

# Swedbank's second quarter 2016 results

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



# Strong result

SEKm	Q2 16	Q1 16	▲ QoQ
Net interest income	3 592	3 481	111
Net commission income	1 718	1 618	100
Other income	584	427	157
<b>Total income</b>	<b>5 894</b>	<b>5 526</b>	<b>368</b>
<b>Total expenses</b>	<b>2 461</b>	<b>2 428</b>	<b>33</b>
<b>Profit before impairments</b>	<b>3 433</b>	<b>3 098</b>	<b>335</b>
Credit impairments	-35	-13	-22

Ratios	Q2 16	Q1 16
ROE, %	20.4	19.1
C/I ratio	0.42	0.44

Volumes, SEKbn	Q2 16	Q1 16	▲ QoQ
Loans	1 096	1 079	17
Deposits	479	454	25

- Net interest income
  - Higher mortgage margins
  - Deposit margin pressure
  - Loan and deposit volume growth
- Net commission income – improved activity
- Good cost control
- Strong asset quality

# Stable result

SEKm	Q2 16	Q1 16	▲ QoQ
Net interest income	954	934	20
Net commission income	498	483	15
Other income	181	165	16
<b>Total income</b>	<b>1 633</b>	<b>1 582</b>	<b>51</b>
<b>Total expenses</b>	<b>619</b>	<b>589</b>	<b>30</b>
<b>Profit before impairments</b>	<b>1 014</b>	<b>993</b>	<b>21</b>
Credit impairments	50	-42	92

Ratios	Q2 16	Q1 16
ROE, %	16.7	17.8
C/I ratio	0.38	0.37

Volumes, SEKbn	Q2 16	Q1 16	▲ QoQ
Loans	136	127	9
Deposits	159	147	12

- Net interest income
  - Mixed margin development
  - Loan volume growth driven by acquired portfolio in Latvia and Lithuania
  - Deposit volume growth
- Strong asset quality

# Increased customer activity

SEKm	Q2 16	Q1 16	▲ QoQ
Net interest income	827	764	63
Net commission income	610	498	112
Net gains and losses	545	403	142
Other income	21	25	-4
<b>Total income</b>	<b>2 003</b>	<b>1 690</b>	<b>313</b>
<b>Total expenses</b>	<b>860</b>	<b>807</b>	<b>53</b>
<b>Profit before impairments</b>	<b>1 143</b>	<b>883</b>	<b>260</b>
Credit impairments	545	97	448

Ratios	Q2 16	Q1 16
ROE, %	10.1	15.1
C/I ratio	0.43	0.48

Volumes, SEKbn	Q2 16	Q1 16	▲ QoQ
Loans	188	180	8
Deposits	126	137	-11

- Net interest income
  - Higher lending margins
  - Deposit margin pressure
  - Loan volume growth
- High corporate finance activity
- Improved trading income
- Provisions related to oil exposures

