

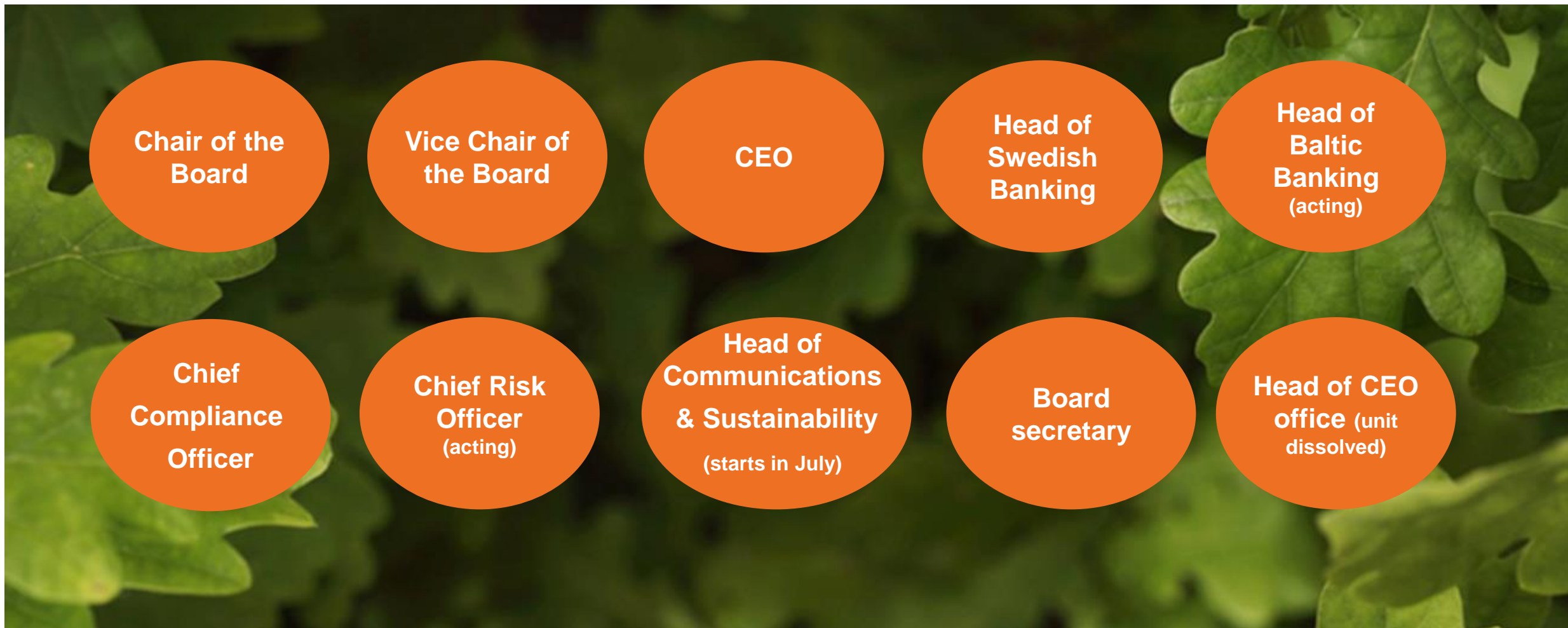


# Swedbank year-end results 2019

**Jens Henriksson (CEO), Anders Karlsson (CFO)**

# A new bank

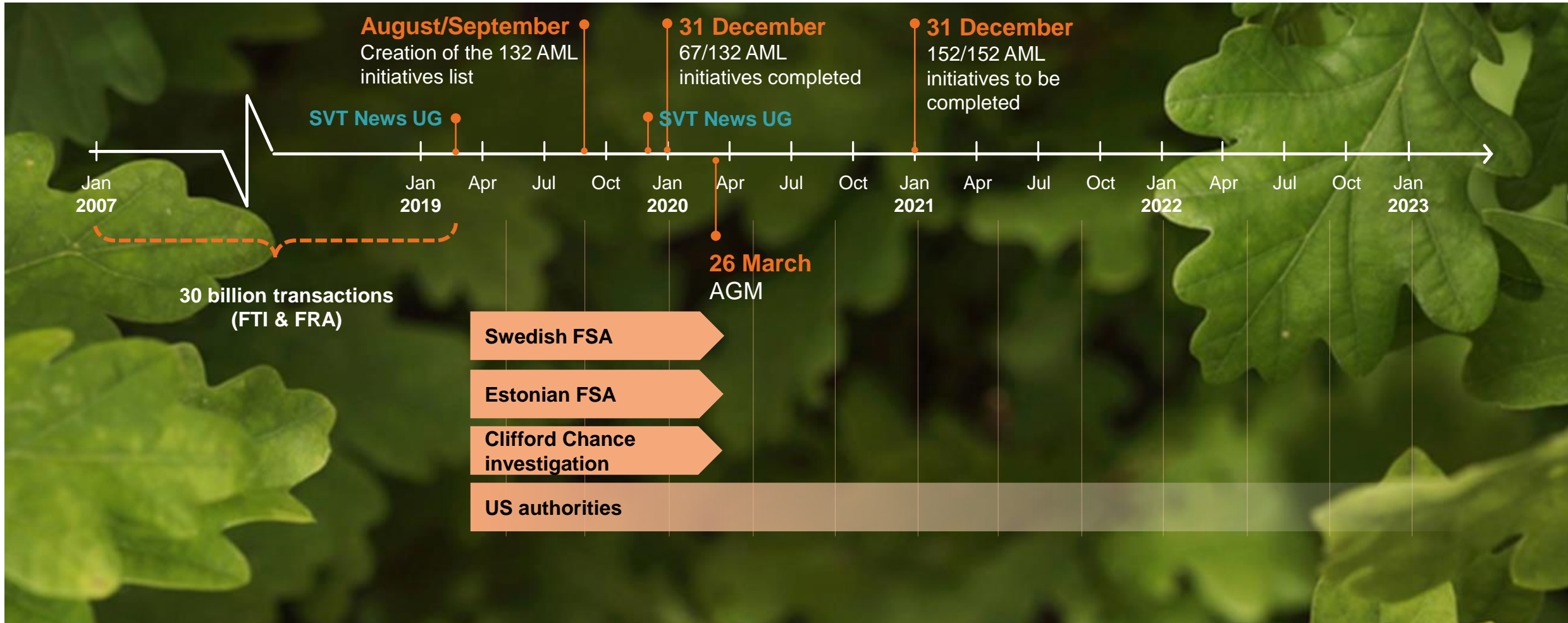
## Changes in Board and executive management



