

# Swedbank debt investor presentation Q3 2012

October



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# 1. Financial performance

## Profitable quarter

SEKm	Q2	Q3	▲ Q/Q	YTD
Net interest income	5 252	5 263	+11	15 723
Net commissions	2 346	2 381	+35	7 132
Net gains and losses	455	568	+113	1 782
Other income	844	839	-5	2 492
<b>Total income</b>	<b>8 897</b>	<b>9 051</b>	<b>+154</b>	<b>27 129</b>
<b>Total expenses</b>	<b>4 251</b>	<b>3 998</b>	<b>-253</b>	<b>12 662</b>
<b>Profit before impairments</b>	<b>4 646</b>	<b>5 053</b>	<b>+407</b>	<b>14 467</b>
Credit impairments	300	204	-96	676
Impairment of tangible assets	125	102	-23	267
<b>Profit for the period</b>	<b>3 162</b>	<b>3 511</b>	<b>+349</b>	<b>10 098</b>
<b>ROE, %</b>	<b>13.0</b>	<b>14.1</b>		<b>13.7</b>
<b>C/I</b>	<b>0.48</b>	<b>0.44</b>		<b>0.47</b>
<b>CT-1 ratio %, Basel 2</b>	<b>16.6</b>	<b>17.3</b>		<b>17.3</b>

- Stable NII
  - Shrinking deposit margins
  - Continued repricing
  - Negative FX impact
- Cost management ahead of plan
- Stable asset quality
- Capital position further strengthened

Source: Swedbank

# Stable development

SEKm	Q1	Q2	Q3	▲Q/Q
Net interest income	3 407	3 404	3 447	+43
Net commissions	1 261	1 248	1 269	+ 21
<b>Total income</b>	<b>5 123</b>	<b>5 138</b>	<b>5 209</b>	<b>+71</b>
<b>Total expenses</b>	<b>2 342</b>	<b>2 345</b>	<b>2 357</b>	<b>+12</b>
<b>Profit before impairments</b>	<b>2 781</b>	<b>2 793</b>	<b>2 852</b>	<b>+59</b>
Credit impairments	24	100	69	-31
ROE, %	26.5	24.6	24.4	
C/I ratio	0.46	0.46	0.45	

- Deposit margins pressure
- Repricing lending
- Solid asset quality

## Improved profitability trend

SEKm	Q1	Q2	Q3	▲Q/Q
Net interest income	887	825	852	+27
- of which LC/FI*	652	666	689	+23
Net commissions	434	346	379	+33
Net gains and losses	648	316	341	+25
<b>Total income</b>	<b>1 980</b>	<b>1 499</b>	<b>1 581</b>	<b>+82</b>
Expenses excl. variable staff costs	607	602	638	+36
Variable staff costs	106	118	66	-52
<b>Profit before Impairments</b>	<b>1 267</b>	<b>779</b>	<b>877</b>	<b>+98</b>
Credit impairments	14	54	-35	-89

ROE, %	19.1	9.8	14.2
C/I	0.36	0.48	0.45

- Continued growth in Large Corporates NII
- Lending growth
- High debt capital market activity
- Investment banking slow

\* Large Corporates/Financial Institutions

## NII hurt by lower interest rates and FX

SEKm	Q1	Q2	Q3	▲Q/Q
Net interest income	912	870	755	-115
Net commissions	371	378	360	-18
<b>Total income</b>	<b>1 452</b>	<b>1 430</b>	<b>1 273</b>	<b>-157</b>
<b>Total expenses</b>	<b>620</b>	<b>588</b>	<b>553</b>	<b>-35</b>
<b>Profit before impairments</b>	<b>832</b>	<b>842</b>	<b>720</b>	<b>-122</b>
Credit impairments	-134	-204	-18	+186
<hr/>				
ROE, %	14.5	14.8	11.0	
C/I	0.43	0.41	0.43	

- Lower Euribor affected NII
- Negative FX effect
- Small lending growth in EUR

## Cost reduction ahead of plan

- Target to reduce costs by SEK 1bn 2012
- Staff costs -441m and consultancy costs -208m year on year

Cost trend (SEKm)	YTD 2011	YTD 2012	▲ YTD
<b>Total expenses</b>	<b>13 452</b>	<b>12 662</b>	<b>-790</b>
Variable staff costs	-348	-581	
Compensation to savings banks	-392	-457	
Restructuring cost Q3 2011 Ukraine	-100		
FX effects	-51		
<b>Underlying cost</b>	<b>12 561</b>	<b>11 624</b>	<b>-937</b>



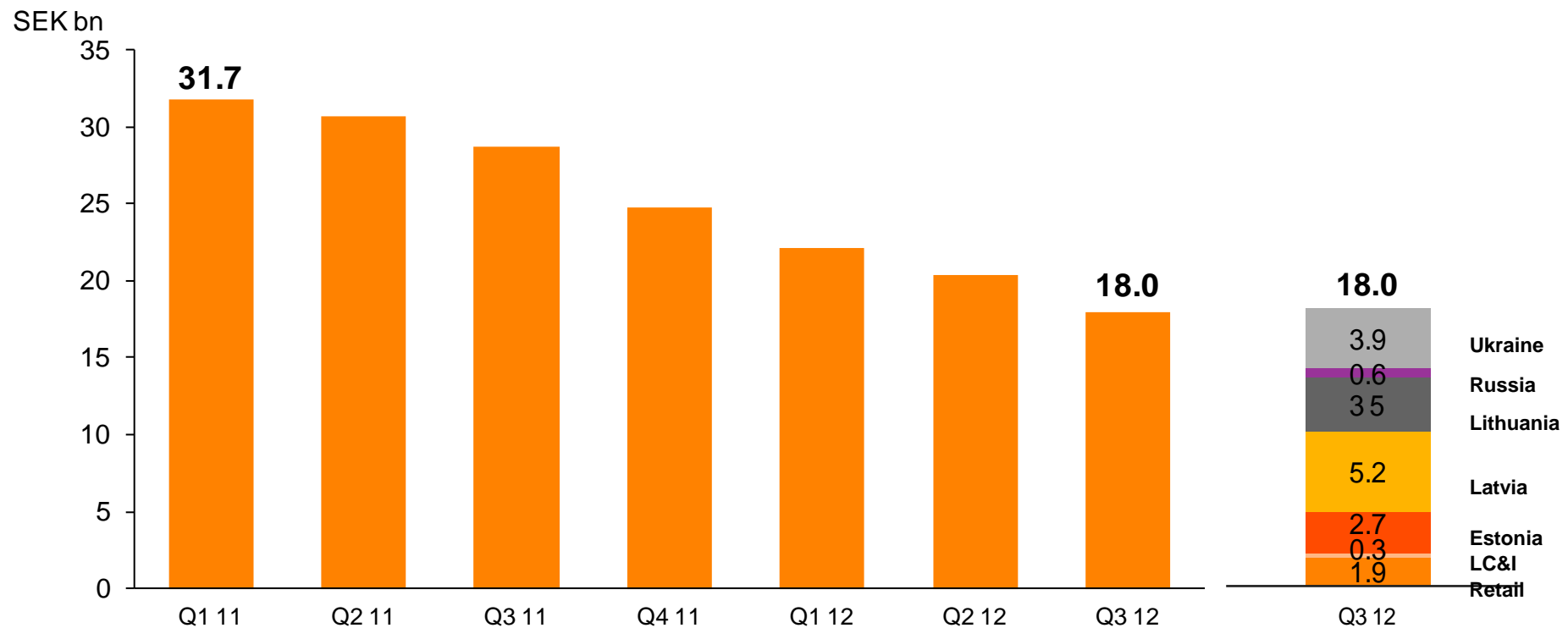
## Stable asset quality

Credit impairments (SEKm)	Q2	Q3
<b>Retail</b>	<b>100</b>	<b>69</b>
<b>LC&amp;I</b>	<b>54</b>	<b>-35</b>
<b>Baltic Banking</b>	<b>-204</b>	<b>-18</b>
Estonia	-25	2
Latvia	-197	8
Lithuania	18	-28
<b>Group Functions &amp; Other</b>	<b>350</b>	<b>188</b>
Russia	24	28
Ukraine	325	140
Other	1	20
<b>Swedbank Group</b>	<b>300</b>	<b>204</b>

- Continued high credit quality in Sweden
- Exit costs Ukraine continues
- Macro outlook continues to weaken

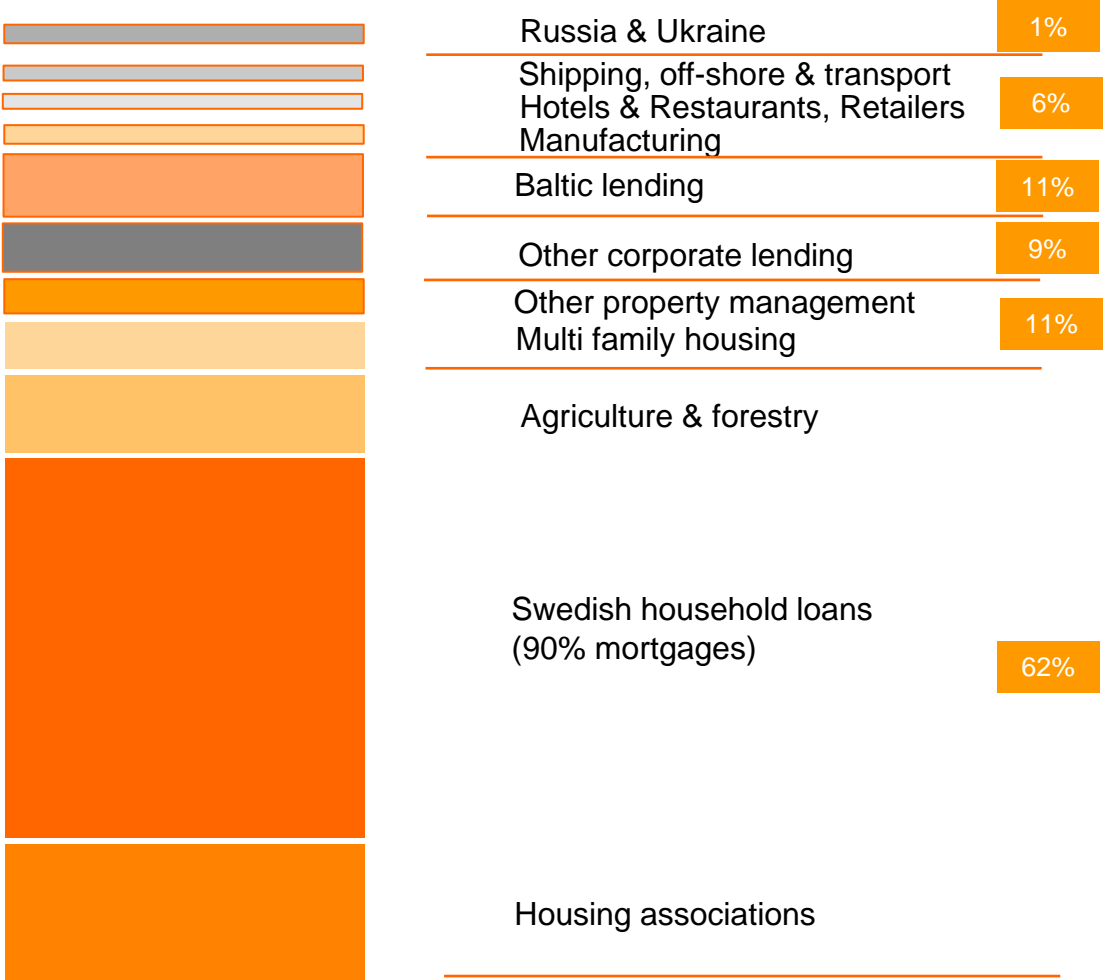
# Enhanced focus on crisis portfolio workout

- Impaired loans decreased SEK 2.4bn in Q3 to SEK 18bn
- Vast majority of impaired loans from crisis portfolio



Source: Swedbank

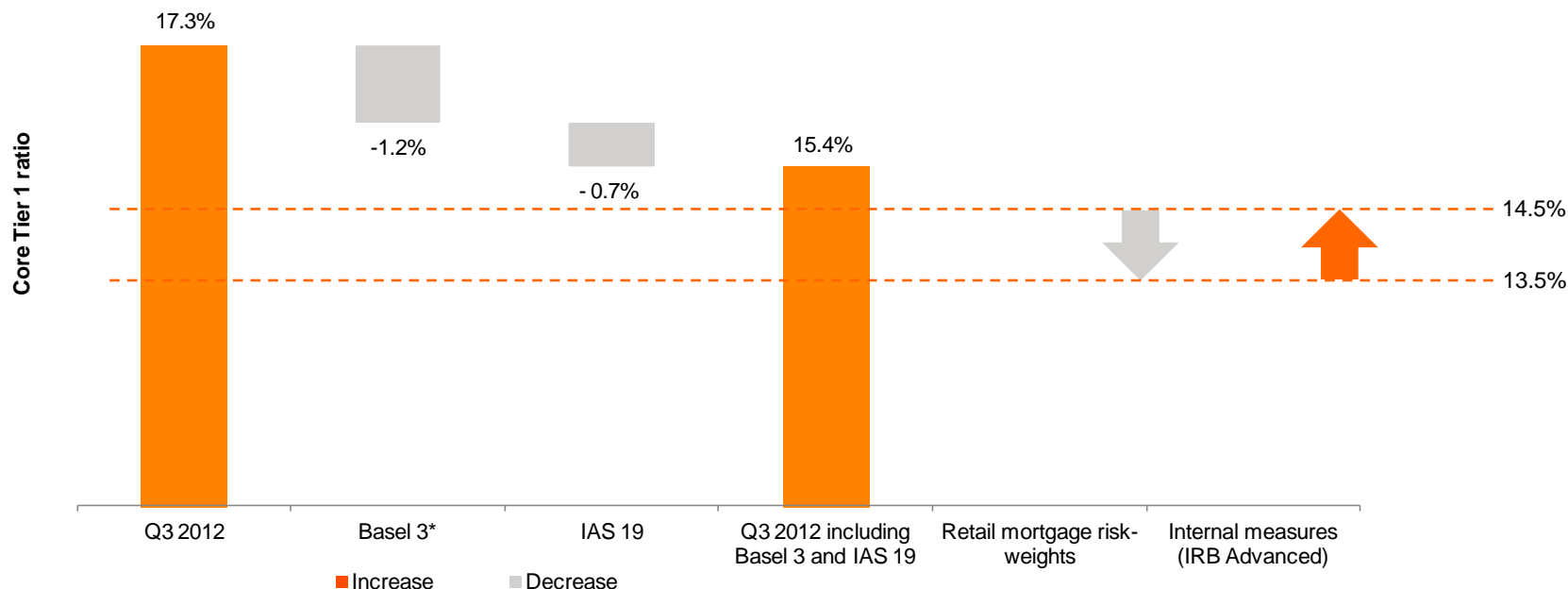
# Asset portfolios



Source: Swedbank

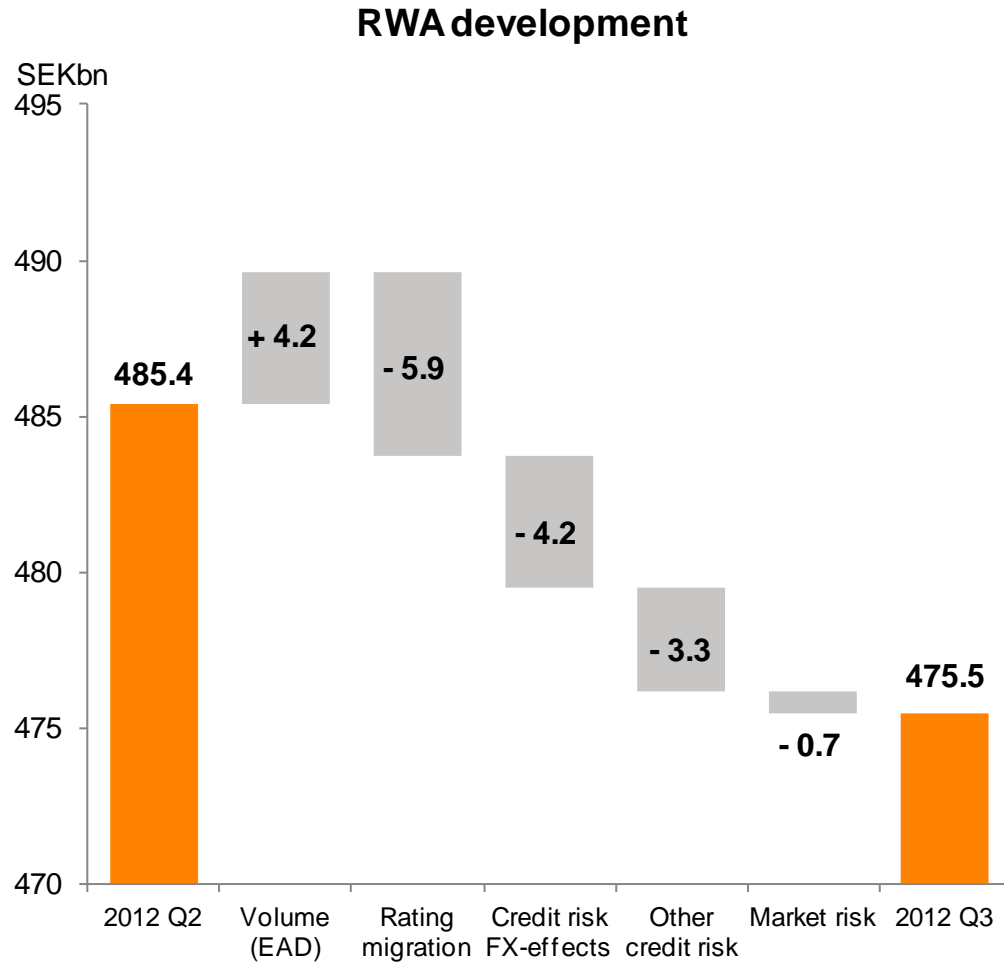
## Strong capitalisation

- Management expectation: CT1 ratio of 13.5-14.5% (full Basel 3)
- Average Swedish mortgage RWA of 10-15% would impact CT1 ratio negatively with 1.0-1.9 percentage points
- Return target of 15%



Source Swedbank , Sep 30 2012 \* Swedbank 's estimate on current proposal

# Reduced RWA – continued focus



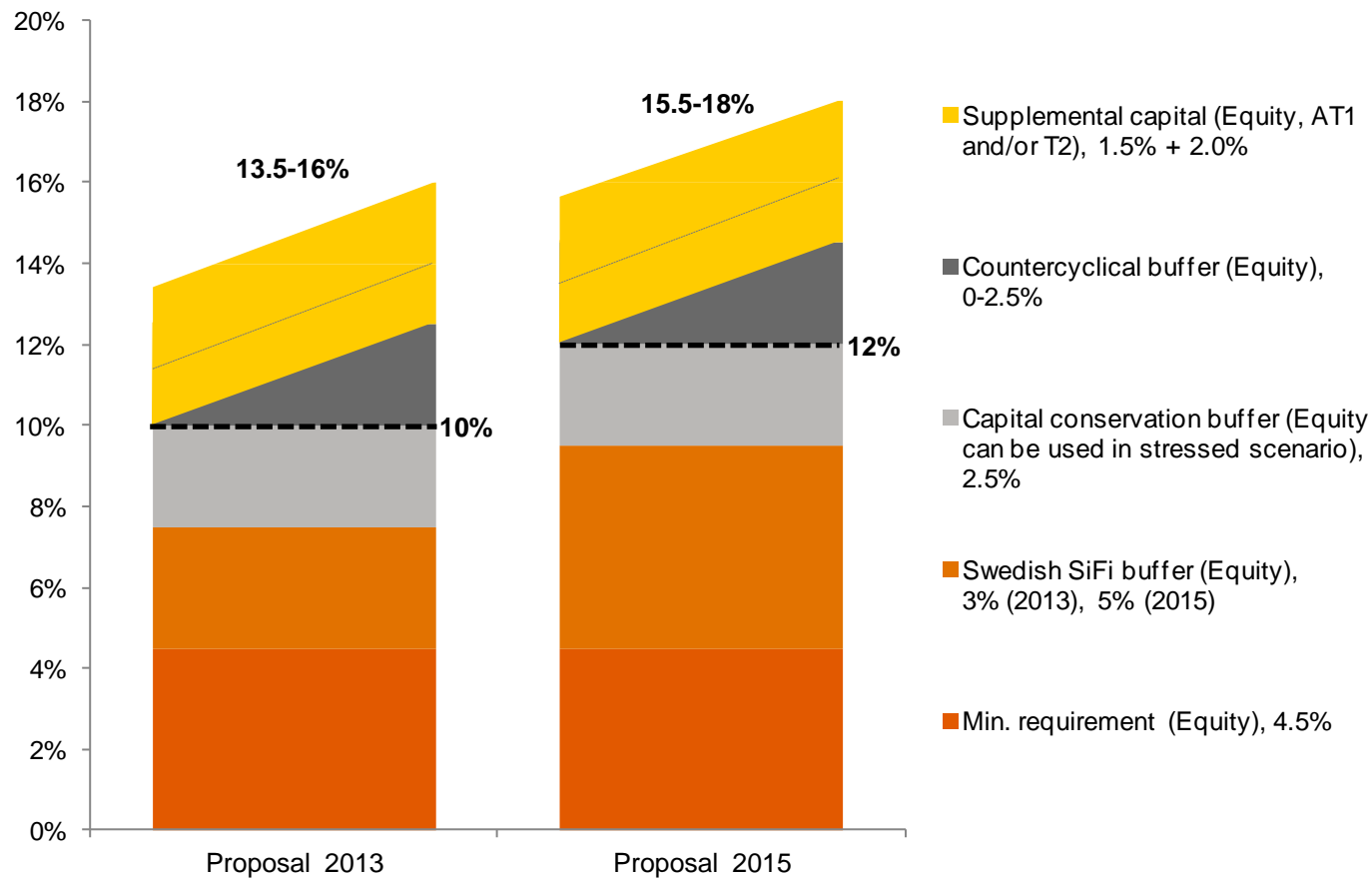
- RWAs declined with SEK 10bn in Q3

- Positive PD changes
- FX effect

Source: Swedbank

# Swedish capital requirement proposal

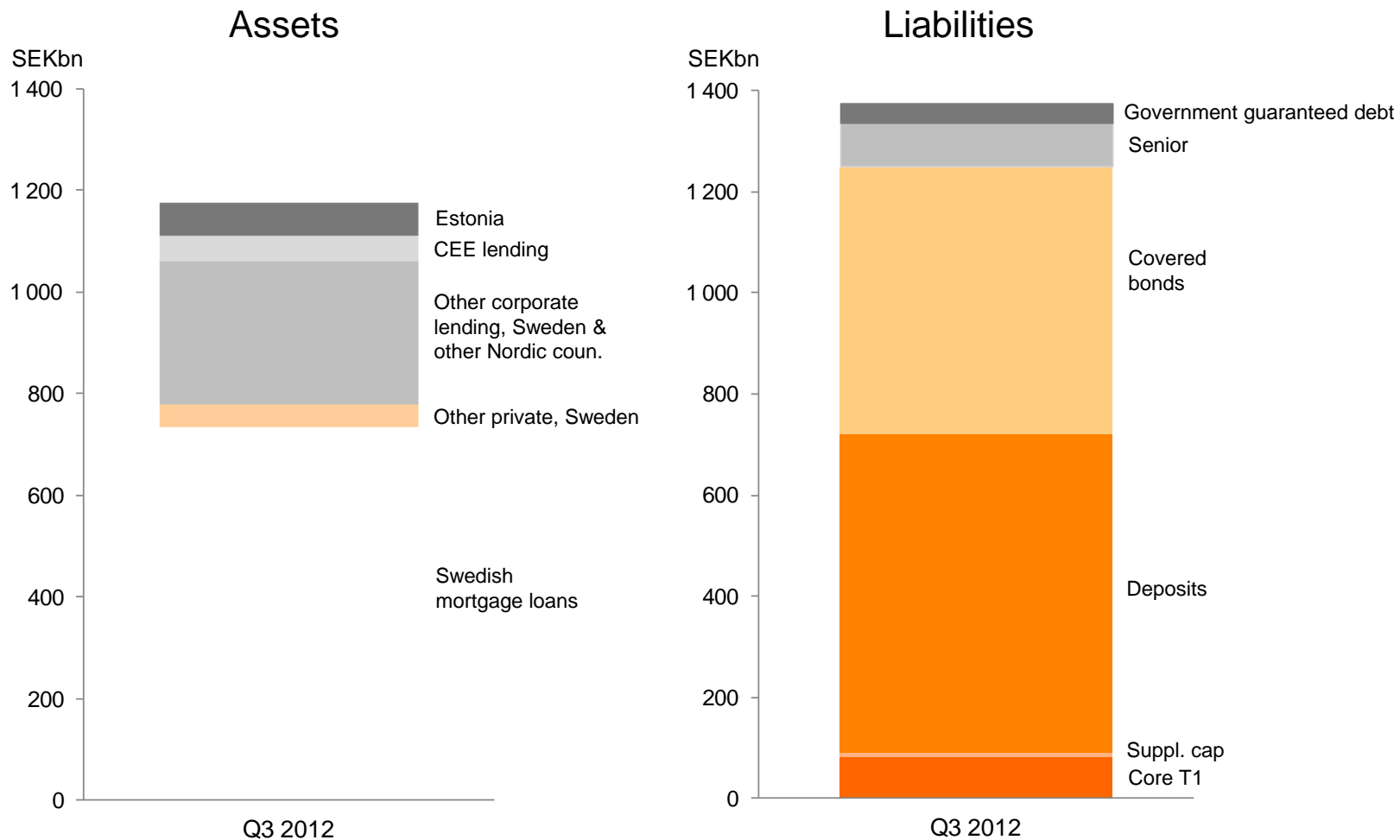
- Delayed, earliest implementation mid of 2013



