

# Swedbank's first quarter 2012 results

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# Progress in many areas

- Focus on customer relations and operational efficiency
- Good business activity
  - Increased lending business pipeline in LC&I/Retail
  - Capital markets related products
  - Commissions in Baltic shows healthy economic activity
- Cost ambitions on track
- Capital position further strengthened

# Strong income growth

SEKm	Q1 11	Q4 11	Q1 12	▲ Q/Q
Net interest income	2 918	3 244	3 407	+163
Net commissions	1 314	1 259	1 261	+2
Total income	4 613	4 904	5 123	+219
Total expenses	2 415	2 486	2 342	-142
<b>Profit before impairments</b>	<b>2 198</b>	<b>2 418</b>	<b>2 781</b>	<b>+363</b>
Credit Impairments	5	216	24	-192

ROE	28.5	25.7	26.5
C/I ratio	0.52	0.51	0.46

- Repricing moving ahead
- Cost trend according to plan
- Good credit quality

## Strong result and activity

SEKm	Q1 11*	Q4 11*	Q1 12	▲ Q/Q
Net interest income	823	845	887	+42
- of which LC/FI**	433	563	652	+89
Net commissions	420	269	434	+165
Net gains and losses	366	224	648	+424
Total income	1 621	1 328	1 980	+652
Expenses excl variable staff cost	656	818	607	-211
Variable staff costs	83	13	106	+93
<b>Profit before Impairments</b>	<b>882</b>	<b>497</b>	<b>1 267</b>	<b>+770</b>
Credit Impairments	-105	4	14	+10

ROE	22.3	9.4	19.1
C/I ratio	0.46	0.63	0.36

- Favourable market conditions
- Good activity in corporate finance and in bond issues
- Repricing trend, continued stable growth in Large Corporates NII
- Cost improvement visible

\* Excluding Lehman one-off \*\* Large Corporates/Financial Institutions

# NII pressure

SEKm	Q1 11	Q4 11	Q1 12	▲ Q/Q
Net interest income	997	901	912	+11
Net commissions	317	380	371	-9
Total income	1 471	1 521	1 452	-69
Total expenses	651	719	620	-99
<b>Profit before impairments</b>	<b>820</b>	<b>802</b>	<b>832</b>	<b>+30</b>
Credit Impairments	-382	-117	- 134	-17

ROE	13.9	-18.9	14.5
C/I	0.44	0.47	0.43

- Underlying NII under pressure
  - Deposits from falling Euribor
  - Further deleveraging
- Net recoveries in all three countries
- Good business pipeline but weak consumer confidence

## Cost reductions running according to plan

- Target to reduce underlying costs by SEK 1bn 2012
- Year on year underlying cost decrease of SEK 185m
- Biggest reductions in staff (SEK 90m) and consultancy costs (SEK 75m)
- Further cost effects to be seen

Cost Trend (SEKm)	Q1 2011	Q1 2012	▲ Y/Y
<b>Total expenses</b>	<b>4 513</b>	<b>4 413</b>	<b>- 100</b>
Variable staff costs	146	208	+ 62
Compensation to savings banks	129	152	+ 23
<b>Underlying cost</b>	<b>4 238</b>	<b>4 053</b>	<b>- 185</b>

# Solid development

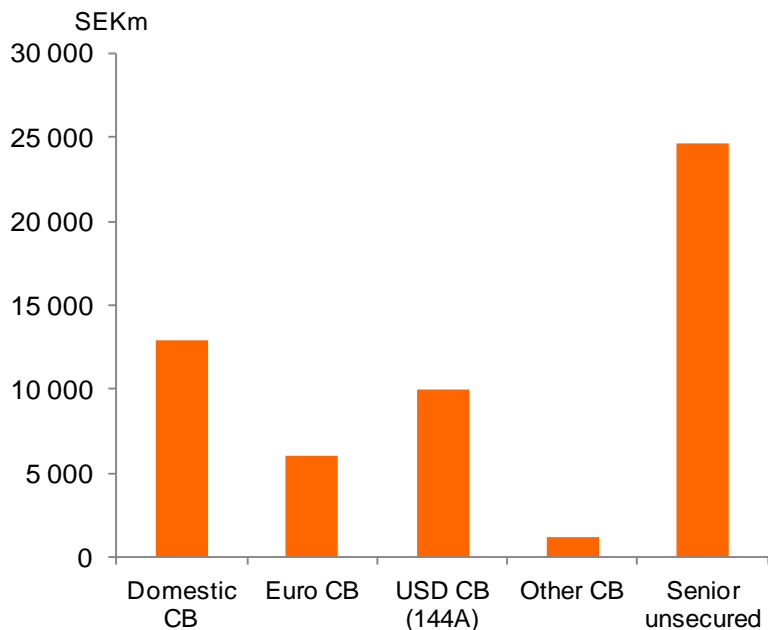
SEKm	Q1 11	Q4 11	Q1 12	▲ Q/Q	▲ Y/Y
Net interest income	4 501	4 967	5 208	+241	+707
Net commissions	2 456	2 291	2 405	+114	-51
Net gains and losses	255	559	759	+200	+504
Other income	1 369	839	809	- 30	-560
<b>Total income</b>	<b>8 581</b>	<b>8 656</b>	<b>9 181</b>	<b>+525</b>	<b>+600</b>
<b>Total expenses</b>	<b>4 513</b>	<b>4 947</b>	<b>4 413</b>	<b>-534</b>	<b>- 100</b>
<b>Profit before impairments</b>	<b>4 068</b>	<b>3 709</b>	<b>4 768</b>	<b>+1 059</b>	<b>+700</b>
Credit impairments	-972	-174	172	+346	+1 144
<b>Profit for the period</b>	<b>3 852</b>	<b>965</b>	<b>3 425</b>	<b>+2 460</b>	<b>- 427</b>
ROE	16.1	3.9	14.0		
C/I	0.53	0.57	0.48		
CT1-ratio	14.9	15.7	15.9		

