

Swedbank Year-end report 2015

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



Strong income in negative interest rate environment

SEKm	Q4 15	Q3 15	▲ QoQ
Net interest income	3 560	3 404	156
Net commission income	1 762	1 717	45
Other income	113	100	13
Total income	5 781	5 573	208
Total expenses	2 520	2 412	108
Profit before impairments	3 261	3 161	100
Credit impairments	347	35	312

Ratios	Q4 15	Q3 15
ROE, %	18.2	19.0
C/I ratio	0.44	0.43

Volumes, SEKbn	Q4 15	Q3 15	▲ QoQ
Loans	1 064	1 059	5
Deposits	453	431	22

- Higher mortgage margins
- Mortgage loan volume growth
- Deposit volume growth

Solid performance

SEKm	Q4 15	Q3 15	▲ QoQ
Net interest income	962	900	62
Net commission income	548	511	37
Other income	30	26	4
Total income	1 687	1 566	121
Total expenses	654	605	49
Profit before impairments	1 033	961	72
Credit impairments	-112	-2	-110

Ratios	Q4 15	Q3 15
ROE, %	19.3	16.2
C/I ratio	0.39	0.39

Volumes, SEKbn	Q4 15	Q3 15	▲ QoQ
Loans	124	129	-5
Deposits	145	144	1

- Flat loan volumes in local currencies
- Mixed margin development
- Lower deposit guarantee fee in Lithuania
- Solid asset quality

Volatile market

SEKm	Q4 15	Q3 15	▲ QoQ
Net interest income	839	865	-26
Net commission income	529	509	20
Net gains and losses	413	315	98
Other income	36	33	3
Total income	1 817	1 722	95
Total expenses	861	766	95
Profit before impairments	956	956	0
Credit impairments	164	97	67

Ratios	Q4 15	Q3 15
ROE, %	12.9	13.3
C/I ratio	0.47	0.44

Volumes, SEKbn	Q4 15	Q3 15	▲ QoQ
Loans	182	182	0
Deposits	121	103	18

- Higher activity in FX and equity trading
- Low corporate finance activity

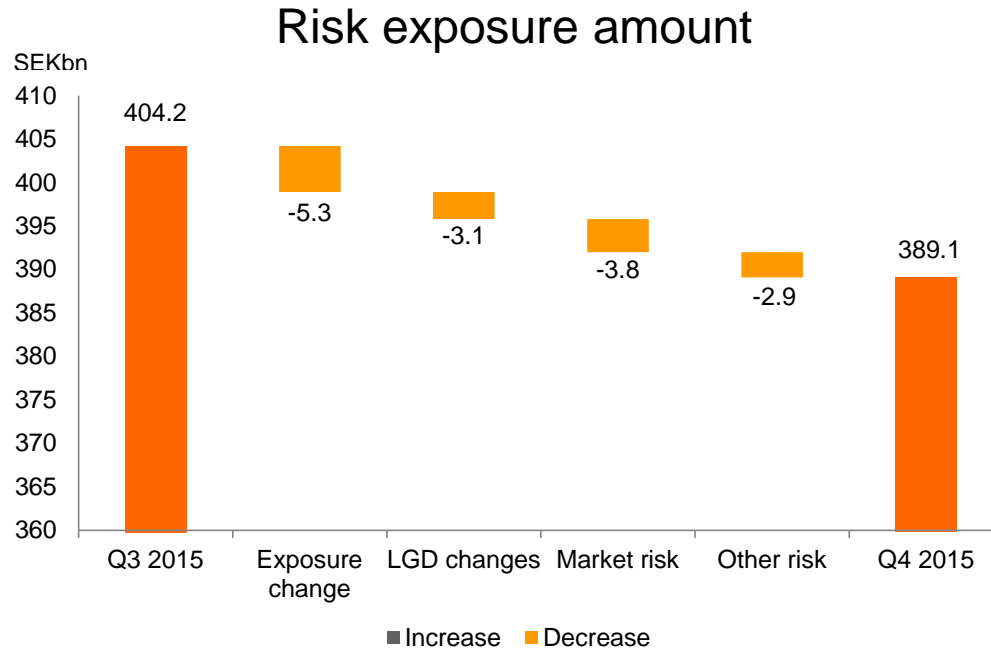
Stable result

SEKm	Q4 15	Q3 15	▲QoQ
Net interest income	5 759	5 811	-52
Net commission income	2 877	2 736	141
Net gains and losses	165	4	161
Other income	656	683	-27
Total income	9 457	9 234	223
Total expenses	4 239	3 879	360
Profit before impairments	5 218	5 355	-137
Credit impairments	399	130	269
Other impairments	19	270	-251
Tax	974	1 012	-38
Net profit	3 813	3 928	-115