Source: The Ministry of Finance, the Riksbank and the Swedish FSA

## 2. Liquidity and funding

# Core balance sheet\* structure



Source: Swedbank, Sep 30 2012 \* Simplified balance sheet

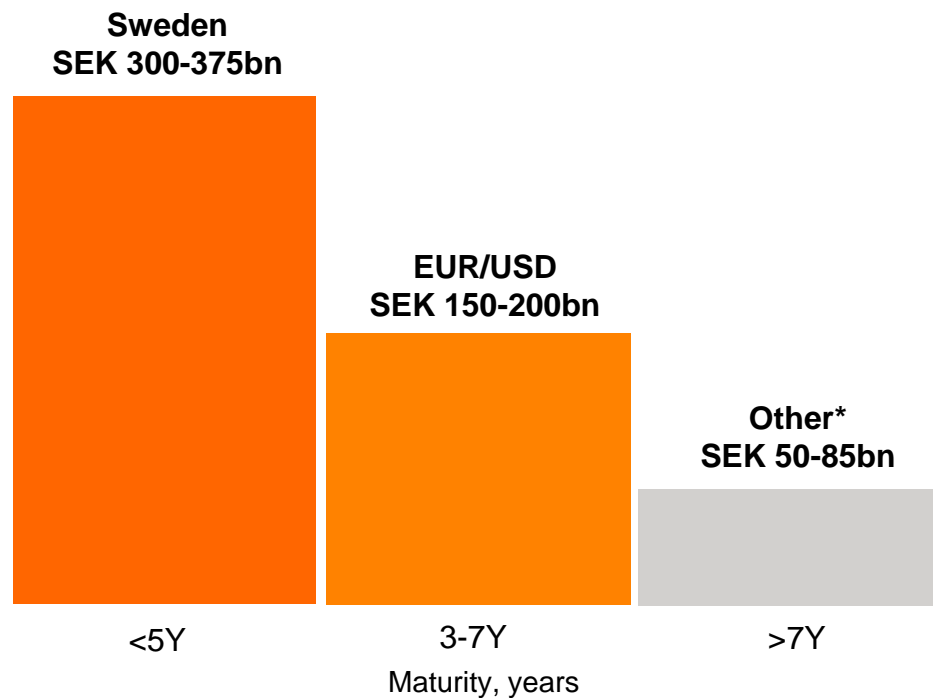
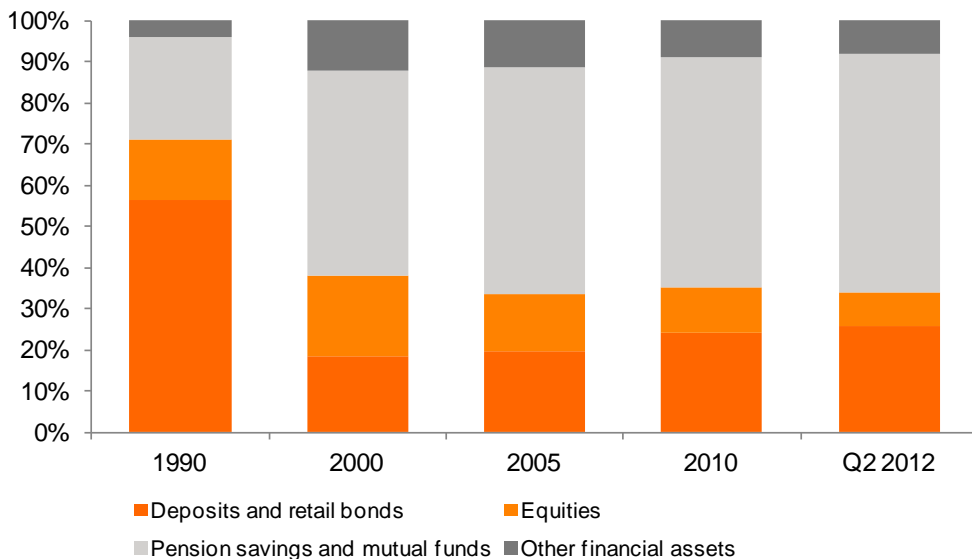


# Wholesale funding strategy

- Main internal liquidity measure is survival horizon (accumulated cash-flows)
- Covered bonds less volatile than senior unsecured debt
- Secure presence in senior unsecured debt markets
  - OC level
  - Liquidity reserve
  - Structural subordination

# Covered bond strategy

Swedish households' financial assets

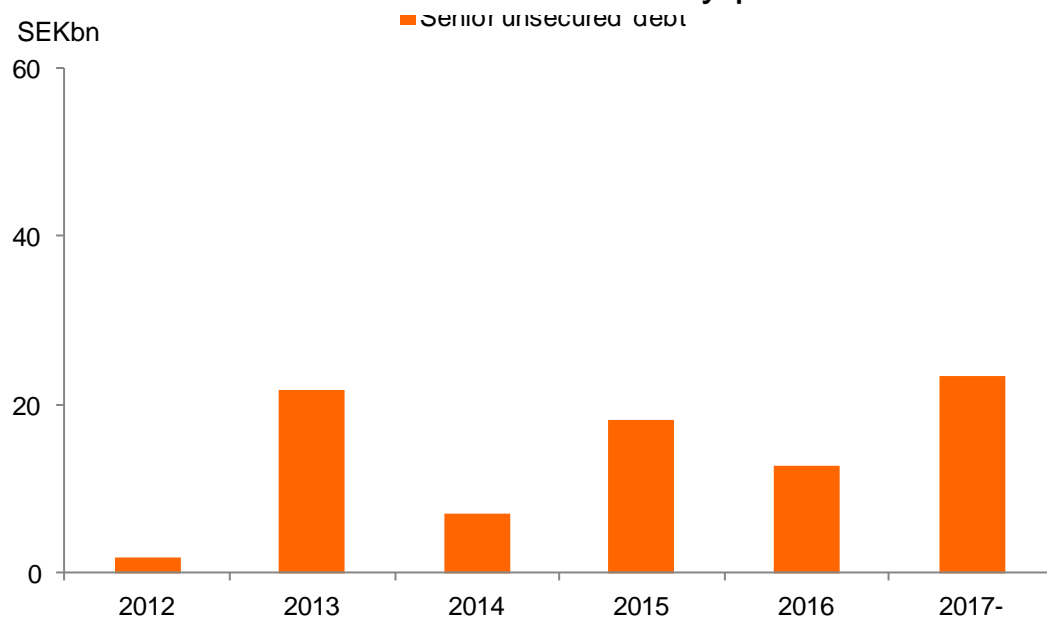


Source: Statistics Sweden "Hushållens ställning", Aug 30, 2012

# Senior unsecured debt strategy

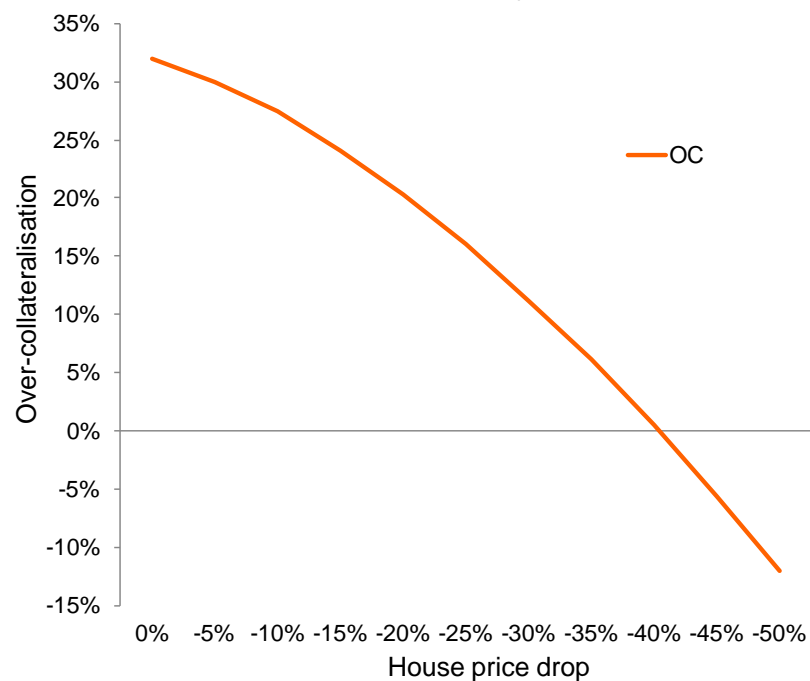
- Limited need given Swedbank's balance sheet structure
- Secure OC
- Fund liquidity reserves

Senior unsecured debt maturity profile



Source: Swedbank, Sep 30, 2012, nominal amounts

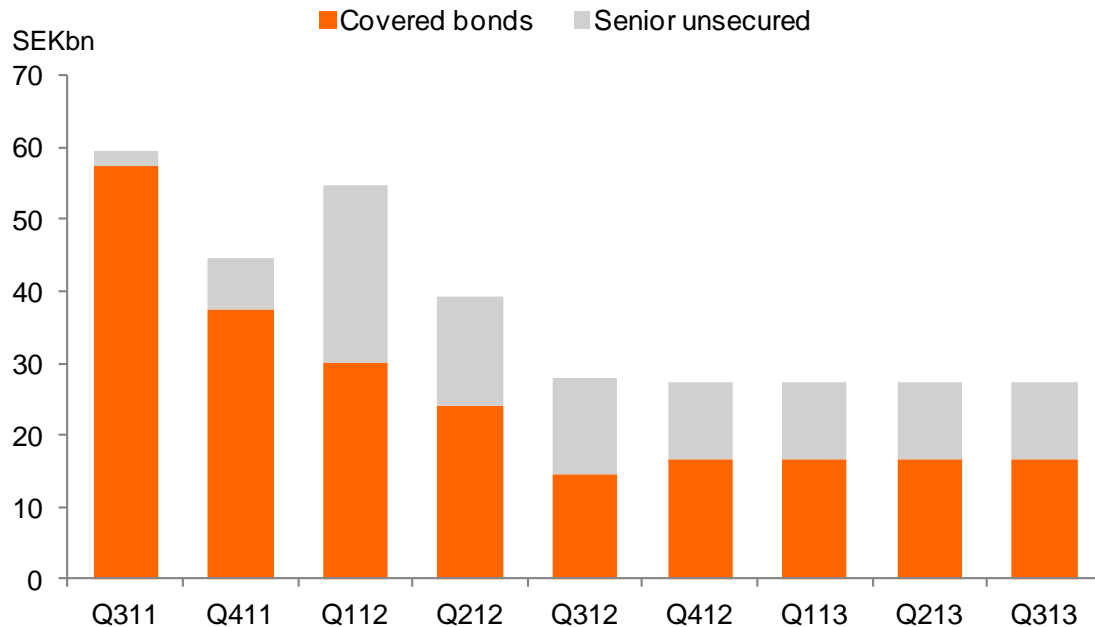
House price sensitivity of the cover pool



# Funding plan 2012 completed

- Increased liquidity buffers
- LCR 144% and NSFR 94%
- Broadened and deepened investor base

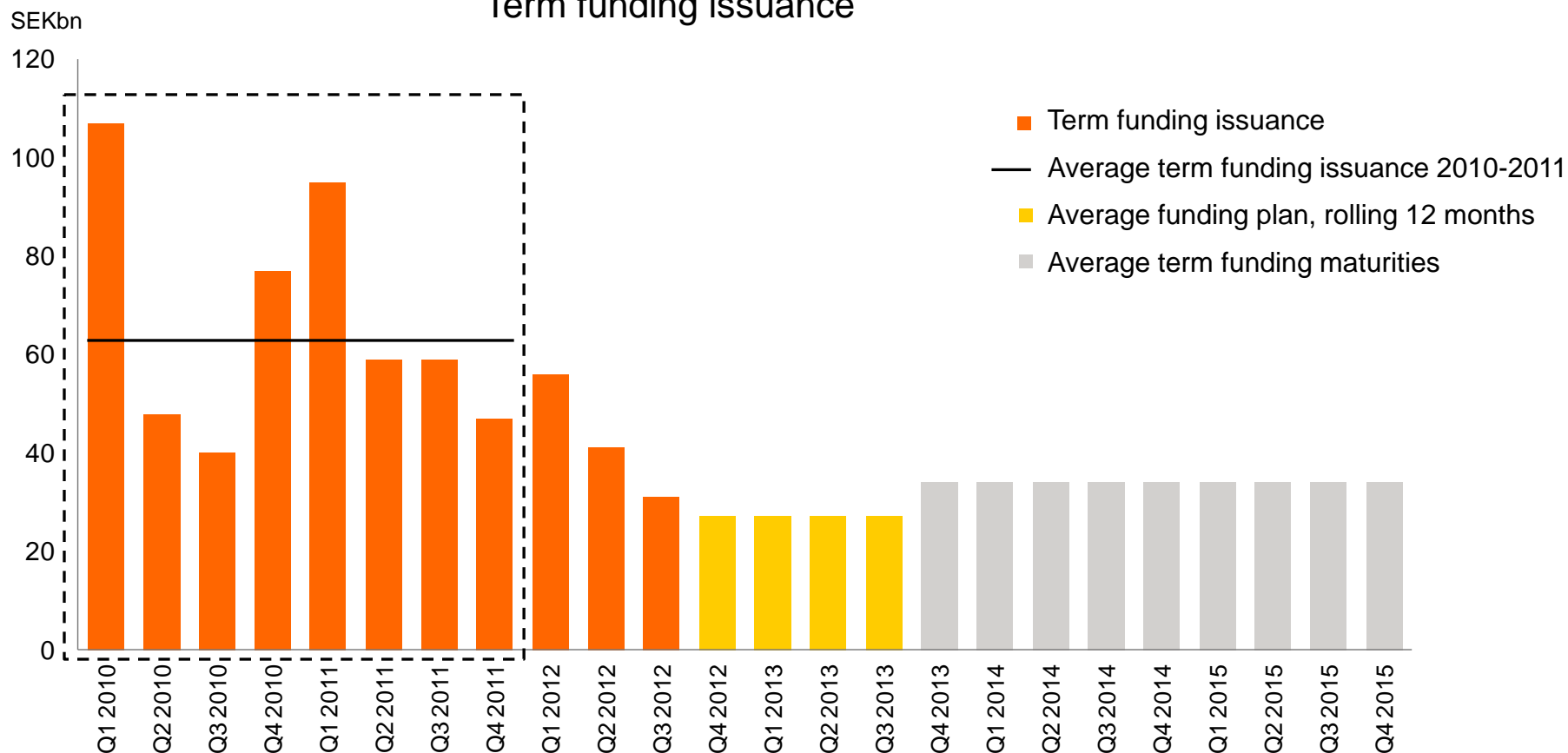
## Term funding issuance – completed and planned



Source: Swedbank, Sep 30, 2012

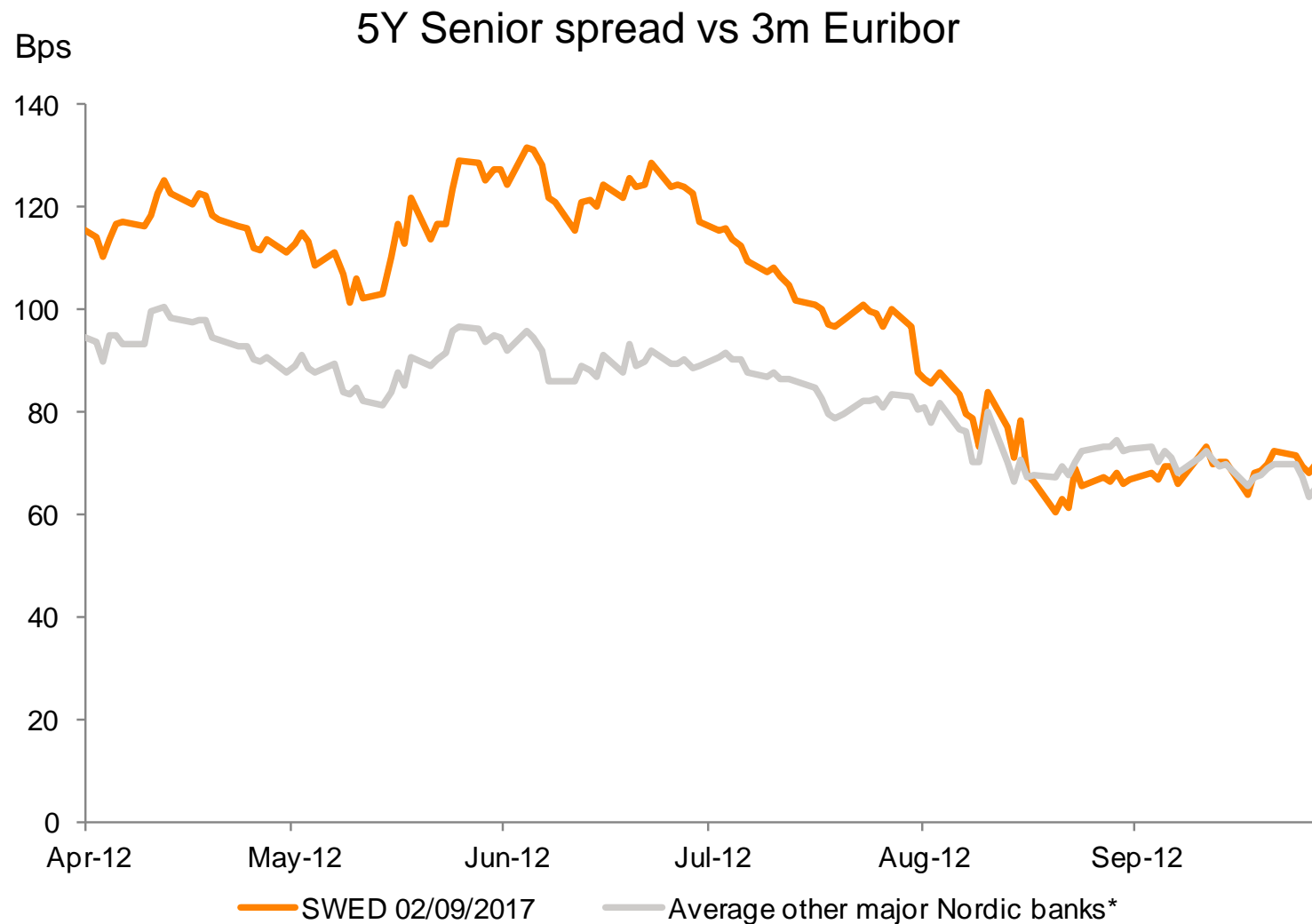
# Lower issuance volumes going forward

Term funding issuance



Source: Swedbank, Sep 30, 2012

# Relative funding cost in focus and improving

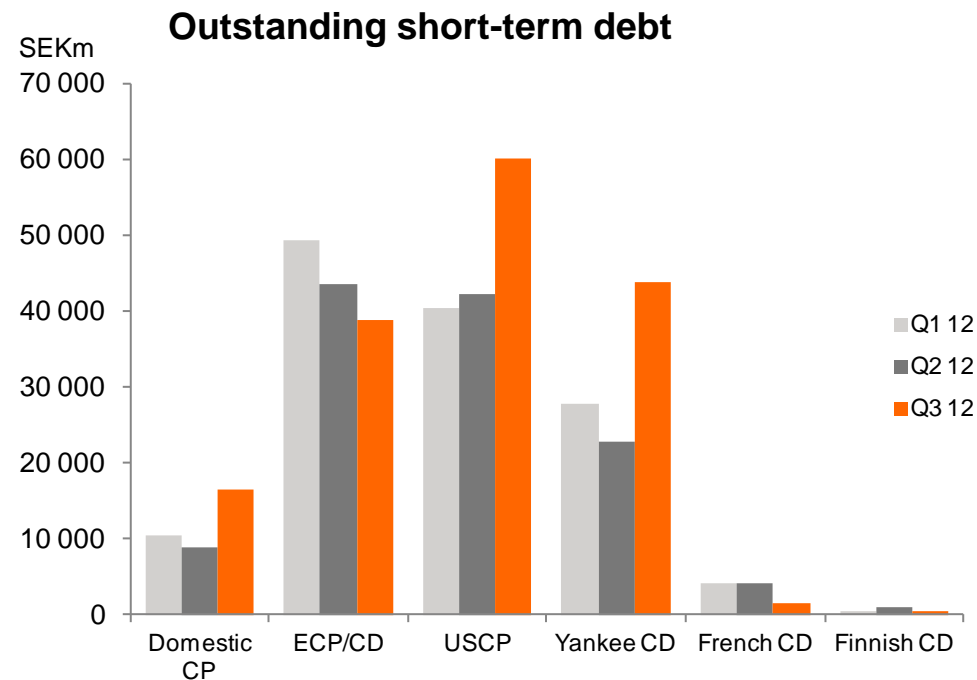
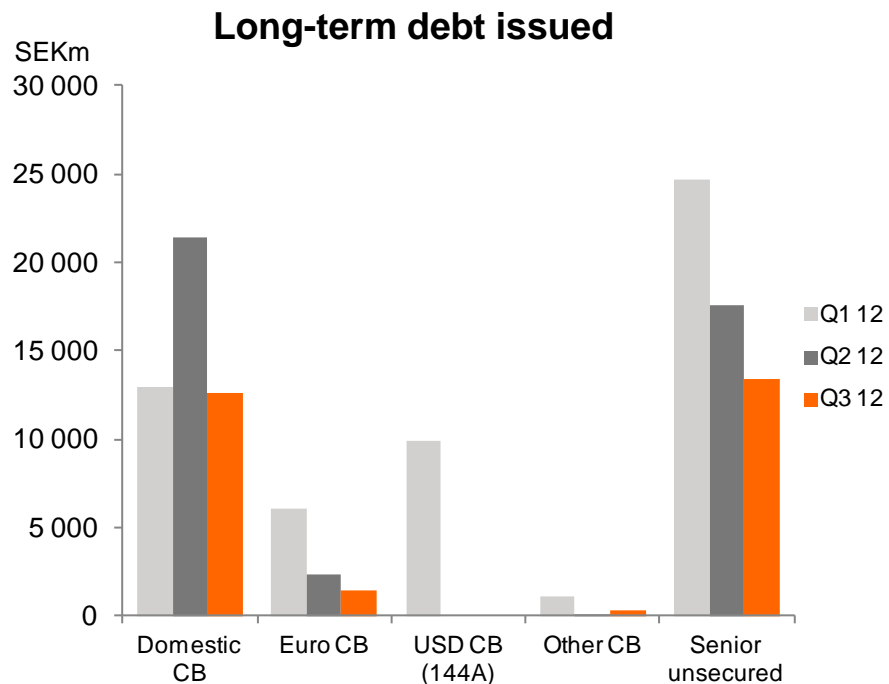


