

Swedbank's third quarter 2016 results

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



Strong result

SEKm	Q3 16	Q2 16	▲ QoQ
Net interest income	3 802	3 592	210
Net commission income	1 813	1 718	95
Other income	451	584	-133
Total income	6 066	5 894	172
Total expenses	2 509	2 461	48
Profit before impairments	3 557	3 433	124
Credit impairments	41	-35	76

Ratios	Q3 16	Q2 16
ROE, %	20.5	20.6
C/I ratio	0.41	0.42

Volumes, SEKbn	Q3 16	Q2 16	▲ QoQ
Loans	1 111	1 096	15
Deposits	488	479	9

- Net interest income
 - Higher mortgage margins
 - Deposit margin pressure
 - Loan and deposit volume growth
- Net commission income
 - Seasonal effect in cards
 - Stock market improvement
- Strong asset quality

Increased customer activity

SEKm	Q3 16	Q2 16	▲ QoQ
Net interest income	1 045	954	91
Net commission income	511	498	13
Other income	185	181	4
Total income	1 741	1 633	108
Total expenses	644	619	25
Profit before impairments	1 097	1 014	83
Credit impairments	-28	50	-78

Ratios	Q3 16	Q2 16
ROE, %	19.2	16.7
C/I ratio	0.37	0.38

Volumes, SEKbn	Q3 16	Q2 16	▲ QoQ
Loans	141	136	5
Deposits	166	159	7

- Net interest income
 - Loan and deposit volume growth
 - Full income effect from acquired loan portfolio in Latvia and Lithuania
- FX effects due to stronger EUR
- Strong asset quality

Stable result

SEKm	Q3 16	Q2 16	▲ QoQ
Net interest income	833	827	6
Net commission income	535	610	-75
Net gains and losses	590	545	45
Other income	18	21	-3
Total income	1 976	2 003	-27
Total expenses	848	860	-12
Profit before impairments	1 128	1 143	-15
Credit impairments	188	545	-357

Ratios	Q3 16	Q2 16
ROE, %	14.6	10.1
C/I ratio	0.43	0.43

Volumes, SEKbn	Q3 16	Q2 16	▲ QoQ
Loans	187	188	-1
Deposits	123	126	-3

- Stable net interest income
- Lower corporate finance activity
- Increased hedging activity
- Provisions related to oil related exposures

Strong result

SEKm	Q3 16	Q2 16	▲QoQ
Net interest income	6 062	5 732	330
Net commission income	2 838	2 795	43
Net gains and losses	669	877	-208
Other income	696	2 466	-1 770
Total income	10 265	11 870	-1 605
Total expenses	4 029	4 020	9
Profit before impairments	6 236	7 850	-1 614
Credit impairments	201	538	-337
Other impairments	1	1	
Tax	1 215	1 037	178
Net profit	4 816	6 270	-1 454

Ratios	Q3 16	Q2 16	Q2 16*
ROE, %	15.8	21.0	13.9
Cost/income ratio	0.39	0.34	0.41
CET1 capital ratio, %	23.8	23.0	

