

Swedbank's second quarter 2012 results

Michael Wolf, CEO
Göran Bronner, CFO
Håkan Berg, CRO

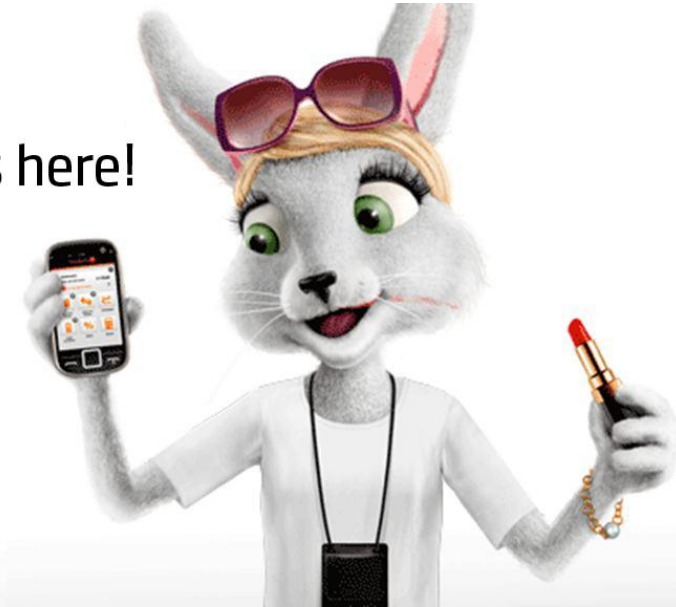


Solid performance with unchanged business strategy

- Low growth environment
- Good execution on focus areas
- Competitive position continue to improve
- Mobile banking supports cash smart transformation

The new **mobile bank** is here!

- Shake to get your balance
- Transfer money smoothly
- Monitor you favourite shares



Stable development

SEKm	Q2 11	Q1 12	Q2 12	▲ Q/Q
Net interest income	3 012	3 407	3 404	-3
Net commissions	1 294	1 261	1 248	- 13
Total income	4 789	5 123	5 138	+15
Total expenses	2 430	2 342	2 345	+3
Profit before impairments	2 359	2 781	2 793	+12
Credit impairments	6	24	100	+76

ROE	30.8	26.5	24.6
C/I ratio	0.51	0.46	0.46

- Repricing
- Deposit margins pressure
- Good asset quality

Structural recovery continued

SEKm	Q2 11	Q1 12	Q2 12	▲ Q/Q
Net interest income	1 017	912	870	-42
Net commissions	365	371	378	+7
Total income	1 566	1 452	1 430	-22
Total expenses	649	620	588	-32
Profit before impairments	917	832	842	+10
Credit impairments	-142	-134	-204	-70

ROE	13.5	14.5	14.8
C/I	0.41	0.43	0.41

- Growth in lending book in euro
- Lower Euribor affected NII
- Good underlying activity

Weaker trading activity

SEKm	Q2 11	Q1 12	Q2 12	▲ Q/Q
Net interest income	884	887	825	-62
- of which LC/FI*	444	652	666	+14
Net commissions	334	434	346	- 88
Net gains and losses	20	648	316	-332
Total income	1 247	1 980	1 499	- 481
Expenses excl variable staff costs	685	607	602	-5
Variable staff costs	50	106	118	+12
Profit before Impairments	512	1267	779	- 488
Credit impairments	-20	14	54	+40

ROE	10.2	19.1	9.8
C/I ratio	0.59	0.36	0.48

* Large Corporates/Financial Institutions

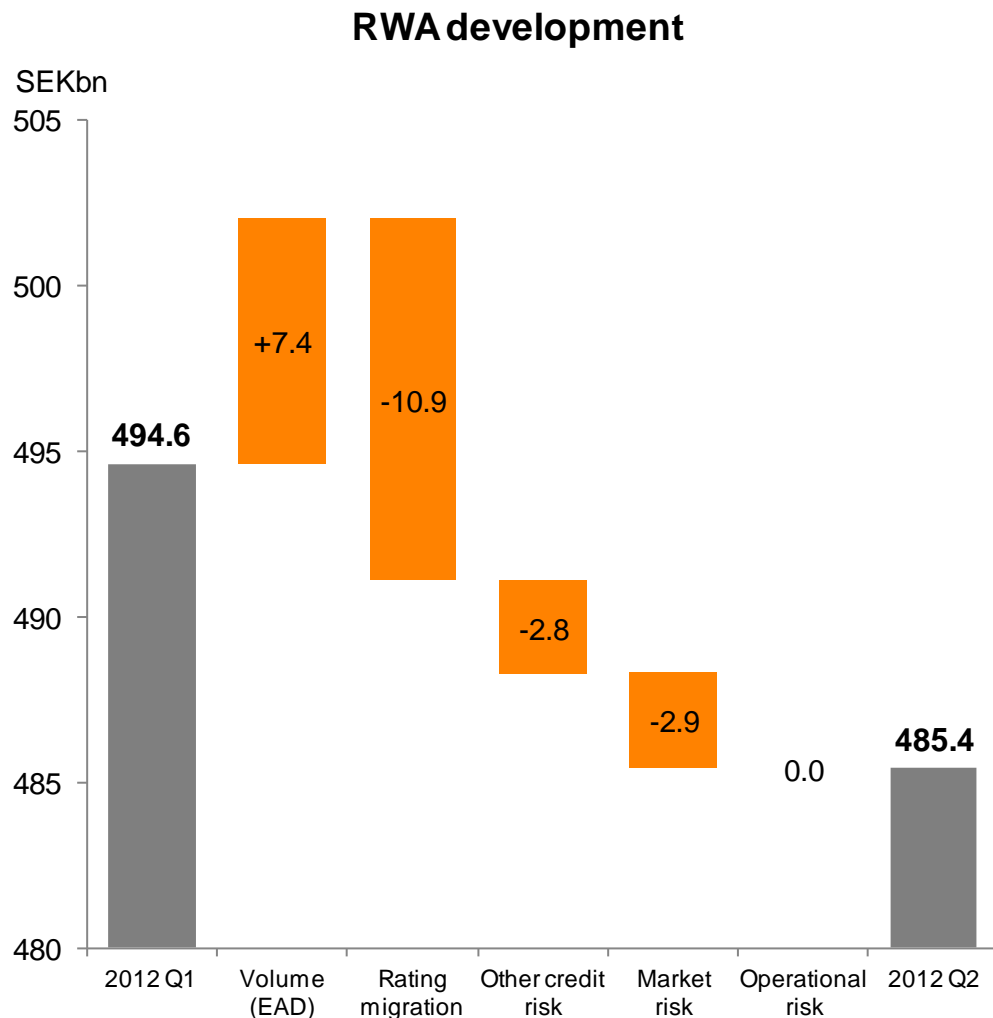
- Continued growth in Large Corporate NII
- Lower capital market activity

Cost reduction according to plan

- Target to reduce costs by SEK 1bn 2012
- Staff cost -173m and consultancy costs -172m year on year

Cost trend (SEKm)	H1 2011	H1 2012	▲YTD
Total expenses	9 000	8 664	-336
Variable staff costs	275	397	+ 122
Compensation to Savings Banks	271	311	+40
Underlying cost	8 454	7 956	-498

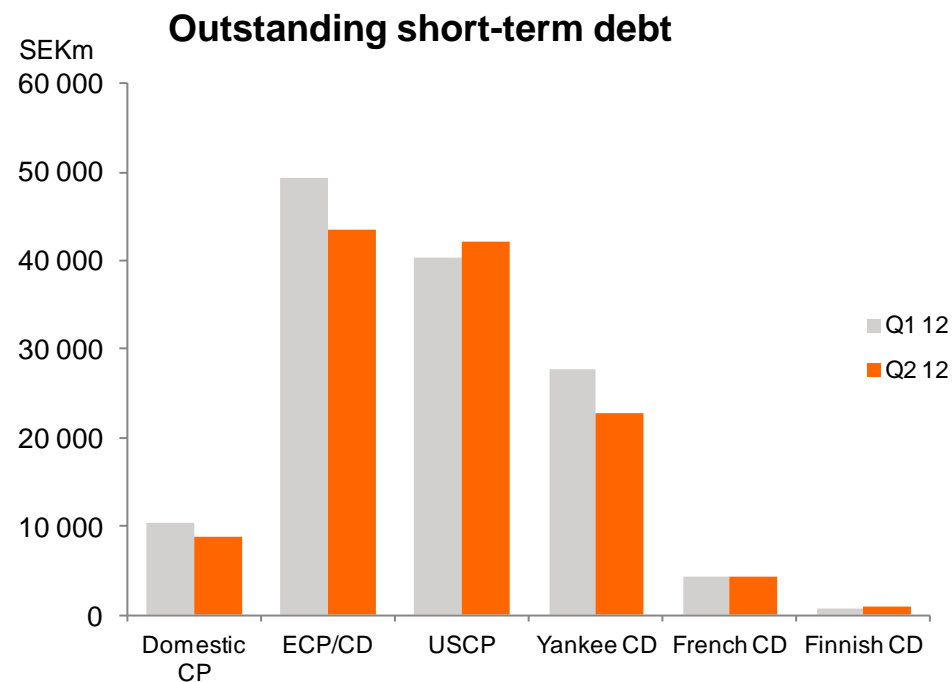
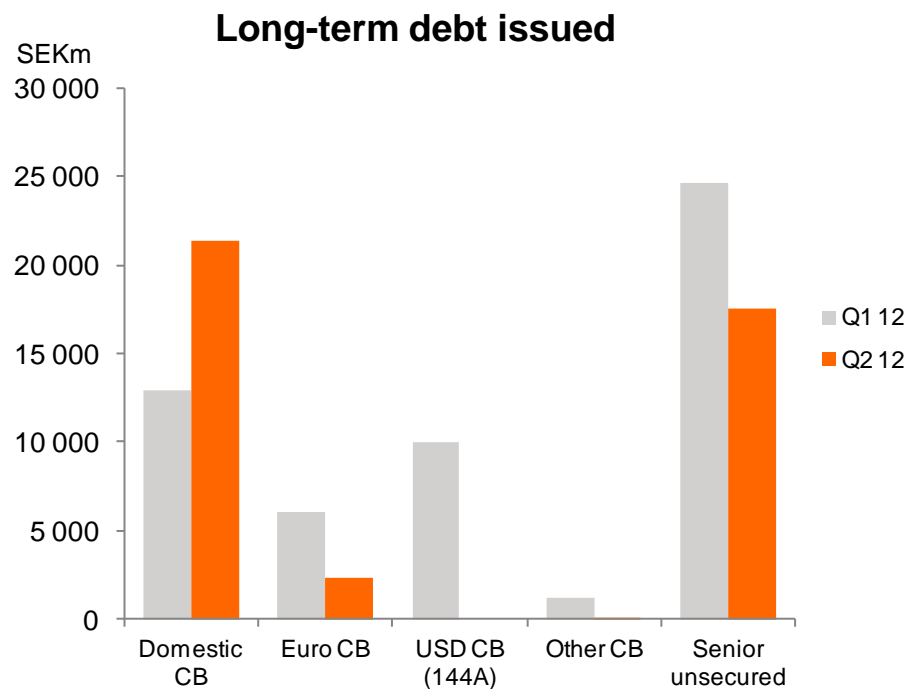
Strong capitalisation – continued focus