Source: Thomson Reuters and Swedbank

\* SEB, Nordea, Handelsbanken and Danske Bank

# Short- and long-term funding issuance YTD

- Term funding issued YTD of SEK 128bn



Source: Swedbank, Sep 30, 2012, nominal amounts

# Liquidity reserve

According to the template defined by the Swedish Bankers' Association

	SEKm
Cash and holdings in central banks	213 310
Deposits in other banks available overnight	301
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	21 532
Securities issued or guaranteed by municipalities or Public sector entities	381
Covered bonds	57 994
- Issued by other institutions	57 994
- Own issued	
Securities issued by non-financial corporates	
Securities issued by financial corporates (excl. covered bonds)	2 683
Other	
<b>Total<sup>1</sup></b>	<b>296 202</b>
Additional liquid assets, Group <sup>2</sup>	84 420

<sup>1</sup> 95% of the securities in the liquidity reserve per Q3 2012 are rated AAA

<sup>2</sup> 90% 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.

Source: Swedbank Fact book, Sep 30, 2012



# Asset encumbrance

## Distribution by type of liability and asset

SEKm	Government debt instruments	Central banks and supranational debt instruments	Covered bonds	Debt instruments issued by credit institutions	Securities issued by corporate and other issuers	ABS	Mortgage loans	Cash	Total
Central bank funding									
Intraday settlement collateral 1)	2		10 189	42					10 233
Repurchase agreements 1)	22 488		11 328						33 816
Derivative collateral 2)	171		1 072					20 329	21 572
Covered bonds 3)						524 249			524 249
Accrued interest of assets in the cover pool							2 252		2 252
<b>Total</b>	<b>22 661</b>		<b>22 589</b>	<b>42</b>		<b>526 501</b>	<b>20 329</b>		<b>592 122</b>
Financial assets pledged for insurance policy holders									103 083

## Additional assets available for secured funding 4)

SEKm	Government debt instruments	Central banks and supranational debt instruments	Covered bonds	Debt instruments issued by credit institutions	Securities issued by corporate and other issuers	ABS	Mortgage loans	Cash	Total
Securities 5, 6)	29 745	4 703	100 758	12 558	8 130	847			156 741
Cover pool (over collateralisation) 3)							167 557		167 557
Cover pool eligible assets 7)							11 463		11 463
<b>Total</b>	<b>29 745</b>	<b>4 703</b>	<b>100 758</b>	<b>12 558</b>	<b>8 130</b>	<b>847</b>	<b>179 020</b>		<b>335 761</b>

1) Pledged or repoed securities on balance sheet.

2) Collateral posted under CSA agreements, gross (3-year, SEKm, High: 21 572, Low : 9 796, Average: 13 283).

3) Nominal amount excluding accrued interest.

4) Assets not currently encumbered.

5) Reversed repos are included.

6) All type of securities, including securities non pledgeable at central banks, of which 83% are rated AAA, 3% are rated below A- and 7% are not rated.

7) Type of loans; Residential 84.7%, Forestry & Agriculture 15.2%, Commercial 0.1%.

Source: Swedbank Facts Q3 2012

- What is “right” level of asset encumbrance?
  - Different quality of encumbrance: asset-liability matched vs. mismatched
  - Country specific characteristics
  - Business model
- Balance between PD and LGD
- Risks
  - Bail in legislation swing factor?
  - Regulation
  - Market practice



### 3. Cover pool data

# Cover pool data<sup>1</sup>

Rating, S&P / Moody's	AAA / Aaa
Total pool size	SEK 691.8bn
Geographic distribution	Sweden 100%
Current OC-level	32.0%
Weighted average seasoning <sup>2</sup>	62 months
Average LTV <sup>3, 4</sup>	
– WA LTV on property level (Max LTV)	58%
Non-performing loans <sup>5</sup>	None
Fixed /Floating interest loans <sup>6</sup>	
– Fixed	41%
– Floating	59%
Repayment structure <sup>7</sup>	
– Amortising	44%
– Interest only	56%
Average loan size	SEK 438 528
Number of loans outstanding	1 577 565
Number of borrowers	1 141 259
Number of properties	749 459
Dynamic pool	Yes

<sup>1</sup> As per Sep 30, 2012

<sup>2</sup> Public sector loans not included

<sup>3</sup> Index valuation as per Sep 30, 2012

<sup>4</sup> Maximum LTV: Residential 75%, Commercial 60%, Forest and Agriculture 70%

<sup>5</sup> Past due loans > 60 days are not eligible for the cover pool

<sup>6</sup> Floating interest loans < 365 days

<sup>7</sup> Property level of cover pool

# Cover pool data

## Type of loans

Residentials	91.1%
of which Single-family housing	61.1%
of which Tenant owner rights	16.1%
of which Tenant owner association	9.6%
of which Multi-family housing	4.3%
Public	1.5%
Commercial	0.2%
Forest & Agricultural	7.2%
	<b>100.0%</b>



## Geographical distribution - Sweden 100%

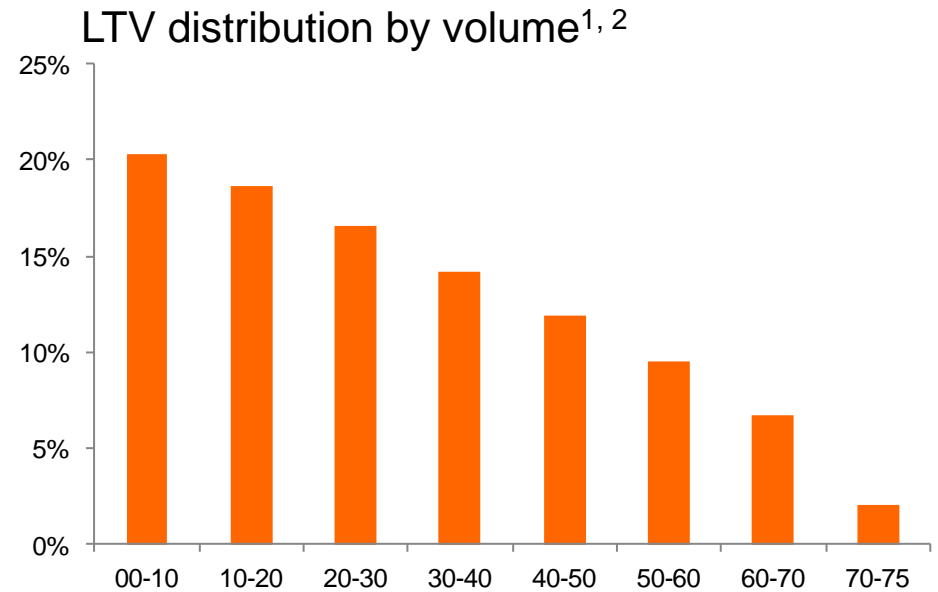
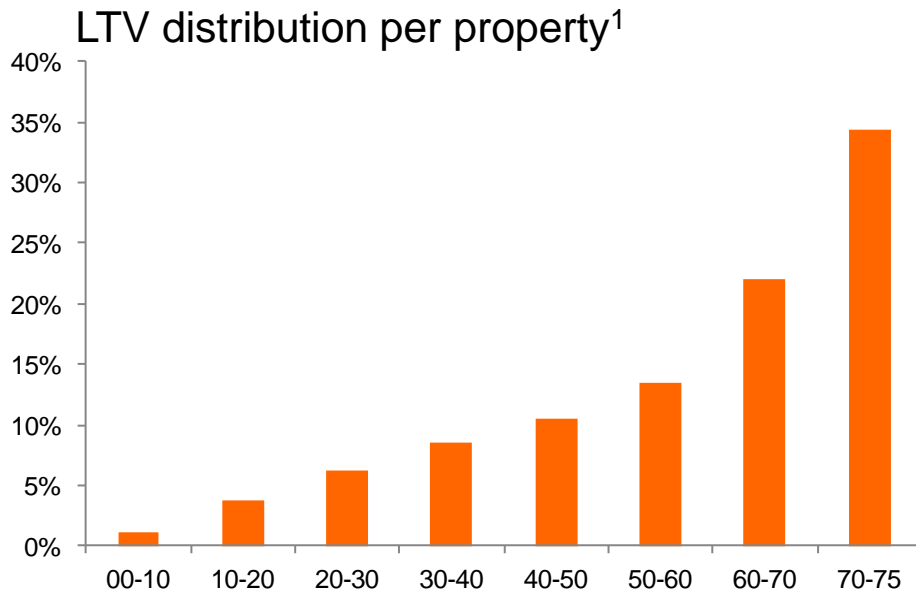
30-Jun  
2012

<b>North</b>	<b>6,8%</b>
Norrbotten county (BD)	1,5%
Västerbotten county (AC)	2,5%
Västernorrland county (Y)	1,6%
Jämtland county (Z)	1,2%
<b>Middle (including Stockholm)</b>	<b>44,4%</b>
Dalarna county (W)	2,3%
Gävleborg county (X)	2,2%
Värmland county (S)	2,3%
Örebro county (T)	2,6%
Västmanland county (U)	2,7%
Uppsala county (C)	4,0%
Södermanland county (D)	2,7%
Stockholm county (including Stockholm) (AB)	25,6%
<b>South (including Göteborg and Malmö)</b>	<b>48,8%</b>
Västra götaland county (Including Göteborg) (O)	17,0%
Östergötland county (E)	4,1%
Jönköping county (F)	3,7%
Halland county (N)	3,5%
Kronoberg county (G)	2,3%
Kalmar county (H)	3,4%
Skåne county (including Malmö) (M)	12,4%
Blekinge county (K)	1,8%
Gotland county (I)	0,6%
	<b>100,0%</b>

Source: Swedbank, Facts, Sep 30, 2012

# Cover pool loan-to-value distribution

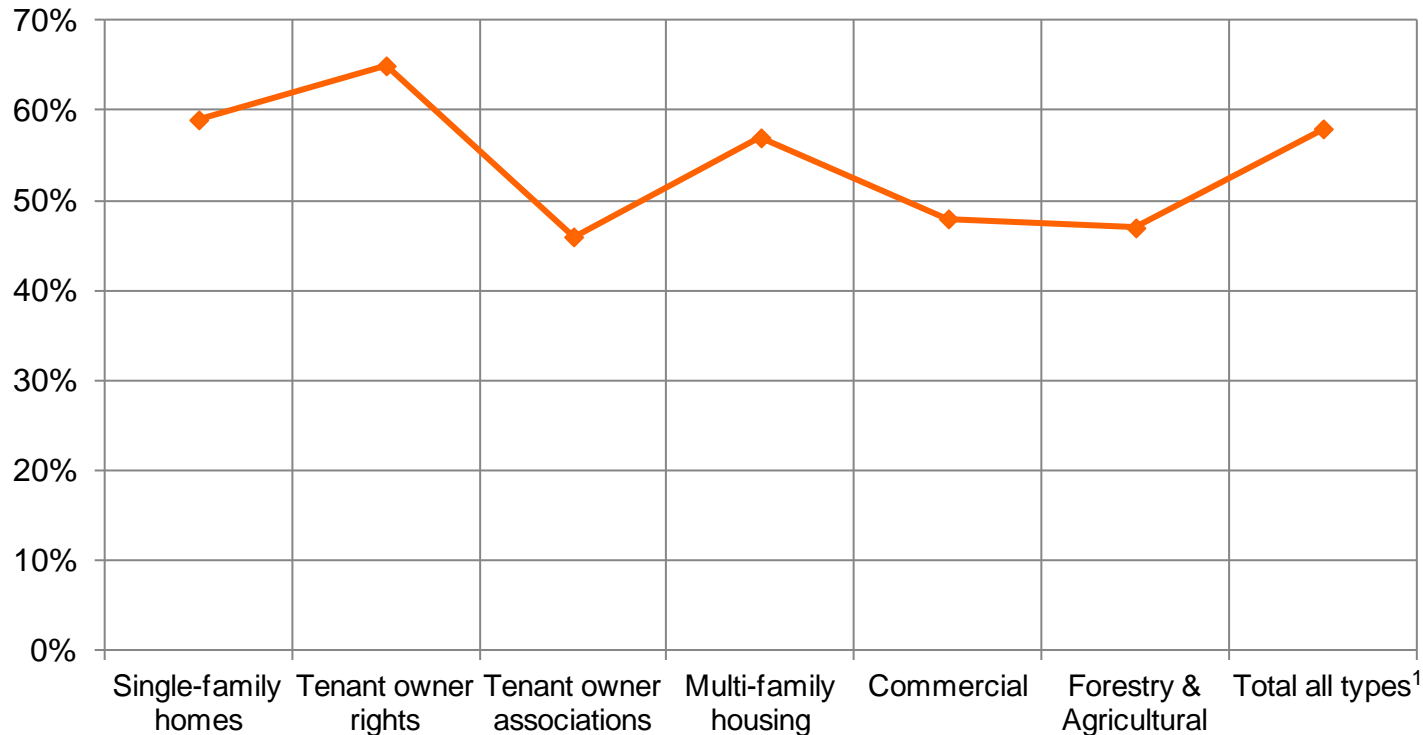
- Weighted average LTV 59%



<sup>1</sup> Public loans of 1.5% of the cover pool are excluded as they are either guaranteed by a Swedish municipality or the government and have therefore no LTV assigned to them. <sup>2</sup> LTV distribution as defined by the Association of Swedish

# Cover pool loan-to-value distribution

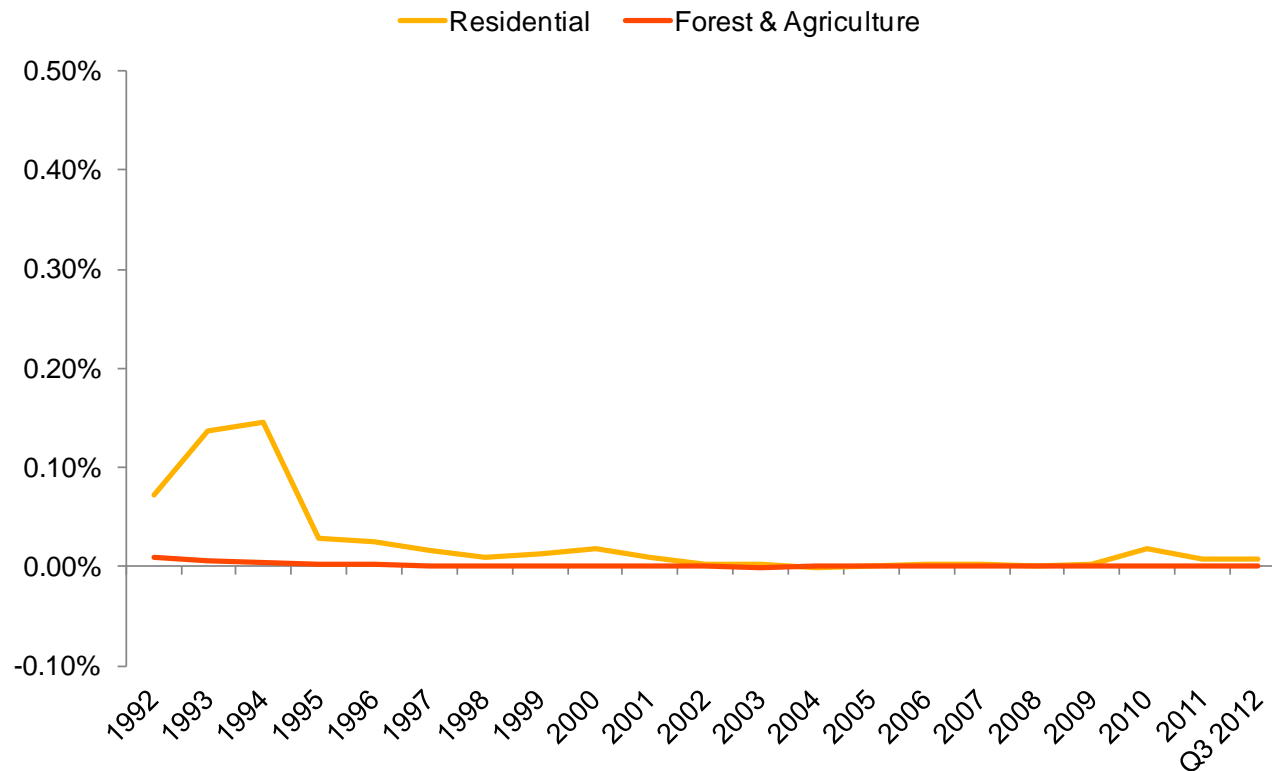
WA LTV per property type<sup>1</sup>



Source: Swedbank, Sep 30, 2012 (<sup>1</sup>excluding public sector loans)

# Insignificant historical loan losses in Swedbank Mortgage

- Total accumulated losses since 1982 of SEK 7.4bn
- Main part incurred during the years of 1992 and 1993
- Less than 20% in the private segment



Source: Swedbank Sep 30 2012



# Overview of the Swedish covered bond legislation

## The Covered Bond Act

- The Covered Bond Act entered into force on July 1, 2004 and is over-sighted by the Swedish FSA. Its main characteristics are:
  - ▶ Dual recourse to the issuer and cover pool
  - ▶ Dynamic, regulated pool of assets – frequently monitored by the Swedish FSA via appointment of an independent inspector
  - ▶ Regulated valuation of cover pool assets
- The cover pool may consist of certain mortgage credits, public credits and supplemental assets

## Loan-to-value Ratios and Other Limitations

- Maximum LTVs: Residential 75%, Agricultural 70%, Commercial 60%
- Maximum 10% commercial loans and 20% supplemental assets in cover pool
- Regular monitoring of the property values (reviewed on a monthly basis by Swedbank)

## Matching Requirements

- The cover pool value shall always exceed the aggregate value of claims (including derivatives)
- A sound balance in terms of FX, interest rates and maturities must be achieved. It is deemed to exist when the present value of the cover pool at all times exceed the present value of liabilities (including derivatives), even on a stressed basis
- Non-performing assets in the cover pool which are more than 60 days overdue must be disregarded for the purposes of the matching tests

## Benefit of a priority right over the cover pool

- Holders of covered bonds and relevant derivative counterparties benefit from a priority claim over the cover pool should the institution be declared bankrupt
- Holders of covered bonds and relevant derivative counterparties rank pari passu ahead of unsecured creditors and all other creditors of the Institution in respect of assets in the cover pool

## Administration in event of bankruptcy

- The assets in the cover pool, the covered bonds and any relevant derivative contracts that have been entered into the Register are required to be maintained as a unit and kept segregated from other assets and liabilities of the bankruptcy estate of the Institution
- The administrators-in-bankruptcy are then required to procure the continued timely service of payments due under the covered bonds and any relevant derivative contracts

Source: [www.ascb.se](http://www.ascb.se)



