABLE outlook for all senior ratings

\* Bank Financial Strength Ratings

\*\* Swedish covered bond issuers – still on watch list due to criteria review

## 2. Swedbank, Q2 Update

# Continued progress

- Net profit of SEK 1.6bn
- Improved credit quality
- Term funding YTD higher than full year maturities
- Strengthened capitalisation to 12.7 per cent Core Tier 1 approval to buy back Tier 2 bonds

# Business achievements – highlights

- Higher mortgage new sales market shares in Sweden
- Increased corporate activity
- Continued strong deposit trend
- Retail's tailored service concept well received
- Deleveraging in the Baltic countries levelling off

## Result by business area

# Q2 performance

### Retail

Solid credit quality, higher customer activity

### Large Corporates & Institutions

Good credit quality, repricing continues, slower trading

### Baltic Banking

Improving asset quality, stabilised NII, Estonia back to profit

### Russia & Ukraine

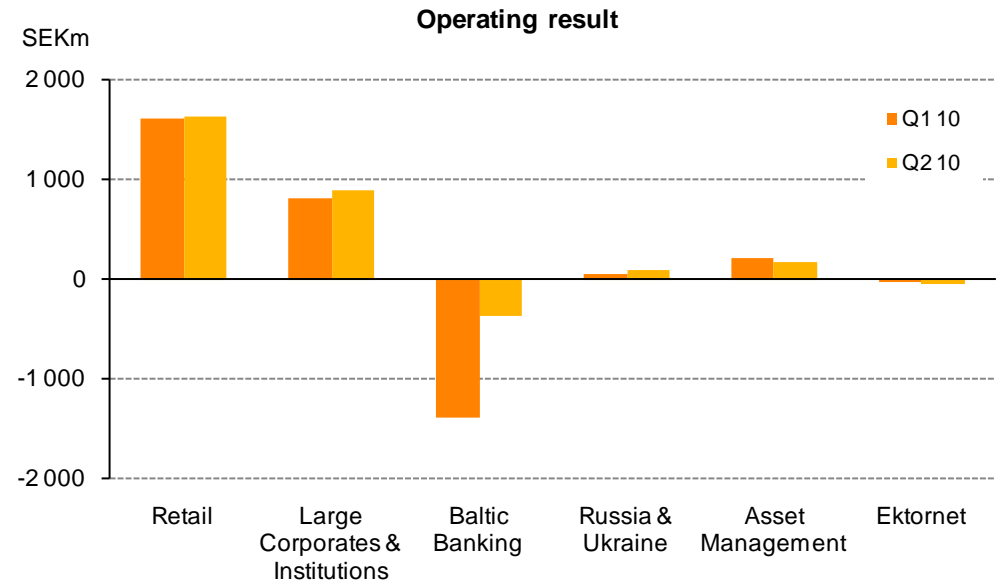
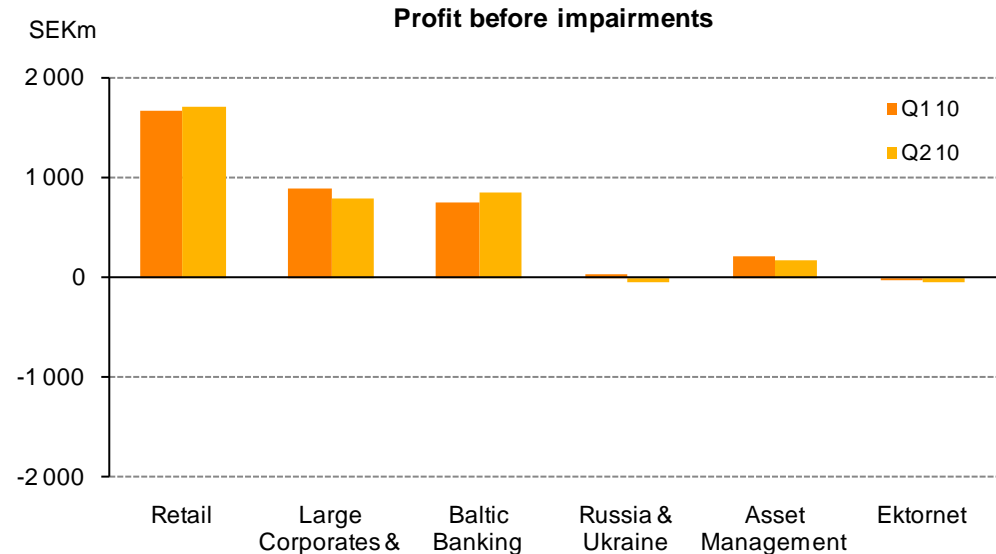
Stabilising credit quality, continued restructuring in Russia