- Strong NII
  - Repricing lending
  - Lower cost government guaranteed funding
  - Shrinking deposit margins
- Cost management on track
- Higher client activity
  - Corporate finance
  - FX/Fixed income
  - Bond origination

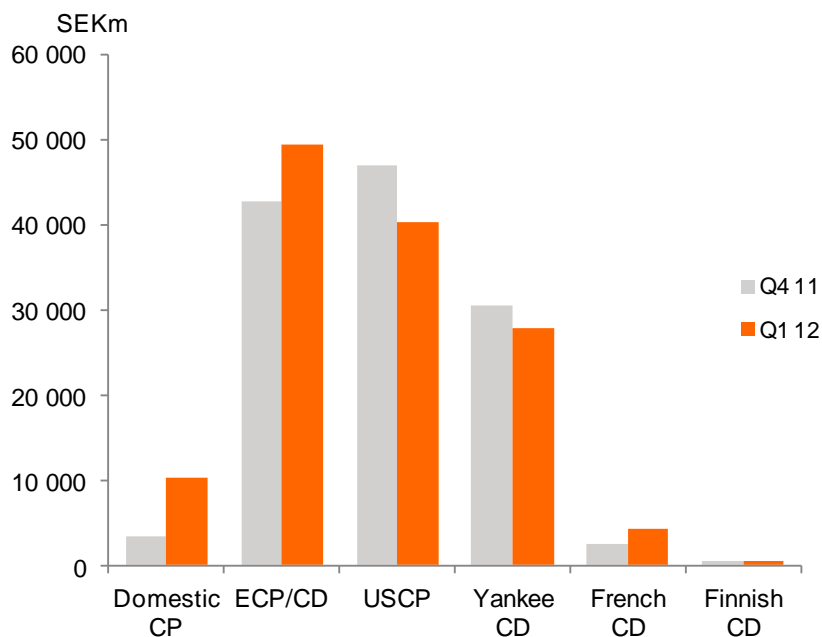
## Continued conservative stance

- Significantly improved environment
- Continued high issuance of long-term debt, SEK 56bn during Q1
- Estimated issuance SEK 100-120bn for full year
- Higher degree of senior unsecured funding
- Awaiting new regulatory landscape of capital and funding

### Long-term debt issued in Q1



### Outstanding short-term debt





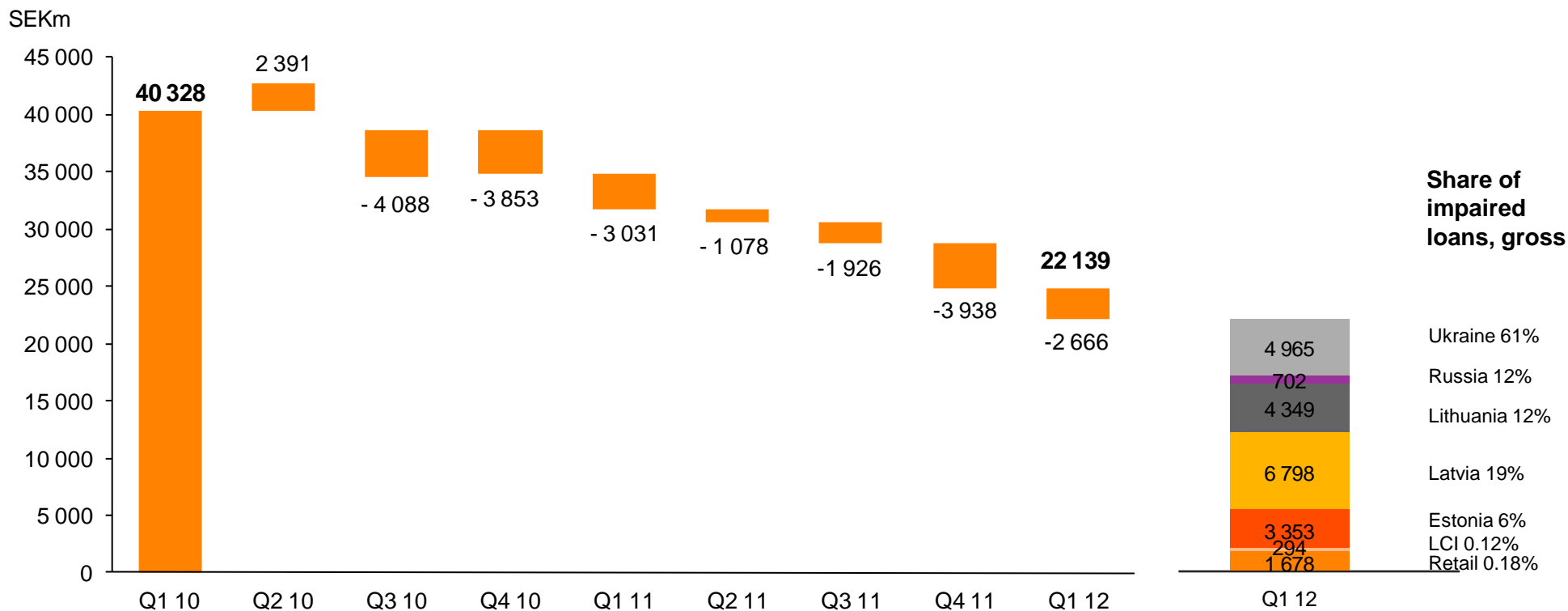
## Stable asset quality

<b>Credit impairments (SEKm)</b>	<b>Q1 12</b>
<b>Retail</b>	<b>24</b>
<b>LC&amp;I</b>	<b>14</b>
<b>Baltic Banking</b>	<b>-134</b>
Estonia	-78
Latvia	-21
Lithuania	-35
<b>Group Functions &amp; Other</b>	<b>268</b>
Russia	-65
Ukraine	333
<b>Swedbank Group</b>	<b>172</b>

