

# Swedbank's third quarter 2013 results

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# Stable results

SEKm	Q3 12	Q2 13	Q3 13	▲ Q/Q	▲ Y/Y
Net interest income	3 405	3 367	3 473	106	68
Net commissions	1 532	1 536	1 550	14	18
<b>Total income</b>	<b>5 413</b>	<b>5 312</b>	<b>5 491</b>	<b>179</b>	<b>78</b>
<b>Total expenses</b>	<b>2 477</b>	<b>2 398</b>	<b>2 389</b>	<b>-9</b>	<b>-88</b>
<b>Profit before impairments</b>	<b>2 936</b>	<b>2 914</b>	<b>3 102</b>	<b>188</b>	<b>166</b>
Impairments	72	37	106	69	34
ROE, %	25.5	28.1	28.1		
C/I ratio	0.46	0.45	0.44		

- Stable NII
  - Loan growth
  - Stable back book margins
  - Improved funding cost
  - Improved deposit margins
- Stronger loan growth in Stockholm
- Solid asset quality

# Robust customer activity

SEKm	Q3 12	Q2 13	Q3 13	▲ Q/Q	▲ Y/Y
Net interest income	768	851	864	13	96
Net commissions	416	523	467	-56	51
<b>Total income</b>	<b>1 655</b>	<b>1 926</b>	<b>1755</b>	<b>-171</b>	<b>100</b>
Expenses excl. variable staff costs	662	730	660	-70	-2
Variable staff costs	65	104	99	-5	34
<b>Profit before impairments</b>	<b>928</b>	<b>1 092</b>	<b>996</b>	<b>-96</b>	<b>68</b>
Impairments	-38	150	7	-143	45

ROE, %	14.6	14.5	18.3
C/l ratio	0.44	0.43	0.43

- Stable NII
- Slightly weaker trading income
- Stable expenses
- Solid asset quality

# Increasing customer activity

SEKm	Q3 12	Q2 13	Q3 13	▲ Q/Q	▲ Y/Y
Net interest income	753	763	807	44	54
Net commissions	376	445	446	1	70
<b>Total income</b>	<b>1 287</b>	<b>1 378</b>	<b>1453</b>	<b>75</b>	<b>166</b>
<b>Total expenses</b>	<b>556</b>	<b>593</b>	<b>604</b>	<b>11</b>	<b>48</b>
<b>Profit before impairments</b>	<b>731</b>	<b>785</b>	<b>849</b>	<b>118</b>	<b>64</b>
Impairments	-13	-41	-146	-105	-133

ROE, %	11.2	13.4	16.6
C/I ratio	0.43	0.43	0.42

- Improved NII
- Recoveries

# Stable earnings

SEKm	Q3 12	Q2 13	Q3 13	▲Q/Q	▲Y/Y
Net interest income	5 085	5 409	5 641	232	556
Net commission income	2 375	2 525	2 520	-5	145
Net gains and losses	687	296	170	-126	-517
<b>Total income</b>	<b>8 971</b>	<b>8 979</b>	<b>9 225</b>	<b>246</b>	<b>254</b>
<b>Total expenses</b>	<b>3 920</b>	<b>4 126</b>	<b>3 995</b>	<b>-131</b>	<b>75</b>
<b>Profit before impairments</b>	<b>5 051</b>	<b>4 853</b>	<b>5 230</b>	<b>179</b>	<b>377</b>
Credit impairments	36	88	-56	-144	-92
Other impairments	101	372	95	-277	-6
Tax	1 216	913	998	85	-218
<b>Profit from continuing ops.</b>	<b>3 698</b>	<b>3 480</b>	<b>4 193</b>	<b>713</b>	<b>495</b>

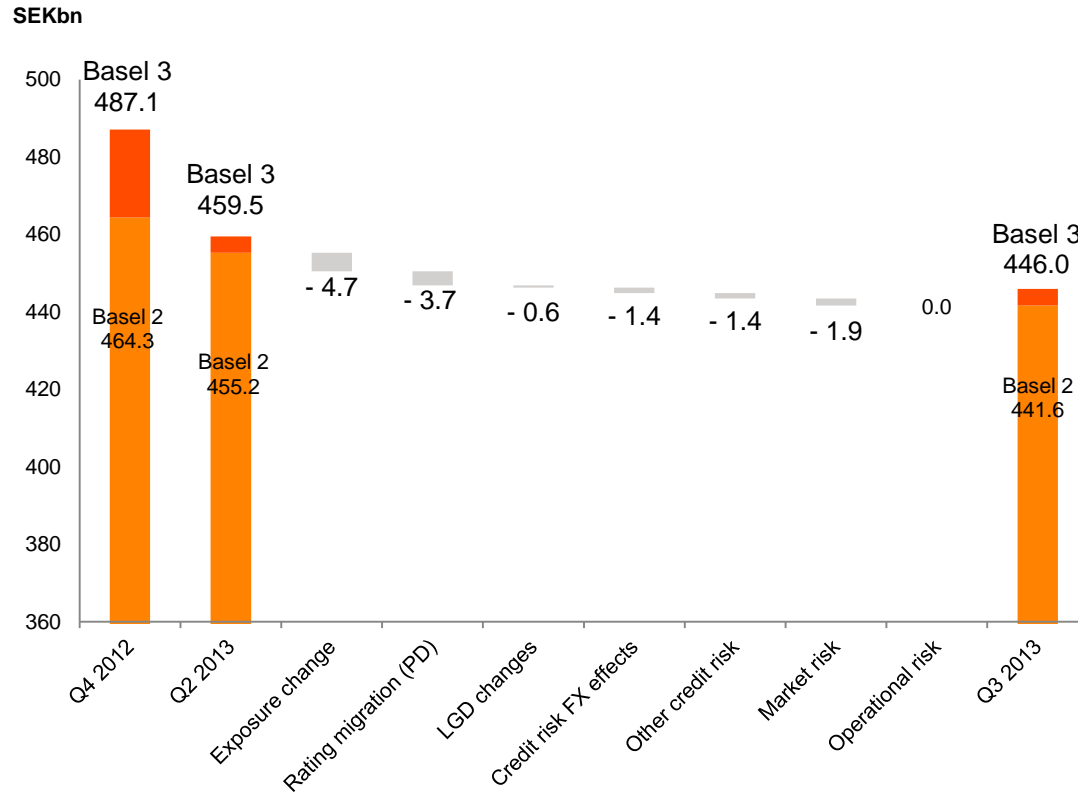
ROE continuing operations, %	15.2	14.1	16.2
C/I ratio	0.44	0.46	0.43
CET 1 ratio, % (Basel 3)	15.4	17.2	18.0

- Improved NII
  - Mortgage loan growth
  - Treasury
  - Margins in Baltic Banking and LC&I
- Stable commission income
- Weaker NGL
- Stable expenses
- Continued solid asset quality



# Reduced RWA

Swedbank's Risk-Weighted Assets development



- Mix change
- Rating migration
- FX
- Market risk

## Continued strong asset quality

Credit impairments, SEKm	Q3 12	Q2 13	Q3 13
Retail	72	37	106
Large Corporates & Institutions	-38	94	7
Baltic Banking	-18	-43	-147
Estonia	2	-36	-38
Latvia	8	18	-70
Lithuania	-28	-25	-39
Swedbank Group	36	88	-56

- Continued solid asset quality in Sweden
- Net recoveries in the Baltic countries

