

# Swedbank's first quarter 2015 results

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



# Resilient result in low interest rate environment

SEKm	Q1 15	Q4 14	▲ QoQ
Net interest income	3 190	3 301	-111
Net commission income	1 781	1 790	-9
Other income	558	417	141
<b>Total income</b>	<b>5 529</b>	<b>5 508</b>	<b>21</b>
<b>Total expenses</b>	<b>2 559</b>	<b>2 620</b>	<b>-61</b>
<b>Profit before impairments</b>	<b>2 970</b>	<b>2 888</b>	<b>82</b>
Credit impairments	52	147	-95

Ratios	Q1 15	Q4 14
ROE, %	17.9	20.0
C/I ratio	0.46	0.48

Volumes, SEKbn	Q1 15	Q4 14	▲ QoQ
Loans	1 039	1 024	15
Deposits	400	412	-12

- Lower deposit margins
- Higher mortgage margins
- Loan volume growth
- Stable commission income
  - Lowered fund fees
- Higher allocated capital

# Stable result

SEKm	Q1 15	Q4 14	▲ QoQ
Net interest income	831	863	-32
Net commission income	469	505	-36
Other income	199	166	33
<b>Total income</b>	<b>1 499</b>	<b>1 534</b>	<b>-35</b>
<b>Total expenses</b>	<b>612</b>	<b>673</b>	<b>-61</b>
<b>Profit before impairments</b>	<b>887</b>	<b>861</b>	<b>26</b>
Credit impairments	-9	-10	1

Ratios	Q1 15	Q4 14
ROE, %	15.0	13.9
ROTE, %	28.1	25.7
C/I ratio	0.41	0.44

Volumes, SEKbn	Q1 15	Q4 14	▲ QoQ
Loans	125	126	-1
Deposits	135	138	-3

- Lower deposit margins
- Lower commission income – euro adoption
- High cost efficiency
- Solid asset quality

# Solid result

SEKm	Q1 15	Q4 14	▲ QoQ
Net interest income	862	890	-28
Net commission income	496	534	-38
Net gains and losses	587	434	153
Other income	35	20	15
<b>Total income</b>	<b>1 980</b>	<b>1 878</b>	<b>102</b>
<b>Total expenses</b>	<b>877</b>	<b>857</b>	<b>20</b>
<b>Profit before impairments</b>	<b>1 103</b>	<b>1 021</b>	<b>82</b>
Credit impairments	16	120	-104

Ratios	Q1 15	Q4 14
ROE, %	16.9	15.1
C/I ratio	0.44	0.46

Volumes, SEKbn	Q1 15	Q4 14	▲ QoQ
Loans	178	175	3
Deposits	117	106	11

- Lower deposit margins
- Stable lending margins
- Lower activity in corporate finance
- High market activity

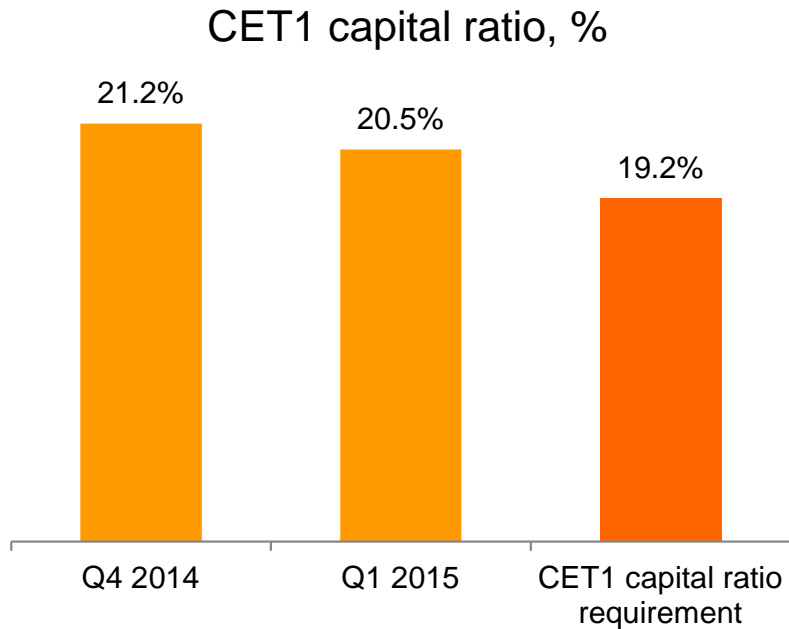
## Strong result in low interest rate environment