- Impaired loans decreasing
- Continued resilience in Sweden
- Further improvements in the Baltic portfolio
- Ukraine remains risk area
  - SEK 200m additional provisions

# Impaired loans decreasing

- Excluding FX effect, down SEK 2.4bn in Q1
- Improvements for corporates in all areas

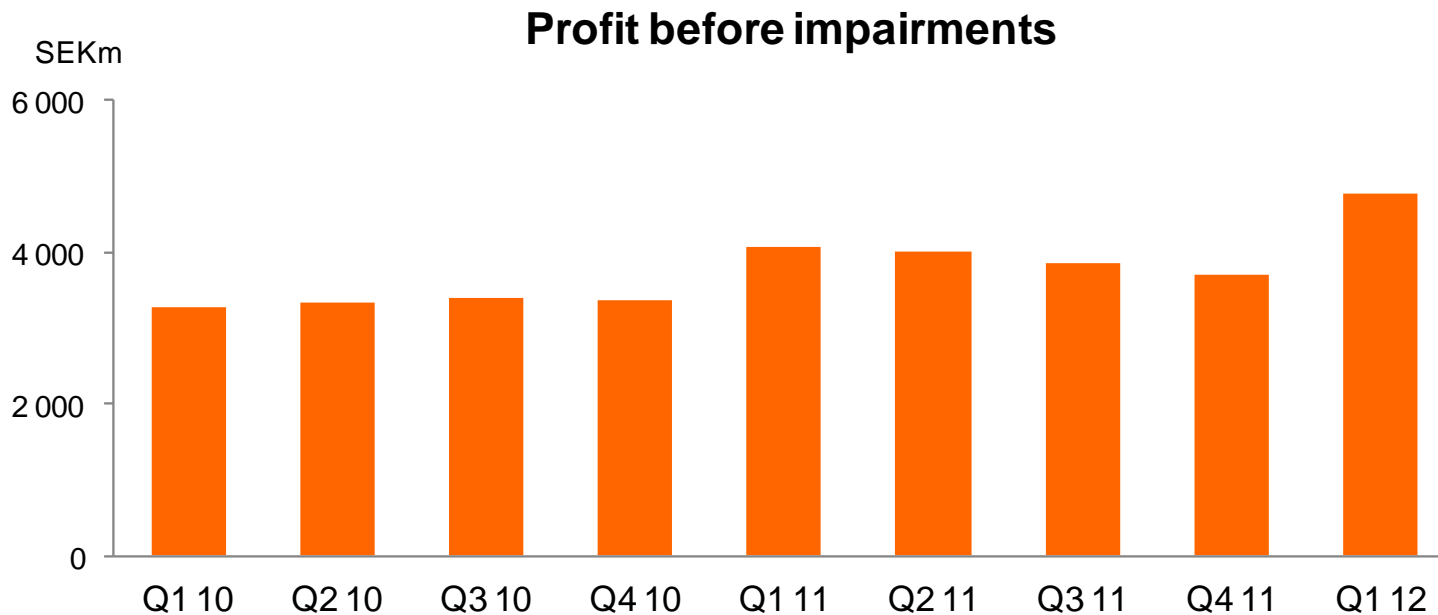


## Continued focus on risk-weighted assets

- Minor change Q1 2012
  - Credit volume mix quality improvement
  - Recalibration Baltic Banking
  - Increased bond portfolio and holdings of unrated bonds
- Focus areas 2012
  - Review of small and mid-sized corporates Sweden
  - Retail mortgage risk-weights
  - Credit processes Retail and Baltic Banking

# Strong first quarter but uncertain macro

- Net profit SEK 3.4bn
- Core Tier 1 capital ratio 15.9 per cent
- Return on equity 14.0 per cent

