

Swedbank's second quarter 2013 results

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



Stable results continue

SEKm	Q2 12	Q1 13	Q2 13	▲ Q/Q	▲ Y/Y
Net interest income	3 362	3 332	3 367	35	5
Net commissions	1 531	1 589	1 536	-53	5
Total income	5 352	5 377	5 312	-65	-40
Total expenses	2 411	2 406	2 398	-8	-13
Profit before impairments	2 941	2 971	2 914	-57	-27
Impairments	102	55	37	-18	-65

ROE, %	26.3	27.9	28.1
C/I ratio	0.45	0.45	0.45

- **Stable NII**
 - Stable deposit and lending margins
 - New lending mortgage margins
10-15bp below stock margins
 - Increased new mortgage lending market share
- **Solid asset quality**

Continued improved market position

SEKm	Q2 12	Q1 13	Q2 13	▲ Q/Q	▲ Y/Y
Net interest income	750	783	851	68	101
Net commissions	396	419	523	104	127
Total income	1 601	1 814	1 926	112	325
Expenses excl variable staff costs	640	646	730	84	90
Variable staff costs	120	88	104	16	-16
Profit before impairments	841	1 080	1 092	12	251
Impairments	57	74	150	76	93

ROE, %	10.3	16.7	14.5
C/l ratio	0.47	0.40	0.43

- Improved NII
 - Increased volumes and margins
- Stronger commission income
 - Higher corporate finance fees in Norway
- Higher quality profit
- Costs under control
- Impairments
 - SEK 56m related to IT systems

Focus on efficiency and risk adjusted returns

SEKm	Q2 12	Q1 13	Q2 13	▲ Q/Q	▲ Y/Y
Net interest income	868	742	763	21	-105
Net commissions	394	388	445	57	51
Total income	1 448	1 281	1 378	97	-70
Total expenses	594	586	593	7	-1
Profit before impairments	854	695	785	90	-69
Impairments	-200	-66	-41	25	159

ROE, %	15.0	12.6	13.4
C/I ratio	0.41	0.46	0.43

- Stable NII
 - Intensified focus on repricing
- Stronger commission income
 - Increased customer activity
 - Increased income from fund management
- Continued recoveries
- Latvia approved for euro

Stable earnings

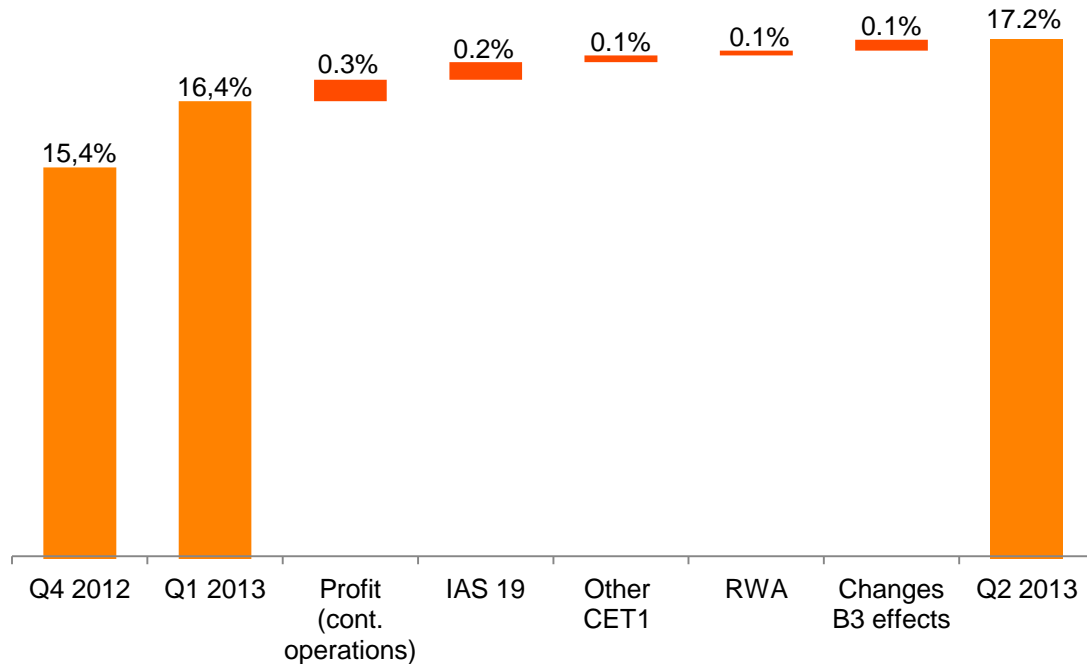
SEKm	Q2 12	Q1 13	Q2 13	▲Q/Q	▲Y/Y
Net interest income	5 035	5 353	5 409	56	374
Net commission income	2 339	2 388	2 525	137	186
Net gains and losses	577	557	296	-261	-281
Total income	8 788	9 082	8 979	-103	191
Total expenses	4 171	4 043	4 126	83	-45
Profit before impairments	4 617	5 039	4 853	-186	236
Credit impairments	-49	60	88	28	137
Other impairments	128	85	372	287	244
Tax	1 047	976	913	-63	-134
Profit from continuing ops.	3 491	3 918	3 480	-438	-11

ROE continuing operations, %	14.6	15.3	14.1
C/l ratio	0.47	0.45	0.46
CET 1 ratio, % (Basel 3)	15.1	16.4	17.2

- Stable NII
 - Stable deposit margins
 - Lower margins new mortgage lending
- Stronger commission income
- NGL impacted by buy-backs and valuation effects
- Stable expenses
- Continued good asset quality
- Increased Other impairments

Excess capital building

Changes B3 CET1 ratio Q1-Q2

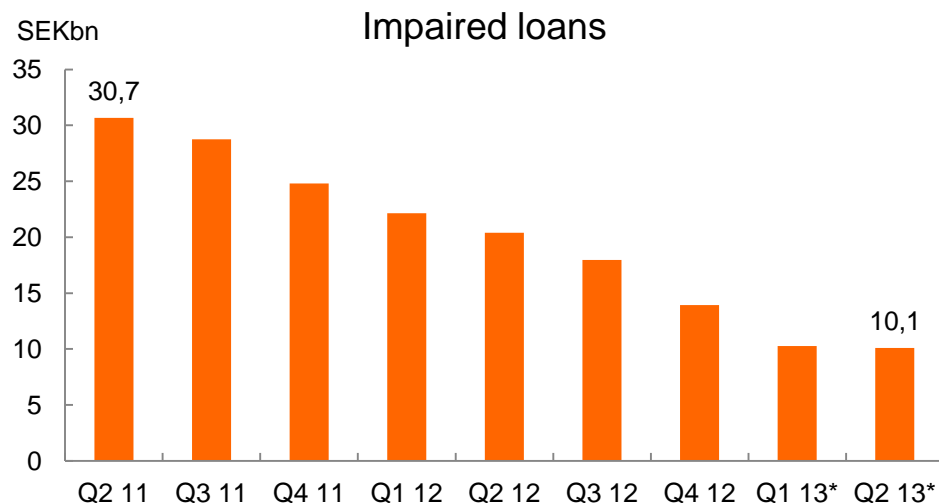


- IRB Advanced
 - On schedule
- 13 – 15% CET 1 ratio
- Waiting for regulatory clarity
 - Resolution regime
 - CRD IV implementation
 - Leverage ratio/corporate risk weights?

