

Swedbank's second quarter 2015 results

Michael Wolf (CEO), Göran Bronner (CFO), Anders Karlsson (CRO)



Strong result in low interest rate environment

SEKm	Q2 15	Q1 15	▲ QoQ
Net interest income	3 281	3 190	91
Net commission income	1 916	1 781	135
Other income	471	558	-87
Total income	5 668	5 529	139
Total expenses	2 496	2 559	-63
Profit before impairments	3 172	2 970	202
Credit impairments	48	52	-4

Ratios	Q2 15	Q1 15
ROE, %	18.9	17.9
C/I ratio	0.44	0.46

Volumes, SEKbn	Q2 15	Q1 15	▲ QoQ
Loans	1 050	1 039	11
Deposits	428	400	28

- Lower deposit margins
- Higher mortgage margins
- Loan and deposit volume growth
- Stable commission income
- Good cost development
 - Lower staff cost

Stable result

SEKm	Q2 15	Q1 15	▲ QoQ
Net interest income	865	831	34
Net commission income	524	469	55
Other income	147	199	-52
Total income	1 536	1 499	37
Total expenses	611	612	-1
Profit before impairments	925	887	38
Credit impairments	-49	-9	-40
Tax	1 064	131	933
Net profit	-91	767	-858

Ratios	Q2 15	Q1 15
ROE, % (excl. one-off tax)	16.6	15.0
C/l ratio	0.40	0.41

Volumes, SEKbn	Q2 15	Q1 15	▲ QoQ
Loans	126	125	1
Deposits	138	135	3

- Loan volume growth
- Strong commission income
 - Cards and payments
- Solid asset quality
- Extra dividend from Estonia triggers increased tax cost

Stable result

SEKm	Q2 15	Q1 15	▲ QoQ
Net interest income	862	862	0
Net commission income	491	496	-5
Net gains and losses	576	587	-11
Other income	39	35	4
Total income	1 968	1 980	-12
Total expenses	842	877	-35
Profit before impairments	1 126	1 103	23
Credit impairments	7	16	-9

Ratios	Q2 15	Q1 15
ROE, % (excl. one-off tax)	15.6	16.9
C/I ratio	0.43	0.44

Volumes, SEKbn	Q2 15	Q1 15	▲ QoQ
Loans	182	178	4
Deposits	106	117	-11

- Stable NII
- Lower deposit margins
- Volatile markets
- Good asset quality

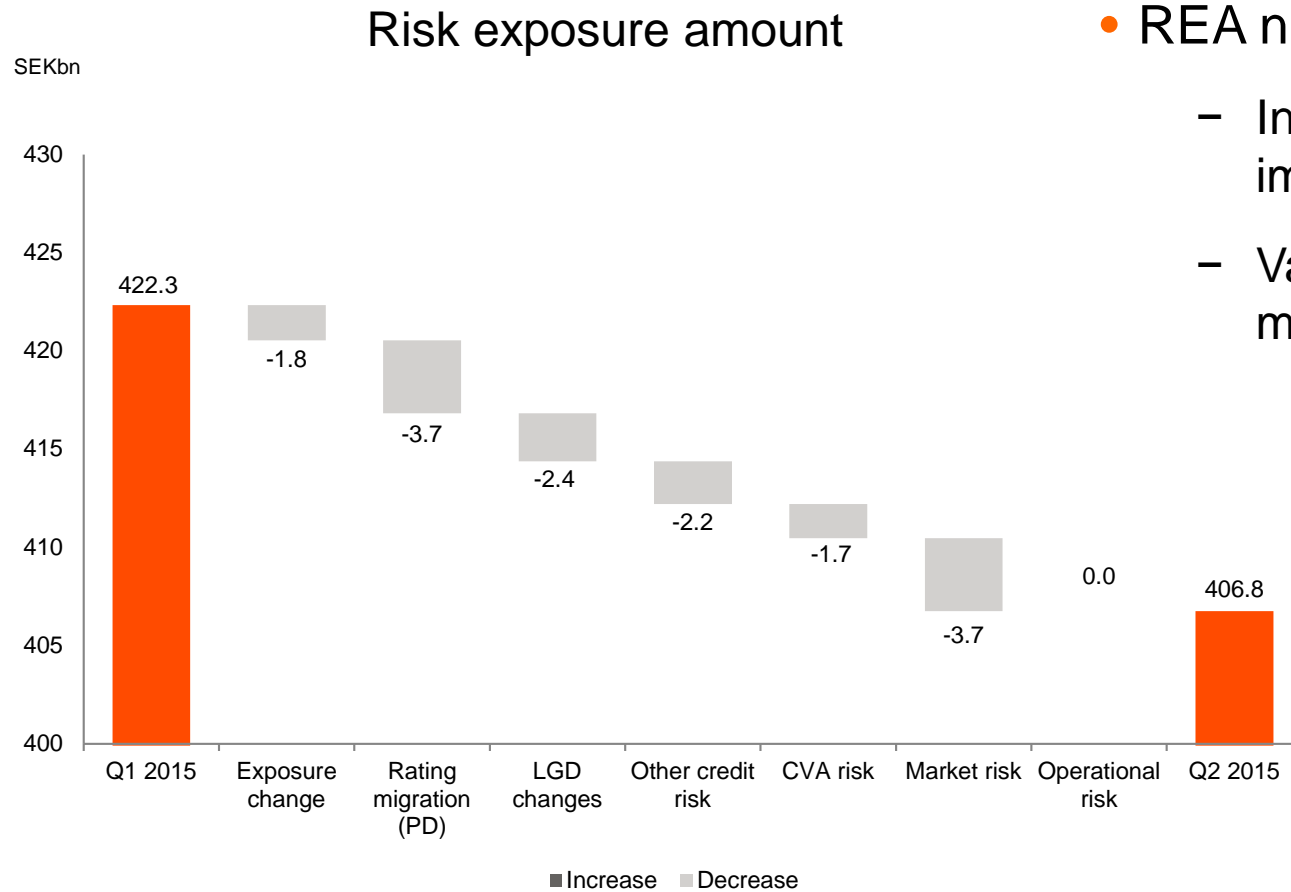
Stable result in low interest rate environment

