

# Swedbank year-end report 2016

Birgitte Bonnesen (CEO), Anders Karlsson (CFO), Helo Meigas (CRO)



# Strong result

SEKm	Q4 16	Q3 16	▲ QoQ
Net interest income	3 903	3 802	101
Net commission income	1 789	1 806	-17
Other income	369	413	-44
<b>Total income</b>	<b>6 061</b>	<b>6 021</b>	<b>40</b>
<b>Total expenses</b>	<b>2 473</b>	<b>2 468</b>	<b>5</b>
<b>Profit before impairments</b>	<b>3 588</b>	<b>3 553</b>	<b>35</b>
Credit impairments	-44	41	-85

Ratios	Q4 16	Q3 16
ROE, %	21.7	20.4
C/I ratio	0.41	0.41

Volumes, SEKbn	Q4 16	Q3 16	▲ QoQ
Loans	1 135	1 111	24
Deposits	496	488	8

- Net interest income
  - Back-book mortgage repricing
  - Mortgage volume growth of which SEK 12.7bn from acquired portfolio<sup>1</sup>
  - Deposit volume growth and margin pressure
- Net commission income
  - Lower card commissions (one-off in Q3) offset by asset management income
- Strong asset quality

# Robust performance

SEKm	Q4 16	Q3 16	▲ QoQ
Net interest income	1 061	1 045	16
Net commission income	582	511	71
Other income	213	185	28
<b>Total income</b>	<b>1 856</b>	<b>1 741</b>	<b>115</b>
<b>Total expenses</b>	<b>704</b>	<b>644</b>	<b>60</b>
<b>Profit before impairments</b>	<b>1 152</b>	<b>1 097</b>	<b>55</b>
Credit impairments	-15	-28	13

Ratios	Q4 16	Q3 16
ROE, %	19.2	19.2
C/I ratio	0.38	0.37

Volumes, SEKbn	Q4 16	Q3 16	▲ QoQ
Loans	140	141	-1
Deposits	170	166	4

- Net interest income
  - Mixed margins
  - Deposit volume growth
- Net commission income
  - Asset management income
- FX effects
- Strong asset quality

# Stable result

SEKm	Q4 16	Q3 16	▲ QoQ
Net interest income	908	833	75
Net commission income	691	542	149
Net gains and losses	530	583	-53
Other income	13	18	-5
<b>Total income</b>	<b>2 142</b>	<b>1 976</b>	<b>166</b>
<b>Total expenses</b>	<b>1 011</b>	<b>848</b>	<b>163</b>
<b>Profit before impairments</b>	<b>1 131</b>	<b>1 128</b>	<b>3</b>
Credit impairments	652	188	464

Ratios	Q4 16	Q3 16
ROE, %	6.7	14.6
C/I ratio	0.47	0.43

Volumes, SEKbn	Q4 16	Q3 16	▲ QoQ
Loans	178	187	-9
Deposits	120	123	-3

- Net interest income
  - Higher average loan volumes
  - FX and one-off effects
- Net commission income
  - Strong DCM and brokerage
  - Asset management income
- NGL
  - Good trading activity
- Higher cost related to reorganisation and seasonality
- Provisions in line with expectations

# Strong financial position

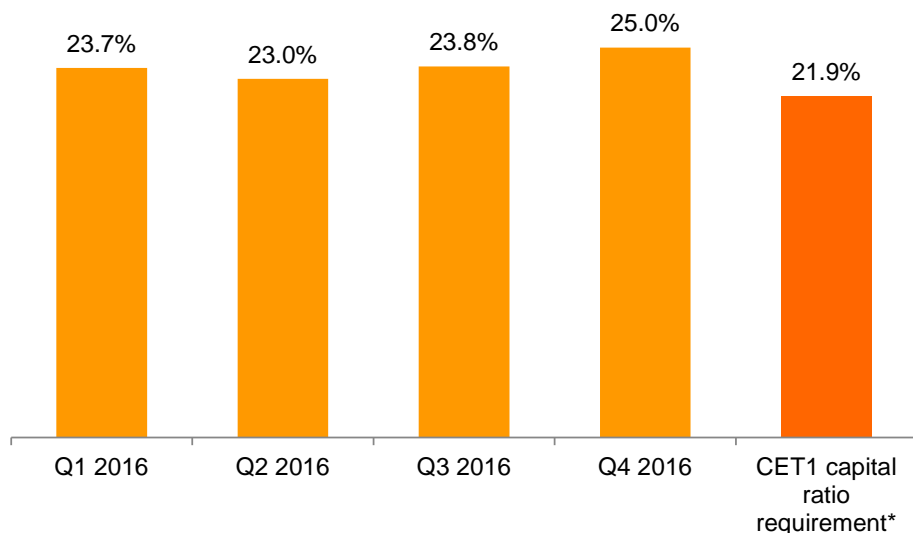
SEKm	Q4 16	Q3 16	▲QoQ
Net interest income	6 247	6 062	185
Net commission income	3 055	2 838	217
Net gains and losses	285	669	-384
Other income	607	696	-89
<b>Total income</b>	<b>10 194</b>	<b>10 265</b>	<b>-71</b>
<b>Total expenses</b>	<b>4 404</b>	<b>4 029</b>	<b>375</b>
<b>Profit before impairments</b>	<b>5 790</b>	<b>6 236</b>	<b>-446</b>
Credit impairments	593	201	392
Other impairments	56	1	55
Tax	996	1 215	-219
<b>Net profit</b>	<b>4 142</b>	<b>4 816</b>	<b>-674</b>

