

# Debt investor presentation first quarter 2010

## April 2010

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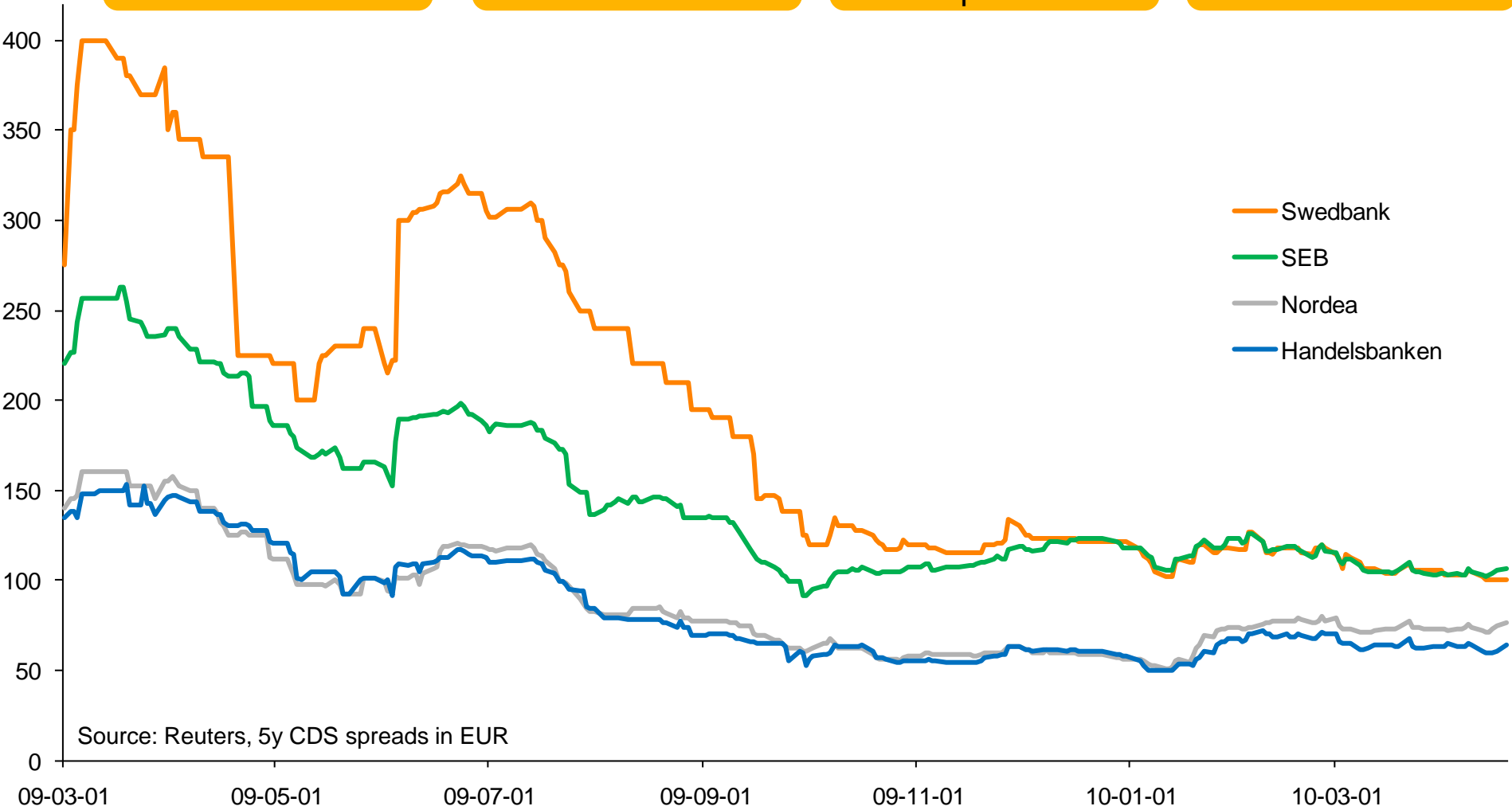


# Improved risk profile

- Long-term competitiveness – traditional banking model
- Tangible results from actions taken and improved macro
  - Full access to debt capital markets
  - Exiting state guarantee programme
- CEE lending now 15% of total lending or 191% of equity
  - Trend will continue

# Improved risk profile

Restructuring units established      Rights issue      Reduced CEE exposure      Improved funding structure



# Strategic priorities 2010

## Customer focus

- Achieve operational excellence, enhance earnings and improve customer satisfaction

## Risk reduction

- Secure long-term competitive funding terms

## Earnings capacity

- Close sub par profitability gaps
- Continuous cost focus

## Liquidity & Capital management

- Be prepared for new regulations and long-term funding structure

## Result by business area

# Q1 update

### Retail

Lower NII, good credit quality, new customer-oriented organisational structure

### Large Corporates & Institutions

Stronger quarter, increased deposits

### Baltic Banking

Stabilising, decreasing overdues

### Russia & Ukraine

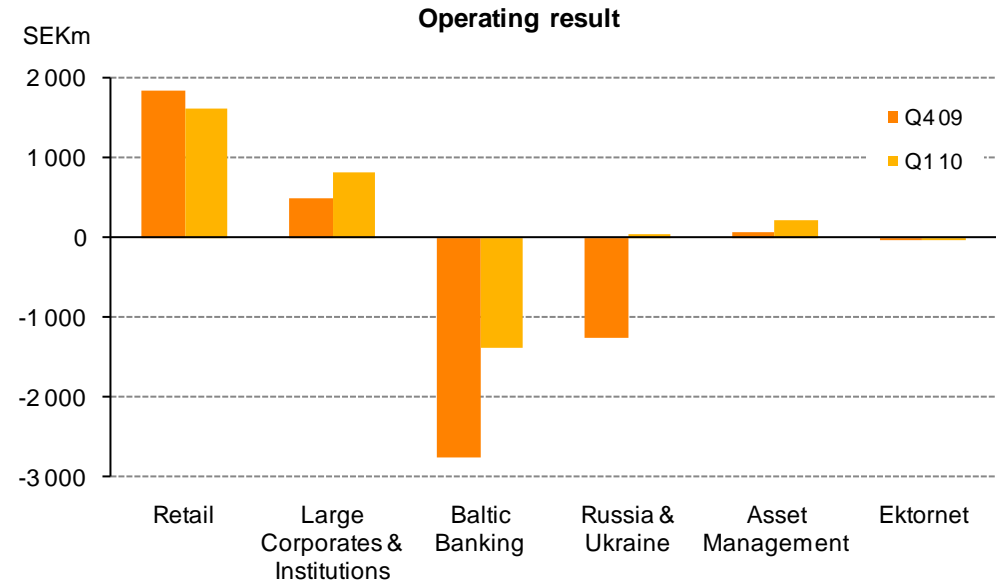
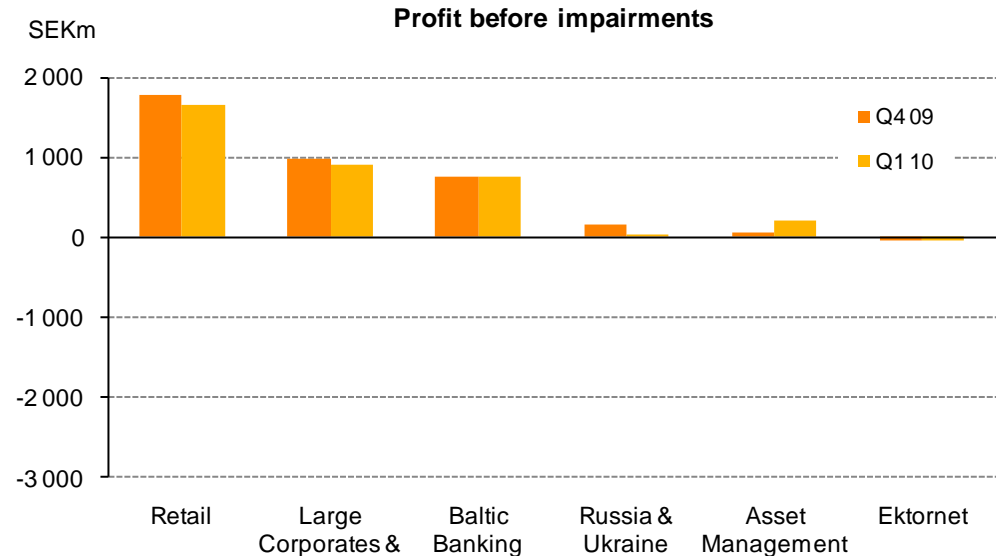
Credit quality in Ukrainian Banking stabilising, re-sizing Russian Banking operations