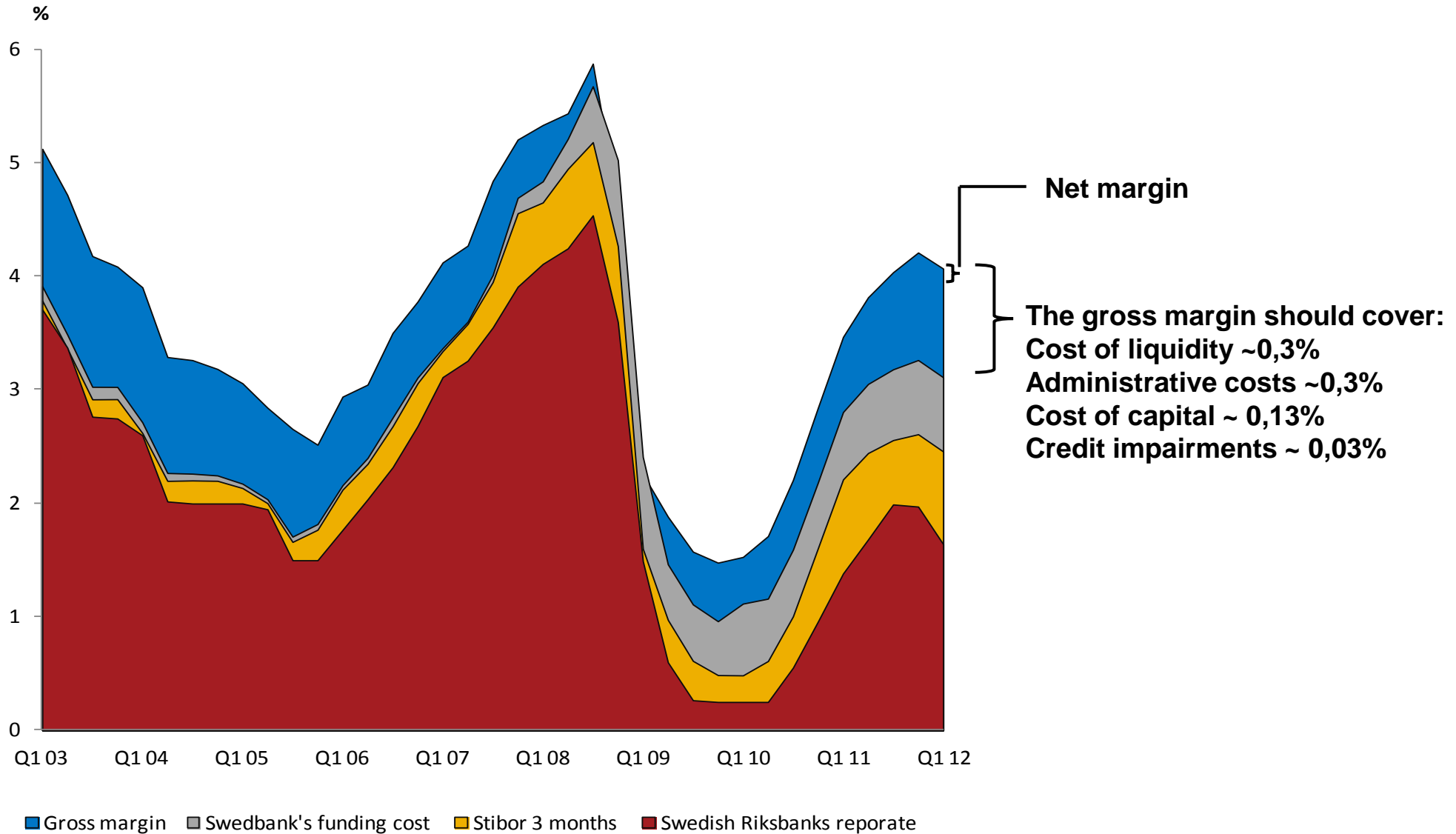


# Q & A



# Appendix

# Mortgage loans gross margin (3 months)



## Strong result and activity

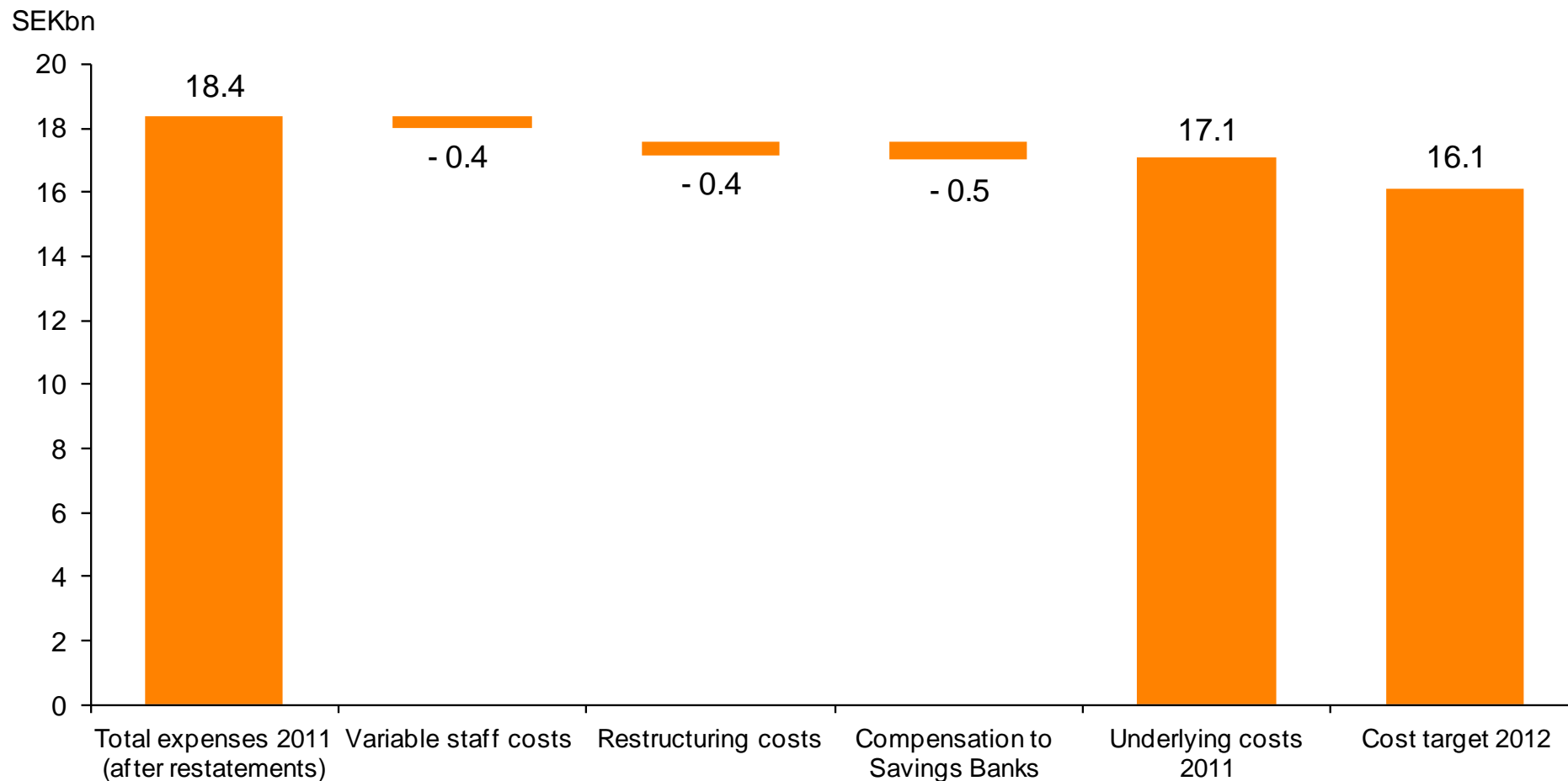
SEKm	Q1 11*	Q2 11	Q3 11	Q4 11*	Q1 12*
Net interest income	823	884	756	845	887
of which LC & FI**	433	444	519	563	652
of which Markets	390	440	237	282	235
Commission income	420	334	317	269	434
of which LC & FI*	315	221	241	261	278
of which Markets	105	113	77	8	156
Total income LC&I	1 621	1 247	1 184	1 328	1 980
of which LC & FI**	758	682	770	832	946
of which Markets	863	565	414	496	1 034
Total expenses, excl variable pay	656	685	659	818	607
Variable staff costs	83	50	6	13	106
<b>Profit bef impairments</b>	<b>882</b>	<b>512</b>	<b>519</b>	<b>497</b>	<b>1 267</b>
of which LC & FI**	536	481	567	574	735
of which Markets	346	31	-48	-77	532
Total impairments	-105	-20	-68	21	14
C/I ratio	0.46	0.59	0.56	0.63	0.36