Ratios	Q4 16	Q3 16
ROE, %	13.1	15.8
Cost/income ratio	0.43	0.39
CET1 capital ratio, %	25.0	23.8

- Net interest income
  - Higher mortgage margins
  - Mortgage loan volume growth
- Asset management and brokerage support commission income
- Negative impact on NGL
  - Higher covered bond buybacks
  - FX swap market volatility at year end
- Total expenses in line with guidance

## Strong capitalisation – no excess capital

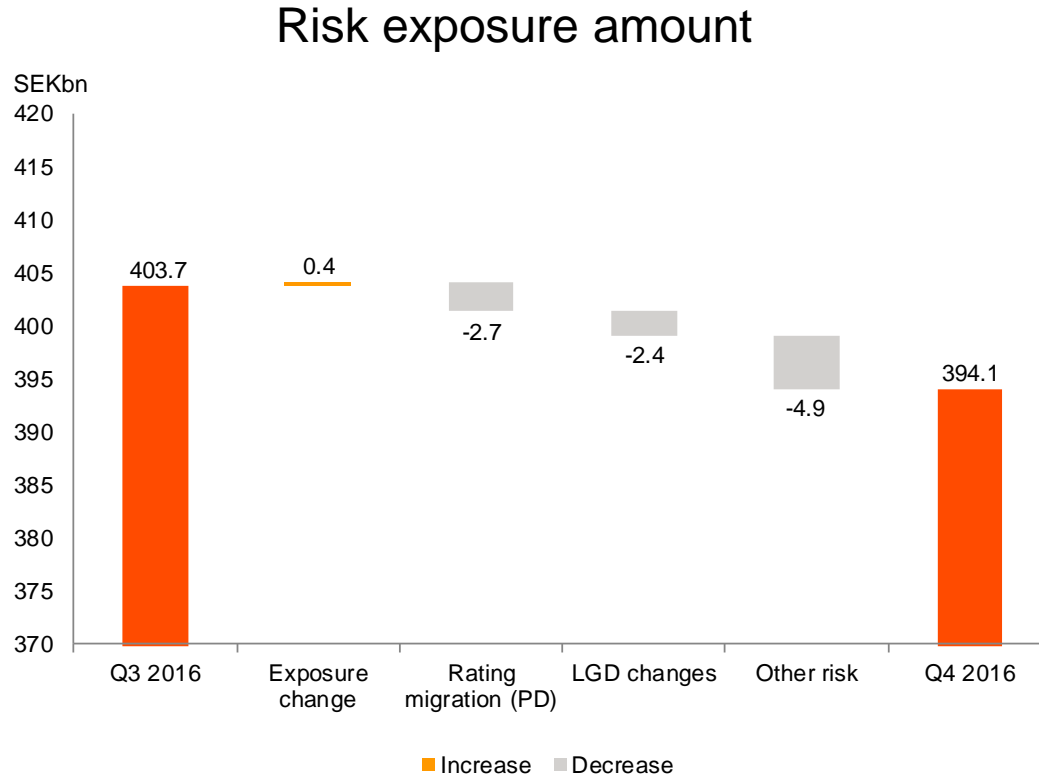
CET1 capital ratio, %



\* Swedbank's estimate, based on the SFSA's announced capital requirements, including fully implemented buffers, Pillar 2 requirements and 2 per cent countercyclical buffer

