



# Swedbank's second quarter 2017 results

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

# Strong result

| SEKm                             | Q2 17        | Q1 17        | ▲ QoQ       |
|----------------------------------|--------------|--------------|-------------|
| Net interest income              | 3 792        | 3 637        | 155         |
| Net commission income            | 1 881        | 1 757        | 124         |
| Other income                     | 442          | 1 069        | -627        |
| <b>Total income</b>              | <b>6 115</b> | <b>6 463</b> | <b>-348</b> |
| <b>Total expenses</b>            | <b>2 217</b> | <b>2 208</b> | <b>9</b>    |
| <b>Profit before impairments</b> | <b>3 898</b> | <b>4 255</b> | <b>-357</b> |
| Credit impairments               | 86           | -3           | 89          |

| Ratios    | Q2 17 | Q1 17 |
|-----------|-------|-------|
| ROE, %    | 21.0  | 25.4  |
| C/I ratio | 0.37  | 0.34  |

| Volumes, SEKbn | Q2 17 | Q1 17 | ▲ QoQ |
|----------------|-------|-------|-------|
| Loans          | 1 125 | 1 116 | 9     |
| Deposits       | 510   | 490   | 20    |

- Net interest income
  - Continued mortgage loan volume growth and stable margins
  - Improved deposit margins and seasonal deposit volume growth
  - Lower resolution fund fee
- Net commission income
  - Strengthened by higher customer card activity and positive stock market development
- One-off gain from sale of Hemnet in Q1 (SEK 680m)

# Solid result

| SEKm                             | Q2 17        | Q1 17        | ▲ QoQ     |
|----------------------------------|--------------|--------------|-----------|
| Net interest income              | 1 044        | 1 001        | 43        |
| Net commission income            | 561          | 527          | 34        |
| Other income                     | 209          | 190          | 19        |
| <b>Total income</b>              | <b>1 814</b> | <b>1 718</b> | <b>96</b> |
| <b>Total expenses</b>            | <b>658</b>   | <b>636</b>   | <b>22</b> |
| <b>Profit before impairments</b> | <b>1 156</b> | <b>1 082</b> | <b>74</b> |
| Credit impairments               | 7            | -66          | 73        |

| Ratios    | Q2 17 | Q1 17 |
|-----------|-------|-------|
| ROE, %    | 19.7  | 19.5  |
| C/I ratio | 0.36  | 0.37  |

| Volumes, SEKbn | Q2 17 | Q1 17 | ▲ QoQ |
|----------------|-------|-------|-------|
| Loans          | 142   | 141   | 1     |
| Deposits       | 169   | 168   | 1     |

- Positive FX effects
- Net interest income
  - Mixed margins
  - Continued growth in private lending
- Net commission income
  - Higher customer card activity
- Strong asset quality

## Large Corporates & Institutions

# Improved result

| SEKm                             | Q2 17        | Q1 17        | ▲ QoQ      |
|----------------------------------|--------------|--------------|------------|
| Net interest income              | 892          | 823          | 69         |
| Net commission income            | 587          | 580          | 7          |
| Net gains and losses             | 515          | 452          | 63         |
| Other income                     | 21           | 28           | -7         |
| <b>Total income</b>              | <b>2 015</b> | <b>1 883</b> | <b>132</b> |
| <b>Total expenses</b>            | <b>884</b>   | <b>923</b>   | <b>-39</b> |
| <b>Profit before impairments</b> | <b>1 131</b> | <b>960</b>   | <b>171</b> |
| Credit impairments               | 307          | 408          | -101       |
| Ratios                           | Q2 17        | Q1 17        |            |
| ROE, %                           | 11.4         | 9.0          |            |
| C/I ratio                        | 0.44         | 0.49         |            |
| Volumes, SEKbn                   | Q2 17        | Q1 17        | ▲ QoQ      |
| Loans                            | 203          | 200          | 3          |
| Deposits                         | 126          | 146          | -20        |

- Net interest income
  - Improved deposit margins
  - Lower resolution fund fee
- Good customer activity supports commission income
- Higher FX trading activity
- Additional provisions for oil related exposures