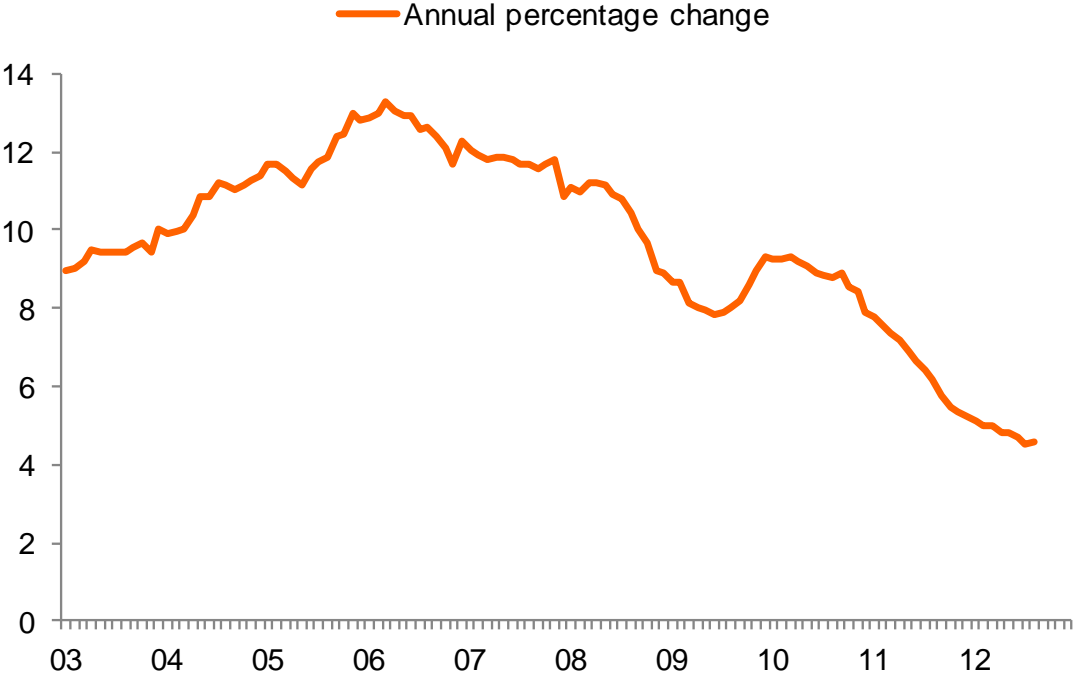
## 4. Swedish housing and mortgage market

# Swedish mortgage market

- No securitization (on balance sheet), no sub-prime market, no 3<sup>rd</sup> party origination, no buy-to-let market
- 70% home ownership<sup>1</sup>
- Rental market is regulated
- Transparent credit information (credit information agency, [www.uc.se](http://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

<sup>1</sup> Source: Boverket, 2011

# Pace of household borrowing declines



Data up to and including Aug 2012

Source: Riksbanken stability report 2012:1, July 1, and Sweden statistics Sep, 2012, chart 3.3

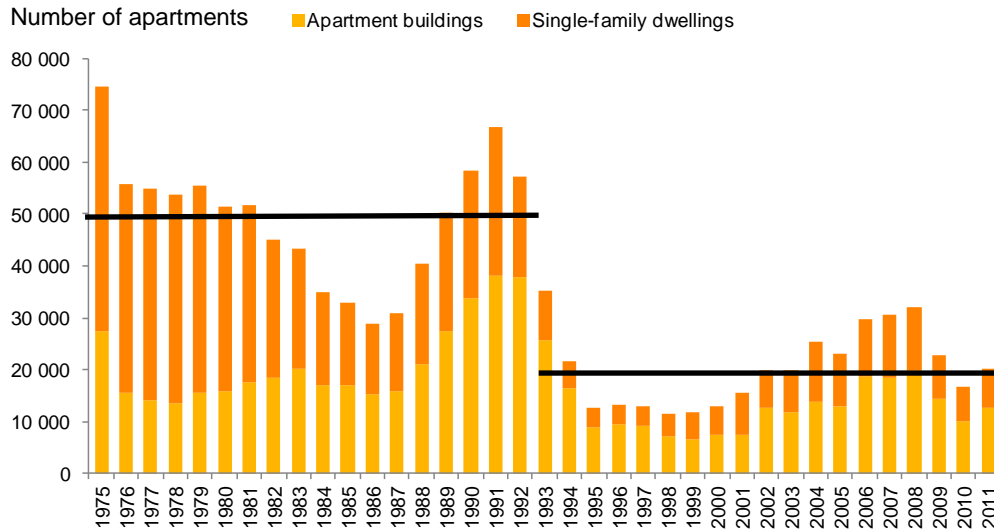
# Real estate prices – Sweden 12 months development

	Single-family homes <sup>1</sup> 12M Δ	Tenant-owner rights <sup>2</sup> 12M Δ	Combined <sup>3</sup> 12M Δ
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%
Jul/12	0%	4%	1%
Aug/12	2%	4%	3%
Sep/12	2%	5%	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

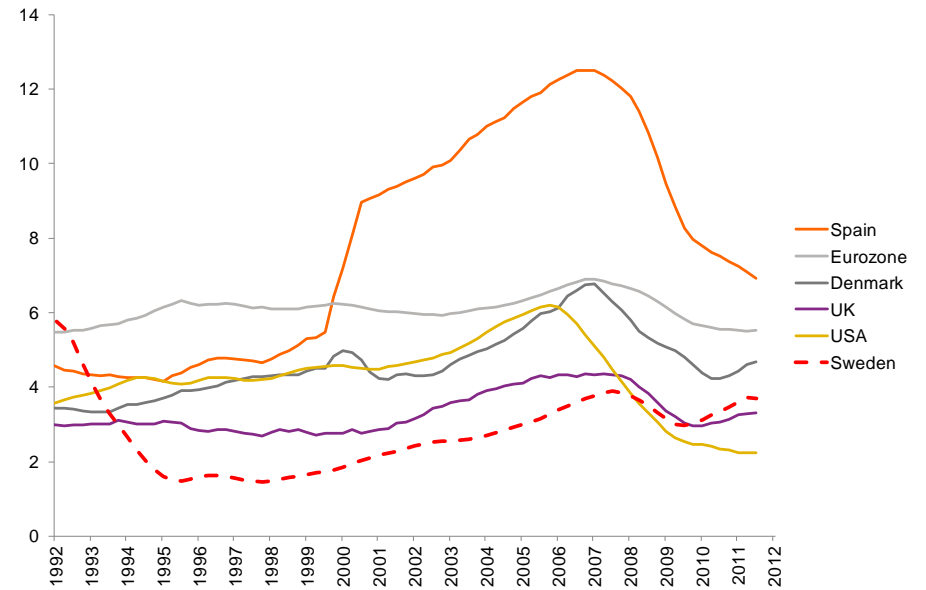
# Housing investments at a conservative level

Housing completions, apartments in Multi-family dwellings and Single-family houses in Sweden



Source: Statistics Sweden, May 9, 2012 (data as per FY 2011)

Housing investments as a percentage of GDP (4Q moving average)



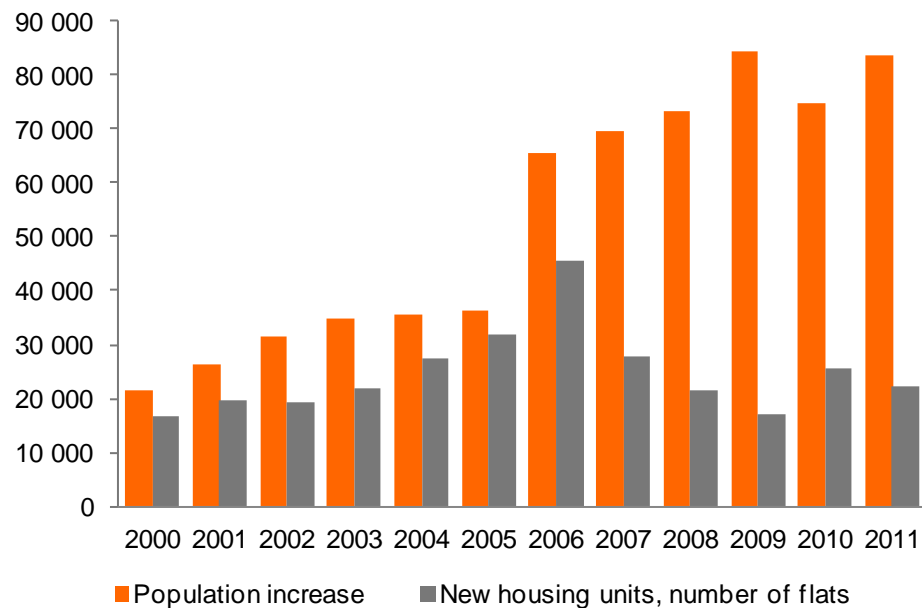
Source: Reuters Ecowin, Oct 20, 2012 (data as per Q2 2012)

# Population growth far exceeds housing unit growth

- Number of households increase as population grow

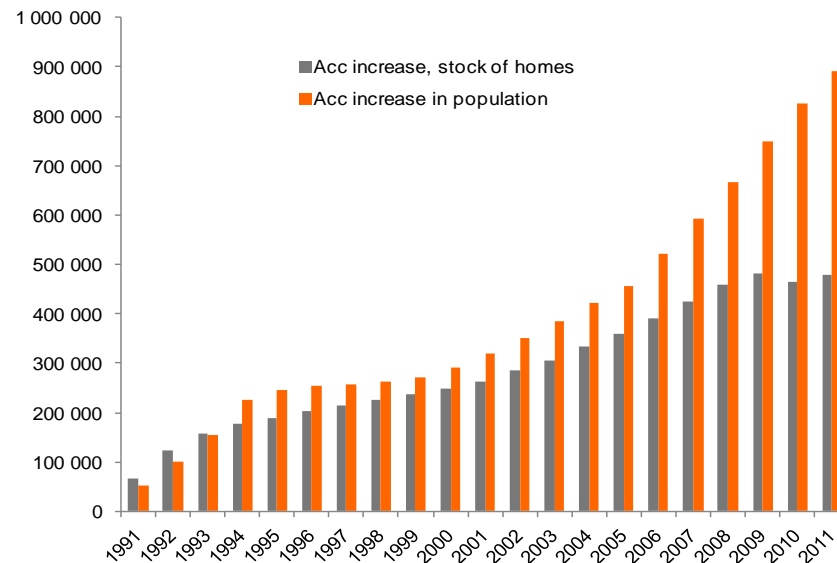
## Population- and new housing starts

Number of homes / persons



## Population- and housing growth

Number of homes / persons



Source: Statistics Sweden April 2012



# Appendix

# This is Swedbank

# The Bank for the many people, households and businesses

## Sweden

Population	9.5m
Private customers	4.0m
Corporate customers	265 000
Organisations	66 000
Branches	311
ATMs	662
Cards	3.8m
Employees	7 925

## Latvia

Population	2.2m
Private customers	0.9m
Corporate customers	78 000
Branches	54
ATMs	402
Cards	1.0m
Employees	1 736

## Estonia

Population	1.3m
Private customers	1.0m
Corporate customers	116 000
Branches	58
ATMs	506
Cards	1.1m
Employees	2 450

## Lithuania

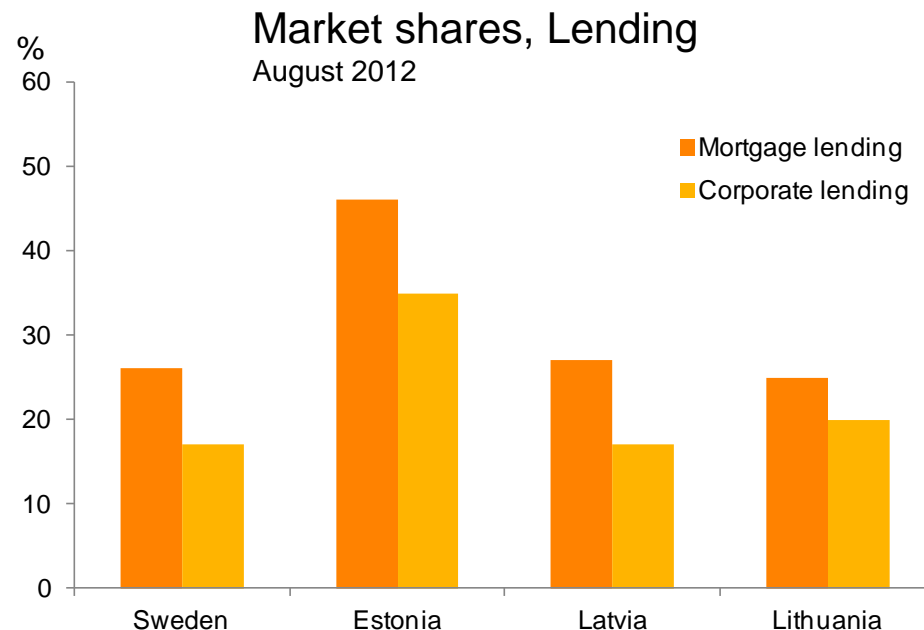
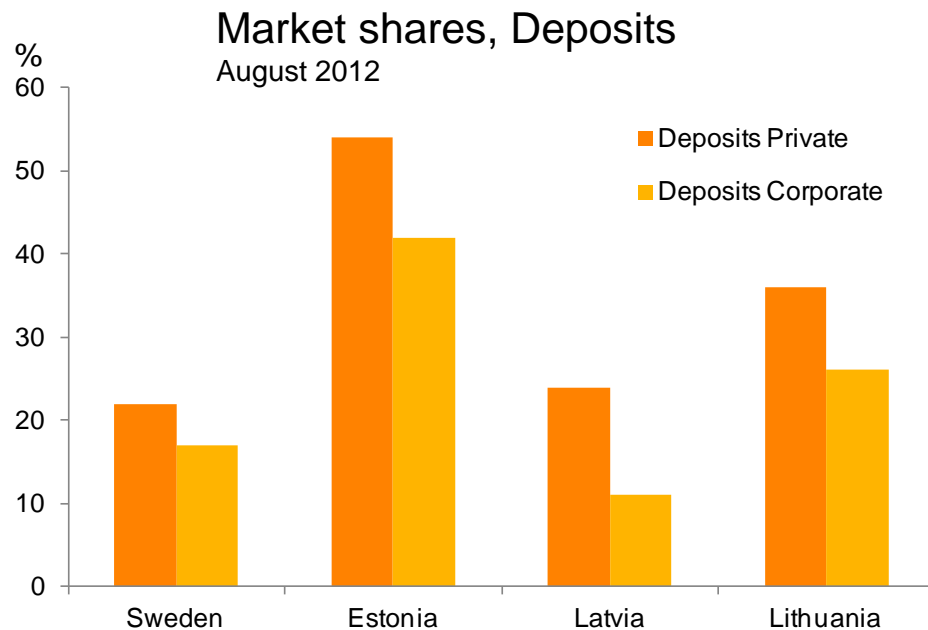
Population	3.2m
Private customers	1.9m
Corporate customers	83 000
Branches	82
ATMs	491
Cards	1.9m
Employees	1 942



Source: Swedbank Fact book Q3, 2012

# Market leading retail franchise in all home markets

- Largest retail bank and fund manager in Sweden



Source: Source Sweden: Statistics Sweden (SCB)

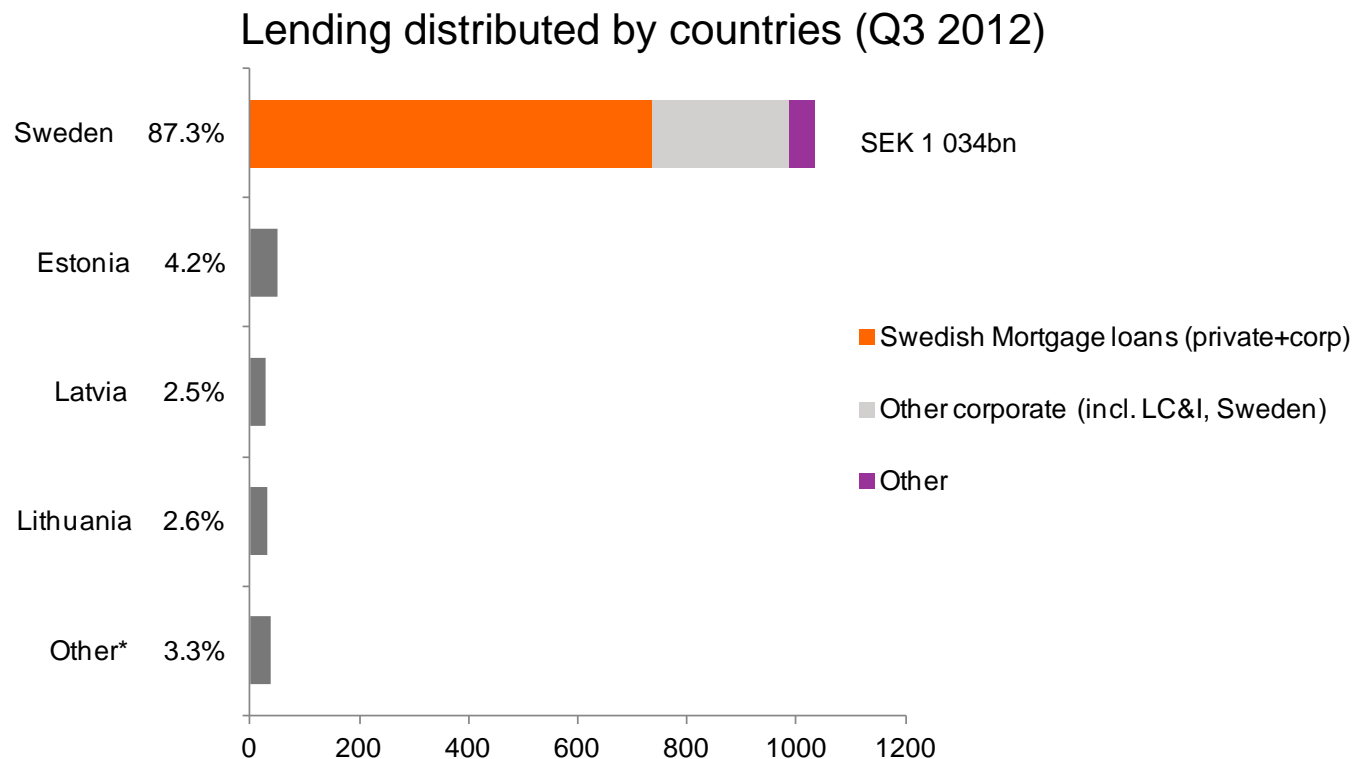
Source Estonia: Estonian Central Bank

Sources Latvia: Association of Commercial Banks of Latvia (ACBL) & The Financial and Capital Market Commission (FCMC)

Source Lithuania: Association of Lithuanian Banks (LBA)

## Sweden – the dominating home market

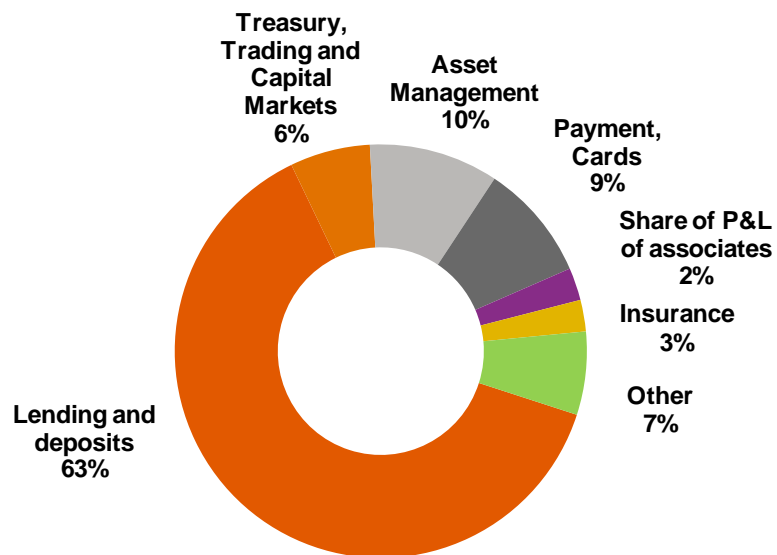
- Total lending to the public amounts to SEK 1,184bn (as per Q3 2012), out of which around 87% is originated in Sweden
- Estonia makes up 45% of total lending in the Baltics



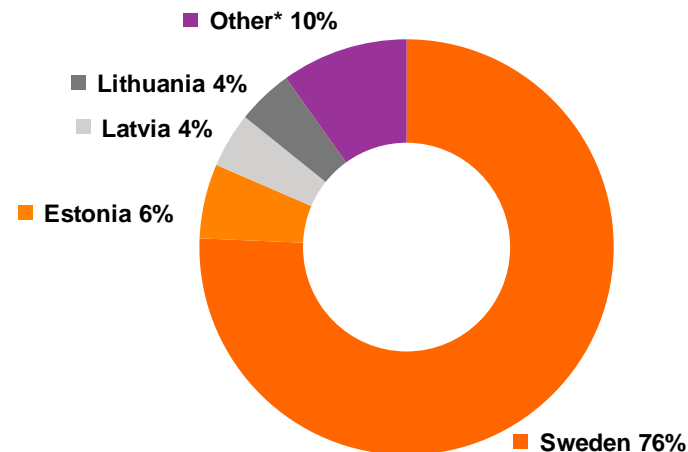
Source: Swedbank Fact book Q3 2012, page 37 \* Russia & Ukraine, Denmark, Norway, Finland and NY Branch

# Total income

## Distributed by type of income YTD 2012



## ... and by country



# Rating

- On 25 July Fitch Ratings upgraded Swedbank's long-term issuer default rating (IDR) from A to A+ and reaffirmed the short-term rating F1 with stable outlook
- On 28 June the ratings agency Standard & Poor's reaffirmed Swedbank and Swedbank Mortgage's long-and short-term ratings (A+/A-1) with stable outlook
- On 24 May 2012 Moody's reaffirmed Swedbank's and Swedbank Mortgage's long- and short-term credit rating with stable outlook (A2/P-1) (Moody's rating review for European banks)

	S&P		Moody's			Fitch	
	Short	Long	Short	Long	BFSR*	Short	Long
Swedbank	A-1	A+	P-1	A2	C-	F1	A+
Swedbank Mortgage	A-1	A+	P-1	A2			
Covered bonds		AAA		Aaa			

\* Bank Financial Strength Rating

## Baltic market fundamentals

- Legal and institutional framework
- Fiscal position
- Market concentration
- Absence of “irrational” players
- Sophisticated product penetration
- Swedbank retail and deposit incumbent
- GDP / capita less than half of Sweden’s
- Risk mitigators
  - Loan-to-deposit restriction
  - Group governance model