# Swedbank's third quarter 2013 results

Q & A

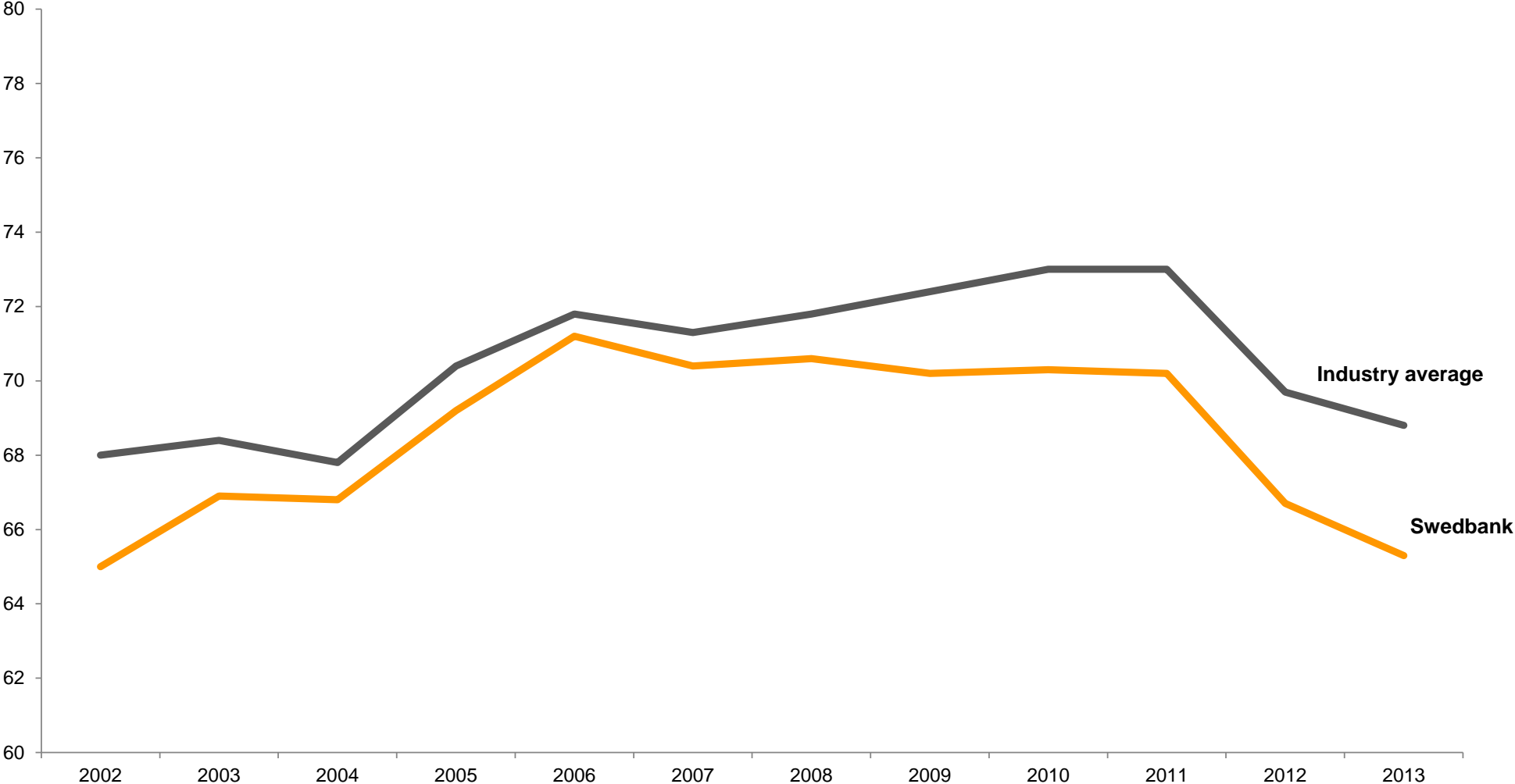




# Appendix

# Swedish customer satisfaction index (SKI)

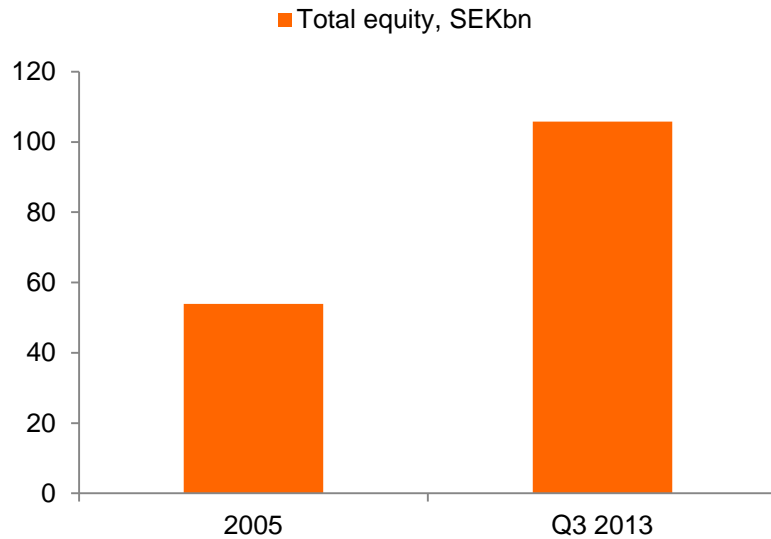
Average rating



Source: SKI/EPSI

# Regulatory initiatives targeting the mortgage market

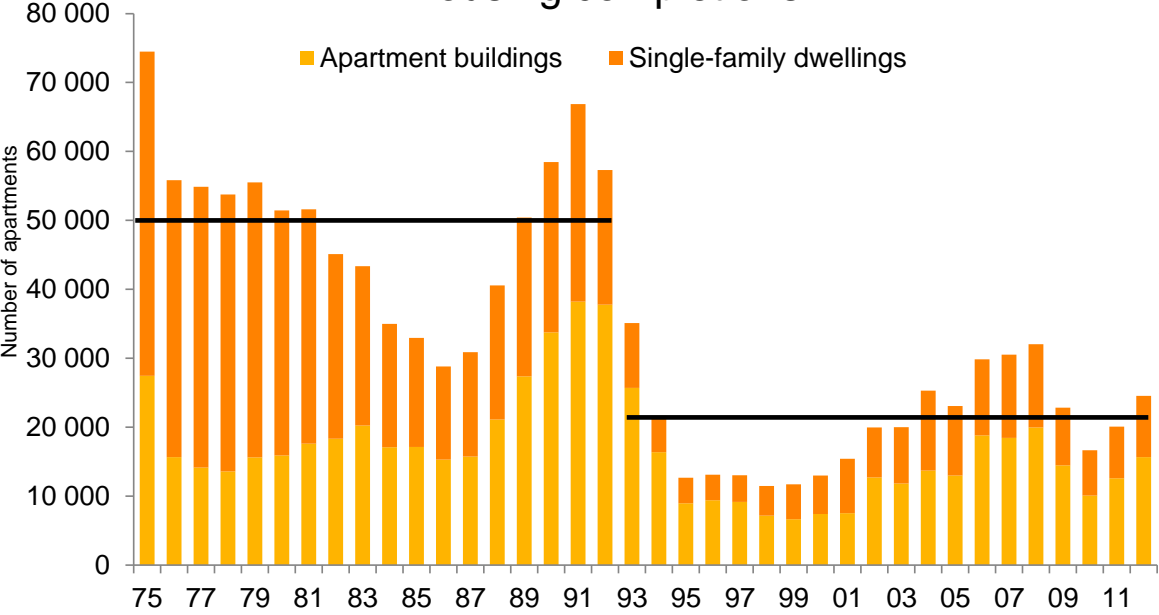
Swedbank's equity doubled



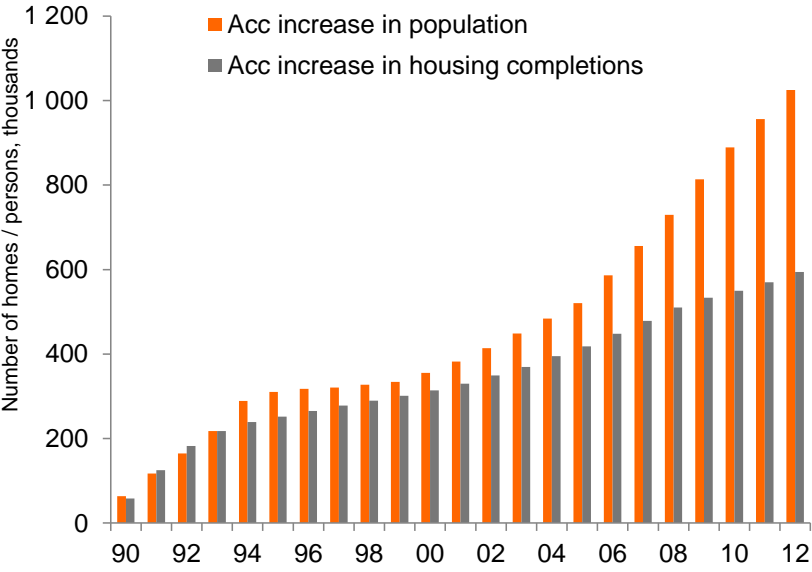
- LTV cap of 85%
- Amortisation
- Risk-weight floor of 15% on mortgage loans
- Capital and liquidity requirements
  - High minimum regulatory requirements (including SiFi buffer)
  - Countercyclical buffer?
  - Leverage ratio?