## Group results

# Robust profitability and capital generation

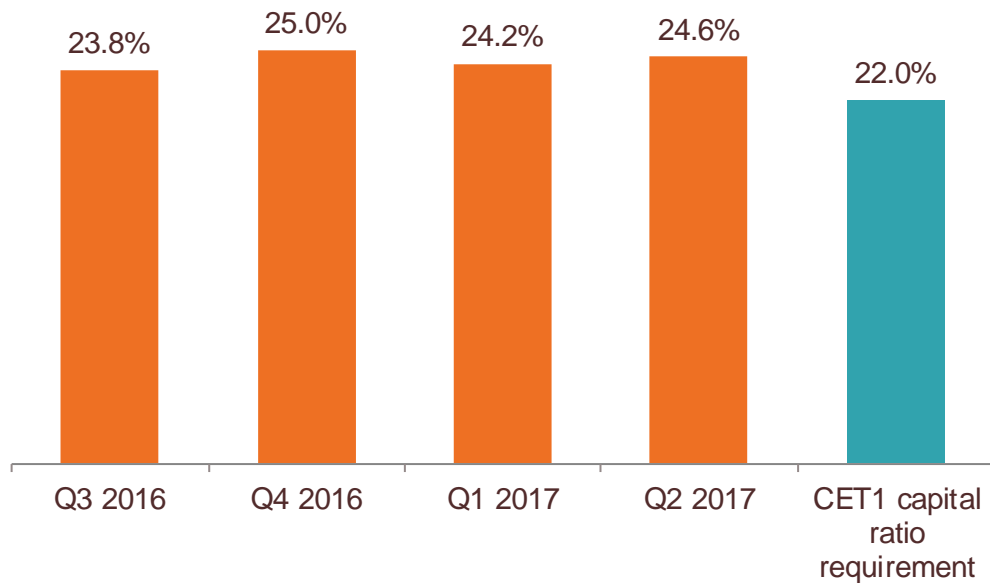
| SEKm                             | Q2 17         | Q1 17         | ▲ QoQ       |
|----------------------------------|---------------|---------------|-------------|
| Net interest income              | 6 090         | 5 971         | 119         |
| Net commission income            | 3 000         | 2 822         | 178         |
| Net gains and losses             | 567           | 486           | 81          |
| Other income                     | 736           | 1 372         | -636        |
| <b>Total income</b>              | <b>10 393</b> | <b>10 651</b> | <b>-258</b> |
| <b>Total expenses</b>            | <b>3 966</b>  | <b>4 003</b>  | <b>-37</b>  |
| <b>Profit before impairments</b> | <b>6 427</b>  | <b>6 648</b>  | <b>-221</b> |
| Credit impairments               | 400           | 339           | 61          |
| Other impairments                | 1             | 2             | -1          |
| Tax                              | 1 276         | 1 181         | 95          |
| <b>Net profit</b>                | <b>4 746</b>  | <b>5 124</b>  | <b>-378</b> |

| Ratios                | Q2 17 | Q1 17 |
|-----------------------|-------|-------|
| ROE, %                | 15.6  | 15.9  |
| C/l ratio             | 0.38  | 0.38  |
| CET1 capital ratio, % | 24.6  | 24.2  |

- Net interest income strengthened
  - Mortgage loan volume growth
  - Lower resolution fund fee
  - Mixed margins
- Higher commission income from cards and asset management
- One-off gain from sale of Hemnet in Q1 (SEK 680m)

