

Swedbank's first quarter 2016 results

Birgitte Bonnesen (CEO), Göran Bronner (CFO), Anders Karlsson (CRO)



Stable result in challenging environment

SEKm	Q1 16	Q4 15	▲ QoQ
Net interest income	3 481	3 562	-81
Net commission income	1 618	1 765	-147
Other income	427	460	-33
Total income	5 526	5 787	-261
Total expenses	2 428	2 521	-93
Profit before impairments	3 098	3 266	-168
Credit impairments	-13	347	-360

Ratios	Q1 16	Q4 15
ROE, %	19.1	18.1
C/I ratio	0.44	0.44

Volumes, SEKbn	Q1 16	Q4 15	▲ QoQ
Loans	1 079	1 066	13
Deposits	454	453	1

- NII
 - Deposit margin pressure
 - Higher mortgage margins
 - Loan volume growth
- Weaker asset management income
- Good cost control
 - Increased compensation to savings banks
- Strong asset quality

Loan growth

SEKm	Q1 16	Q4 15	▲ QoQ
Net interest income	934	962	-28
Net commission income	483	548	-65
Other income	165	177	-12
Total income	1 582	1 687	-105
Total expenses	589	654	-65
Profit before impairments	993	1 033	-40
Credit impairments	-42	-112	70

Ratios	Q1 16	Q4 15
ROE, %	17.8	19.3
C/I ratio	0.37	0.39

Volumes, SEKbn	Q1 16	Q4 15	▲ QoQ
Loans	127	124	3
Deposits	147	145	2

- NII
 - Loan volume growth
 - Mixed margin development
- High cost efficiency
- Strong asset quality

Stable result in volatile market

SEKm	Q1 16	Q4 15	▲ QoQ
Net interest income	764	836	-72
Net commission income	498	528	-30
Net gains and losses	403	415	-12
Other income	25	36	-11
Total income	1 690	1 815	-125
Total expenses	807	862	-55
Profit before impairments	883	953	-70
Credit impairments	97	164	-67

Ratios	Q1 16	Q4 15
ROE, %	15.1	12.9
C/I ratio	0.48	0.47

Volumes, SEKbn	Q1 16	Q4 15	▲ QoQ
Loans	180	181	-1
Deposits	137	121	16

- Deposit margin pressure
- Low corporate finance activity
- Stable trading income in volatile market
- Impact Norwegian market