### Asset Management

Stable earnings

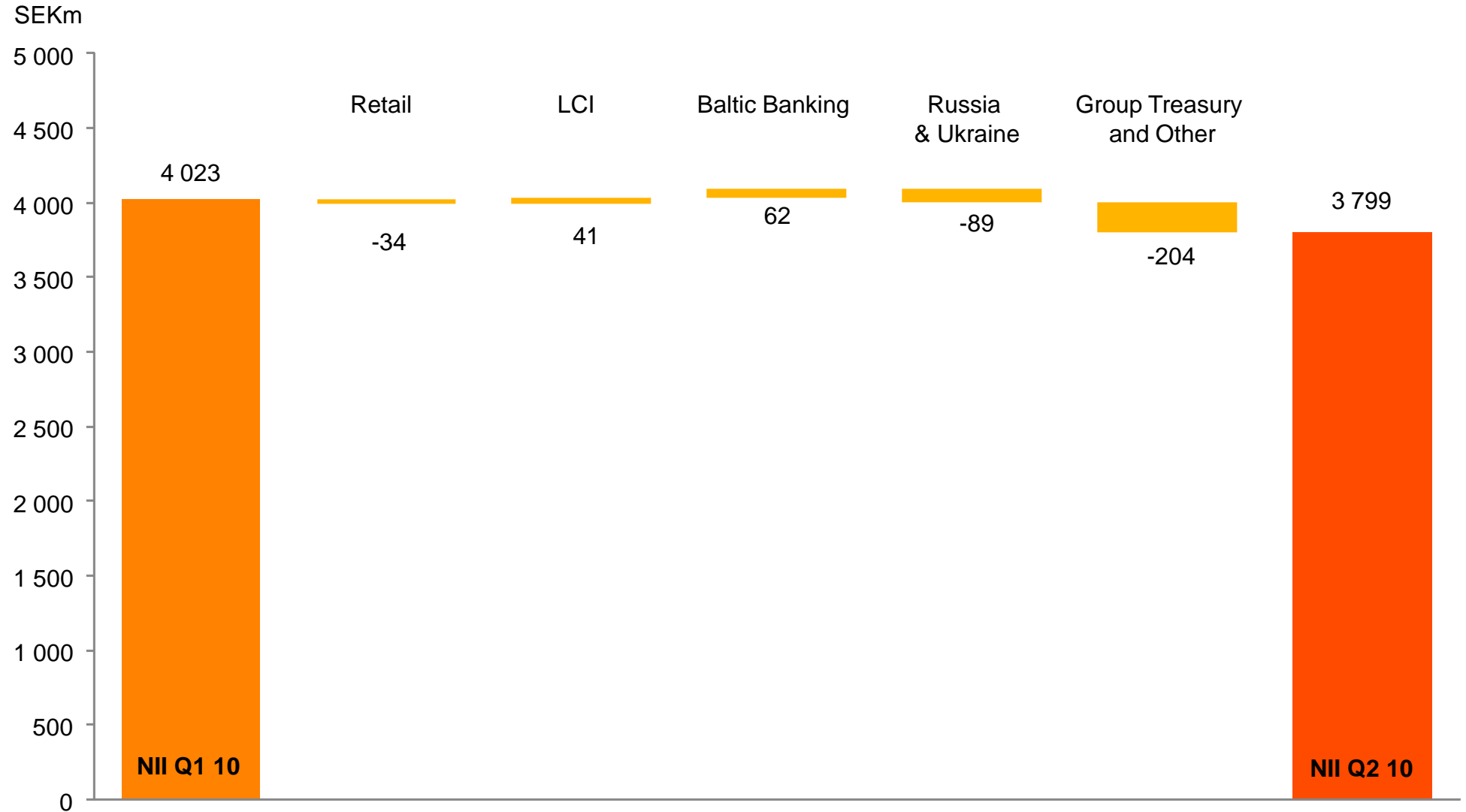
### Ektornet

Reposessed properties valued at SEK 1 010m, intake slower than the plan



# Net interest income

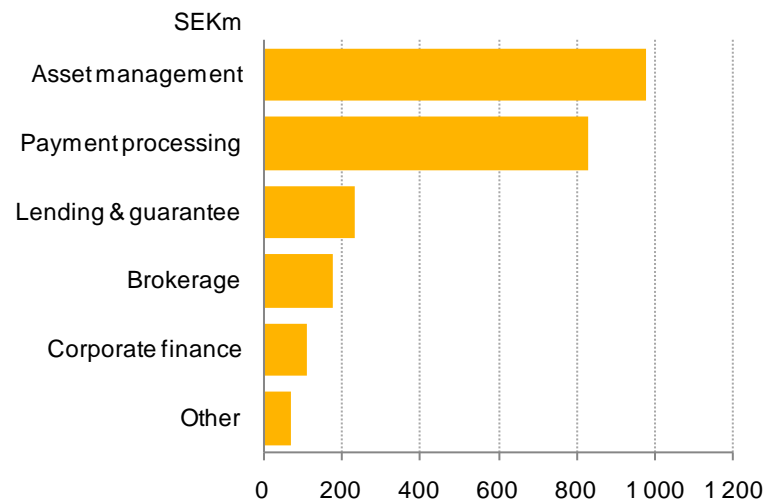
## Pressure decreasing



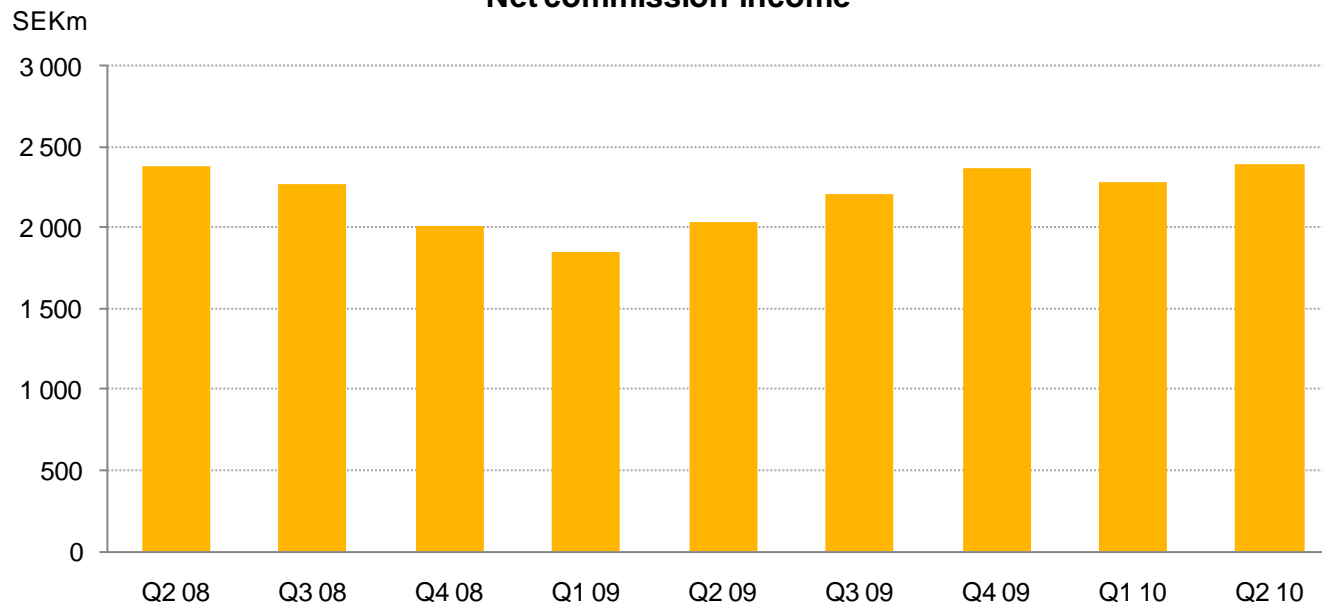
# Commissions back to pre-crisis levels

- Positive trend from Q1 2009
- Market leader in cards and payments
- Growth driven by Asset Management

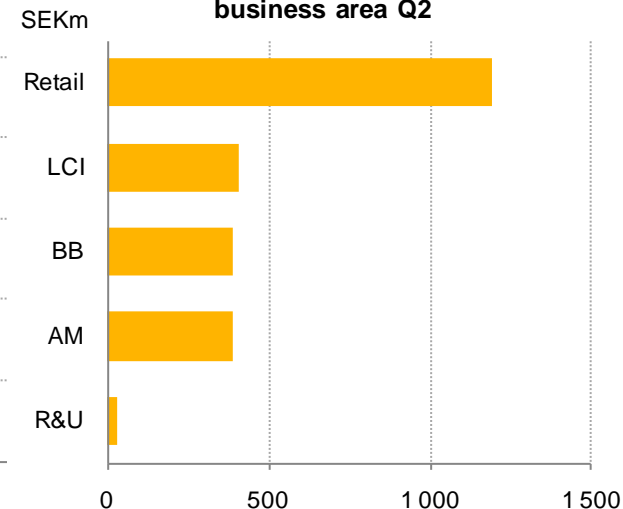
Net commission income by source Q2



Net commission income\*



Net commission income by business area Q2



\* Excl non-recurring items



Net gains/losses on financial items, fair value

## Larger gains supported by valuation effects

- Lower trading results in Fixed Income
- Funding related valuation effects in Group Treasury

| SEKm                            | Q2 10 | Q1 10 | Q2 09 |
|---------------------------------|-------|-------|-------|
| Retail                          | 40    | 32    | 29    |
| Large Corporates & Institutions | 309   | 441   | 900   |
| Baltic Banking                  | 89*   | 72    | 237   |
| Russia & Ukraine                | 23    | 27    | 13    |
| Group Treasury and Other        | 348   | 75    | -469  |
| Swedbank Group                  | 809   | 647   | 710   |

\* Excluding capital gain of SEK 13m, (MasterCard)

# Income statement

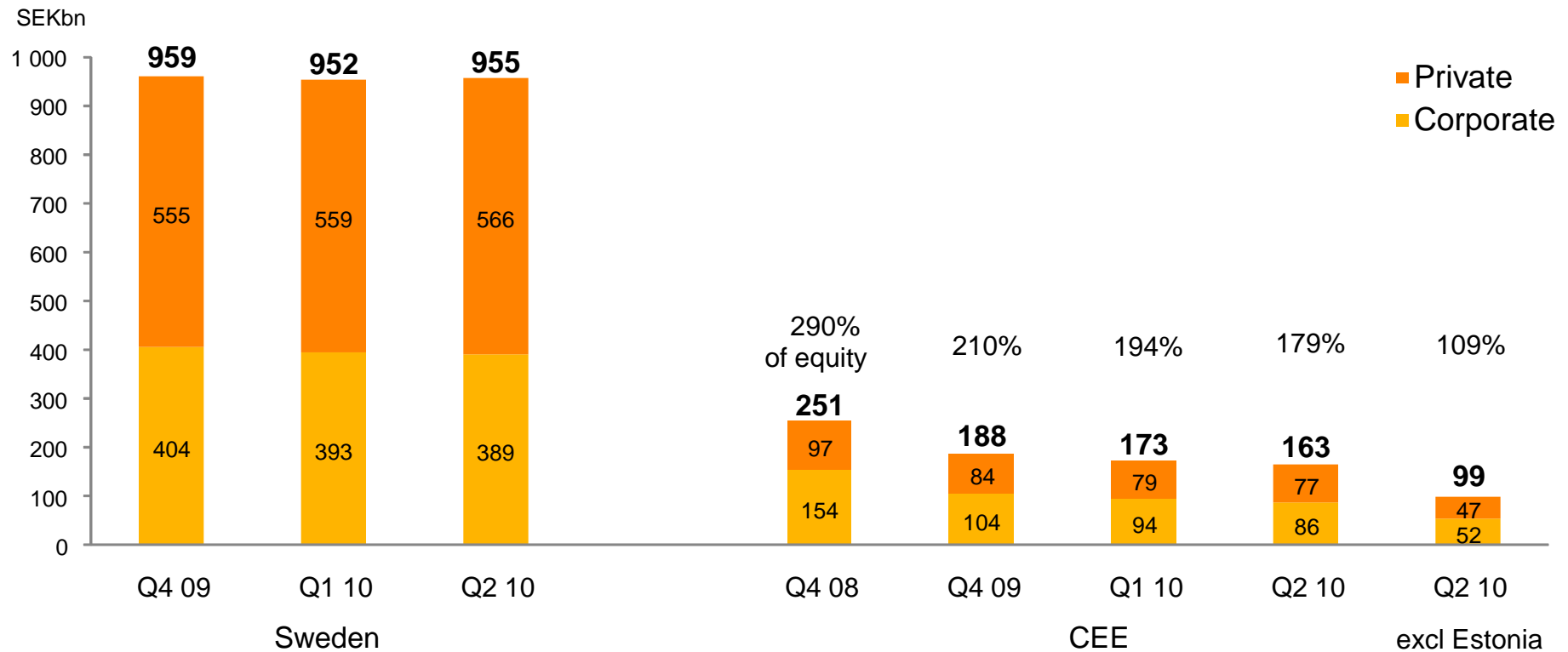
| SEKm  | Q2 2010      | Q1 2010      | Change       |
|---|--------------|--------------|--------------|
| Net interest income   | 3 799        | 4 023        | -224         |
| Net commission income   | 2 395        | 2 282        | 113          |
| Net gains/losses on financial items, fair value                           | 809          | 647          | 162          |
| Other income  | 753          | 715          | 68           |
| Non recurring items   | 16           | 0            | 16           |
| <b>Total income</b>   | <b>7 772</b> | <b>7 667</b> | <b>105</b>   |
| Staff costs   | 2 282        | 2 296        | -14          |
| Variable staff costs  | 141          | 79           | 62           |
| Other expenses  | 2 000        | 2 016        | -16          |
| <b>Total expenses</b>   | <b>4 423</b> | <b>4 391</b> | <b>32</b>    |
| Profit before impairments   | 3 349        | 3 276        | 73           |
| Impairment of intangible assets   | 0            | 14           | -14          |
| Impairment of tangible assets   | 128          | 36           | 92           |
| Credit impairments  | 963          | 2 210        | -1 247       |
| <b>Operating profit</b>   | <b>2 258</b> | <b>1 016</b> | <b>1 242</b> |
| Tax expense   | 672          | 469          | 203          |
| Result for the period   | 1 586        | 547          | 1 039        |
| <b>Profit for the period attributable to: Shareholders of Swedbank AB</b> | <b>1 567</b> | <b>536</b>   | <b>1 031</b> |

## Q2 development

- No impact of European sovereign debt crises
- Further stabilisation/improvement in the Baltic countries
- Continued improved risk profiles on both the asset and liability side
- Swedbank's resilience vastly improved
  - ICAAP
  - Internal stress tests
  - Stress test of the Committee of European Banking Supervisors