# Shortage of housing

Housing completions



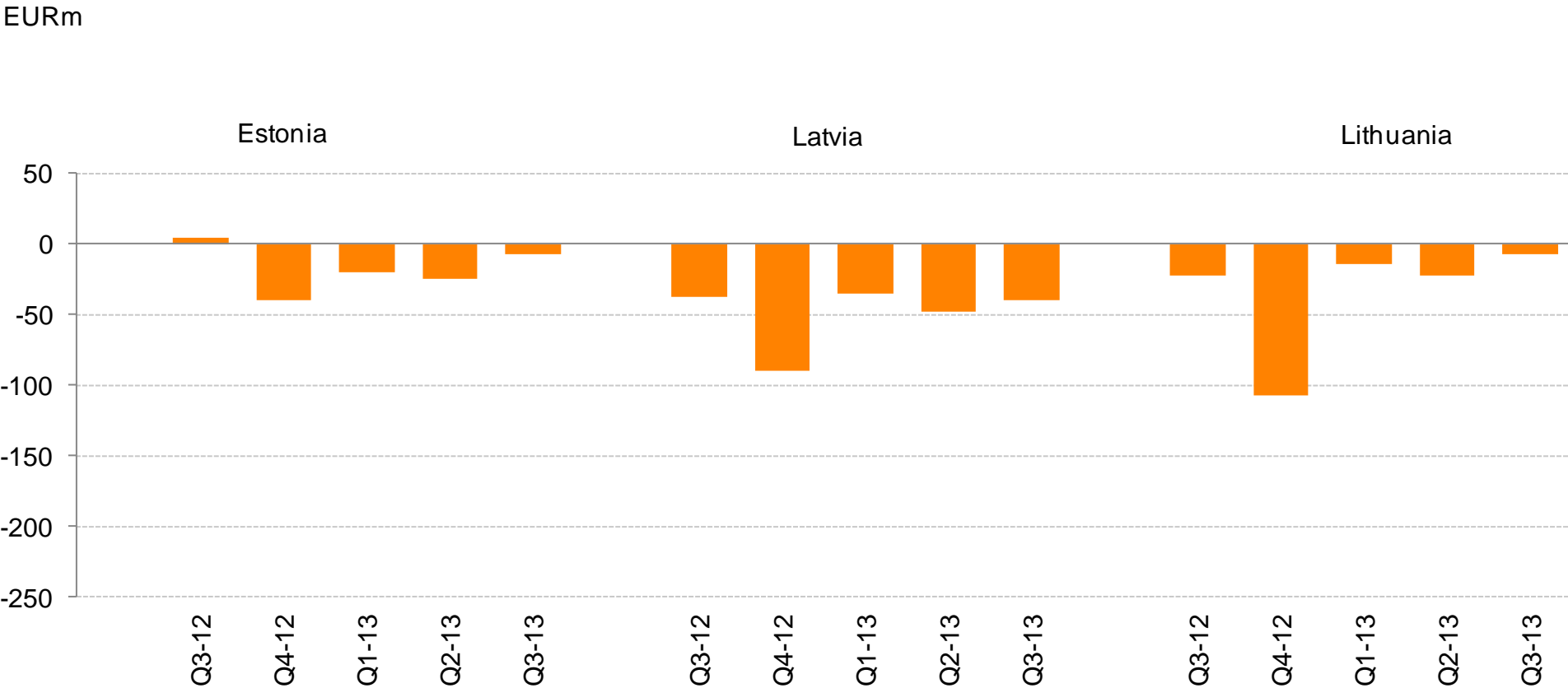
Population and housing growth



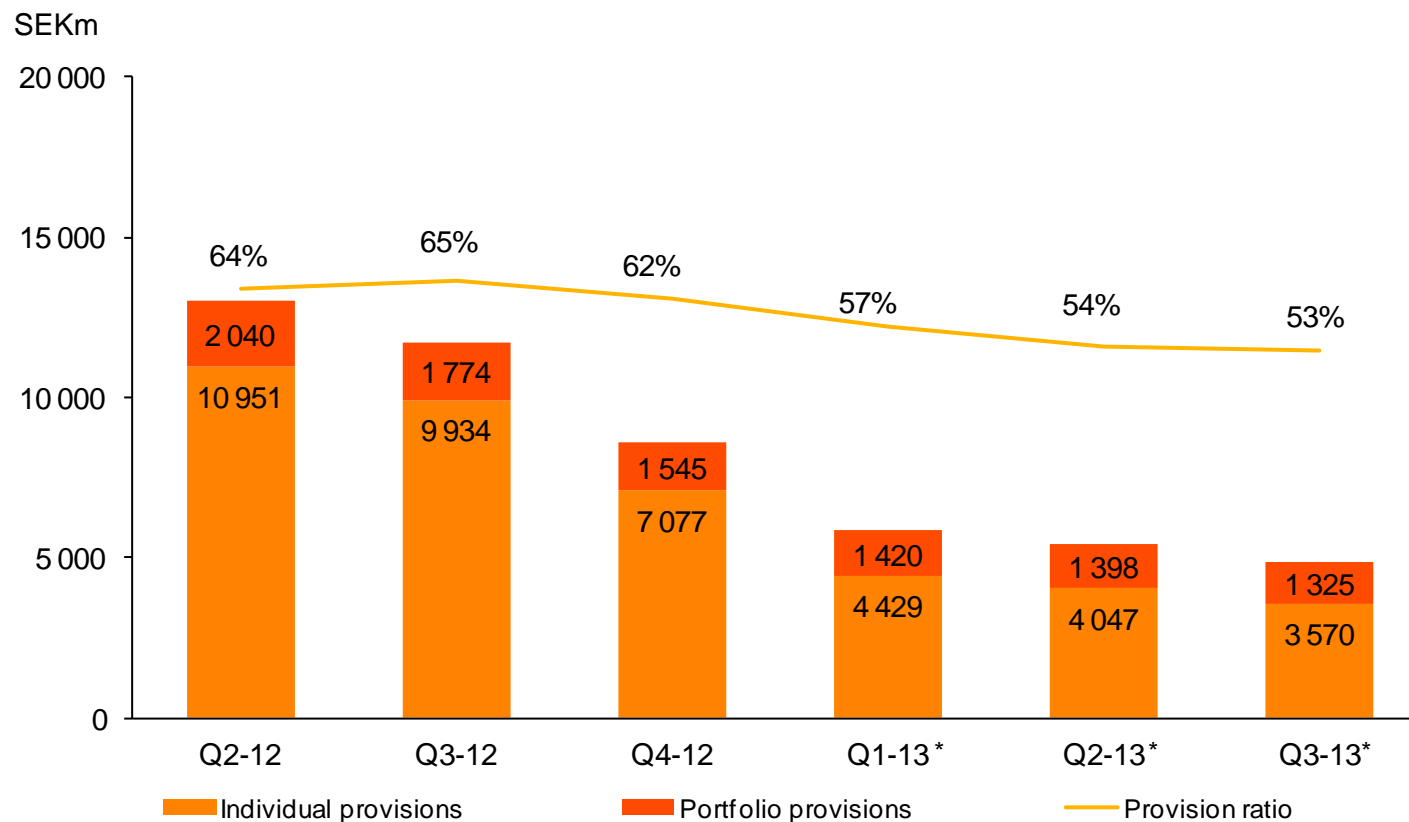
Source: Sweden statistics and Swedbank



# Loans past due 60 days – performance Q/Q



# Provisions – well provided for

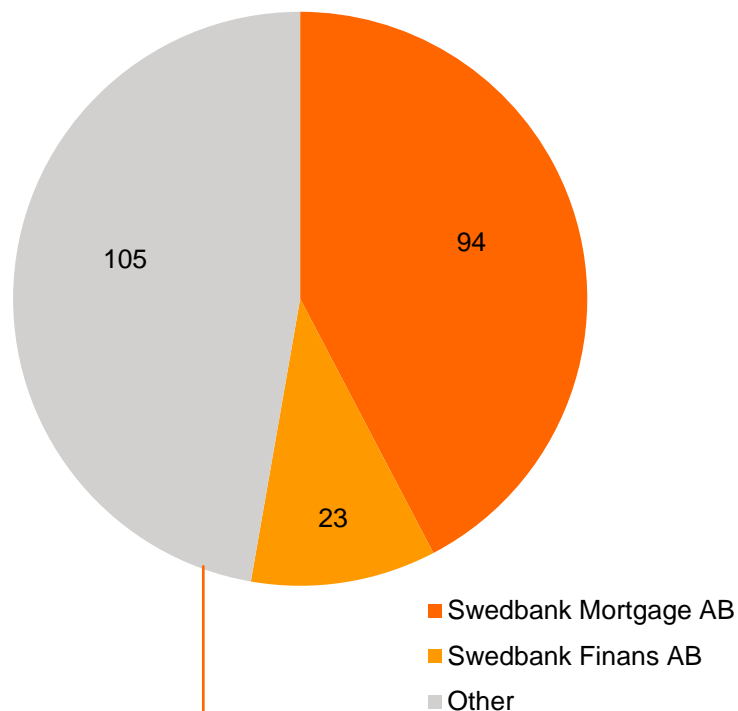


Provision ratio, %	Q3-13
Retail	63
LC&I	43
Baltic Banking	52
<b>Group</b>	<b>53</b>

\* Russia and Ukraine reported as discontinued operations

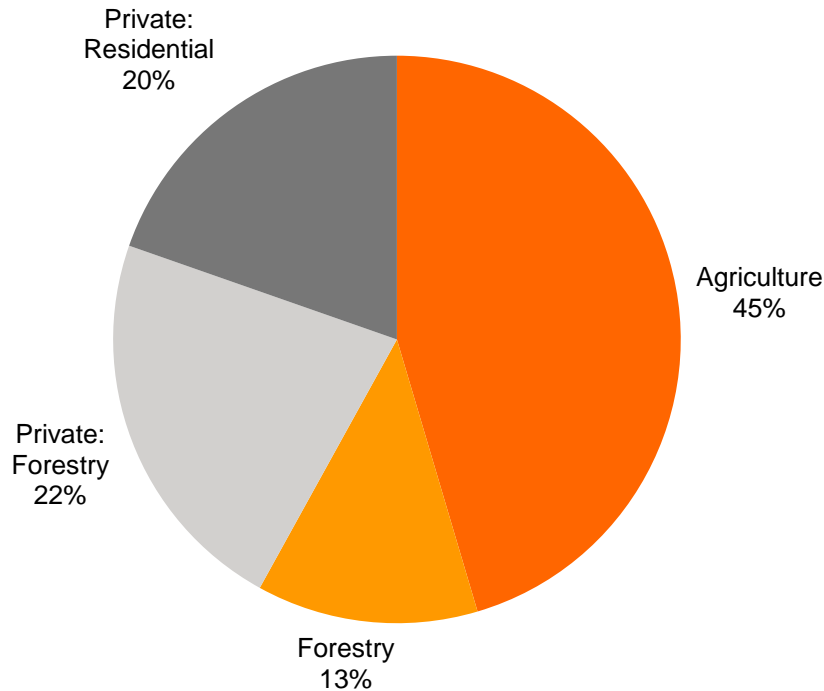
# Corporate portfolio drives capital efficiency

Total portfolio SEK 222bn



