

Swedbank's first quarter 2017 results

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

Strong result

SEKm	Q1 17	Q4 16	▲ QoQ
Net interest income	3 637	3 656	-19
Net commission income	1 757	1 789	-32
Other income	1 069	369	700
Total income	6 463	5 814	649
Total expenses	2 208	2 226	-18
Profit before impairments	4 255	3 588	667
Credit impairments	-3	-44	41

Ratios	Q1 17	Q4 16
ROE, %	25.4	21.7
C/I ratio	0.34	0.38

Volumes, SEKbn	Q1 17	Q4 16	▲ QoQ
Loans	1 116	1 135	-19
Deposits	490	496	-6

- Net interest income
 - Mortgage margins expanded in back-book and declined in front-book
 - Increased resolution fund fee
 - Negative impact due to LC&I customer transfer
- Seasonal commission income effects partly offset by stronger asset management
- One-off gain from sale of Hemnet

Resilient performance

SEKm	Q1 17	Q4 16	▲ QoQ
Net interest income	1 001	1 061	-60
Net commission income	527	582	-55
Other income	190	213	-23
Total income	1 718	1 856	-138
Total expenses	636	704	-68
Profit before impairments	1 082	1 152	-70
Credit impairments	-66	-15	-51

Ratios	Q1 17	Q4 16
ROE, %	19.5	19.2
C/I ratio	0.37	0.38

Volumes, SEKbn	Q1 17	Q4 16	▲ QoQ
Loans	141	140	1
Deposits	168	170	-2

- Net interest income
 - Mixed margins
 - Negative FX and day-count effects
 - Continued growth in private lending
- Lower asset management income - performance fees in Q4 2016
- Strong asset quality

Large Corporates & Institutions

Lower result

SEKm	Q1 17	Q4 16	▲ QoQ
Net interest income	823	908	-85
Net commission income	580	691	-111
Net gains and losses	452	530	-78
Other income	28	13	15
Total income	1 883	2 142	-259
Total expenses	923	1 011	-88
Profit before impairments	960	1 131	-171
Credit impairments	408	652	-244
Ratios	Q1 17	Q4 16	
ROE, %	9.0	6.7	
C/I ratio	0.49	0.47	
Volumes, SEKbn	Q1 17	Q4 16	▲ QoQ
Loans	200	178	22
Deposits	146	116	30

- Net interest income
 - Lower average loan volumes
 - Positive impact from Swedish Banking customer transfer
 - Higher share of increased resolution fund and deposit guarantee fees
- Lower commission income compared to seasonally higher Q4 2016
- Weaker trading and valuation effects
- Additional provisions for oil related exposures

Group results

Strong result

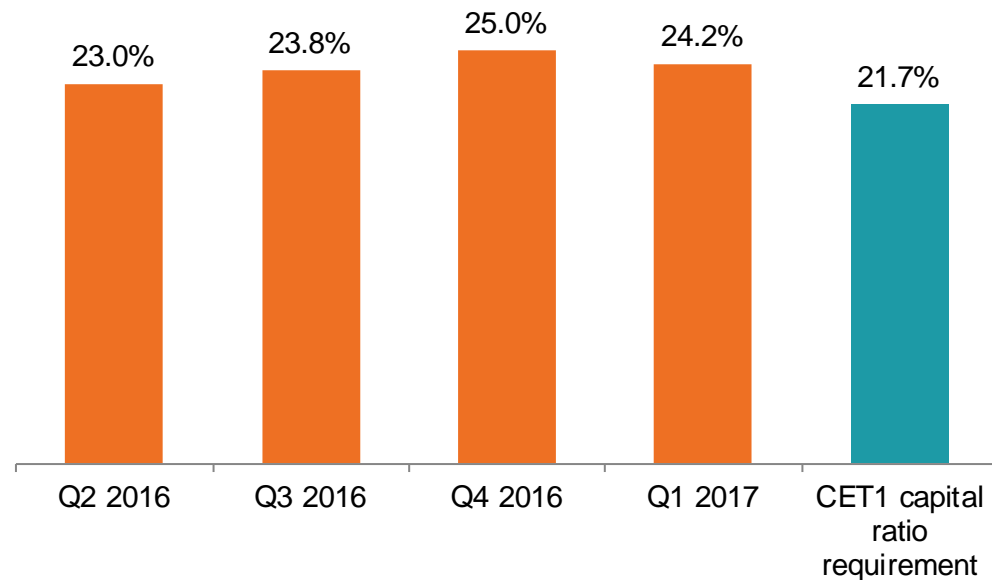
SEKm	Q1 17	Q4 16	▲ QoQ
Net interest income	5 971	6 000	-29
Net commission income	2 822	3 055	-233
Net gains and losses	486	285	201
Other income	1 372	607	765
Total income	10 651	9 947	704
Total expenses	4 003	4 157	-154
Profit before impairments	6 648	5 790	858
Credit impairments	339	593	-254
Other impairments	2	56	-54
Tax	1 181	996	185
Net profit	5 124	4 142	982