### Asset Management

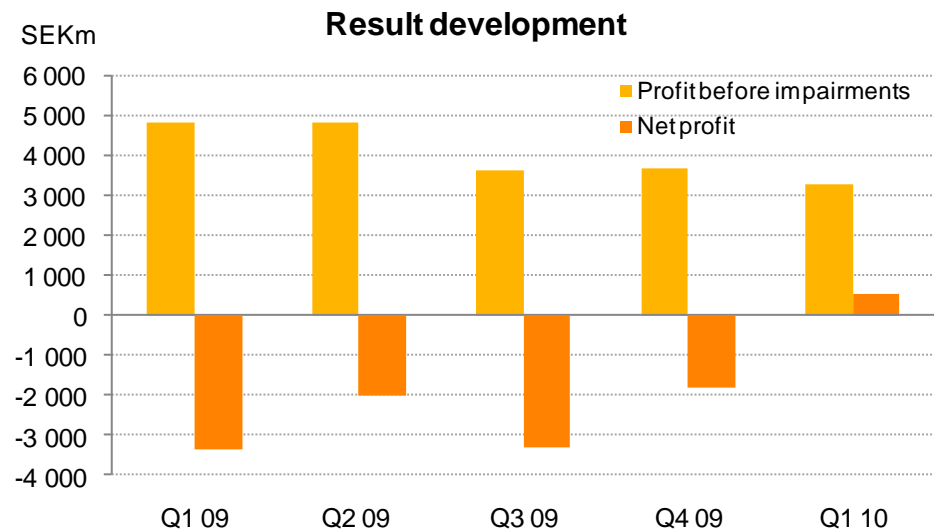
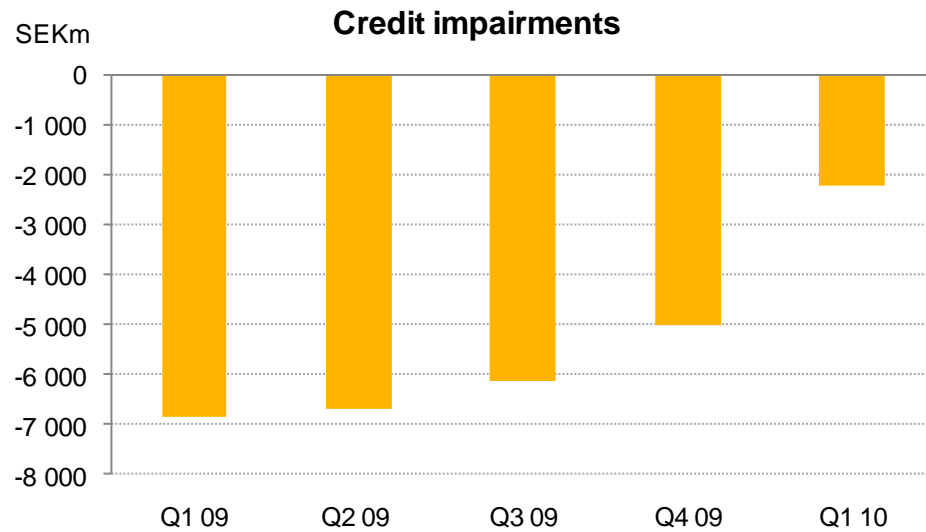
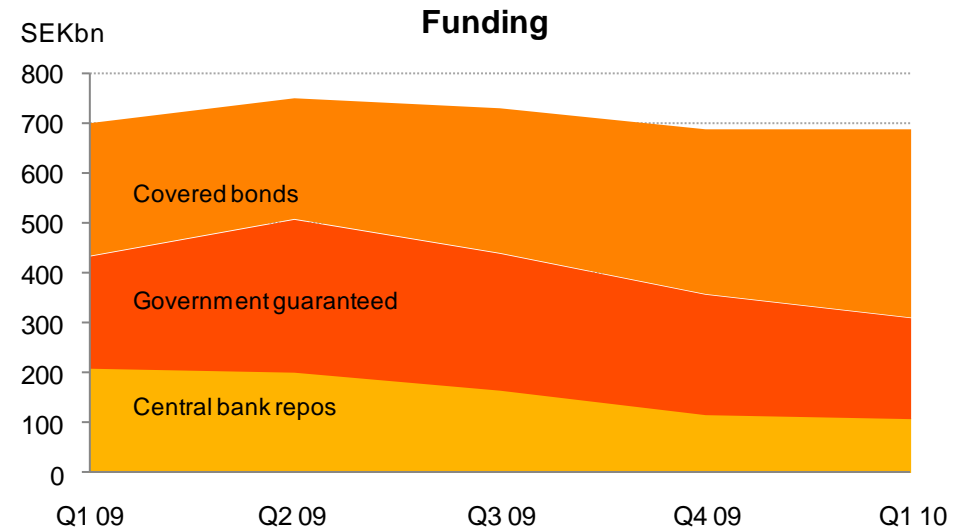
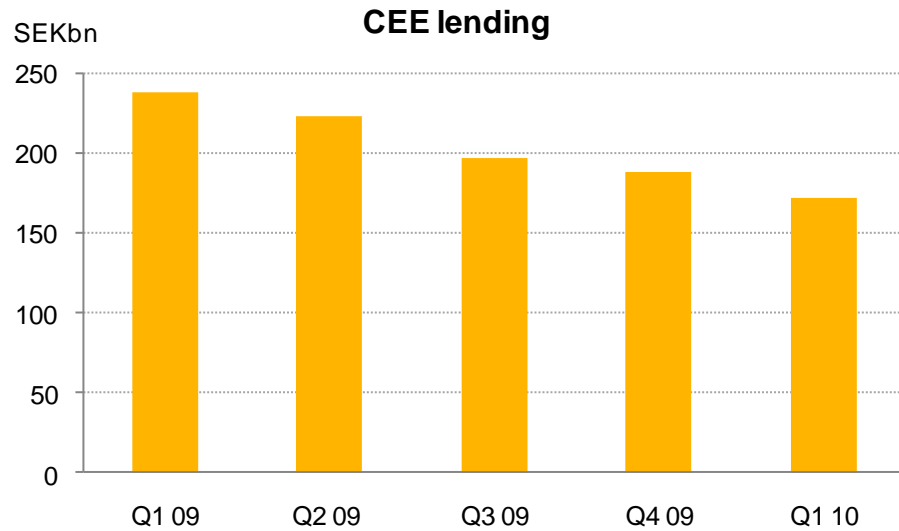
Stable earnings

### Ektornet

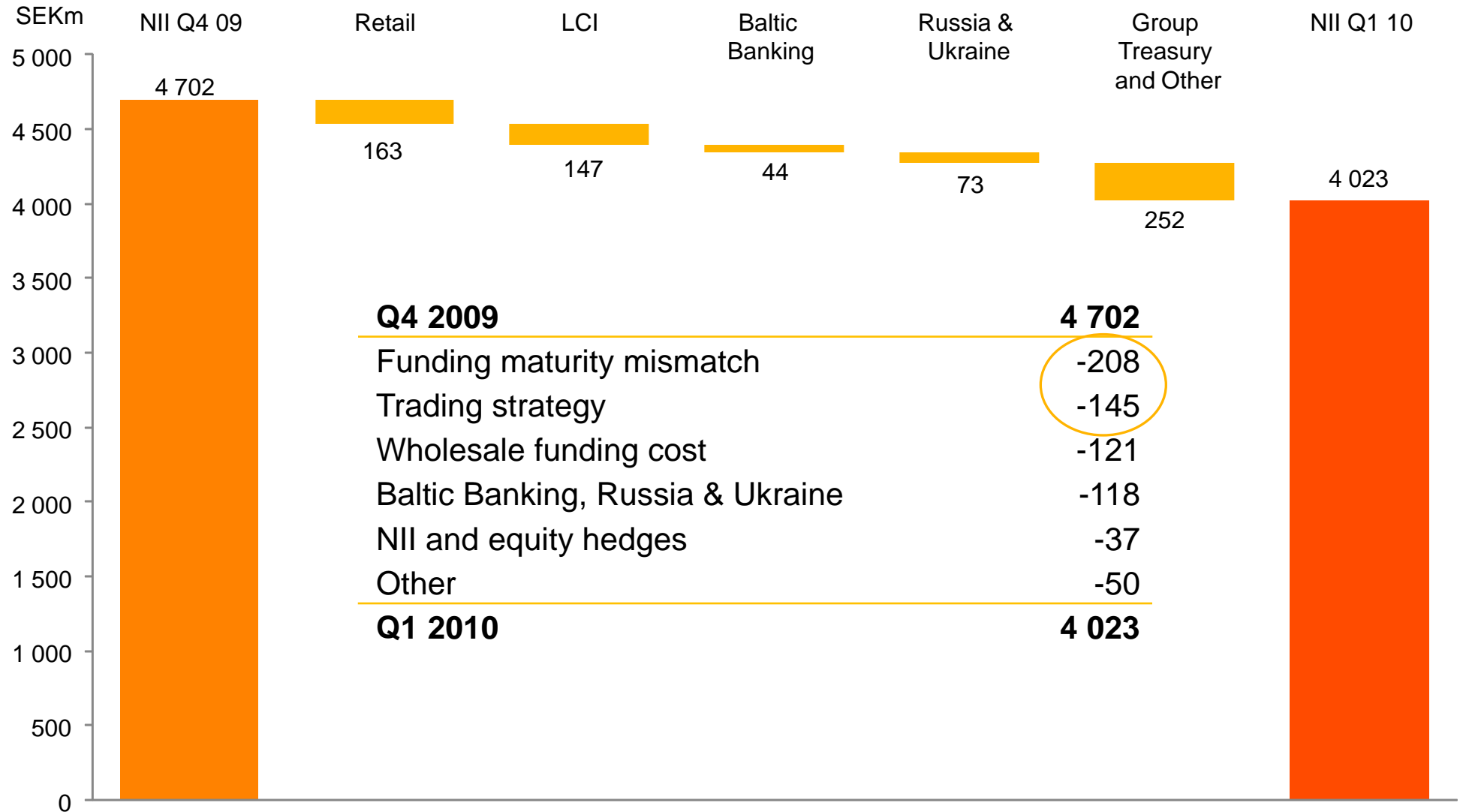
Ektornet managed repossessed properties valued at SEK 784m



# Decreased risk and pre-provision earnings



# Continued headwinds and temporary effects



## Stronger net gains

- Trading strategy pressed NII and boosted net gains and losses
- Stable currency rates in Ukraine
- Lower P&L impact from wholesale funding valuation