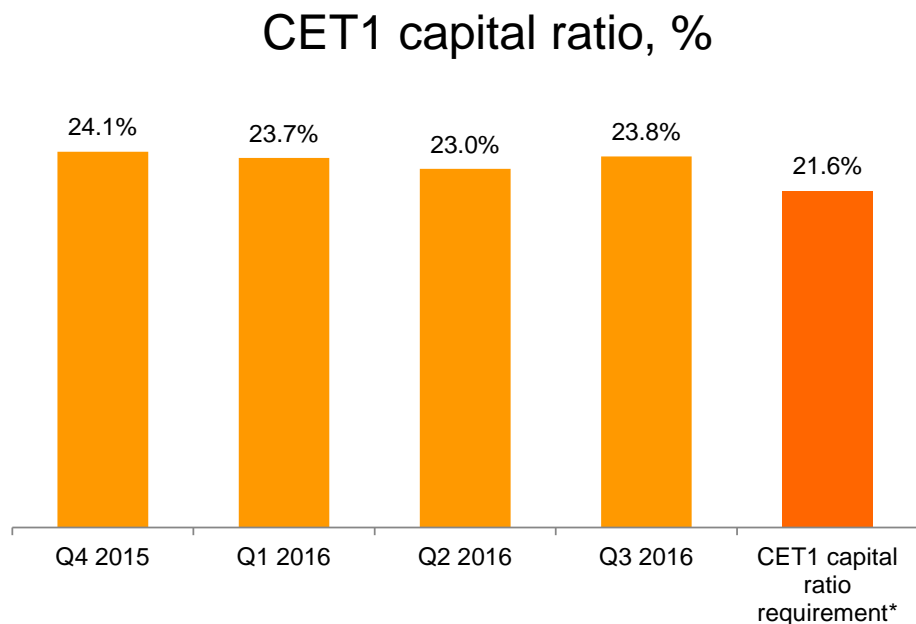
* Excluding VISA sale

- Net interest income
 - Higher mortgage margins
 - Loan volume growth
- Asset management and cards support commission income
- One-off income of SEK 2.1bn related to VISA sale in Q2
- Total expenses for FY 2016 of SEK16.4bn mainly due to higher compensation to savings banks

Accelerating investments

- Cost efficiency – continued key priority
- Total expenses of SEK16.7bn for FY 2017
 - Compensation to savings banks
- Digital banking and customer data management initiatives
- Acceleration of digitisation of the lending process
- Investments into indirect and direct pension sales
- RoE target of 15% remains

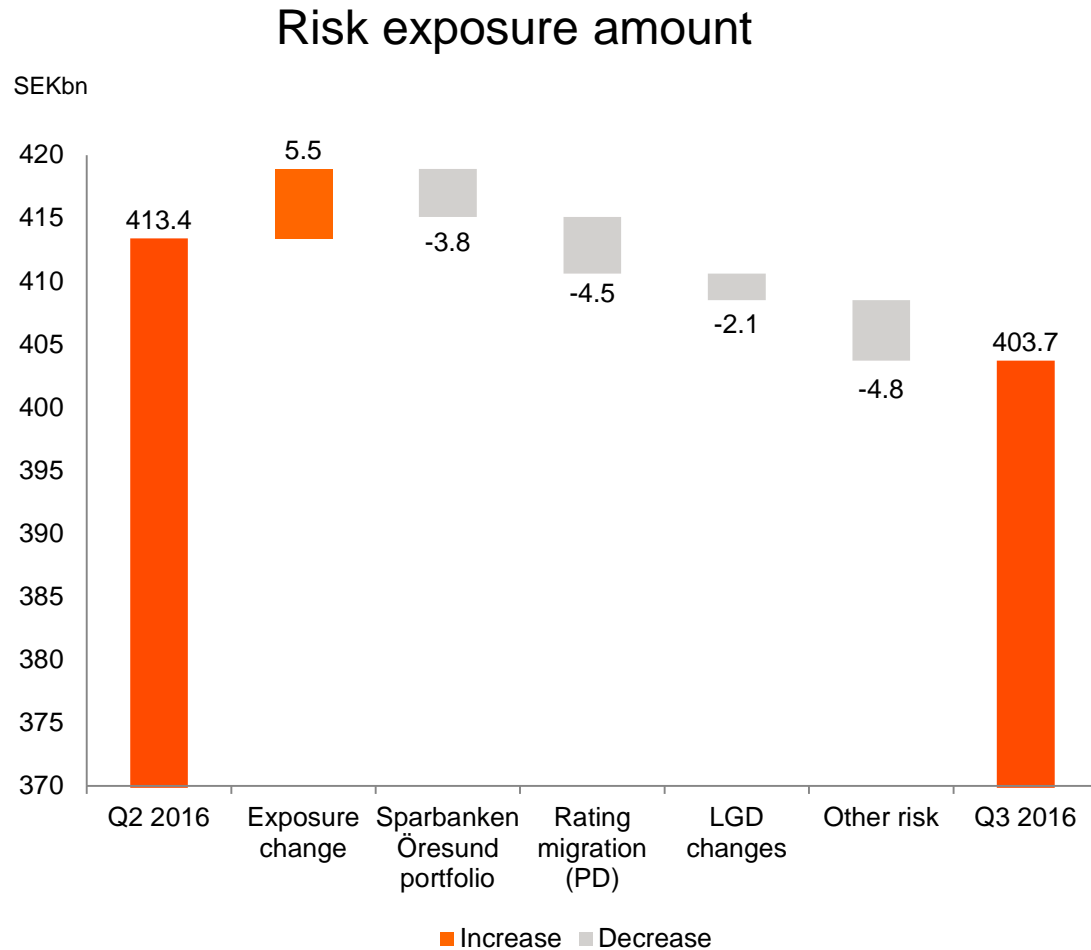
Strong capitalisation – no excess capital