SEKm	Q1 15	Q4 14	▲ QoQ
Net interest income	5 719	5 809	-90
Net commission income	2 744	2 882	-138
Net gains and losses	320	69	251
Other income	835	619	216
<b>Total income</b>	<b>9 618</b>	<b>9 379</b>	<b>239</b>
<b>Total expenses</b>	<b>4 168</b>	<b>4 293</b>	<b>-125</b>
<b>Profit before impairments</b>	<b>5 450</b>	<b>5 086</b>	<b>364</b>
Credit impairments	59	254	-195
Other impairments	15	33	-18
Tax	1 101	1 000	101
<b>Profit from continuing operations</b>	<b>4 271</b>	<b>3 798</b>	<b>473</b>

Ratios	Q1 15	Q4 14
ROE, %	14.9	13.3
ROTE, %	16.7	14.9
Cost/income ratio	0.43	0.46
CET1 capital ratio, %	20.5	21.2

- Mixed margins
- Loan growth
- Stable commission income
- Improved trading result
- One-offs in other income
- Good cost efficiency
- Solid asset quality
- Lower CET1 capital ratio

## Strong capitalisation



- CET1 capital negatively impacted
  - IAS 19 (SEK 2bn)
  - Prudent valuation (SEK 0.4bn)
- REA net increase of SEK 8bn
  - Loan growth
  - Operational risk
  - Market risk
- Capital regulatory uncertainty
- No regulatory excess capital

# Strong asset quality in challenging environment

Credit impairments, SEKm	Q1 15	Q4 14
Swedish Banking	52	147
Baltic Banking	-9	-10
Large Corporates & Institutions	16	120
Group Functions & Other	0	-3
<b>Swedbank Group</b>	<b>59</b>	<b>254</b>

Ratios	Q1 15	Q4 14
Credit impairment ratio, %	0.02	0.07
Share of impaired loans, gross %	0.39	0.41
Total provision ratio for impaired loans, %	54	53

# Q&A

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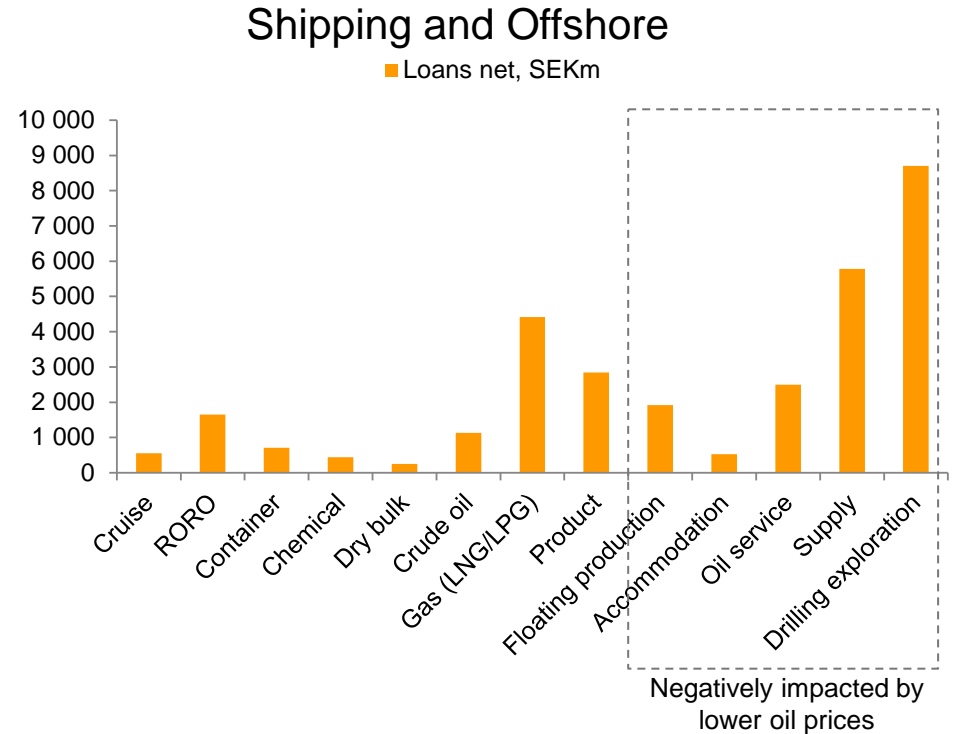