SEKm	Q2 15	Q1 15	▲QoQ
Net interest income	5 704	5 719	-15
Net commission income	2 842	2 744	98
Net gains and losses	82	320	-238
Other income	687	835	-148
Total income	9 315	9 618	-303
Total expenses	4 047	4 168	-121
Profit before impairments	5 268	5 450	-182
Credit impairments	6	59	-53
Other impairments	22	15	7
Tax	1 538	1 101	437
Net profit	3 666	4 320	-654

Ratios	Q2 15	Q1 15
ROE, %	13.4	14.9
ROE, % (excl. one-off tax)	15.0	14.9
Cost/income ratio	0.43	0.43
CET1 capital ratio, %	22.4	20.5

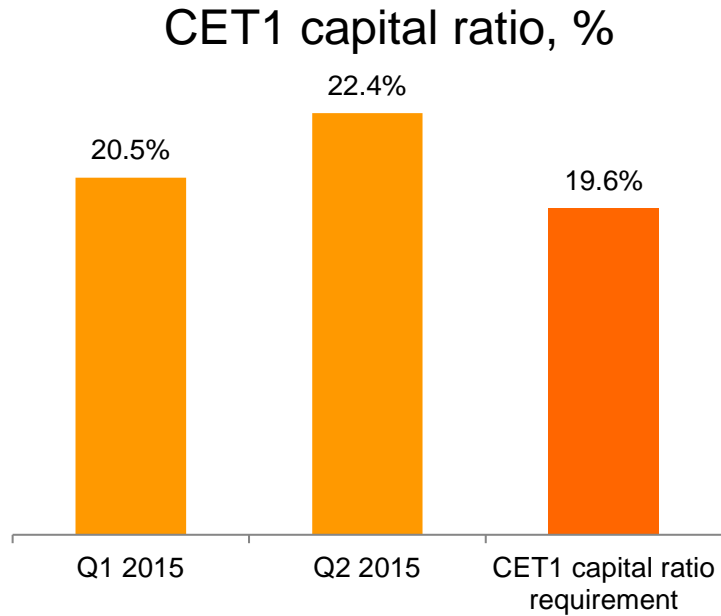
- Stable NII
- Good cost development
- Strong asset quality
- Negative one-off tax effects

Positive REA impact from market movements



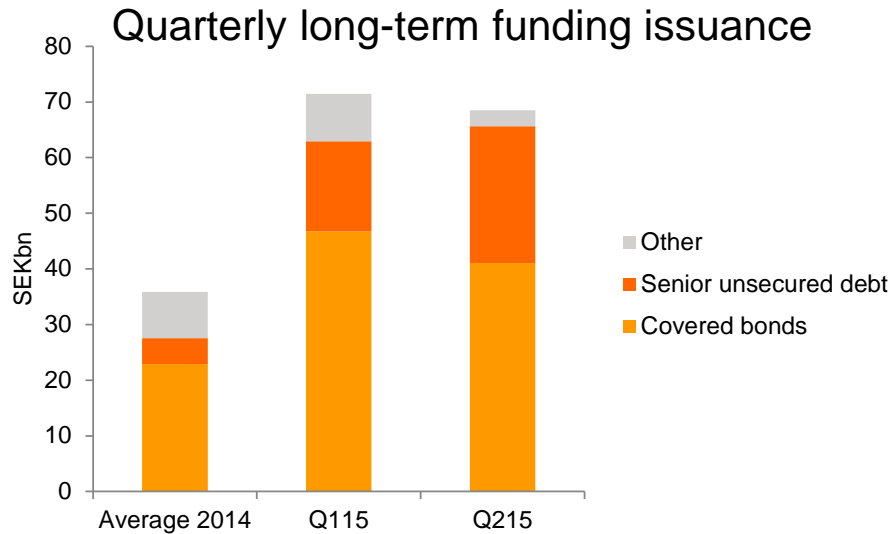
- REA net decrease of SEK 15.6bn
 - Interest rates and FX fluctuations impact positively
 - VaR model approval – to manage negative interest rate