* 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 1.1bn
 - Positive effect from net profit of SEK 1.6bn (excl. dividend)
 - Negative pension liability (IAS19) effect of SEK 0.6bn
- REA decreased by SEK 9.7bn
- Capital buffer of around 200bp

Lower REA



- Exposure changes
 - Higher mortgage and corporate credit exposures
 - FX
- Acquired mortgage loan portfolio of Sparbanken Öresund
- Positive PD migrations
- Increased collateral values
- Exposures migrating to performing and positive CVA effect

Solid asset quality

Credit impairments, SEKm	Q3 16	Q2 16	▲ QoQ
Swedish Banking	41	-35	76
Baltic Banking	-28	50	-78
Large Corporates & Institutions	188	545	-357
Swedbank Group	201	538	-337

- Impairments to oil related exposures

Ratios	Q3 16	Q2 16
Credit impairment ratio, %	0.05	0.14
Share of impaired loans, gross %	0.35	0.34
Total provision ratio for impaired loans, %	57	58

Q&A

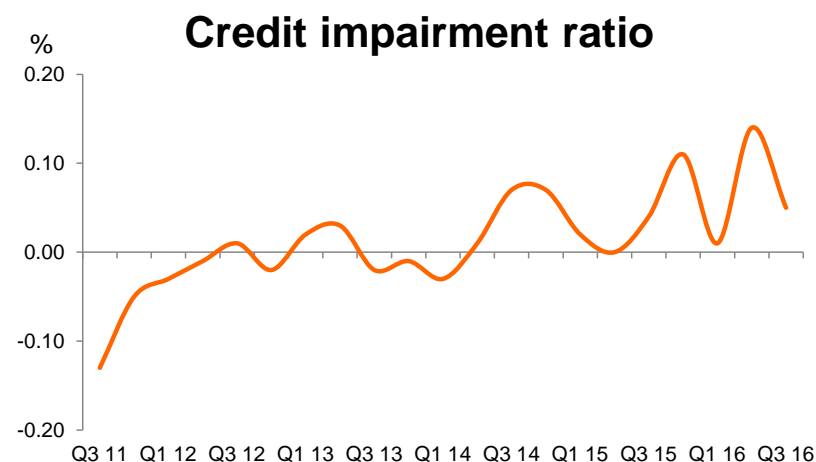
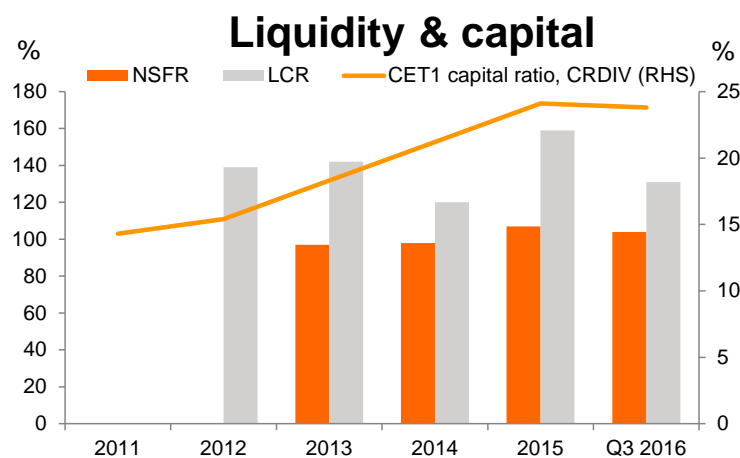
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Appendix