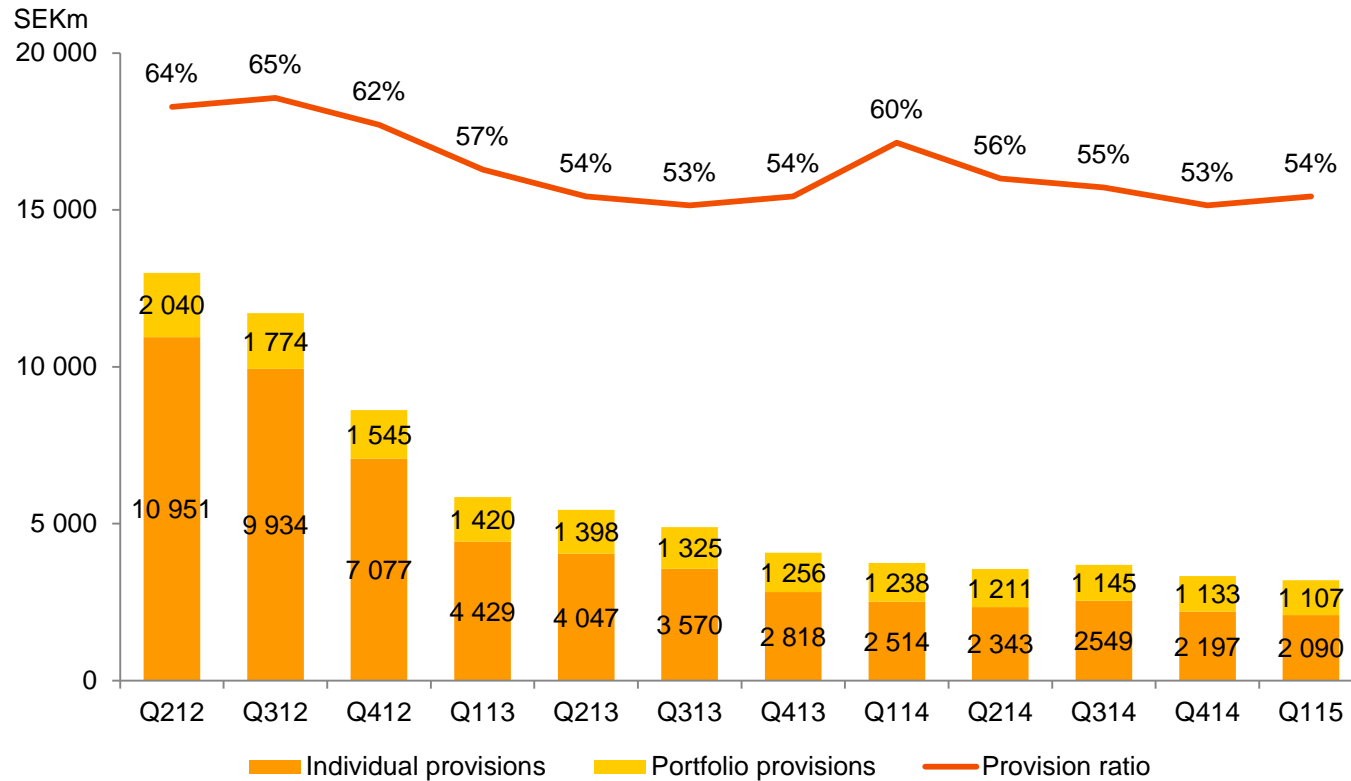
# Appendix

# Shipping and Offshore

- Total lending of SEK 30bn
  - Reduced in currency of loan origination (USD)
  - Flat in SEK due to USD appreciation
- Individual client action plans in place
- Clients now adapting to the lower oil price by cutting cost, postponing orders and setting up new financial structures.