- Core Tier 1 ratio of 16.6 percent
- RWA down SEK 9bn in quarter
 - Volume increases
 - Update SME portfolio
 - Positive rating migration Sweden/Baltics
 - Increased risk European banking system
 - Market risk reduced
 - Sale of ukrainian portfolio

Continued conservative stance

- Continued high issuance of long-term debt, SEK 41bn during Q2, total SEK 97bn during H1
- SEK 17bn in maturities for the remainder of 2012
- Funding plan of around SEK 120bn for full year
- Awaiting new regulatory landscape of capital and funding



Solid quarter

SEKm	Q1 12	Q2 12	▲ Q/Q	YTD
Net interest income	5 208	5 252	+44	10 460
Net commissions	2 405	2 346	-59	4 751
Net gains and losses	759	455	-304	1 214
Other income	809	844	+35	1 653
Total income	9 181	8 897	-284	18 078
Total expenses	4 413	4 251	-162	8 664
Profit before impairments	4 768	4 646	-122	9 414
Credit impairments	172	300	+128	472
Impairment of tangible assets	40	125	+85	165
Profit for the period	3 425	3 162	-263	6 587

ROE	14.0	13.0		13.5
C/I	0.48	0.48		0.48
CT1 ratio (Basel 2)	15.9	16.6		16.6

- Stable NII
 - Repricing lending
 - Lower funding cost
 - Shrinking deposit margins
- Lower trading activity
- Cost management on track
- Credit impairments exit cost Ukraine
- Capital position further strengthened

Stable asset quality

Credit impairments (SEKm)	Q1	Q2
Retail	24	100
LC&I	14	54
Baltic Banking	-134	-204
Estonia	-78	-25
Latvia	-21	-197
Lithuania	-35	18
Group Functions & Other	268	350
Russia	-65	24
Ukraine	333	325
Swedbank Group	172	300

- Still high credit quality in Sweden
- Further improvements in Baltics
 - Provision releases for Latvian mortgages
- Exit costs Ukrainian retail portfolio
 - Sale of performing portfolio

2012 ICAAP Scenario

– Deep recession without recovery

Triggers

- Europe enters into deep recession
- Limited possibilities for fiscal stimulus
- European bank runs
- Credit contraction
- Closed funding markets

Outcome

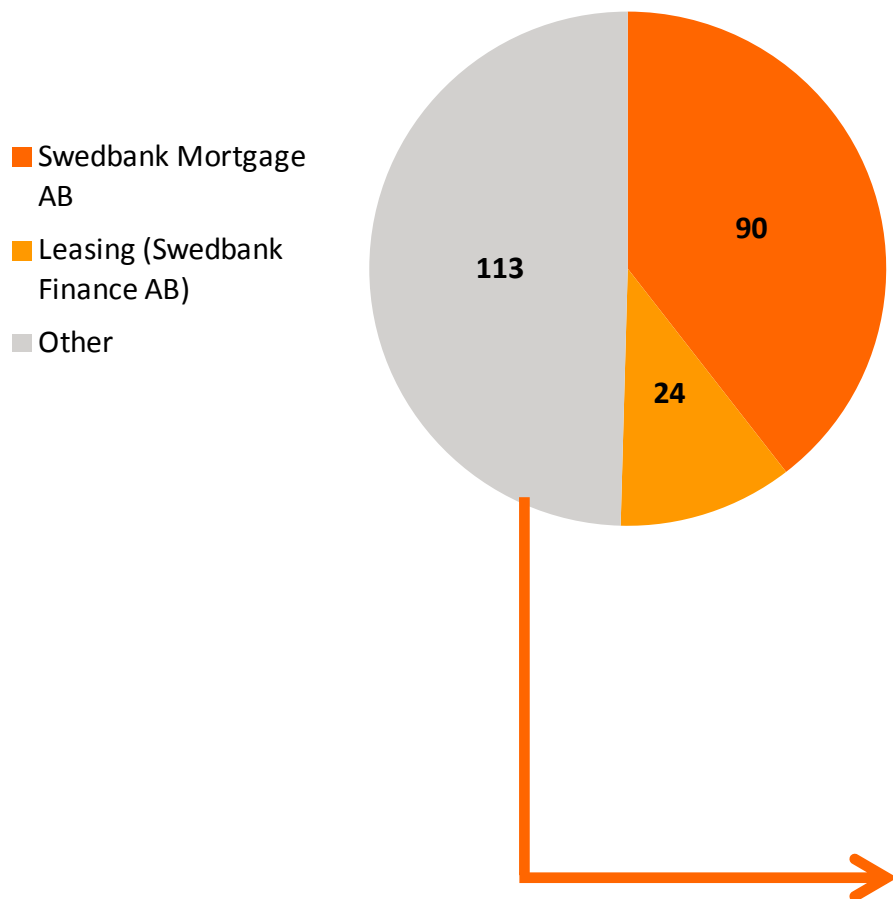
- Sharp GDP drop with no recovery (10-15% from 2011 level)
- Severe drop in house prices (25-37% from 2011 level)
- Depreciated EUR and appreciated SEK
- Devaluation in Latvia and Lithuania

High capitalisation even in extremely stressed scenario

- Revenue decrease 31 percent
- Credit impairments SEK 64bn over 5 year
- Scenario effects on Core Tier 1 ratio -165bp
- Well above 12% Core Tier 1 ratio at low point even in extremely stressed scenario in new regulatory environment

Corporate Retail portfolio will drive capital efficiency

Total portfolio SEK 227bn



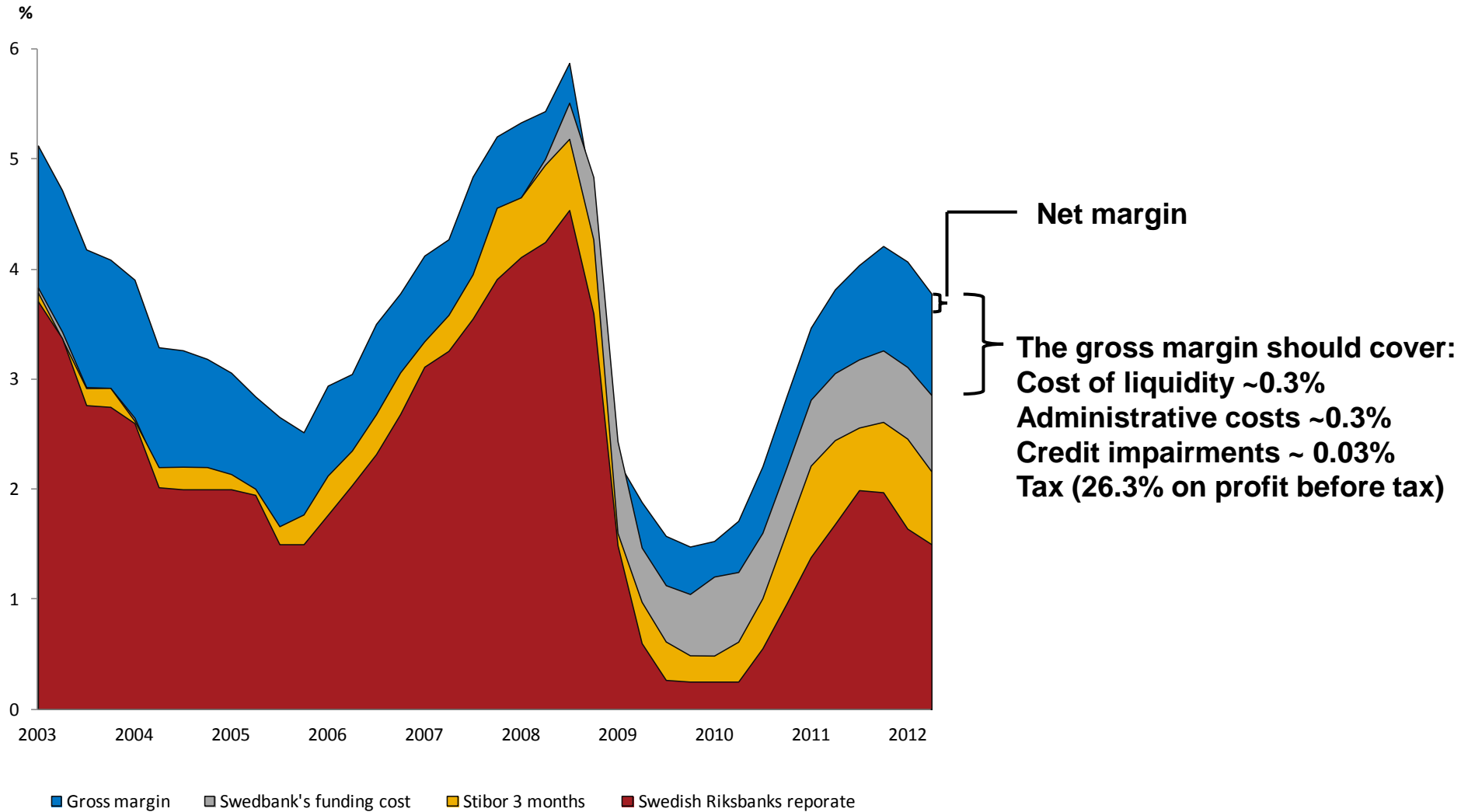
Segments excl. Swedbank Mortgage and Swedbank Finance	Volume (SEKbn)	Secured (%)
Agriculture	6.3	81
Manufacturing	10.8	84
Public sector and utilities	4.8	90
Construction	4.6	86
Retail	9.2	88
Transportation	2.0	82
Shipping	0.2	94
Hotels and restaurants	3.4	89
Information & communication	0.9	65
Finance and insurance	2.6	77
Property management	54.6	90
Professional service	6.6	75
Other	7.0	70
Total	113.0	86