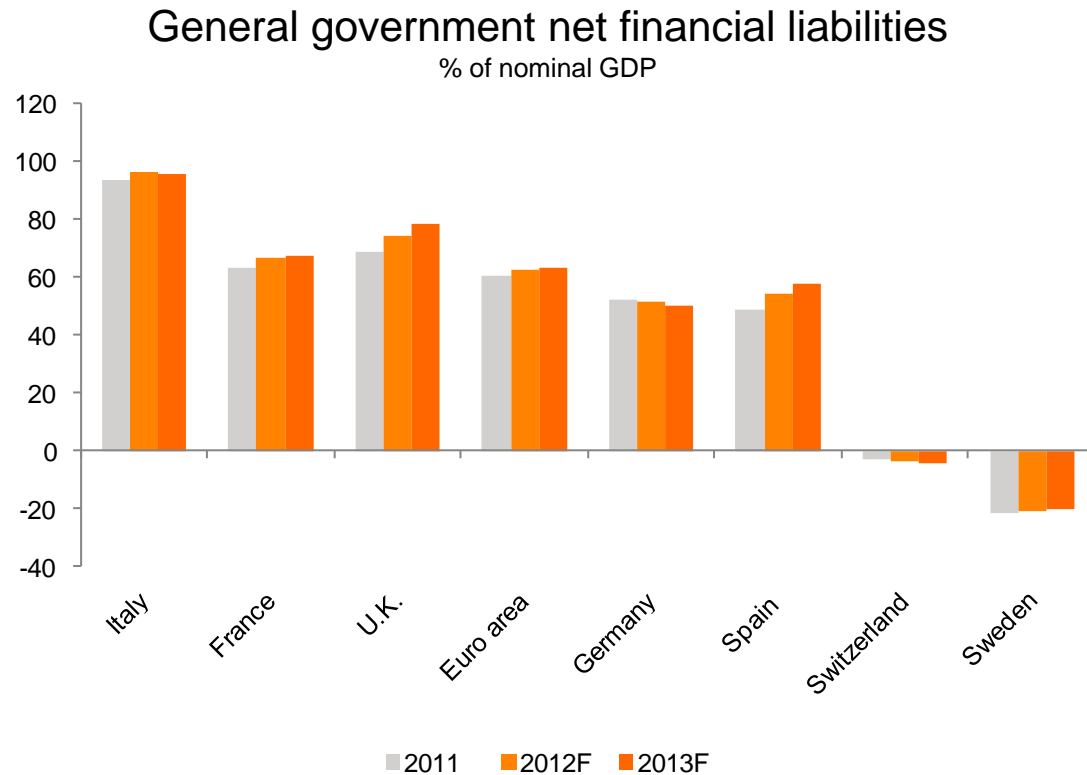




# Swedish economy

# A balance sheet in favourable condition

- Sweden's financial assets continue to exceed its liabilities

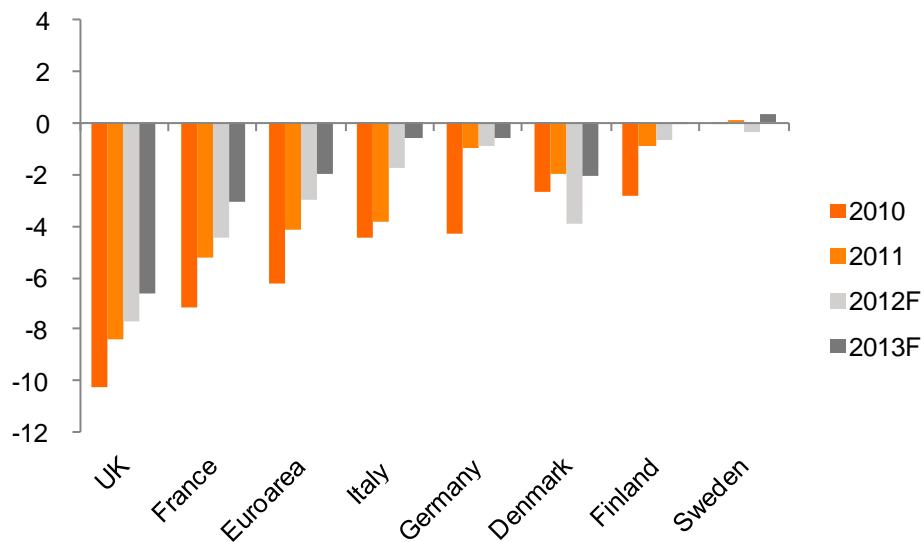


Source: OECD Economic outlook 91 (table 33), May 22, 2012

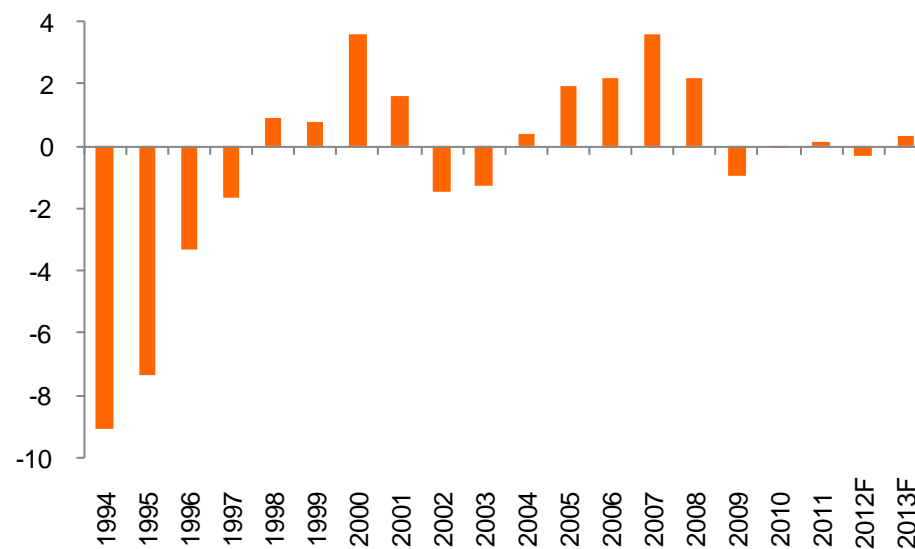
# A budget in balance

- Budget framework since early 1990's – to stabilize and achieve long-term sustainability in the public finances
  - Mandatory public sector excess savings target of 1% of GDP on average over a business cycle
  - Mandatory ceiling for the state and pension system expenses (3 years ahead)

Budget balance as a percentage of GDP

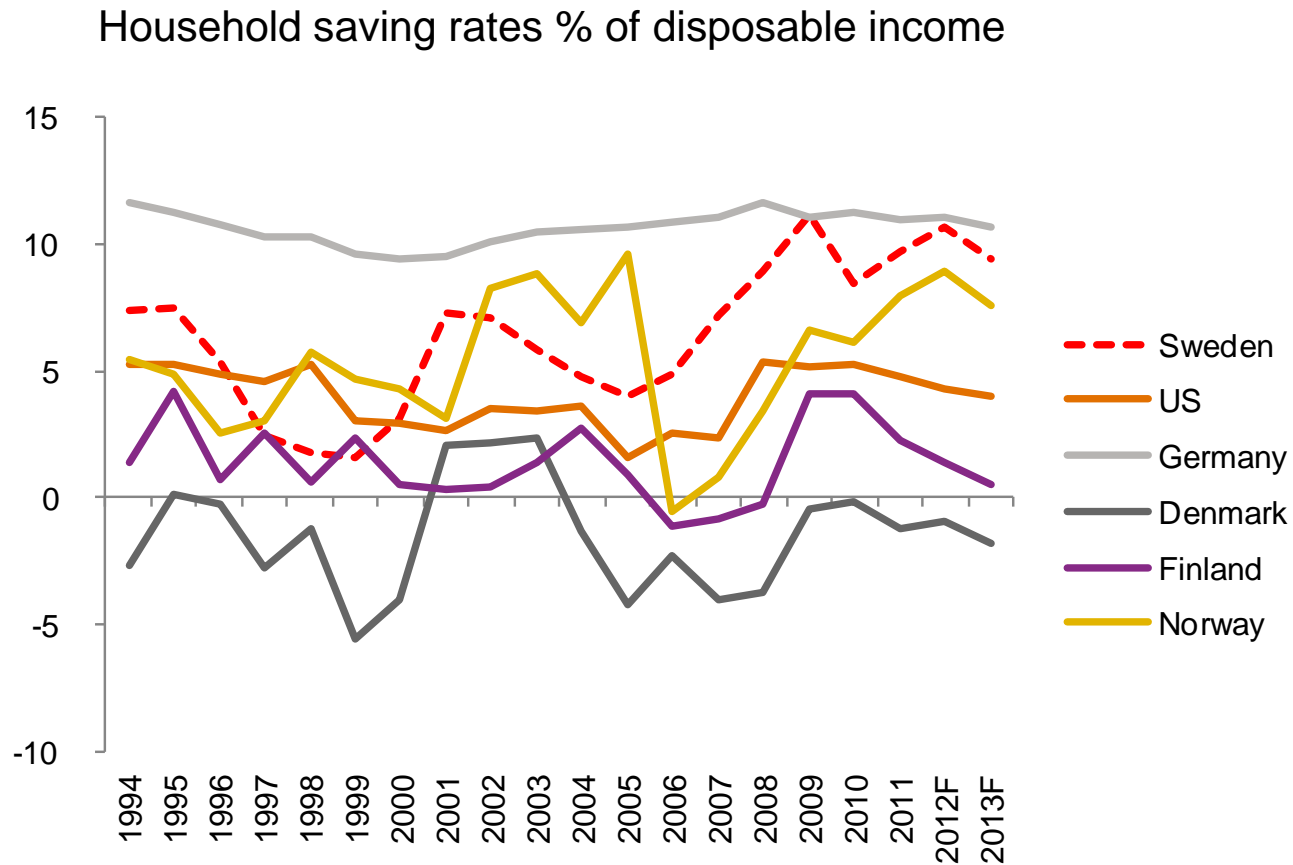


Swedish historic budget balance as a percentage of GDP



Source: OECD Economic outlook 91 table 27, May 22, 2012

# Savings



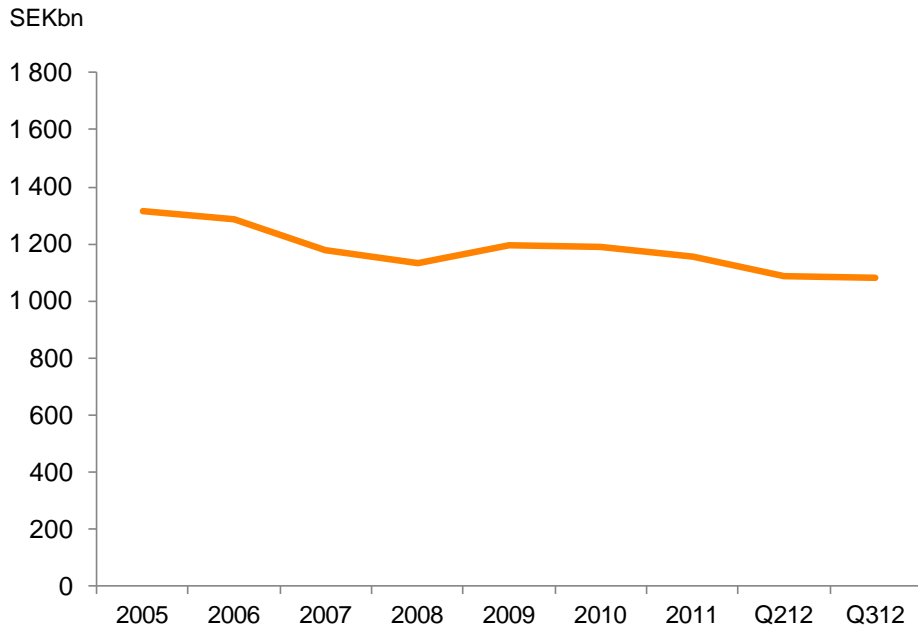
Source: OECD Economic Outlook 91, table 23, May 22 2012

# Continued strong fiscal position

- Kingdom of Sweden rated Aaa/AAA/AAA
- GDP growth 1.3% (Q212 Y/Y)
- CPI/CPIF 0.4% / 0.9% (Sep 12 Y/Y)
- Unemployment 7.4% (Sep12 Y/Y)
- Debt to GDP 31.0% (Dec 11)

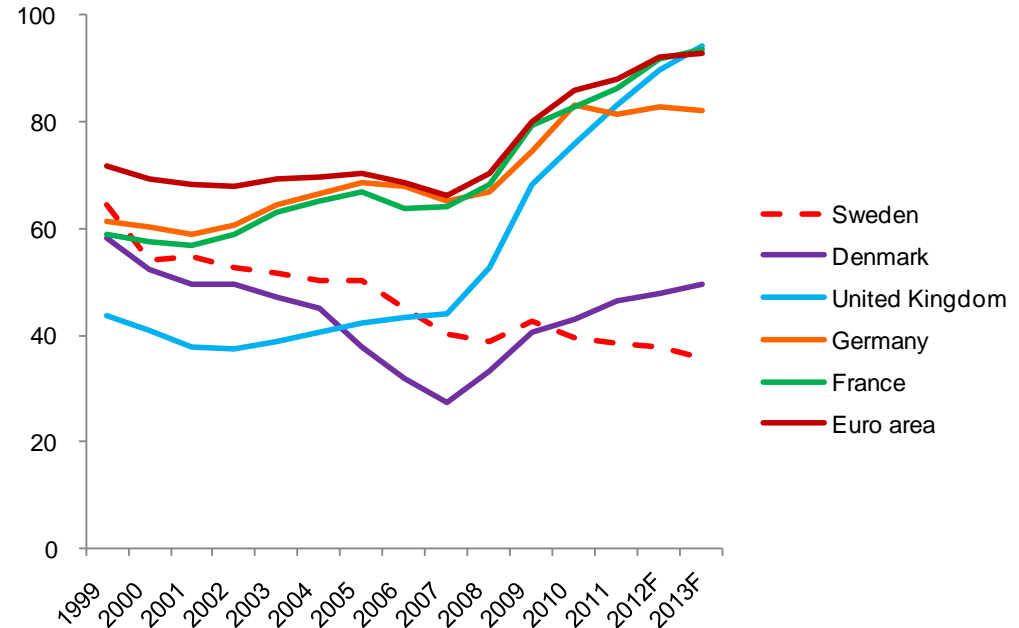
Source: Statistics Sweden and National Debt Office

Swedish government debt



Source: Swedish National Debt Office, Oct 2012

Maastricht definition\* of general government gross public debt as a percentage of nominal GDP



\*General government gross debt according to the convergence criteria set out in the Maastricht Treaty comprises currency, bills and short-term bonds, other short-term loans and other medium- and long-term loans and bonds, defined according to ESA 95.

Source: OECD Economic outlook 91 table 61, May 22, 2012

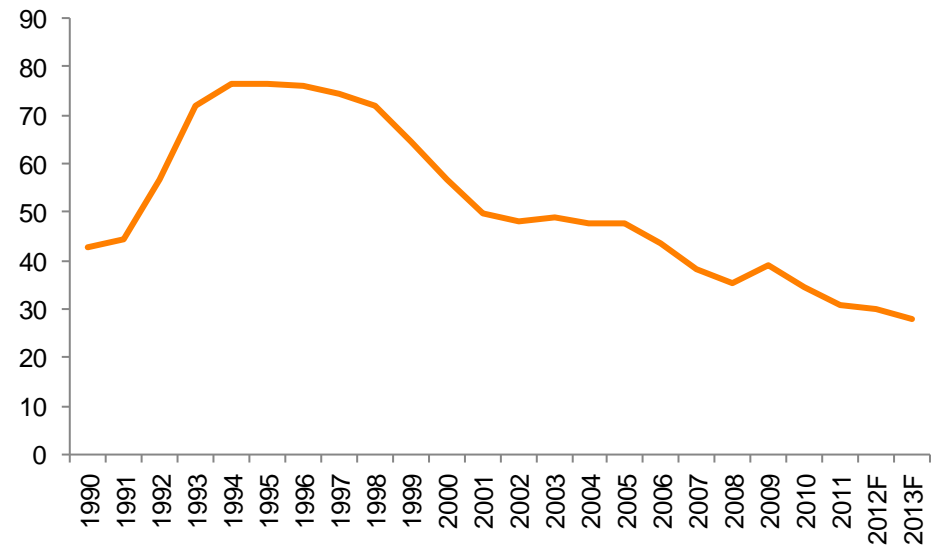
# Government debt

- Around 15% in foreign currencies

## Government net financing need

SEKbn	2011	2012F	2013F
<b>Government debt in the beginning of the year</b>	<b>1188</b>	<b>1158</b>	<b>1167</b>
Primary financing need excluding sell-off's	-79	6	-4
Sale of government assets	-23	0	0
Interest cost on government debt	34	26	19
<b>Net financing need</b>	<b>-68</b>	<b>32</b>	<b>15</b>
Corrections of debt	22	-6	4
Money-market assets (annual change)	16	-17	0
<b>Government debt change</b>	<b>-30</b>	<b>10</b>	<b>19</b>
<b>Government debt at year end</b>	<b>1158</b>	<b>1167</b>	<b>1186</b>

## Debt to GDP ratio, % – historic distribution

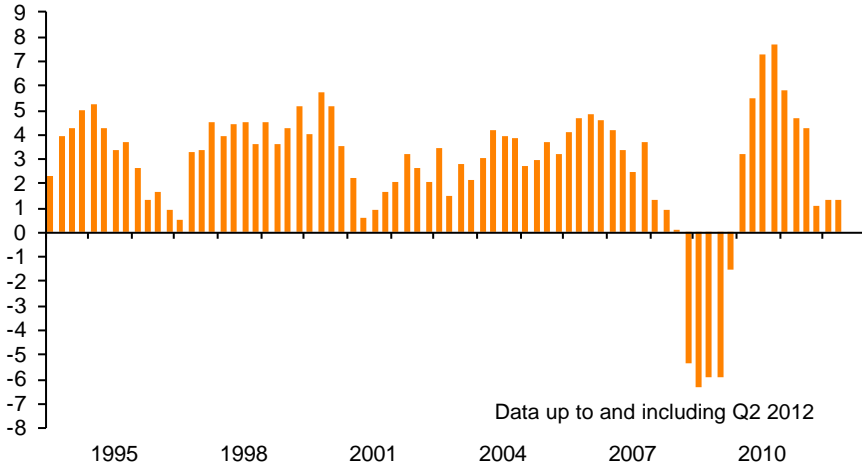


Source: Swedish National Debt Office, Jul 2012

# Swedish GDP breakdown

## GDP growth

From corresponding quarter previous year, %, fixed prices

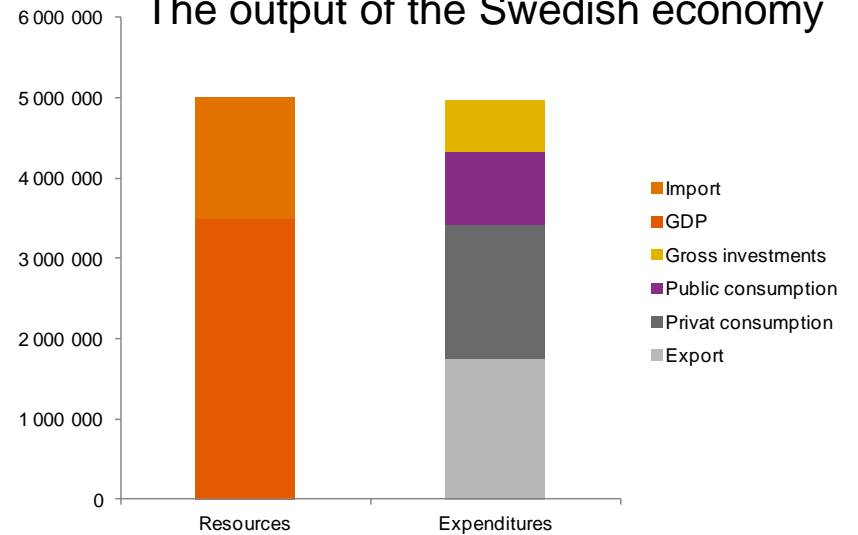


## GDP production approach at market price



SEKm

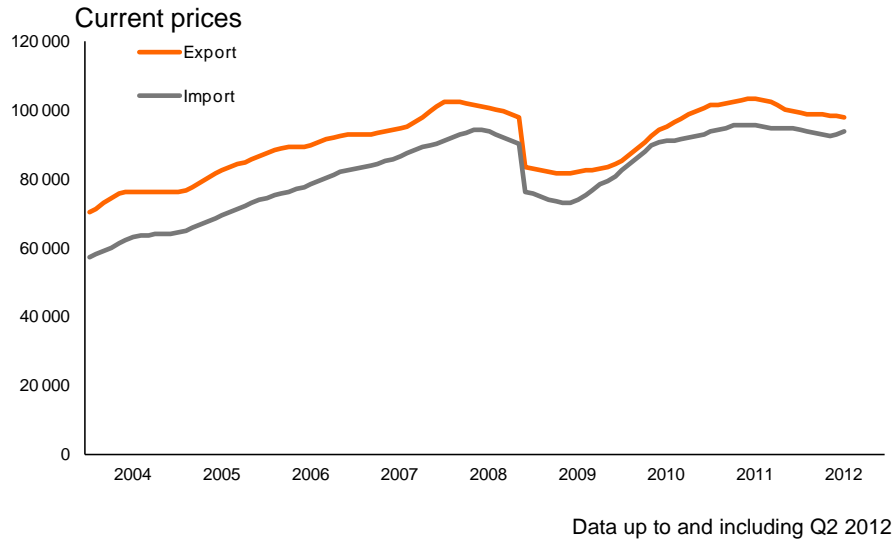
## The output of the Swedish economy



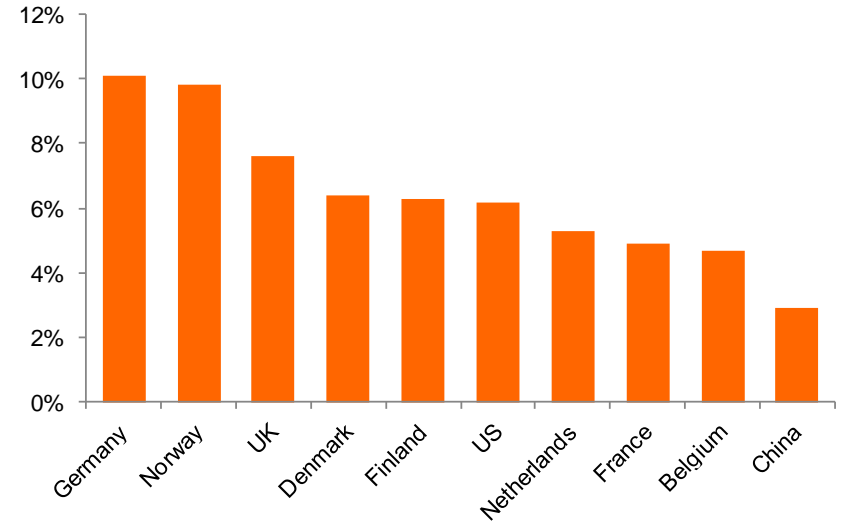
Source: Statistics Sweden, Sep, 2012

# Exports – key factor for growth

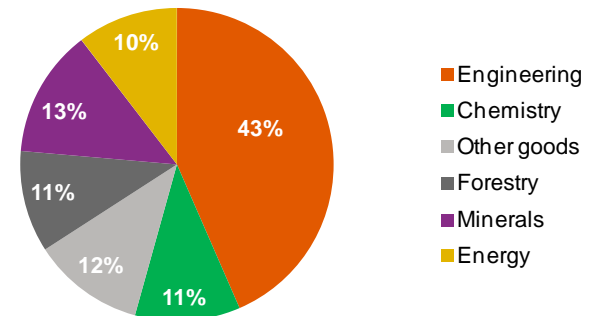
Exports and imports trend per month, SEKm