# Volumes – signs of stabilisation

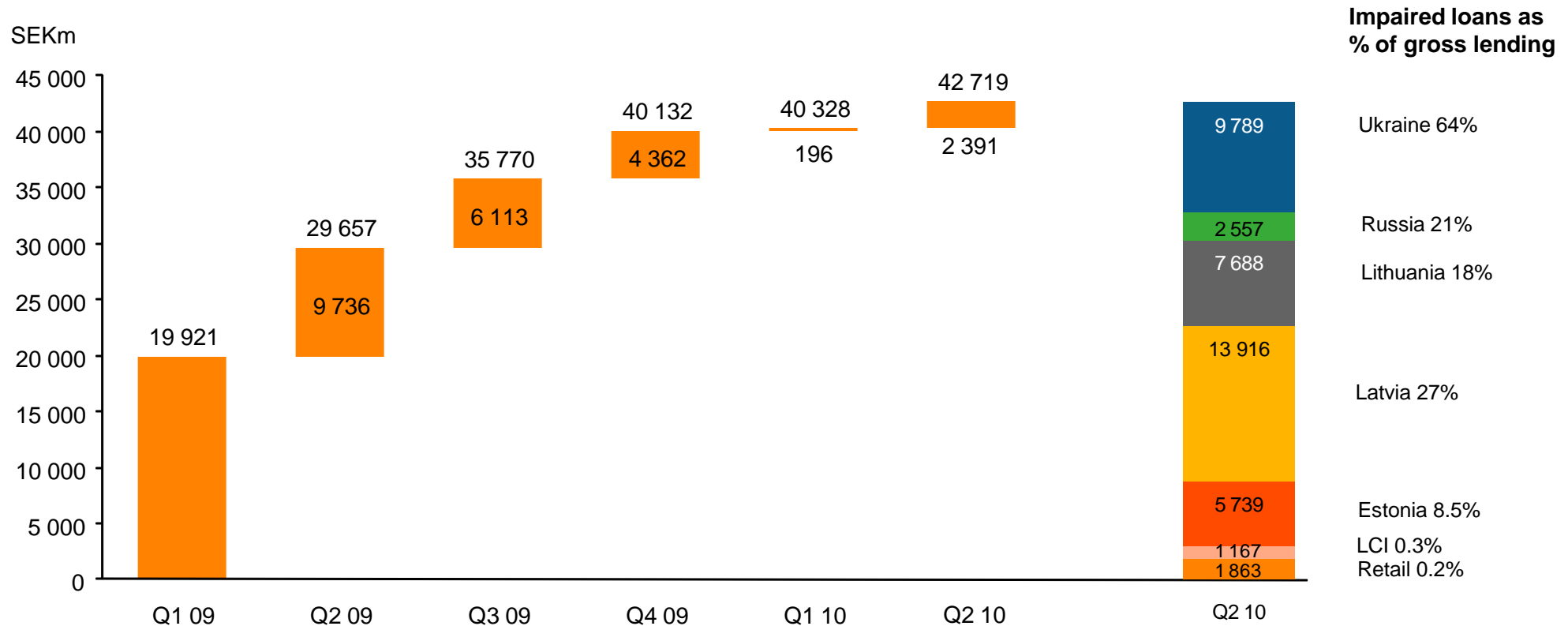
- Sweden – same pattern with better corporate demand
- CEE exposure not a restriction



Note: CEE lending as % of equity calculated as net lending to the public divided by balance sheet equity

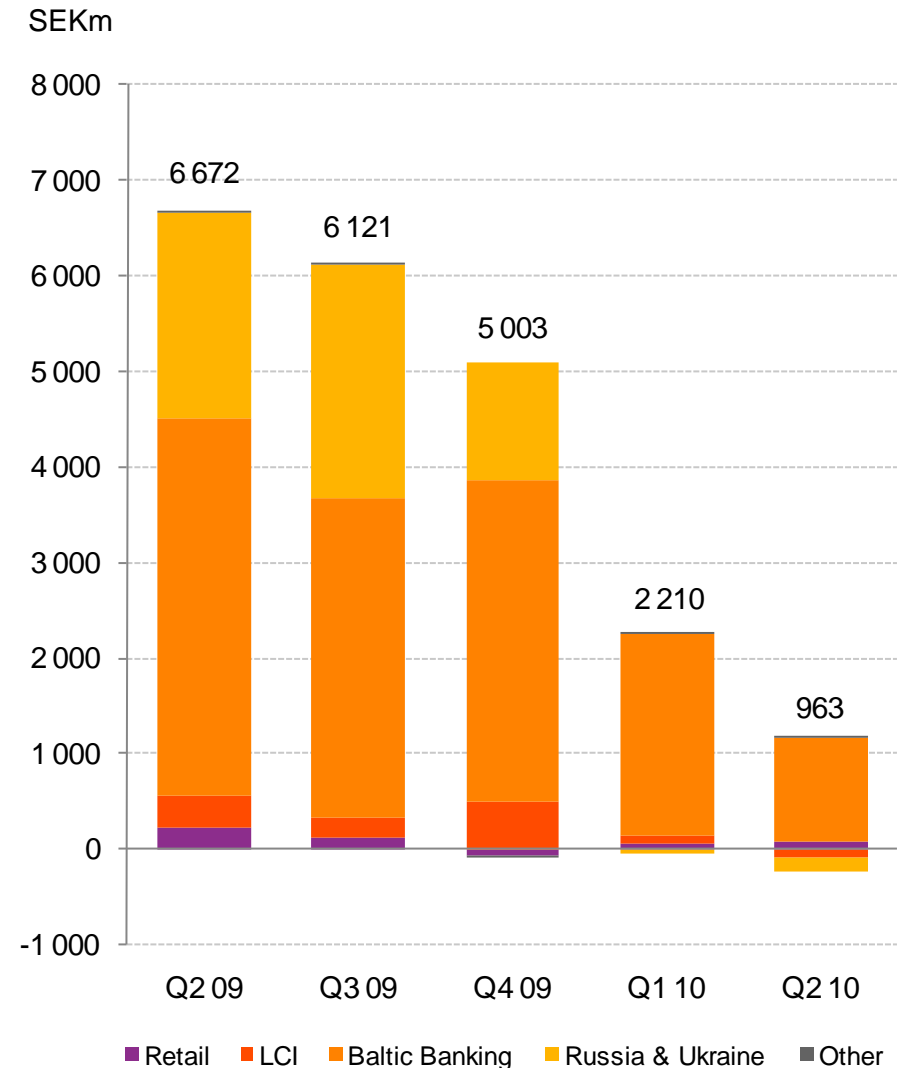
# Impaired loans – small increase

- Up SEK 2.4bn in Q2



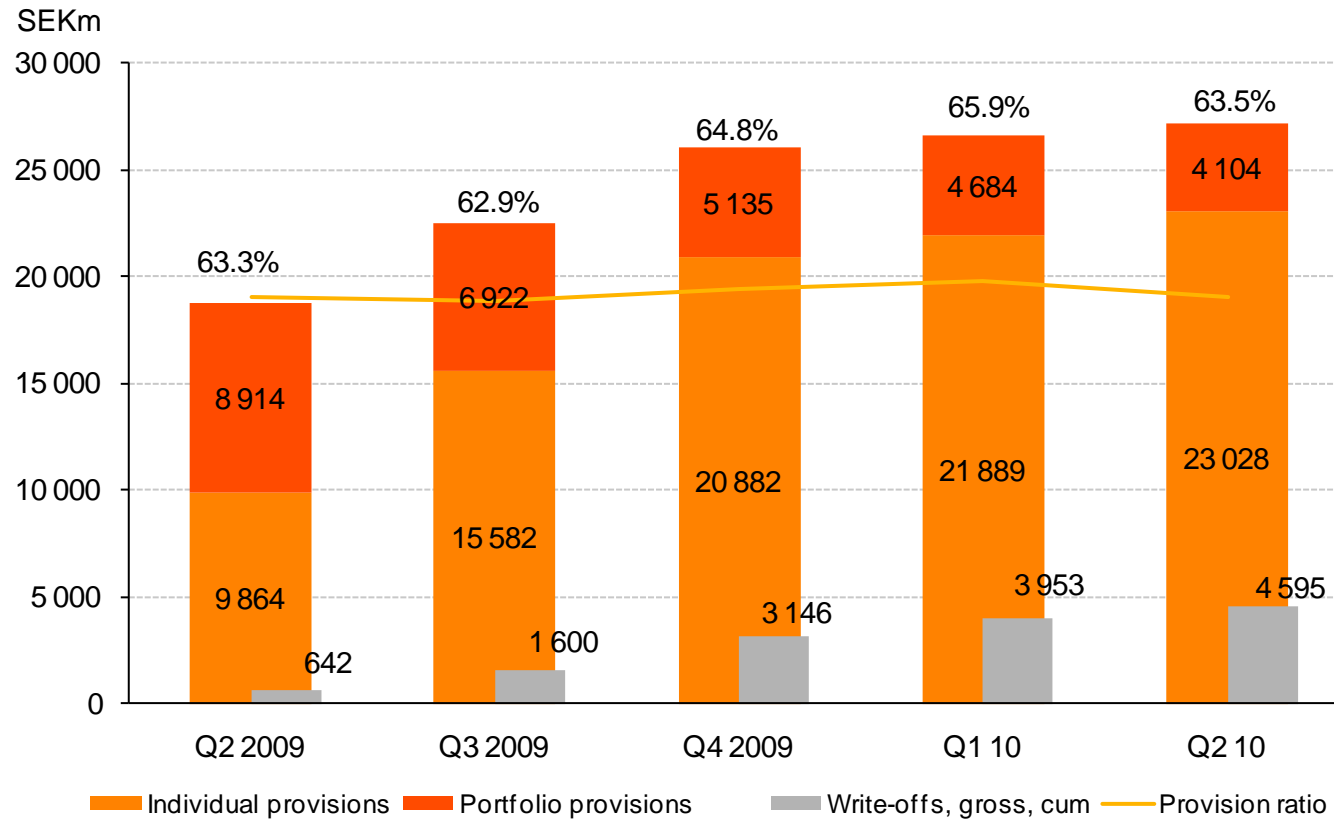
# Credit impairments significantly reduced