Ratios	Q4 15	Q3 15
ROE, %	12.6	13.5
Cost/income ratio	0.45	0.42
CET1 capital ratio, %	24.1	23.0

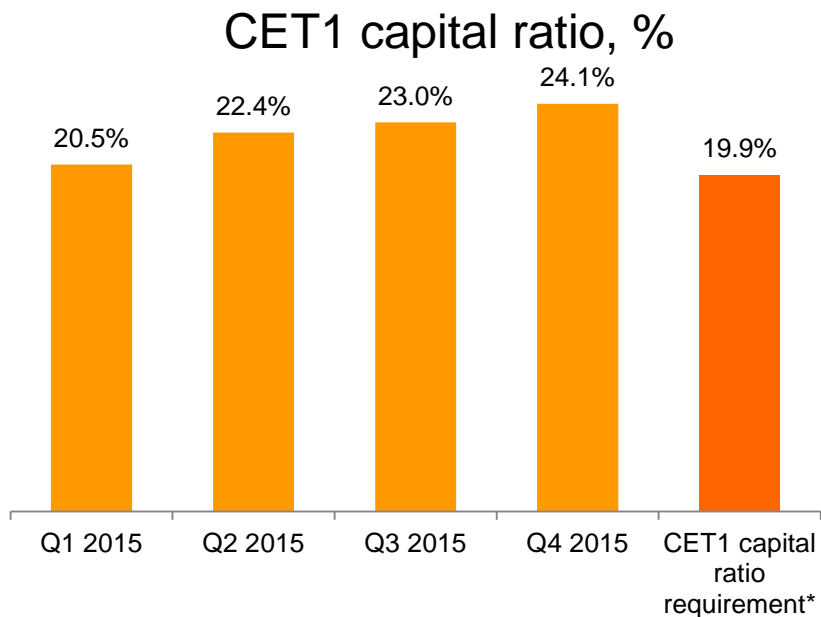
- Stable NII despite lower market rates
 - Mortgage and deposit volume growth
 - Mixed margins
- Seasonally higher expenses
 - Total expenses in line with ambition to reach SEK 16bn in 2016
- Solid asset quality

Reduced REA



- Lower corporate credit exposures
- Increased collateral values
- Decreased interest rate positions
- Positive FX effects

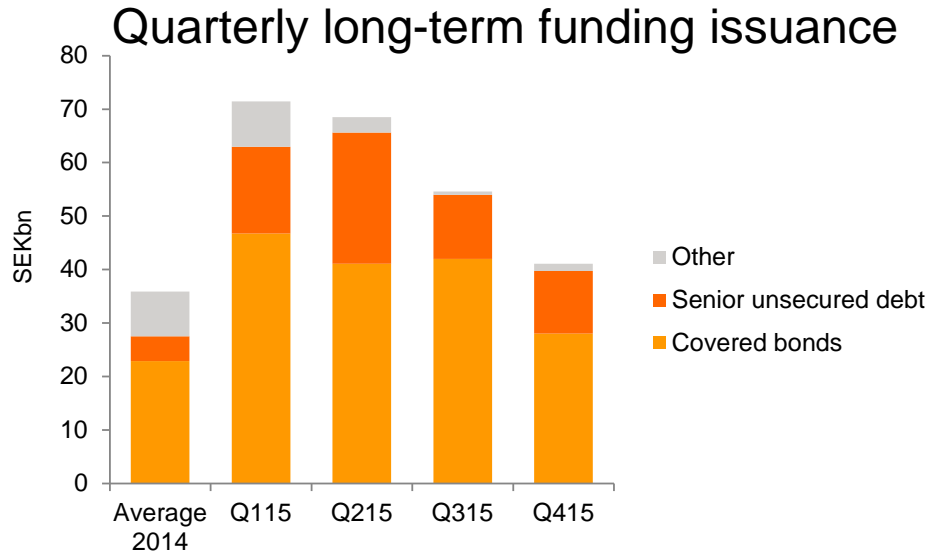
Strong capitalisation – no excess capital



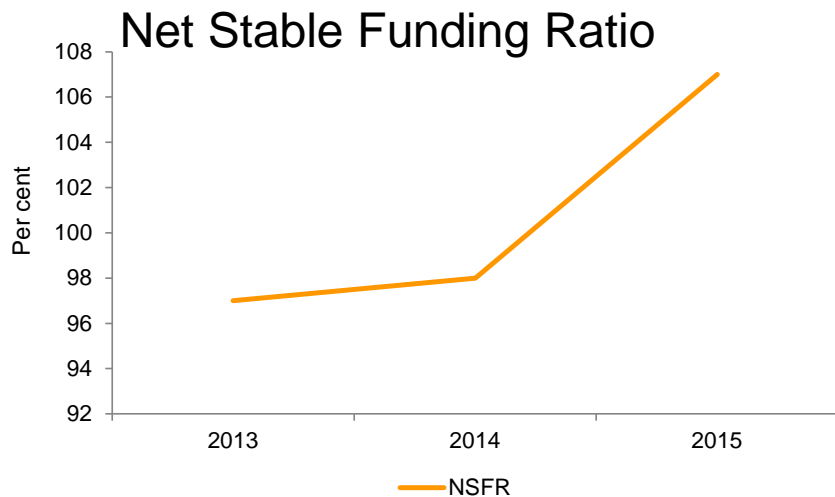
- CET1 capital ratio improved
 - CET1 capital increase
 - REA decrease
- Continued regulatory uncertainty