Continued strong credit quality

Credit impairments, SEKm	Q2 12	Q1 13	Q2 13
Retail	102	55	37
Large Corporates & Institutions	53	74	94
Baltic Banking	-204	-70	-43
Estonia	-25	-54	-36
Latvia	-197	4	18
Lithuania	18	-20	-25
Swedbank Group	-49	60	88

- Continued high asset quality in Sweden
- Slower net recoveries in Baltic Banking



* Russia and Ukraine reported as discontinued operations.

2013 ICAAP – Swedbank Group resilience confirmed

- In 2013 ICAAP, Swedbank's CET 1 ratio strengthened throughout the scenario period, despite a scenario with a sharp contraction followed by an extended downturn with slow recovery.
- The stress test in Swedish Riksbank's latest stability report concludes that Swedbank is the only Swedish bank with a positive result in the scenario period.

Swedbank's second quarter 2013 results

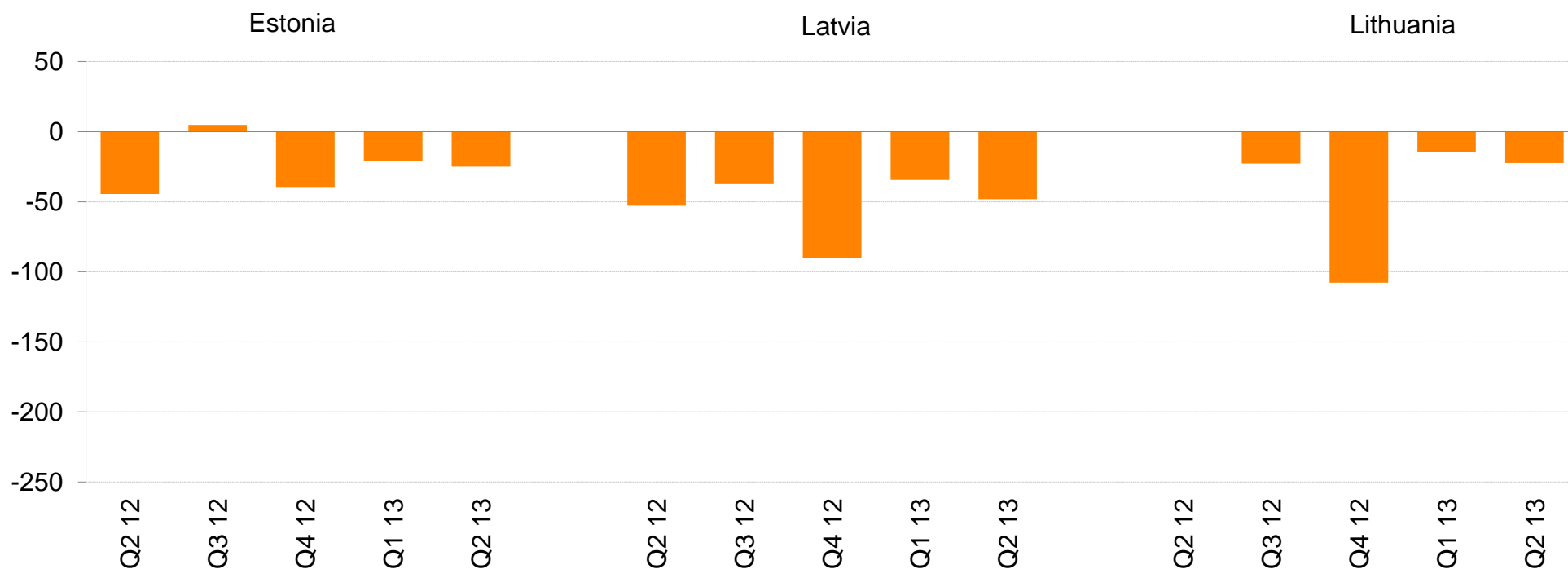
Q & A



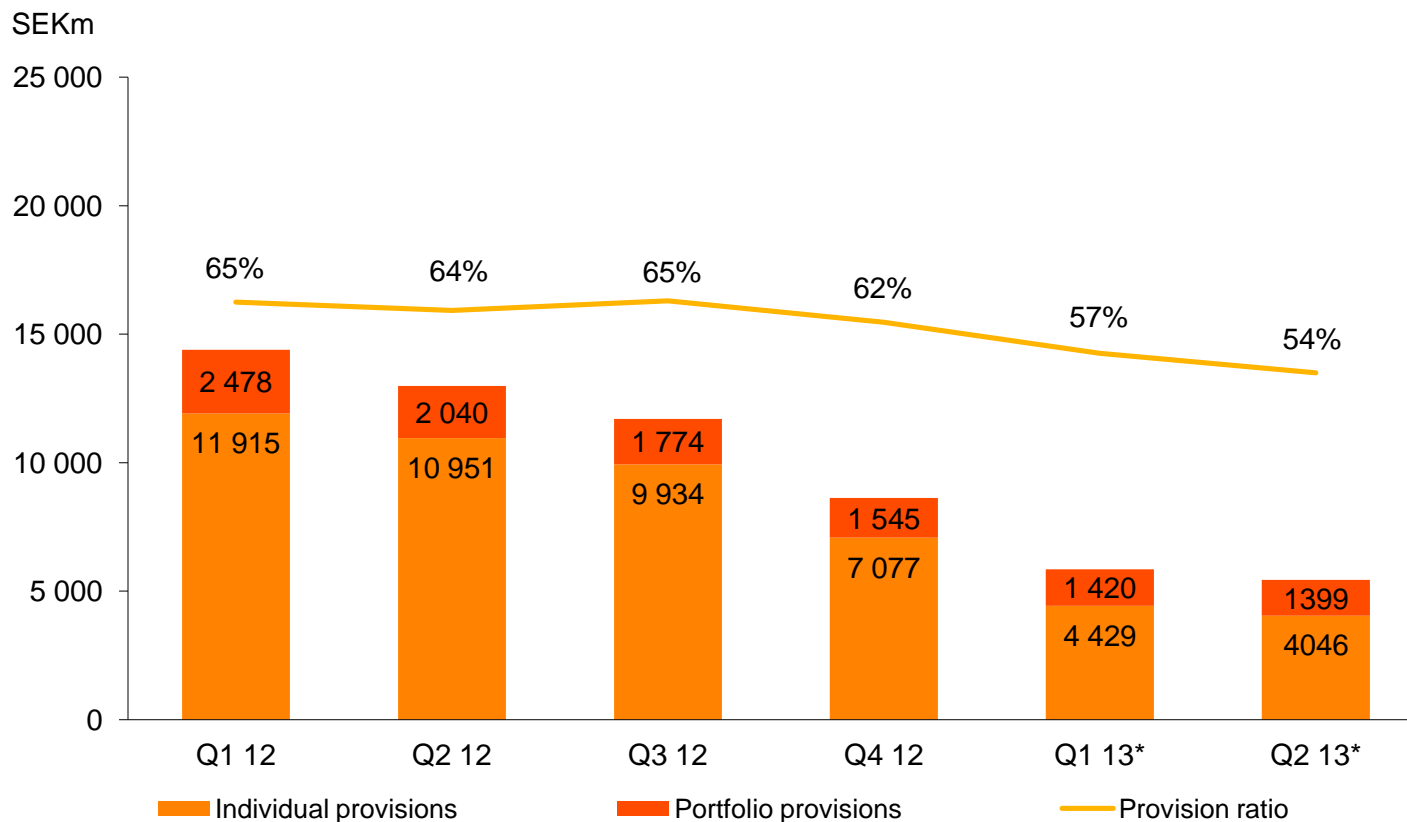
Appendix

Loans past due 60 days – performance Q/Q

EURm



Provisions – well provided for