\* Excluding Lehman one-off, \*\*Large corporates and Financial institutions



# Cost target 2012

- Target to reduce underlying costs SEK 1bn 2012



# Swedbank regulatory compliant – transition completed

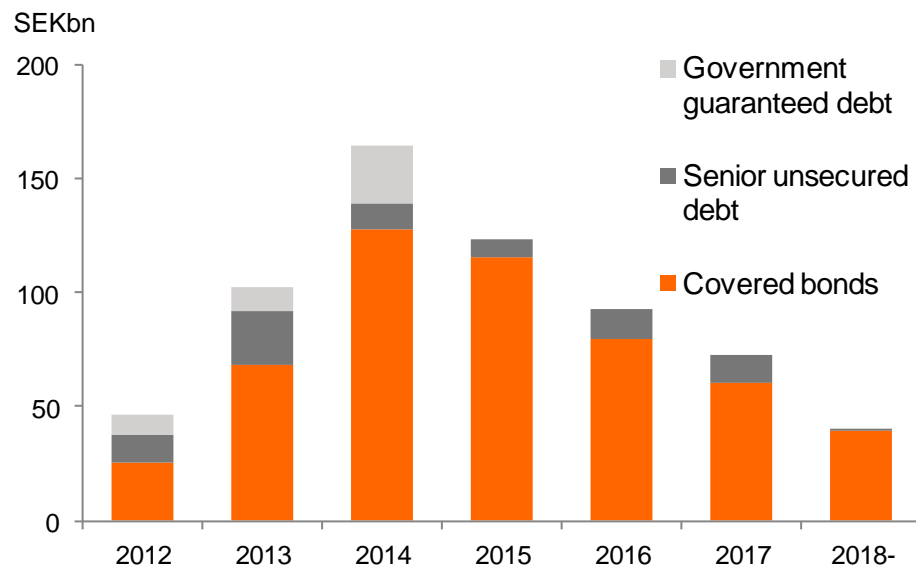
- Transformation of:
  - Maturity structure liabilities
  - Liquidity reserve
  - Capital buffer
- Significantly reduced risk in balance sheet
- Cost for regulatory compliance taken

Ratio	Swedbank		Expected requirements	
CT1-ratio, Basel 3	14.9%	✓	10% (2013)	12% (2015)
Liquidity coverage ratio	116%	✓	100% (2015)	EUR/USD
Net stable funding ratio	96%	✓	100% (2018)	

# Long-term funding maturity profile

- FY 2012 maturities amount to nominal SEK 86bn
  - Of which SEK 46bn for the remainder of 2012