# A new organisation - Group Executive Committee

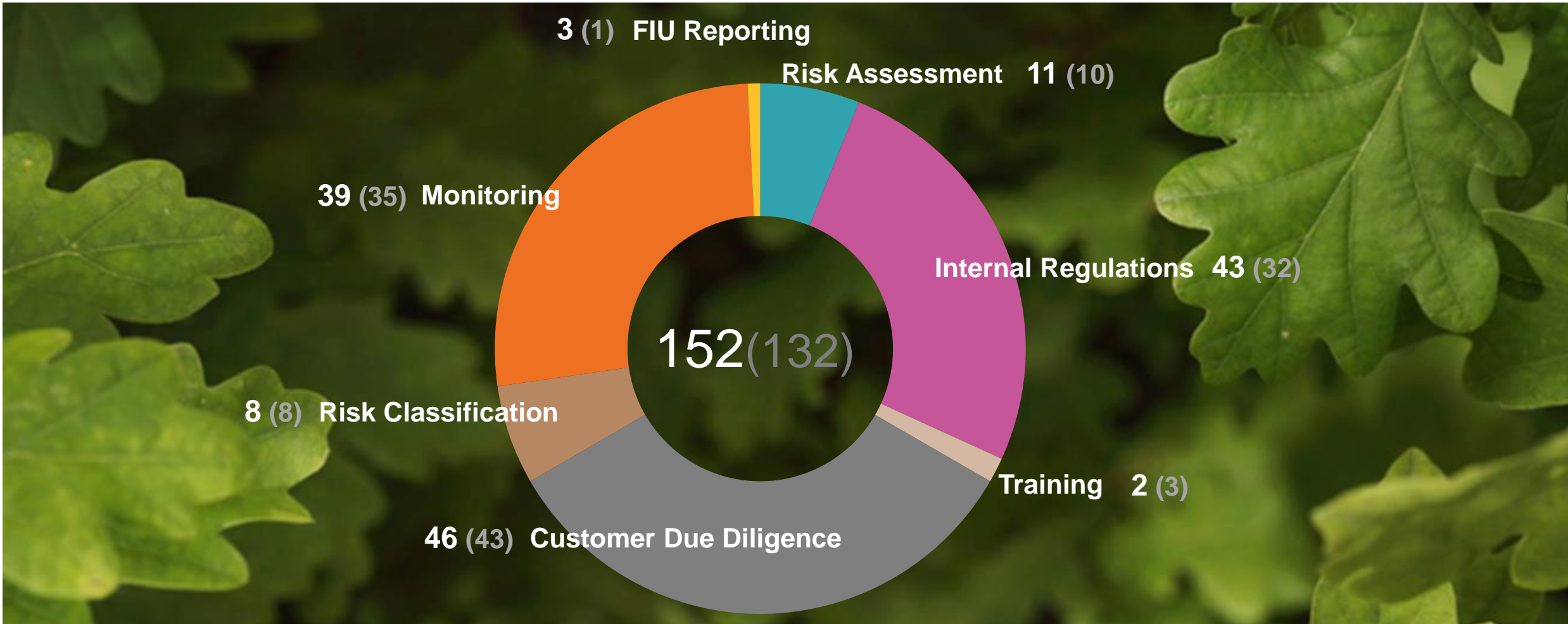
- Simpler and clearer decision-making structure
- Customer-focused for even better and quicker development of banking services
- Further strengthen governance and internal control
- Initiated reviews – compliance, AML and corporate culture
- Facilitate the realisation of the bank's strategy

# AML timeline



# AML initiatives

Areas and total number of initiatives in Q4(Q3)



# AML initiatives – work in progress

Total Completed	Ongoing	Ongoing	Ongoing	Not yet started	Total initiatives	
67	51	6	11	17	152	
Change from Q3	+47	+1	-24	+8	-12	+20

# Stable results in challenging environment

## FY 2019

- Net profit SEK 19.7bn
- ROE 14.7%
- CET1 capital ratio buffer of around 190bps
- Dividend proposal SEK 8.80 per share

# Looking ahead

- Investigation cost – possible fine
- Increased competition
- Increased compliance cost
- Increased investments
- Financial targets
  - Cost discipline
  - ROE target of 15%