Segments excl. Swedbank Mortgage and Swedbank Finance	Volume (SEKbn)	Secured (%)
Agriculture	6.1	81
Manufacturing	8.5	74
Public sector and utilities	4.5	92
Construction	4.4	82
Retail	8.9	88
Transportation	2.0	85
Shipping	0.1	95
Hotels and restaurants	3.1	91
Information & communication	0.8	46
Finance and insurance	1.4	66
Property management	52.1	97
Professional service	6.8	65
Other	5.8	72
<b>Total</b>	<b>104.7</b>	<b>87</b>

# Agriculture



- **Segment definitions**

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

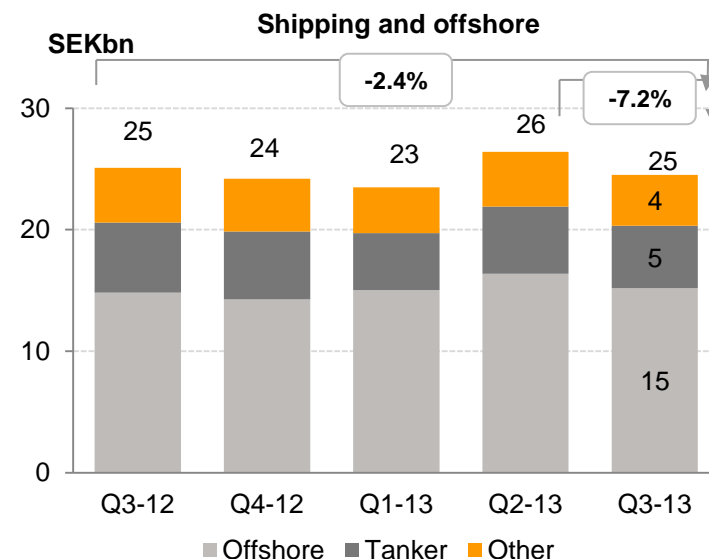
- **Lending exposure to the agriculture industry SEK 64.3bn**