* Swedbank's estimate based on SFSA's announced capital requirements, including fully implemented buffers and Pillar 2 requirements

Increased long-term funding activity



- FY 2015 issuance of SEK 229bn
- NSFR at 107 per cent
- LCR at 159 per cent



Solid asset quality

Credit impairments, SEKm	Q4 15	Q3 15	▲ QoQ
Swedish Banking	347	35	312
Baltic Banking	-112	-2	-110
Large Corporates & Institutions	164	97	67
Swedbank Group	399	130	269

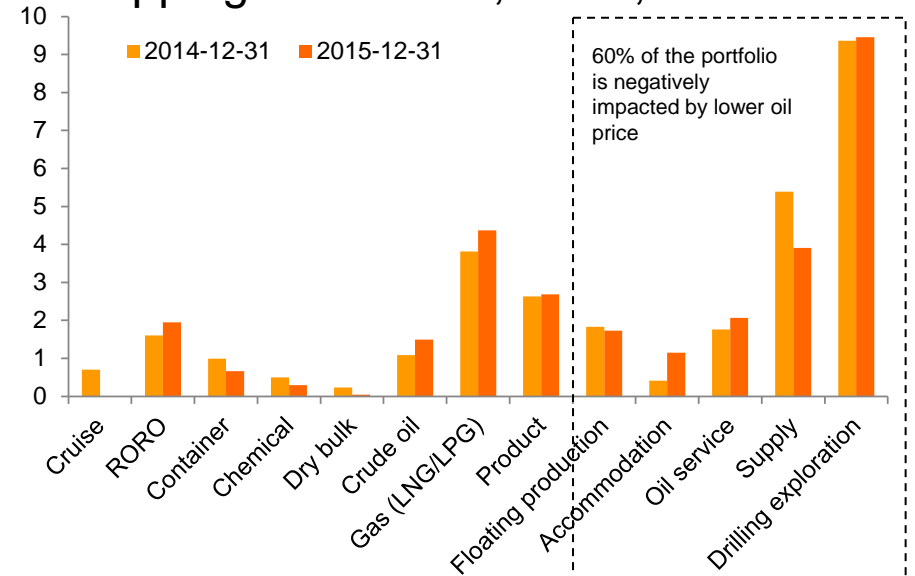
- FY 2015 credit impairments ratio of 4bps (FY2014, 3bps)

Ratios	Q4 15	Q3 15
Credit impairment ratio, %	0.11	0.04
Share of impaired loans, gross %	0.40	0.35
Total provision ratio for impaired loans, %	56	58

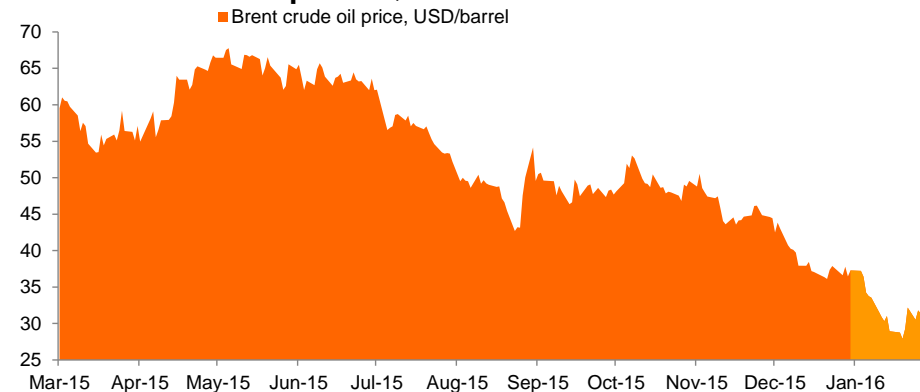
Oil sector under stress

- Loan portfolio negatively impacted by lower oil price, SEK 18.3bn
- Derivative exposures of SEK 2.7bn
- Negative rating migrations