Strong capitalisation – no excess capital

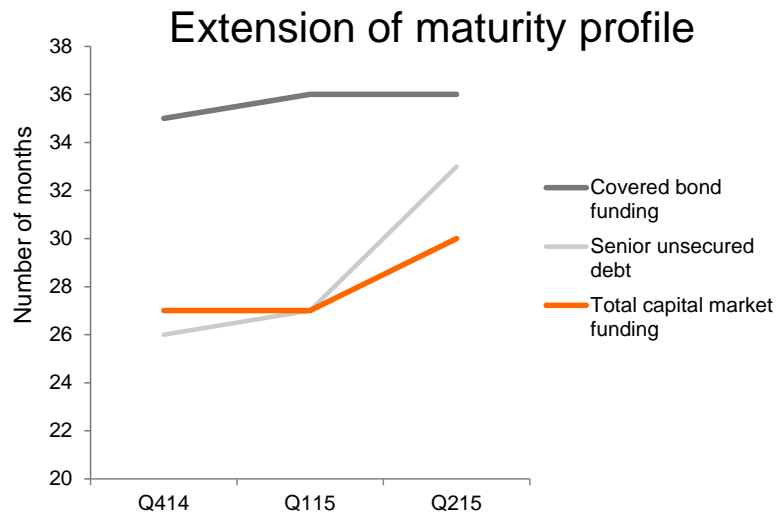


- CET1 capital positively impacted
 - IAS 19 (SEK 3.4bn)
- REA net decrease of SEK 15.6bn
- Continued regulatory uncertainty

Increased long-term funding activity



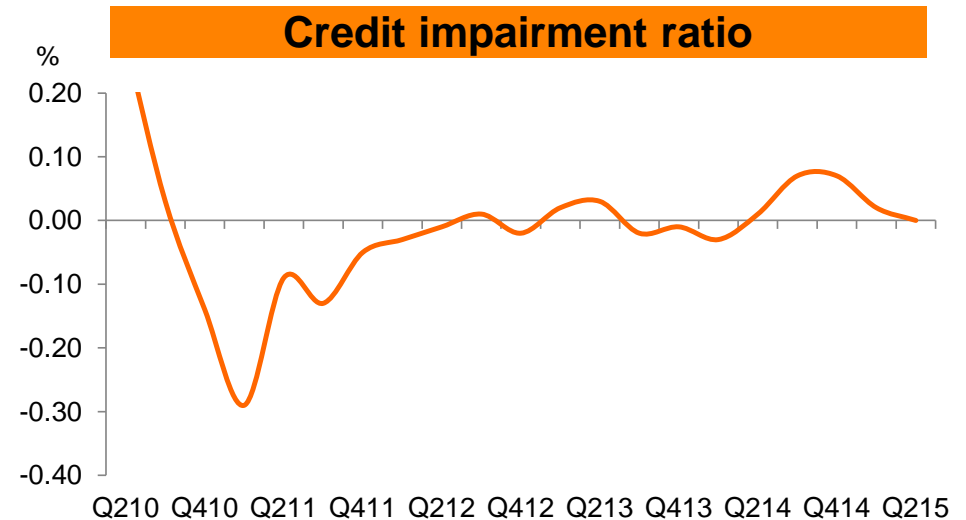
- Taking advantage of favourable funding markets
- Extending maturity profile
- Credit rating upgrades



Strong asset quality

Credit impairments, SEKm	Q2 15	Q1 15	▲ QoQ
Swedish Banking	48	52	-4
Baltic Banking	-49	-9	-40
Large Corporates & Institutions	7	16	-9
Swedbank Group	6	59	-53

Ratios	Q2 15	Q1 15
Credit impairment ratio, %	0.00	0.02
Share of impaired loans, gross %	0.36	0.39
Total provision ratio for impaired loans, %	55	54