SEKm	Q1 10	Q4 09*	Q1 09
Retail	32	45	43
Large Corporates & Institutions	441	55	1 332
Baltic Banking	72	88	183
Russia & Ukraine	27	149	10
Group Treasury and Other	75	-114	143
Swedbank Group	647	223	1 711

\* Excluding capital gain of SEK 39m (sale of Aktia shares SEK 24m and of Tallinn Stock Exchange shares SEK 15m)



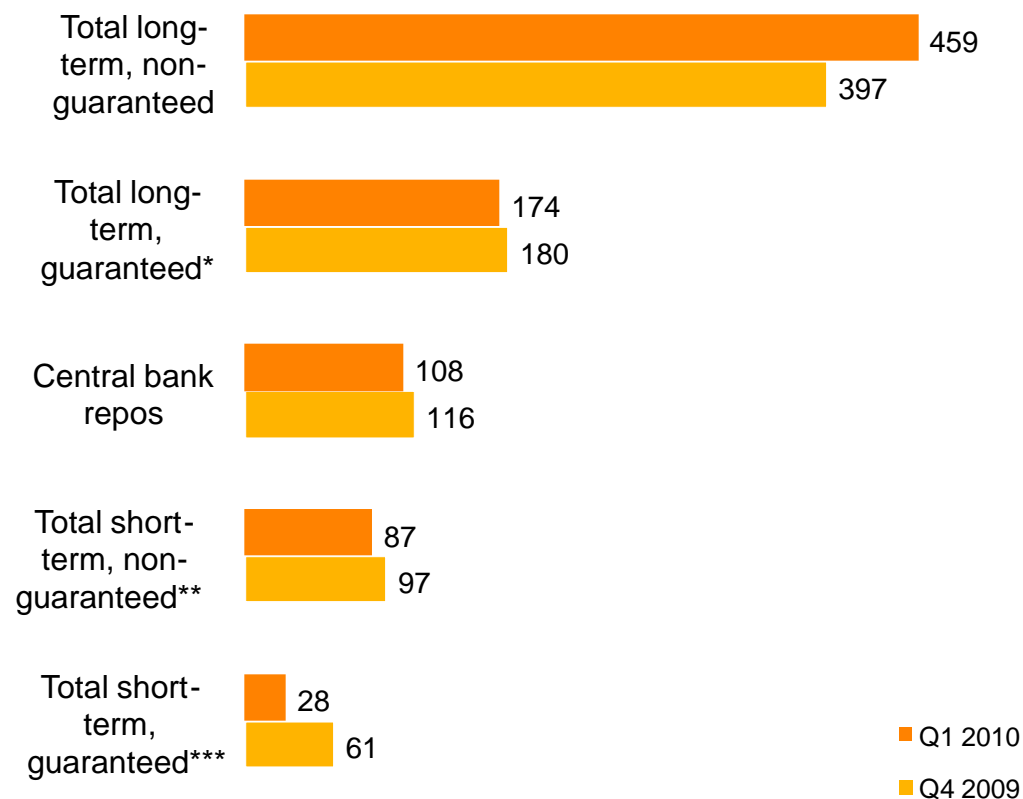
# Income statement

SEKm	Q1 2010	Q4 2009	Change
Net interest income	4 023	4 702	-679
Net commission income	2 282	2 361	-79
Net gains/losses on financial items, fair value	647	223	424
Other income	715	751	19
Non recurring items		-55	-55
<b>Total income</b>	<b>7 667</b>	<b>7 982</b>	<b>-315</b>
Staff costs	2 296	2 319	-23
Variable staff costs	79	23	56
Other expenses	2 016	2 370	-354
Non recurring items		-412	412
<b>Total expenses</b>	<b>4 391</b>	<b>4 300</b>	<b>91</b>
Profit before impairments	3 276	3 682	-406
Impairment of intangible assets	14	0	
Impairment of tangible assets	36	352	-316
Credit impairments	2 210	5 003	-2 793
<b>Operating profit</b>	<b>1 016</b>	<b>-1 673</b>	<b>2 689</b>
Tax expense	469	115	354
Result for the period	547	-1 788	2 335
<b>Profit for the period attributable to: Shareholders of Swedbank AB</b>	<b>536</b>	<b>-1 804</b>	<b>2 340</b>

## Improved funding situation

- Swedbank exits guarantee programme as per 30 April 2010
- SEK 100bn of long-term debt issued during Q1
- SEK 110bn in remaining term funding maturities to roll or replace in 2010
- Average maturity of wholesale funding further extended to 24 months (37 months for covered bonds)