Q&A



Appendix

Mortgage loans, gross margin (3 months)



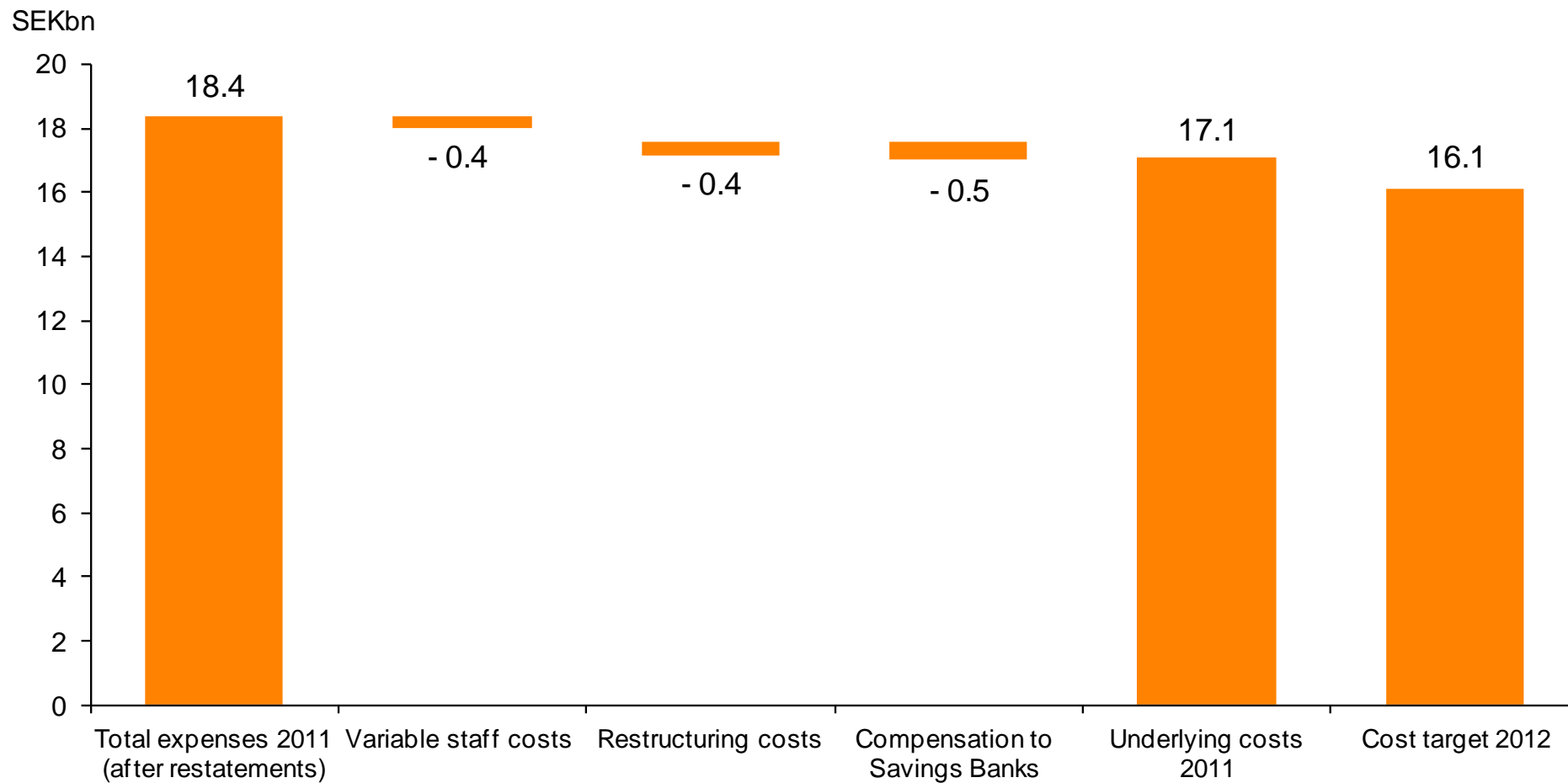
Weaker trading activity in Q2

SEKm	Q2 11	Q3 11	Q4 11*	Q1 12	Q2 12
Net interest income	884	756	845	887	825
of which LC & FI**	444	519	563	652	666
of which Markets	440	237	282	235	159
Commission income	334	317	269	434	346
of which LC & FI* *	221	241	261	278	278
of which Markets	113	76	6	156	68
Total income LC&I	1 247	1 184	1 328	1 980	1 499
of which LC & FI**	682	770	832	946	947
of which Markets	565	414	496	1 034	552
Total expenses, excl variable pay	685	659	818	607	602
Variable staff costs	50	6	13	106	118
Profit before impairments	512	519	497	1 267	779
of which LC & FI**	481	567	574	735	740
of which Markets	31	-48	-77	532	39
Total impairments	-20	-68	21	14	58
C/I ratio	0.59	0.56	0.63	0.36	0.48

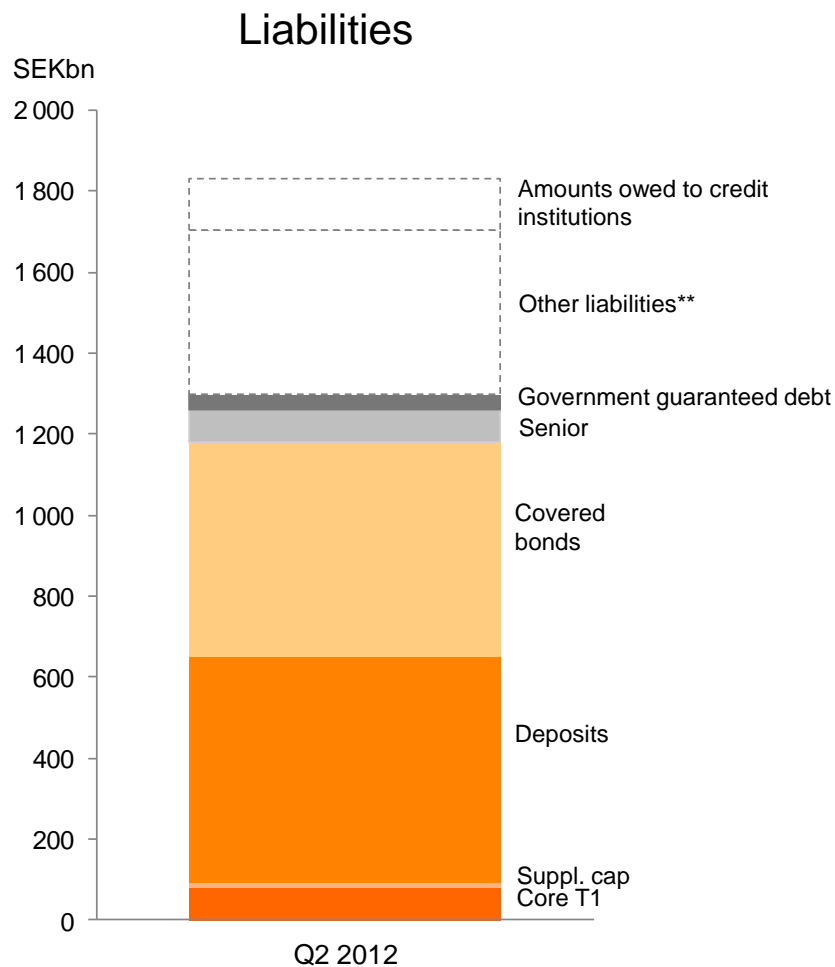
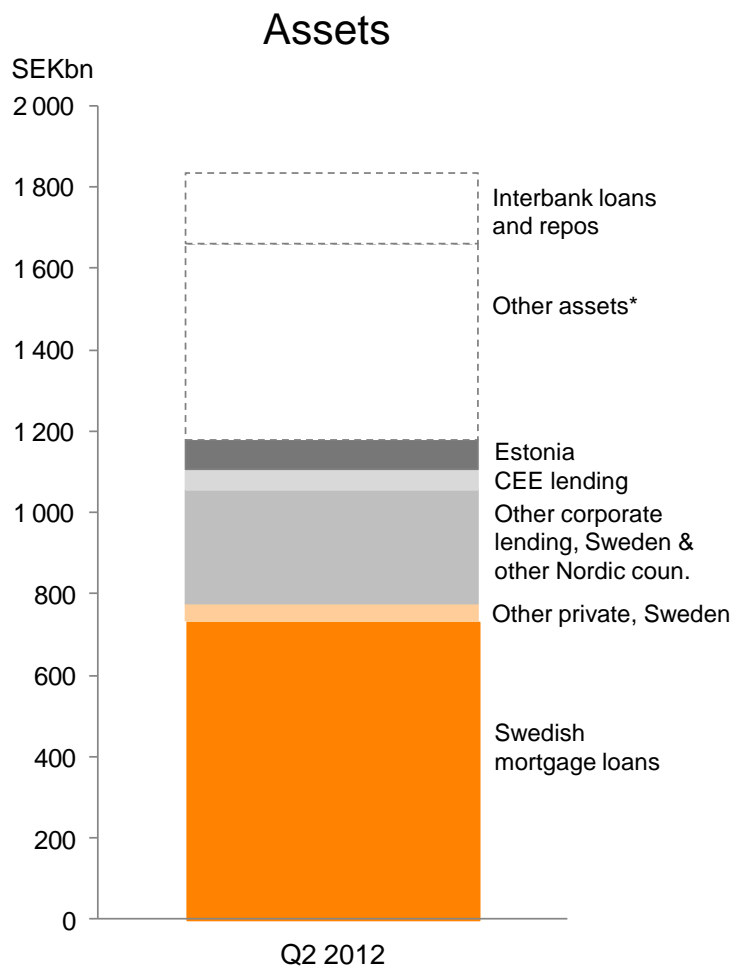
* Excluding Lehman one-off , **Large corporates and Financial institutions

Cost target 2012

- Target to reduce underlying costs by SEK 1bn 2012



Core balance sheet structure



*Other assets: derivatives, C-bank holdings interest bearing securities and other financial assets