Q&A

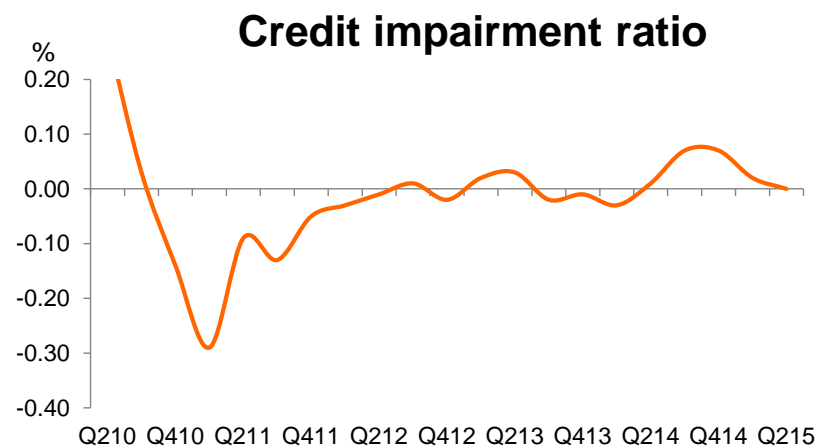
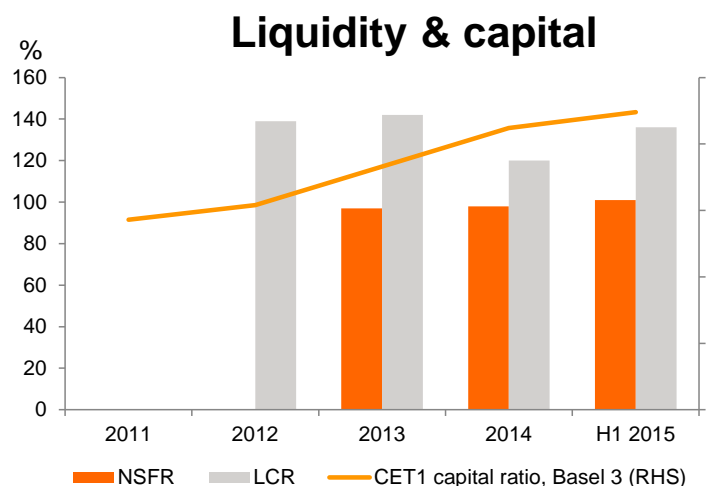
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Appendix

Swedbank – a low-risk bank with strong capital base

- Low risk – a Board of Directors’ strategic priority – ensures access to funding markets and low funding costs
- Retail profile and four home markets a key feature
 - 86% of total loans originated in Sweden - Swedish mortgages account for 62% of total loans
 - 90% of total loans are collateralised (76% real estate and 14% other collateral)
- Strong capital position – Board of Directors’ decision to maintain a buffer above prevailing SFSA capital requirements to have operational flexibility – current buffer 280bp
- Conservative funding and liquidity position – survival horizon longer than 12 months assuming closed funding markets, NSFR 101% and LCR 136%
- Baltic operations self-funded – Loan-to-Deposit ratio < 100%

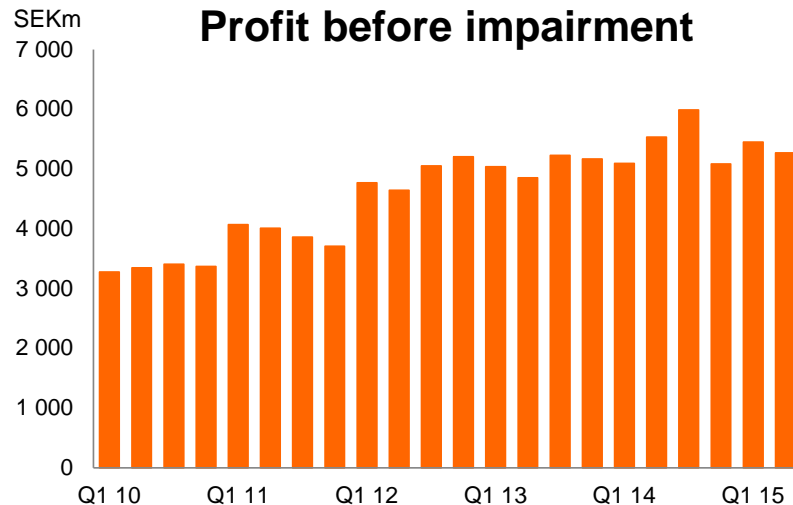


Source: Swedbank 30 Jun 2015

This is Swedbank

Swedbank – strong and stable earnings capacity

- Four home markets – Sweden, Estonia, Latvia and Lithuania
 - Strong and stable economies
 - Market leading position in all home markets
 - Largest customer base in all home markets
- Retail profile ensures stable earnings with low volatility
- High cost efficiency – a strategic priority – ensures good profitability
- Stable earnings is first line of defence supporting low risk profile and strong capital position