### Outstanding wholesale funding

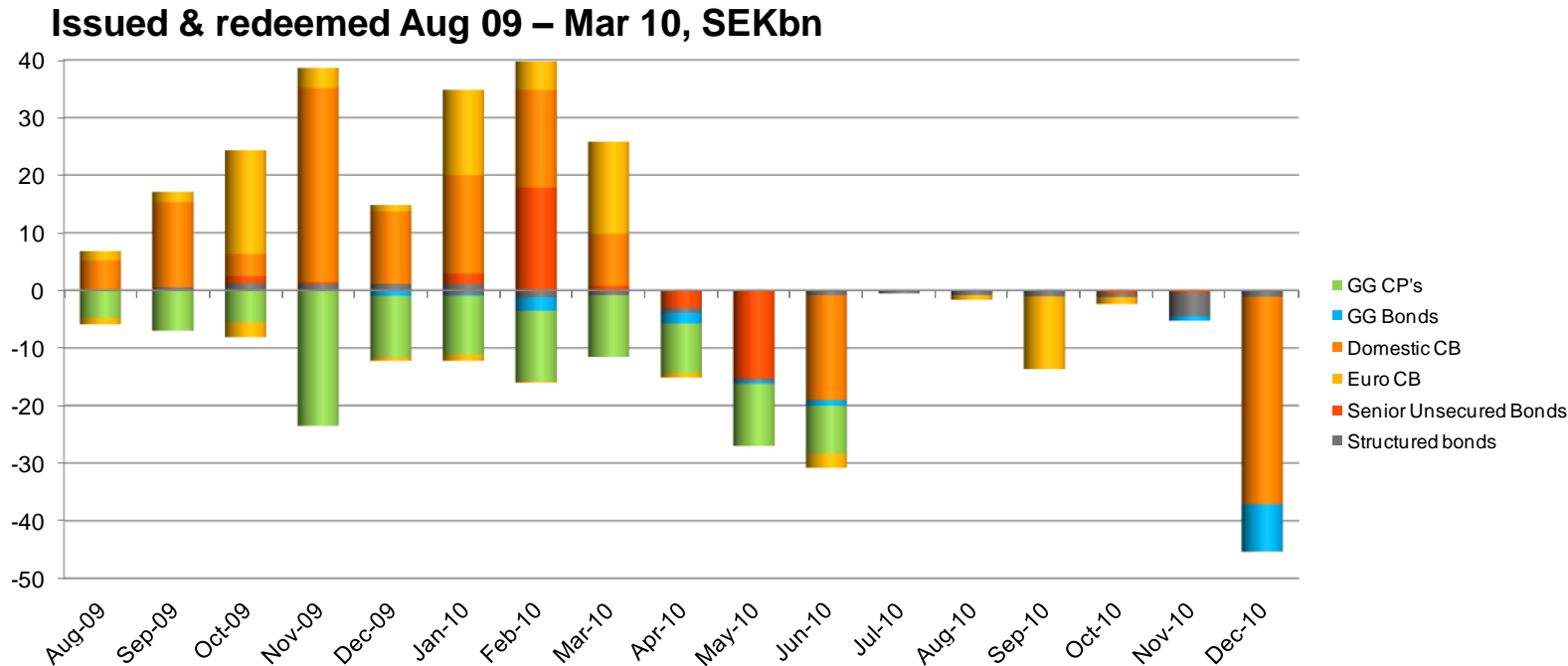


\* Issued with more than 12 months maturity, government fee of 83bp

\*\* Including interbank deposits

\*\*\* Issued with less than 12 months maturity, government fee of 50bp

## 2010 Funding plan

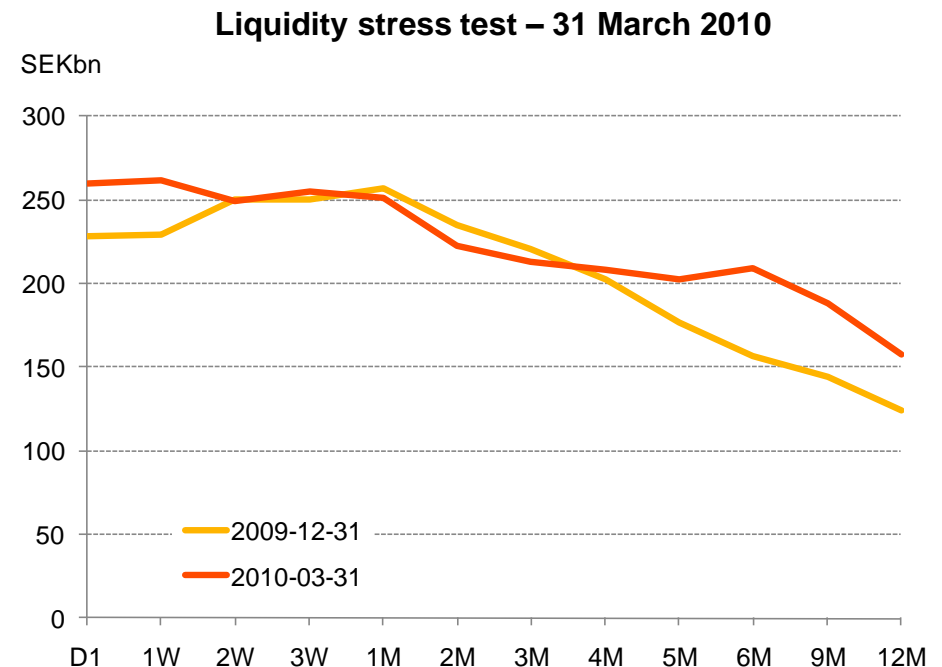


### Plans for remainder of 2010

- 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

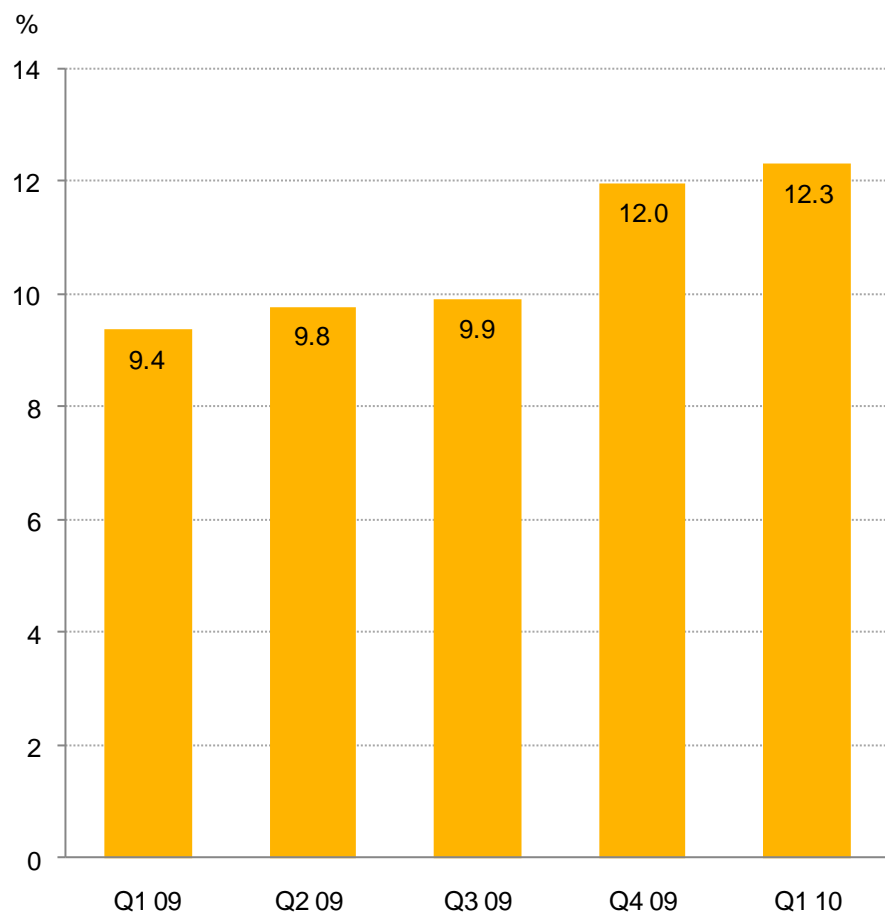
## High liquidity maintained

- Funding ahead of needs to further reduce liquidity risk and prepare for regulatory changes
- Changing funding structure to replace guaranteed funding, prolong average maturity and build up liquidity portfolios



# Well capitalised

## Core Tier 1 capital ratio\*



\*according to full Basel 2

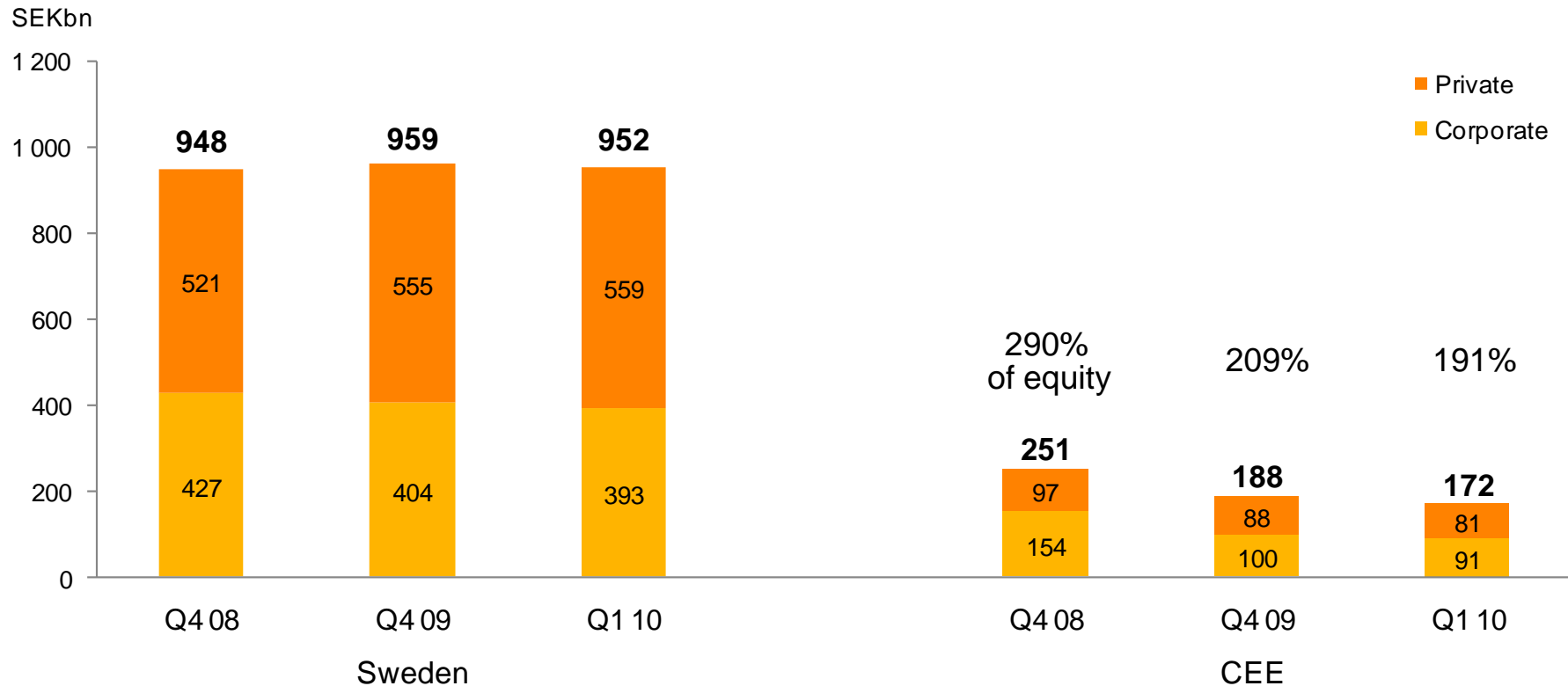
Core Tier 1 capital ratio* YE 09	12.01%
Result	+0.09%
RWA reduction	+0.16%
Other	+0.05%
<b>Core Tier 1 capital ratio* Q1 10</b>	<b>12.31%</b>

## Q1 development

- Significantly improved macro
  - Stabilised/increasing property prices in CEE
- Swedbank risk profile continued to improve
  - Limited new problems
  - Increasingly confident in known problems
  - Anecdotal evidence positive
- Swedbank resilience has greatly improved

# Volumes – continued risk reduction in CEE lending

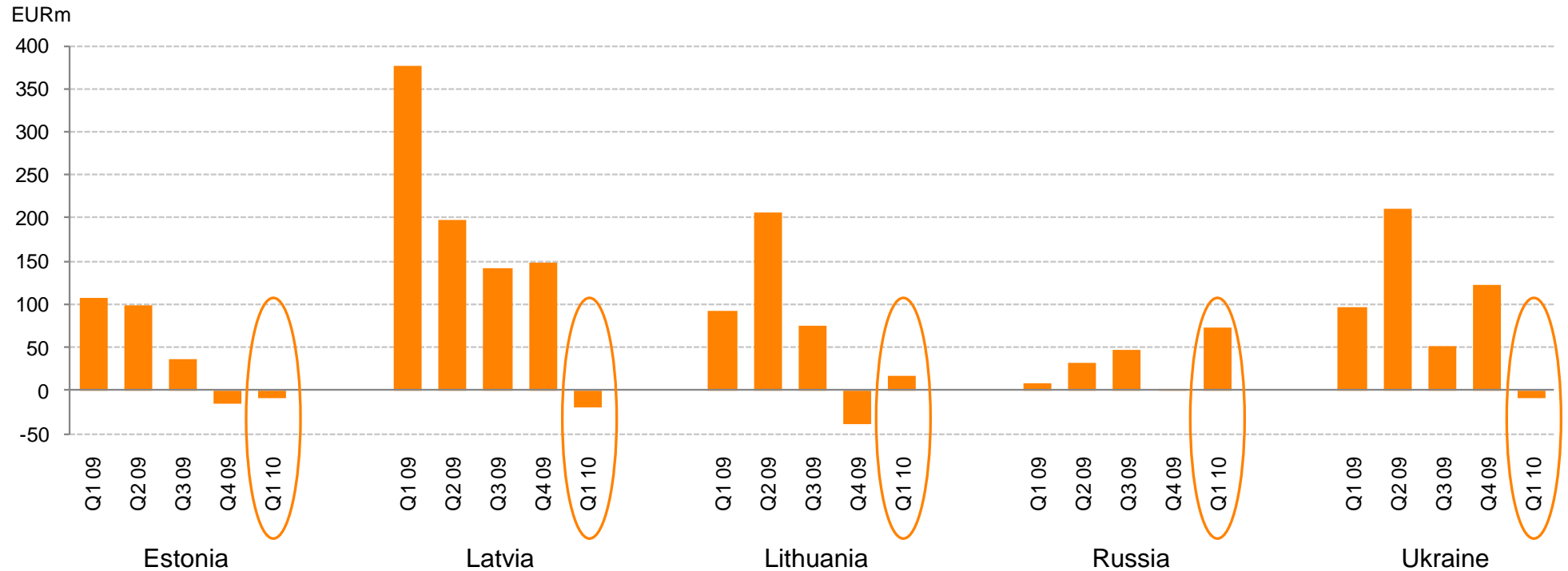
- Sweden – weak corporate credit demand
- CEE lending now 191% of equity