Ratios	Q1 17	Q4 16
ROE, %	15.9	13.1
C/l ratio	0.38	0.43
CET1 capital ratio, %	24.2	25.0

- Net interest income headwinds mitigated by mortgage loan volume growth and margin expansion
- Lower commission income from asset management, cards and brokerage – seasonal effects in Q4 2016
- Valuation effects
- One-off gain from sale of Hemnet
- Total expenses of around SEK15.8bn for FY 2017

Capital

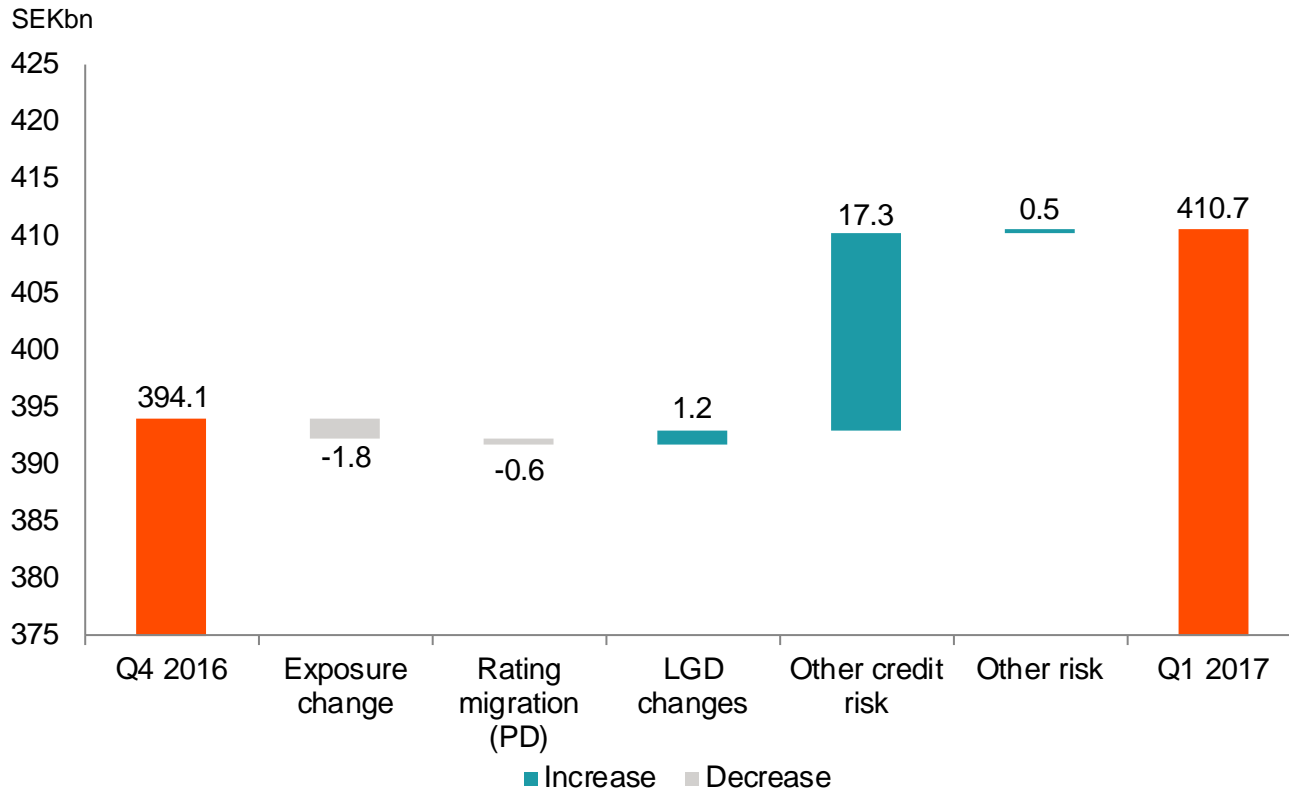
Strong capitalisation – no excess capital