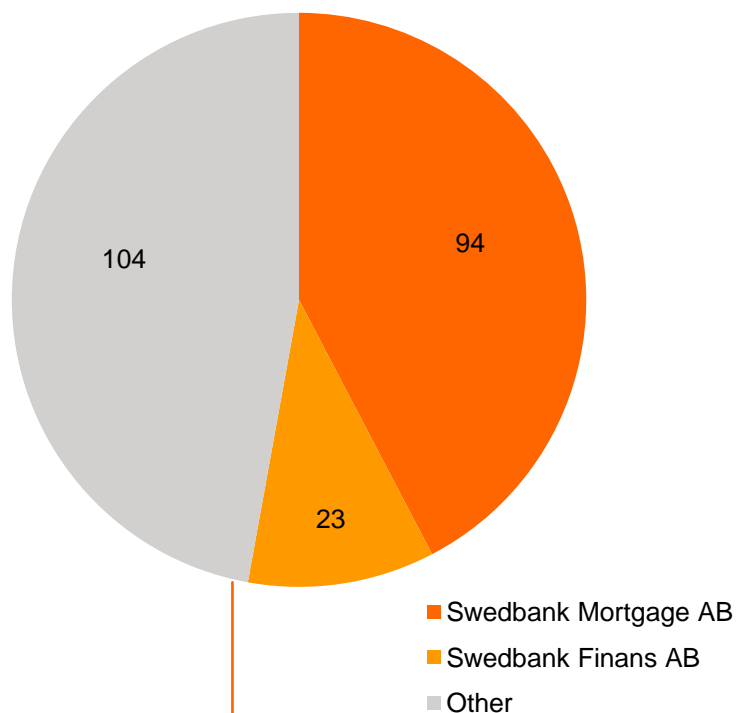


Provision ratio, %	Q2 13
Retail	70
LC&I	41
Baltic Banking	52
Group	54

* Russia and Ukraine reported as discontinued operations

Corporate portfolio drives capital efficiency

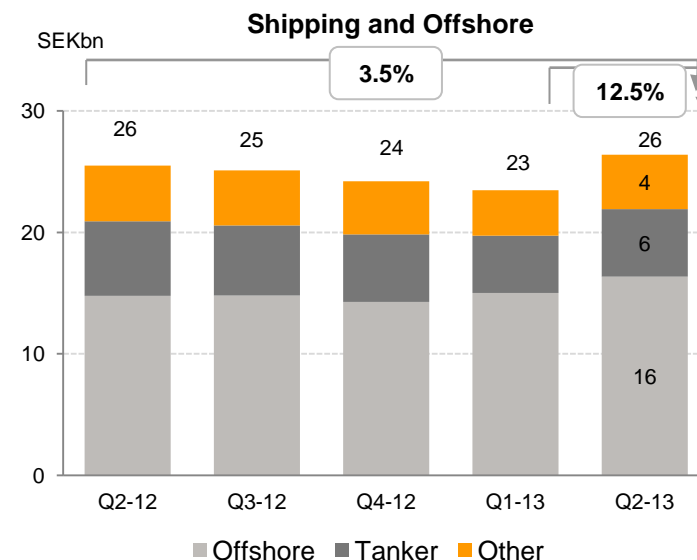
Total portfolio SEK 221bn



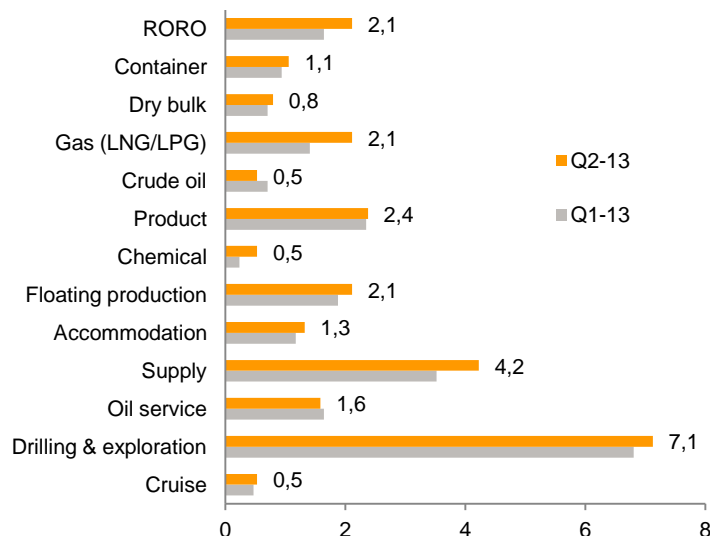
Segments excl. Swedbank Mortgage and Swedbank Finance	Volume (SEKbn)	Secured (%)
Agriculture	6.0	81
Manufacturing	8.8	69
Public sector and utilities	4.4	93
Construction	4.5	81
Retail	9.0	86
Transportation	2.0	79
Shipping	0.1	95
Hotels and restaurants	3.2	88
Information & communication	1.0	46
Finance and insurance	1.7	65
Property management	51.2	97
Professional service	6.7	67
Other	5.5	72
Total	104.1	87

Shipping and offshore

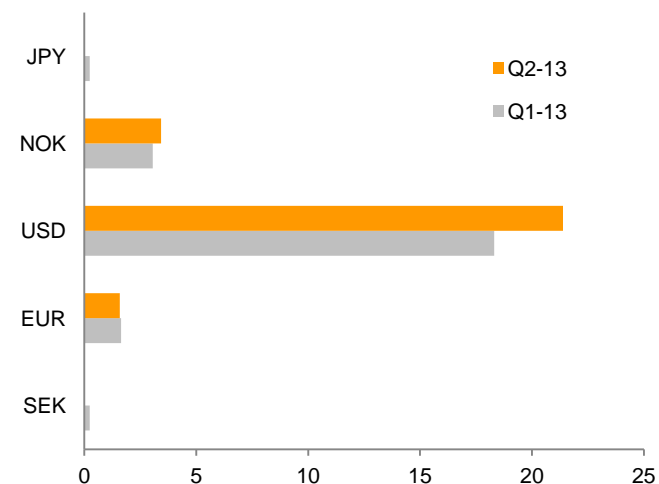
- Exposure to Shipping & Offshore sector was SEK 26bn plus unutilised commitments of SEK 8bn.
 - Portfolio duration 4-5y
 - Average fleet age 7y
 - Strong employment profiles