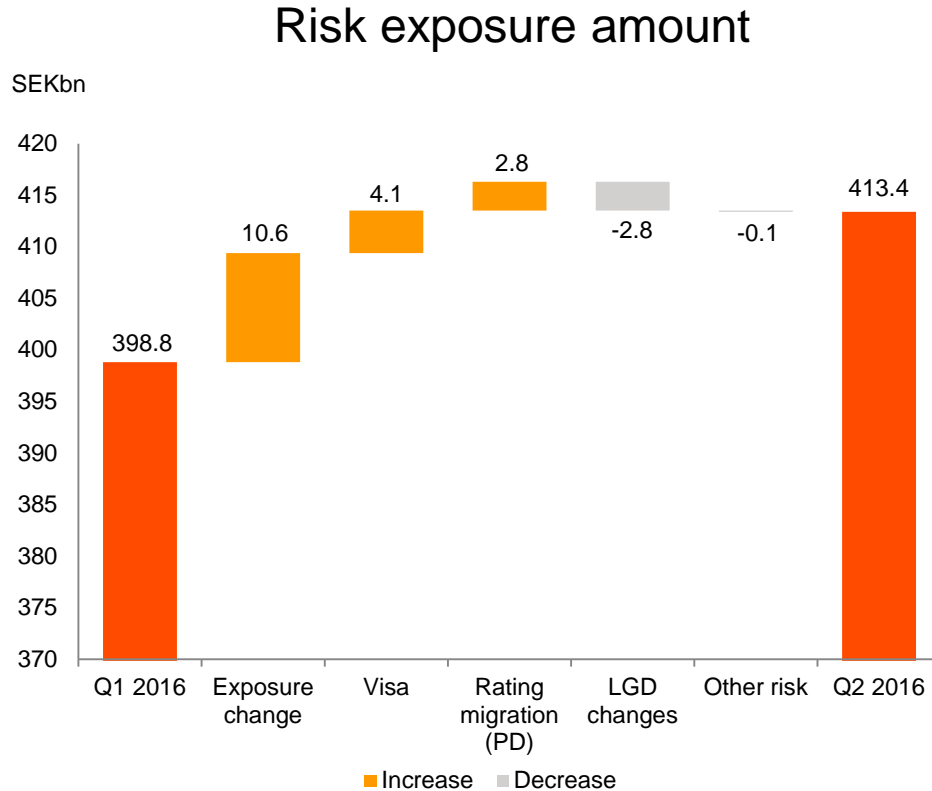
# Strong result in challenging environment

SEKm	Q2 16	Q1 16	▲QoQ
Net interest income	5 732	5 623	109
Net commission income	2 795	2 645	150
Net gains and losses	877	400	477
Other income	2 466	638	1 828
<b>Total income</b>	<b>11 870</b>	<b>9 306</b>	<b>2 564</b>
<b>Total expenses</b>	<b>4 020</b>	<b>3 988</b>	<b>32</b>
<b>Profit before impairments</b>	<b>7 850</b>	<b>5 318</b>	<b>2 532</b>
Credit impairments	538	35	503
Other impairments	1	8	-7
Tax	1 037	961	76
<b>Net profit</b>	<b>6 270</b>	<b>4 311</b>	<b>1 959</b>

Ratios	Q2 16	Q1 16
ROE, %	21.0	13.8
ROE, %, excl. Visa	13.9	13.8
Cost/income ratio	0.34	0.43
Cost/income ratio, excl. Visa	0.41	0.43
CET1 capital ratio, %	23.0	23.7

- Net interest income
  - Higher lending margins
  - Loan volume growth
- Increased customer activity
- One-off income related to Visa
- Good cost control

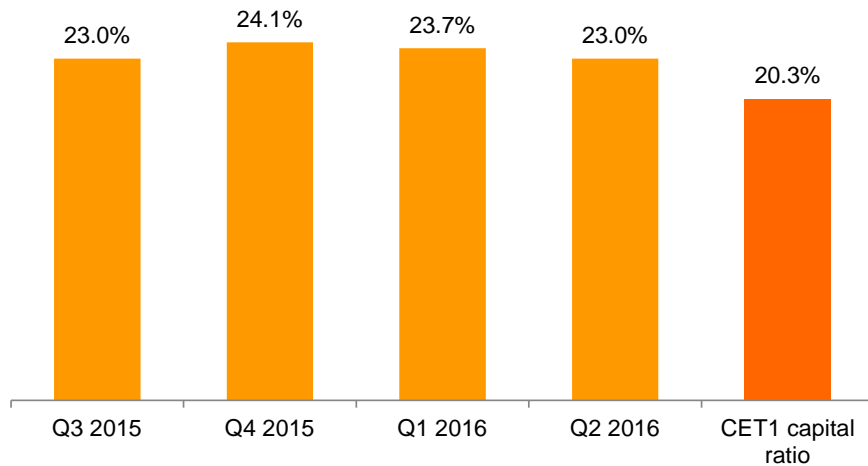
## Increased REA



- Higher mortgage and corporate credit exposures
- Negative PD migrations
- Increased collateral values
- Visa increased REA by SEK 4.1bn – temporary