- CET1 capital increased by SEK 2.6bn
  - Positive effect from net profit of SEK 0.9bn (0.2%) excl. dividend
  - Positive pension liability (IAS19) effect of SEK 1.4bn (0.4%)
- REA decreased by SEK 9.6bn (0.6%)
- Capital buffer of around 300bps

## Lower REA



- Exposure changes
  - Higher mortgage exposures
  - Lower corporate exposures
  - FX
- Positive PD migrations
- Increased collateral values
- Lower market risk

## Solid asset quality

Credit impairments, SEKm	Q4 16	Q3 16	▲ QoQ
Swedish Banking	-44	41	-85
Baltic Banking	-15	-28	13
Large Corporates & Institutions	652	188	464
<b>Swedbank Group</b>	<b>593</b>	<b>201</b>	<b>392</b>

- Credit impairments in line with expectations
  - Mainly in oil-related exposures

Ratios	Q4 16	Q3 16	FY 2016	FY 2015
Credit impairment ratio, %	0.15	0.05	0.09	0.04
Share of impaired loans, gross %	0.52	0.35	0.52	0.40
Total provision ratio for impaired loans, %	46	57	46	56



# Q&A

Birgitte Bonnesen (CEO), Anders Karlsson (CFO), Helo Meigas (CRO)



# Appendix

# Strong result

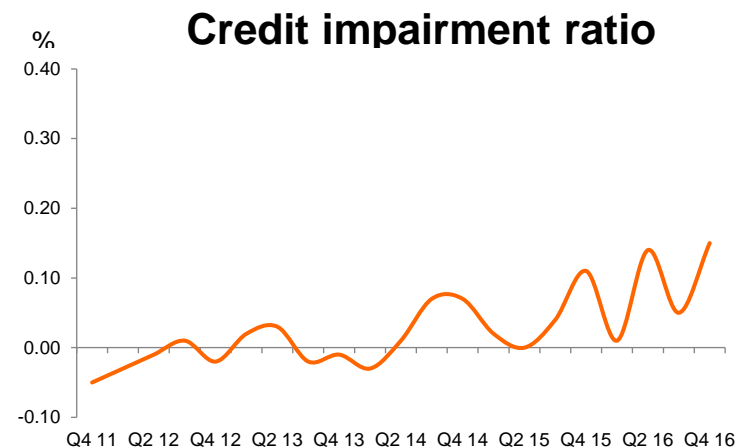
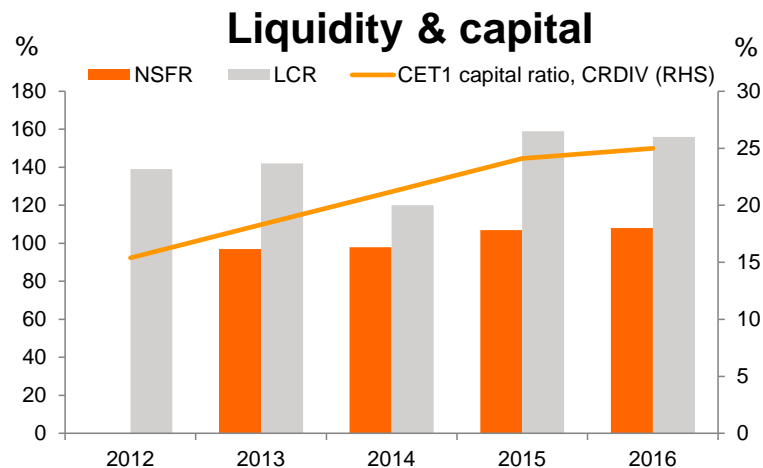
SEKm	FY 2016	FY 2015	▲YoY
Net interest income	23 664	22 993	671
Net commission income	11 333	11 199	134
Net gains and losses	2 231	571	1 660
Other income	4 407	2 861	1 546
<b>Total income</b>	<b>41 635</b>	<b>37 624</b>	<b>4 011</b>
<b>Total expenses</b>	<b>16 441</b>	<b>16 333</b>	<b>108</b>
<b>Profit before impairments</b>	<b>25 194</b>	<b>21 291</b>	<b>3 903</b>
Credit impairments	1 367	594	773
Other impairments	66	326	-260
Tax	4 209	4 625	-416
<b>Net profit</b>	<b>19 539</b>	<b>15 727</b>	<b>3 812</b>