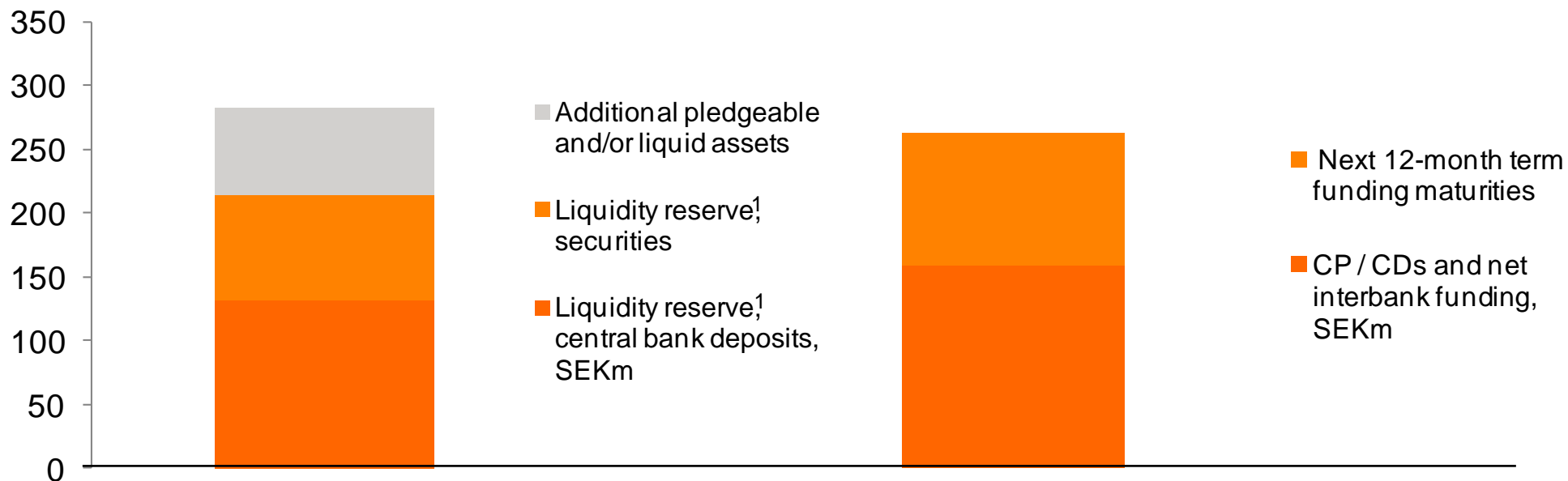
**Other liabilities: derivatives, short-term funding and other financial liabilities

Source: Swedbank, 30 June 2012

Conservative liquidity levels

- Short-term funding mainly a tool for cash management
- More than 12 months pre-funded

SEKbn

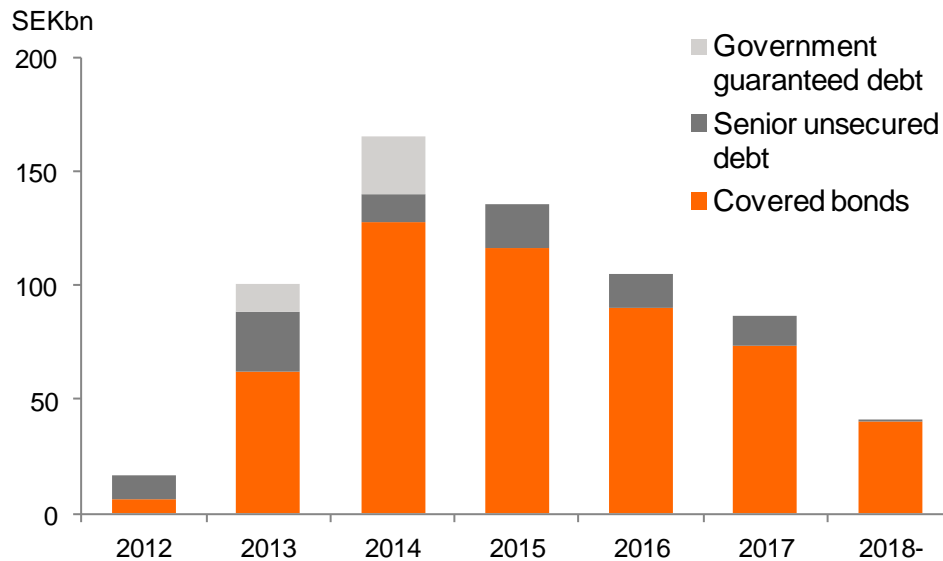


Source: Swedbank 30 June 2012 ¹ As defined by the Swedish Bankers' Association

Long-term funding maturity profile

- FY 2012 maturities amount to nominal SEK 86bn
 - of which SEK 17bn for the remainder of 2012

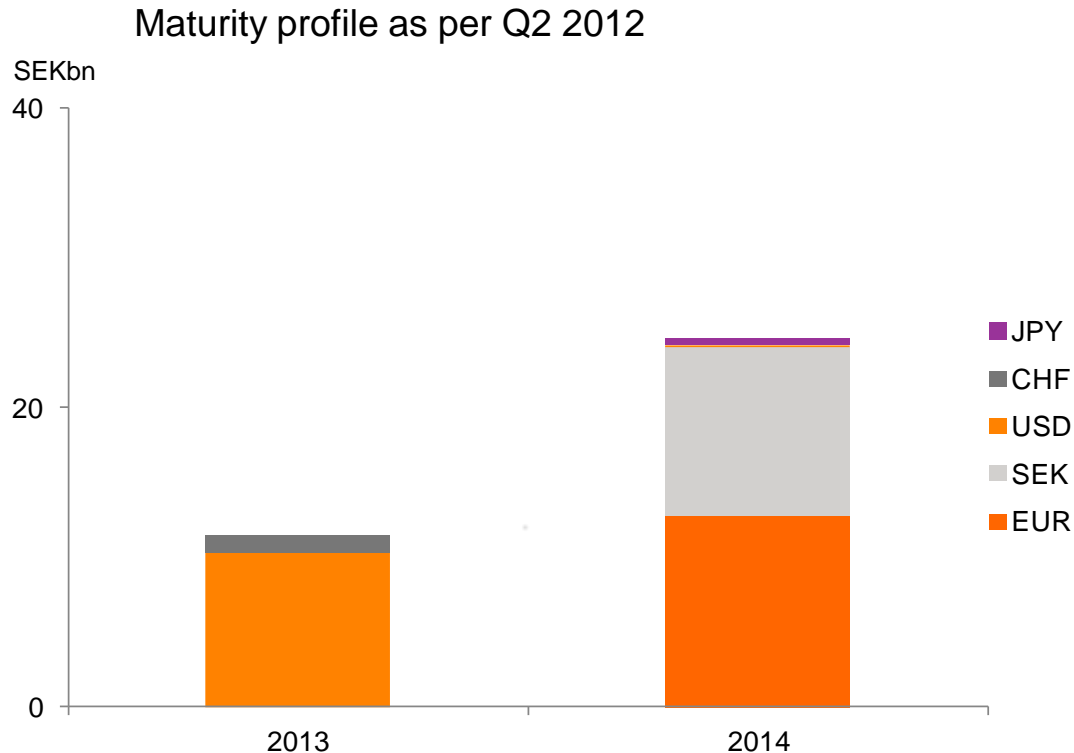
Long-term funding maturity profile



Source: Swedbank 30 June, 2012 ¹ Maturing debt from 2018 and beyond is calculated as maturing in 2018

Remaining government guaranteed debt

- Exited the programme on 30 April 2010
- No issuance under the programme since summer 2009
- Remaining outstanding debt of SEK 36bn maturing during 2013 and 2014

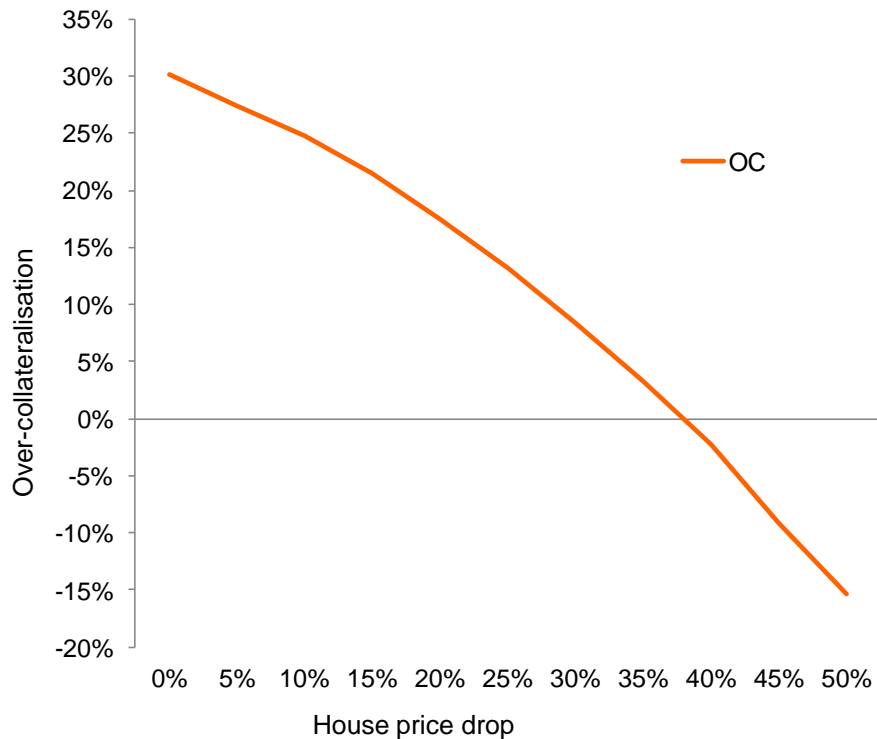


Source: Swedbank 30 June, 2012

Senior unsecured debt strategy

- Limited need given Swedbank's balance sheet structure
- Secure OC level
- Affected by the bank's liquidity needs

House price sensitivity of the cover pool



Source: Swedbank, 30 June, 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	132 028
Deposits in other banks available overnight	270
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	22 265
Securities issued or guaranteed by municipalities or Public sector entities	
Covered bonds	56 577
- Issued by other institutions	56 577
- Own issued	
Securities issued by non-financial corporates	
Securities issued by financial corporates (excl. covered bonds)	2 846
Other	
Total¹	214 382
Additional liquid assets, Group ²	67 474

¹ 95% of the securities in the liquidity reserve per Q2 2012 are rated AAA

² 88% 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.