## Capital

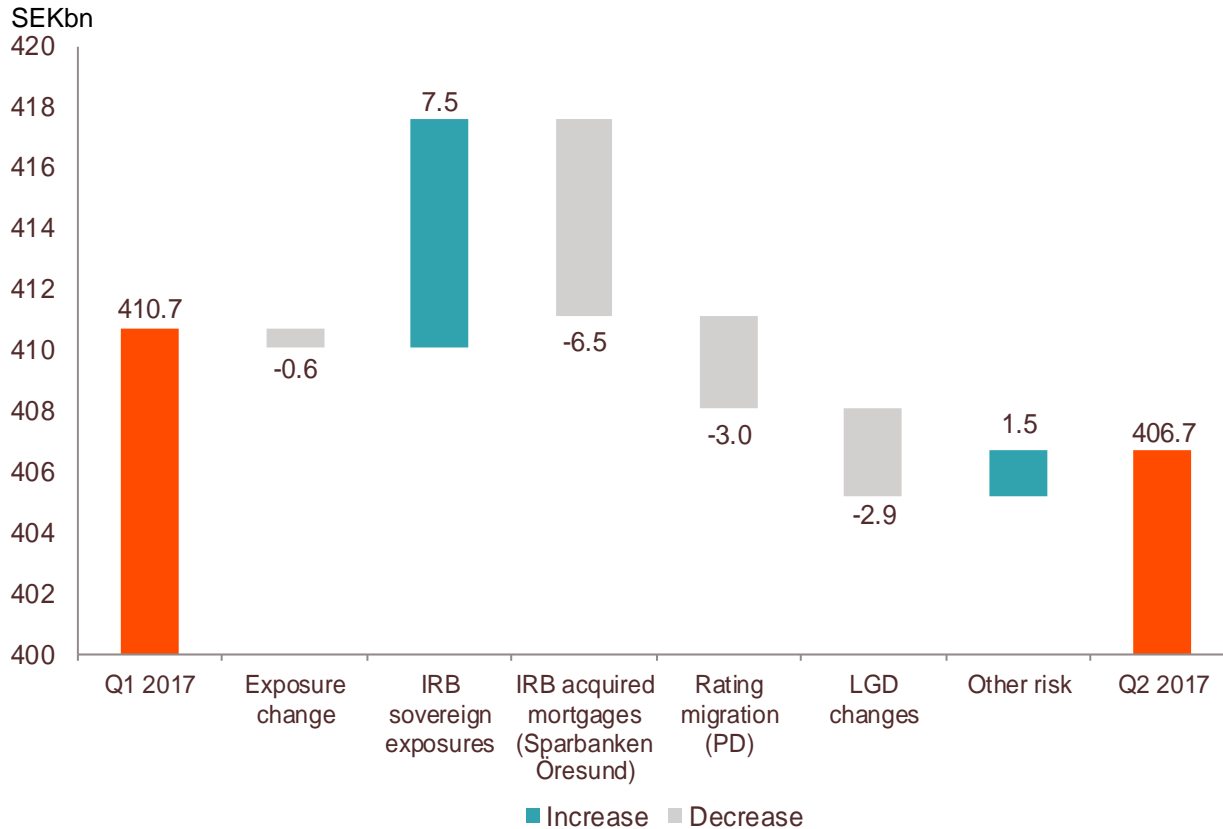
# Strong capitalisation – no excess capital



- CET1 capital increased by SEK 0.7bn
  - Positive effect from net profit of SEK 0.9bn excl. dividend
  - Negative pension liability valuation effect (IAS 19) of SEK 0.4bn
- REA decreased by SEK 4bn
- Capital buffer of around 260bps

## Capital

# Lower REA



- IRB-model implementation
  - Sovereign exposures
  - Acquired mortgages from Sparbanken Öresund
- Positive PD migrations and collateral valuations

## Group

# Solid asset quality

| Credit impairments, SEKm        | Q2 17      | Q1 17      | ▲ QoQ     |
|---------------------------------|------------|------------|-----------|
| Swedish Banking                 | 86         | -3         | 89        |
| Baltic Banking                  | 7          | -66        | 73        |
| Large Corporates & Institutions | 307        | 408        | -101      |
| <b>Swedbank Group</b>           | <b>400</b> | <b>339</b> | <b>61</b> |

| Ratios                                      | Q2 17 | Q1 17 |
|---|-------|-------|
| Credit impairment ratio, %                  | 0.10  | 0.09  |
| Share of impaired loans, gross %            | 0.53  | 0.50  |
| Total provision ratio for impaired loans, % | 45    | 51    |

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





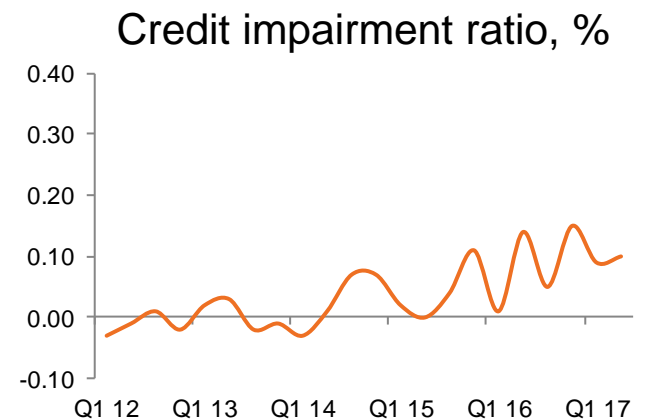
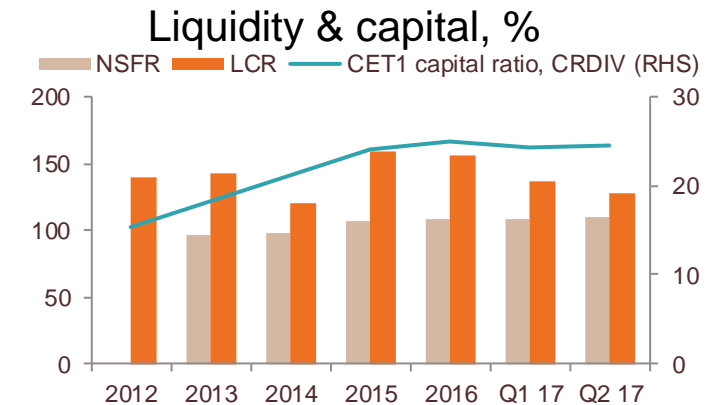
# Q&A