Ratios	FY 2016	FY 2015
ROE, %	15.8	13.5
Cost/income ratio	0.39	0.43
CET1 capital ratio, %	25.0	24.1

- ROE of 15.8%
- CET1 capital ratio of 25.0%
- NII increase
  - Loan volume growth
  - Mortgage loan margin expansion
- Expenses in line with guidance
- Solid asset quality
  - Higher provisions in oil-related exposures
- Board proposal - dividend of SEK13.20 per share
  - In line with dividend policy (75% of annual profit)

# Swedbank – a low-risk bank with strong capital base

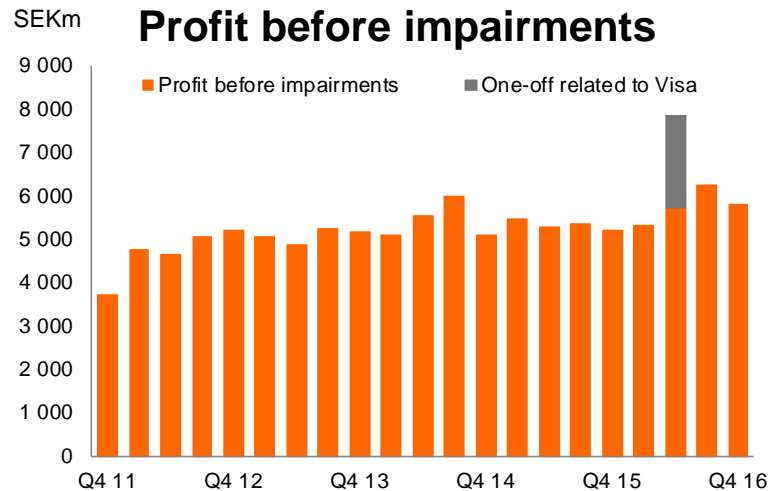
- Low risk – a Board of Directors’ strategic priority – ensures access to funding markets and low funding costs
- Retail profile and four home markets a key feature
  - 86% of total loans originated in Sweden - Swedish mortgages account for 58% of total loans
  - 91% of total loans are collateralised (78% real estate and 13% other collateral)
- Strong capital position – Board of Directors’ decision to maintain a buffer above prevailing SFSA capital requirements to have operational flexibility – current buffer around 300bp
- Conservative funding and liquidity position – survival horizon longer than 12 months assuming closed funding markets, NSFR 108% and LCR 156%
- Baltic operations self-funded – loan-to-deposit ratio < 100%



Source: Swedbank 31 Dec 2016

# Swedbank – strong and stable earnings capacity

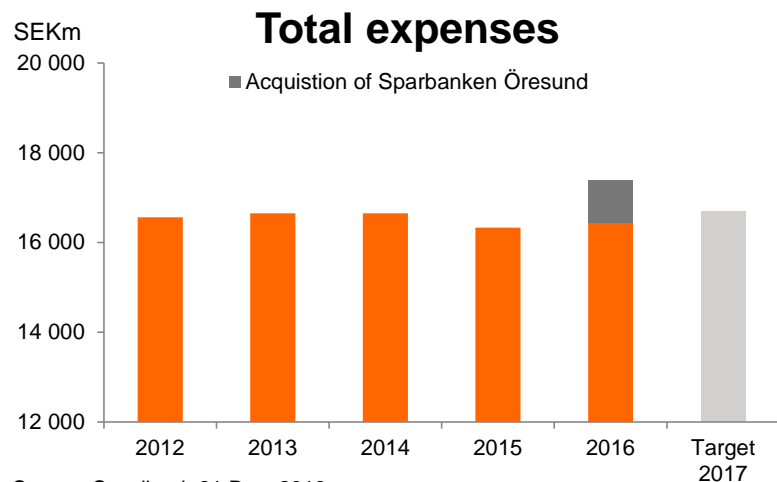
- Four home markets – Sweden, Estonia, Latvia and Lithuania
  - Strong and stable economies
  - Market-leading position in all home markets
  - Largest customer base in all home markets
- Retail profile ensures stable earnings with low volatility
- High cost efficiency – a strategic priority – ensures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