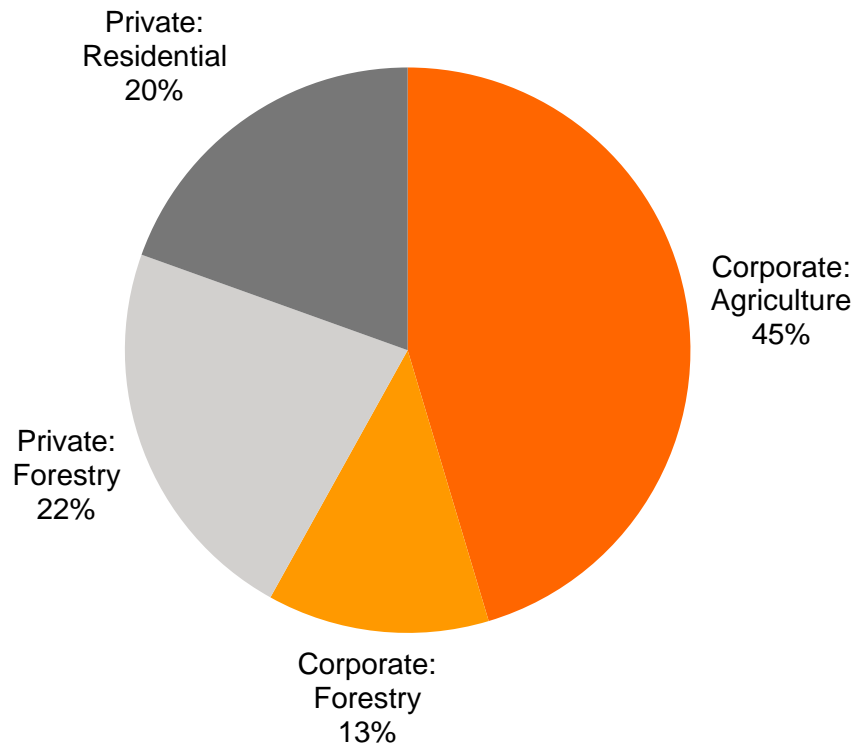
Shipping and Offshore portfolio by subsegment



Shipping and offshore portfolio by currency



Agriculture



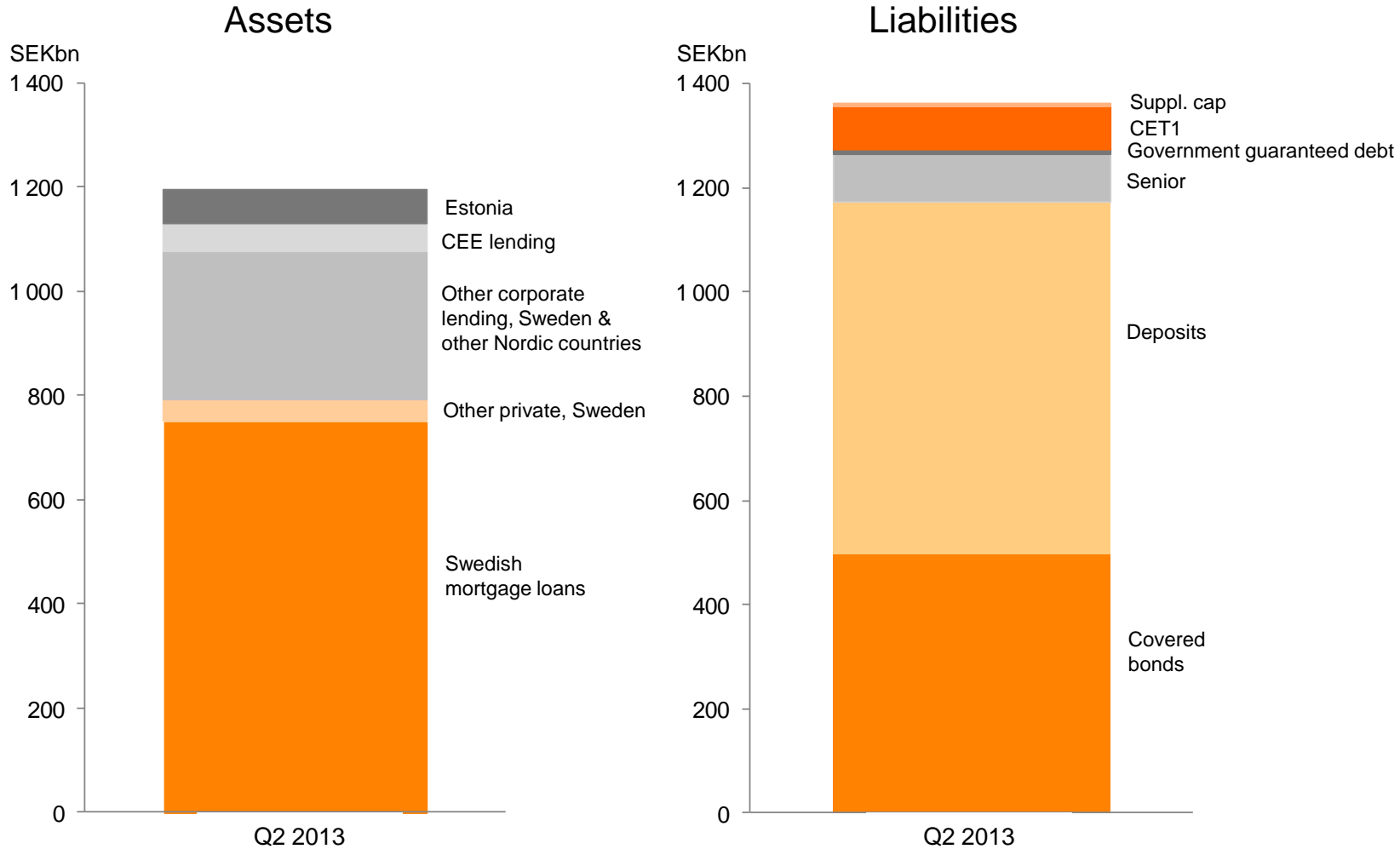
- **Segmentation definitions**

- **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 Agriculture SEK 63.8bn**

- Corporate Agriculture: (58%)
 - Agriculture 45%
 - Forestry 13%
- Private Investments (42%)
 - Residential: 20%
 - Forestry: 22%