# Appendix

# Swedbank – low-risk bank with strong capital base

This is Swedbank

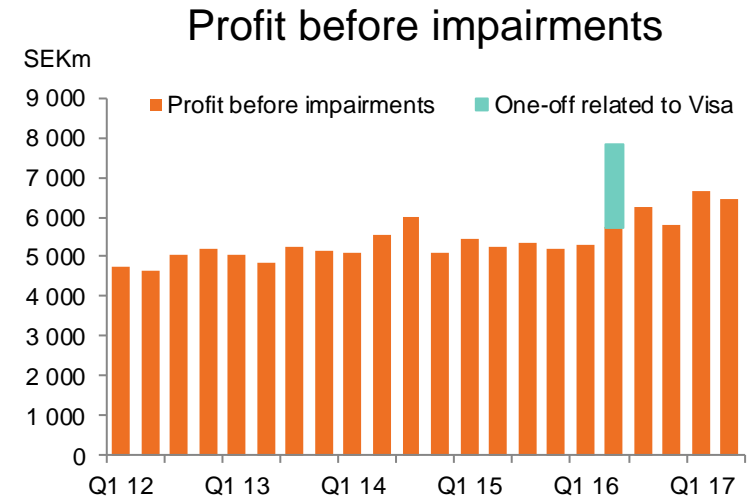
- Low risk – a Board of Directors' strategic priority – ensures access to funding markets and low funding cost
- Retail profile and four home markets a key feature
  - 86% of total loans originated in Sweden - Swedish mortgages account for 50% of total loans
  - 90% of total loans are collateralised (78% real estate and 12% 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 260bp
- Conservative funding and liquidity position – survival horizon longer than 12 months assuming closed funding
- Baltic operations self-funded – loan-to-deposit ratio < 100%



# Swedbank – strong and stable earnings capacity



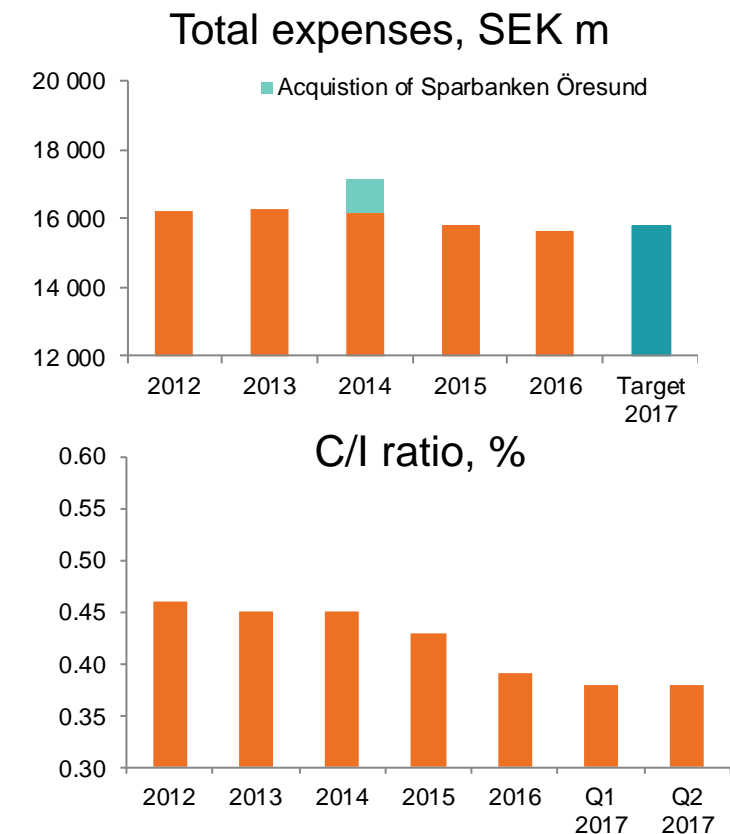
- Four home markets – Sweden, Estonia, Latvia and Lithuania
  - Strong and stable economies
  - Market-leading position in all home markets
  - Largest customer base in all home markets
- Retail profile ensures stable earnings with low volatility
- High cost efficiency – a strategic priority – ensures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