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

# Quarterly change of 60-day past due loans

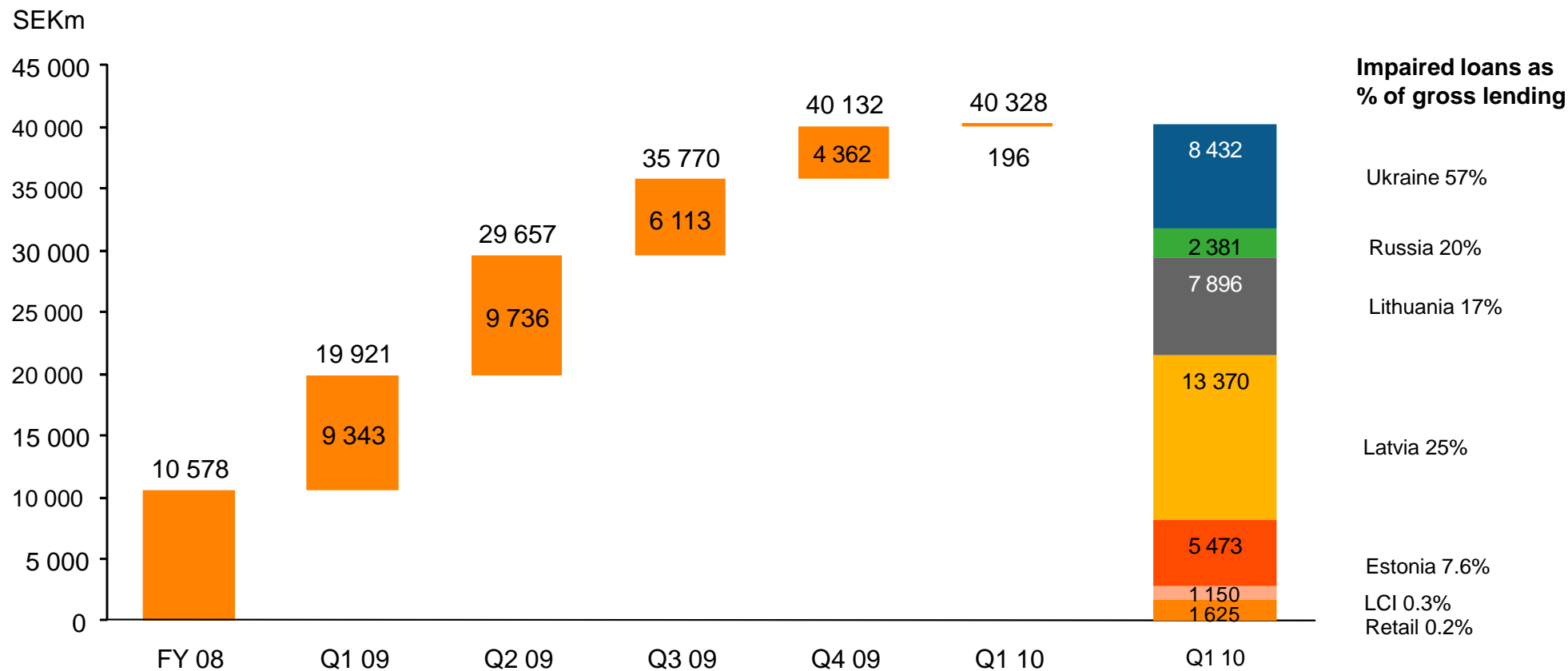
- Stabilisation continues





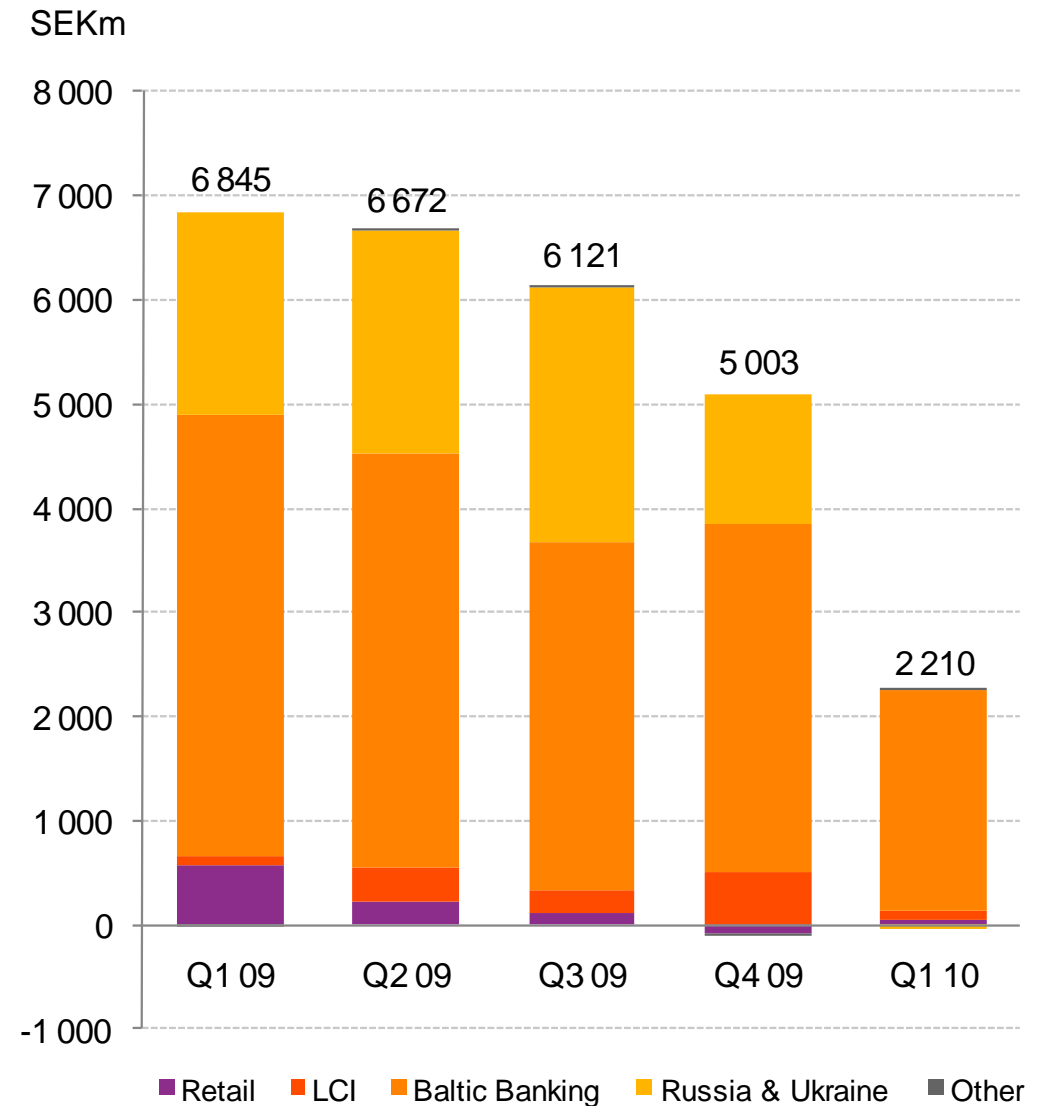
# Impaired loans – almost no new problems