- Sweden very low levels
- Small recoveries in Russia and Ukraine
- Baltic countries
  - Few new problems
  - Property prices stabilising/increasing
  - Insolvency and debt restructuring laws



# Provisions

- Stability in portfolio provisions



## Provision ratios Q2 10

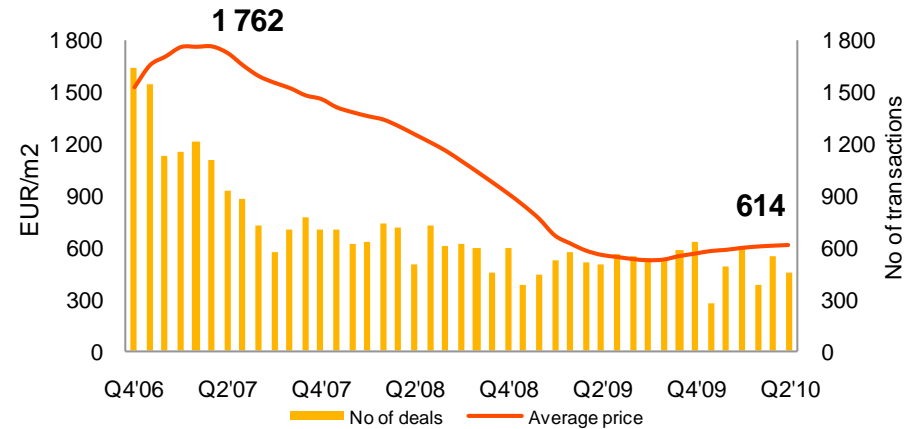
|                  |      |
|------------------|------|
| Retail           | 88%  |
| Large Corporates | 101% |
| Baltic Banking   | 59%  |
| Russia           | 59%  |
| Ukraine          | 68%  |
| Group            | 64%  |

# Real estate prices stabilised

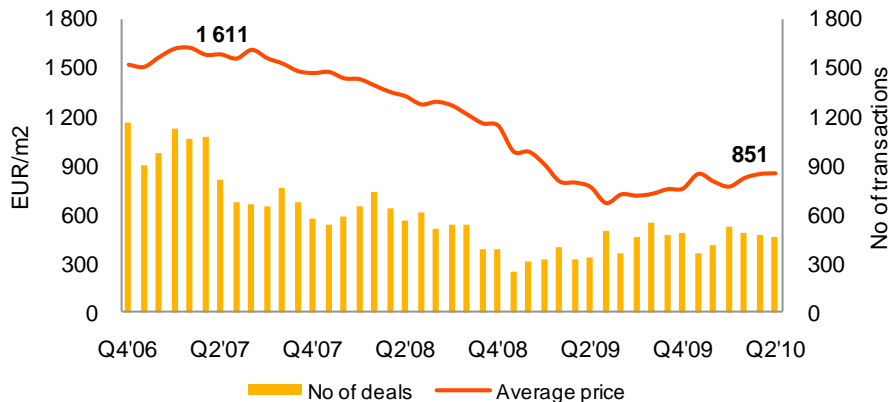
## Market situation

- Slight fluctuations in average price influenced by the small transaction volumes

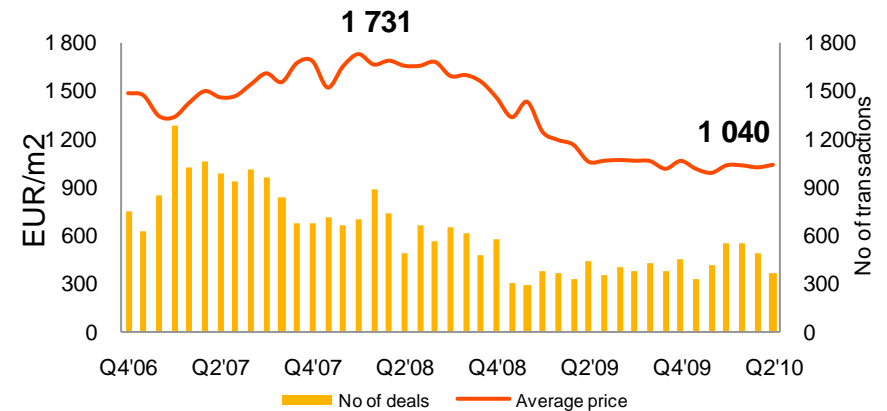
### Riga



### Tallinn



### Vilnius\*



\* Based on preliminary data for Q2 2010



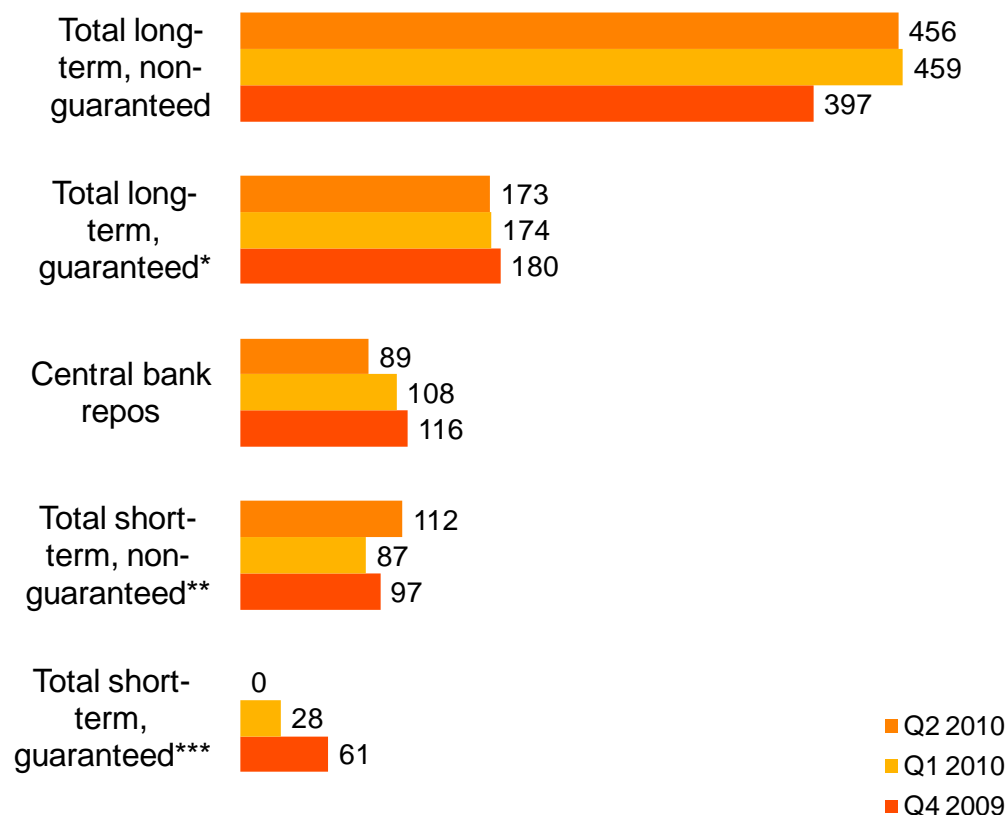
# 3. Liquidity & Funding

## Term funding ahead of plan

- YTD, SEK 150bn in term funding of which around SEK 50bn during the second quarter
- SEK 60bn in remaining term funding maturities to roll or replace in 2010
- YTD around SEK 95bn of central bank repos and guaranteed funding has been redeemed
- Average maturity of wholesale funding further extended to 25 months (38 months for covered bonds)

### Outstanding wholesale funding

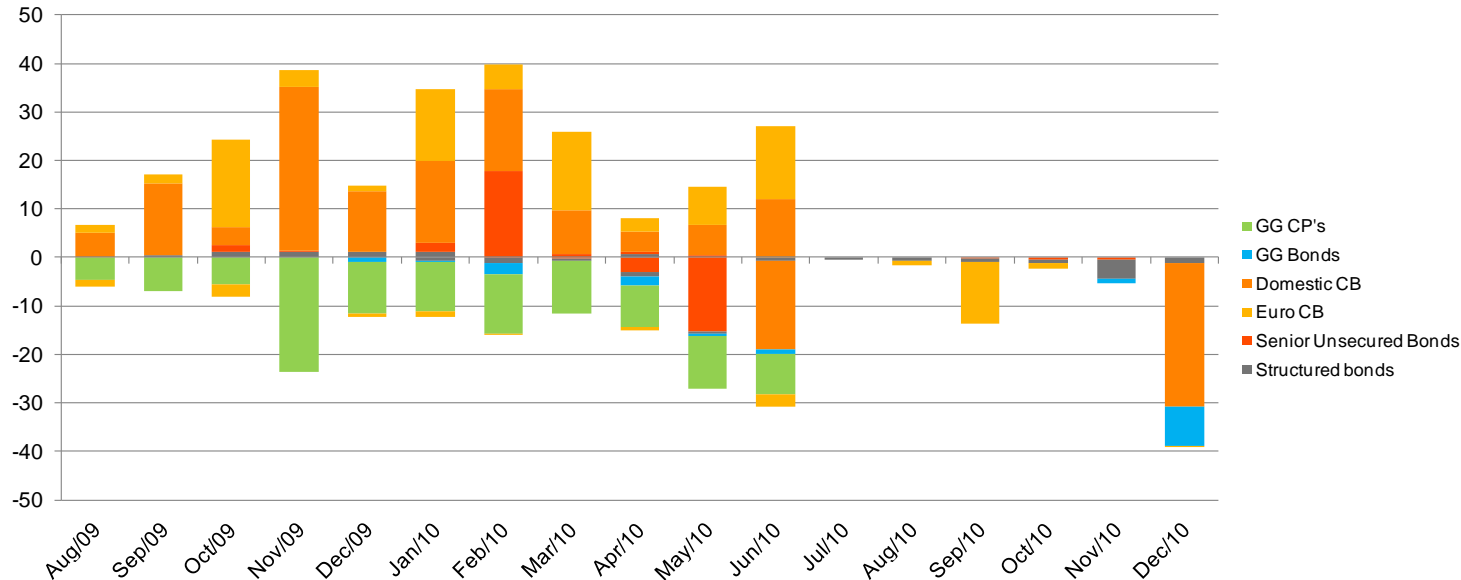
(nom SEKbn )