# Conservative provision ratio



Provision ratio, %	Q1 15
Swedish Banking	60
LC&I	72
Baltic Banking	49
<b>Group</b>	<b>54</b>

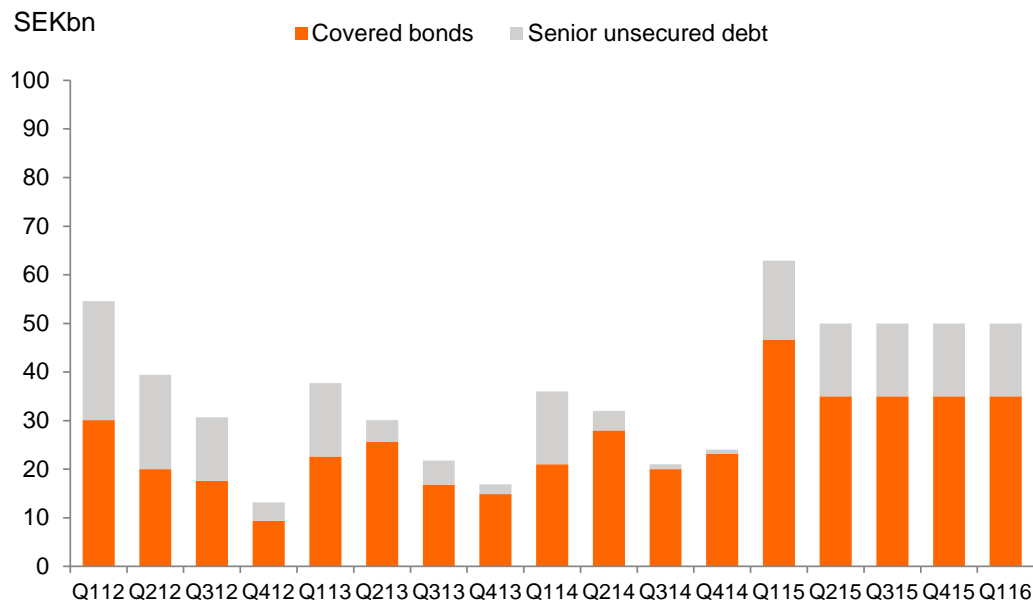
Since Q1 2013 Russia and Ukraine are reported as discontinued operations

Source: Swedbank, 31 Mar 2015

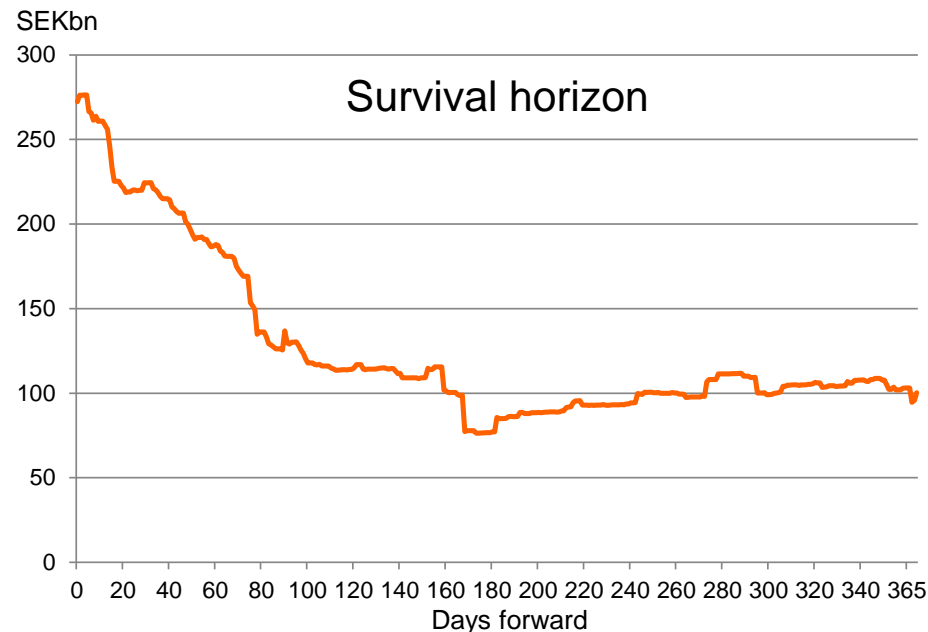
# Conservative funding position

- LCR 140% (Swedish FSA definition FFFS 2012:6)
- NSFR 101% (Basel committee)
- Issued SEK 65bn of term-funding YTD 2015
- Increased funding need to support loan growth