- Without FX effect up SEK 1.5bn



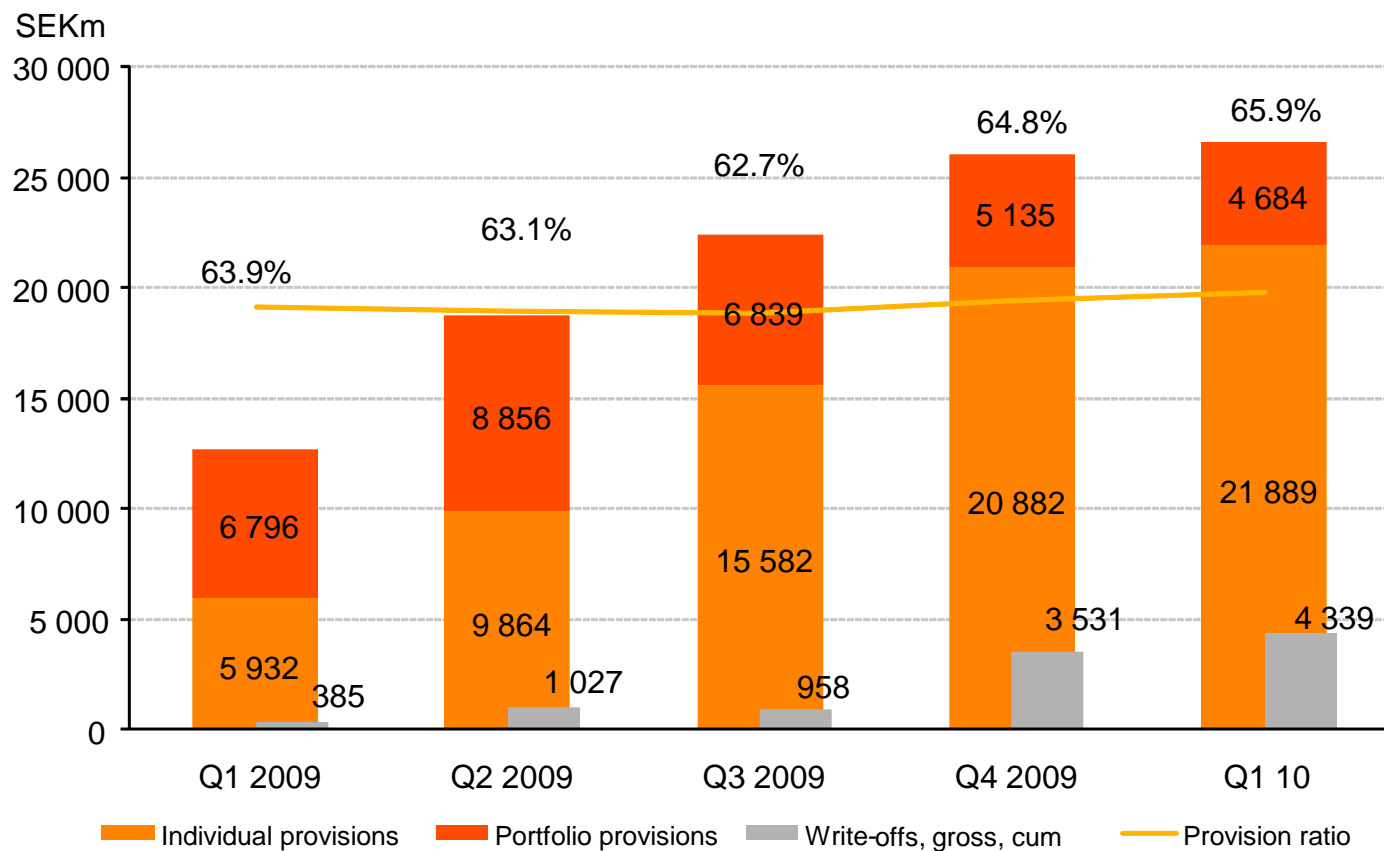
# Credit impairments in Q1

- Significant improvement
- Sweden still very low levels
- Small recoveries in Russia and Ukraine
- Baltic countries
  - Few new problems
  - Property prices stabilise/increase



# Provisions

- Stability in portfolio provisions – limited rating migration



### Provision ratios:

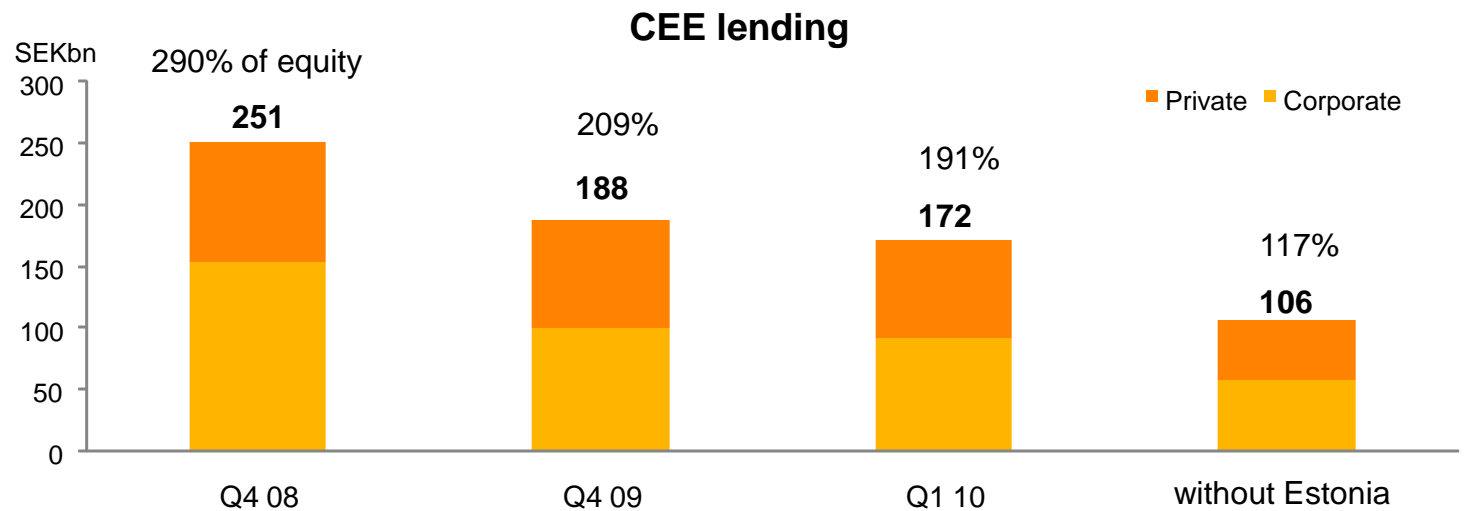
Retail	101%
Large Corporates	106%
Baltic Banking	60%
Russia	63%
Ukraine	74%
Group	66%

## **Ektornet – recouping value over time**

- Repossessed properties valued at SEK 784m
- Intake forecast by 2012 SEK 5-10bn
  - Forecast for 2010 is SEK 4bn
  - Three quarters of this is expected in the Baltic countries
- Large portion of real estate assets are currently non-cash flow generating
  - Negative pre-tax loss of SEK 200-300m

# Conclusion

- Significant improvement of asset and liability risk profiles
- Economy gaining momentum
- Still many areas of concern
  - Exit strategy central banks
  - Fiscal consolidations
- Swedbank's resilience has vastly improved



# Appendix

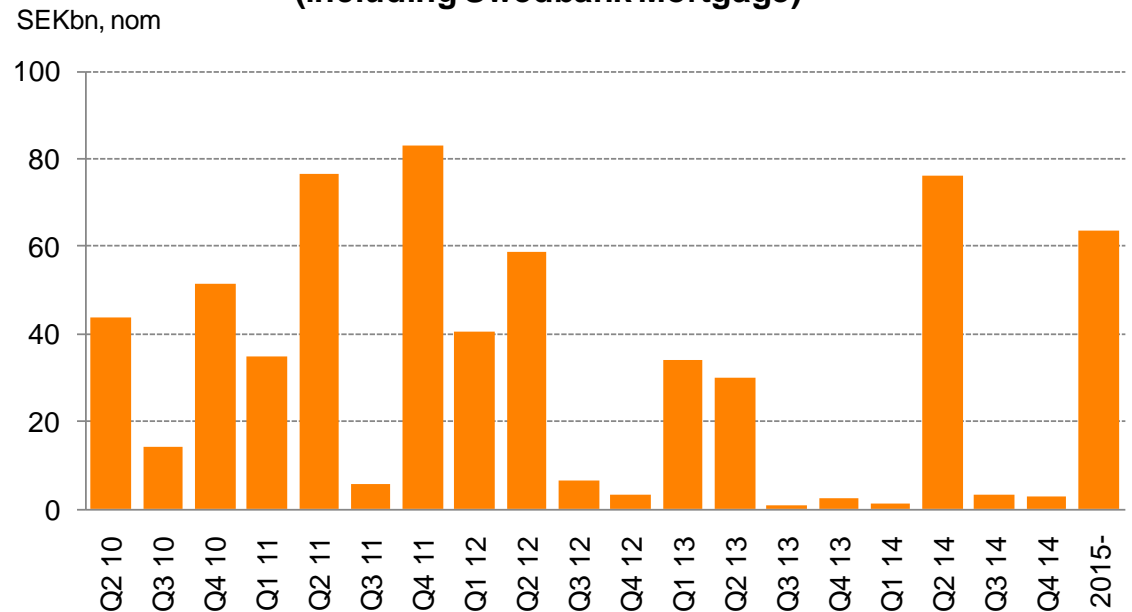
# Balance sheet

Swedbank Group SEKm	Mar 10	Dec 09	%
Loans to credit institutions	152 780	92 131	66%
Loans to the public	1 214 007	1 290 667	-6%
Interest-bearing securities	275 266	170 615	61%
Fund shares for which customers bear the investment risk	85 023	78 194	9%
Shares and participating interests	11 350	9 505	19%
Derivatives	76 524	72 969	5%
Other assets	75 104	80 606	-7%
<b>Total assets</b>	<b>1 890 054</b>	<b>1 794 687</b>	<b>5%</b>
Amounts owed to credit institutions	259 782	231 687	12%
Deposits and borrowings from the public	511 142	504 424	1%
Debt securities in issue	723 596	703 258	3%
Financial liabilities for which customers bear the investment risk	90 186	80 132	13%
Derivatives	73 364	72 172	2%
Other liabilities and provisions	108 482	75 057	45%
Subordinated liabilities	33 922	37 983	-11%
Equity	89 580	89 974	0%
- Non-controlling interest	240	304	-21%
- Equity attributable to shareholders	89 340	89 670	0%
<b>Total liabilities and equity</b>	<b>1 890 054</b>	<b>1 794 687</b>	<b>5%</b>