\* Issued with more than 12 months maturity, government fee of 83bp  
 \*\* Including interbank deposits  
 \*\*\* Issued with less than 12 months maturity, government fee of 50bp

## 2010 Funding plan

### Issued & redeemed Aug 09 – Jun 10, SEKbn



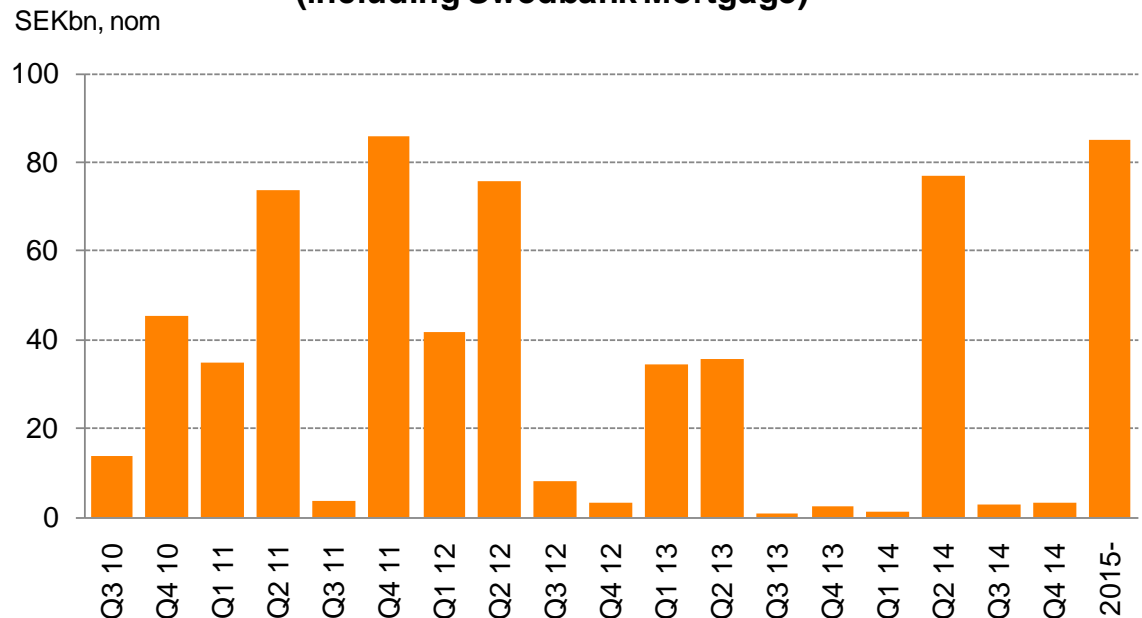
### Plans for remainder of 2010

- 1-2 further covered benchmark deals in Euro market this year
- 1-2 further senior unsecured issues
- Further covered bond issuance on tap (domestic), registered covered bonds and private placements
- Short-term funding outstandings to increase

# Long-term funding

- SEK 60bn in remaining term funding maturities to roll or replace in 2010
- Government guaranteed debt outstanding, nominal SEK 173bn at average spread of 160bps
- Liquidity risk OK, now focus on smoother maturity structure

Swedbank, long-term maturity profile (including Swedbank Mortgage)

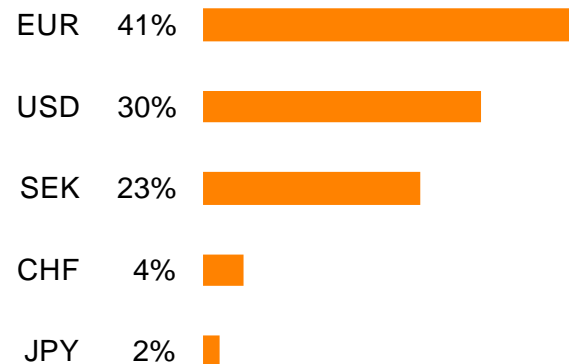


# Funding under the Swedish guarantee programme

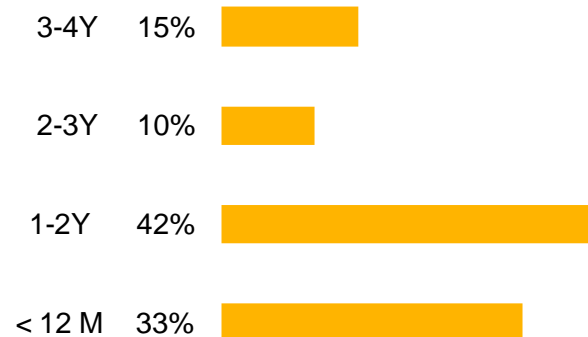
(total outstanding as per 30 June, nom SEK 173bn)

- Swedbank exited guarantee programme as per 30 April 2010
- Outstanding guaranteed funding decreased during the second quarter by SEK 28bn to nominal SEK 173bn
- Strive to buy back longest maturities of guaranteed funding when liquidity rules are clearer

## Currency distribution



## Maturity distribution



# Cover pool and new issuance of covered bonds YTD 2010

|   |             |
|---|-------------|
| Total pool size                             | SEK 618bn   |
| Average loan size                           | SEK 401 082 |
| Number of loans outstanding                 | 1 504 480   |
| Types of loans                              |             |
| – Residential mortgages                     | 90.7%       |
| – Public                                    | 2.4%        |
| – Commercial                                | 0.1%        |
| – Forest and Agriculture                    | 6.8%        |
| Fixed /Floating interest loans <sup>1</sup> |             |
| – Fixed                                     | 48%         |
| – Floating <sup>2</sup>                     | 52%         |
| Remaining fixing period                     |             |
| – Fixed                                     | 32%         |
| – Floating <sup>2</sup>                     | 68%         |
| Average LTV <sup>4, 5</sup>                 |             |
| – WA LTV on loan level <sup>3</sup>         | 43%         |
| – WA LTV on property level                  | 57%         |
| Average seasoning                           | 56 months   |
| Non-performing loans <sup>6</sup>           | None        |
| Geographic distribution                     | Sweden 100% |
| Dynamic pool                                | Yes         |

- YTD three euro covered bonds in primary market
  - Euro MTN CB 3Y, ms+39bp  
EUR 1bn, issued Jan 2010
  - Euro MTN CB 7Y, ms+57bp  
EUR 1bn, issued Mar 2010
  - Euro MTN CB 5Y, ms+52bp  
EUR 1bn, issued Jun 2010
- Also continued good demand for domestic covered bond issuance through tap system
- Registered CBs
- Private placements
- YTD SEK 129bn issued in domestic and international markets

<sup>1</sup> Distribution by origination

<sup>2</sup> Floating interest loans < 365 days

<sup>3</sup> LTV: by volume

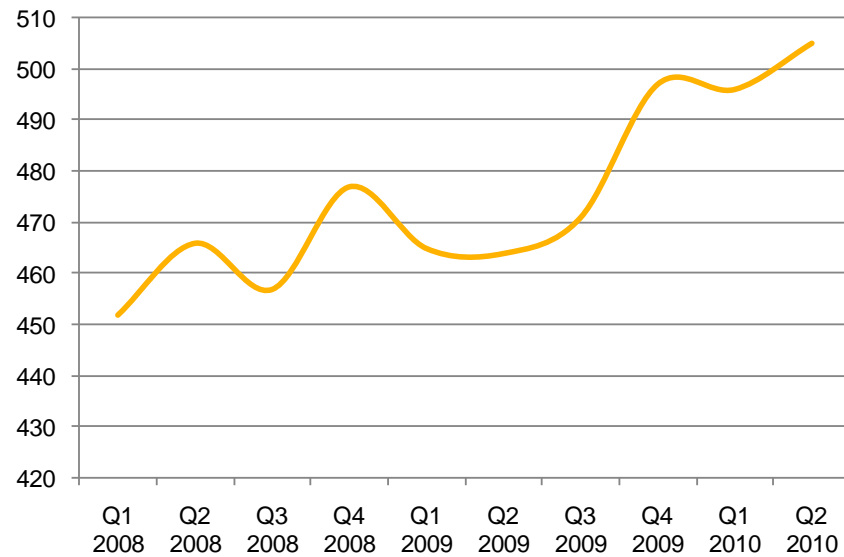
<sup>4</sup> Index valuation as per 31 May 2010

<sup>5</sup> Maximum LTV: Residential 75%, Commercial 60%, Forest and Agriculture 70%