## 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 0.3bn
  - Positive effect from net profit of SEK 1.8bn (excl. dividend)
  - Negative pension liability (IAS19) effect of SEK 1.4bn
- REA increased by SEK 14.6bn
- CET1 capital buffer around 200bps

### Funding & liquidity ratios

- NSFR at 108 (107) per cent
- LCR at 138 (148) per cent

## Solid asset quality

Credit impairments, SEKm	Q2 16	Q1 16	▲ QoQ
Swedish Banking	-35	-13	-22
Baltic Banking	50	-42	93
Large Corporates & Institutions	545	97	448
<b>Swedbank Group</b>	<b>538</b>	<b>35</b>	<b>504</b>

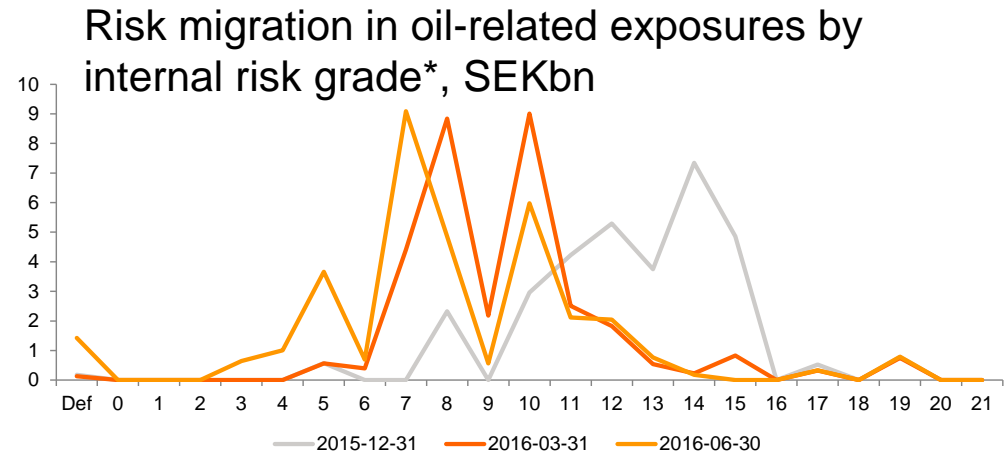
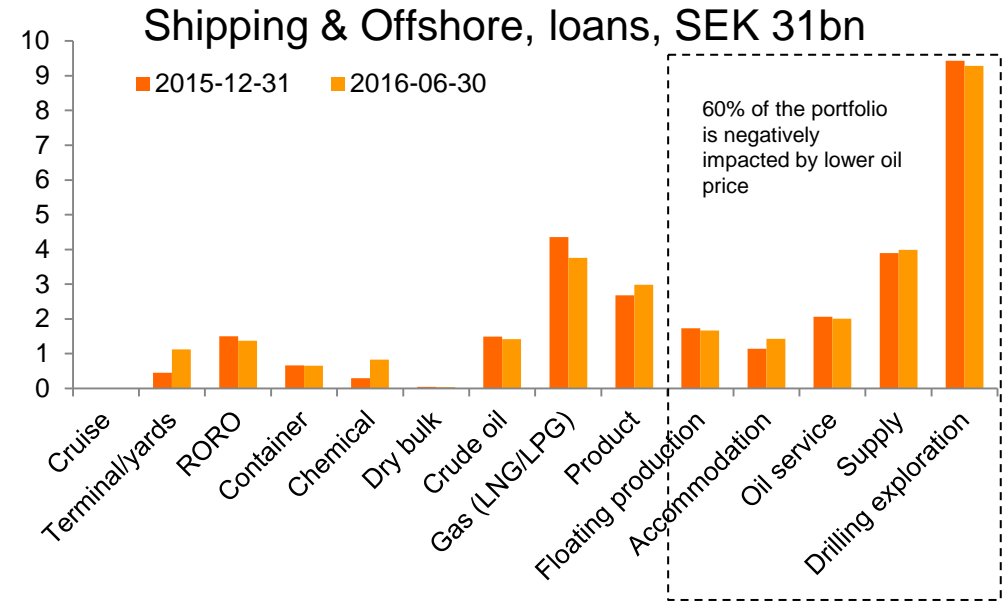
- Impairments related to oil exposures