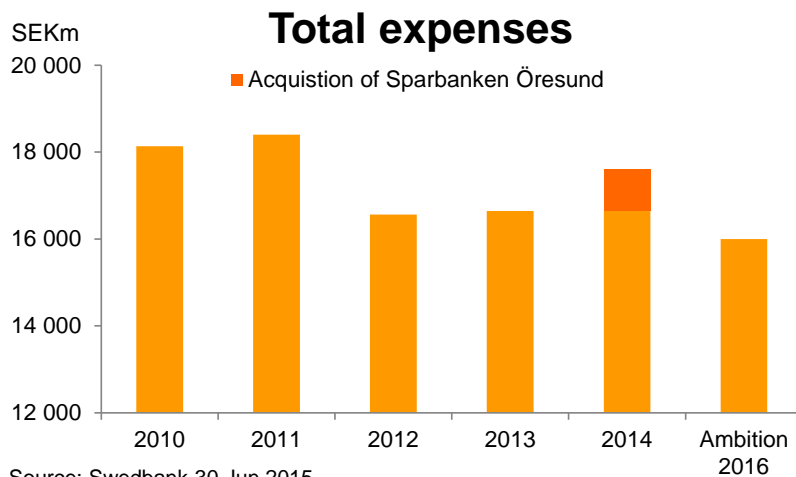


Source: Swedbank 30 Jun 2015

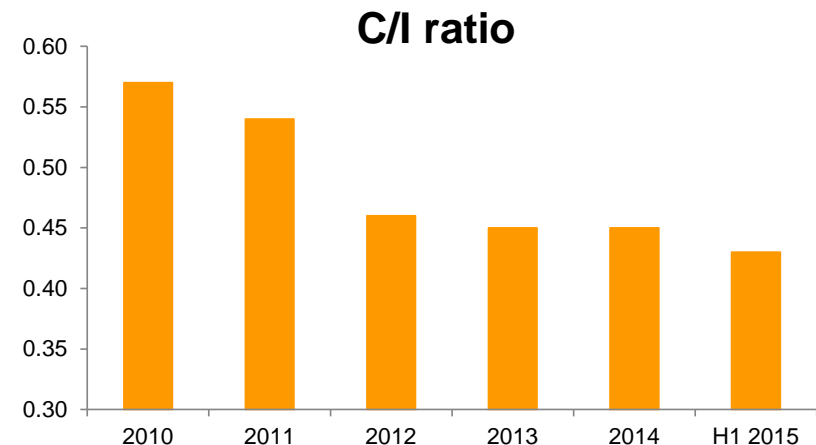
This is Swedbank

Swedbank – market leading cost efficiency

- Best in-class cost efficiency – an executive management strategic priority
- Strong dedication from executive management on cost and change management
 - Integrated in corporate culture
 - Focus on straight-through-processing
 - Evolving household banking model – digitalisation trend
- Retail profile a key feature
 - Four home markets – Sweden, Estonia, Latvia and Lithuania – reducing complexity
 - Largest private and SME customer base
 - High degree of digitalisation in home markets