Top 10 export countries



Export – distribution by important commodity groups

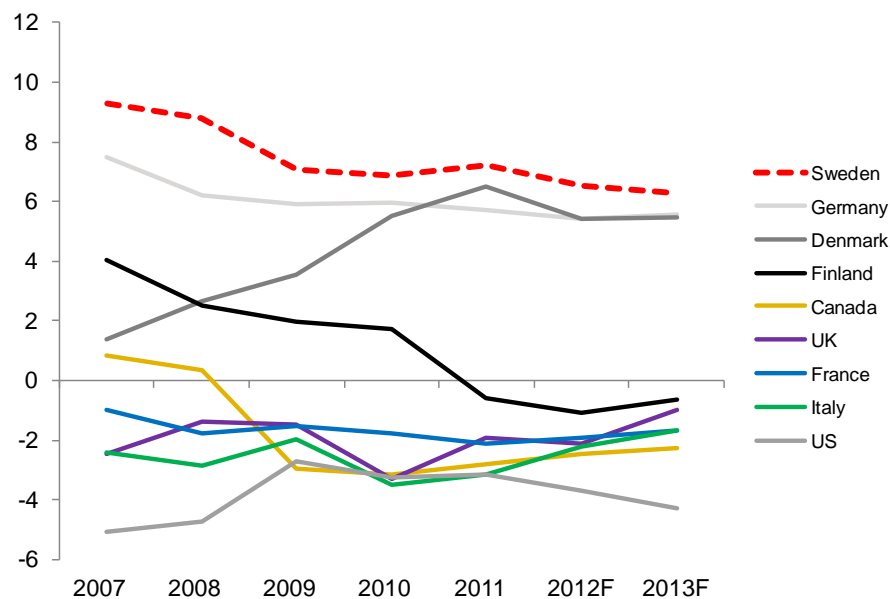


Source: Statistics Sweden, Jun, 2012

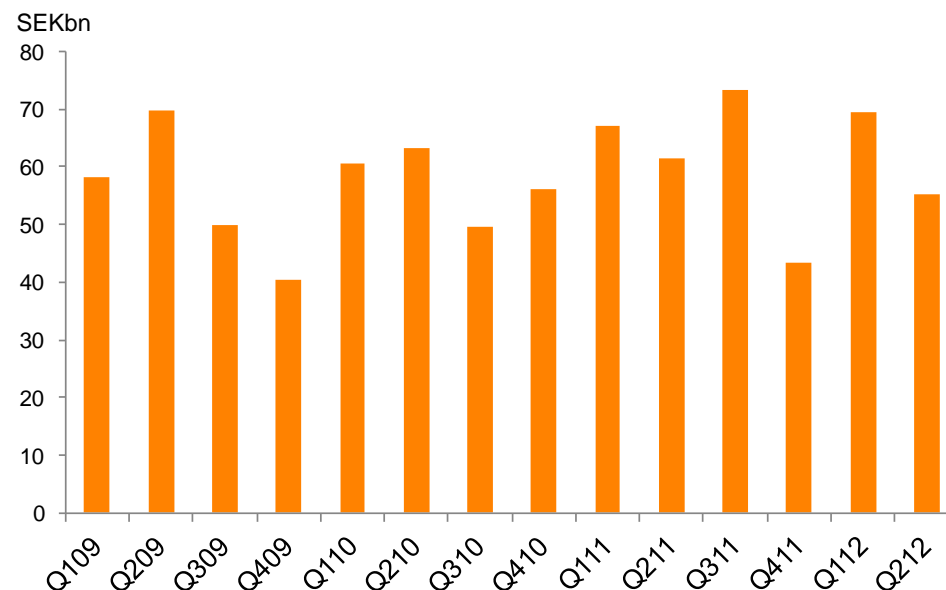


# Current account balance at stable level

Current account balance as % of GDP



Current account net, Sweden

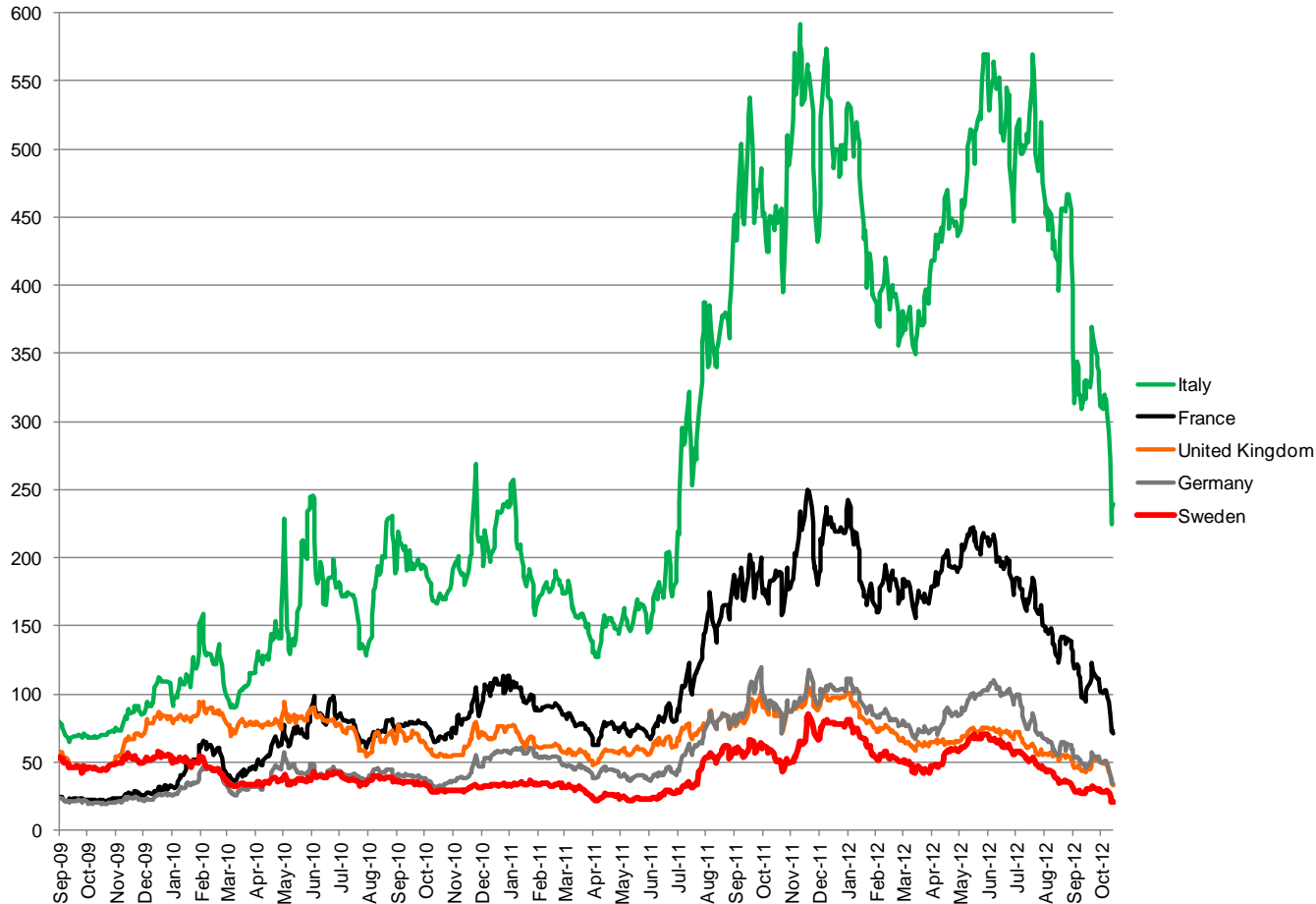


Source: OECD – Economic outlook 91, table 51, May 22, 2012

Source: Statistics Sweden , Aug 30, 2012

# Sweden has shown resilience through turbulent times

5 year Sovereign CDS

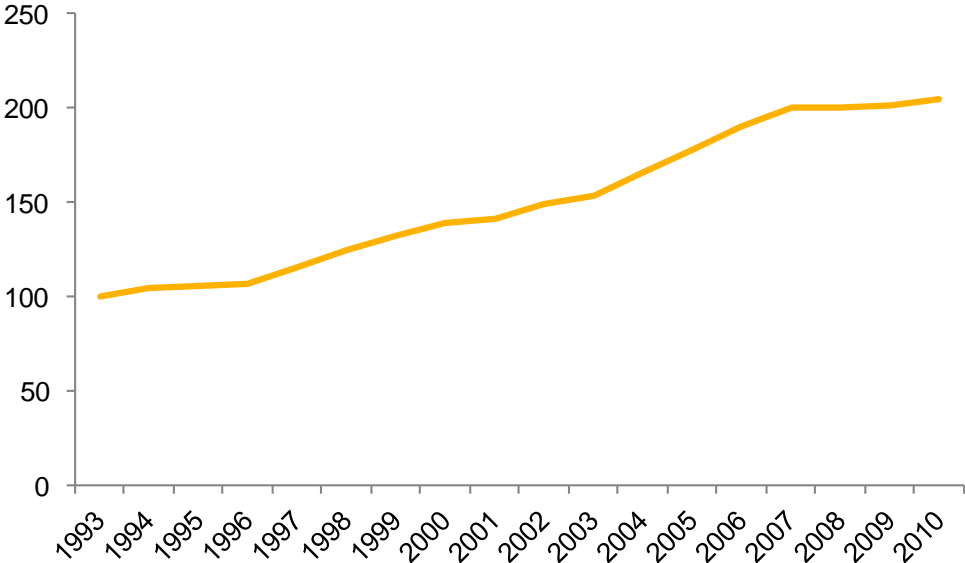


Source: Bloomberg, Oct 19, 2012

# Swedish housing and mortgage market

# Price development

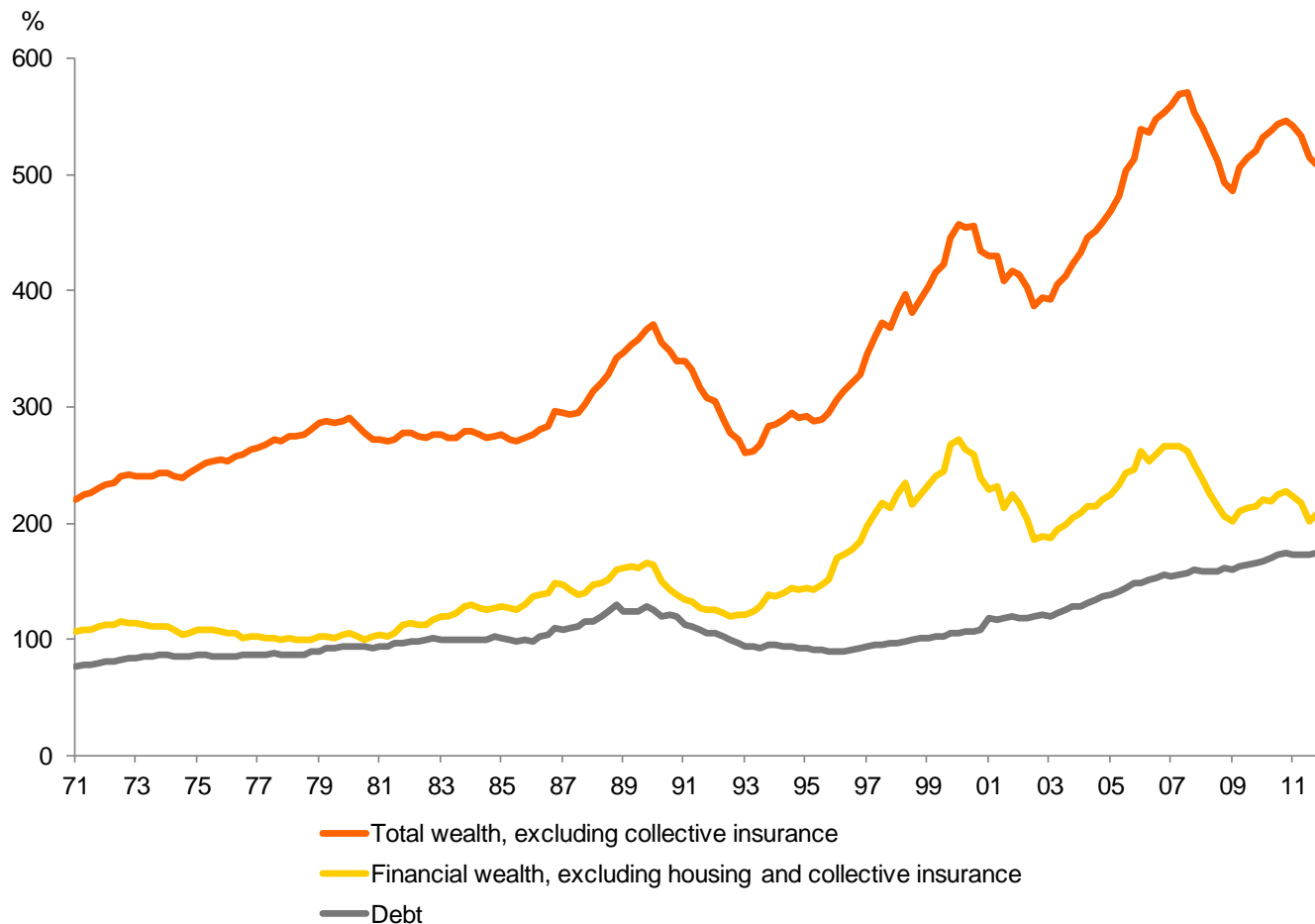
Real estate price to disposable income, index 1993= 100



Source: SCB and Swedbank

# Debt servicing ability of the households will remain good

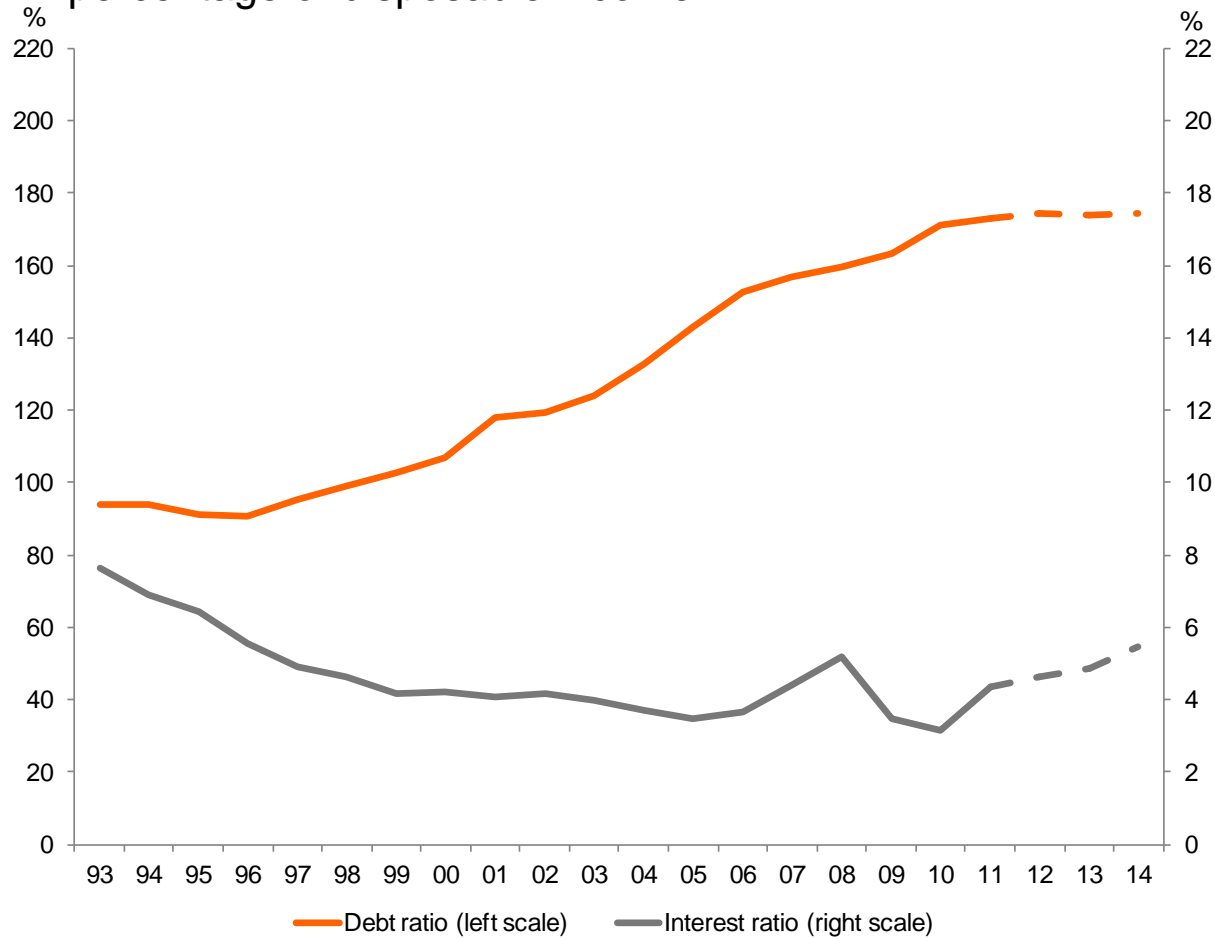
Swedish household financial assets and liabilities to disposable income



Source: Riksbanks' financial stability report 12:1. Jun 1 2012, chart 3:10.

# Structural interest rate decline key to affordability

Household indebtedness and interest expenditures after tax as percentage of disposable income



Source: Riksbanken, Financial Stability Report 2012:1, Jun 1, 2012, chart 3.9

# Liquidity and funding

# Structure of the Swedish domestic covered bond market

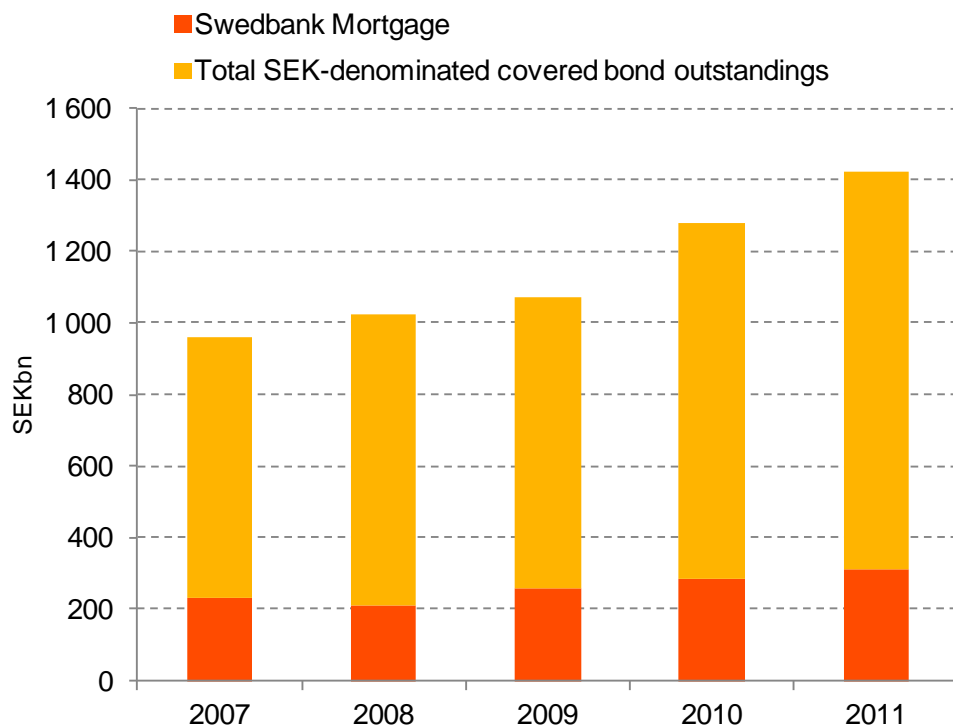
- Benchmark system established in early 1990s
- Tap issuance enhances liquidity and reduces execution risk
  - Continuous daily issuance
  - Buy-backs against issuance of longer tenors
  - Total issue size often peak at SEK 40-60bn
- Market making at pre-set bid/offer spreads



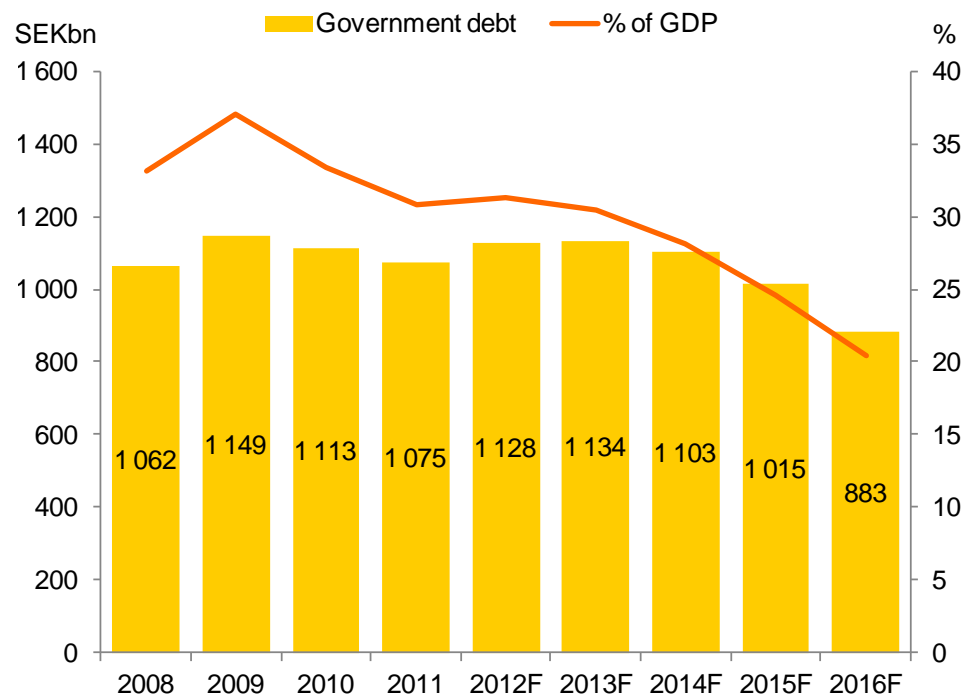
# The Swedish covered bond market

- Domestic covered bonds represent approximately 1/3 of GDP and 1/2 of the total Swedish bond market