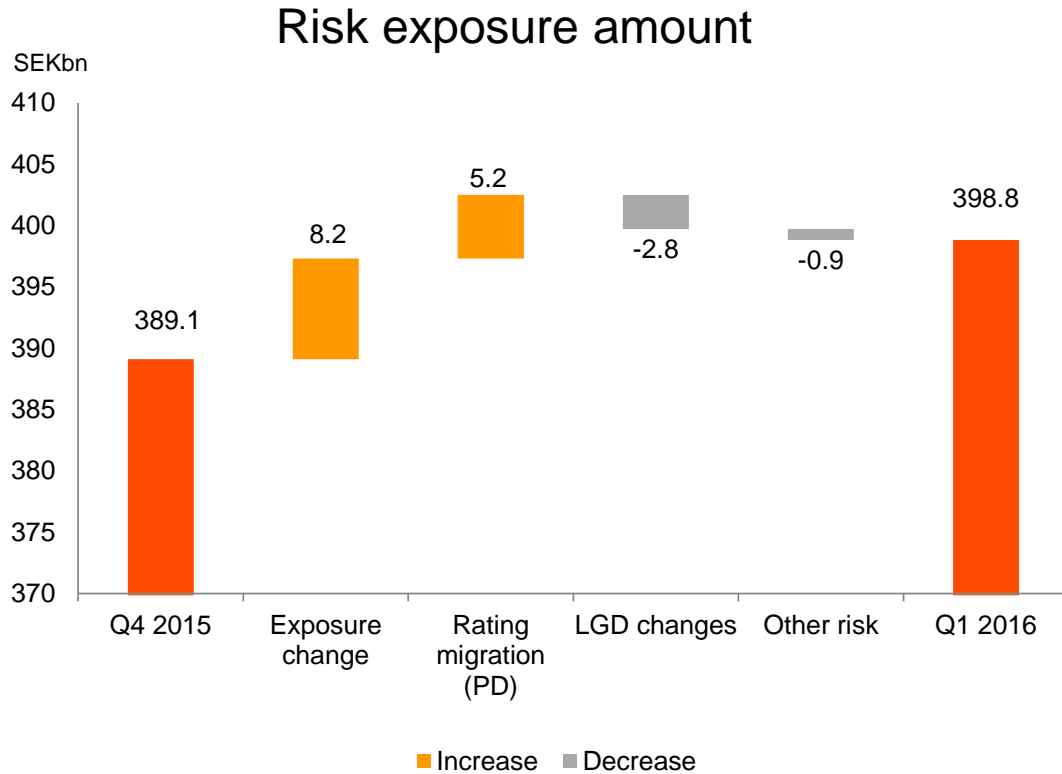
Strong result

SEKm	Q1 16	Q4 15	▲QoQ
Net interest income	5 623	5 759	-136
Net commission income	2 645	2 877	-232
Net gains and losses	400	165	235
Other income	638	656	-18
Total income	9 306	9 457	-151
Total expenses	3 988	4 239	-251
Profit before impairments	5 318	5 218	100
Credit impairments	35	399	-364
Other impairments	8	19	-11
Tax	961	974	-13
Net profit	4 311	3 813	498

Ratios	Q1 16	Q4 15
ROE, %	13.8	12.6
Cost/income ratio	0.43	0.45
CET1 capital ratio, %	23.7	24.1

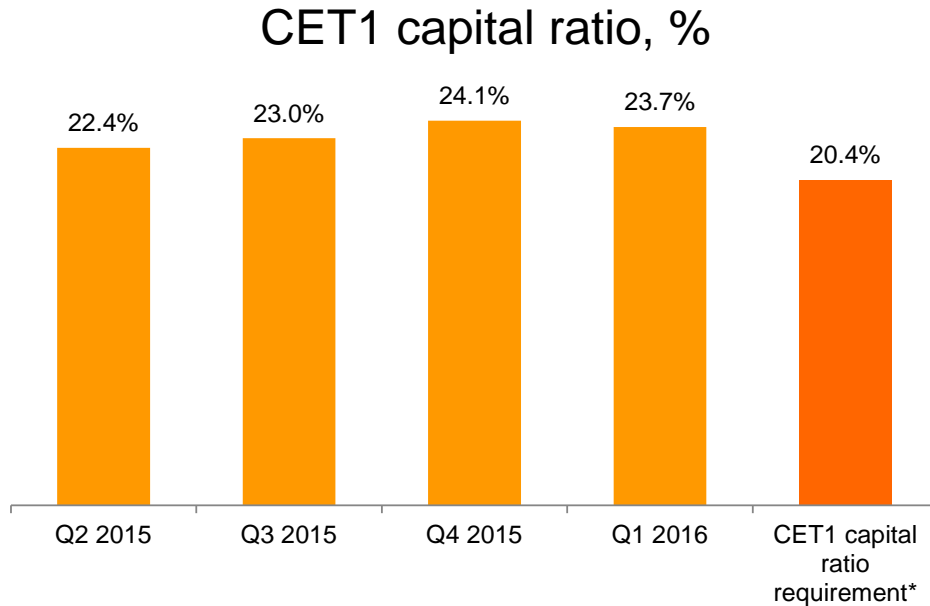
- NII pressured by lower interest rates
 - Mixed margins
- Weaker asset management income
- Improved Treasury result
- Good cost development
- Solid asset quality
- Positive one-off tax effect

Increased REA



- Higher corporate credit exposures
- Negative PD migrations in Norway
- Increased collateral values

Strong capitalisation – no excess capital



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

- CET1 capital ratio decreased
- Increased capital requirements
 - Countercyclical buffer
 - PD factor and maturity floor (90bps impact on buffer)
- CET1 capital buffer around 250bps