Shipping & Offshore, loans, SEK 29.8bn



Historic oil price, USD



Source: Bloomberg

Q&A

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Appendix

Mixed income performance – strong capitalisation

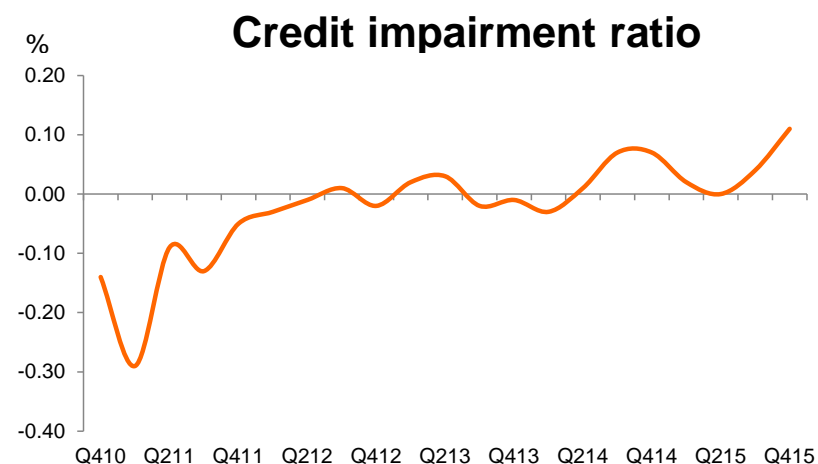
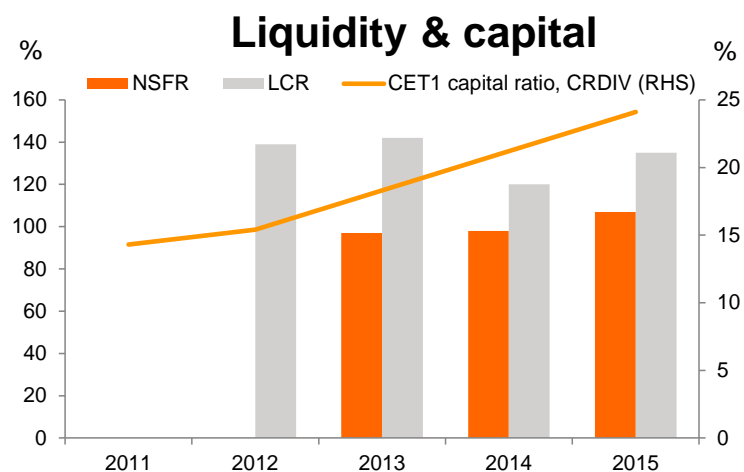
SEKm	FY 2015	FY 2014	▲ YoY
Net interest income	22 993	22 642	351
Net commission income	11 199	11 204	-5
Net gains and losses	571	1 986	-1 415
Other income	2 861	3 472	-611
Total income	37 624	39 304	-1 680
Total expenses	16 333	17 602	-1 269
Profit before impairments	21 291	21 702	-411
Credit impairments	594	419	175
Other impairments	326	257	69
Tax	4 625	4 301	324
Net profit	15 727	16 447	-720

Ratios	FY 2015	FY 2014
ROE, %	13.5	15.0
Cost/income ratio	0.43	0.45
CET1 capital ratio, %	24.1	21.2

- Strong NII in negative interest rate environment
- Stable commission income
- Weaker NGL due to valuation effects
- Total expenses in line with ambition to reach SEK 16bn in 2016
- Solid asset quality
- Extra dividend from Estonia triggered increased tax expense

Swedbank – a low-risk bank with strong capital base

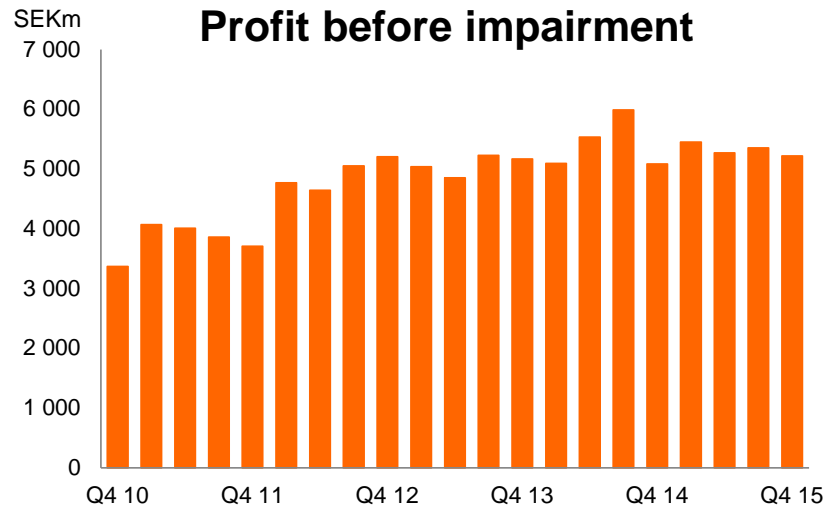
- Low risk – a Board of Directors’ strategic priority – ensures access to funding markets and low funding costs
- Retail profile and four home markets a key feature
 - 86% of total loans originated in Sweden - Swedish mortgages account for 58% of total loans
 - 90% of total loans are collateralised (76% 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 410bp
- Conservative funding and liquidity position – survival horizon longer than 12 months assuming closed funding markets, NSFR 107% and LCR 159%
- Baltic operations self-funded – Loan-to-Deposit ratio < 100%