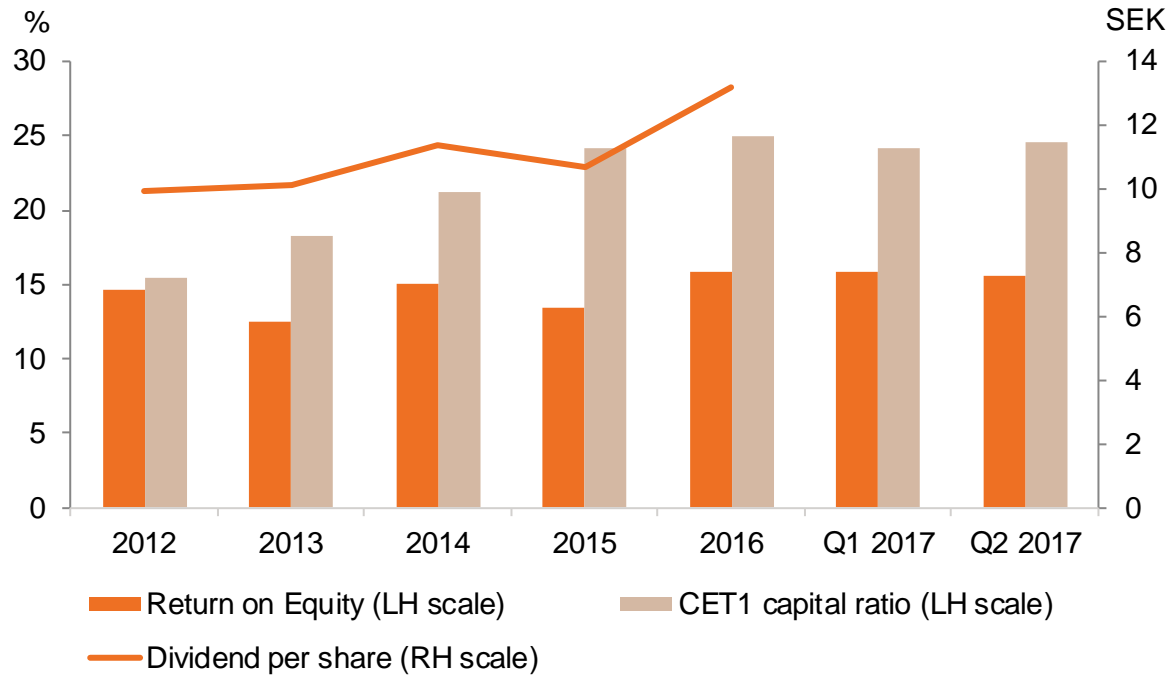
# Swedbank – market leader in cost efficiency