Funding & liquidity ratios

- NSFR at 107 (107) per cent
- LCR at 148 (159) per cent

Solid asset quality

Credit impairments, SEKm	Q1 16	Q4 15	▲ QoQ
Swedish Banking	-13	347	-360
Baltic Banking	-42	-112	-70
Large Corporates & Institutions	97	164	-67
Swedbank Group	35	399	-364

- Recoveries in Swedish Banking and Baltic Banking
- Portfolio provisions relating to oil exposures

Ratios	Q1 16	Q4 15
Credit impairment ratio, %	0.01	0.11
Share of impaired loans, gross %	0.33	0.40
Total provision ratio for impaired loans, %	56	56

Q&A

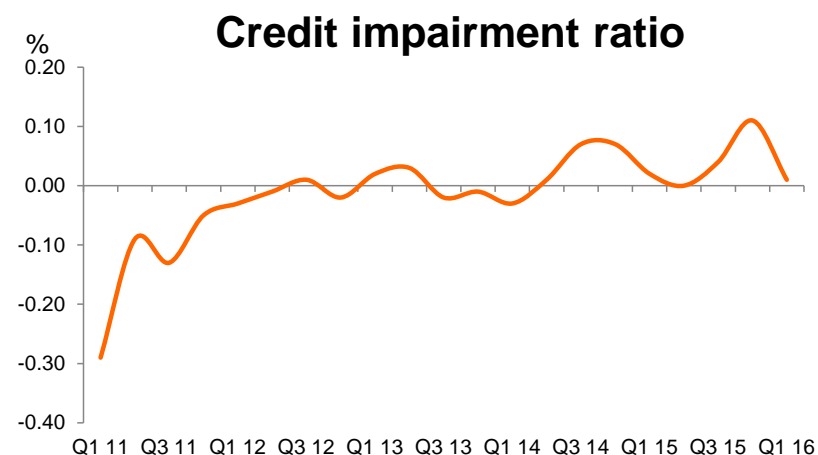
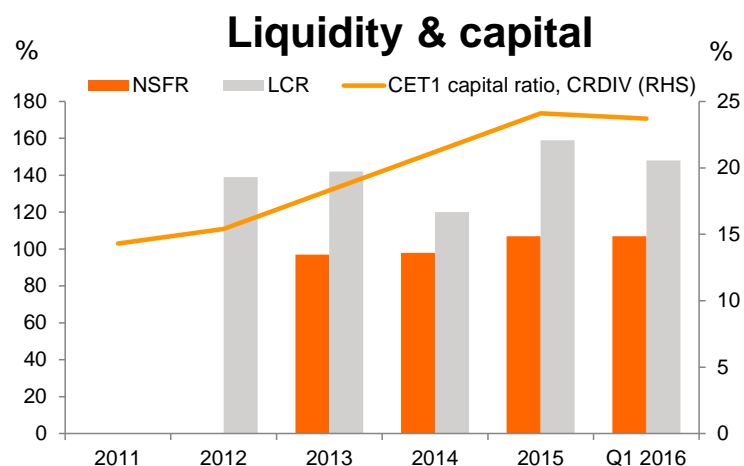
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Appendix

Swedbank – a low-risk bank with strong capital base

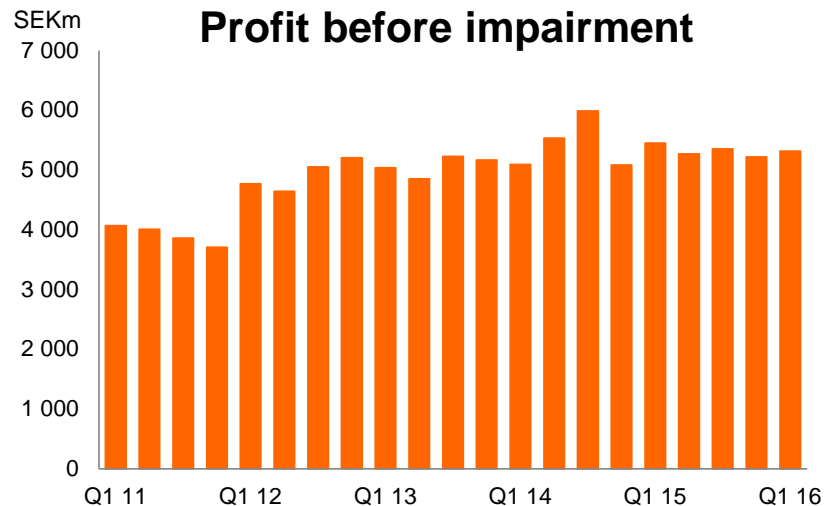
- Low risk – a Board of Directors’ strategic priority – ensures access to funding markets and low funding costs
- Retail profile and four home markets a key feature
 - 86% of total loans originated in Sweden - Swedish mortgages account for 58% of total loans
 - 91% of total loans are collateralised (77% 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 107% and LCR 148%
- Baltic operations self-funded – loan-to-deposit ratio < 100%