Swedbank – a low-risk bank with strong capital base

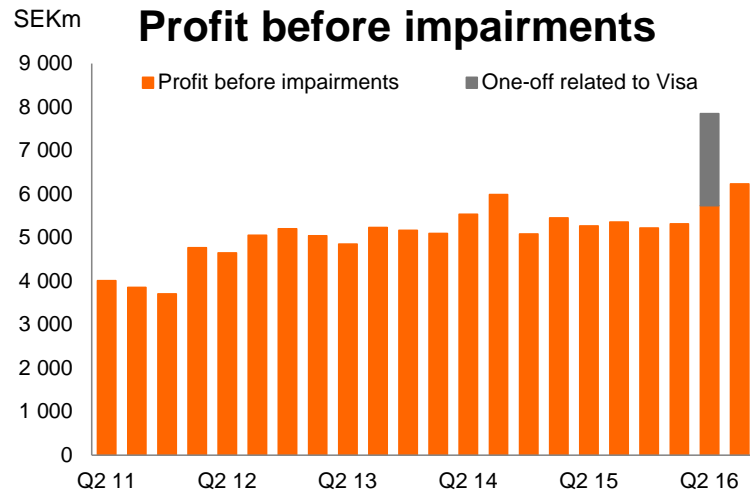
- Low risk – a Board of Directors’ strategic priority – ensures access to funding markets and low funding costs
- Retail profile and four home markets a key feature
 - 86% of total loans originated in Sweden - Swedish mortgages account for 58% of total loans
 - 90% of total loans are collateralised (76% 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 104% and LCR 131%
- Baltic operations self-funded – loan-to-deposit ratio < 100%



Source: Swedbank 30 Sep 2016

Swedbank – strong and stable earnings capacity

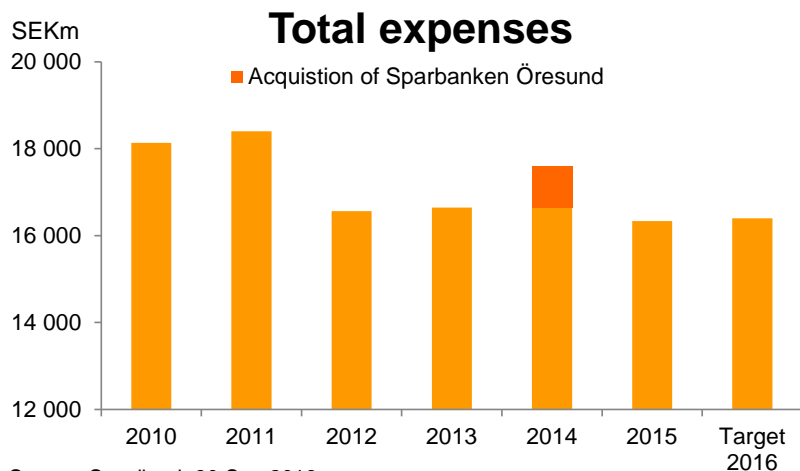
- Four home markets – Sweden, Estonia, Latvia and Lithuania
 - Strong and stable economies
 - Market-leading position in all home markets
 - Largest customer base in all home markets
- Retail profile ensures stable earnings with low volatility
- High cost efficiency – a strategic priority – ensures good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