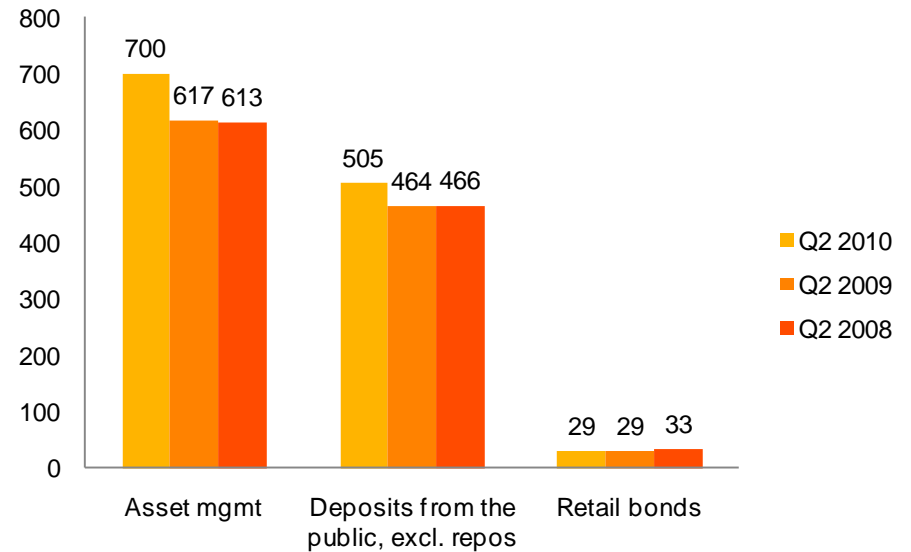
<sup>6</sup> Past due loans > 60 days are not eligible for the cover pool

## Deposits

Deposits from the public excluding repos



Savings and investments, Swedbank Group



- Post Lehman bankruptcy deposits decreased by around SEK 13bn
- Deposits are of a highly strategic importance
- Deposits market shares stable on all markets
  - Considerable deposit volume increase last 12 months
- Swedbank has the highest private stock market share in all our home markets



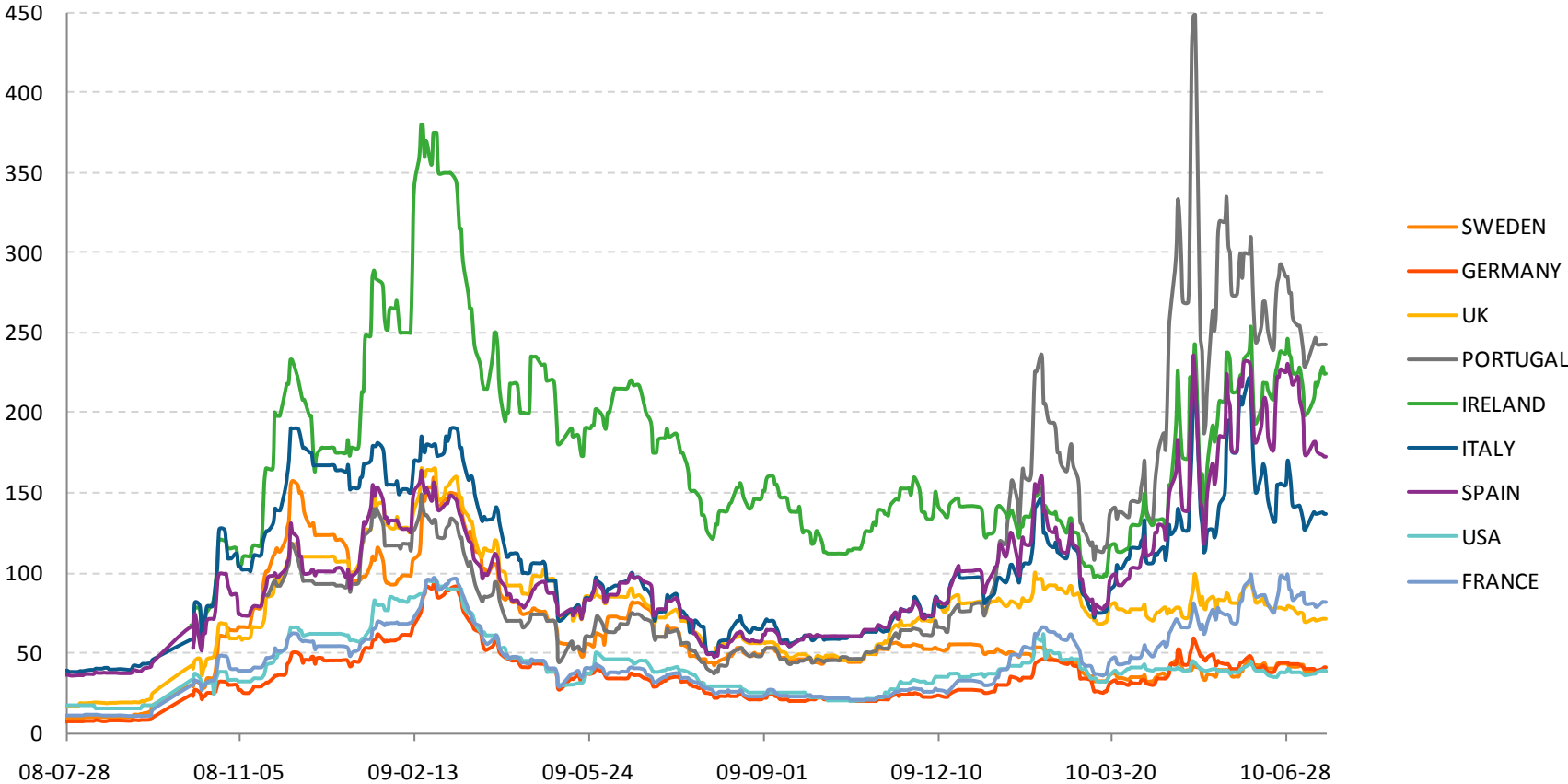


## 4. Swedish macro economics' and housing market

# Sovereign CDS spreads

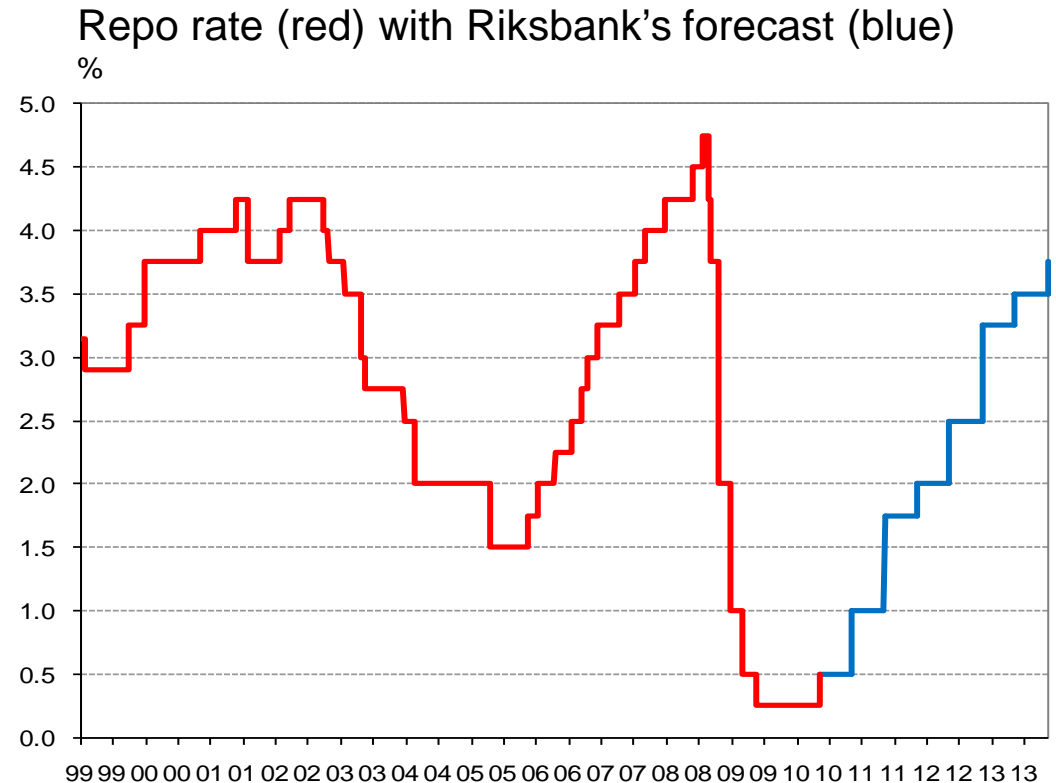
- Sweden has shown resilience through turbulent times

5yr Sovereign CDS



# Swedish Repo rate with uncertainty bands

- On 7 July Swedish Riksbank started to hike the repo rate by 0.25% to 0.5%
- In accordance to the Riksbank's forecast – the hike is expected to continue in a slow and steady pace