- CET1 capital increased by SEK 0.9bn
 - Positive effect from net profit of SEK 1.8bn excl. dividend
 - Negative pension liability valuation effect (IAS19) of SEK 0.5bn
- REA increased by SEK 16.6bn
- Capital buffer of around 250bps

Capital

Increased REA



- Exposure changes
 - Higher mortgage exposures
 - Lower corporate exposures
- Model adjustments in corporate portfolio relating to default frequency

Group

Solid asset quality

Credit impairments, SEKm	Q1 17	Q4 16	▲ QoQ
Swedish Banking	-3	-44	41
Baltic Banking	-66	-15	-51
Large Corporates & institutions	408	652	-244
Swedbank Group	339	593	-254

Ratios	Q1 17	Q4 16
Credit impairment ratio, %	0.09	0.15
Share of impaired loans, gross %	0.50	0.52
Total provision ratio for impaired loans, %	51	46

- Credit impairments in line with expectations
 - Additional provisions for oil related exposures

Q&A

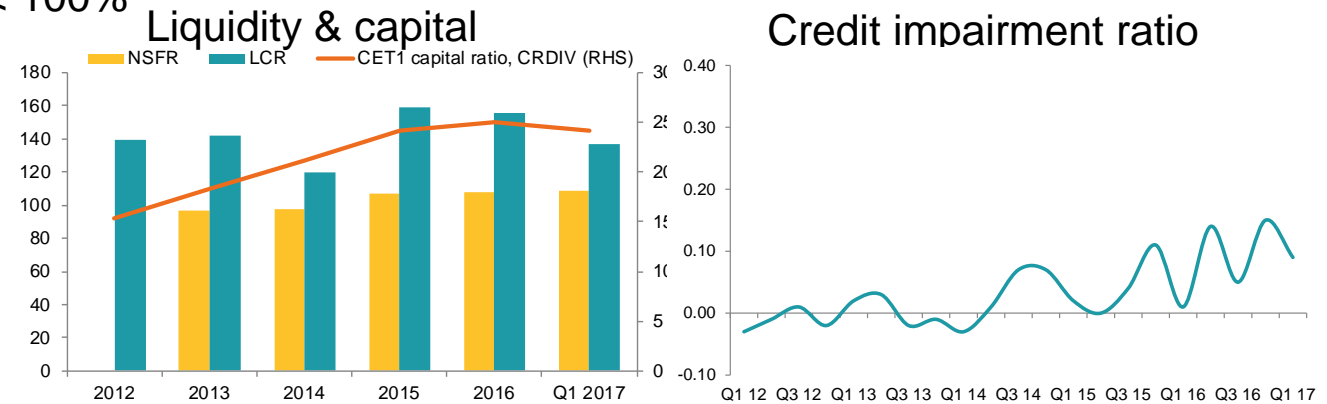
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Appendix