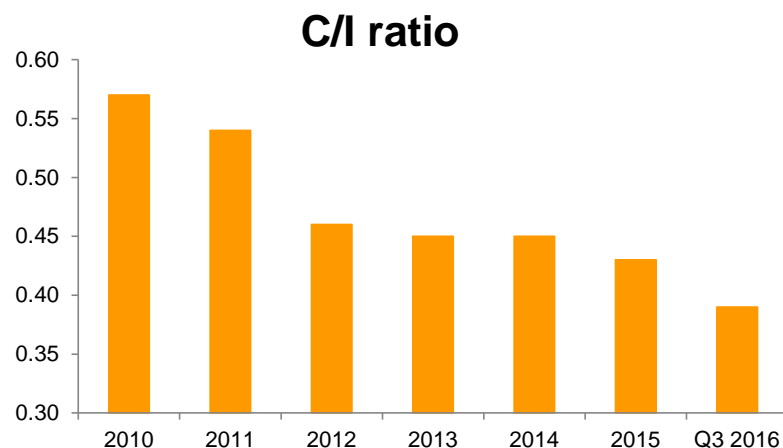
Source: Swedbank 30 Sep 2016

Swedbank – market leader in cost efficiency

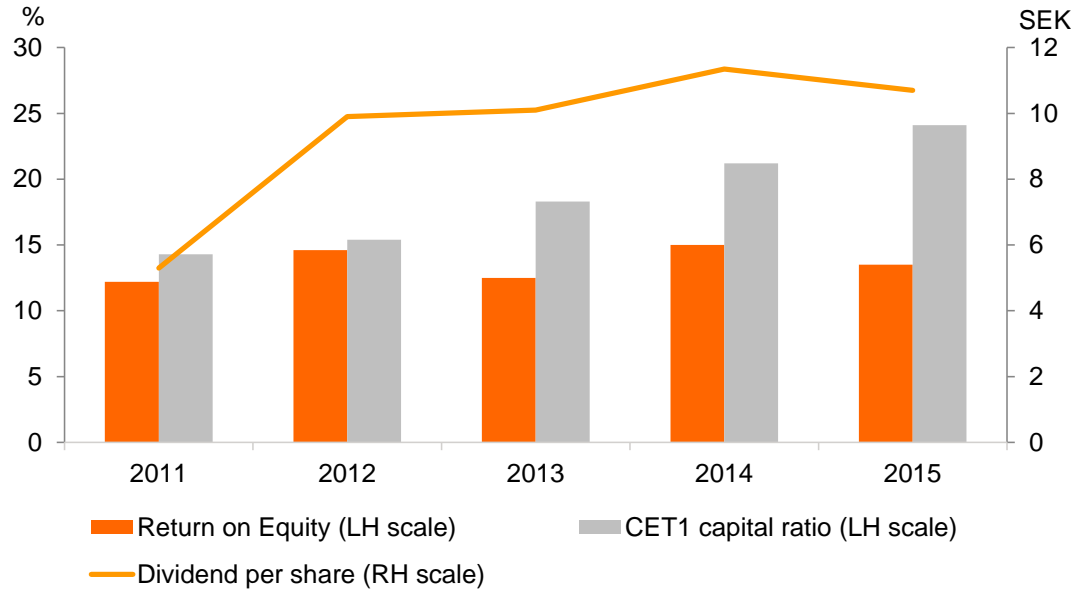
- Best-in-class cost efficiency – an executive management strategic priority
- Executive management strongly focused on cost and change management
 - Integrated in corporate culture
 - Focus on straight-through-processing
 - Evolving household banking model – digitisation trend
- Retail profile a key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



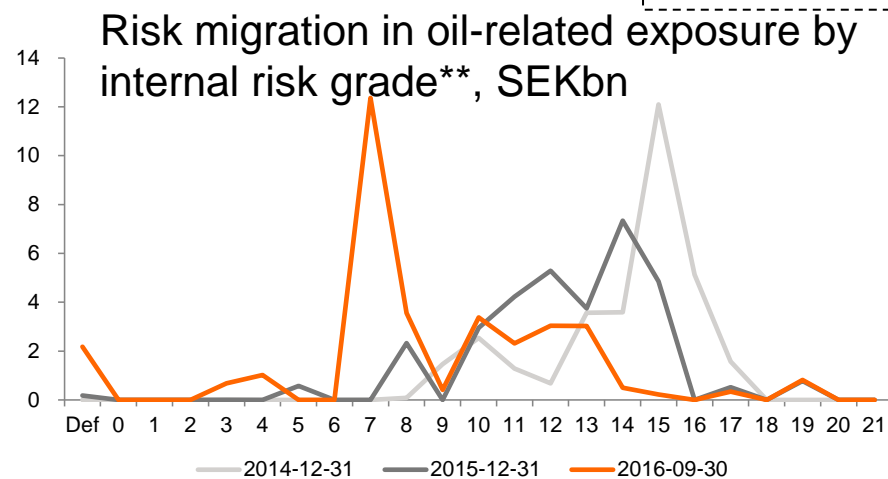
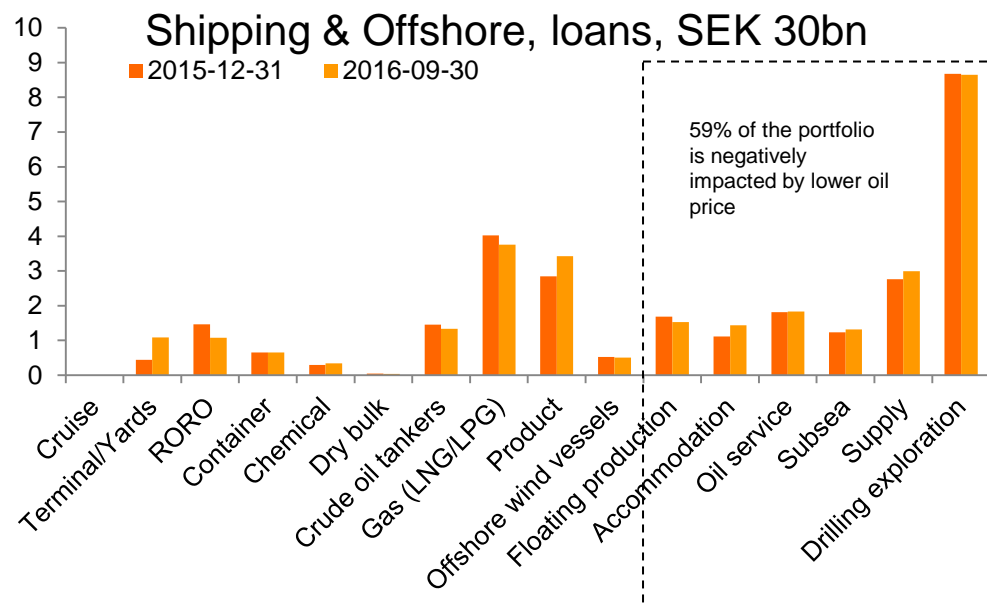
Value creation