This is Swedbank

Swedbank – strong and stable earnings capacity

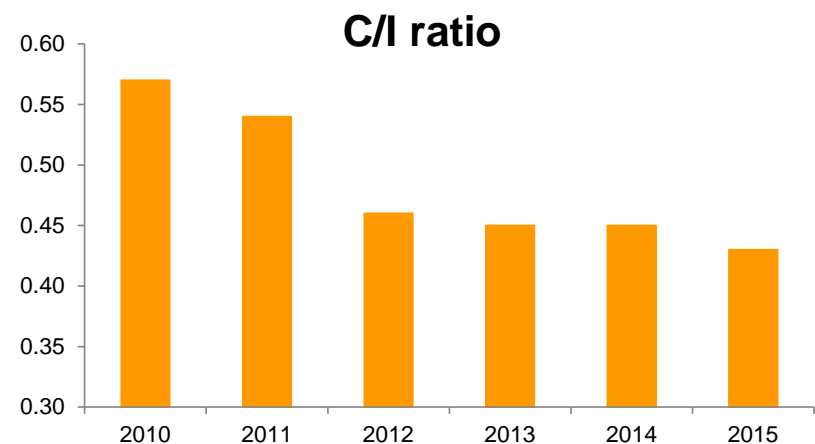
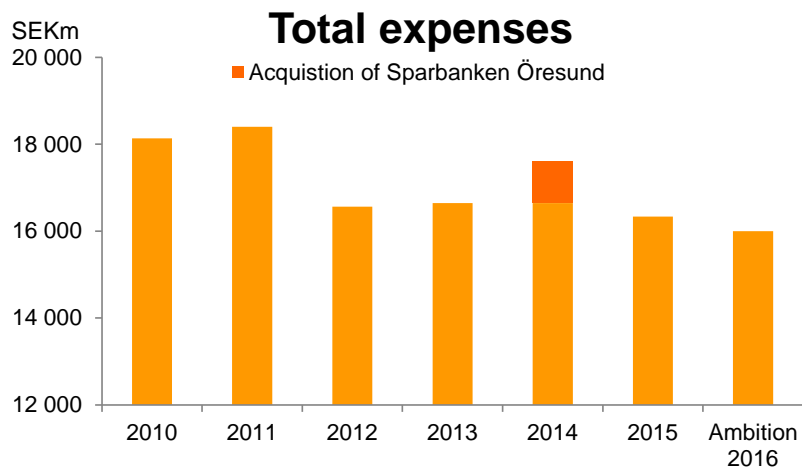
- Four home markets – Sweden, Estonia, Latvia and Lithuania
 - Strong and stable economies
 - Market-leading position in all home markets
 - Largest customer base in all home markets
- Retail profile ensures stable earnings with low volatility
- High cost efficiency – a strategic priority – ensures good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