# Long-term funding

- SEK 110bn in remaining term funding maturities to roll or replace in 2010
- Continued focus on covered bonds (YTD SEK 79bn issued)
- YTD issued SEK 21bn in senior unsecured funding
- Average maturity of wholesale funding further extended to 24 months

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



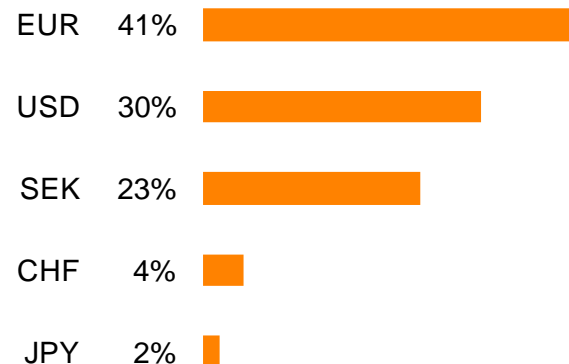


# Funding under the Swedish guarantee programme

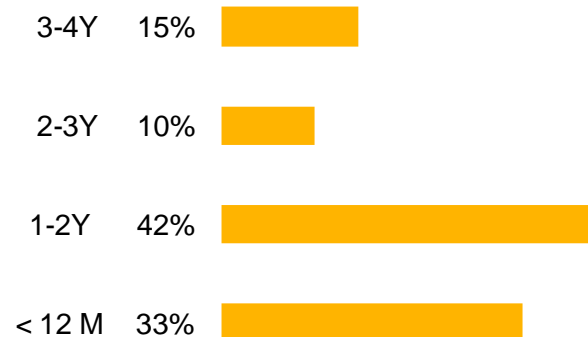
(total outstanding as per 31 March, notional SEK 202bn)

- Swedbank exits guarantee programme as per 30 April 2010
- Outstanding long-term guaranteed funding decreased by SEK 6bn to around SEK 174bn during the quarter
- Outstanding short-term guaranteed funding decreased by SEK 33bn to around SEK 28bn – fully repaid in June 2010
- 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 Q1 2010

Total pool size	SEK 613bn
Average loan size	SEK 400 821
Number of loans outstanding	1 524 546
Types of loans	
– Residential mortgages	90.5%
– Public	2.7%
– Commercial	0.1%
– Forest and Agriculture	6.7%
Fixed /Floating interest loans <sup>1</sup>	
– Fixed	49%
– Floating <sup>2</sup>	51%
Remaining fixing period	
– Fixed	32%
– Floating <sup>2</sup>	68%
Average LTV <sup>4, 5</sup>	
– WA LTV on loan level <sup>3</sup>	44%
– WA LTV on property level	58%
Average seasoning	55 months
Non-performing loans <sup>6</sup>	None
Geographic distribution	Sweden 100%
Dynamic pool	Yes

- Two euro covered bonds have been issued during Q1
  - Euro MTN CB 3Y, EUR 1bn, issued Jan 2010
  - Euro MTN CB 7Y, EUR 1bn, issued Mar 2010
- Also continued good demand for domestic covered bond issuance through tap system
- Registered CBs
- Private placements
- YTD SEK 79bn 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 of 31 Dec 2008

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

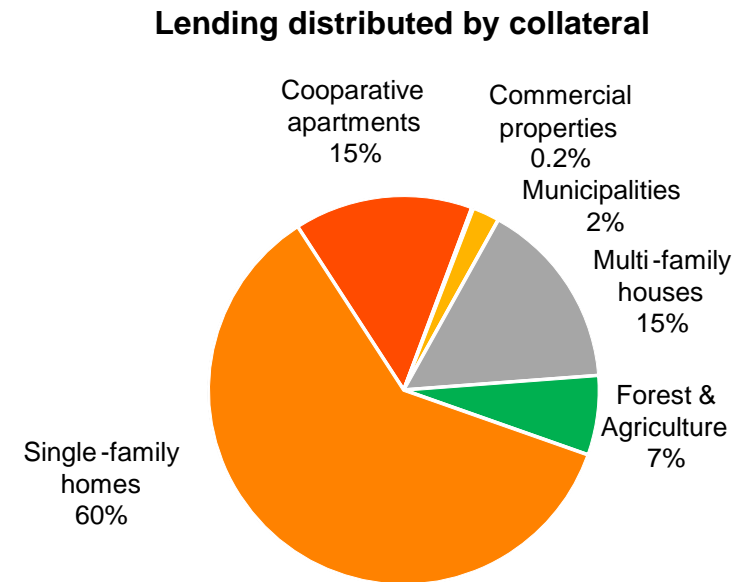
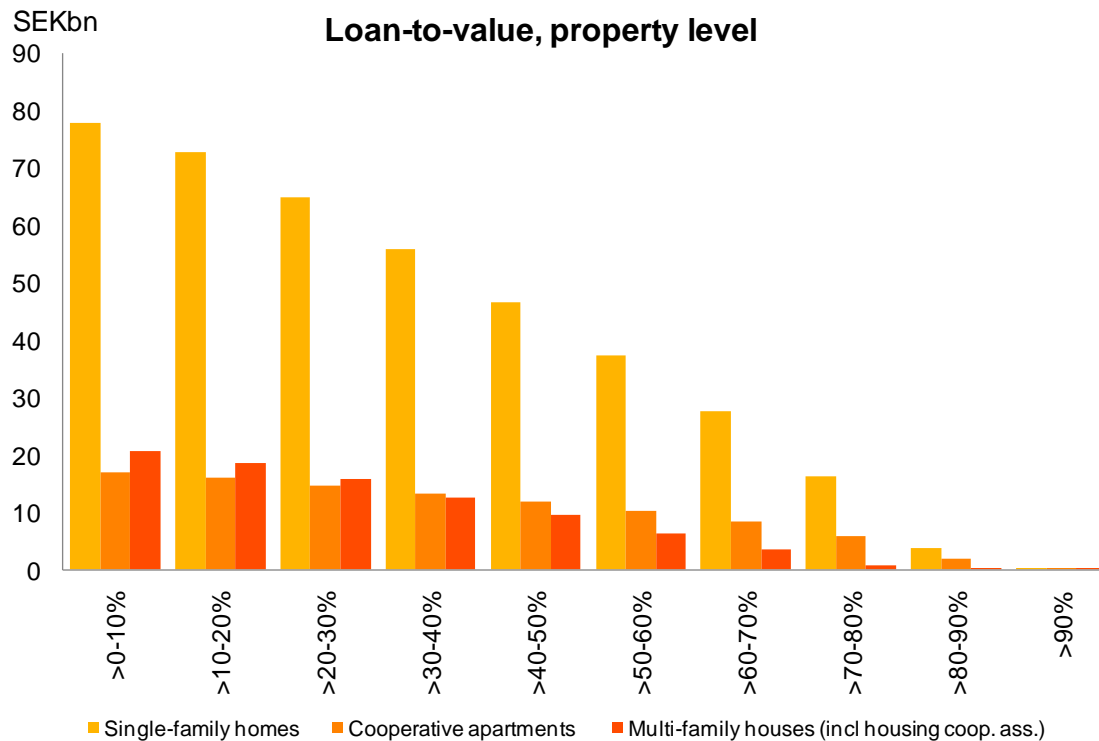
<sup>6</sup> Past due loans > 60 days are not eligible for the cover pool

# The Swedish covered bond market

- Can provide ~50% of Swedbank's term funding needs
- On tap through market makers
- Continuous refinancing through roll-overs and buy-backs
- Total market of SEK 1,000bn (1/3 of GDP)
- Swedish pension managers, assets under management, ~SEK 2.5trn of which ~2/3 in mutual funds or quasi Government institutions
- Market making setup
- Remained liquid throughout the financial crisis –for primary as well as secondary flows

# Swedbank Mortgage, 31 Mar 2010, total loan portfolio SEK 676bn

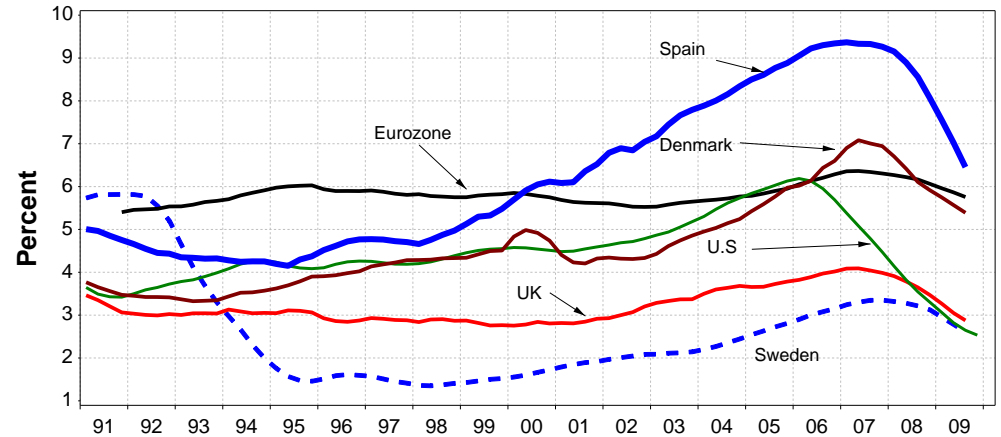
- 100% lending – Swedish properties
- 90% residential lending
- Average LTV of 45% (loan level) 60% (property level). Cover pool 44% / 58%
- 79% of the total lending book within a loan-to-value ratio below 50%