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

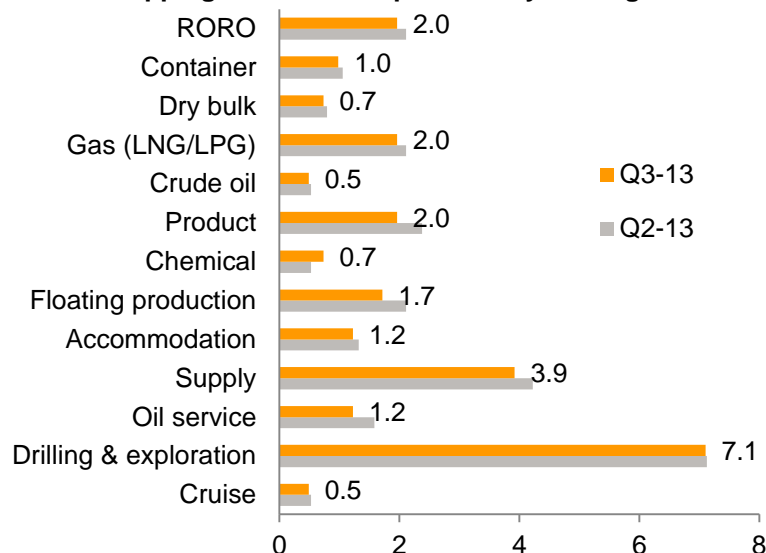


# Shipping and offshore

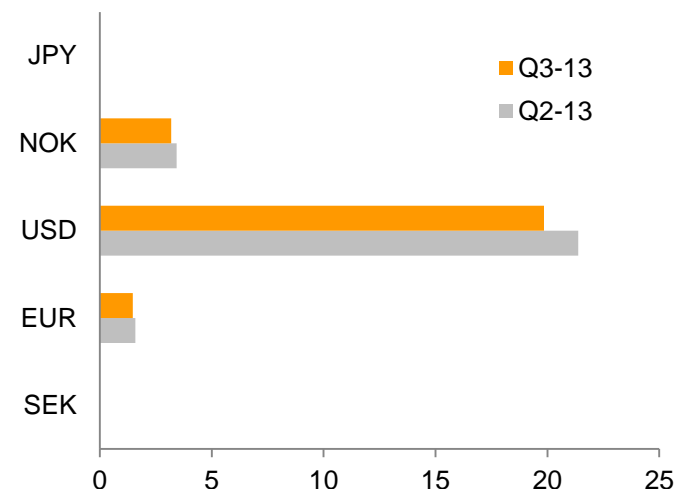
- Lending exposure to Shipping & Offshore sector SEK 24.5bn. Decrease over the quarter mainly due to FX
  - Portfolio duration 4-5y
  - Average fleet age 7y
  - Strong employment profiles



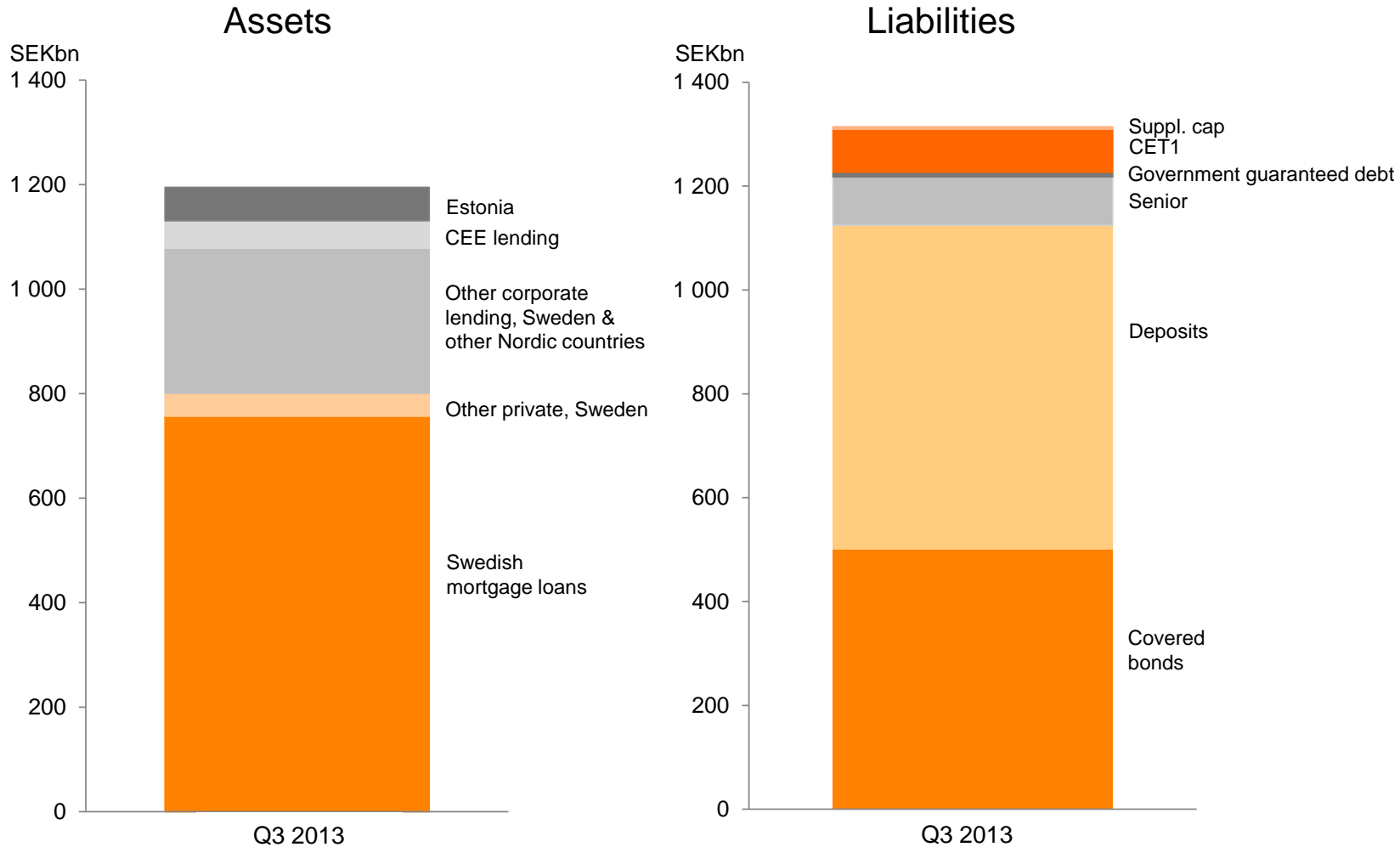
Shipping and offshore portfolio by subsegment