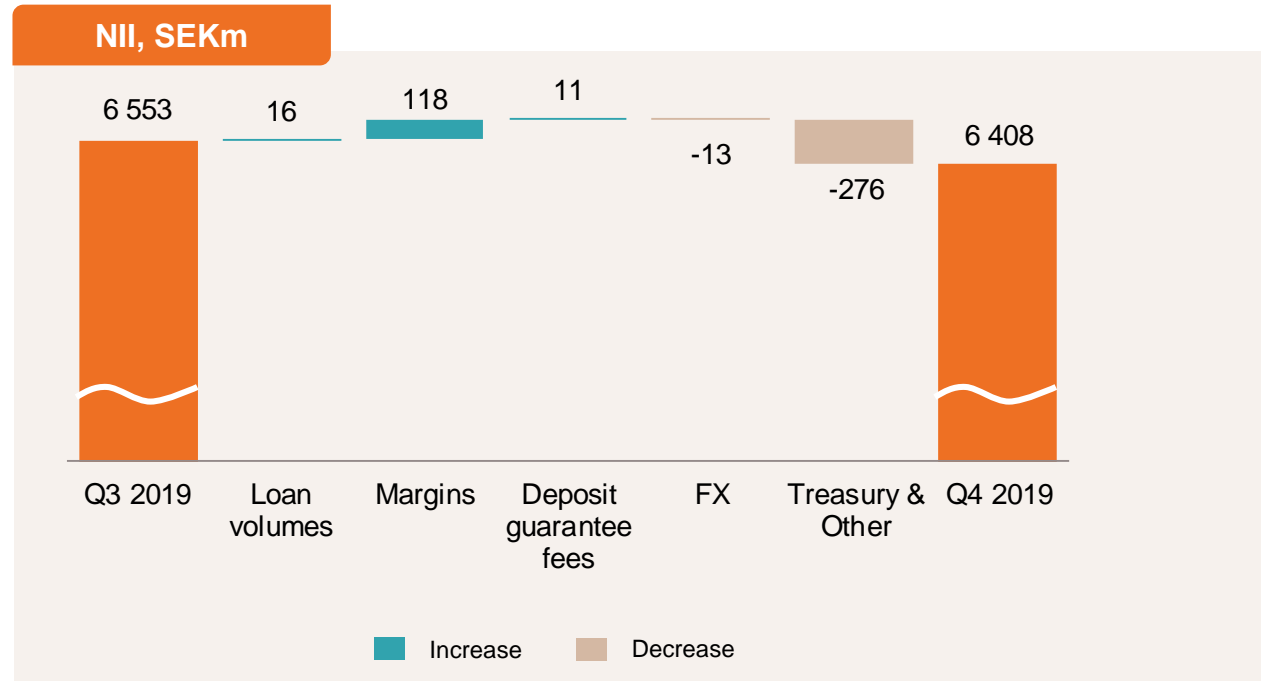
# Higher expenses weighed on net profit

SEKm	FY 2019	FY 2018	▲ YoY
Net interest income	25 989	25 228	761
Net commission income	12 984	12 836	148
Net gains and losses	3 629	2 112	1 517
Other income	3 358	4 046	-688
<b>Total income</b>	<b>45 960</b>	<b>44 222</b>	<b>1 738</b>
<b>Total expenses</b>	<b>19 984</b>	<b>16 835</b>	<b>3 149</b>
<b>Profit before impairments</b>	<b>25 976</b>	<b>27 387</b>	<b>-1 411</b>
Credit impairments	1 469	521	948
Other impairments	87	314	-227
Tax	4 711	5 374	-663
<b>Net profit</b>	<b>19 697</b>	<b>21 162</b>	<b>-1 465</b>
Ratios	FY 2019	FY 2018	
ROE, %	14.7	16.1	
C/l ratio	0.43	0.38	
CET1 capital ratio, %	17.0	16.3	

- ROE of 14.7%
- Strong income generation
- Higher expenses
  - AML investigations
  - FX and pension headwinds
  - One-offs
- Strong asset quality
- CET1 capital ratio of 17.0%
  - Solid buffer to requirements
- Board proposal – dividend of SEK 8.80 per share
  - 50% dividend pay-out ratio