# Housing Investments at a conservative level

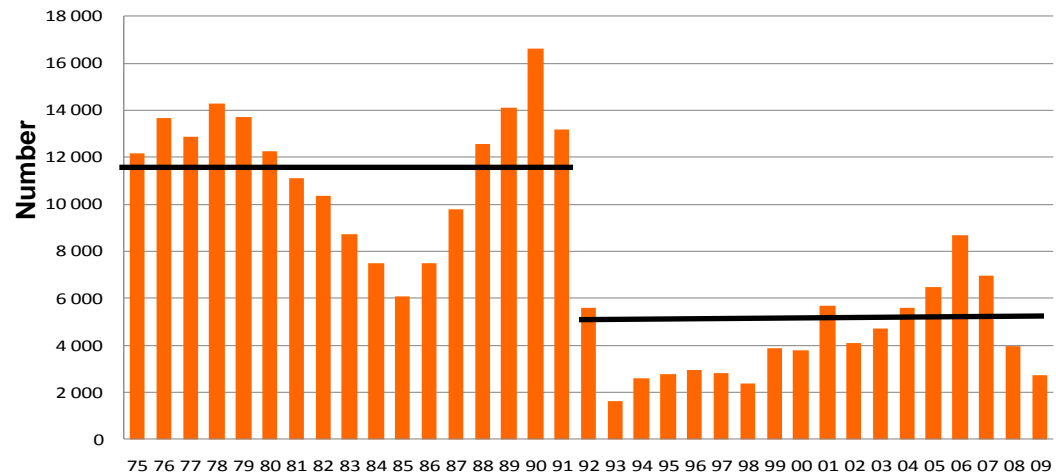
- Housing investments in Sweden, as a percentage of GDP, are at a low level compared to the Eurozone

Housing investments as a percentage of GDP

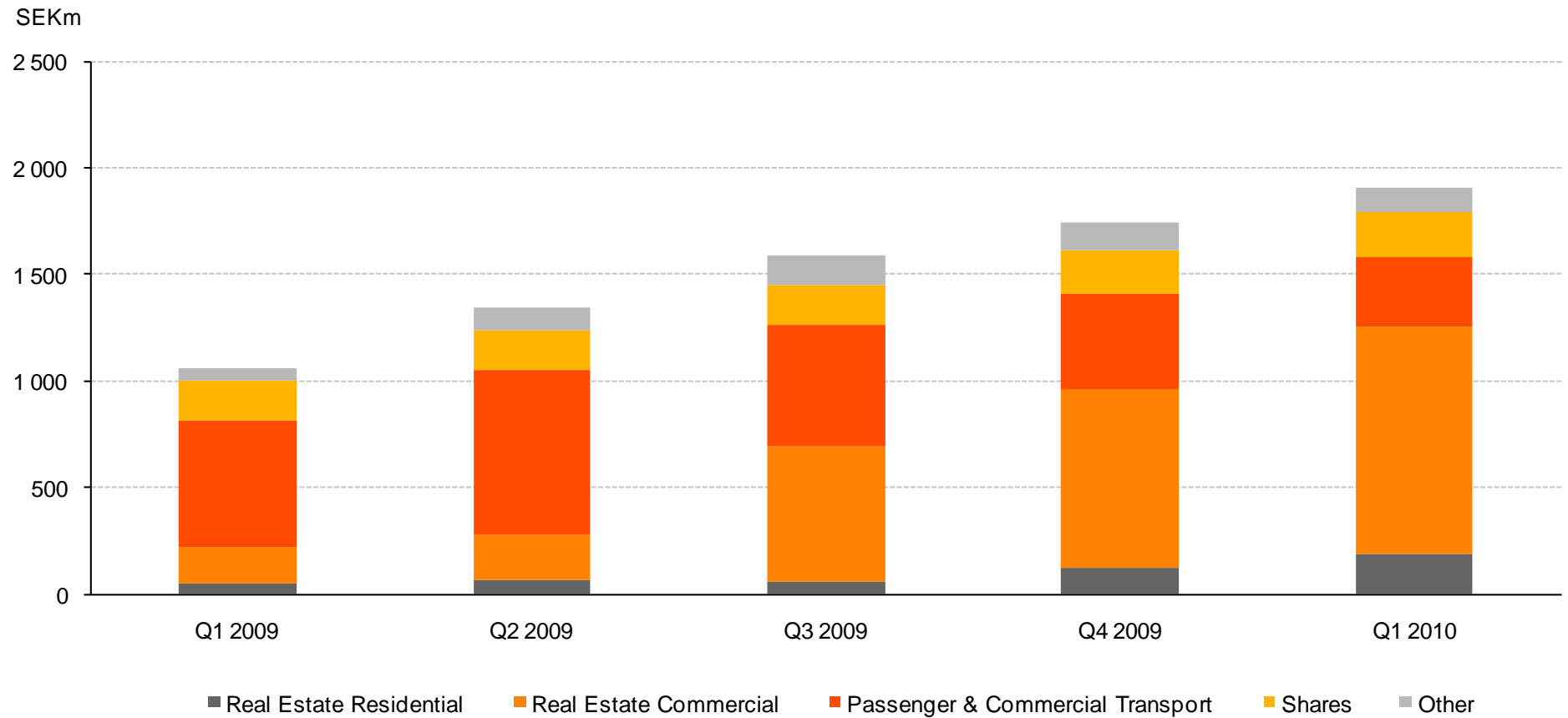


Source: Reuters EcoWin

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



# Repossessed assets – as expected

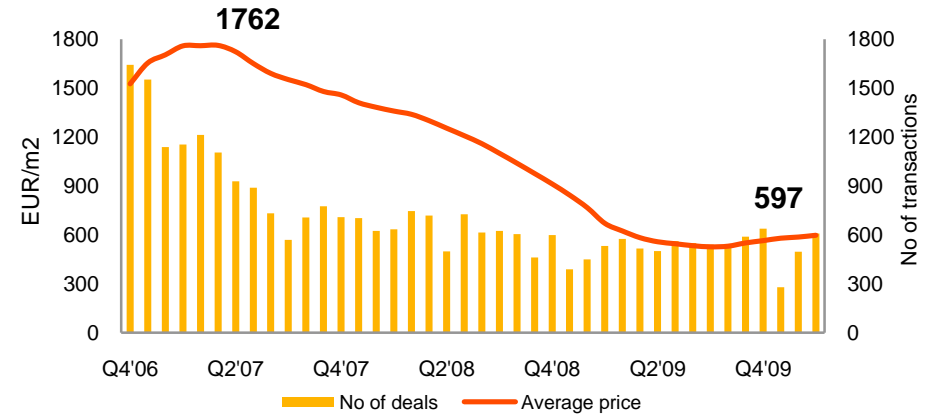


# Real estate prices stabilised

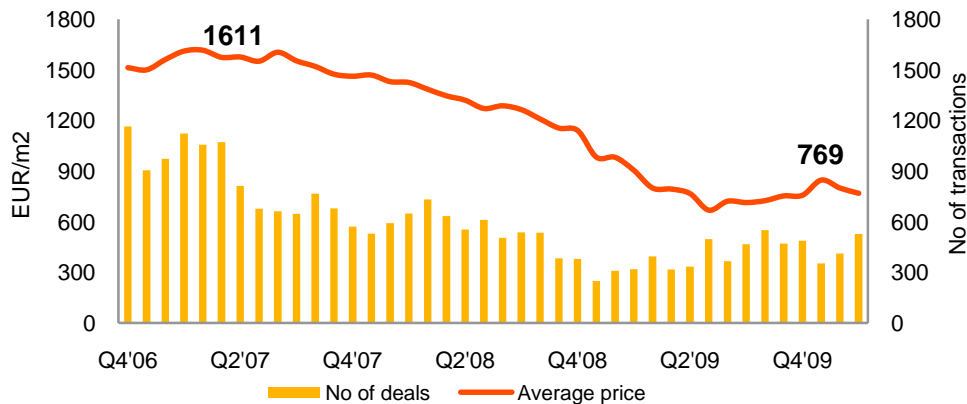
## Market situation

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

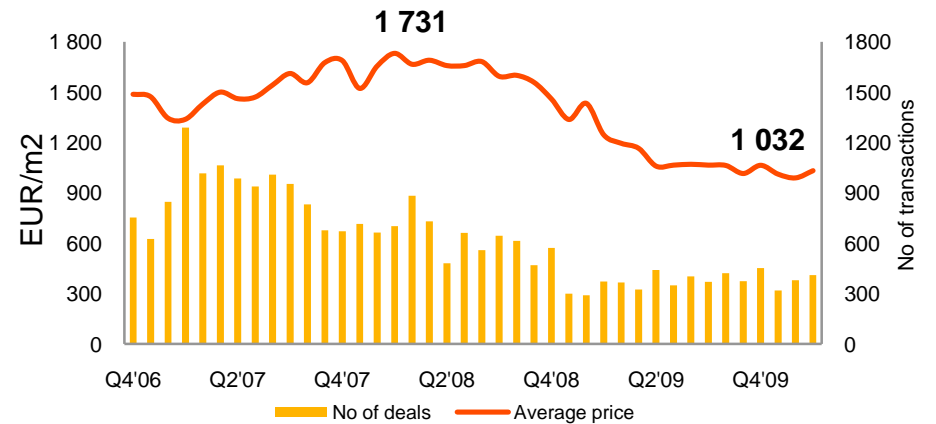
### Riga



### Tallinn



### Vilnius\*



# Swedbank – Contacts and Financial Calendar

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## Financial calendar

Q2 Interim report, 22 July 2010

Q3 Interim report, 21 October 2010

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