This is  
Swedbank

- 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



# Swedbank creates value



## Return on Equity

>15% target

**15.6%**

## Common Equity Tier 1 ratio

One of the highest among European banks

**24.6%**

## Dividend per share

75% payout ratio for 5<sup>th</sup> year in a row

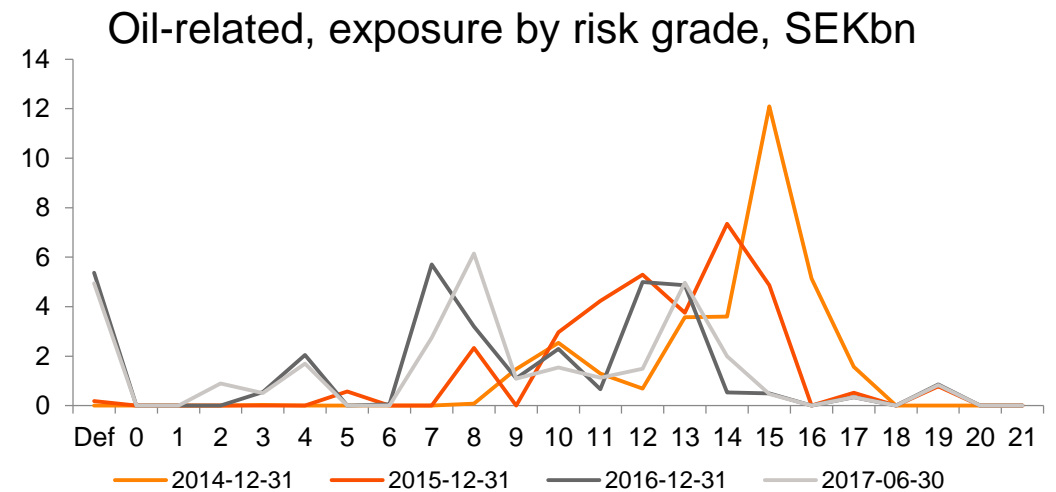
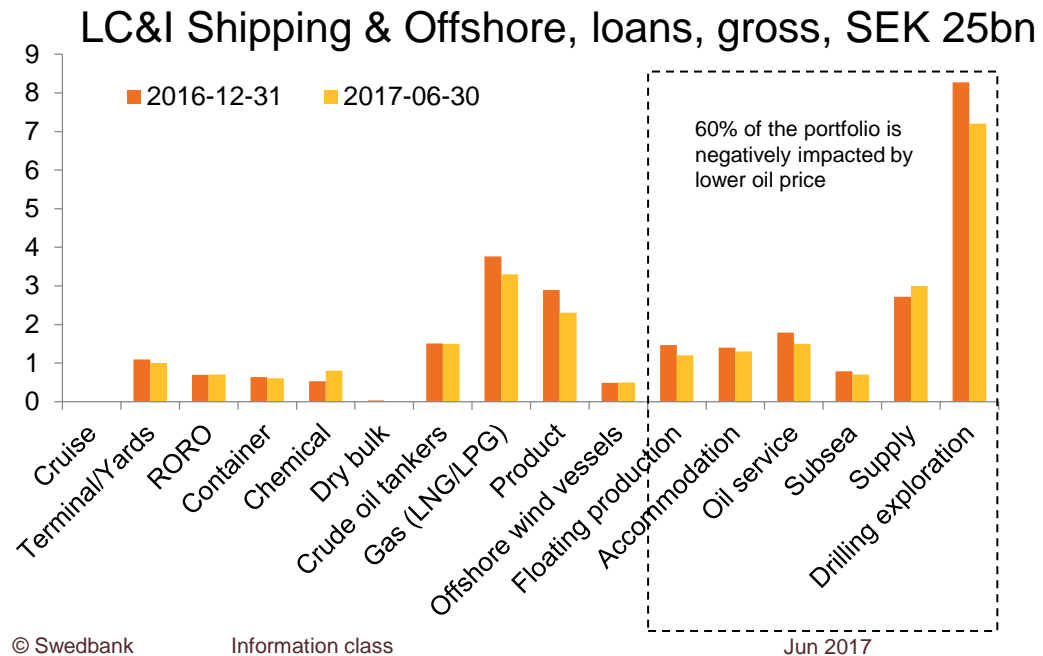
**SEK 13.20**

# Oil sector under stress



- Loan portfolio negatively impacted by lower oil price, SEK 14.9bn
  - 1.0% of total loans, gross
  - In addition, derivatives exposures of SEK 2.0bn (incl. collateral)
- Provisions\* of SEK 316m in Q2