Source: Swedbank 31 Mar 2016

Swedbank – market leader in cost efficiency

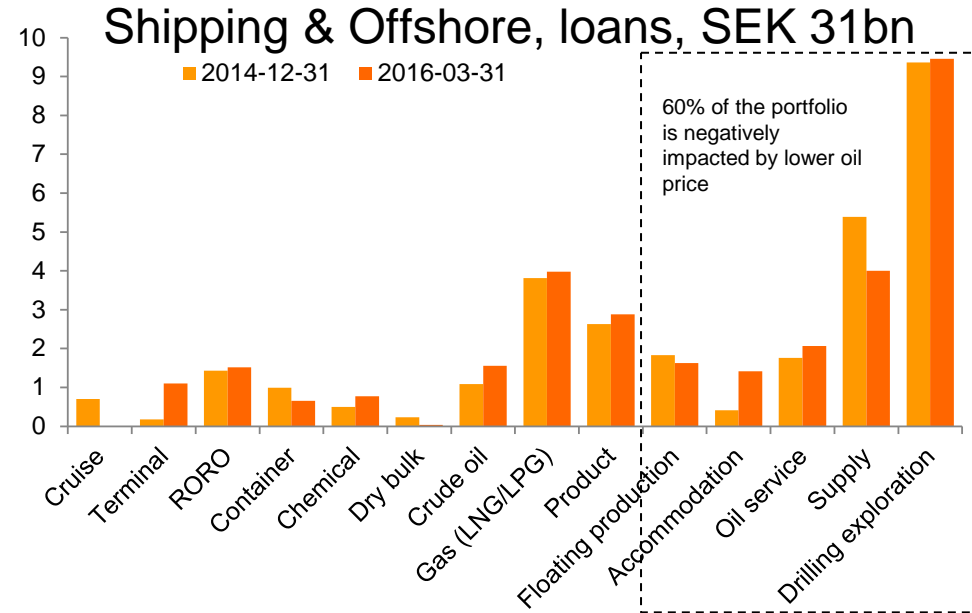
- Best-in-class cost efficiency – an executive management strategic priority
- Executive management strongly focused on cost and change management
 - Integrated in corporate culture
 - Focus on straight-through-processing
 - Evolving household banking model – digitisation trend
- Retail profile a key 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 Mar 2016

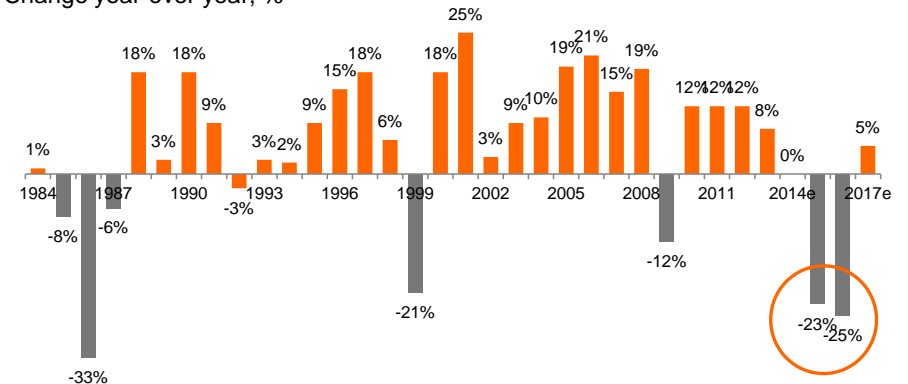
Oil sector under stress

- Loan portfolio negatively impacted by lower oil price, SEK 18.6bn
 - Derivative exposures of SEK 2.5bn
- Negative rating migrations