Shipping and offshore portfolio by currency



# Core balance sheet\* structure



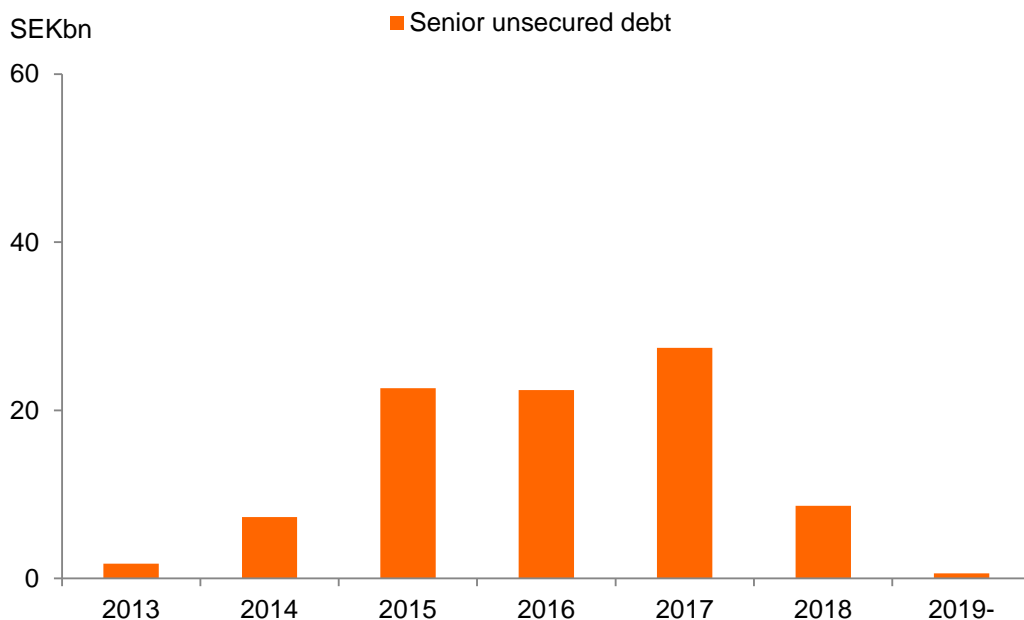
\* Simplified balance sheet

Source: Swedbank Sep 2013

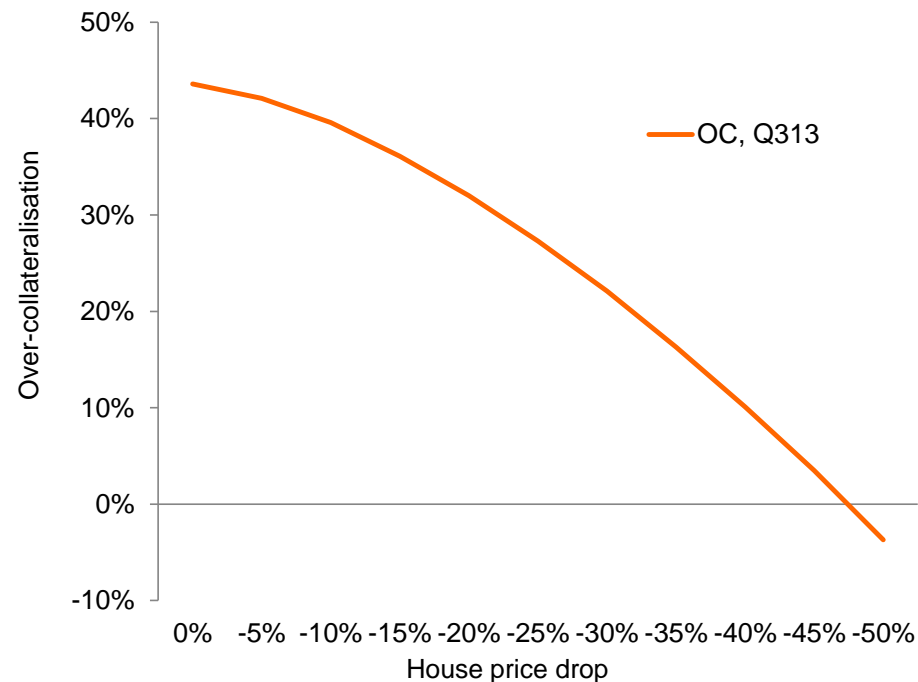
# Senior unsecured debt strategy

- 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

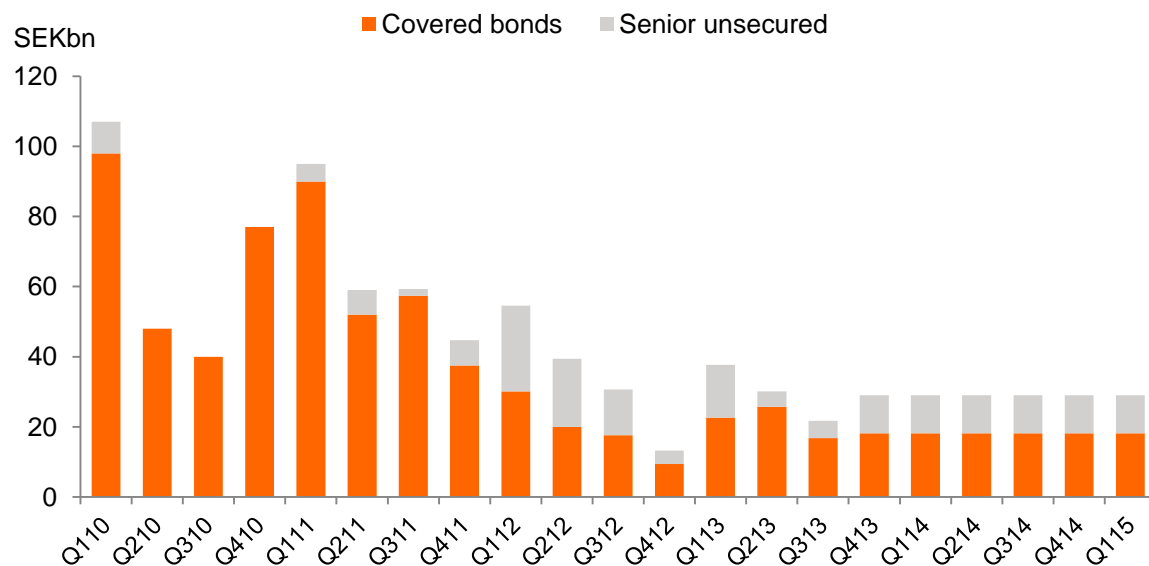


Source: Swedbank Sep 2013, nominal amounts

# Lower funding needs

- LCR 147% (Swedish FSA definition FFFS 2012:6)
- NSFR 91%
- Issued SEK 89bn of term-funding YTD of which SEK 20bn in Q3

## Term funding issuance – completed and planned



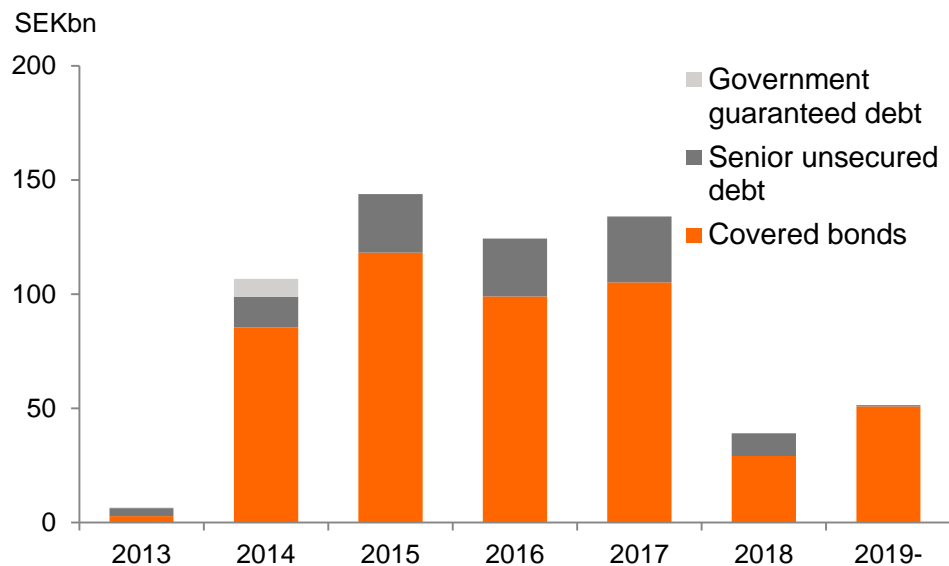
Source: Swedbank, 30 Sep 2013, nominal amounts



# Long-term funding maturity profile

- Term funding plan for the next 12 months of SEK 120bn to meet maturities of SEK 98bn