This is Swedbank

Swedbank – strong and stable earnings capacity

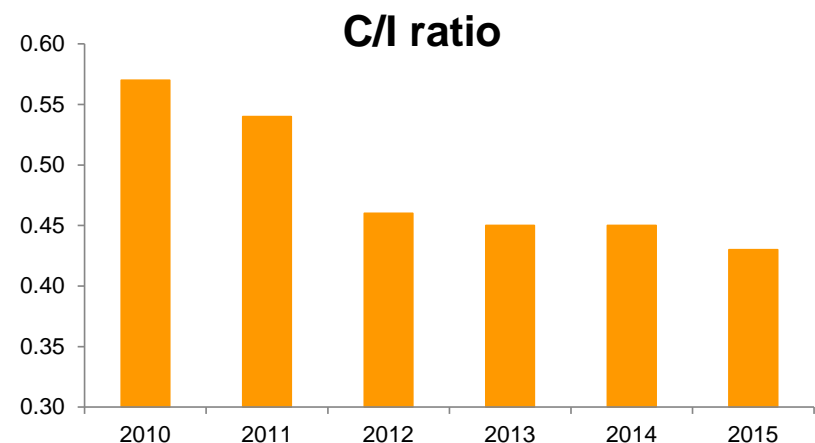
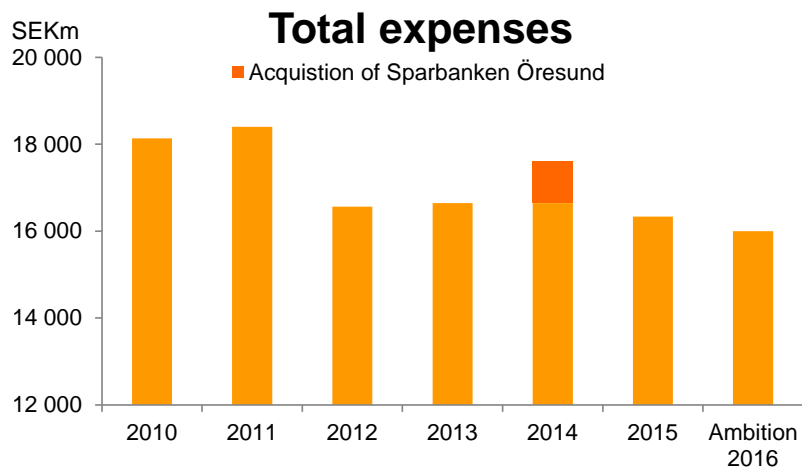
- Four home markets – Sweden, Estonia, Latvia and Lithuania
 - Strong and stable economies
 - Market-leading position in all home markets
 - Largest customer base in all home markets
- Retail profile ensures stable earnings with low volatility
- High cost efficiency – a strategic priority – ensures good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



Source: Swedbank 31 Dec 2015

Swedbank – market leader in 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 – reduce complexity
 - Largest private and SME customer base
 - High degree of digitalisation in home markets