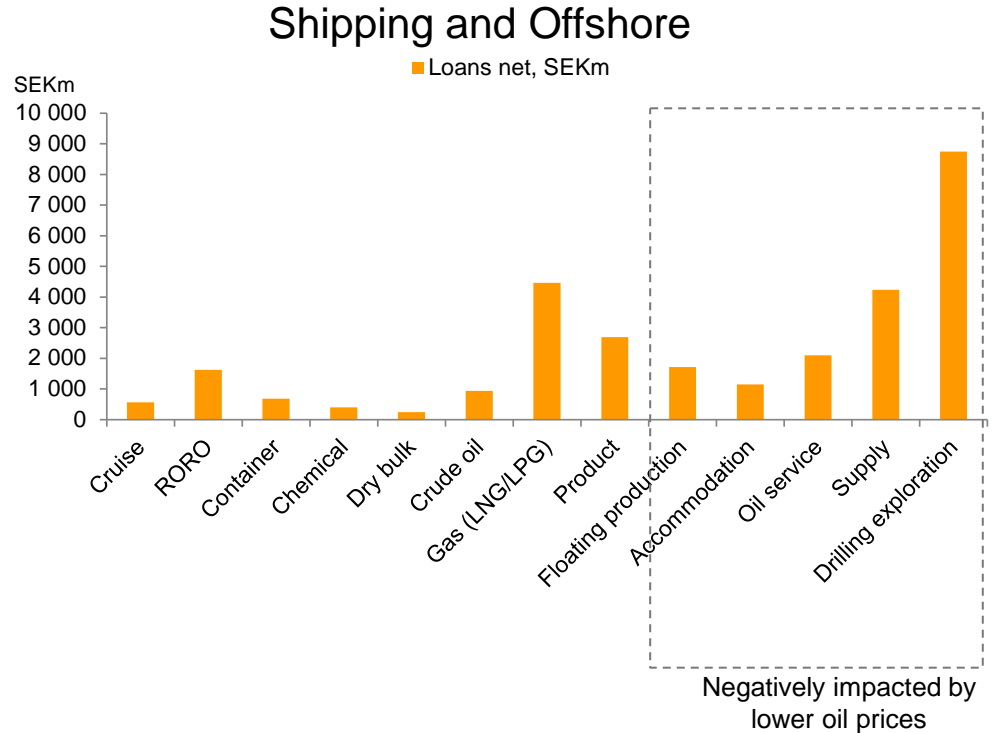


Source: Swedbank 30 Jun 2015



Shipping and Offshore

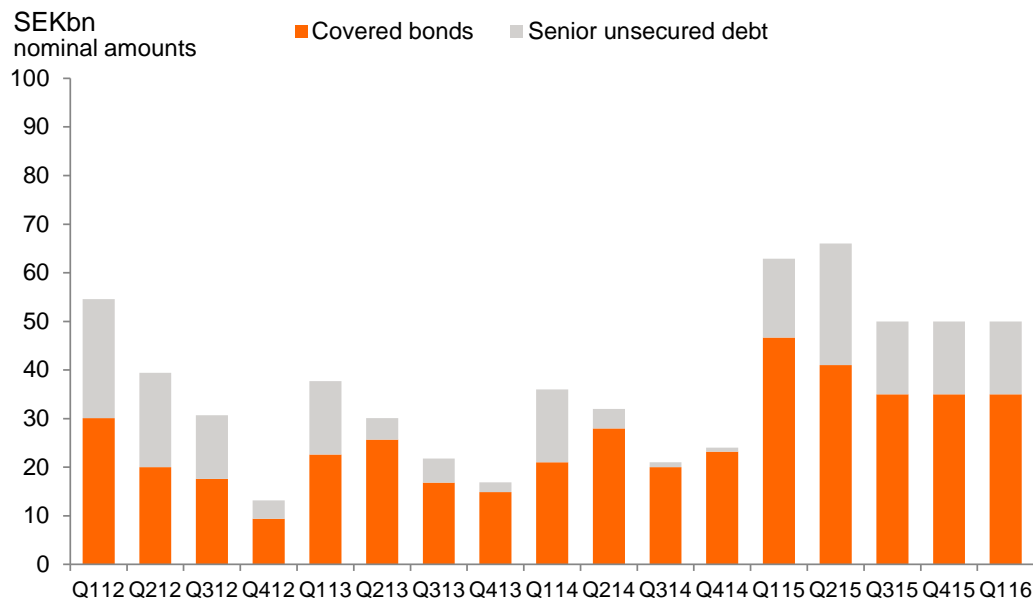
- Total lending of SEK 29.5bn (30bn, Q1)
 - Market activity slowed down in Q2 compared to Q1 15 and Q4 14
 - Decreased origination
- Individual client action plans in place
- Clients now adapting to the lower oil price by cutting costs, postponing orders and setting up new financial structures



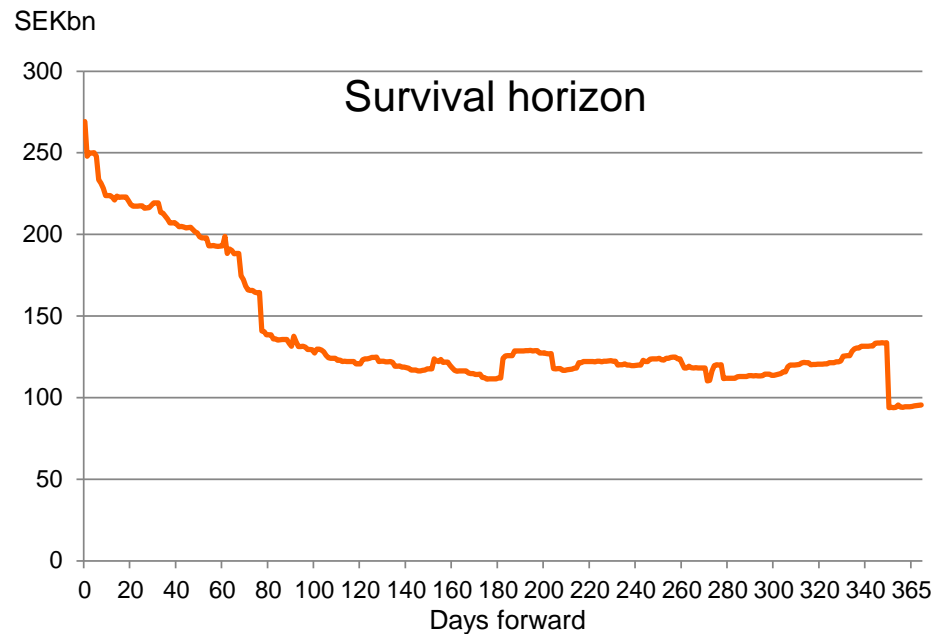
Conservative funding position

- LCR 136% (Swedish FSA definition FFFS 2012:6)
- NSFR 101% (Basel committee)
- Issued SEK 133bn of term funding YTD 2015
- Increased funding need to support loan growth