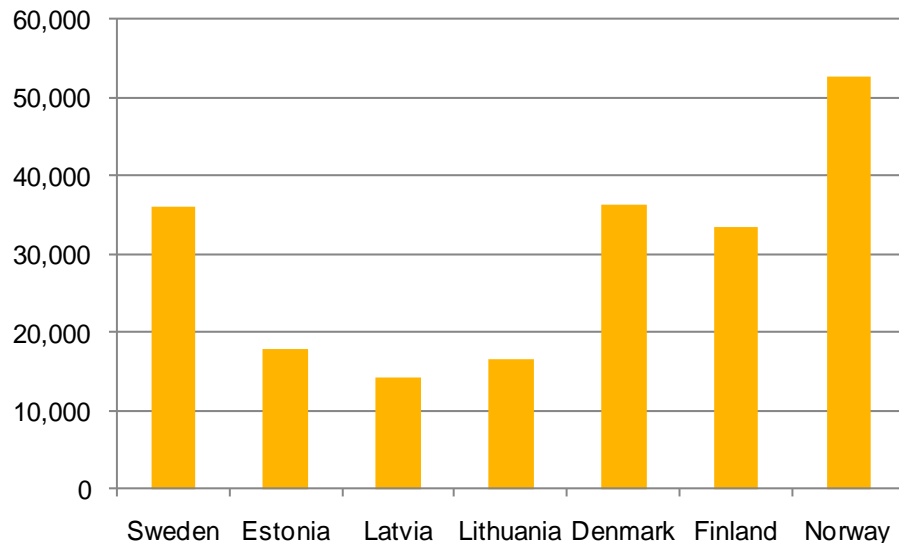


Source: Swedish Riksbank

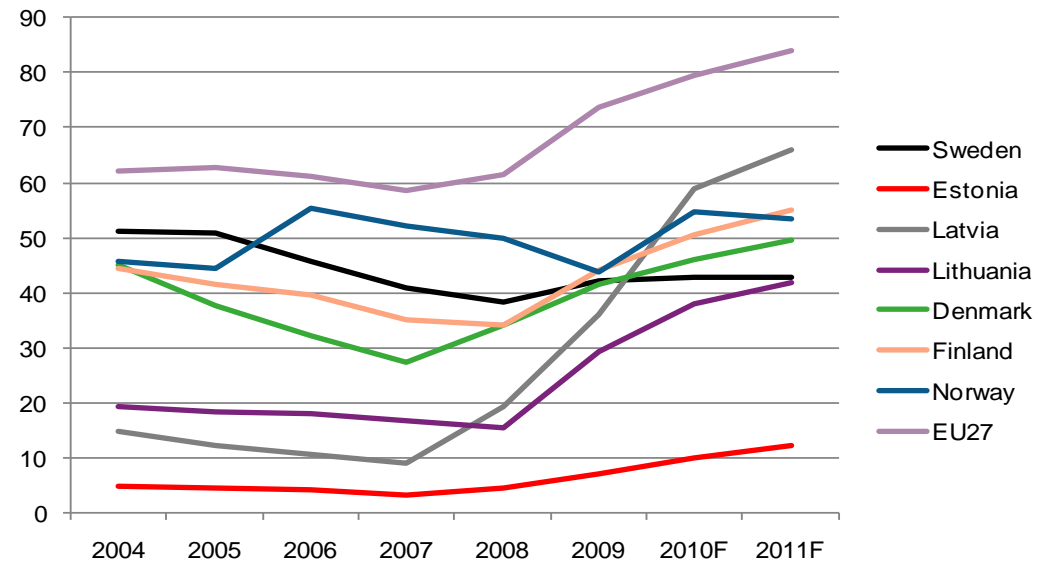
# Government debt to GDP, %

- Swedish public debt to GDP on stable, low level
- Estonian debt to GDP best in class within EMU

GDP per capita (PPP), USD



Government debt to GDP, %

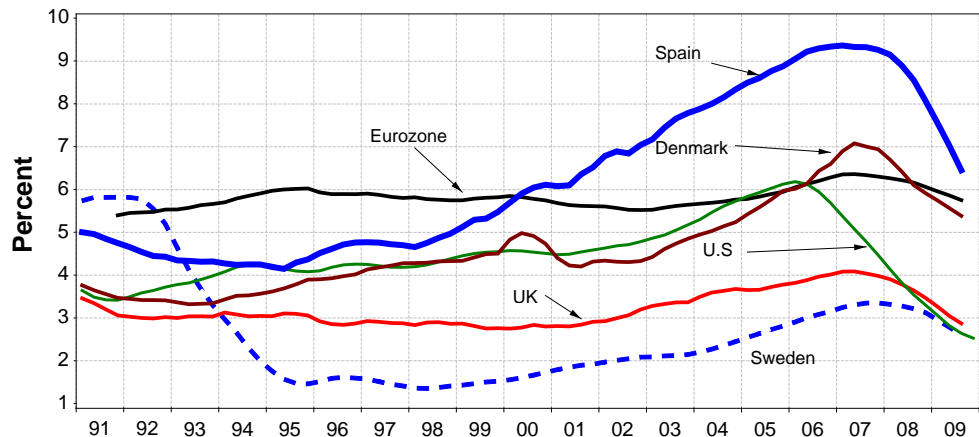


Source: Sweden statistics and Swedbank estimates

# Housing Investments at a conservative level

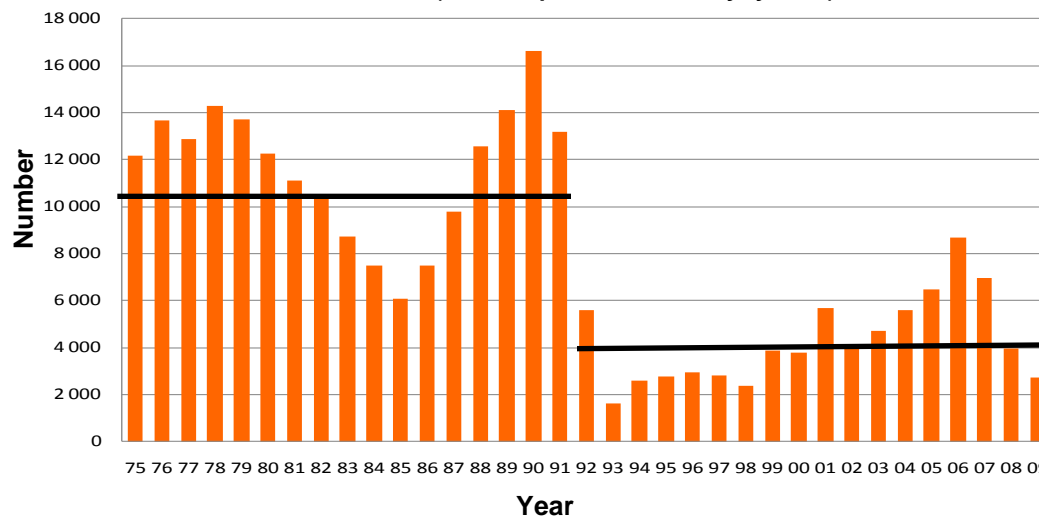
- Swedish housing investments as a percentage of GDP, since 1995, 1/3 of European average

Housing investments as a percentage of GDP



Source: Reuters EcoWin

New built Multi-family dwellings and Single-family houses in Sweden (third quarter every year)

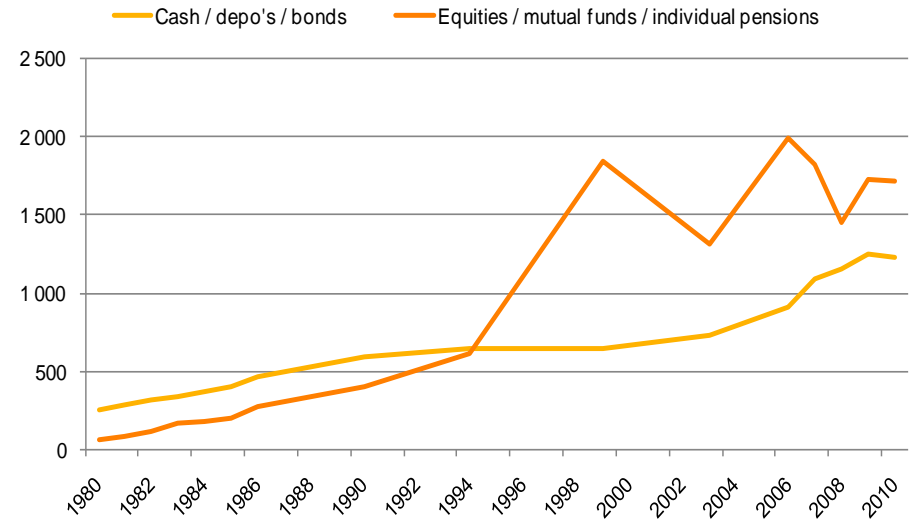


Source: Reuters Ecwin and Sweden statistics

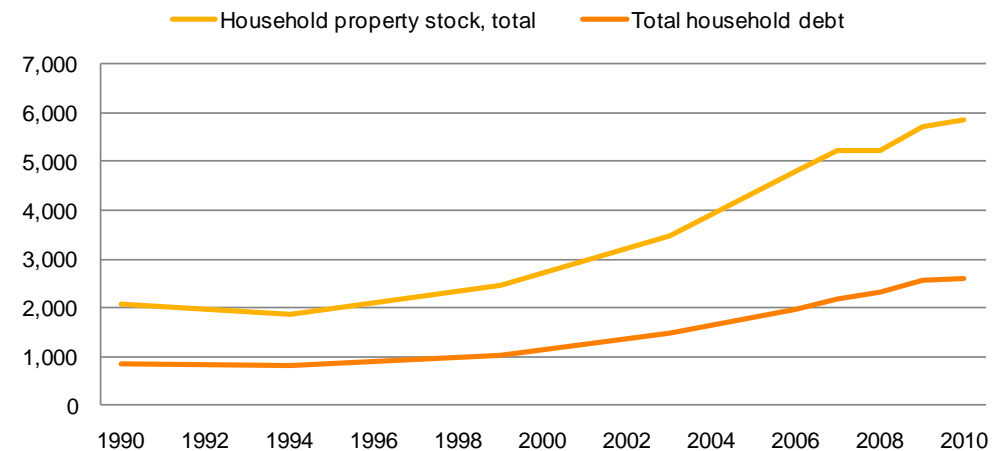
# Household balance sheet

- Swedish households save more money in equities, mutual funds and individual pensions compared to many other countries
- Wealth due to higher house prices has increased significantly since early 90's