Ratios	Q2 16	Q1 16
Credit impairment ratio, %	0.14	0.01
Share of impaired loans, gross %	0.34	0.33
Total provision ratio for impaired loans, %	58	56



# Provisions in oil related sectors

- Loan portfolio negatively impacted by lower oil price, SEK 18.4bn
  - 1.3% of the total loan book
  - Derivative exposures of SEK 2.6bn
- Provisions of SEK 572m in Q2
- Negative rating migrations
  - Increased REA by SEK 3.7bn
- Restructuring continues



\* 21 represents the lowest risk and 0 the highest risk

# Q&A

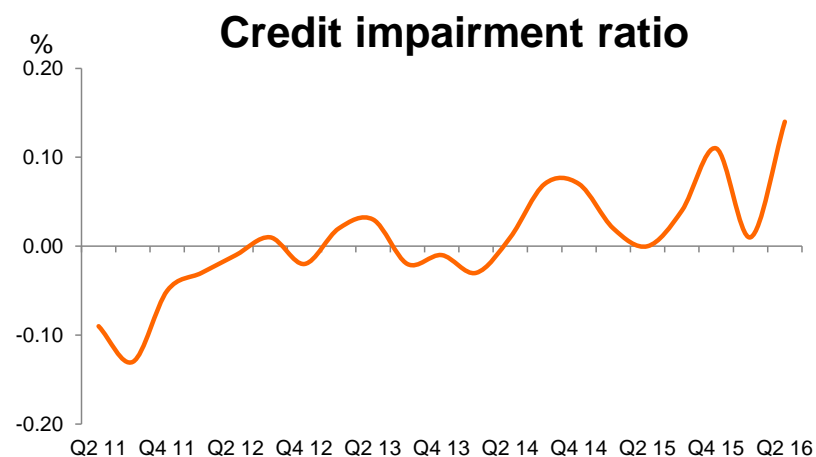
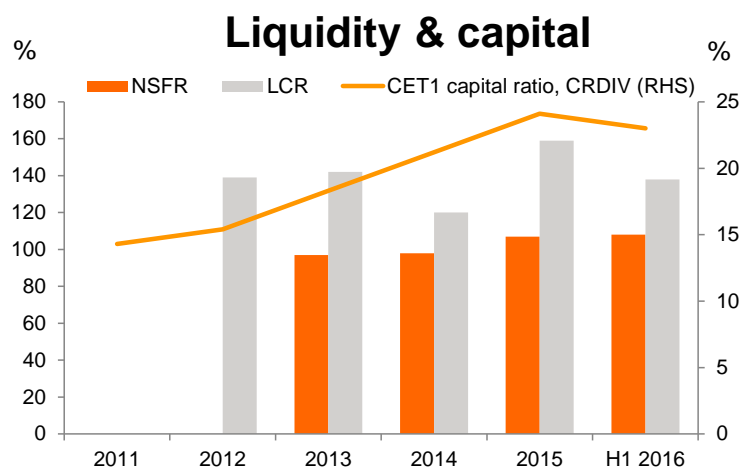
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# Appendix