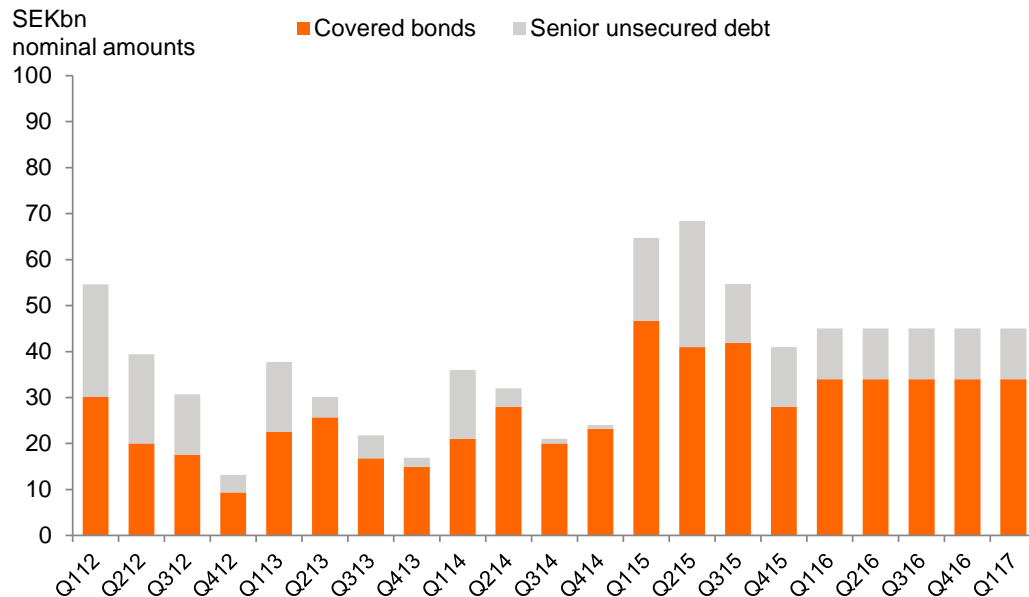


Source: Swedbank 31 Dec 2015

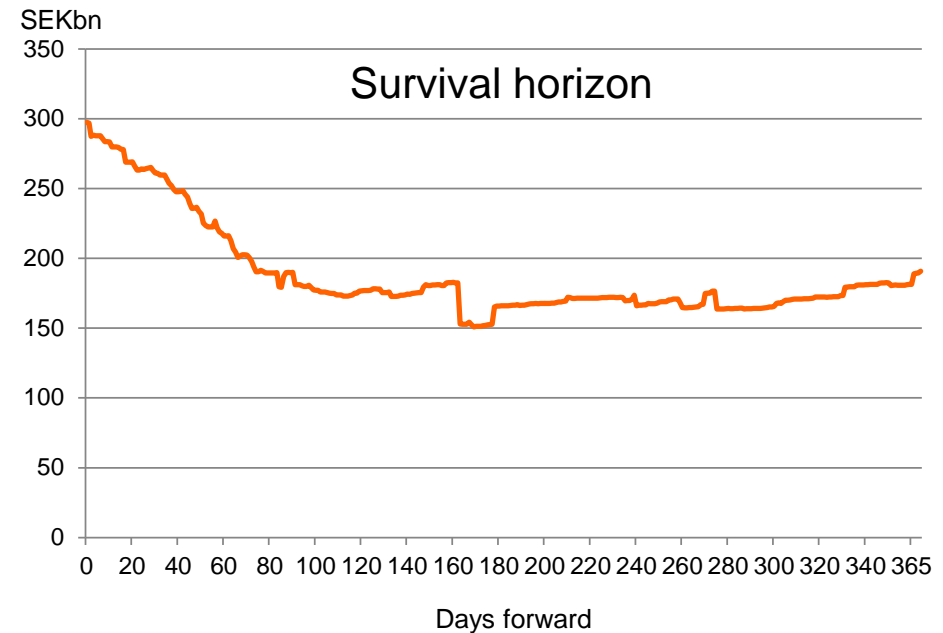
Conservative funding position

- LCR 159% (Swedish FSA definition FFFS 2012:6)
- NSFR 107% (Basel committee)
- Issued SEK 229bn of term funding FY 2015
- Plan to issue around SEK 180bn in 2016