Long-term funding maturity profile



Source: Swedbank 30 Sep 2013

# Liquidity reserve

According to the template defined by the Swedish Bankers' Association

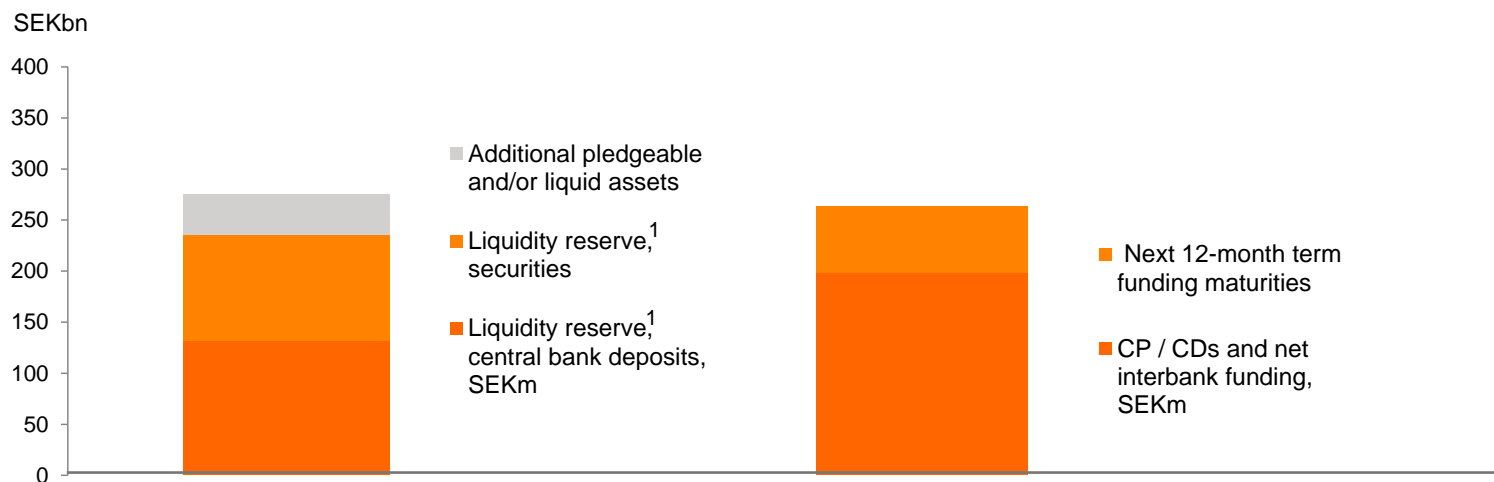
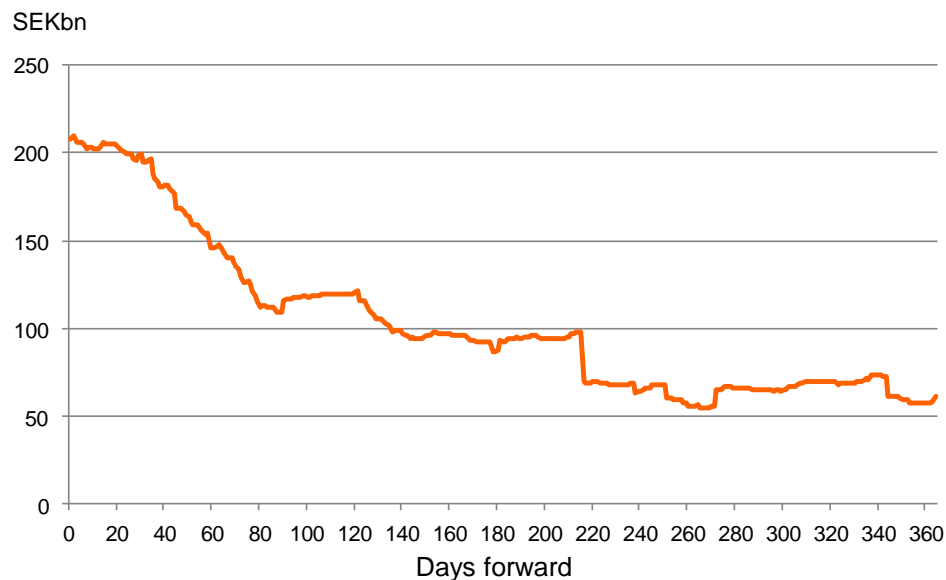
	SEKm
Cash and holdings in central banks	132 001
Deposits in other banks available overnight	443
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	46 642
Securities issued or guaranteed by municipalities or public sector entities	
Covered bonds	54 170
- Issued by other institutions	54 170
- Own issued	
Securities issued by non-financial corporates	
Securities issued by financial corporates (excl. covered bonds)	2 314
Other	
<b>Total<sup>1</sup></b>	<b>235 570</b>
Additional liquid assets, Group <sup>2, 3</sup>	39 437

<sup>1</sup> 96% of the securities in the liquidity reserve per Q3 2013 are rated AAA

<sup>2</sup> 81% 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.

<sup>3</sup> 78% of the additional assets are rated AAA

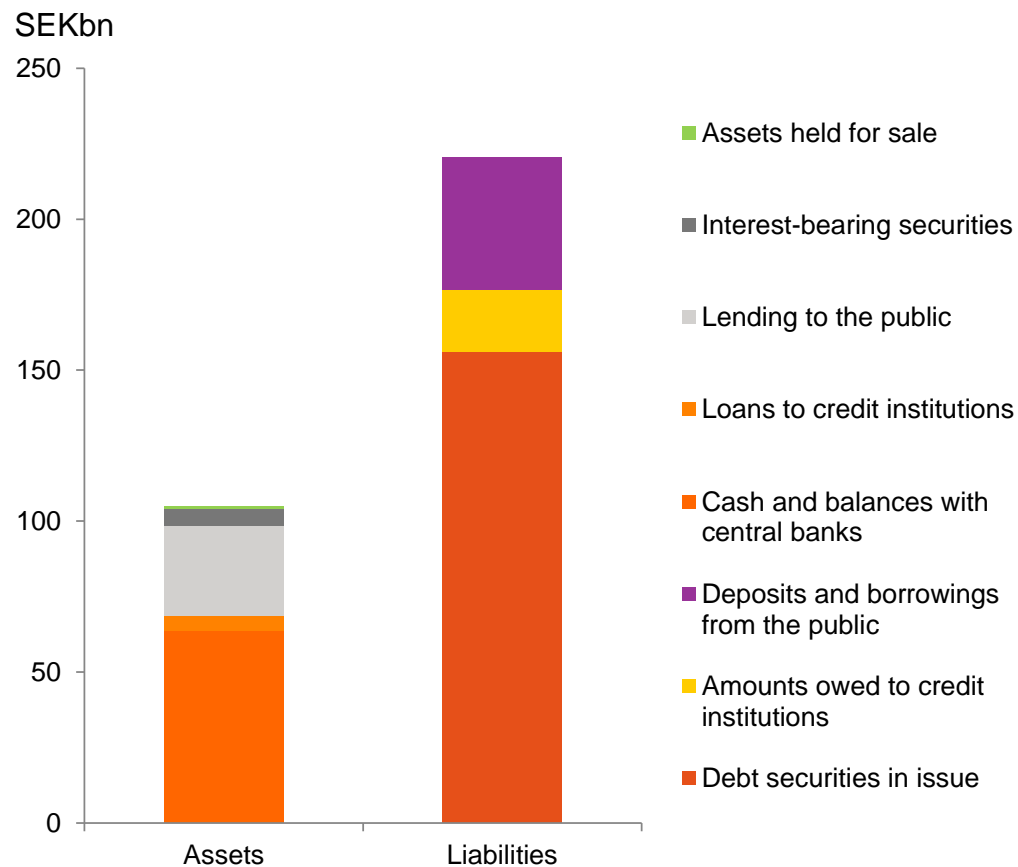
# Prefunded in excess of 12 months



Source: Swedbank Jun 30, 2013 <sup>1</sup> As defined by the Swedish Bankers' Association

## 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



Source: Swedbank Fact book, 30 Sep 2013

# Asset encumbrance

Encumbered assets - distribution by type of liability (row) and asset (column)										
SEKm	Central banks and Government debt instruments		Debt instruments issued by covered credit institutions		Securities issued by corporate and other issuers	Mortgage loans		Cash	Total	of which received collateral (off-balance)
	instruments	instruments	bonds	institutions		ABS	loans			
Central bank funding										
Intraday settlement	2 444		8 971						11 415	7 856
Repurchase agreements 1)	24 092		11 986						36 078	12 183
Derivative 2)	647		1 322					10 136	12 105	85
Covered bonds 3)						509 350			509 350	
Other 4)				700				288	988	
<b>Total</b>	<b>27 183</b>		<b>22 279</b>	<b>700</b>		<b>509 350</b>	<b>10 424</b>	<b>569 936</b>	<b>20 124</b>	

Financial assets pledged for insurance policy holders 114 256

Unencumbered assets - additional assets available for secured funding										
SEKm	Central banks and Government debt instruments		Debt instruments issued by covered credit institutions		Securities issued by corporate and other issuers	Mortgage loans		Cash	Total	of which received collateral (off-balance)
	instruments	instruments	bonds	institutions		ABS	loans			
Securities 5, 6)	33 444	21 254	70 426	12 668	8 447	926			147 165	23 997
Cover pool over collateralisation 7)							221 992		221 992	
Cover pool eligible assets 8)										
<b>Total</b>	<b>33 444</b>	<b>21 254</b>	<b>70 426</b>	<b>12 668</b>	<b>8 447</b>	<b>926</b>	<b>221 992</b>	<b>0</b>	<b>369 157</b>	<b>23 997</b>

1) Repoed securities.