Capital expenditure – Exploration & Production

Change year-over year, %

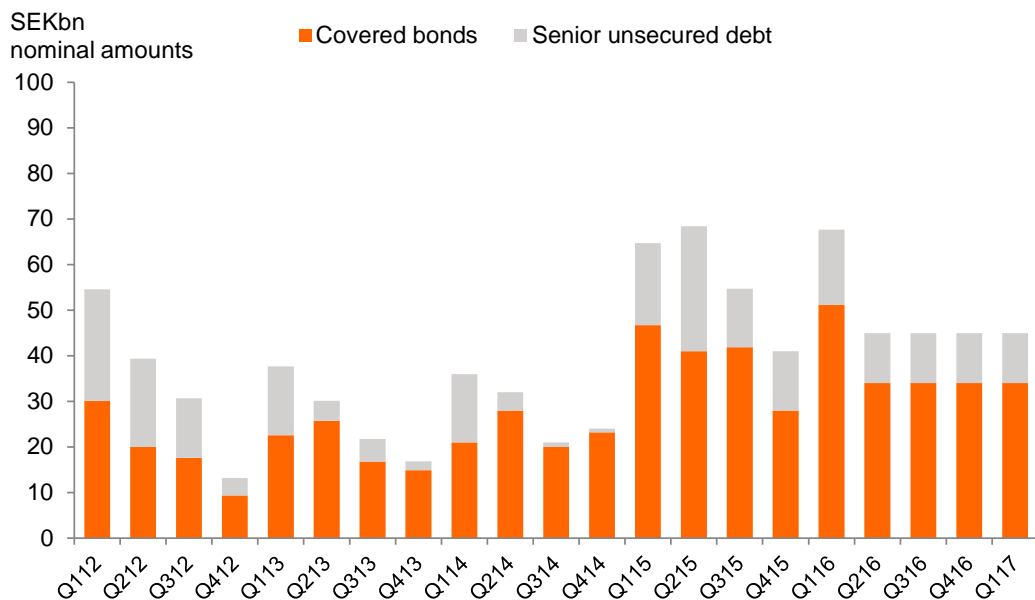


Source: Schlumberger, Citigroup, WoodMac, Swedbank Research estimates

Conservative funding position

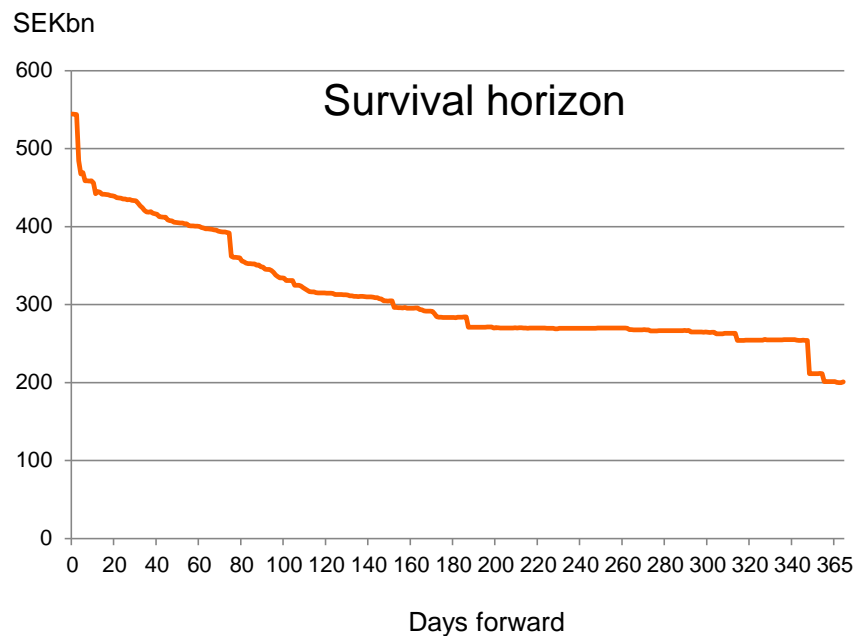
- LCR 148% (Swedish FSA definition FFFS 2012:6)
- NSFR 107% (Basel committee)
- Issued SEK 68bn of term funding in Q1 2016
- Plan to issue around SEK 180bn in 2016