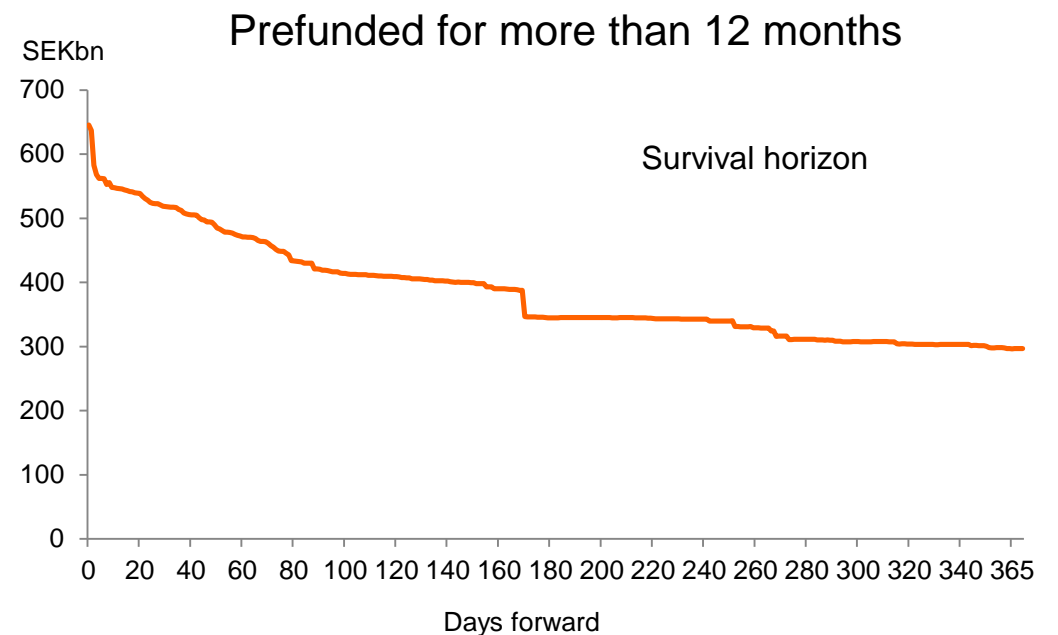
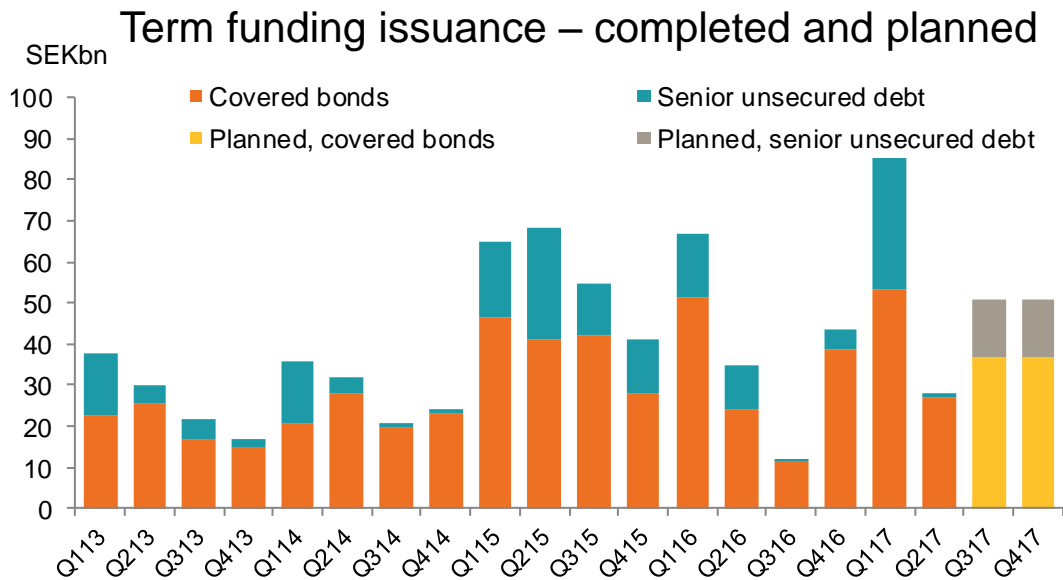
\* Total provisions of SEK 1 344m for the whole Shipping and Offshore sector with a provision ratio (for impaired loans) of 34%.



# Conservative funding position



- LCR 128% (Swedish FSA definition FFFS 2012:6)
- NSFR 110% (Basel committee)
- Issued SEK 115bn of term funding YTD Q2 2017
- Plan to issue around SEK 200bn in 2017