Source: Swedbank Year-end reports

Oil sector under stress

- Loan portfolio negatively impacted by lower oil price, SEK 17.8bn*
 - 1.2% of the total loan book
 - Derivative exposures of SEK 2.3bn (incl. collateral)
- Provisions of SEK 192m in Q3



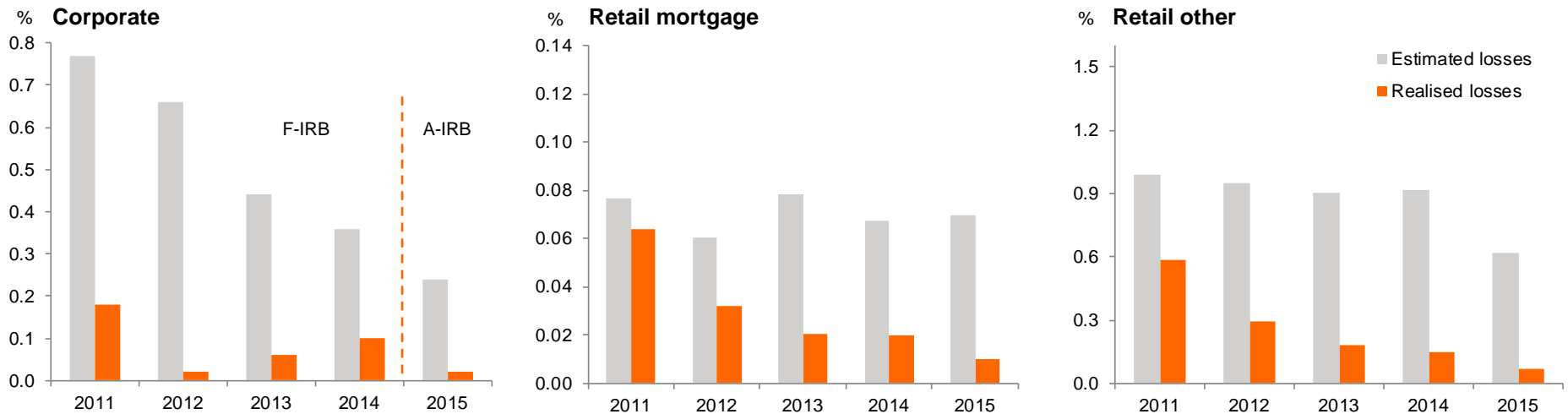
* During Q3 2016 a reclassification of one sector within the Shipping and offshore portfolio has been made. *Offshore wind vessels* (earlier included in Drilling exploration) is no longer deemed as oil-price sensitive i.e. total volume is more or less unchanged.