Swedbank – a low-risk bank with strong capital base



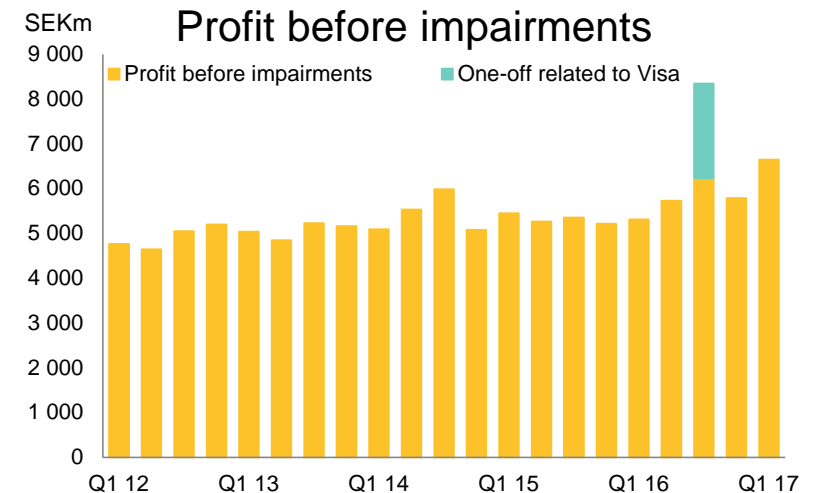
- Low risk – a Board of Directors’ strategic priority – ensures access to funding markets and low funding cost
- Retail profile and four home markets a key feature
 - 86% of total loans originated in Sweden - Swedish mortgages account for 58% of total loans
 - 90% of total loans are collateralised (76% 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 around 250bp
- Conservative funding and liquidity position – survival horizon longer than 12 months assuming closed funding markets, NSFR 109% and LCR 137%
- Baltic operations self-funded – loan-to-deposit ratio < 100%



Swedbank – strong and stable earnings capacity



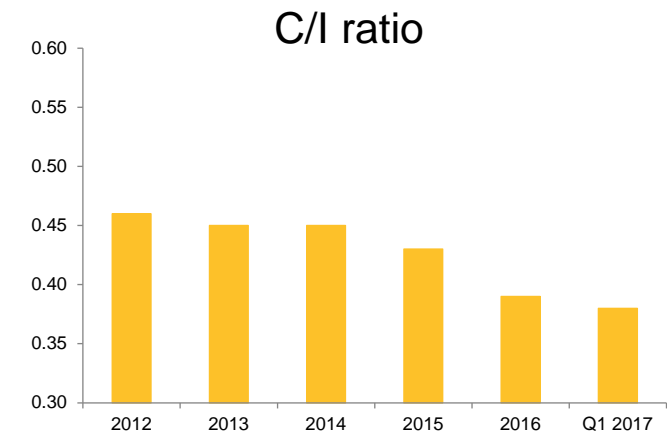
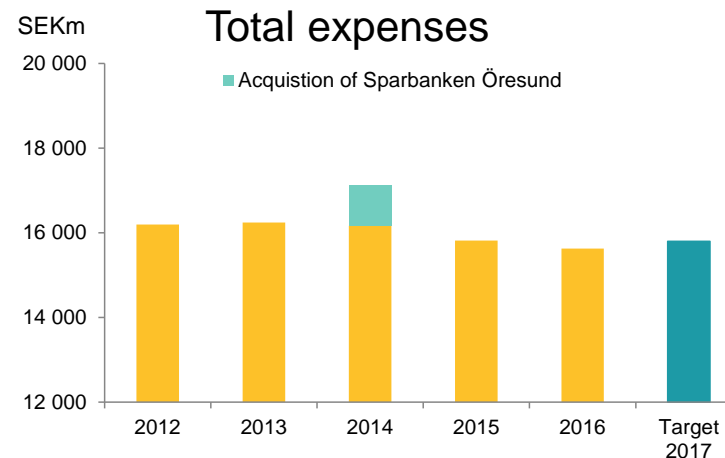
- Four home markets – Sweden, Estonia, Latvia and Lithuania
 - Strong and stable economies
 - Market-leading position in all home markets
 - Largest customer base in all home markets
- Retail profile ensures stable earnings with low volatility
- High cost efficiency – a strategic priority – ensures good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