Term funding issuance – completed and planned



Prefunded for more than 12 months



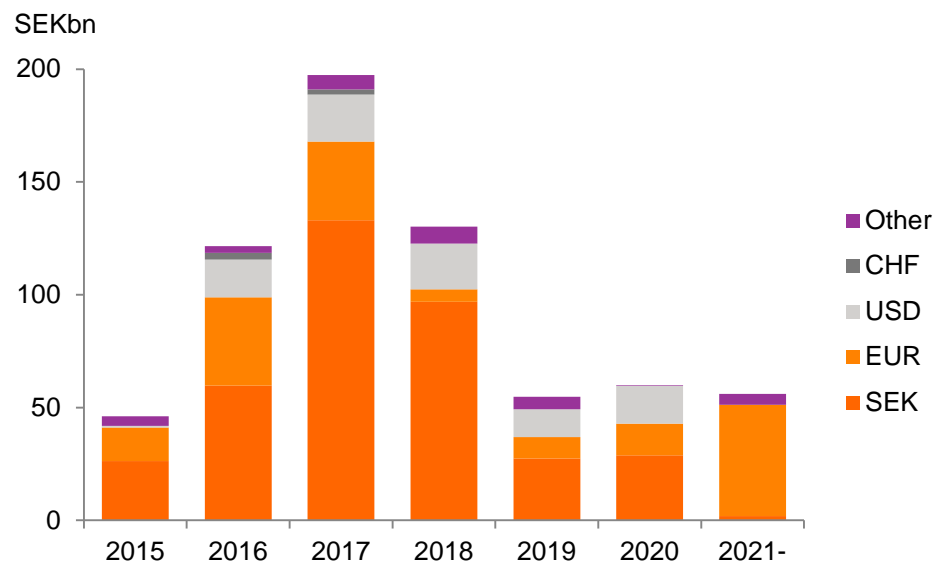
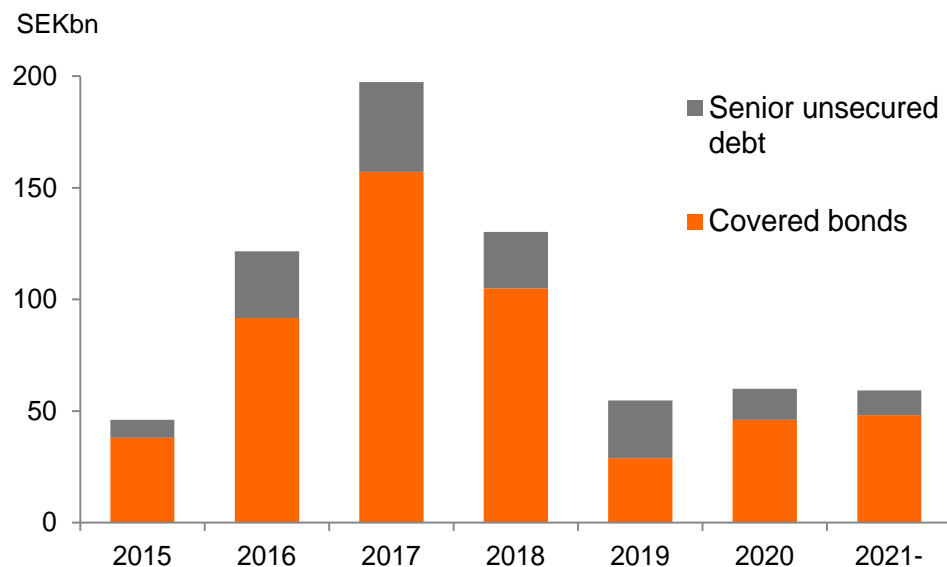
Source: Swedbank 30 Jun 2015

Long-term funding maturity profile

Benchmark transactions YTD 2015

- USD 750m, Perp. NC5 (2020), AT1, 5.50% - equity conversion
- USD 1bn 144a Senior, 5Y (2020), T+77bp (+ USD 400m 3Y (2018) T+65bp)
- EUR 1bn CB, 7Y (2022), Fixed MS-5bp
- GBP 500m CB, 3Y (2018 FRN, 3m £L+20bp
- GBP 300m Senior, 4Y (2019), Fixed G+80bp
- SEK 3bn, Senior 5Y (2020), Fixed/FRN, 3m Stibor + 50bp
- USD 1bn, RegS. CB 5Y (2020), Fixed, 3m \$L + 37bp
- EUR 750m Senior 7Y (2022), Fixed, MS+45bp

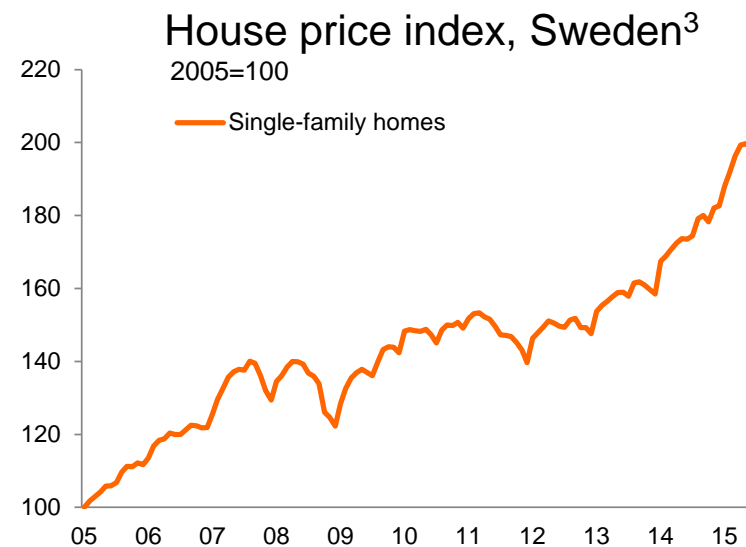
Long-term funding maturity profile, by funding source Long-term funding maturity profile, by currency