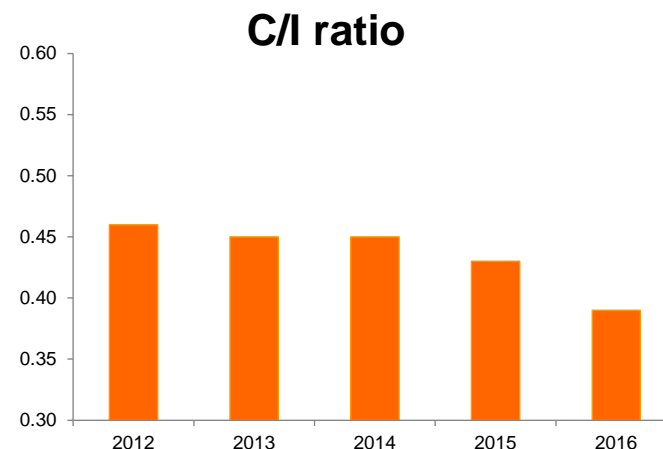
Source: Swedbank 31 Dec 2016

# Swedbank – market leader in cost efficiency

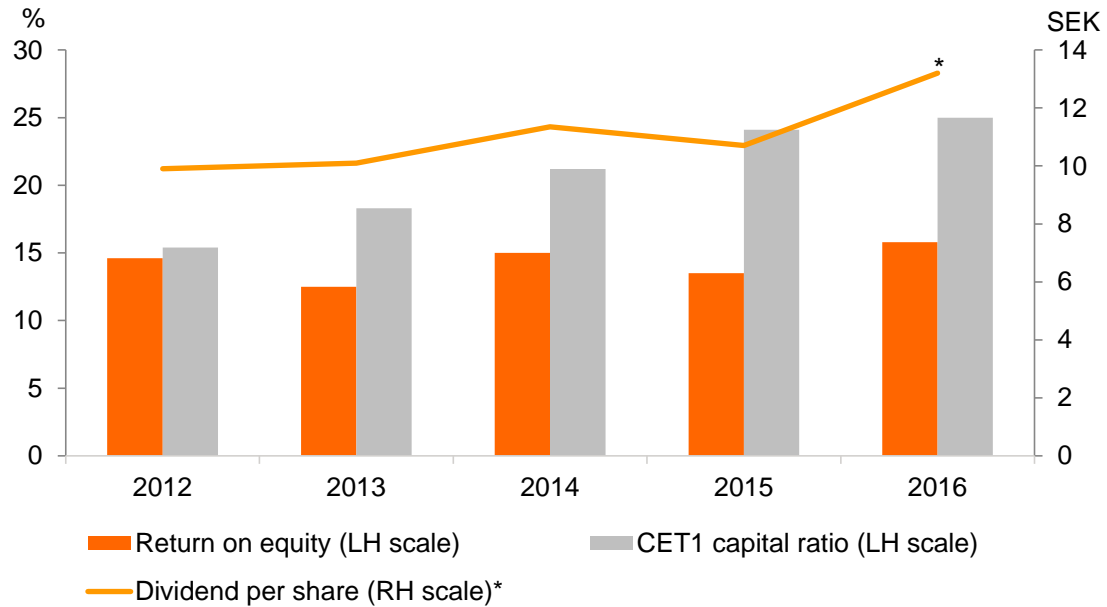
- Best-in-class cost efficiency – an executive management strategic priority
- Executive management strongly focused on cost and change management
  - Integrated in corporate culture
  - Focus on straight-through-processing
  - Evolving household banking model – digitisation trend
- Retail profile a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