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

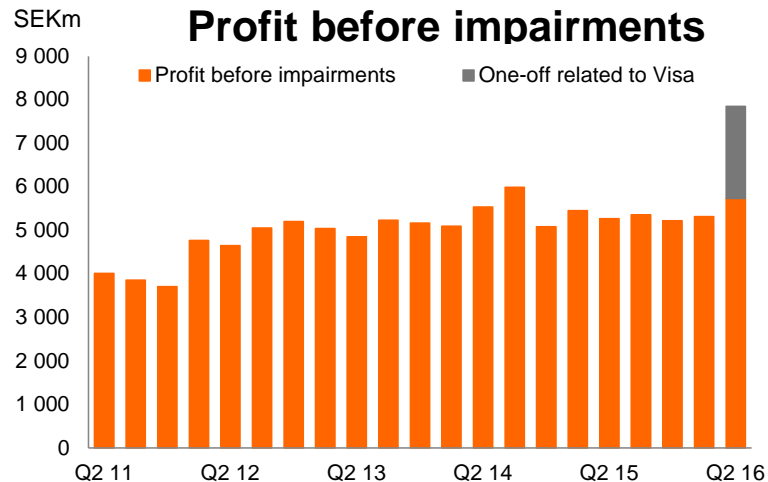
- Low risk – a Board of Directors' strategic priority – ensures access to funding markets and low funding costs
- Retail profile and four home markets a key feature
  - 86% of total loans originated in Sweden - Swedish mortgages account for 58% of total loans
  - 90% of total loans are collateralised (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 200bp
- Conservative funding and liquidity position – survival horizon longer than 12 months assuming closed funding markets, NSFR 108% and LCR 138%
- Baltic operations self-funded – loan-to-deposit ratio < 100%



This is Swedbank

## Swedbank – strong and stable earnings capacity

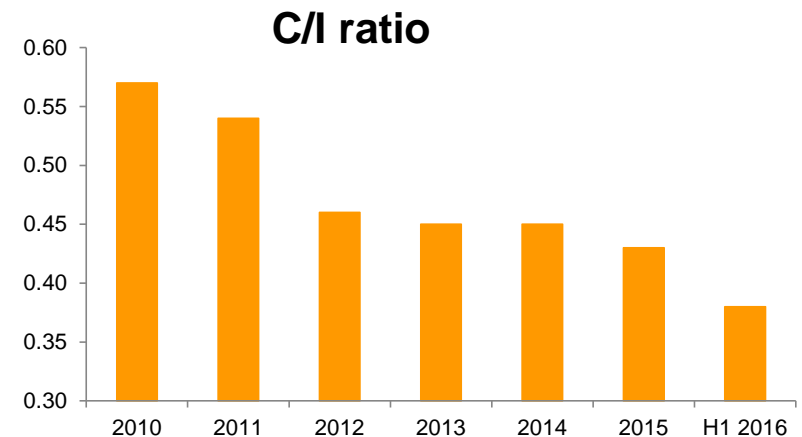
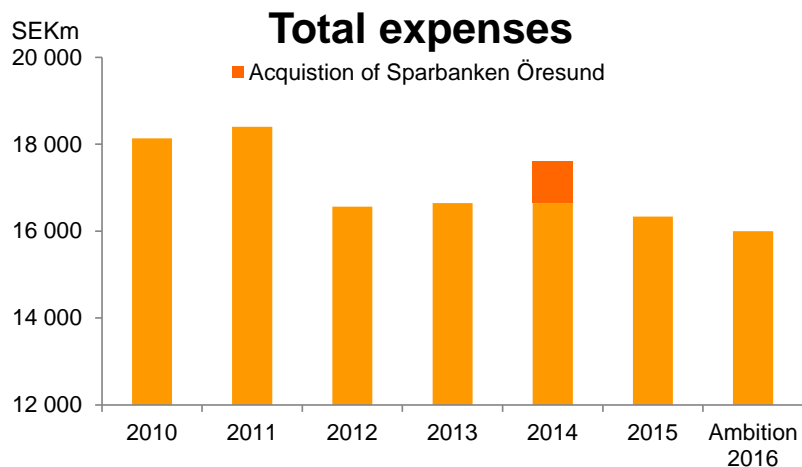
- Four home markets – Sweden, Estonia, Latvia and Lithuania
  - Strong and stable economies
  - Market-leading position in all home markets
  - Largest customer base in all home markets
- Retail profile ensures stable earnings with low volatility
- High cost efficiency – a strategic priority – ensures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