## Swedish Domestic Covered Bonds, in SEKbn



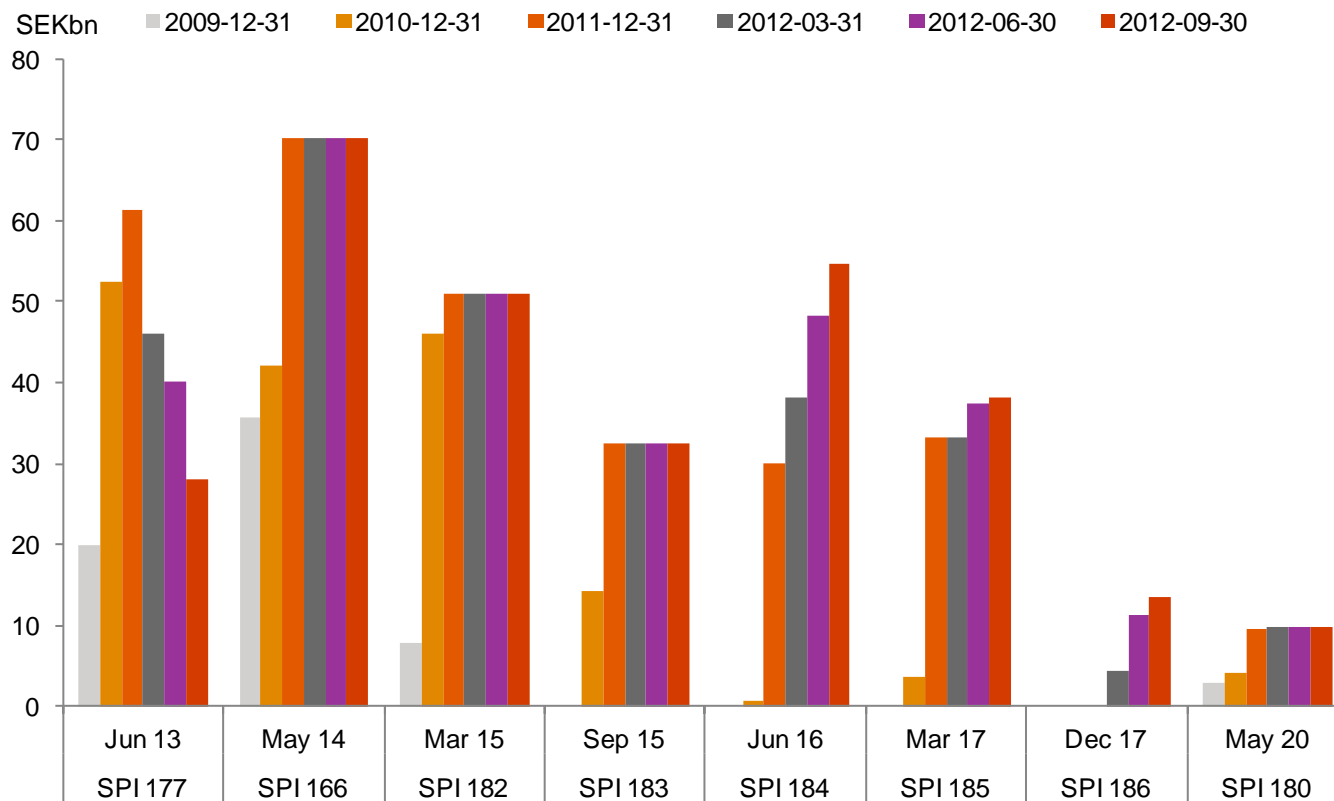
## Public debt projections 2012-2016



Source: [www.ascb.se](http://www.ascb.se), Dec 31, 2011

Source: Actual and forecast from government budget statement, Sep 20, 2012

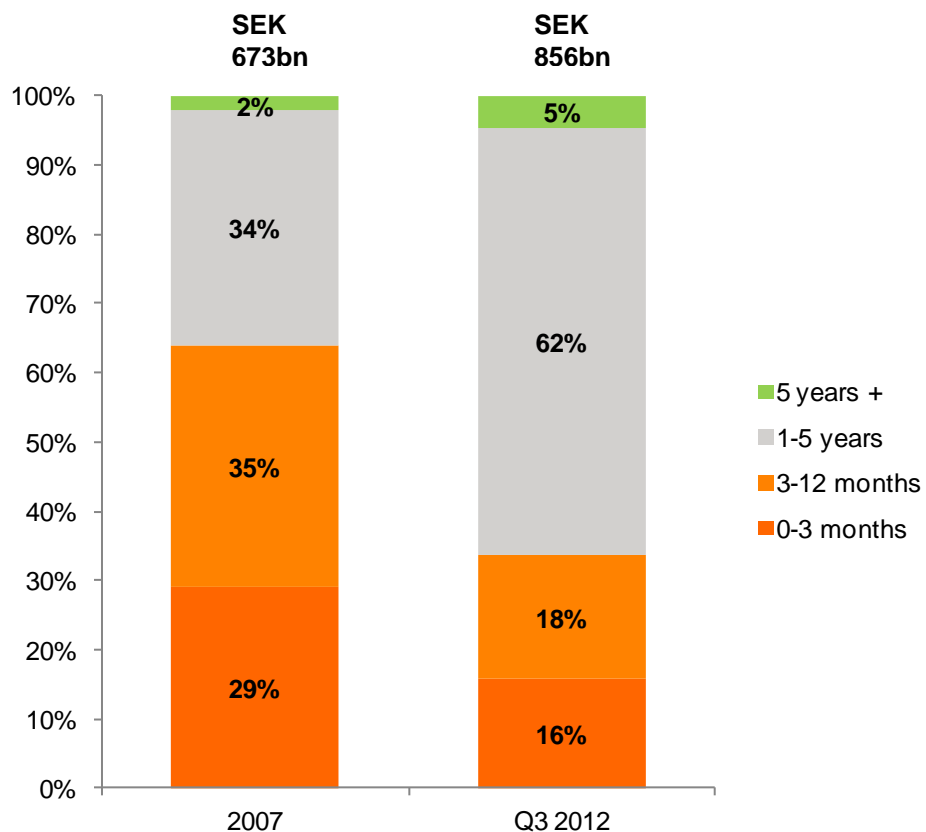
# Swedbank's domestic covered bonds



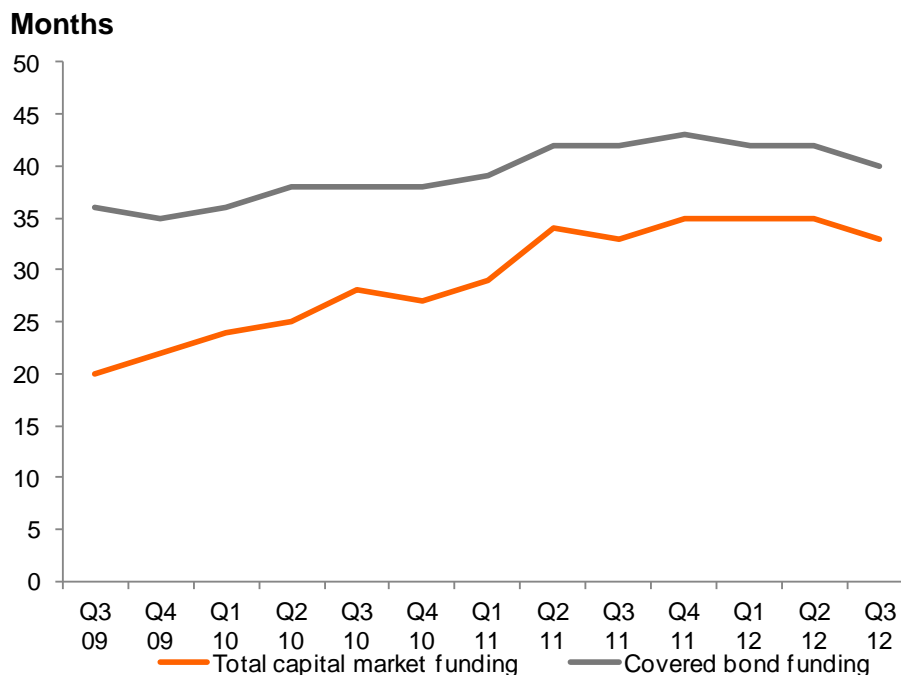
Source: Swedbank, Sep 30, 2012

# Fundamental change of maturity profile

- 2007 – 64% of wholesale funding < 12 months, SEK 13bn in central bank deposits
- Q2 2012 – 34% of wholesale funding < 12 months, SEK 213bn in central bank deposits



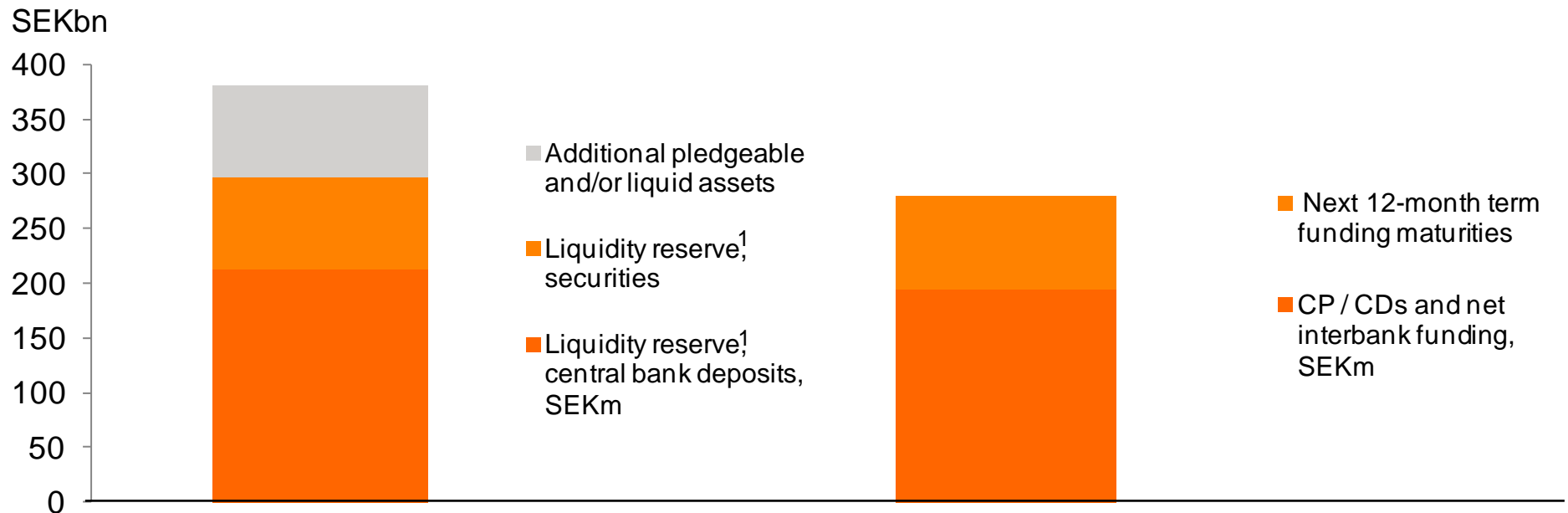
Average maturity profile of outstanding market funding



Source: Swedbank, Sep 30, 2012

# Conservative liquidity levels

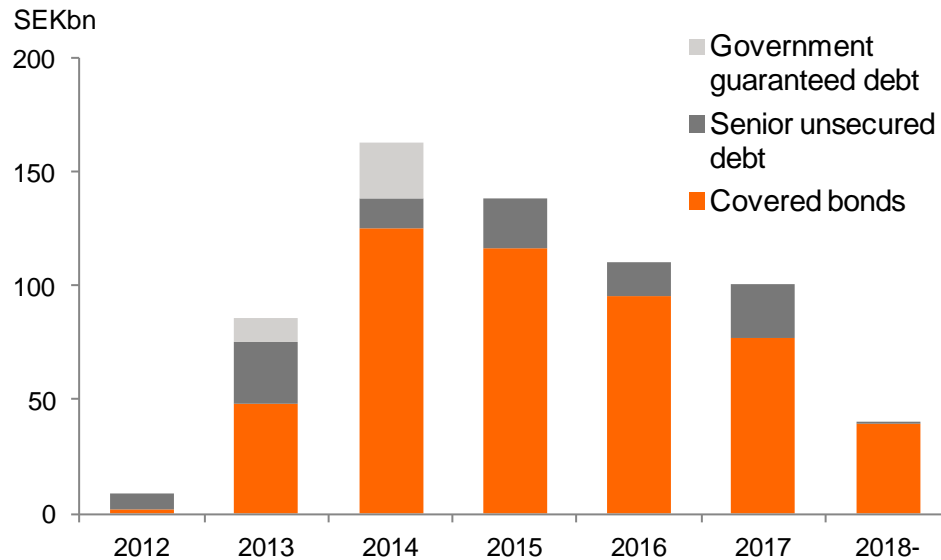
- Short-term funding mainly a tool for cash management
- More than 12 months pre-funded



# Long-term funding maturity profile

- FY 2012 maturities amount to nominal SEK 86bn
  - of which SEK 9bn for the remainder of 2012

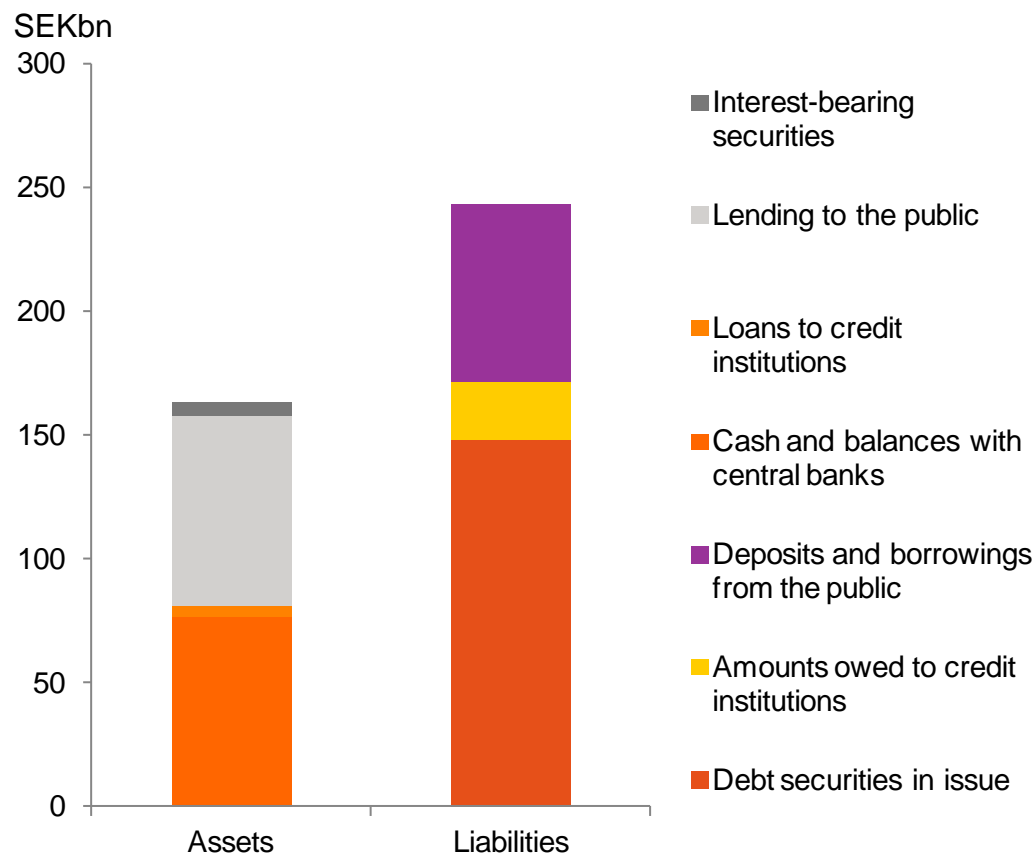
Long-term funding maturity profile



Source: Swedbank Sep 30, 2012

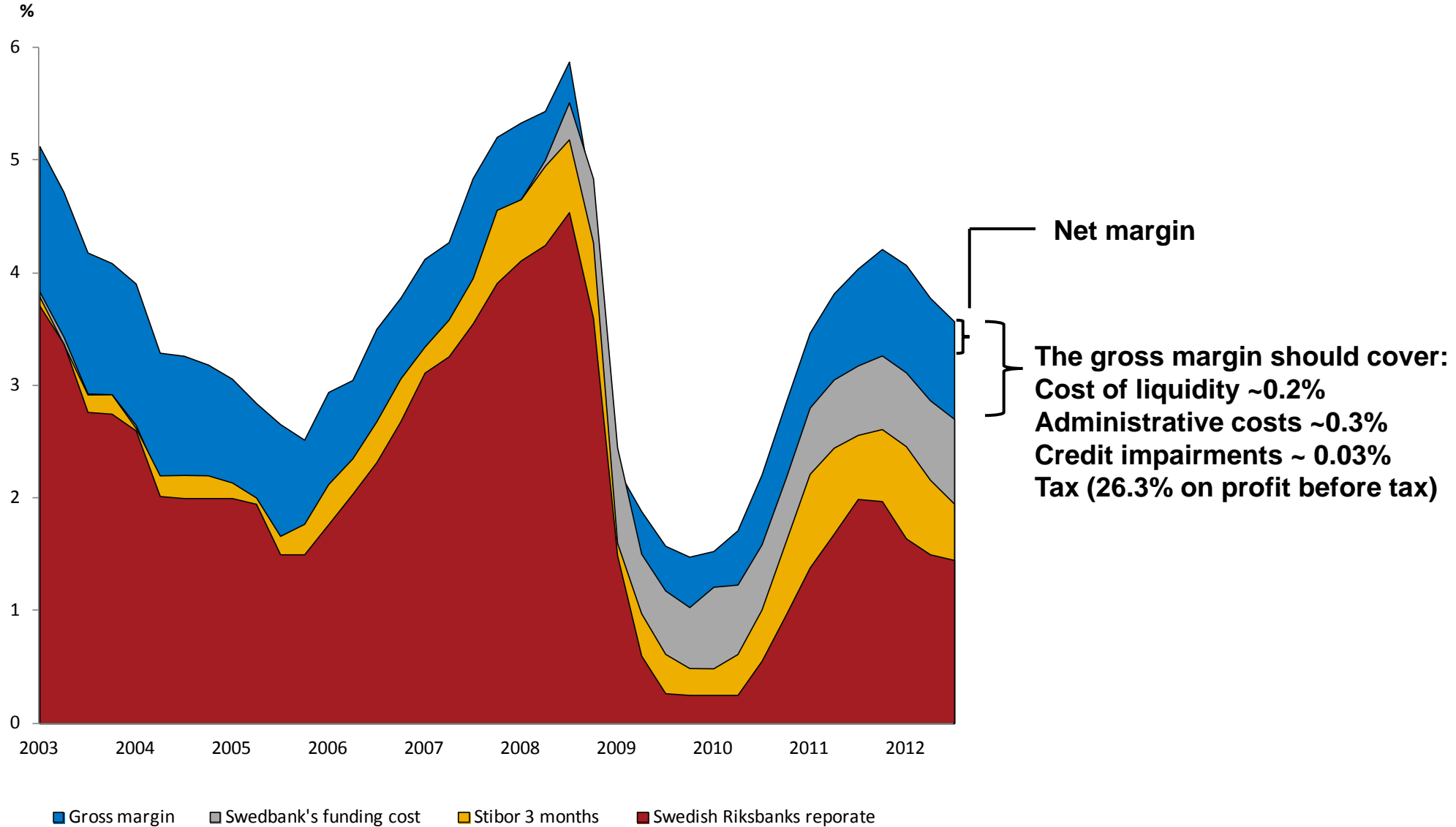
## Low need for USD-funding

- USD-funding need covered for more than 12 months
- Issued USD 1.5bn of covered bonds (144a) and USD 1.0bn of senior unsecured (144a) YTD 2012



Source: Swedbank, Sep 30, 2012, (Fact book page 73)

# Mortgage loans, gross margin (3 months)



Source: Swedbank, Sep 30, 2012

# Funding sources

## Swedbank AB

100% owned

## Swedbank Mortgage AB\*

Program	Limit
<b>Long Term</b>	
Global MTN	USD 40bn
Domestic MTN	SEK 60bn
USD Senior (144a/Reg.S)	USD 15bn
-----	
NSV (stand alone doc.)	
<b>Short Term</b>	
Domestic CD	SEK 80bn
European CP/CD	EUR 6bn
US CP	USD 15bn
Yankee CD	USD 10bn
French CD	EUR 4bn
Finnish CD	EUR 4bn