Core balance sheet* structure

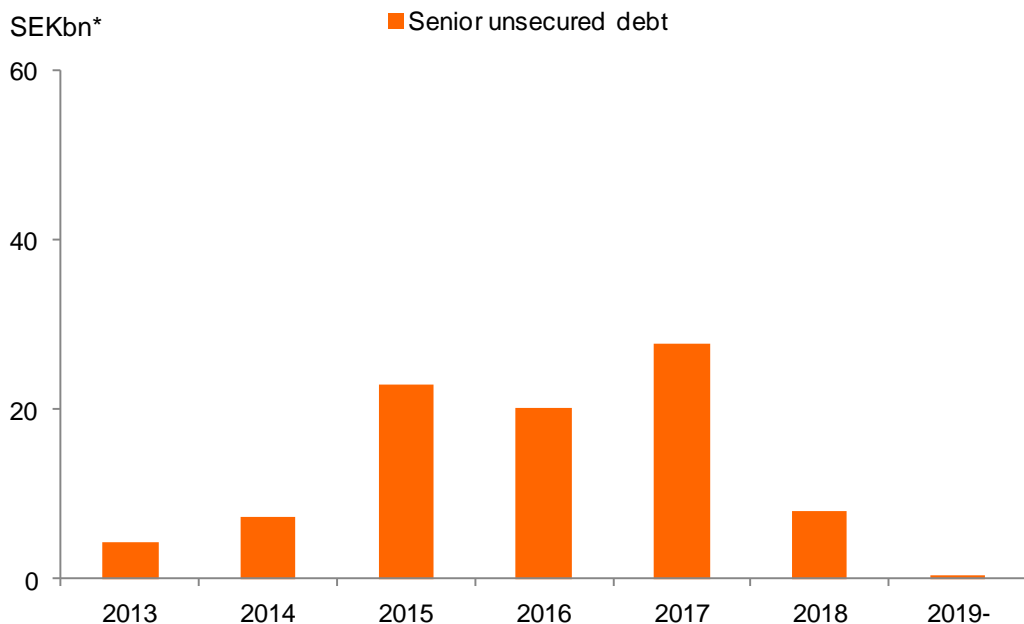


* Simplified balance sheet

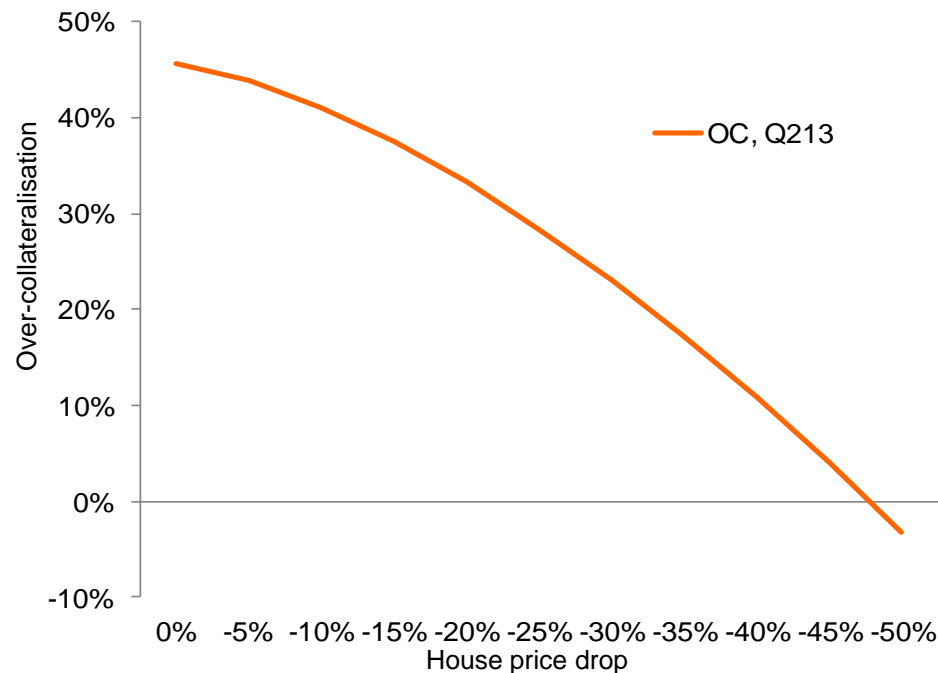
Senior unsecured debt strategy

- Limited need given Swedbank's balance sheet structure
- Secure OC
- Fund liquidity reserves