Source: Swedbank 30 Jun 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

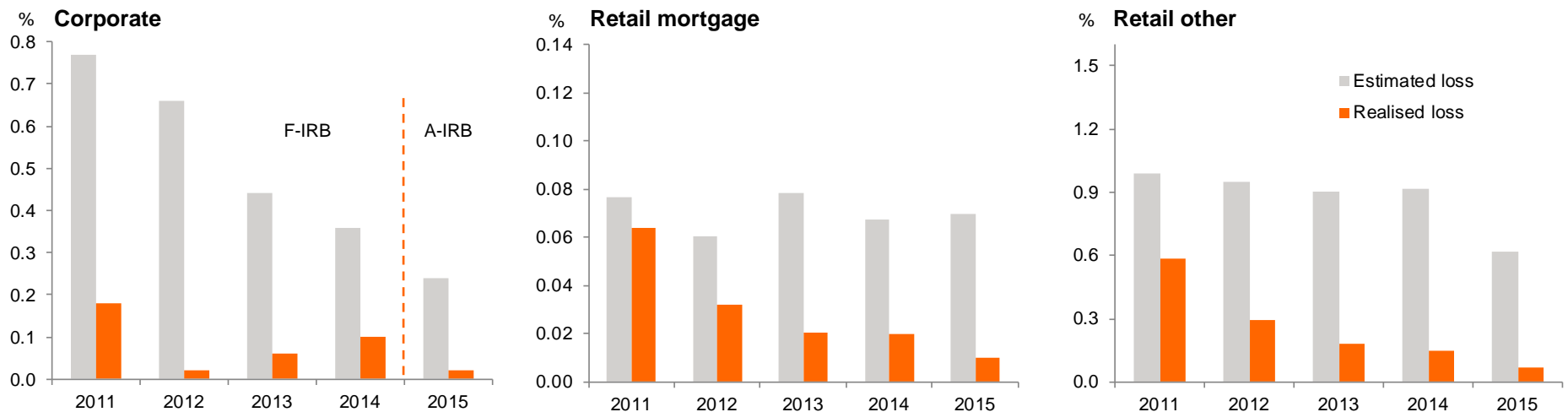


Source: Swedbank 30 Jun 2016

# Conservative PD assumptions

- Five consecutive years with higher estimated losses compared to realised losses
- Realised losses were higher than expected losses only during the Baltic crisis in 2009