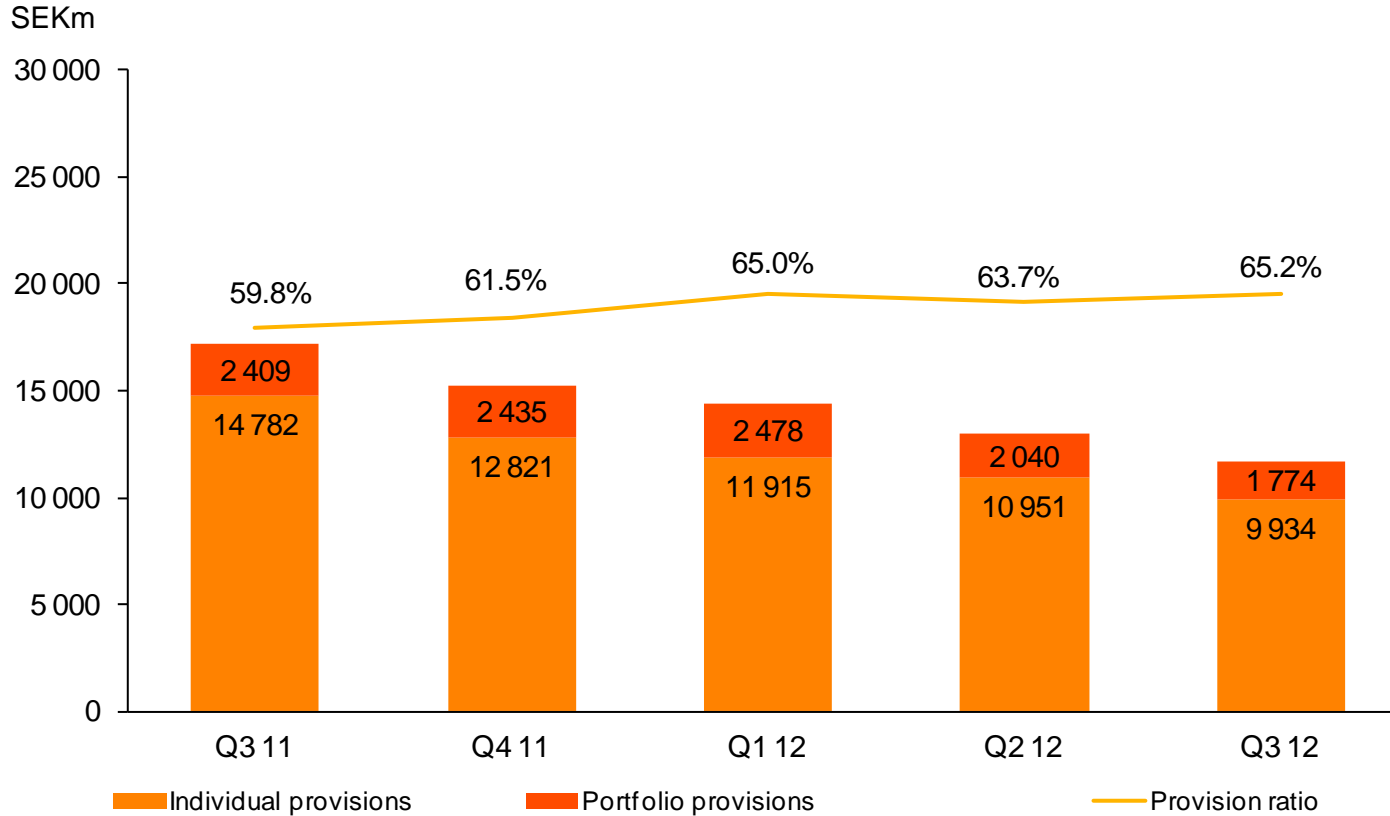
Program	Limit
<b>Long Term</b>	
Domestic Benchmark CB	Unlimited**
EMTN CB	EUR 25bn
USD Covered bonds (144a/Reg.S)	USD 15bn
Domestic MTN CB	SEK 150bn
Norwegian Benchmark CB	Unlimited**
-----	
Registered CB (stand alone doc.)	
<b>Short Term</b>	
Domestic CD	SEK 50bn

- \* 100% guaranteed by parent company
  - Irrevocable
  - Unconditional
  - Timely
- \*\* Limited by cover pool size



# Asset quality

# Provisions – well provided for

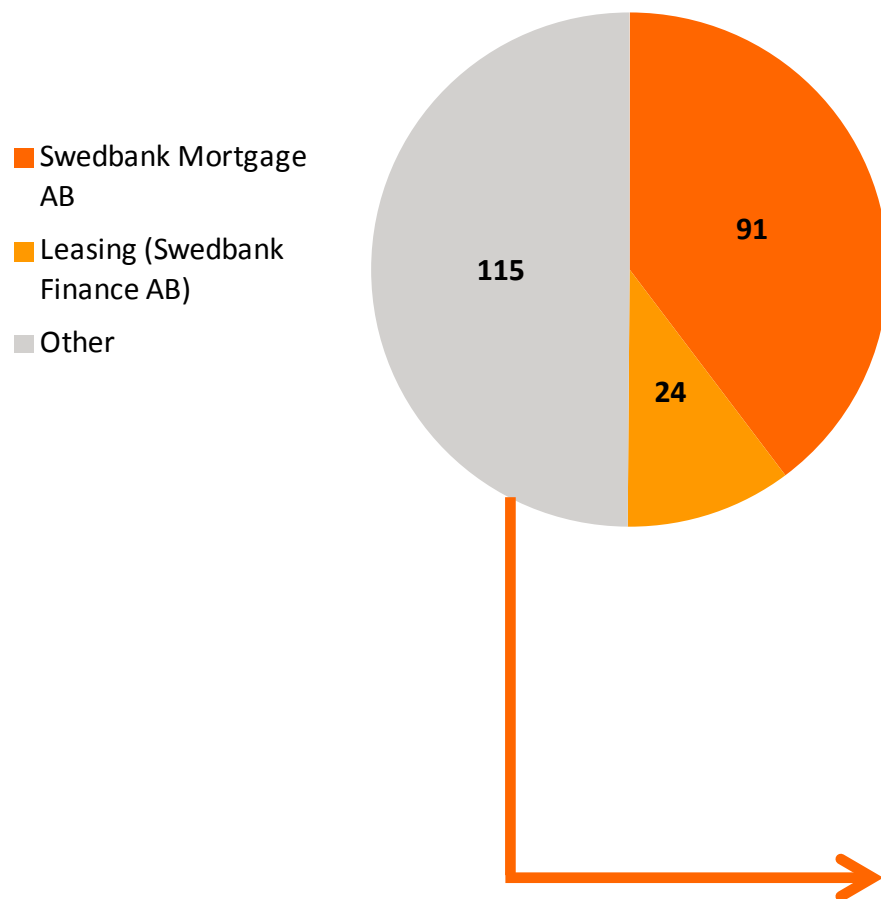


Provision ratios, %		Q3 12
Retail		77
LC&I		148
Baltic Banking		56
Russia		64
Ukraine		82
<b>Group</b>		<b>65</b>

Source: Swedbank, Sep 30, 2012

# Corporate Retail portfolio will drive capital efficiency

Total portfolio SEK 230bn

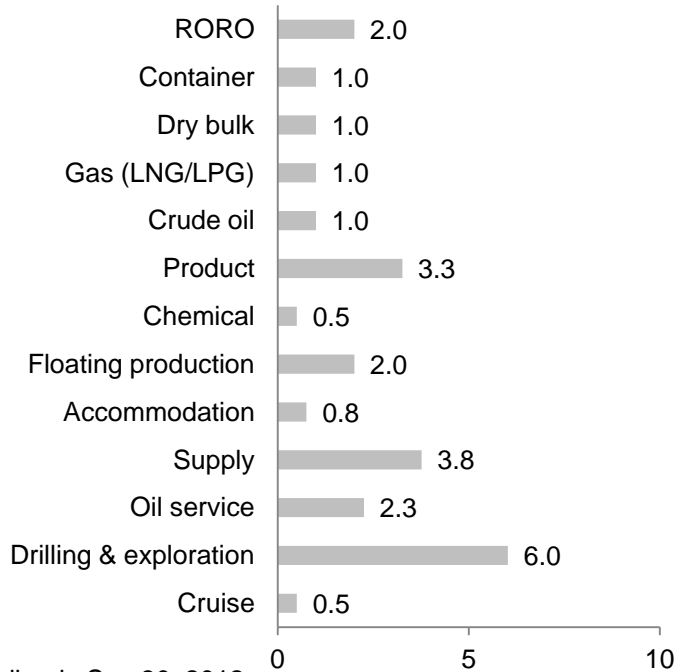
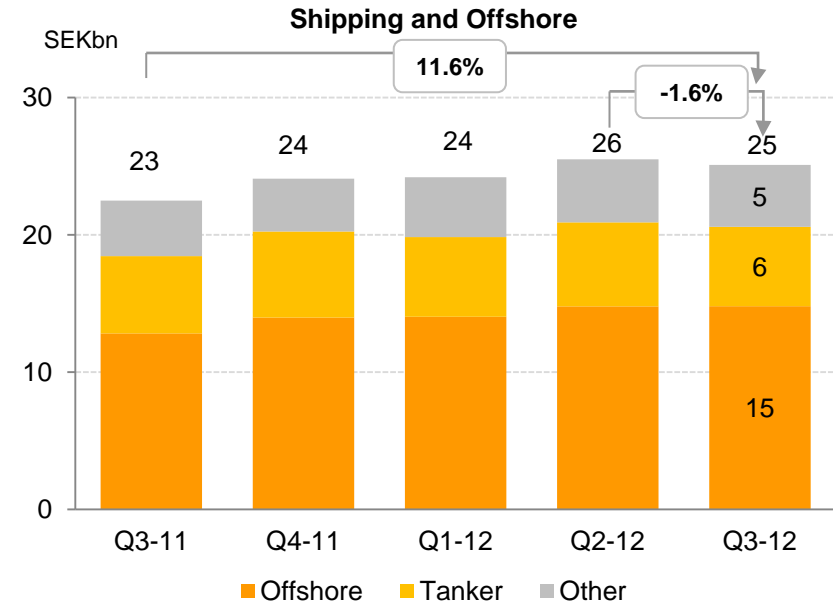


Segments excl. Swedbank Mortgage and Swedbank Finance	Volume (SEKbn)	Secured (%)
Agriculture	6.4	85
Manufacturing	10.8	70
Public sector and utilities	4.7	91
Construction	4.7	85
Retail	9.3	90
Transportation	2.0	80
Shipping	0.1	98
Hotels and restaurants	3.1	90
Information & communication	1.1	53
Finance and insurance	3.3	81
Property management	55.5	96
Professional service	6.9	65
Other	7.0	69
<b>Total</b>	<b>115.0</b>	<b>87</b>

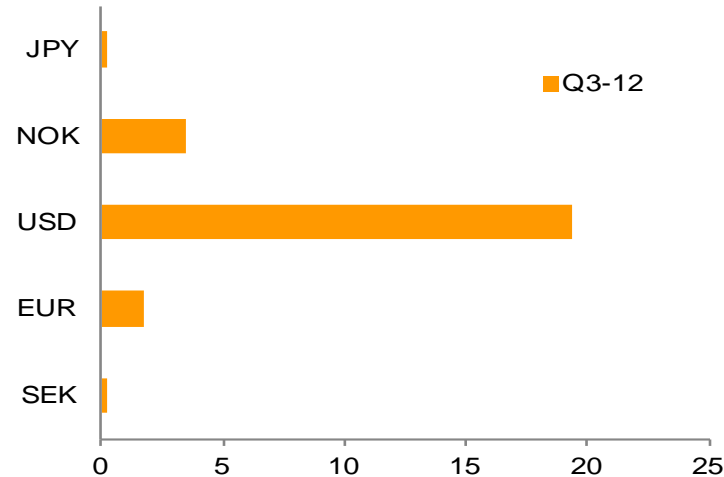
Source: Swedbank, Sep 30, 2012

# Shipping and offshore - structure

- Lending exposure to shipping and offshore sector of SEK 25.1bn plus unutilised commitments of SEK 6.2bn
  - Portfolio duration 4-5y
  - Average fleet age 7y
  - Strong employment profiles



Shipping and Offshore Portfolio by Currency



Source: Swedbank, Sep 30, 2012

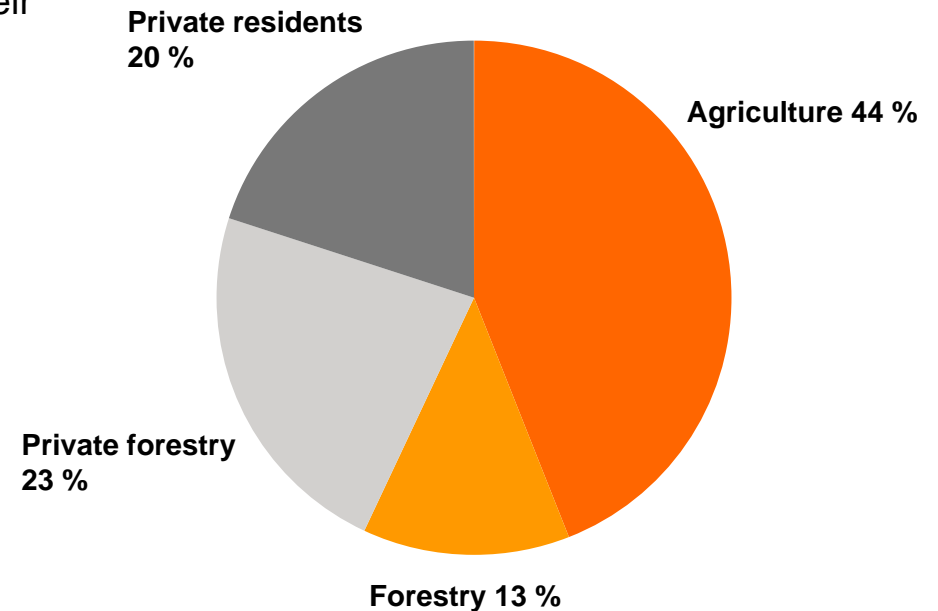
# Credit portfolio – Agriculture retail

- **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 to the agriculture industry**

- Approx SEK 62bn per Q3 2012
- Corporate agriculture: (57%)
  - Agriculture 44%
  - Forestry 13%
- Private investments (43%)
  - Residents: 20%
  - Forestry: 23%



# 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

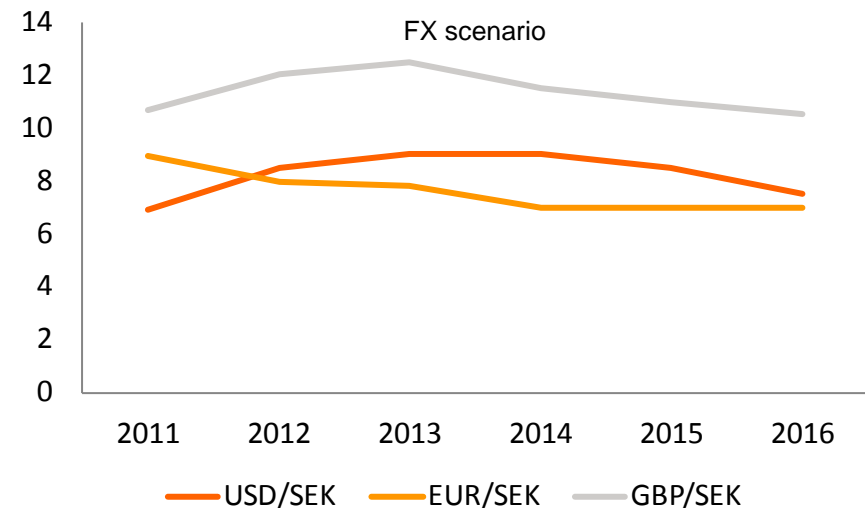
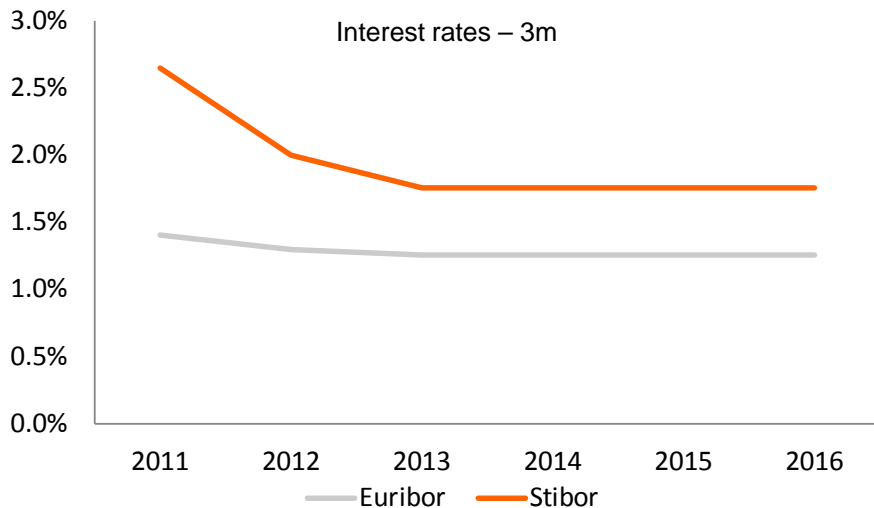
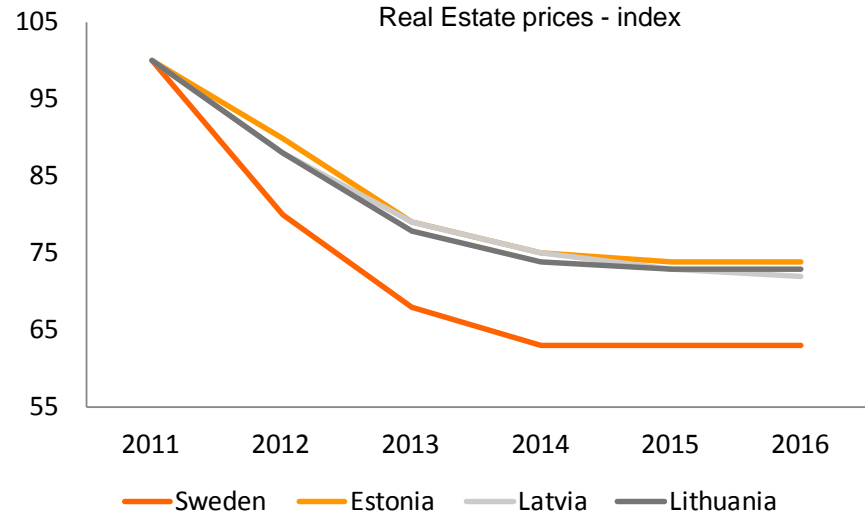
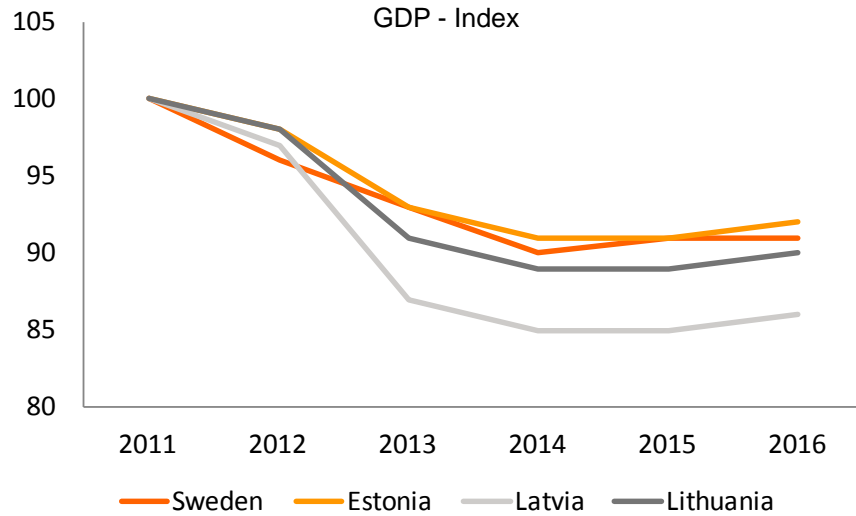
- Sharp GDP drop with no recovery (10-15% from 2011 level)
- Severe drop in house prices (25-37% from 2011 level)
- Depreciated EUR and appreciated SEK
- Devaluation in Latvia and Lithuania

## 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

# 2012 ICAAP scenario

## – Deep recession without recovery

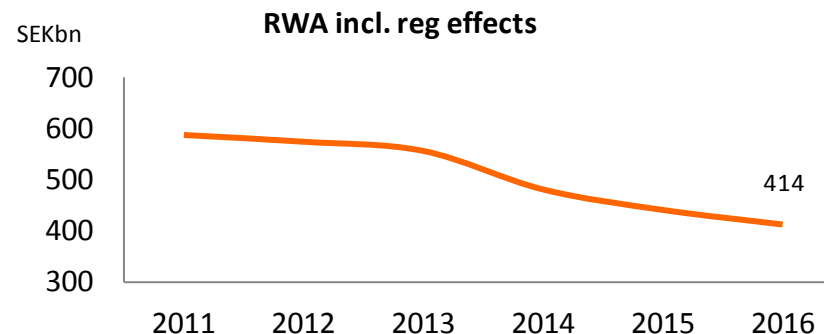
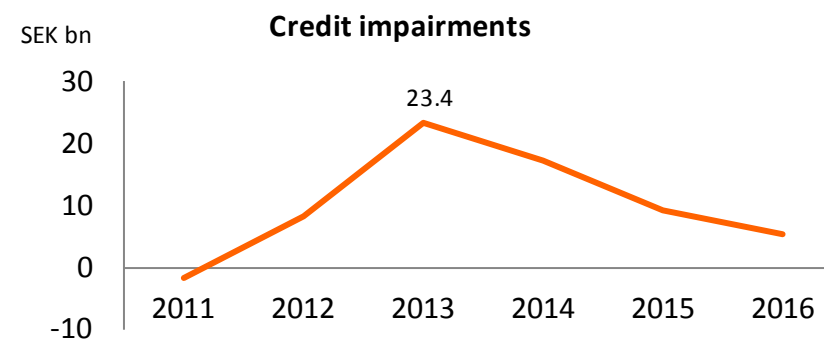
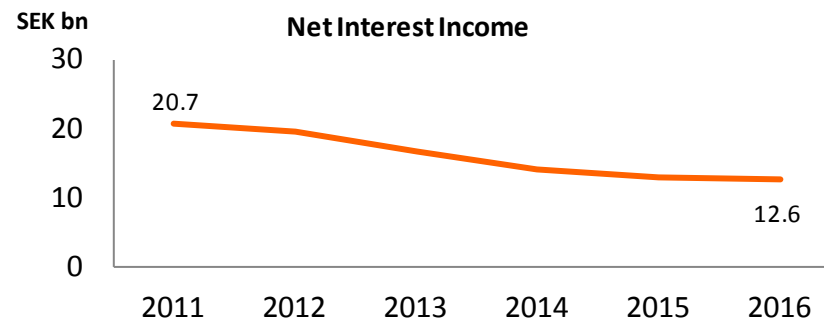


Source: Swedbank, Sep 30, 2012



## 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



Source: Swedbank, Sep 30, 2012

# 2012 ICAAP – Income statement

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

Source: Swedbank, Sep 30, 2012

# 2012 ICAAP – Credit impairments

Credit impairments (%)	EAD 2011 (SEKbn)	2012	2013	2014	2015	2016	Acc. loss ratio 2012 - 2016
<b>Total</b>	1,384.4	0.6	1.8	1.5	0.9	0.5	4.6
<b>of which LC &amp; I</b>	309.8	0.5	2.3	2.0	0.8	0.6	5.4
<b>Retail</b>	950.8	0.3	1.2	1.0	0.7	0.3	3.2
<b>Estonia</b>	52.5	1.2	2.5	2.2	1.8	1.7	6.6
<b>Latvia</b>	30.6	2.7	6.1	5.6	4.4	4.6	15.0
<b>Lithuania</b>	31.1	2.4	4.1	3.0	2.4	2.2	9.5
<b>Russia &amp; Ukraine</b>	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
<b>Total</b>	<b>1,260.5</b>	<b>0.4</b>	<b>1.5</b>	<b>1.3</b>	<b>0.7</b>	<b>0.4</b>	<b>3.7</b>

# 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

# Swedbank – contacts and financial calendar

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## Financial calendar

Q4 Interim report	30 January 2013
AGM 2012	20 March 2013
Q1 Interim report	23 April 2013
Q2 Interim report	17 July 2013
Q3 Interim report	22 Oct 2013

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