Long-term funding maturity profile

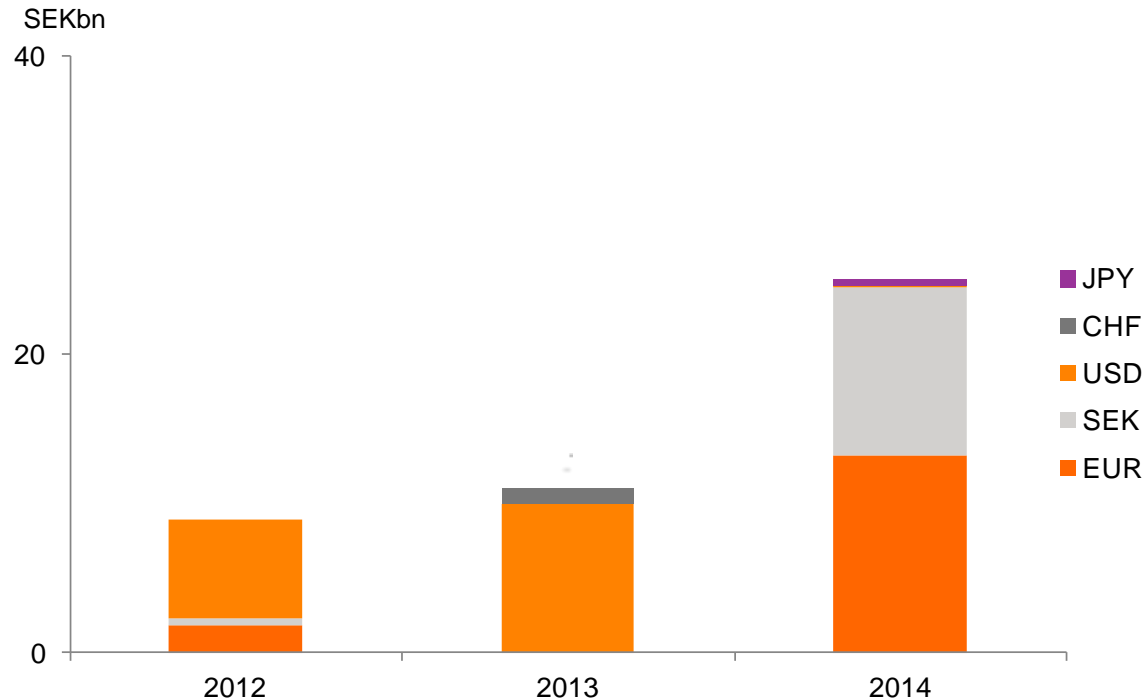


Source: Swedbank Mar 31, 2012

# Remaining government guaranteed debt

- Exited the programme on 30 April 2010
- No issuance under the programme since summer 2009
- Maturities of SEK 9bn in government guaranteed debt for the remainder of 2012

Maturity profile as per Q1 2012

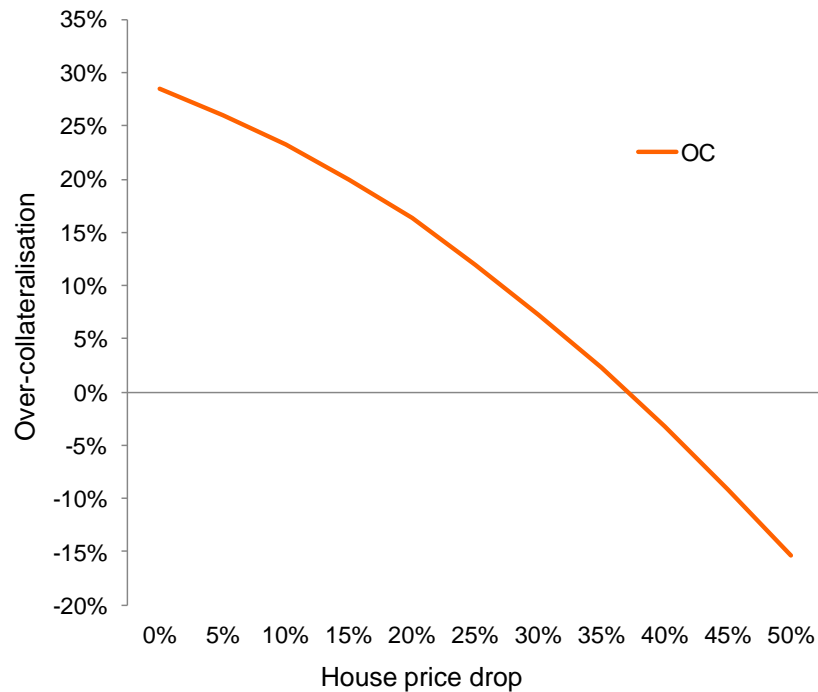


Source: Swedbank March 31, 2012

# Senior unsecured debt strategy

- Secure OC-level
- Fund liquidity reserves

House price sensitivity of the cover pool



Source: Swedbank, Mar 31, 2012, Nominal amounts

## Liquidity and funding

# Liquidity reserve

According to the template defined by the Swedish Bankers' Association

	SEKm
Cash and holdings in central banks	169 795
Deposits in other banks available overnight	134
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	22 983
Securities issued or guaranteed by municipalities or Public sector entities	
Covered bonds	57 905
- Issued by other institutions	57 905
- Own issued	
Securities issued by non-financial corporates	
Securities issued by financial corporates (excl. covered bonds)	2 713
Other	
<b>Total<sup>1</sup></b>	<b>253 531</b>
Additional liquid assets, Group <sup>2</sup>	67 795

<sup>1</sup> 94% of the securities in the liquidity reserve per Q1 2012 are rated AAA

<sup>2</sup> 86% of the additional liquid assets fulfill the Liquidity Reserve definition by the Swedish bankers' association except from that they are held outside the Treasury department.

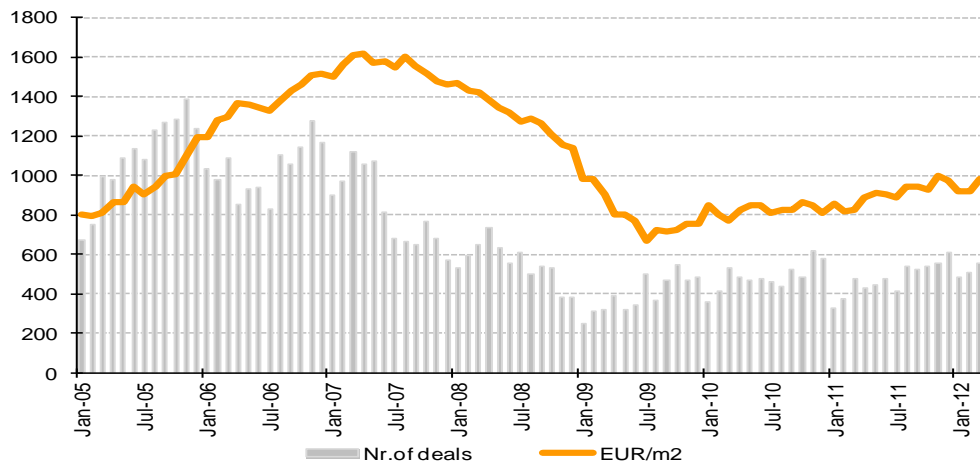
# Real estate prices – Sweden 12 months development