Swedish household savings  
SEKm



Swedish household property value vs. total debt  
SEKm



Source: Sweden statistics and Swedbank

# Appendix

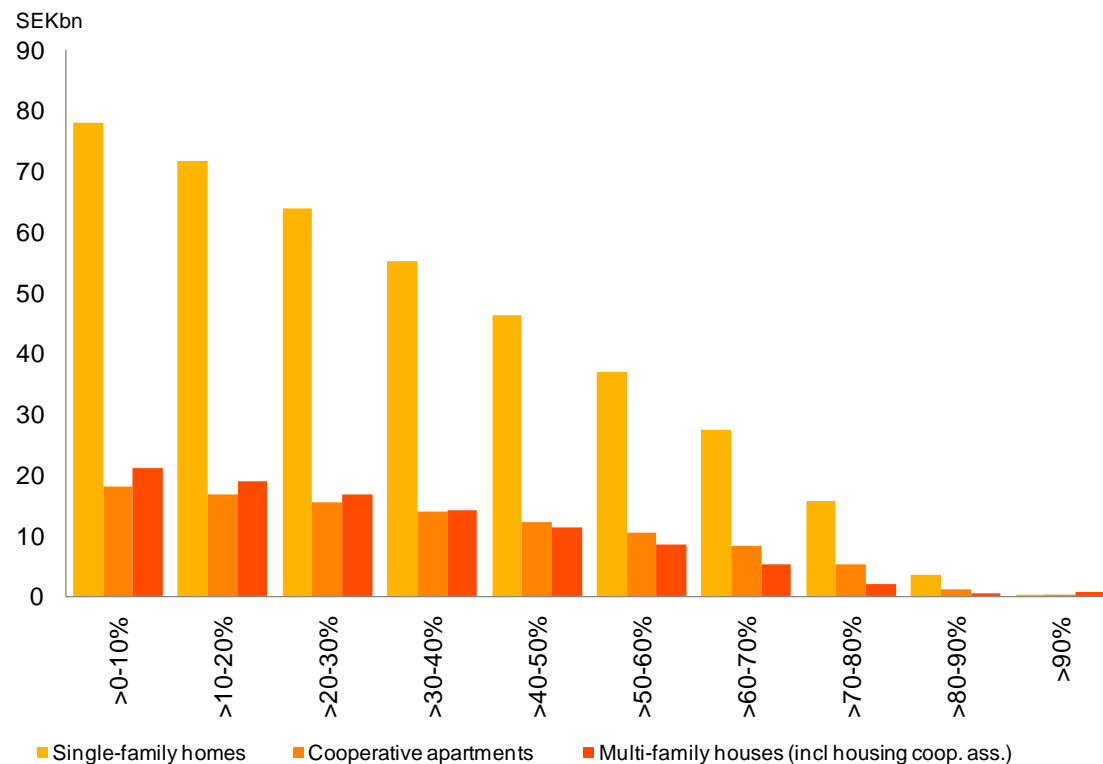
# Balance sheet

| Swedbank Group SEKm  | Jun 10           | Dec 09           | %         |
|--|------------------|------------------|-----------|
| Loans to credit institutions                                       | 204 327          | 92 131           | 122%      |
| Loans to the public  | 1 239 104        | 1 290 667        | -4%       |
| Interest-bearing securities  | 215 569          | 170 615          | 26%       |
| Fund shares for which customers bear the investment risk           | 85 181           | 78 194           | 9%        |
| Shares and participating interests                                 | 12 716           | 12 245           | 4%        |
| Derivatives  | 89 199           | 72 969           | 22%       |
| Other assets   | 58 492           | 77 866           | -25%      |
| <b>Total assets</b>  | <b>1 904 588</b> | <b>1 794 687</b> | <b>6%</b> |
| Amounts owed to credit institutions                                | 243 947          | 231 687          | 5%        |
| Deposits and borrowings from the public                            | 529 048          | 504 424          | 5%        |
| Debt securities in issue   | 710 509          | 703 258          | 1%        |
| Financial liabilities for which customers bear the investment risk | 85 471           | 80 132           | 7%        |
| Derivatives  | 76 950           | 72 172           | 7%        |
| Other liabilities and provisions                                   | 134 766          | 75 057           | 80%       |
| Subordinated liabilities   | 32 630           | 37 983           | -14%      |
| Equity   | 91 267           | 89 974           | 1%        |
| - Non-controlling interest   | 260              | 304              | -14%      |
| - Equity attributable to shareholders                              | 91 007           | 89 670           | 1%        |
| <b>Total liabilities and equity</b>                                | <b>1 904 588</b> | <b>1 794 687</b> | <b>6%</b> |

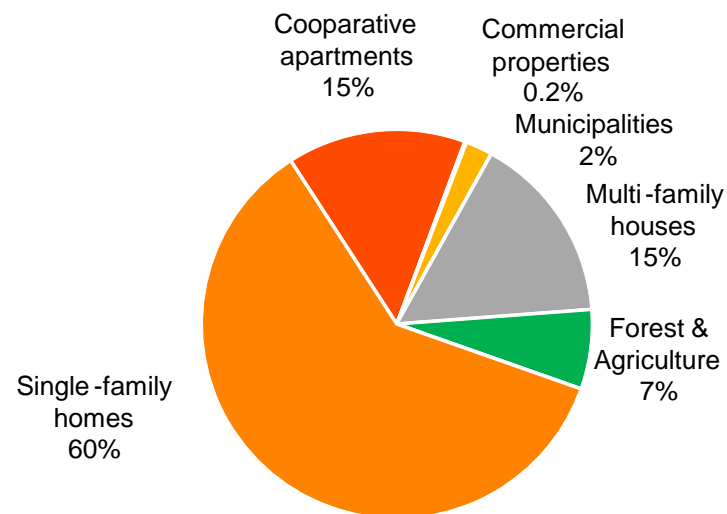


# Swedbank Mortgage, 30 Jun 2010, total loan portfolio SEK 681bn

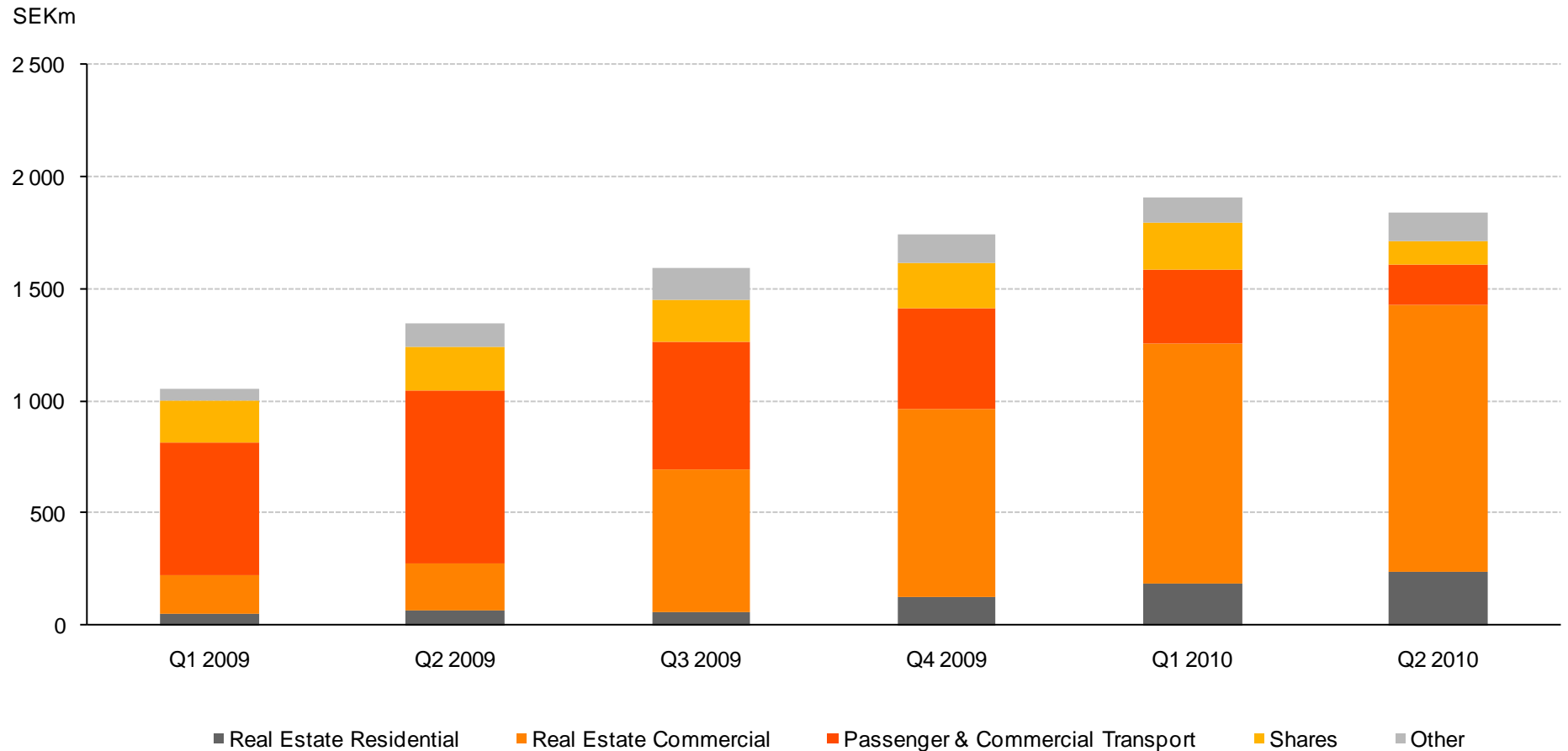
- 100% lending – Swedish properties
- 90% residential lending
- Average LTV of 45% (loan level) 61% (property level). Cover pool 43% / 57%
- 79% of the total lending book within a loan-to-value ratio below 50%



Lending distributed by collateral



# Repossessed assets



# Swedbank – Contacts and Financial Calendar

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## Financial calendar

Q3 Interim report, 21 October 2010

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