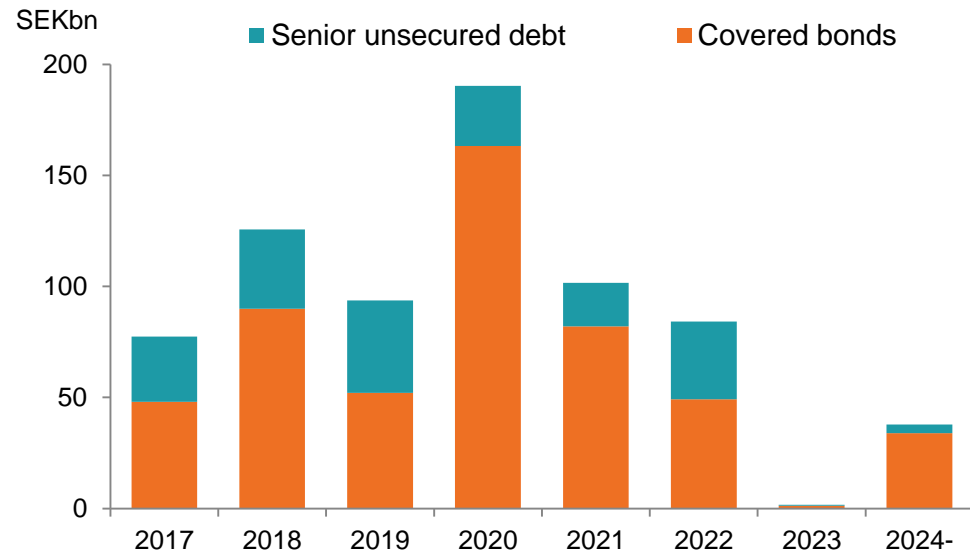




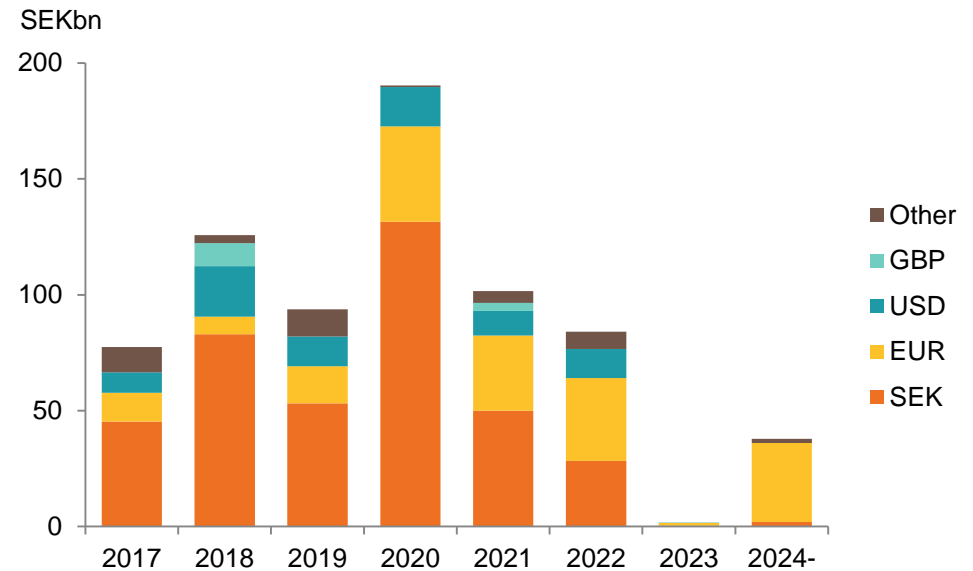
# Long-term funding maturity profile



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



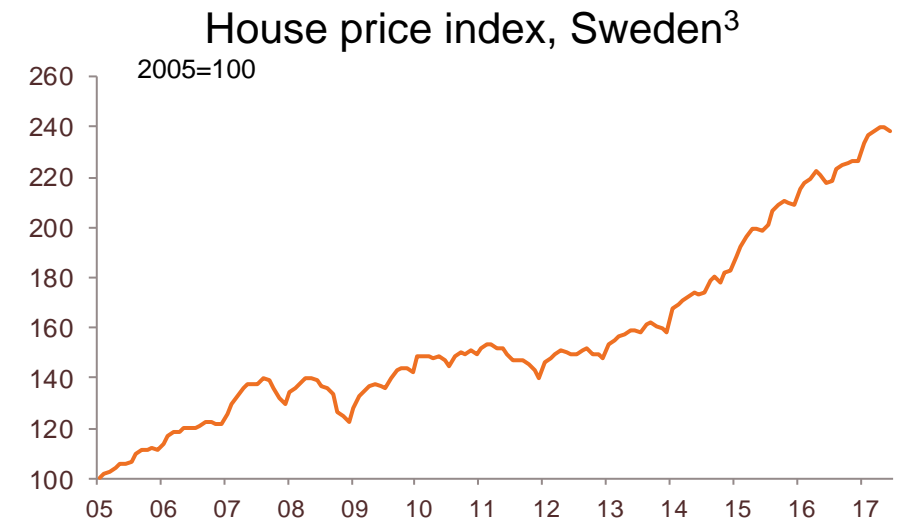
### Long-term funding maturity profile, by currency



# Real estate price performance – Sweden, 12 month



|        | Single-family homes <sup>1</sup> | Tenant-owner rights <sup>2</sup> | Combined <sup>3</sup> |
|--------|----------------------------------|----------------------------------|-----------------------|
|        | 12M Δ                            | 12M Δ                            | 12M Δ                 |
| 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%                    |
| Apr 17 | 8%                               | 8%                               | 8%                    |
| May 17 | 8%                               | 9%                               | 9%                    |
| Jun 17 | 9%                               | 10%                              | 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  
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