	Single-family homes <sup>1</sup> 12M Δ	Tenant owner rights <sup>2</sup> 12M Δ	Combined <sup>3</sup> 12M Δ
Apr/11	1%	6%	3%
May/11	0%	6%	2%
Jun/11	0%	5%	2%
Jul/11	0%	6%	2%
Aug/11	-2%	3%	-1%
Sep/11	-3%	1%	-2%
Oct/11	-4%	-1%	-3%
Nov/11	-5%	-4%	-5%
Dec/11	-7%	-4%	-6%
Jan/12	-4%	-2%	-4%
Feb/12	-4%	-1%	-3%
Mar/12	-4%	1%	-3%

Source: Valuegard [www.valuegard.se](http://www.valuegard.se) (Based on data from Mäklarstatistik), <sup>1</sup> HOXHOUSESWE, <sup>2</sup> HOXFLATSWE, <sup>3</sup> HOXSWE

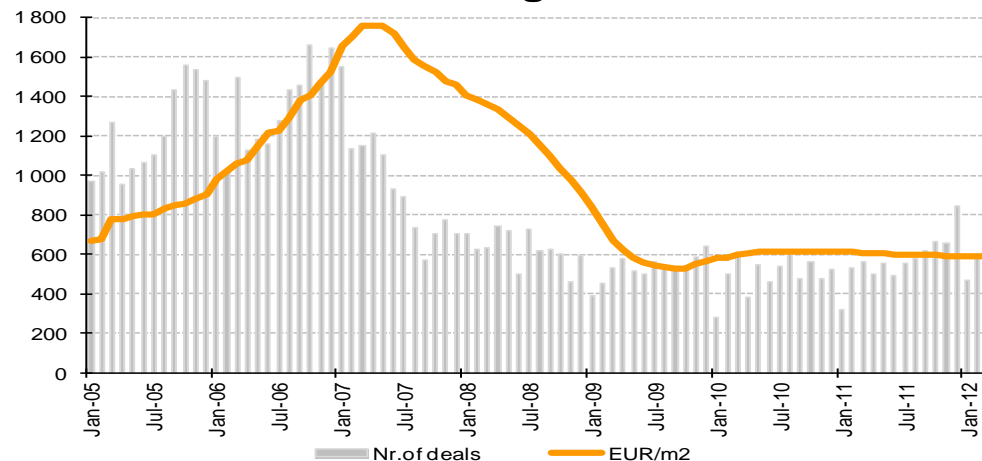
# Real estate prices – Baltic countries

**Tallinn**



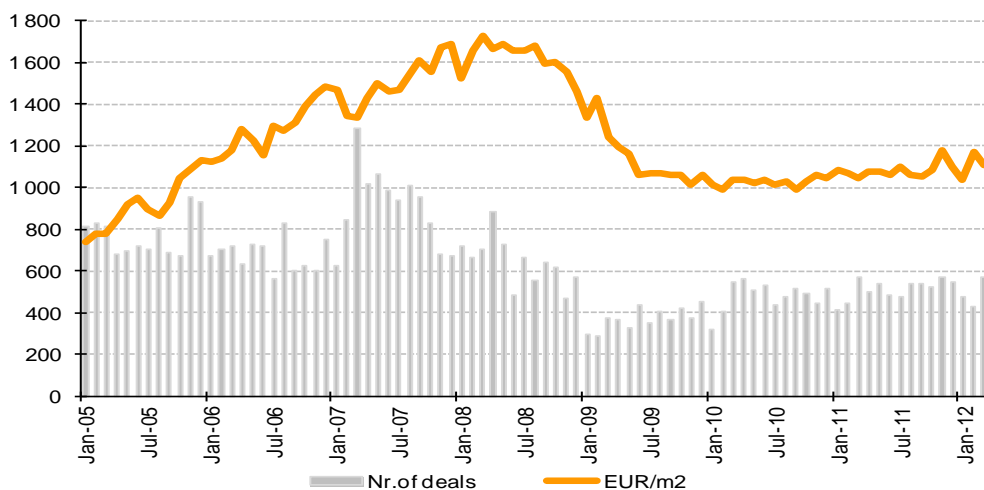
Source: Swedbank, Estonian Land Board