Term funding issuance – completed and planned



Prefunded for more than 12 months



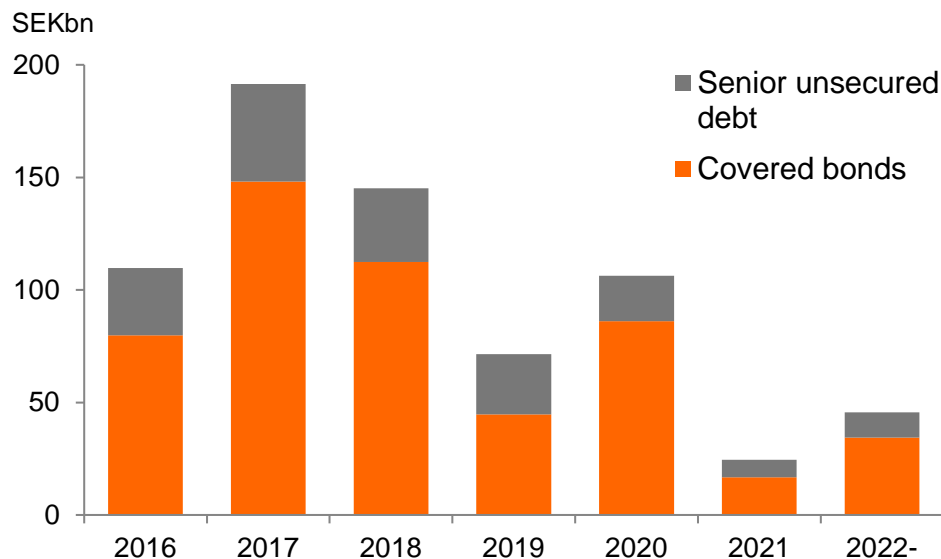
Source: Swedbank 31 Dec 2015

Long-term funding maturity profile

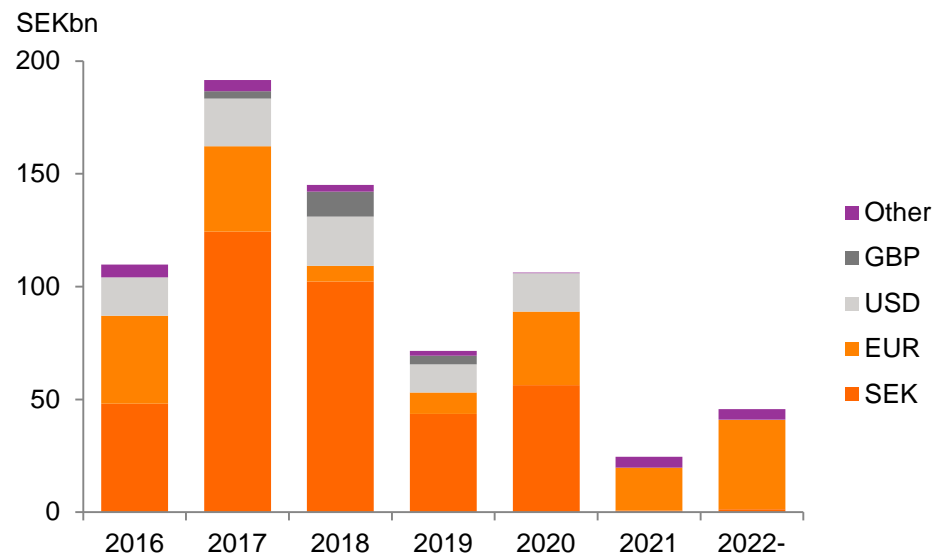
Benchmark transactions FY 2015

- 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
- EUR 500m Senior 5Y (2020), FRN, 3m€+40bp
- EUR 1.25bn CB, 5Y (2020), Fixed MS+7bp
- AUD 325m Senior, 3Y (2018), FRN 3m BBSW+115bp
- GBP 350m CB, 3Y (2018), FRN 3m£+38bp
- EUR 750m Senior, 5Y+ (2021), Fixed MS+53bp

Long-term funding maturity profile, by funding source



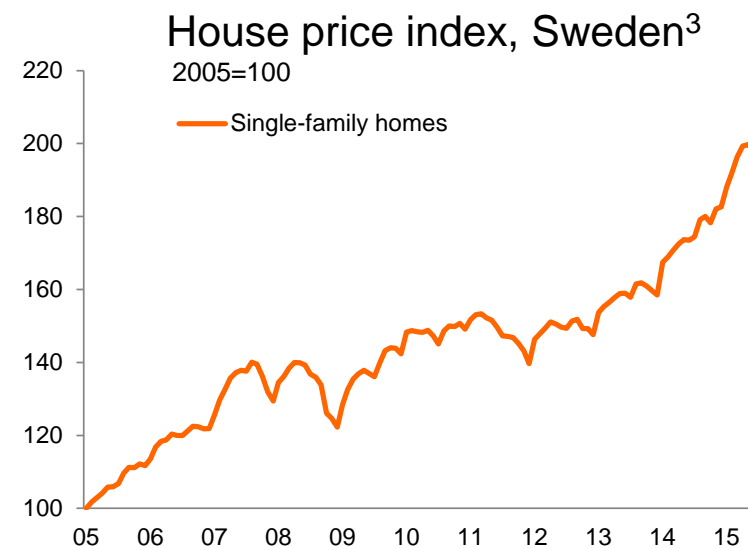
Long-term funding maturity profile, by currency