Term funding issuance – completed and planned



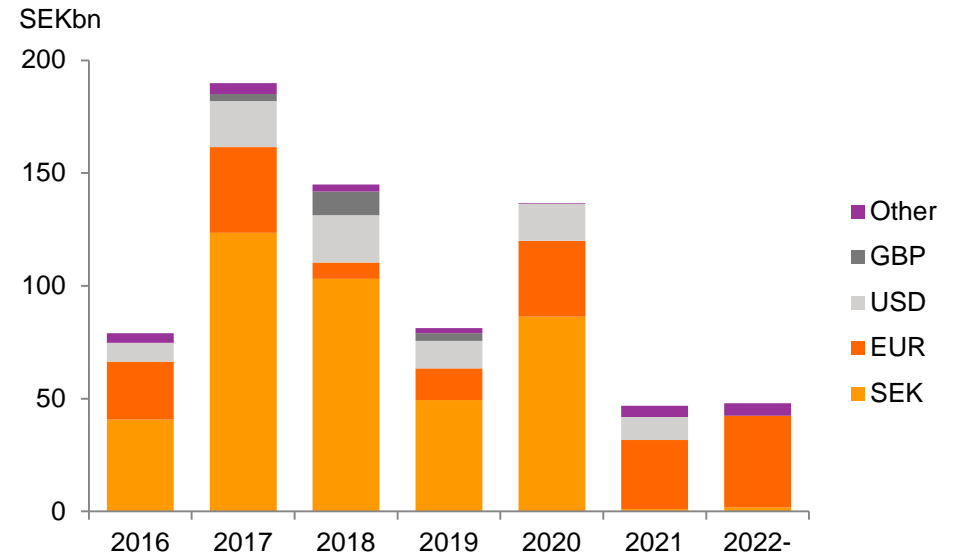
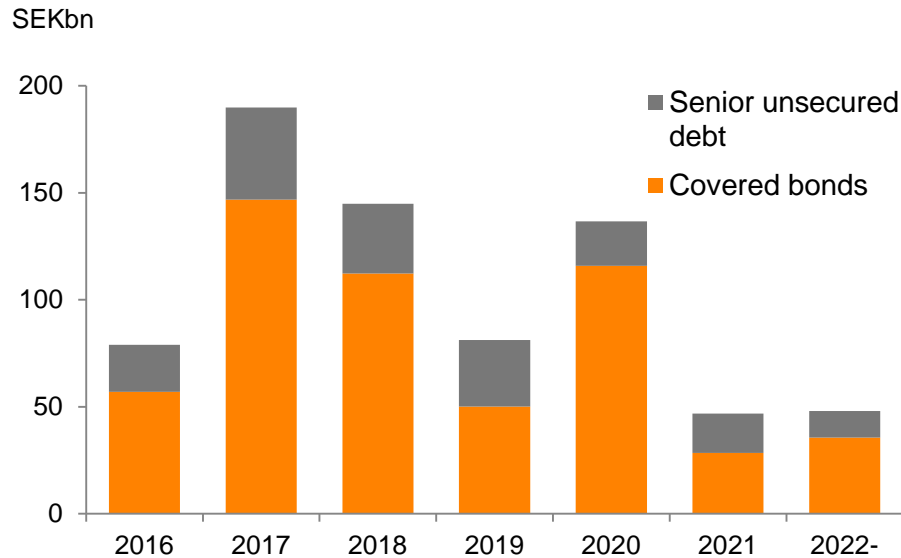
Source: Swedbank 31 Mar 2016

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

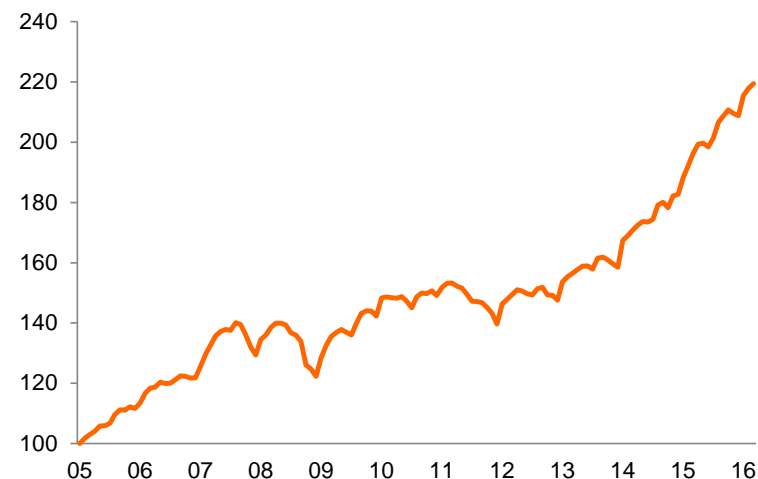


Source: Swedbank 31 Mar 2016

Real estate price performance – Sweden, 12 month

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

House price index, Sweden³
2005=100



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