Swedbank – market leader in cost efficiency

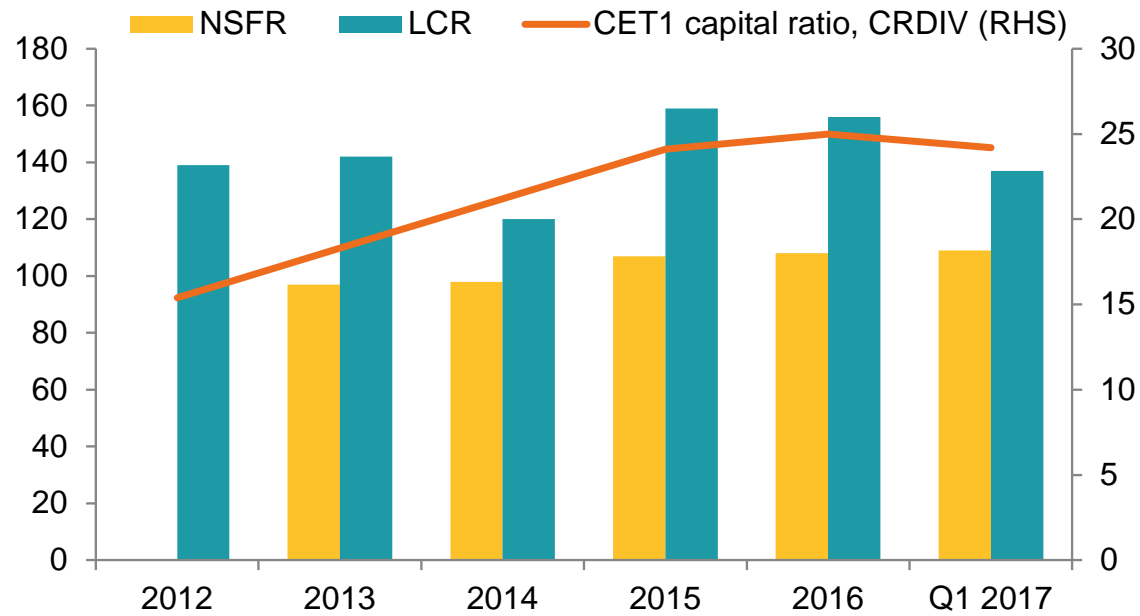
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- Best-in-class cost efficiency – an executive management strategic priority
- Executive management strongly focused on cost and change management
 - Integrated in corporate culture
 - Focus on straight-through-processing
 - Evolving household banking 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