Term funding issuance – completed and planned



Prefunded in excess of 12 months



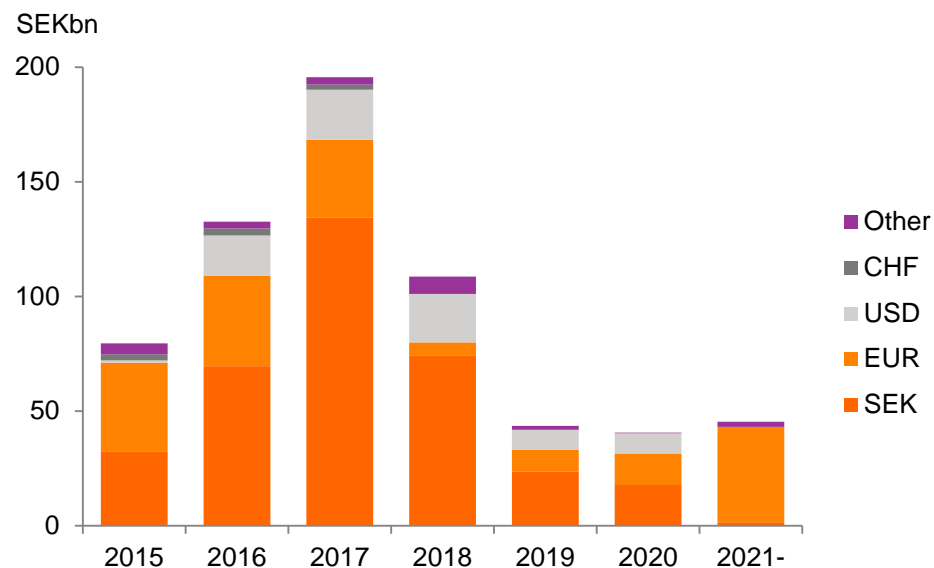
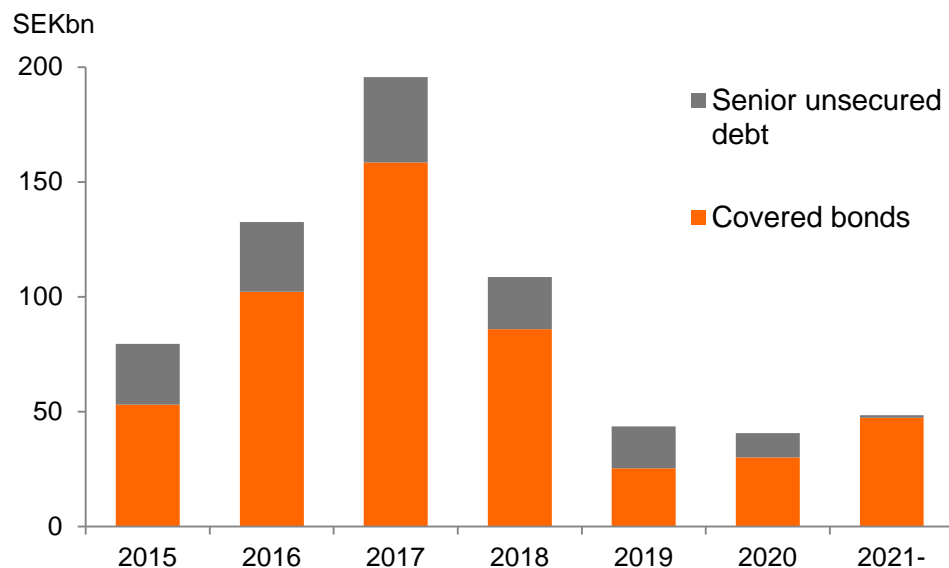
Source: Swedbank, Dec 31 2014, nominal amounts