## Swedbank – Safety margins high in all exposure classes, PD %

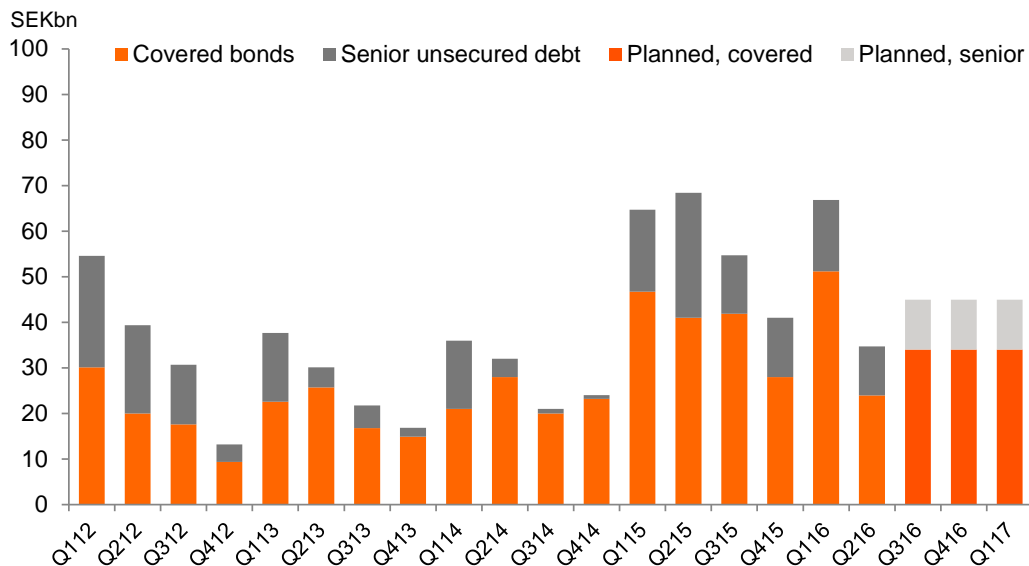


Source: Swedbank Pillar 3 report

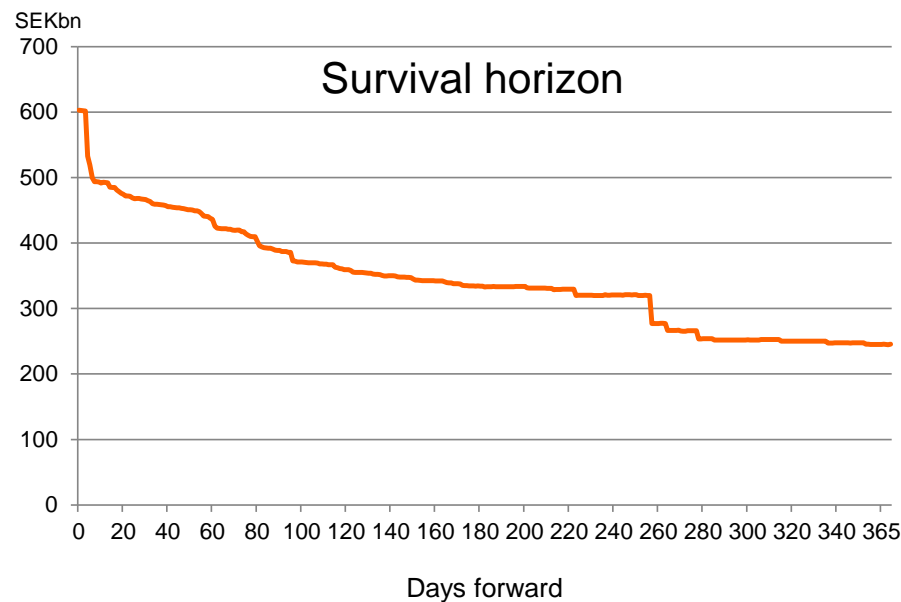
# Conservative funding position

- LCR 138% (Swedish FSA definition FFFS 2012:6)
- NSFR 108% (Basel committee)
- Issued SEK 104bn of term funding YTD Q2 2016
- Initial plan to issue around SEK 180bn in 2016 – most likely lower due to inflow of deposits