Value creation

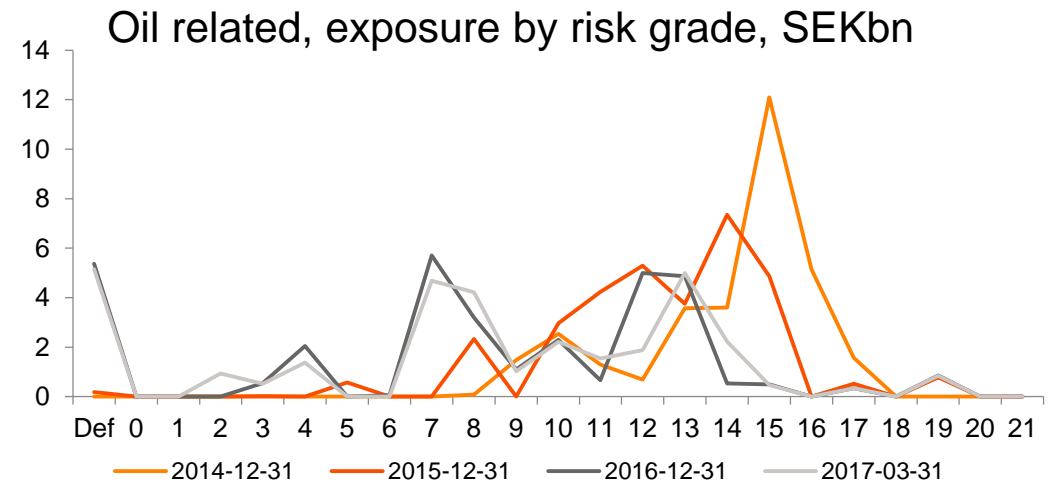
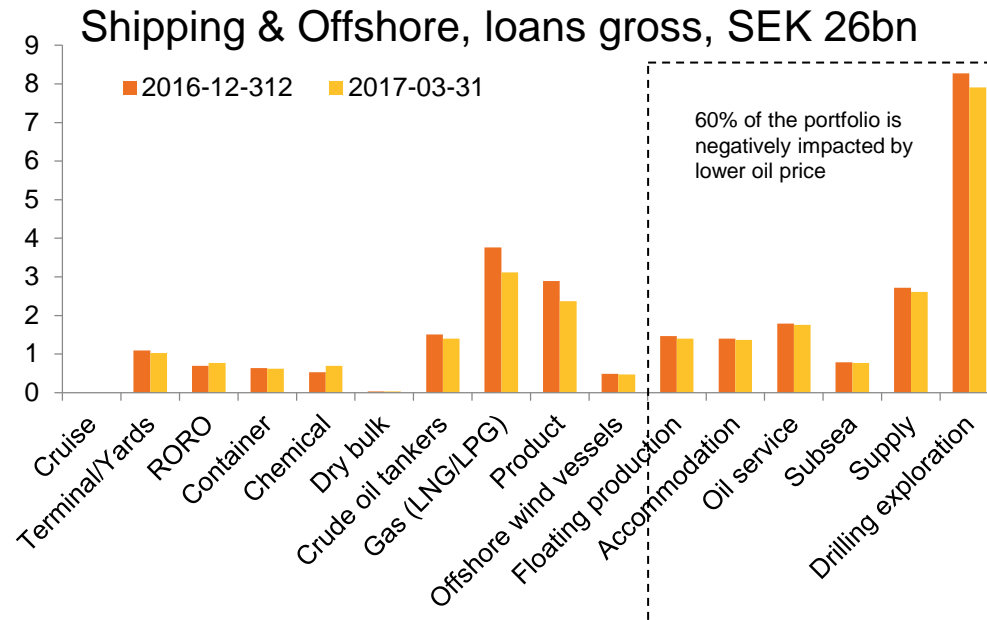
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Oil sector under stress