**Riga**



Source: Swedbank

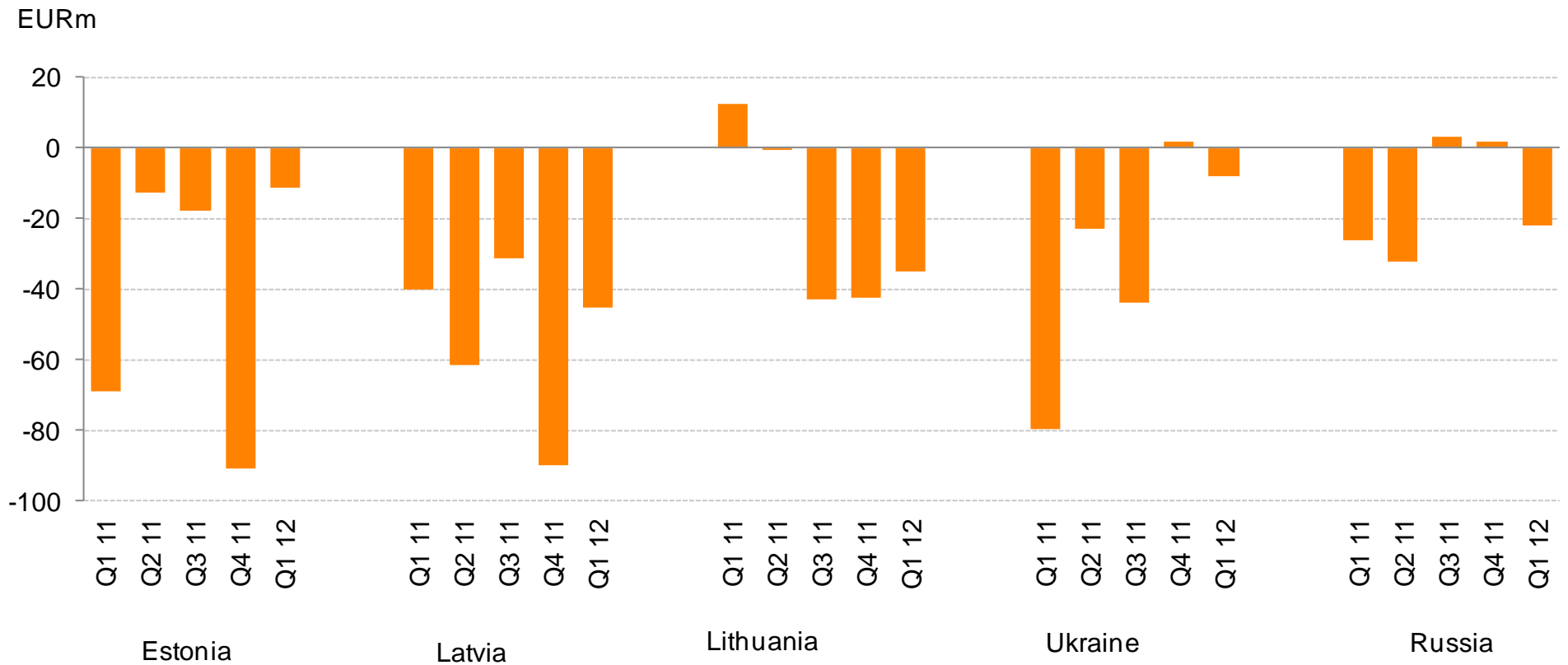
**Vilnius**



Source: Swedbank, State Enterprise Centre of Registers

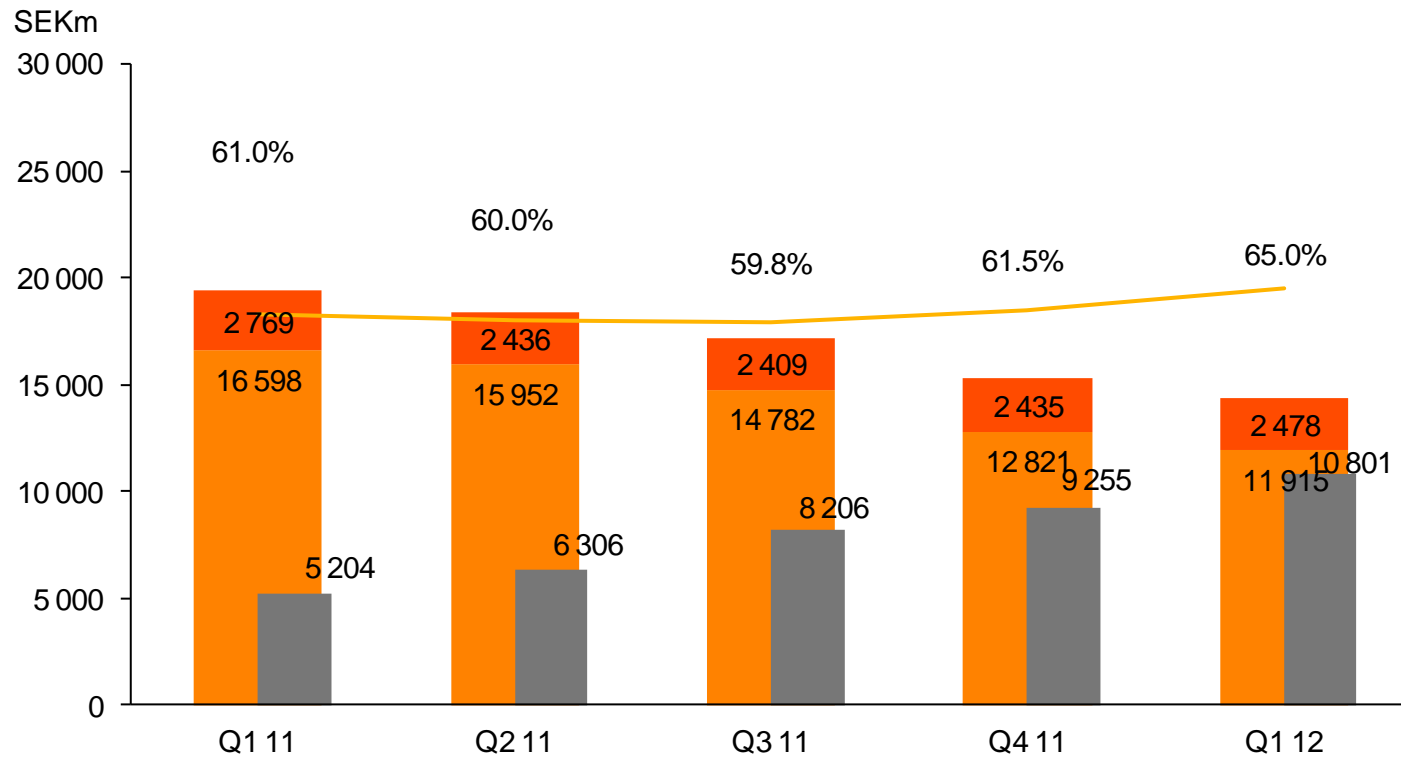


# Loans past due 60 days – performance Q/Q



# Provisions – well provided for

- Increased individual provisioning rates
- Additional provisioning private portfolio Ukraine
- Positive rating migrations in home markets



Provision ratios, %	Q1 12
Retail	90
LC&I	135
Baltic Banking	54
Russia	64
Ukraine	79
<b>Group</b>	<b>65</b>

■ Individual provisions 
 ■ Portfolio provisions 
 ■ Write-offs, gross, cum from 2010 
 — Provision ratio

# Credit impairments by business area, SEKm