Term funding issuance – completed and planned



Prefunded for more than 12 months

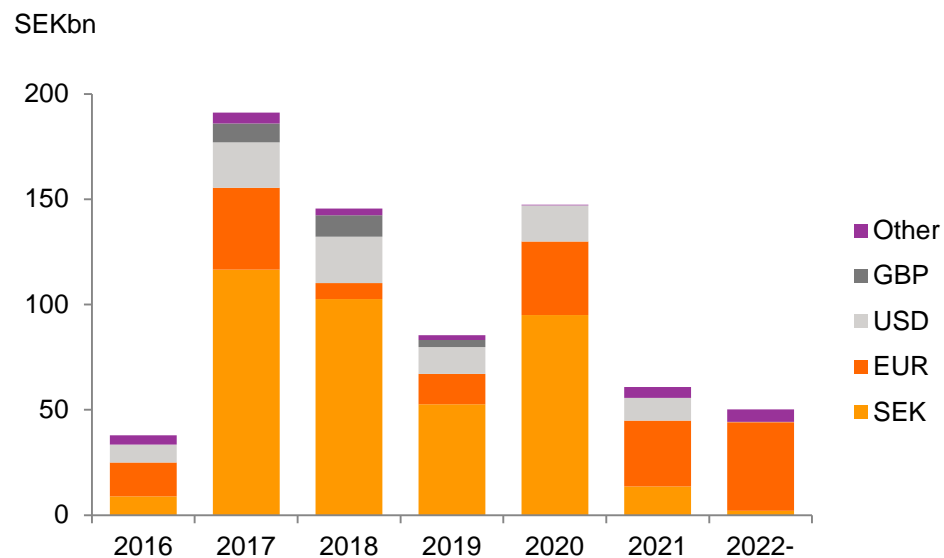
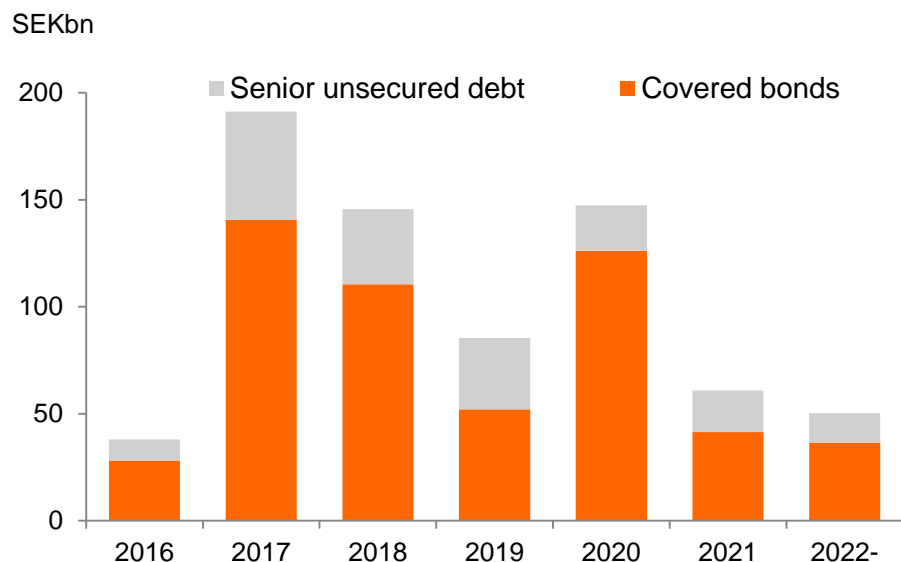


Source: Swedbank 30 Jun 2016



# Long-term funding maturity profile

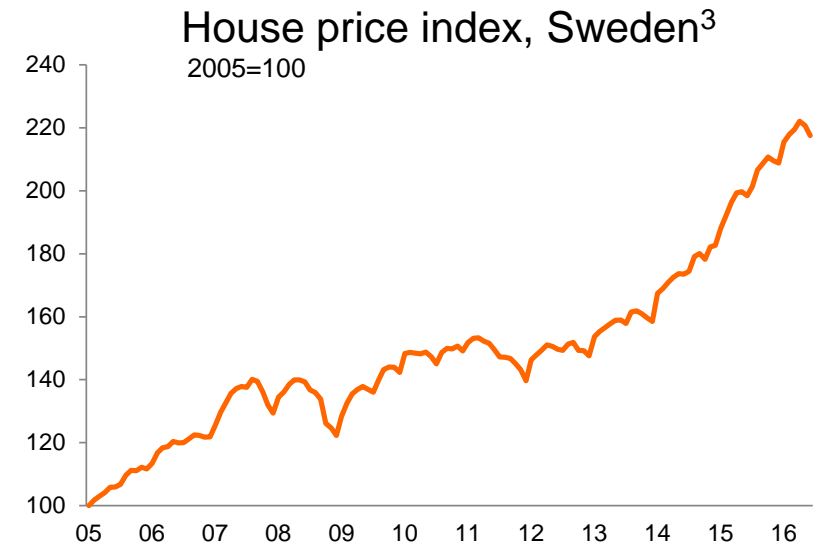
Long-term funding maturity profile, by funding source    Long-term funding maturity profile, by currency



Source: Swedbank 30 Jun 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
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%
Apr 16	12%	10%	11%
May 16	11%	9%	11%
Jun 16	11%	7%	10%



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