Source: Swedbank 31 Dec 2015

Real estate price performance – Sweden, 12 month

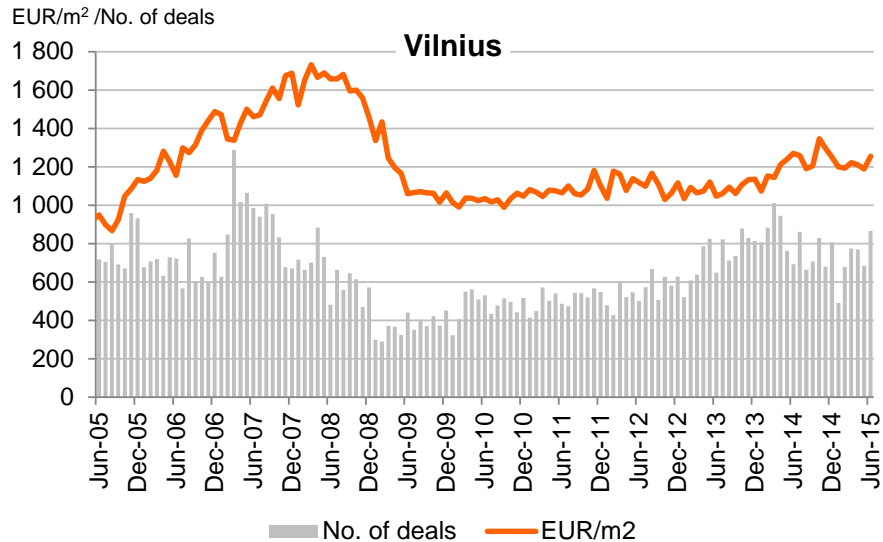
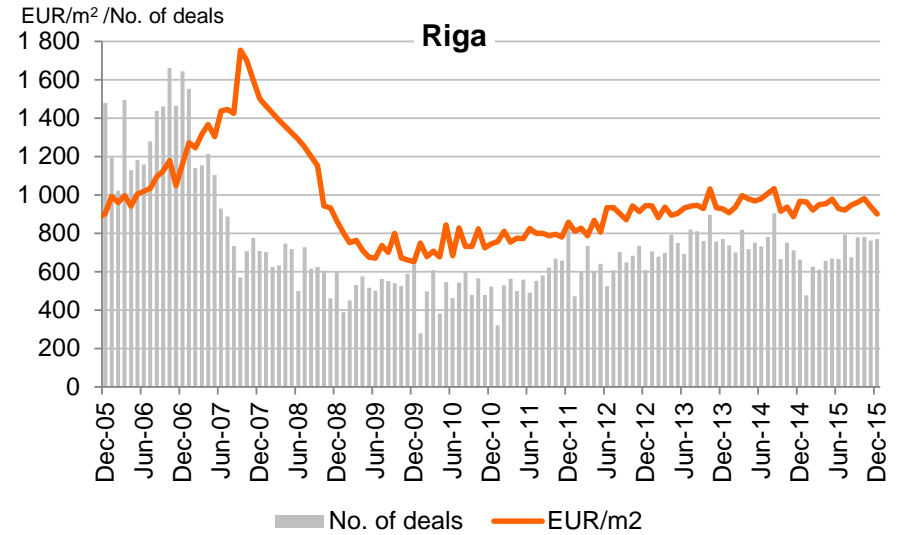
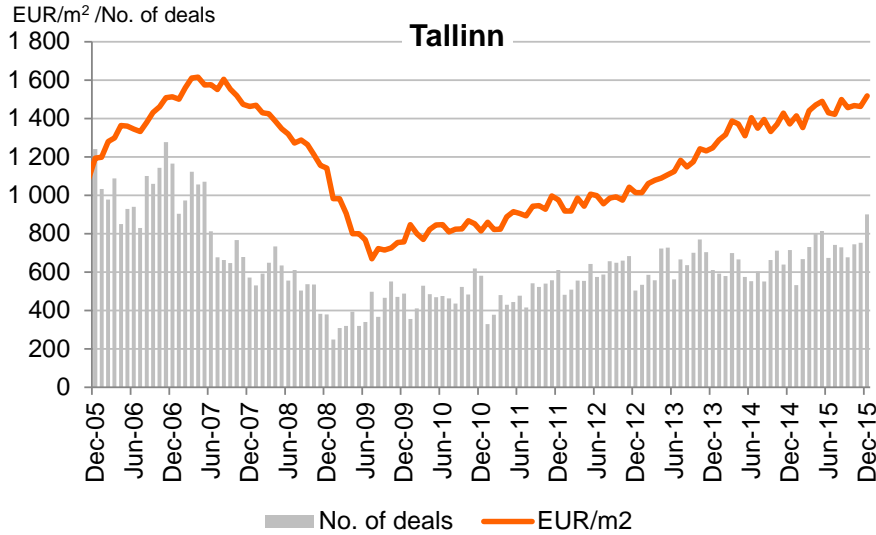
	Single-family homes ¹ 12M Δ	Tenant-owner rights ² 12M Δ	Combined ³ 12M Δ
Jul/14	9%	14%	11%
Aug/14	9%	14%	11%
Sep/14	9%	15%	11%
Oct/14	8%	15%	11%
Nov/14	13%	15%	14%
Dec/14	15%	15%	15%
Jan/15	11%	15%	12%
Feb/15	12%	17%	14%
Mar/15	13%	19%	15%
Apr/15	13%	20%	16%
May/15	13%	18%	15%
Jun/15	12%	19%	14%



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

Real estate prices

Baltic countries



Source: Swedbank, 31 Dec 2015