Source: Swedbank 31 Dec 2016



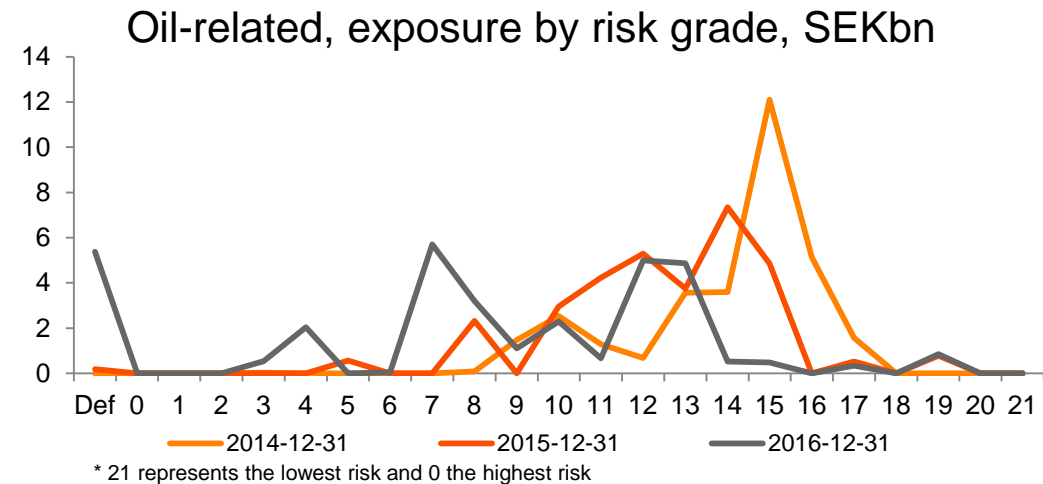
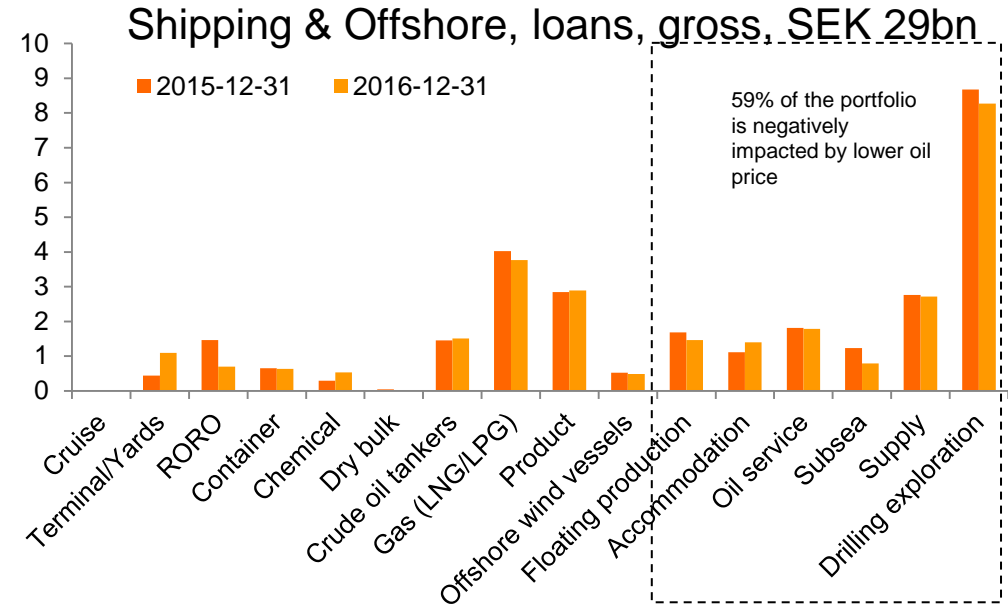
# Value creation



\* Dividend proposal from the Board of Directors (for the financial year 2016) - to be decided by the Annual General Meeting (AGM) in March 2017

# Oil sector under stress

- Loan portfolio negatively impacted by lower oil price, SEK 16.8bn
  - 1.2% of the total loan book
  - Derivative exposures of SEK 2.4bn (incl. collateral)
- Provisions of SEK 496m in Q4