Swedish mortgage market

- No securitization (on balance sheet)
- No sub-prime market
- No 3rd party origination
- No buy-to-let market
- 70% home ownership¹
- Rental market is regulated
 - First hand contracts difficult to obtain
 - Rents need to be negotiated with the Swedish Union of Tenants
- Transparent credit information (credit information agency, www.uc.se)
 - Publicly available information regarding income, debt, payment track record etc
- Consumer credit legislation requires affordability calculations including stress test of higher interest rate
- Very limited debt forgiveness possibilities (full recourse)
- Strong social security and generous unemployment benefit system

¹ Source: Boverket, 2011

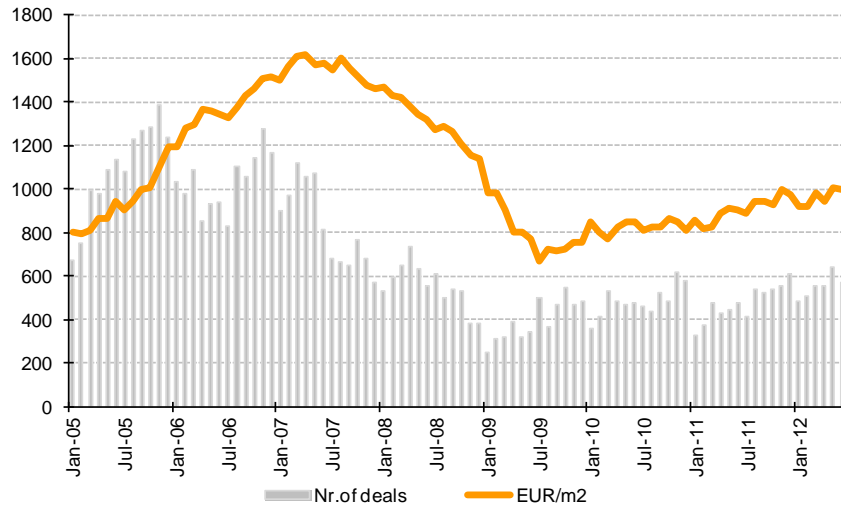
Real estate prices – Sweden 12 months development

	Single-family homes ¹ 12M Δ	Tenant-owner rights ² 12M Δ	Combined ³ 12M Δ
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%
Apr/12	-2%	2%	-1%
May/12	-2%	3%	-1%
Jun/12	-1%	4%	0%

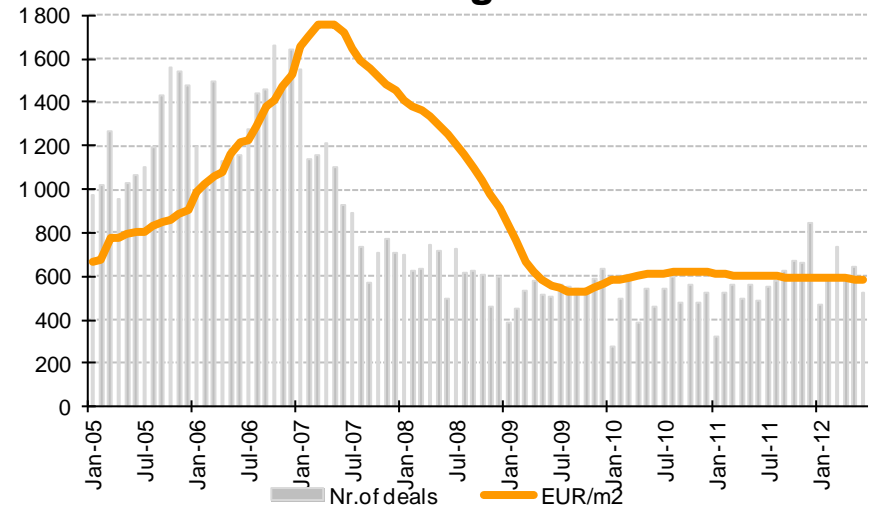
Source: Valuegard www.valuegard.se (Based on data from Mäklarstatistik), ¹ HOXHOUSESWE, ² HOXFLATSWE, ³ HOXSWE