Source: Swedbank 30 Jun 2015

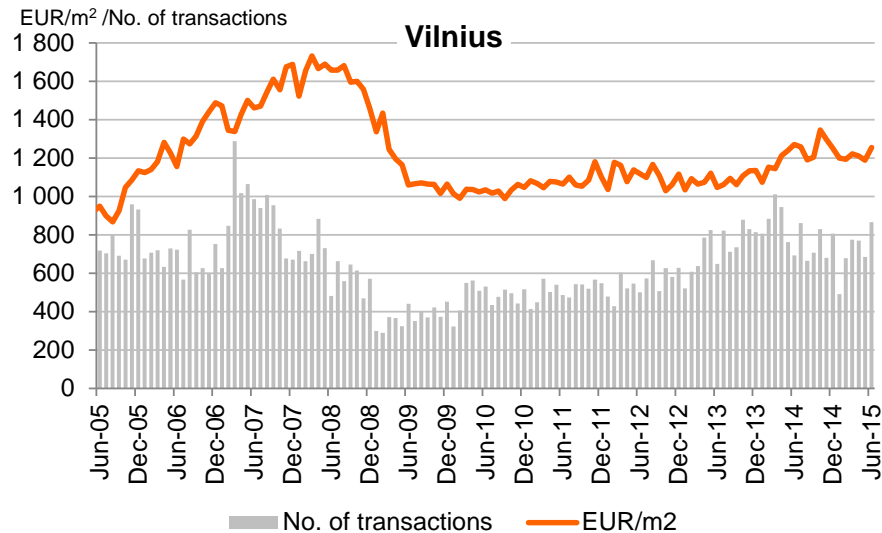
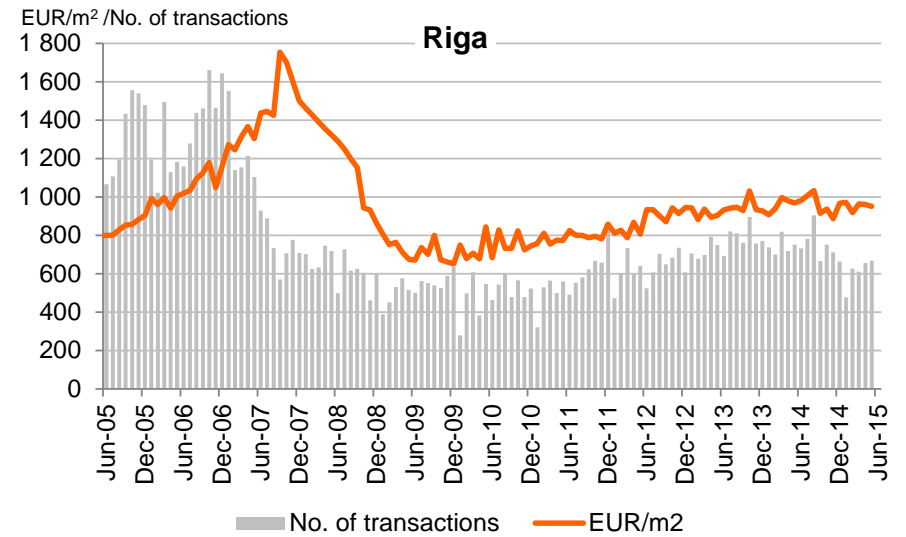
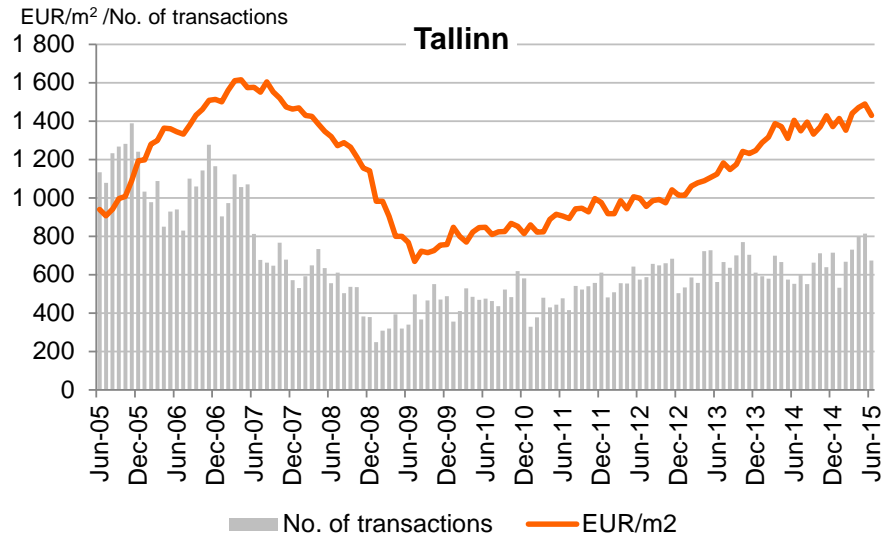
Real estate prices – Sweden 12 months development

	Single-family homes ¹ 12M Δ	Tenant-owner rights ² 12M Δ	Combined ³ 12M Δ
Jul/14	9%	14%	11%
Aug/14	9%	14%	11%
Sep/14	9%	15%	11%
Oct/14	8%	15%	11%
Nov/14	13%	15%	14%
Dec/14	15%	15%	15%
Jan/15	11%	15%	12%
Feb/15	12%	17%	14%
Mar/15	13%	19%	15%
Apr/15	13%	20%	16%
May/15	13%	18%	15%
Jun/15	12%	19%	14%



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

Baltic countries



Source: Swedbank 30 Jun 2015