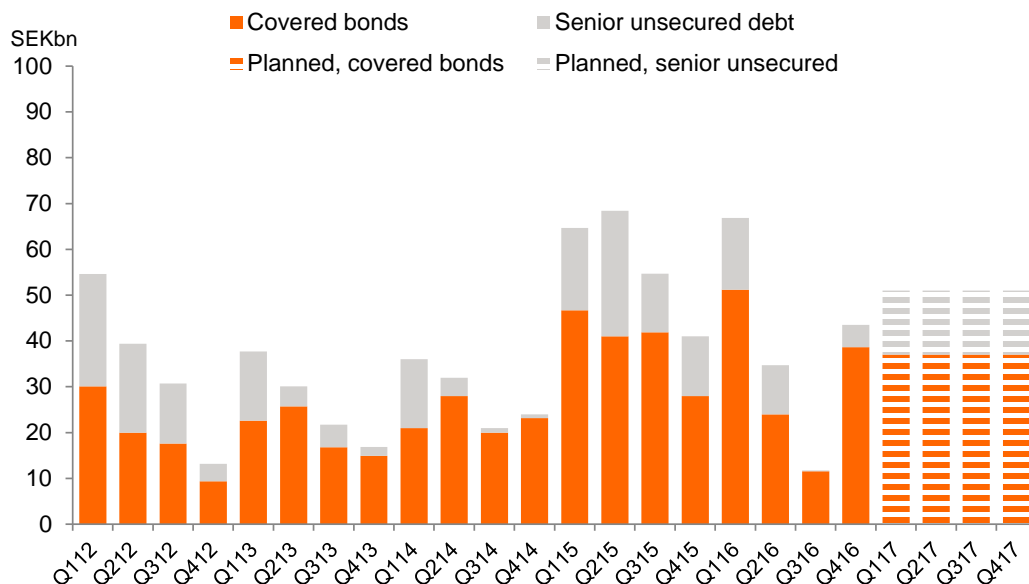




# Conservative funding position

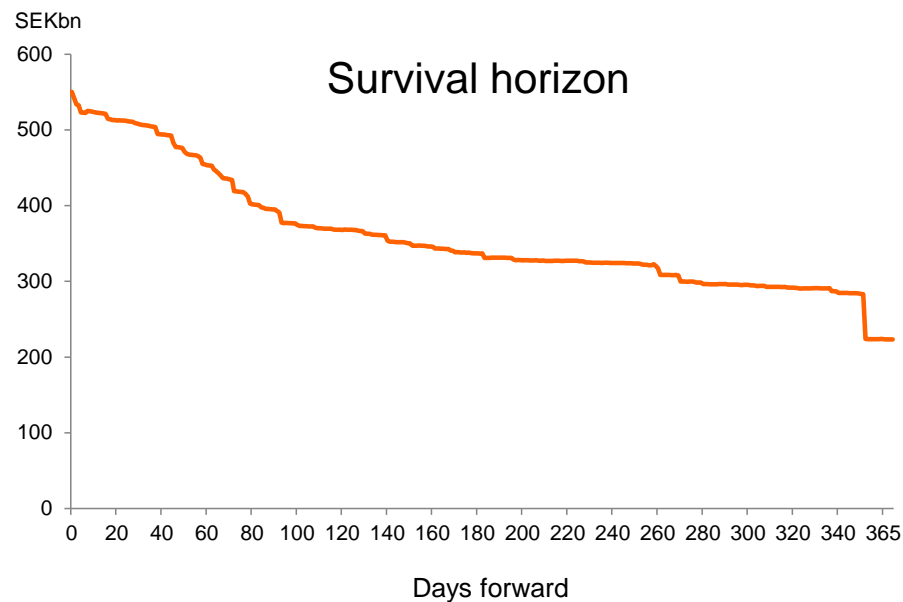
- LCR 156% (Swedish FSA definition FFFS 2012:6)
- NSFR 108% (Basel committee)
- Issued SEK 160bn of term funding in 2016
- Plan to issue around SEK 200bn in 2017