# 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+77bps (+ 3Y (2018) USD 400m T+65bps)
- EUR 1bn CB, 7Y (2022), MS-5bps
- GBP 500m CB, 3Y (2018 FRN, 3m£+20bps)
- GBP 300m Senior, 4Y (2019), G+80bps (issued, beginning of April)

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



Source: Swedbank 31 Mar 2015

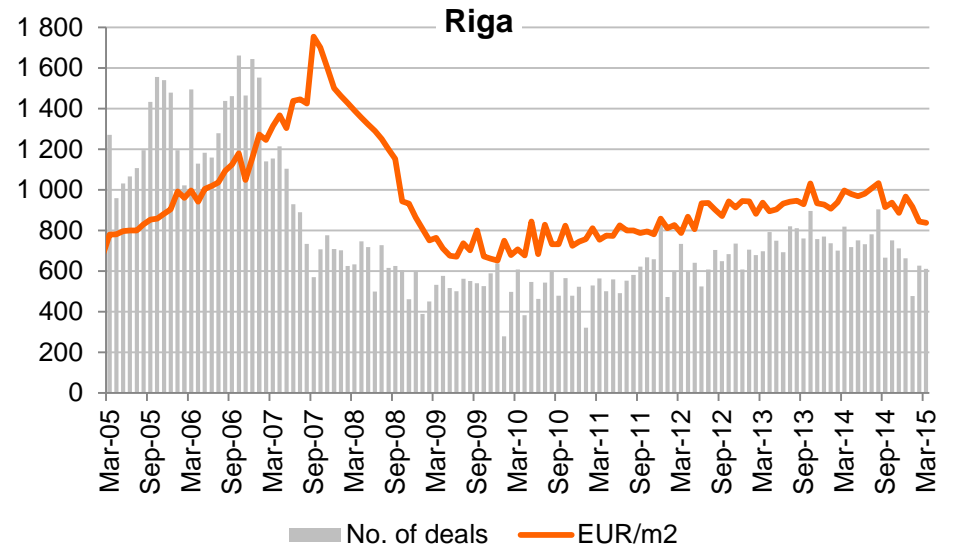
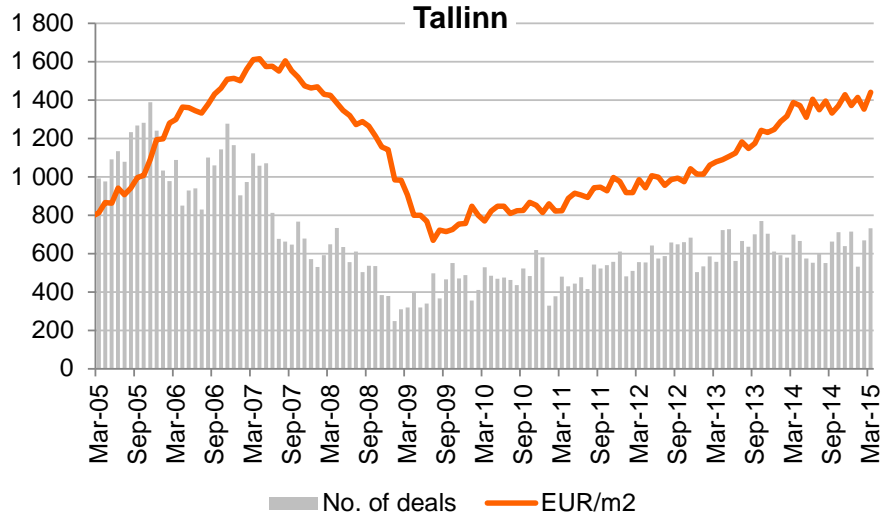
# Real estate prices – Sweden 12 months development

	Single-family homes <sup>1</sup> 12M Δ	Tenant-owner rights <sup>2</sup> 12M Δ	Combined <sup>3</sup> 12M Δ
Apr/14	8%	12%	9%
May/14	8%	12%	9%
Jun/14	8%	11%	9%
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%

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

## Baltic countries

EUR/m<sup>2</sup> /No. of deals



EUR/m<sup>2</sup> /No. of deals