Senior unsecured debt maturity profile



House price sensitivity of the cover pool

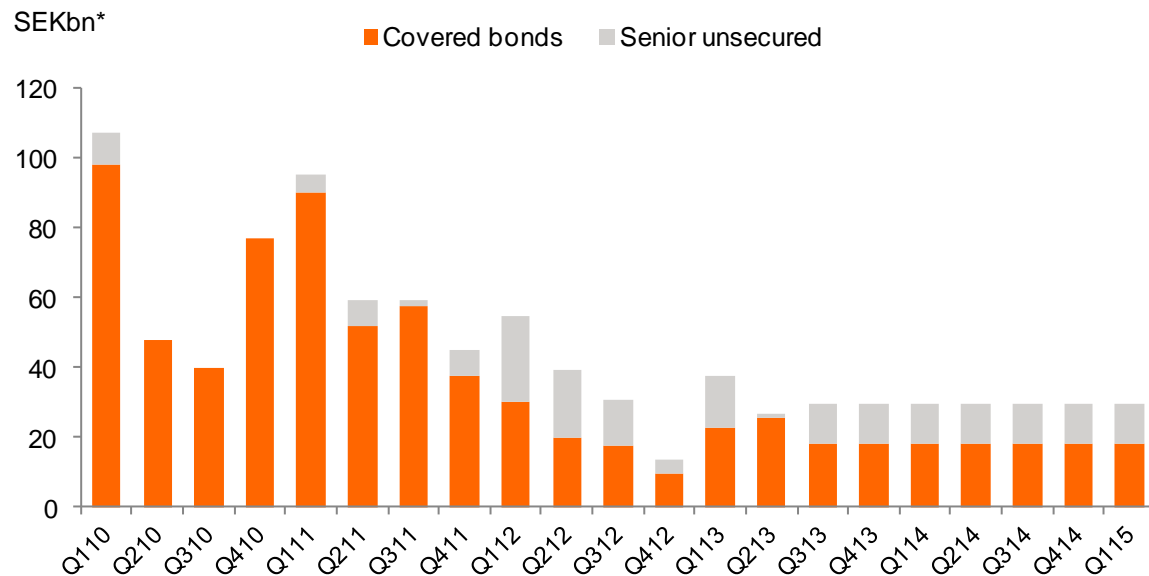


*Nominal amounts

Lower funding needs

- LCR 129% (Swedish FSA definition FFFS 2012:6)
- NSFR 95%

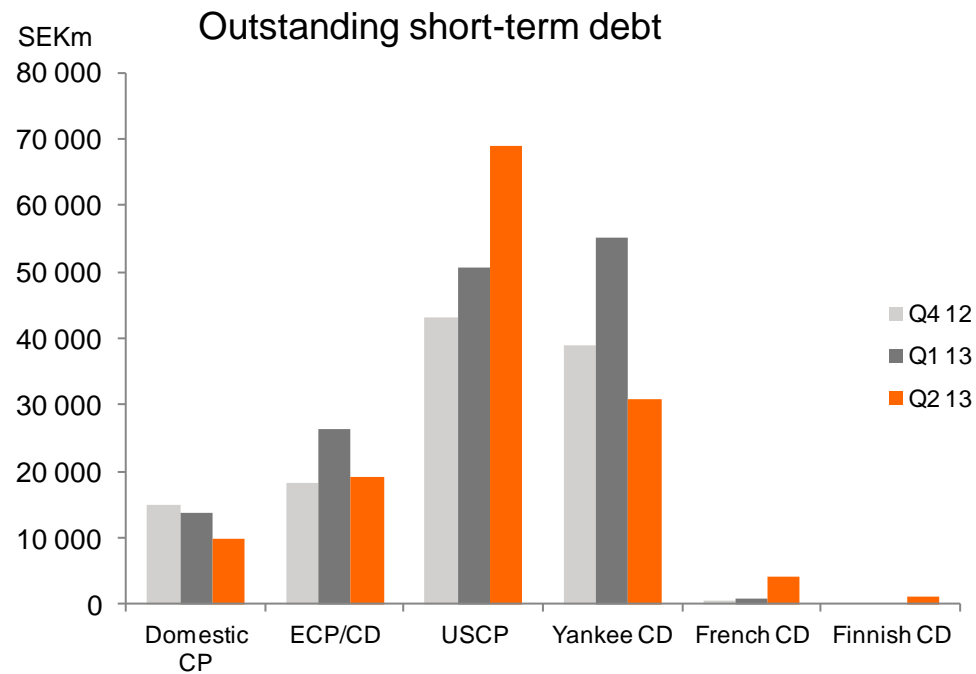
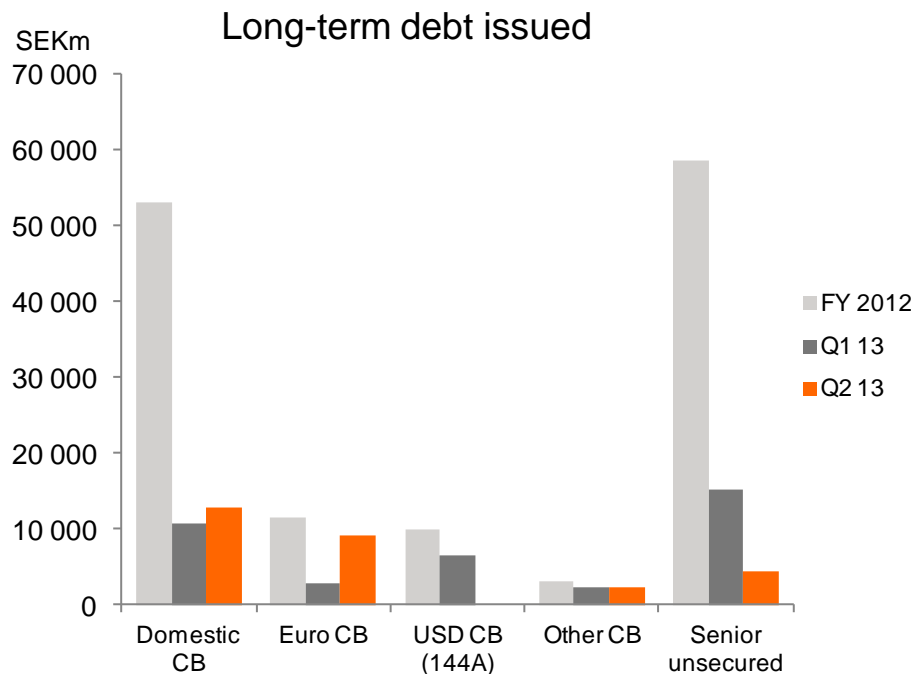
Term funding issuance – completed and planned



*Nominal amounts

Conservative funding plan

- Issued SEK 68bn of term-funding YTD of which SEK 29bn in Q2
- Term funding plan in 2013 of SEK 120bn, full-year maturities of SEK 86bn

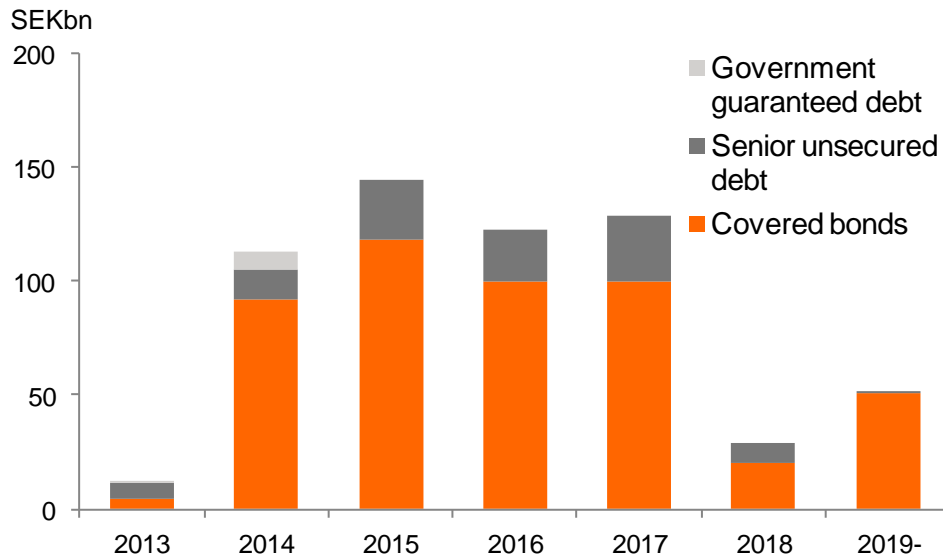


*Nominal amounts

Long-term funding maturity profile

- FY 2013 maturities amount to nominal SEK 86bn, of which SEK 12bn remain

Long-term funding maturity profile



Liquidity reserve

According to the template defined by the Swedish Bankers' Association

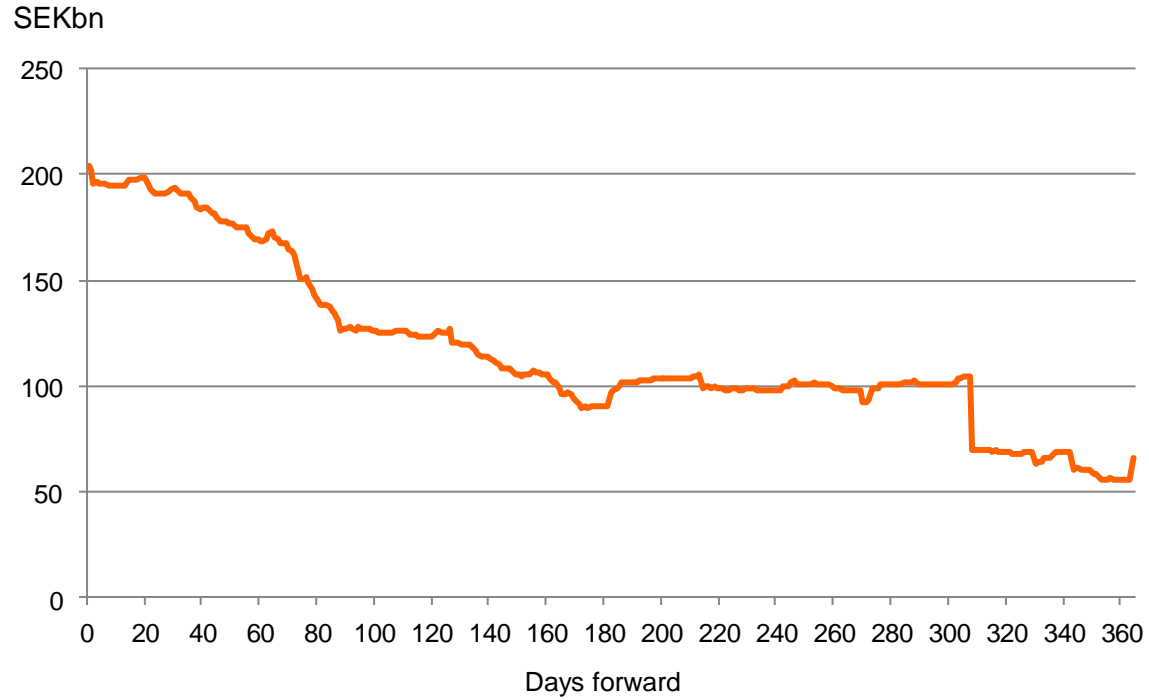
	SEKm
Cash and holdings in central banks	199 879
Deposits in other banks available overnight	351
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	31 058
Securities issued or guaranteed by municipalities or public sector entities	397
Covered bonds	54 981
- Issued by other institutions	54 981
- Own issued	
Securities issued by non-financial corporates	
Securities issued by financial corporates (excl. covered bonds)	2 405
Other	
Total¹	289 071
 Additional liquid assets, Group ^{2, 3}	 30 726

¹ 95% of the securities in the liquidity reserve per Q2 2013 are rated AAA

² 84% 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.