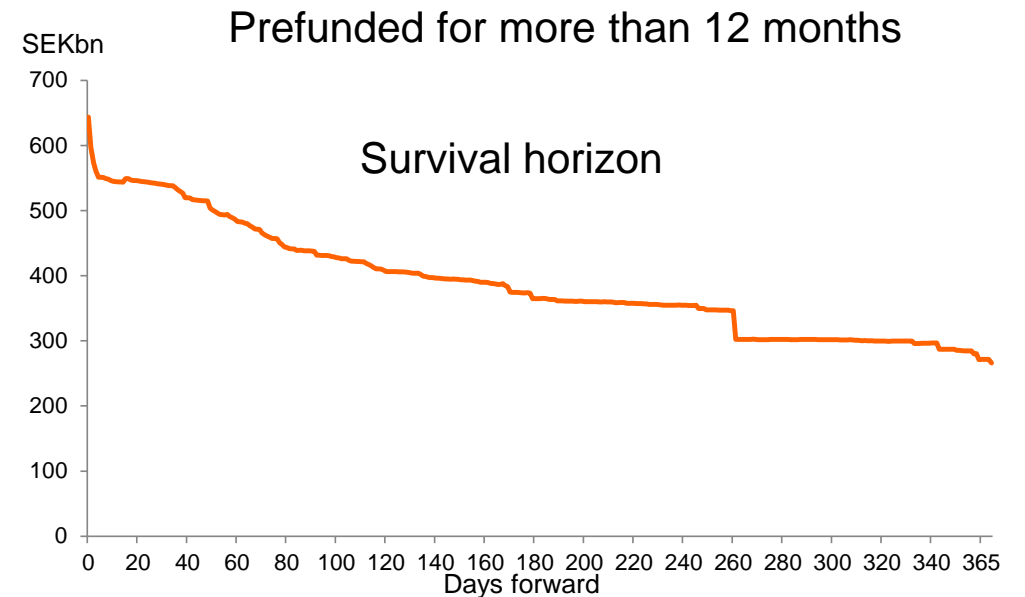
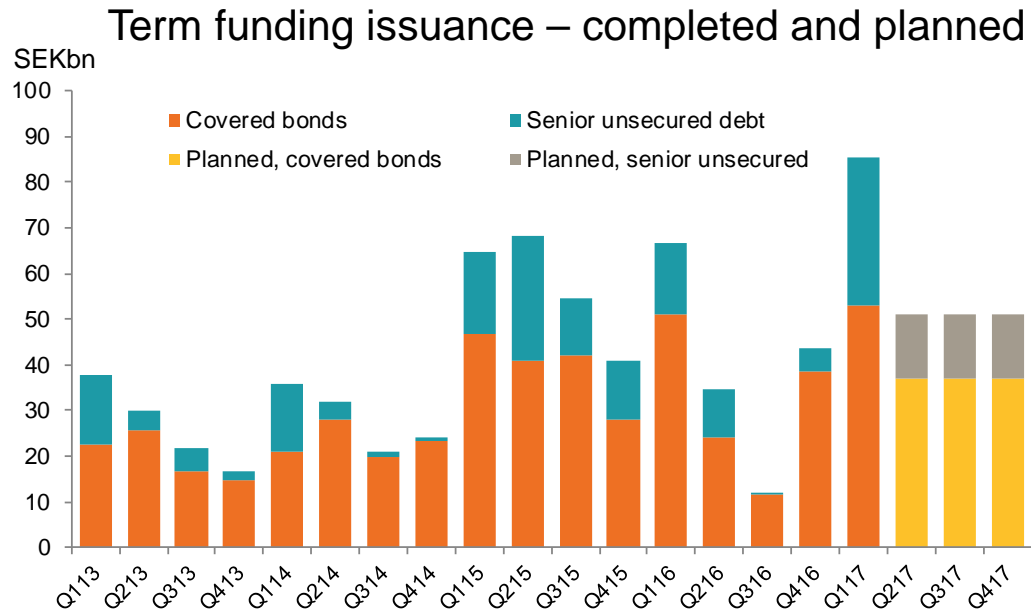
- Loan portfolio negatively impacted by lower oil price, SEK 15.8bn
 - 1.1% of total loans net
 - Derivatives exposures of SEK 2.3bn (incl. collateral)
- Provisions of SEK 417m in Q1



Conservative funding position



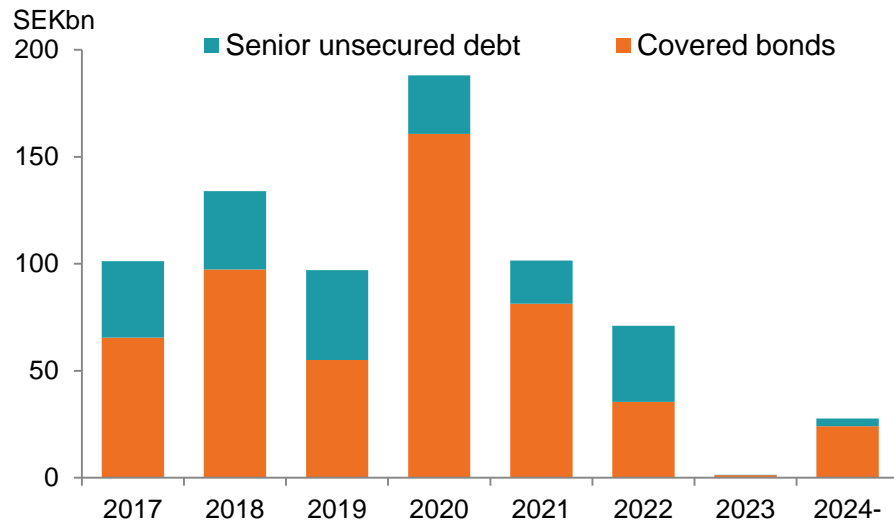
- LCR 137% (Swedish FSA definition FFFS 2012:6)
- NSFR 109% (Basel committee)
- Issued SEK 86bn of term funding YTD Q1 2017
- Plan to issue around SEK 200bn in 2017