Real estate prices – Baltic countries

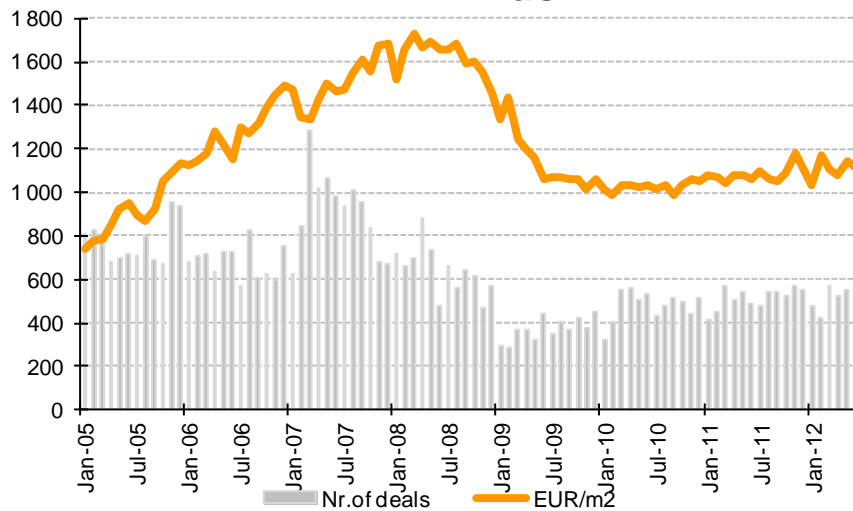
Tallinn



Riga

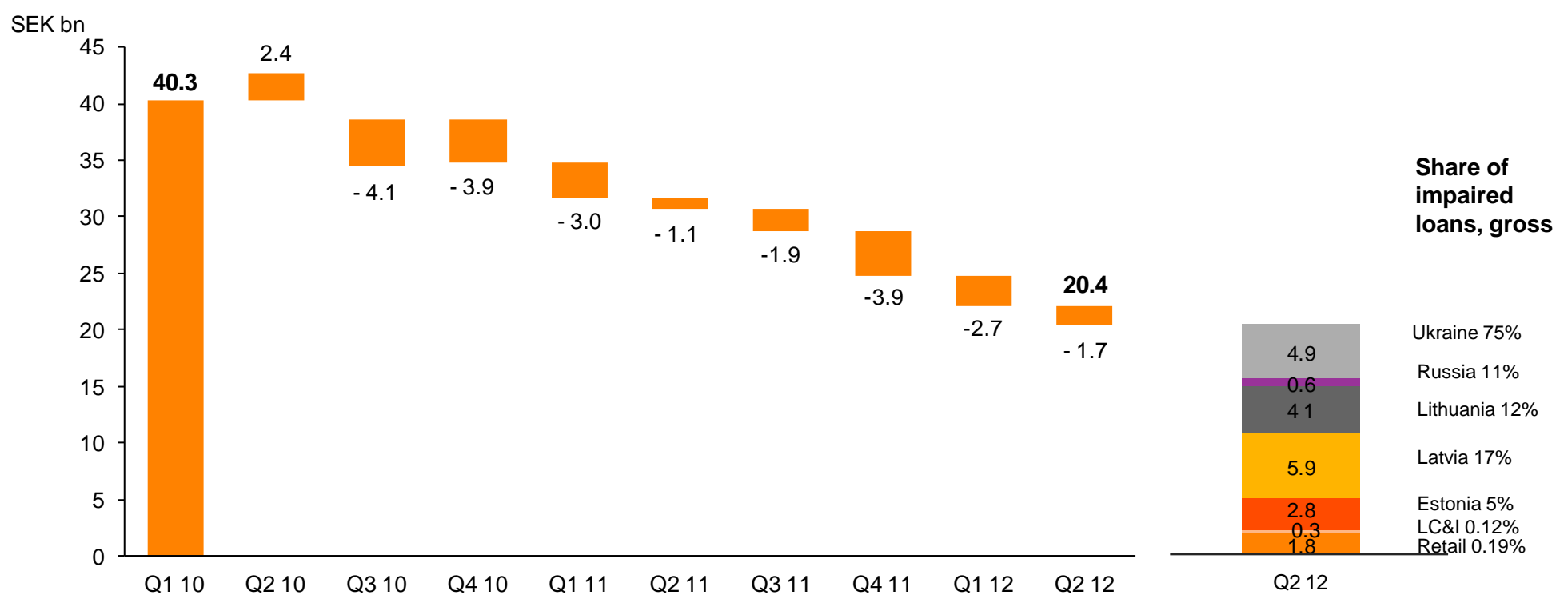


Vilnius

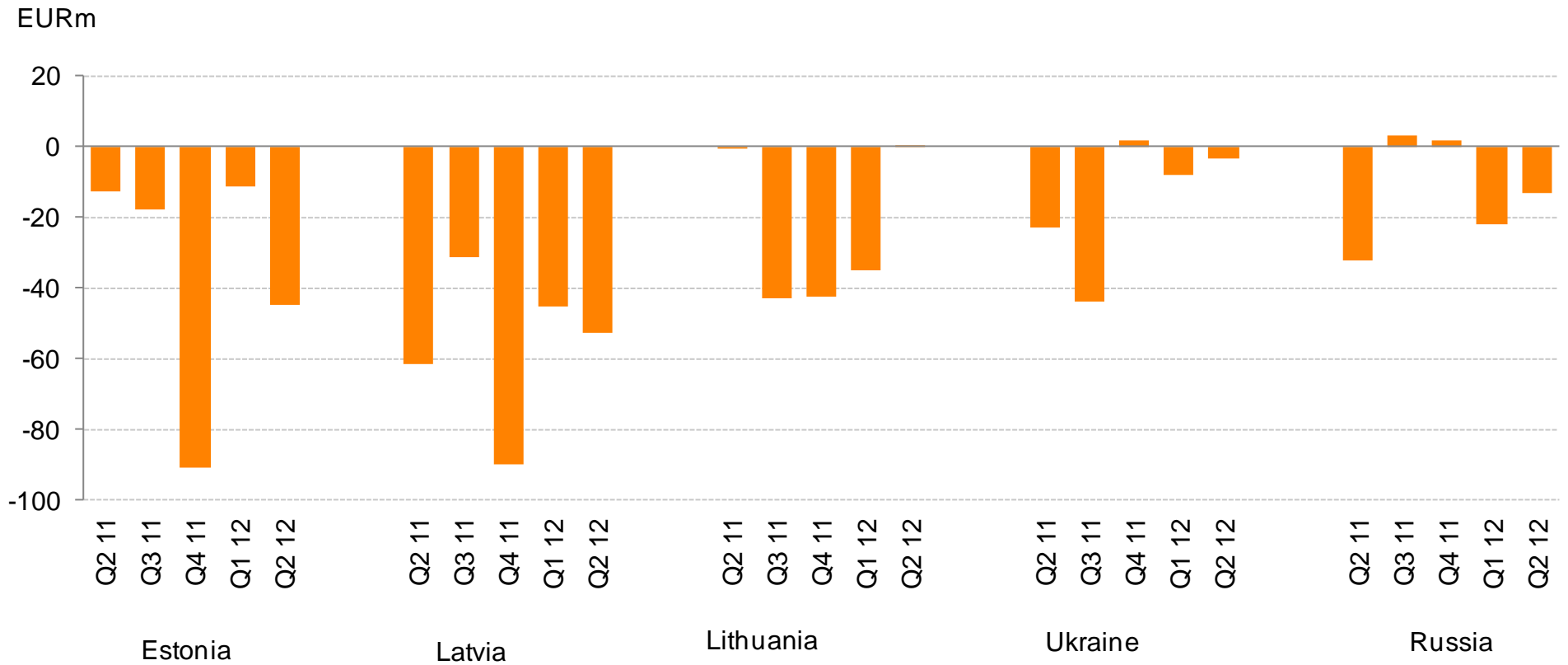


Impaired loans decreasing

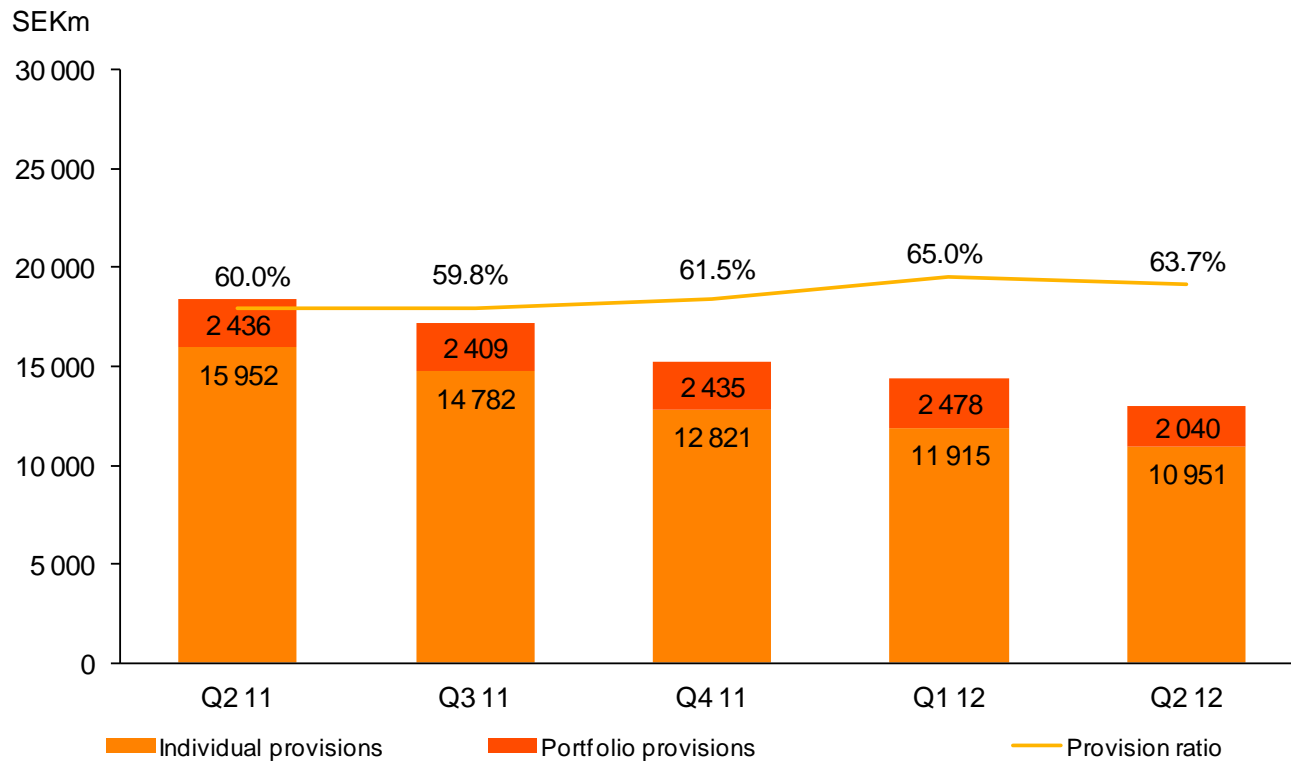
- Decreased SEK 1.7bn
- Continued progress in corporate loan restructuring



Loans past due 60 days – performance Q/Q

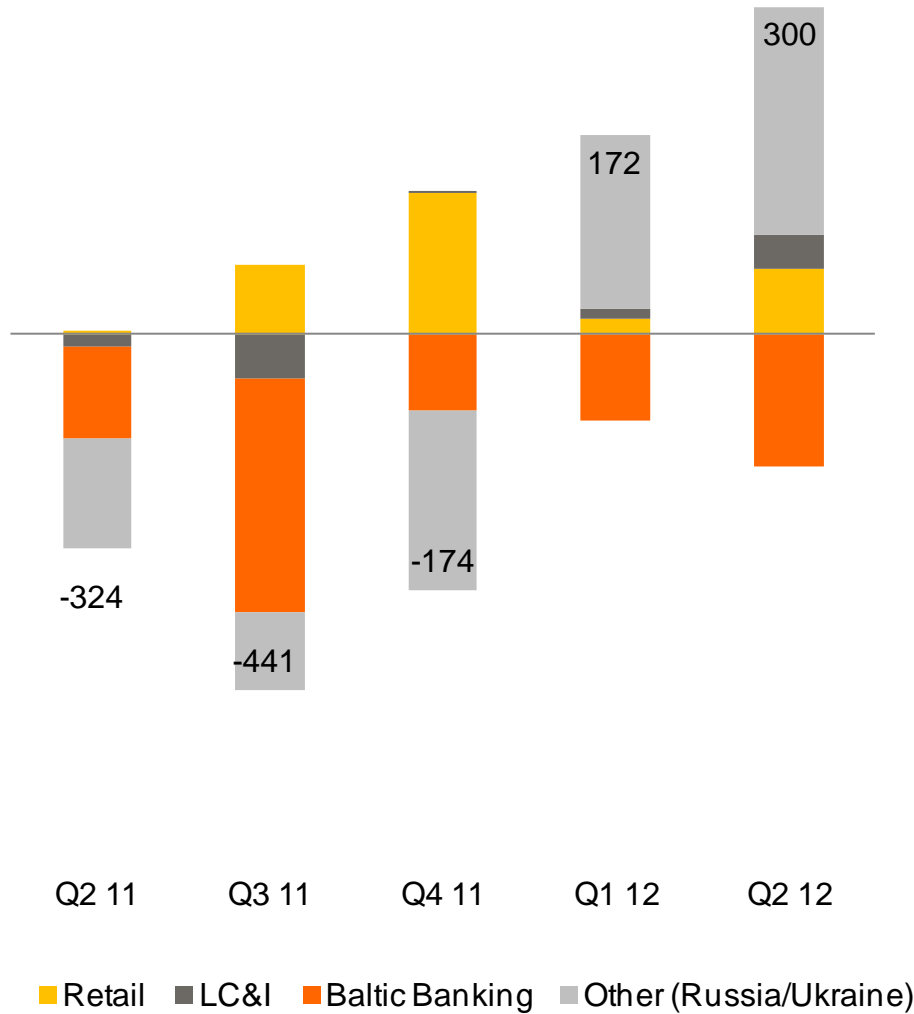


Provisions – well provided for



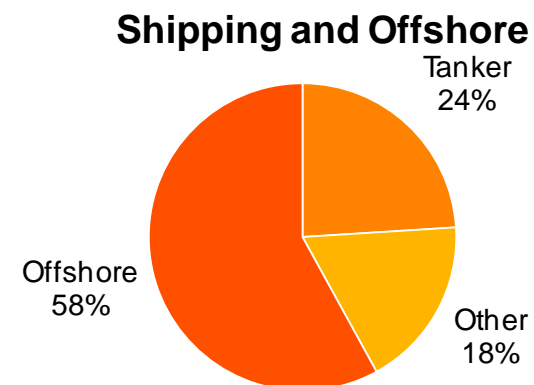
Provision ratios, %	Q2 12
Retail	79
LC&I	155
Baltic Banking	56
Russia	60
Ukraine	74
Group	64

Credit impairments by business area, SEKm

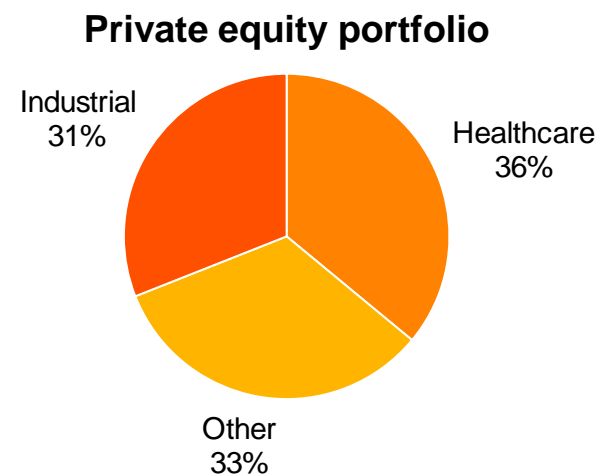


Shipping and offshore + private equity

- Lending exposure to shipping and offshore sector SEK 25.5bn plus unutilised commitments of SEK 5.5bn
 - Portfolio duration 4-5y
 - Average fleet age 7y
 - Other represents ro/ro (8%), container (4%), dry bulk (4%), cruise (1%)
 - Strong employment profiles