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

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 %

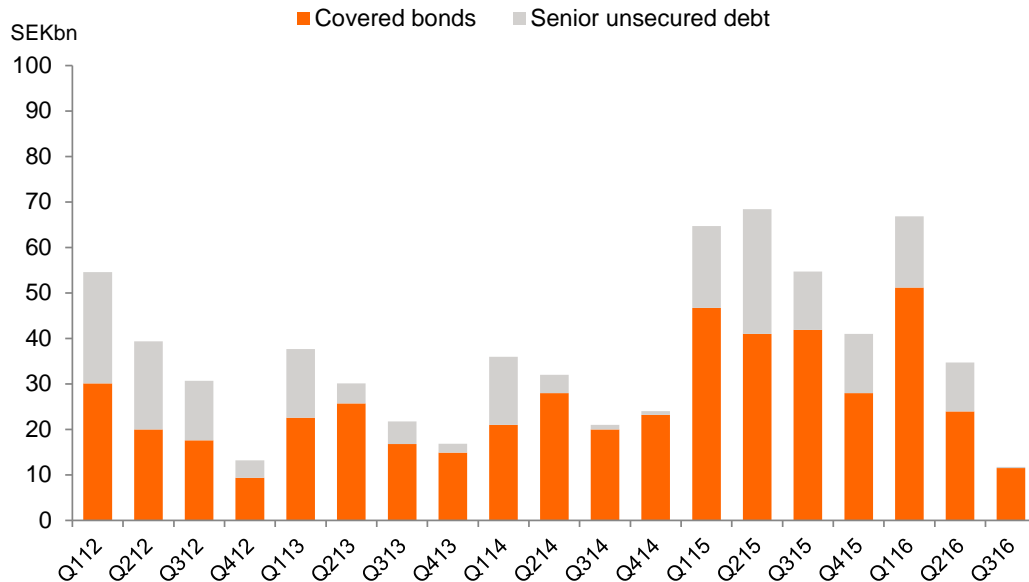


Source: Swedbank Pillar 3 report

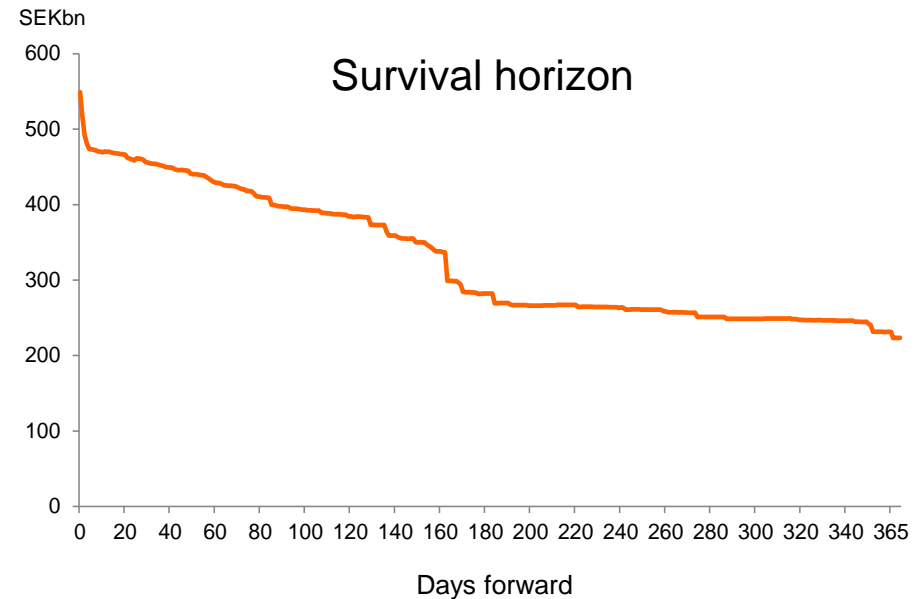
Conservative funding position

- LCR 131% (Swedish FSA definition FFFS 2012:6)
- NSFR 104% (Basel committee)
- Issued SEK 116bn of term funding YTD Q3 2016
- Initial funding plan adjusted down to around SEK 140bn in 2016