Term funding issuance – completed and planned



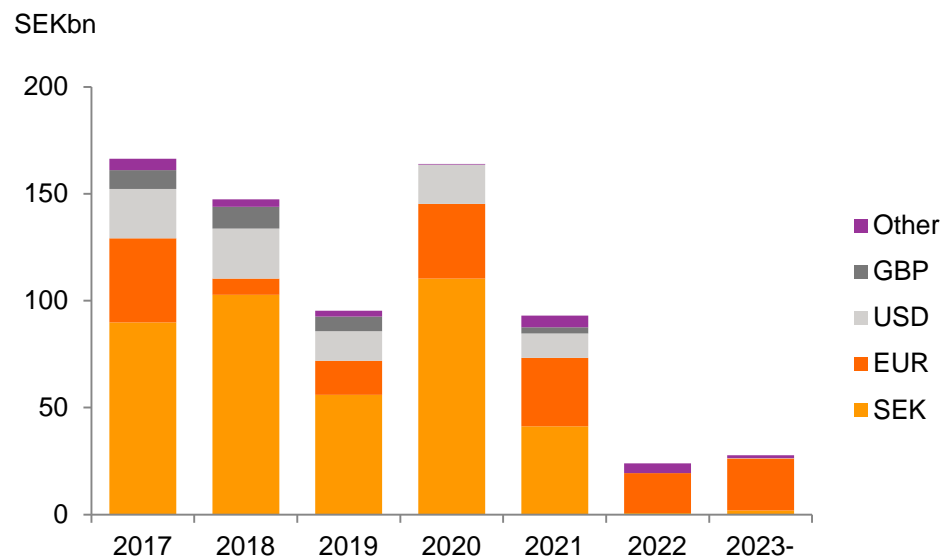
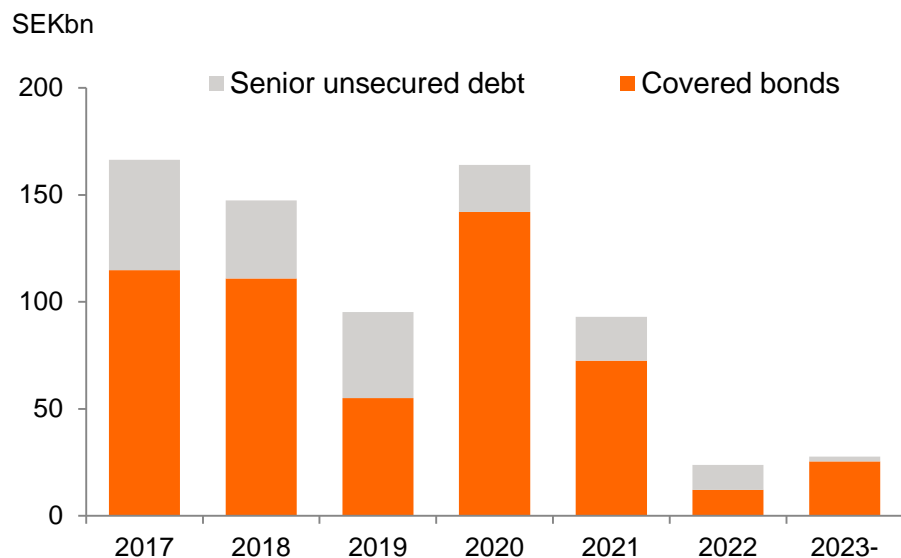
Source: Swedbank 31 Dec 2016

Prefunded for more than 12 months



# Long-term funding maturity profile

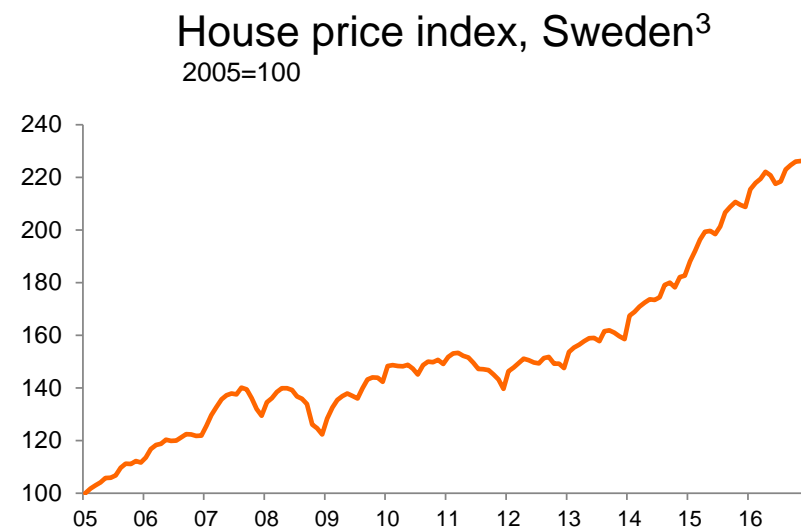
Long-term funding maturity profile, by funding source    Long-term funding maturity profile, by currency



Source: Swedbank 31 Dec. 2016

# Real estate price performance – Sweden, 12 month

	Single-family homes <sup>1</sup> 12M Δ	Tenant-owner rights <sup>2</sup> 12M Δ	Combined <sup>3</sup> 12M Δ
Jan 16	14%	16%	15%
Feb 16	13%	14%	13%
Mar 16	12%	12%	12%
Apr 16	12%	10%	11%
May 16	11%	9%	11%
Jun 16	11%	7%	10%
Jul 16	10%	7%	8%
Aug 16	9%	6%	8%
Sep 16	9%	6%	8%
Oct 16	8%	7%	7%
Nov 16	9%	7%	8%
Dec 16	9%	8%	9%



Source: Valuegard [www.valuegard.se](http://www.valuegard.se) (Based on data from Mäklarstatistik), <sup>1</sup> HOXHOUSESWE, <sup>2</sup> HOXFLATSWE (apartments), <sup>3</sup> HOXSWE