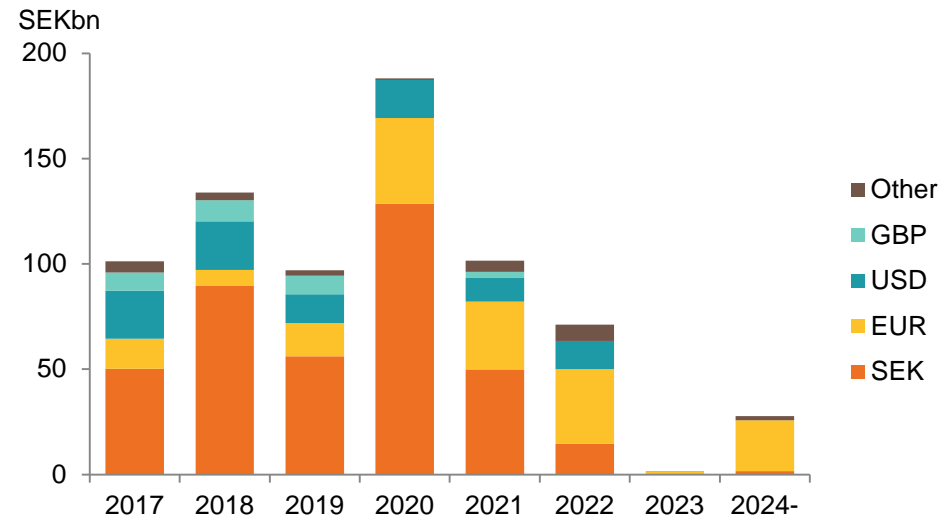
Long-term funding maturity profile



Long-term funding maturity profile, by funding source

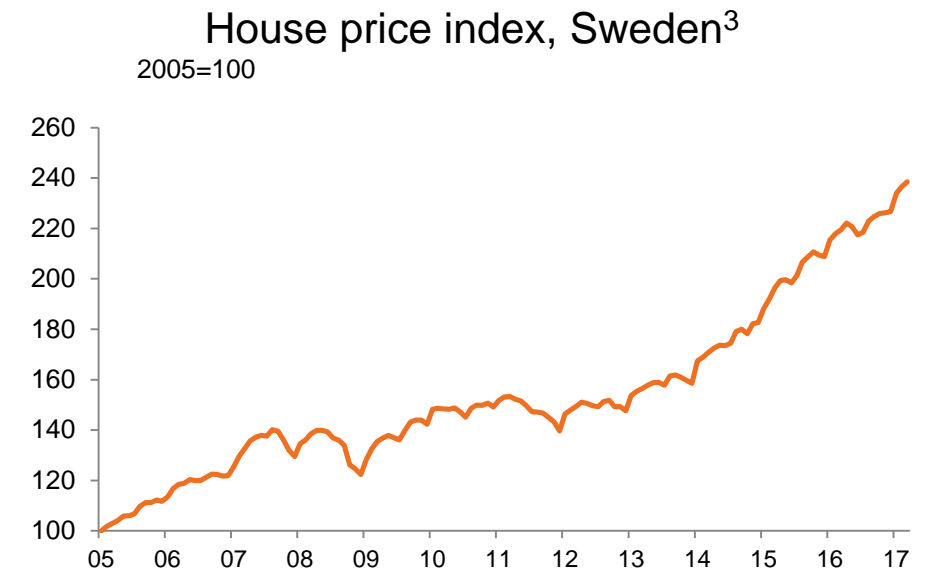


Long-term funding maturity profile, by currency



Real estate price performance – Sweden, 12 month

	Single-family homes ¹ 12M Δ	Tenant-owner rights ² 12M Δ	Combined ³ 12M Δ
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%
Jan 17	9%	8%	9%
Feb 17	9%	8%	9%
Mar 17	9%	8%	9%



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

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Information class
Public

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