2) Collateral posted under CSA agreements, gross (3-year, SEKm, High: 21 572, Low : 10 086, Average: 13 453).

3) Of which accrued interest of encumbered assets in the cover pool, SEK 2 173m as of 30 September 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 82% are rated AAA, 2% are rated below A- and 7% are not rated.

7) Of which accrued interest of assets in the cover pool overcollateralisation, SEK 960m as of 30 September 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.

Source: Swedbank Facts Q3 2013

# Swedish mortgage market

- No securitisation (on balance sheet), no sub-prime market, no 3<sup>rd</sup> party origination, insignificant 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

# Real estate price performance – Sweden 12 months

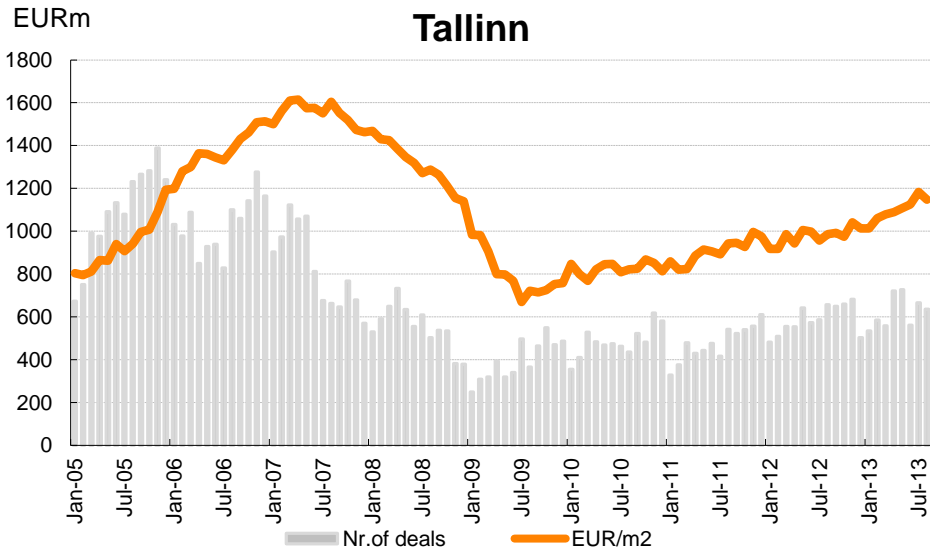
	Single-family homes <sup>1</sup> 12M Δ	Tenant-owner rights <sup>2</sup> 12M Δ	Combined <sup>3</sup> 12M Δ
Oct-12	1%	6%	3%
Nov-12	3%	7%	4%
Dec-12	4%	7%	6%
Jan-13	3%	7%	5%
Feb-13	4%	7%	5%
Mar-13	3%	7%	5%
Apr-13	2%	8%	4%
May-13	4%	8%	5%
Jun-13	4%	10%	6%
Jul-13	4%	9%	6%
Aug-13	5%	11%	7%
Sep-13	5%	11%	7%

<sup>1</sup> HOXHOUSESWE, <sup>2</sup> HOXFLATSWE, <sup>3</sup> HOXSWE

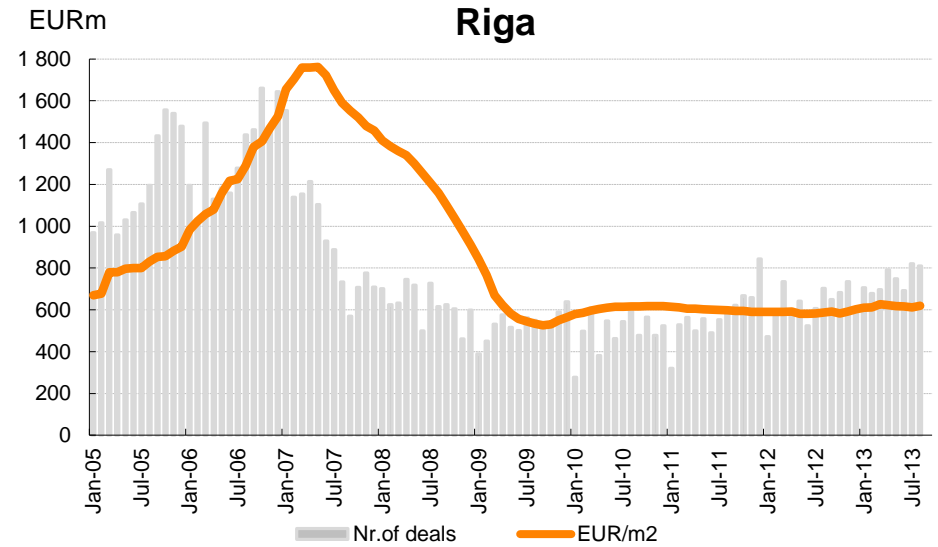
Source: Valuegard [www.valuegard.se](http://www.valuegard.se) (Based on data from Mäklarstatistik),

# Real estate prices

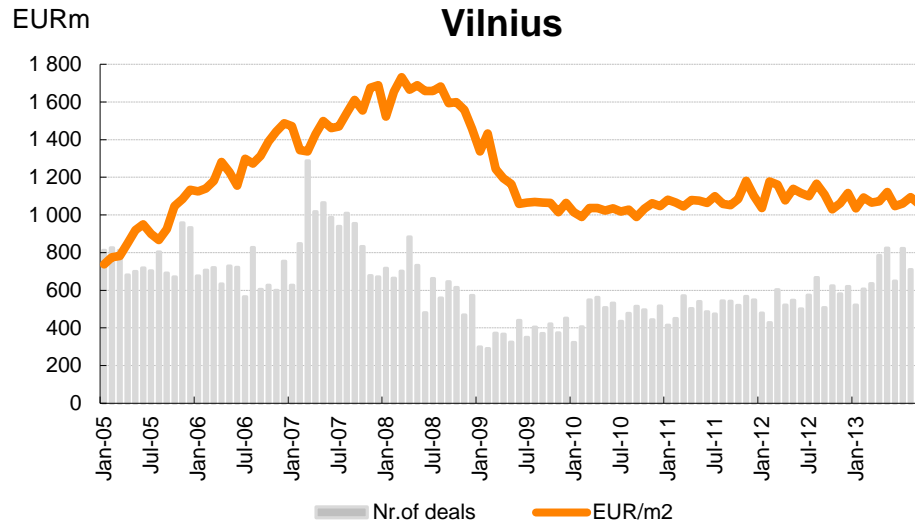
## Baltic countries



Source: Swedbank, Estonian Land Board



Source: Land book database



Source: Swedbank, State Enterprise Centre of Registers



# Mortgage loans, gross margin (3 months)