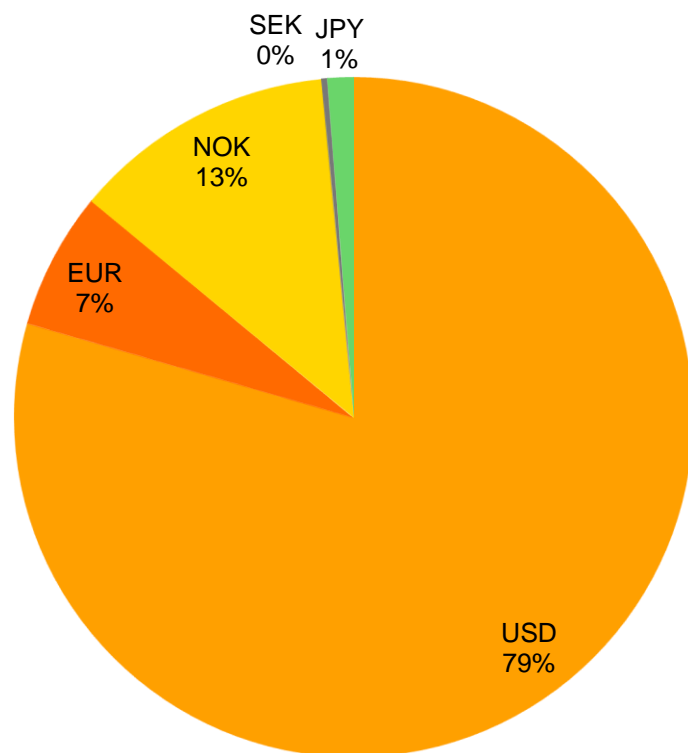


- Private equity related exposure was SEK 18.6bn
 - Nordic related LBOs
 - >99% senior lending
 - Largest sectors are healthcare (32%), industrial (27%) and service (19%)

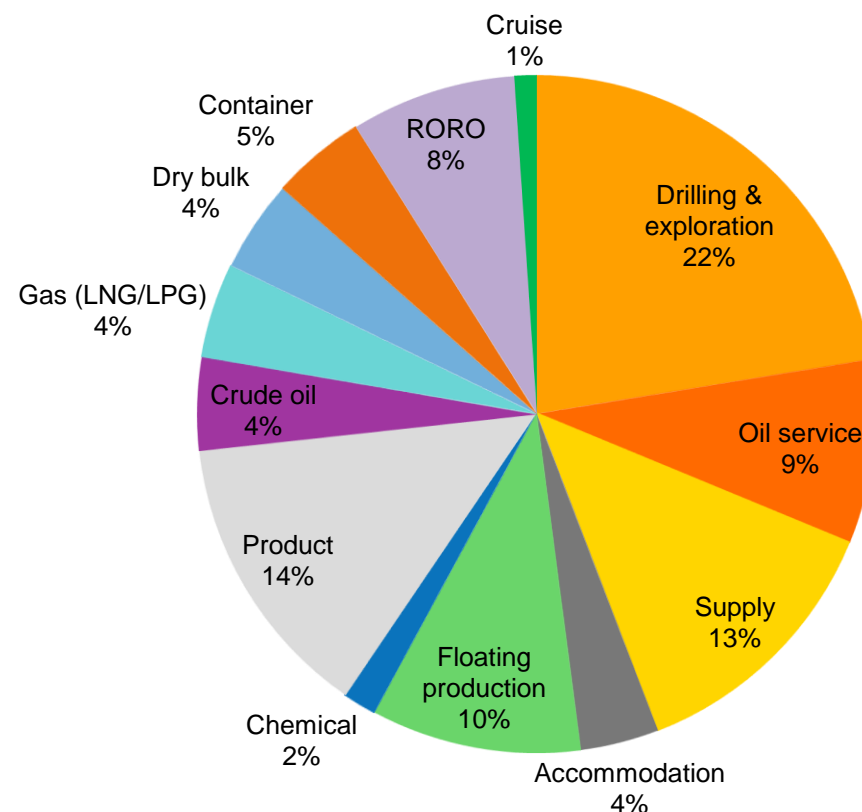


Shipping and offshore portfolio – exposure mainly in USD (79%), minor exposures in riskier segments

Shipping and offshore portfolio by currency (in USDm)



Shipping and offshore portfolio by subsegment



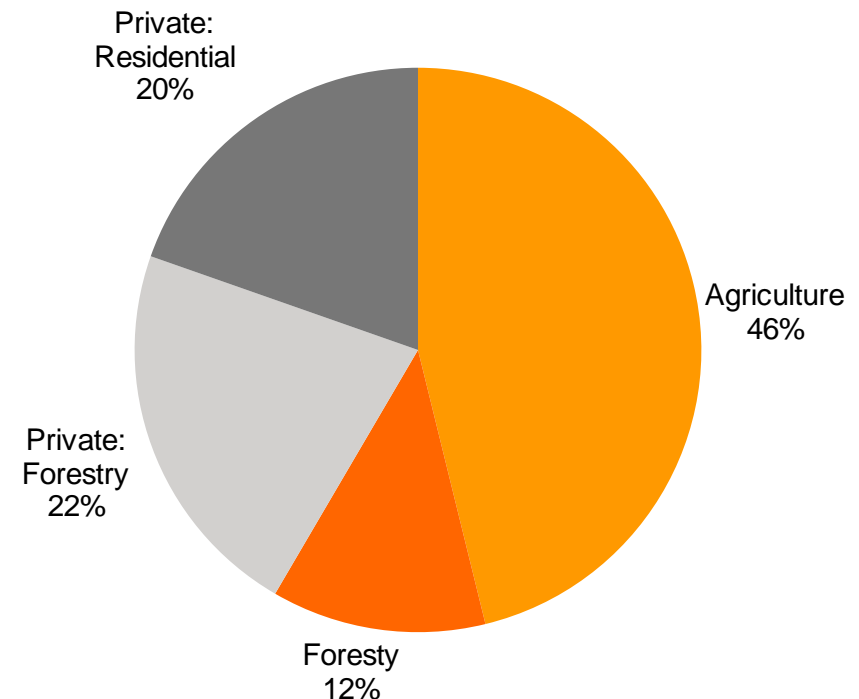
Credit portfolio – Agriculture retail

- **Segmentation Definitions**

- **Corporate Agriculture:** Businesses that derive their main income from agricultural activities
- **Private Investments:** Private individuals who own agricultural properties for living or investment purposes

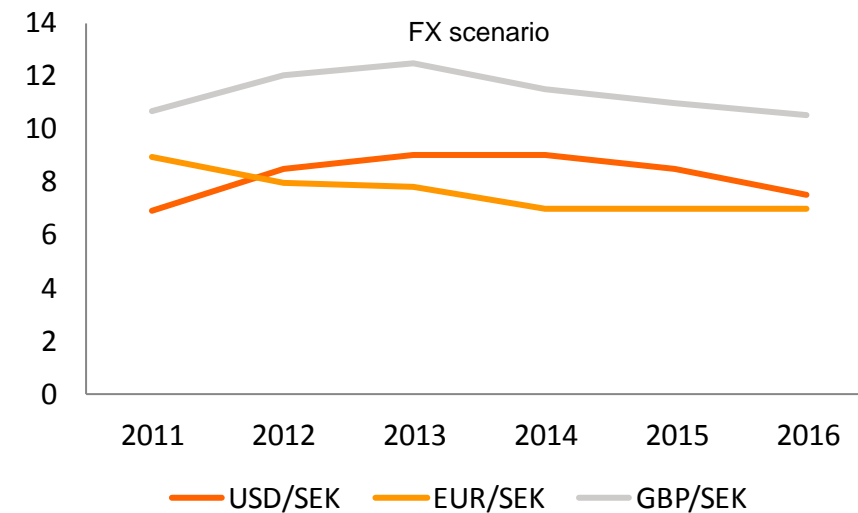
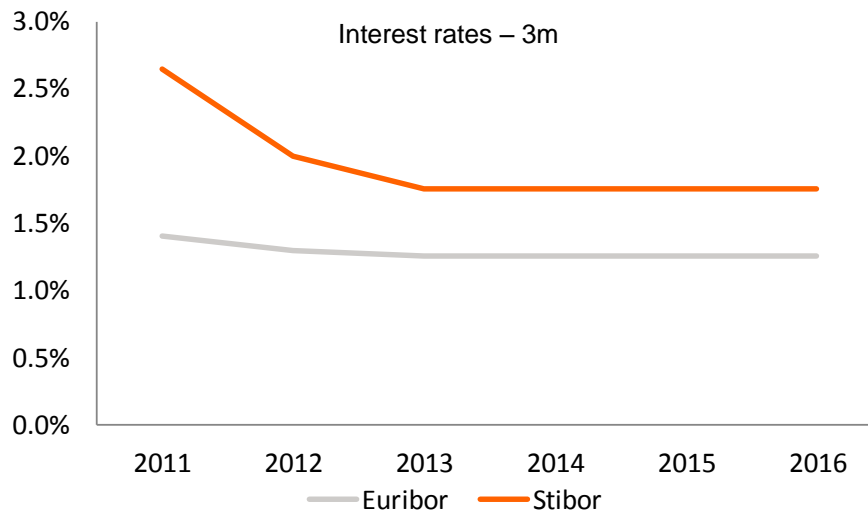
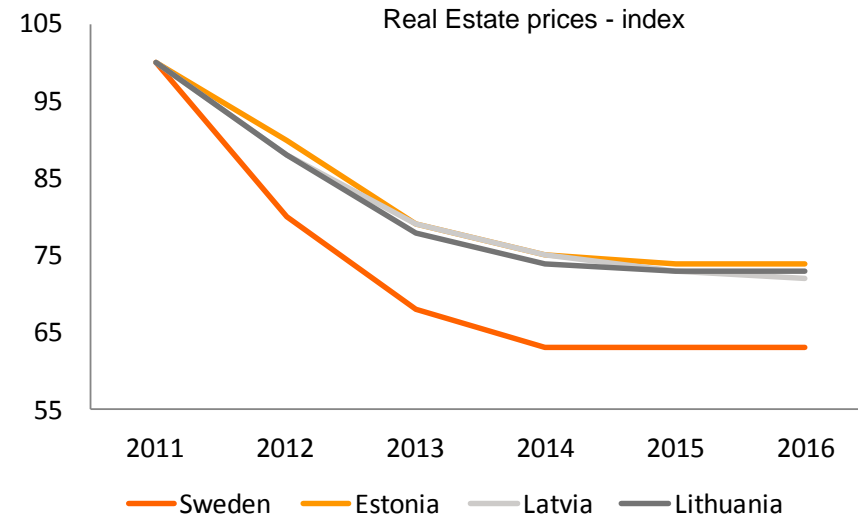
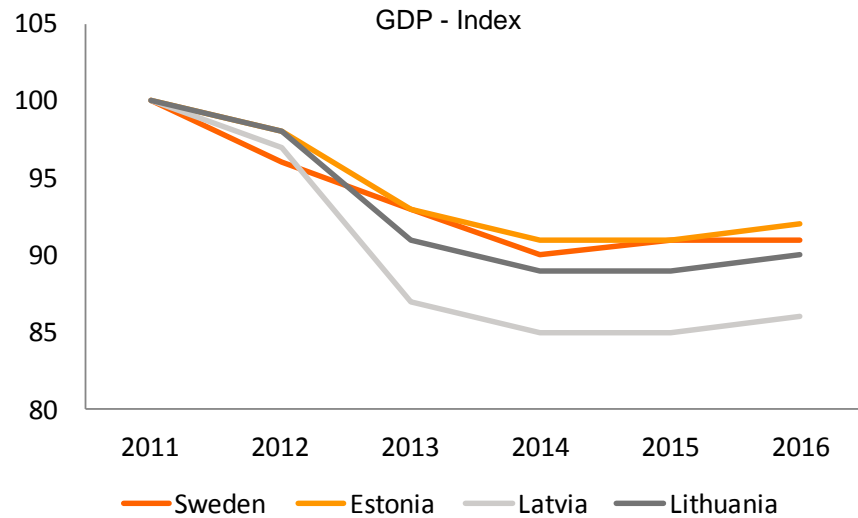
- **Lending exposure to the agriculture Industry**