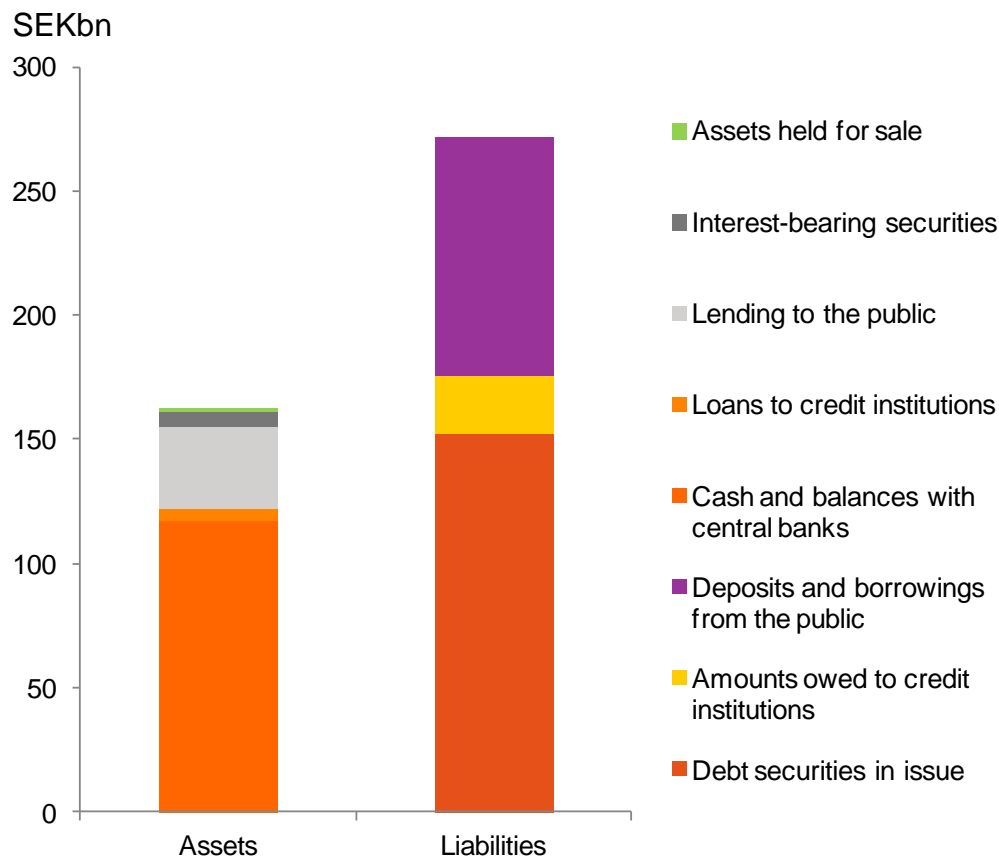
³ 82% of the additional assets are rated AAA

Prolonged survival horizon



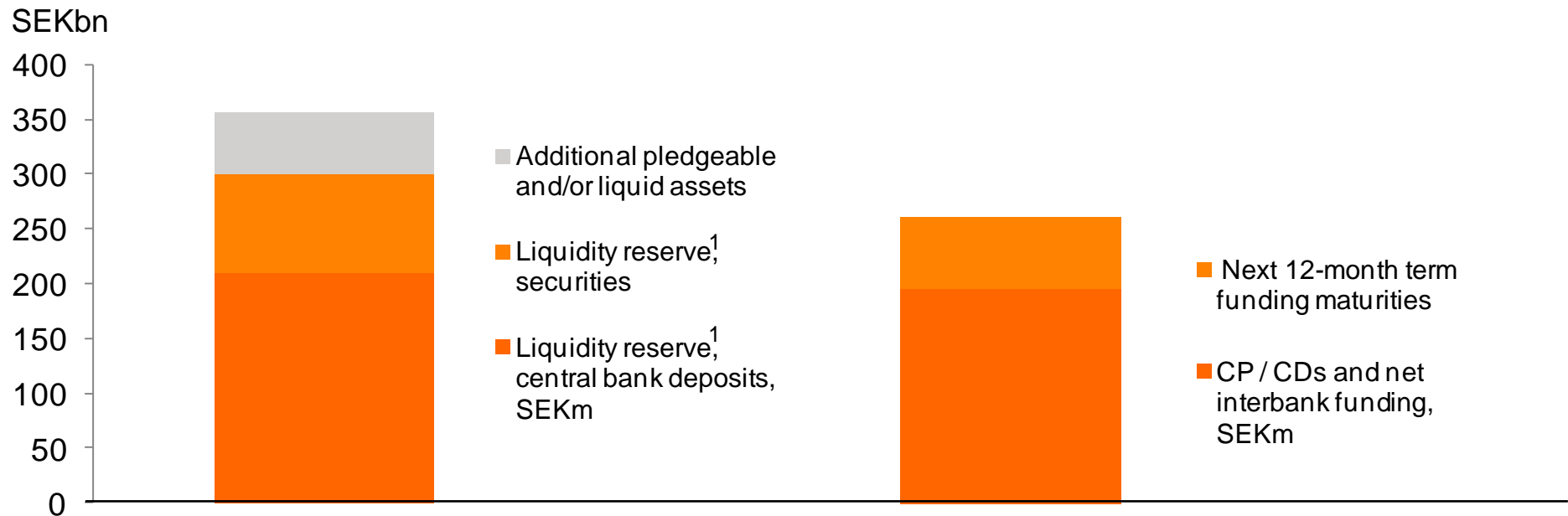
Limited need for USD-funding

- USD-funding need covered for more than 12 months
- Issued USD 1bn of covered bonds (144a) and USD 1bn of senior (144a) YTD 2013



Conservative liquidity levels

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



¹ As defined by the Swedish Bankers' Association

Asset encumbrance

Encumbered assets - distribution by type of liability (row) and asset (column)

SEKm	Central banks and Government debt instruments		Debt instruments issued by credit institutions		Securities issued by corporate and other issuers	Mortgage loans		Cash	Total	of which received collateral (off-balance)
	supranational debt instruments	Covered bonds			ABS					
Central bank funding										
Intraday settlement	2 154		9 132						11 286	7 856
Repurchase agreements 1)	21 343		12 735						34 078	12 183
Derivative 2)	475		722					8 186	9 383	85
Covered bonds 3)						497 628			497 628	
Retained covered bonds issued										
Other 4)				763				401	1 164	
Total	23 972		22 589	763		497 628		8 587	553 539	20 124

Financial assets pledged for insurance policy holders

109 954

Unencumbered assets - additional assets available for secured funding

SEKm	Central banks and Government debt instruments		Debt instruments issued by credit institutions		Securities issued by corporate and other issuers	Mortgage loans		Cash	Total	of which received collateral (off-balance)
	supranational debt instruments	Covered bonds			ABS					
Securities 5, 6)	27 261	11 820	69 658	12 253	8 328	1 003			130 323	25 065
Cover pool over collateralisation 7)							227 036		227 036	
Cover pool eligible assets 8)										
Total	27 261	11 820	69 658	12 253	8 328	1 003	227 036	0	357 359	25 065

1) Repoed securities.