Term funding issuance – completed



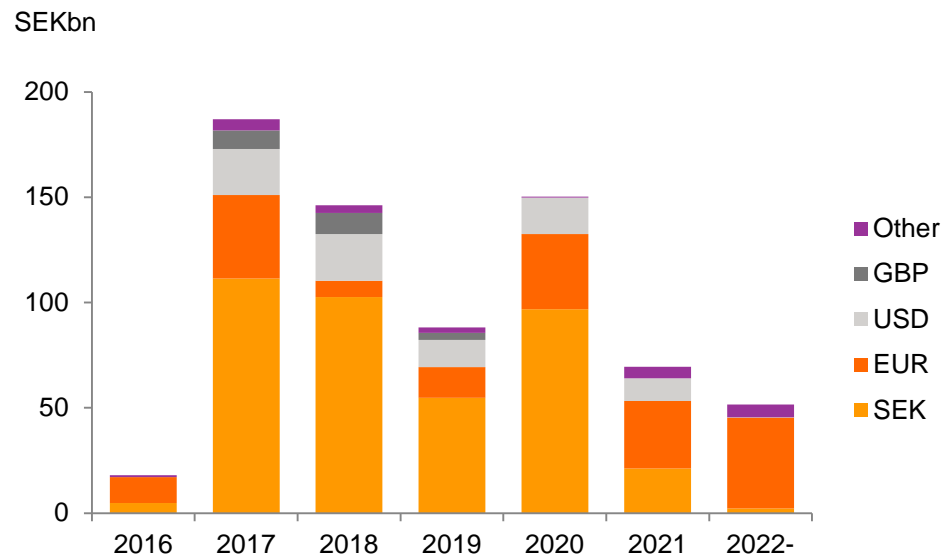
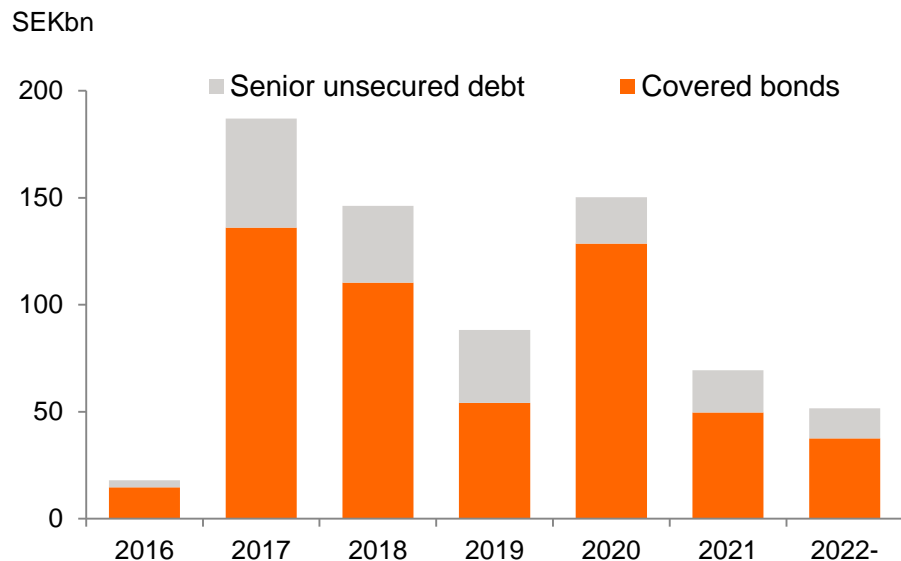
Prefunded for more than 12 months



Source: Swedbank 30 Sep 2016

Long-term funding maturity profile

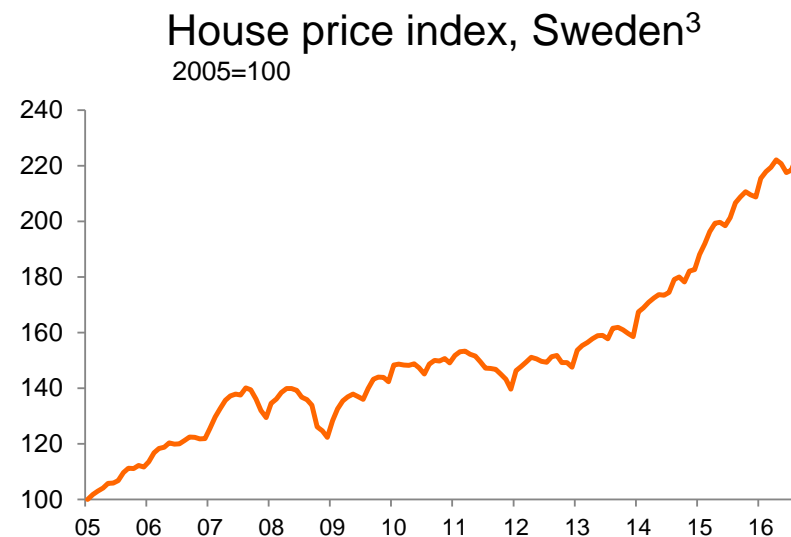
Long-term funding maturity profile, by funding source Long-term funding maturity profile, by currency



Source: Swedbank 30 Sep 2016

Real estate price performance – Sweden, 12 month

	Single-family homes ¹ 12M Δ	Tenant-owner rights ² 12M Δ	Combined ³ 12M Δ
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%
Jul 16	10%	7%	8%
Aug 16	9%	6%	8%
Sep 16	9%	6%	8%



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