- Approx SEK 62bn per Q2 2012
- Corporate agriculture: (58%)
 - Agriculture 46%
 - Forestry 12%
- Private investments (42%)
 - Residents: 20%
 - Forestry: 22%



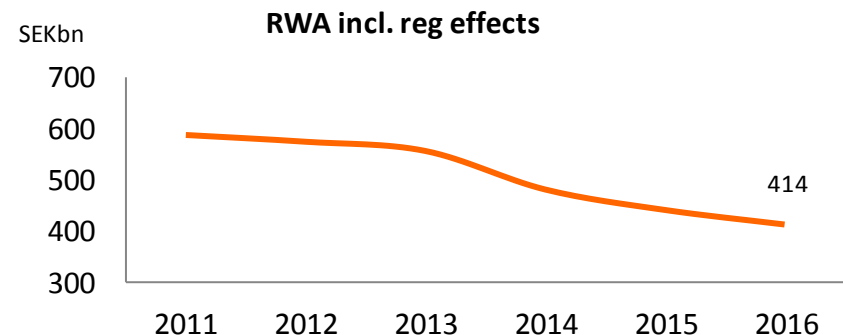
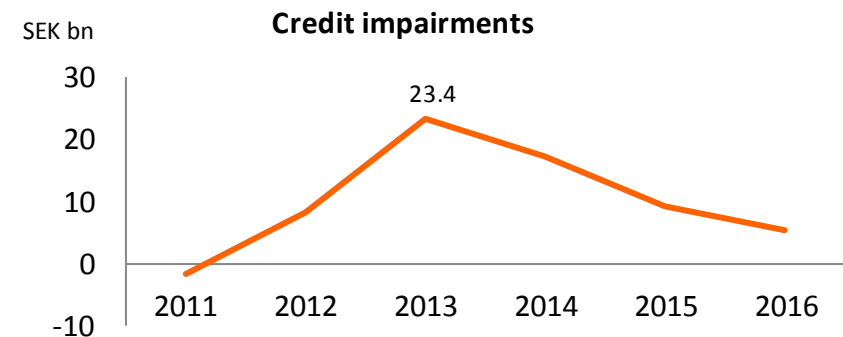
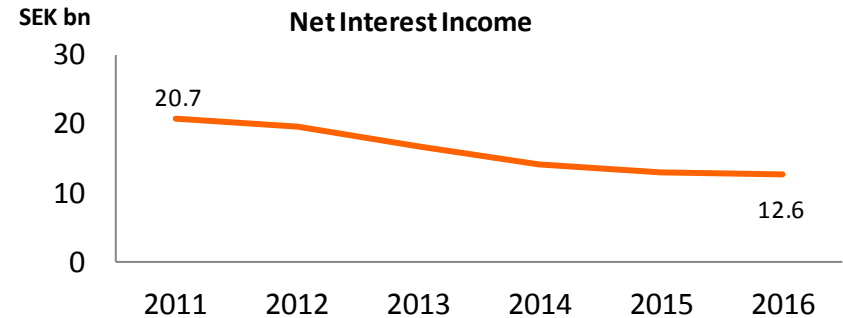
2012 ICAAP dscenario

– Deep recession without recovery



2012 ICAAP – Main scenario results

- NII decreases by 39% throughout the scenario
- Credit Impairments total SEK 64bn over the scenario period
- RWA decreases due to significant credit impairments and deleveraging



2012 ICAAP – Income statement

Income statement (SEKbn)	2011	2012	2013	2014	2015	2016	Total 2012 - 2016
Total net interest income	20.7	19.5	16.7	14.2	13.0	12.6	75.9
Total income	34.7	31.8	34.0	25.4	24.3	24.1	139.6
Total expenses	20.9	17.6	18.7	18.0	18.0	17.8	90.1
Profit before credit losses	13.8	14.2	15.3	7.4	6.3	6.2	49.5
Credit losses	-1.8	8.2	23.4	17.4	9.3	5.4	63.6
Operating profit	15.5	6.1	-8.1	-10.0	-3.0	0.9	-14.1
Appropriations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax	3.7	1.6	0.0	0.0	0.0	0.2	1.8
Profit for the year	11.8	4.5	-8.1	-10.0	-3.0	0.6	-16.0
Minority interest	0.3	0.1	0.0	0.0	0.0	0.0	0.1
Profit for the year attr to shareholders	11.5	4.4	-8.1	-10.0	-3.0	0.6	-16.1
Dividend	5.8	2.2	0.0	0.0	0.0	0.3	2.5
Profit after tax, min. int. & dividend	5.7	2.2	-8.1	-10.0	-3.0	0.3	-18.6

2012 ICAAP – Credit impairments

Credit impairments (%)	EAD 2011 (SEKbn)	2012	2013	2014	2015	2016	Acc. loss ratio 2012 - 2016
Total	1,384.4	0.6	1.8	1.5	0.9	0.5	4.6
of which LC & I	309.8	0.5	2.3	2.0	0.8	0.6	5.4
Retail	950.8	0.3	1.2	1.0	0.7	0.3	3.2
Estonia	52.5	1.2	2.5	2.2	1.8	1.7	6.6
Latvia	30.6	2.7	6.1	5.6	4.4	4.6	15.0
Lithuania	31.1	2.4	4.1	3.0	2.4	2.2	9.5
Russia & Ukraine	9.6	5.2	20.9	10.5	3.7	1.6	41.9

The accumulated losses constitute SEK 63.6bn.

Credit impairments in LC&I and Retail constitute 74% of total accumulated credit impairments

Credit impairments LC & I and Retail (%)	EAD 2011 (SEKbn)	2012	2013	2014	2015	2016	Acc. loss ratio 2012 - 2016
Agriculture, forestry and fishing	25.8	0.5	1.4	1.3	1.0	0.2	3.7
Manufacturing	39.3	1.0	2.6	2.5	1.2	0.5	6.7
Public sector and utilities	11.6	0.6	1.8	2.1	1.3	0.4	5.3
Construction	15.1	1.2	3.4	3.4	1.9	0.4	8.5
Retail	22.8	1.3	4.6	5.4	4.0	2.4	14.0
Transportation	8.6	2.1	8.2	5.7	3.4	1.2	16.1
Shipping	31.2	0.4	8.5	6.2	0.6	0.5	14.4
Hotels and restaurants	3.8	2.7	6.3	6.3	3.7	0.7	15.0
Information and communication	5.0	0.6	1.7	1.9	1.0	0.5	4.9
Finance and insurance	20.4	0.3	0.8	1.2	0.6	0.3	2.8
Property management	125.1	0.9	3.9	3.8	2.0	1.0	9.6
Cooperative housing associations	75.4	0.3	1.1	1.2	0.5	0.1	2.8
Other corporate lending	75.5	0.9	1.4	1.2	0.7	0.3	3.9
Professional services	14.9	1.0	2.7	3.2	2.1	0.7	8.0
Bank	128.2	0.5	1.3	1.1	0.9	0.8	3.9
Private	657.8	0.1	0.4	0.3	0.3	0.2	1.2
Total	1,260.5	0.4	1.5	1.3	0.7	0.4	3.7

2012 ICAAP Main adverse scenario results

Capital assessment

RWA & Capital (SEKbn)	2011	2012	2013	2014	2015	2016
RWA	492.3	489.5	504.1	433.9	395.2	365.0
RWA inc 15% mortgage riskweight *	565.3	552.2	557.1	482.4	442.6	414.4
RWA inc regulatory effects **	588.1	575.0	557.1	482.4	442.6	414.4

Core Tier 1	77.3	79.7	62.1	52.4	49.5	49.8
Core Tier 1 inc regulatory effects **	73.6	76.0	62.1	52.4	49.5	49.8
Total Capital base	93.2	88.3	70.9	61.5	57.2	55.2

Capital assessment (%)	2011	2012	2013	2014	2015	2016
Core Tier 1 ratio	15.7	16.3	12.3	12.1	12.5	13.6
Core Tier 1 ratio inc 15% mortgage riskweight *	13.7	14.4	11.1	10.9	11.2	12.0
Core Tier 1 ratio inc. regulatory effects **	12.5	13.2	11.1	10.9	11.2	12.0
Total capital ratio inc. 15% mortgage riskweight *	16.5	16.0	12.7	12.7	12.9	13.3

* The effect of a 15% average riskweight on the Swedish Mortgage portfolio

** Includes assessed effects of Basel 3, IAS 19 and changed mortgage risk-weights