2) Collateral posted under CSA agreements, gross (3-year, SEKm, High: 21 572, Low : 11 054, Average: 13 995).

3) Of which accrued interest of assets in the cover pool, SEK 2 133m as of 30 June 2013.

4) Collateral pledged in securities lending activities and with exchanges.

5) Reversed repos are included.

6) All type of securities, including securities non pledgeable at central banks, of which 80% are rated AAA, 1% are rated below A- and 8% are not rated.

7) Of which accrued interest of assets in the cover pool overcollateralisation, SEK 987m as of 30 June 2013.

8) Securities received as collateral in for example reversed repo transactions that; either have (encumbered) or have not (unencumbered), been used as collateral by Sw edbank.

Swedish mortgage market

- No securitisation (on balance sheet), no sub-prime market, no 3rd party origination, insignificant buy-to-let market
- 70% home ownership¹
- Rental market is regulated
- 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

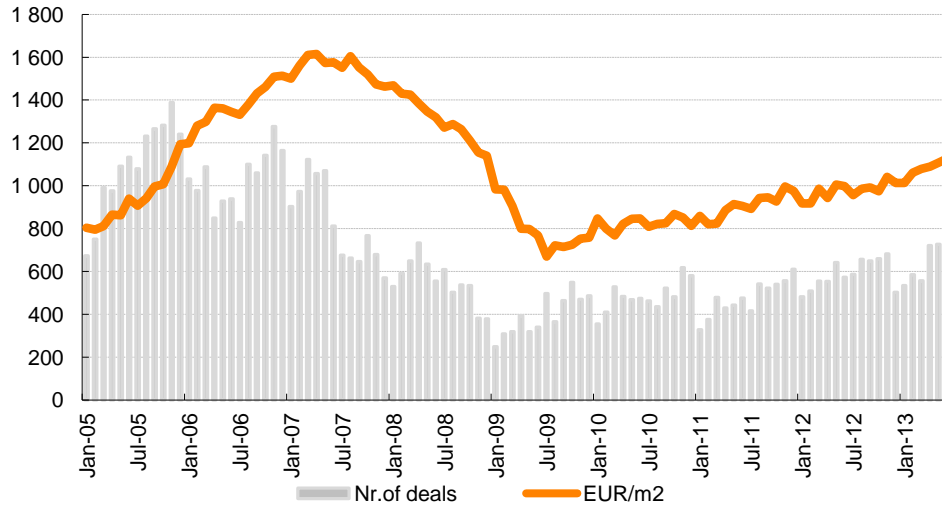
	Single-family homes ¹ 12M Δ	Tenant-owner rights ² 12M Δ	Combined ³ 12M Δ
Jul/12	0%	4%	1%
Aug/12	2%	4%	3%
Sep/12	2%	5%	3%
Oct/12	1%	6%	3%
Nov/12	3%	7%	4%
Dec/12	4%	7%	6%
Jan/13	3%	7%	5%
Feb/13	4%	7%	5%
Mar/13	3%	7%	5%
Apr/13	2%	8%	4%
May/13	4%	8%	5%
Jun/13	4%	10%	6%

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

Real estate prices

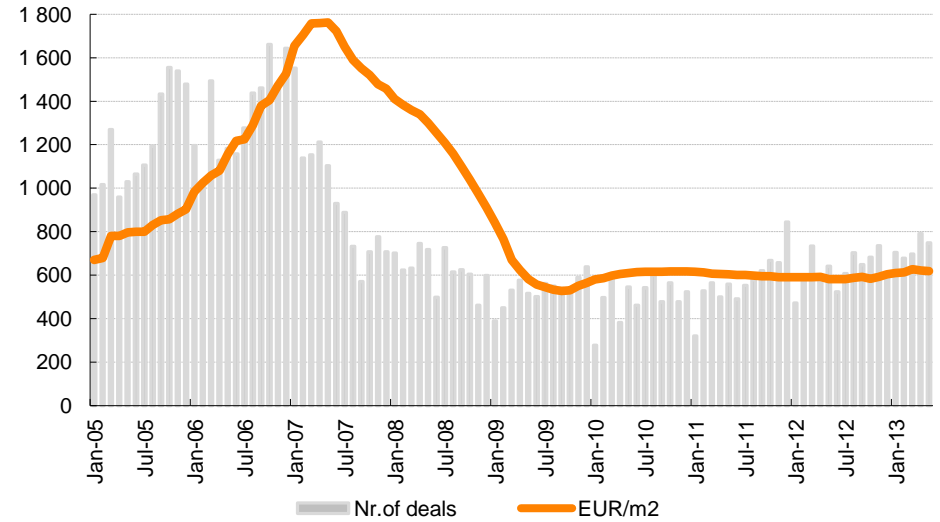
Baltic countries

Tallinn



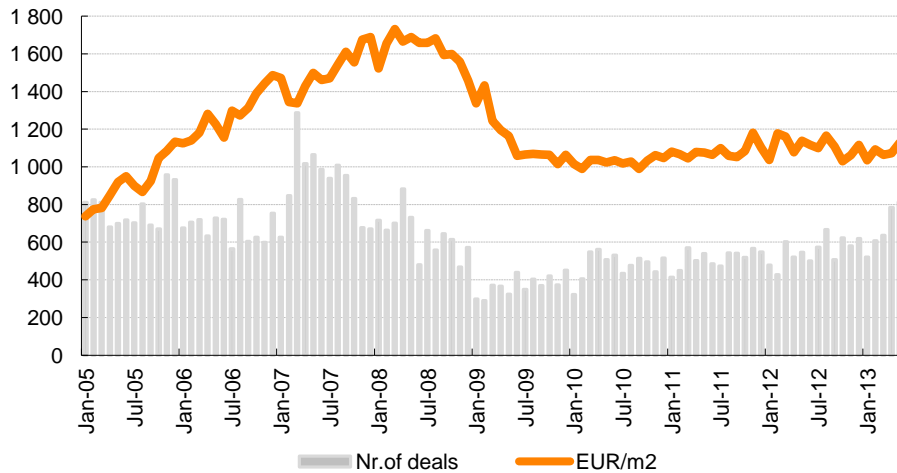
Source: Swedbank, Estonian Land Board

Riga



Source: Land book database

Vilnius



Source: Swedbank, State Enterprise Centre of Registers

Mortgage loans, gross margin (3 months)