## Group result

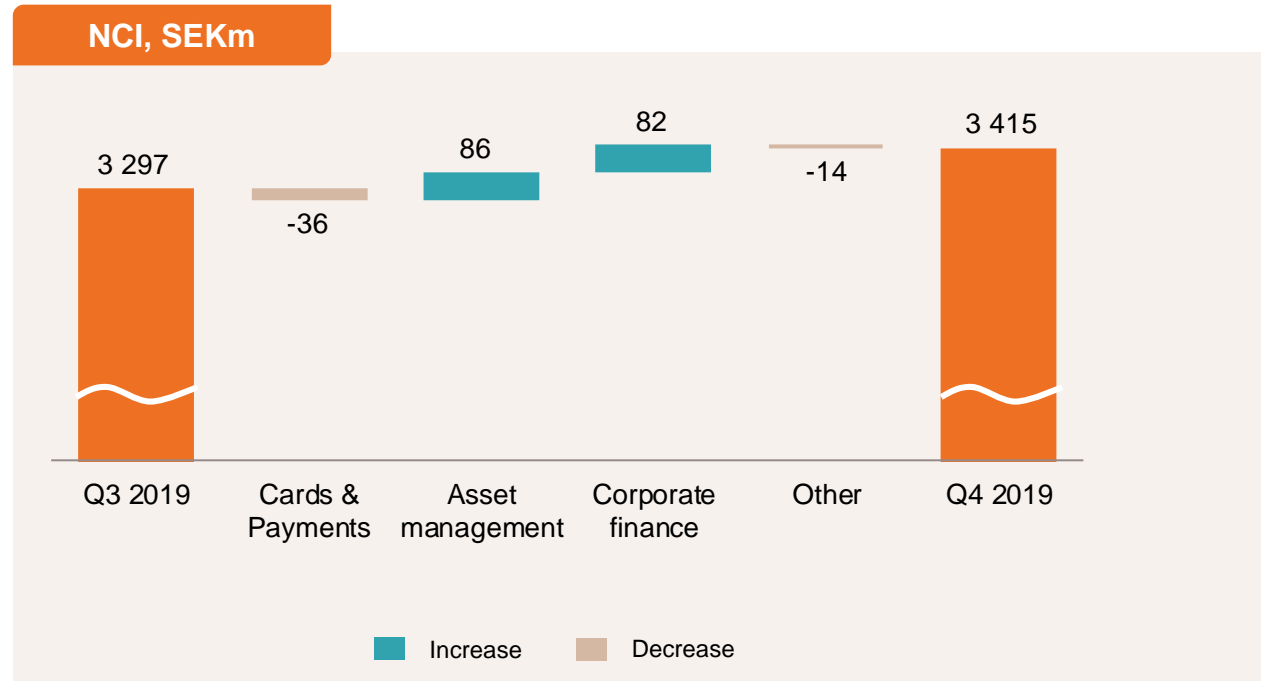
# Lower net interest income



- Smaller contribution from loan volume growth
- Higher deposit margins
- Lower mortgage loan margins
- Group Treasury impacted by internal pricing effects

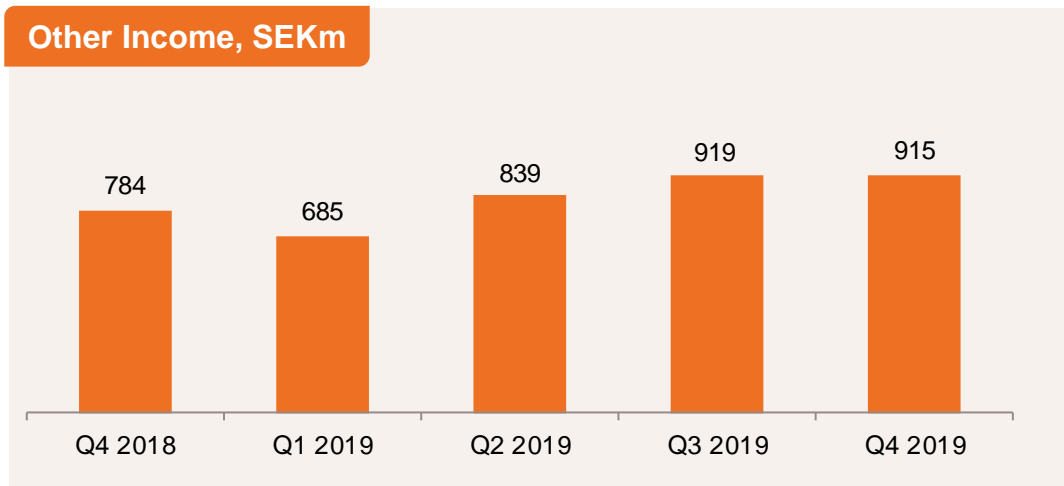
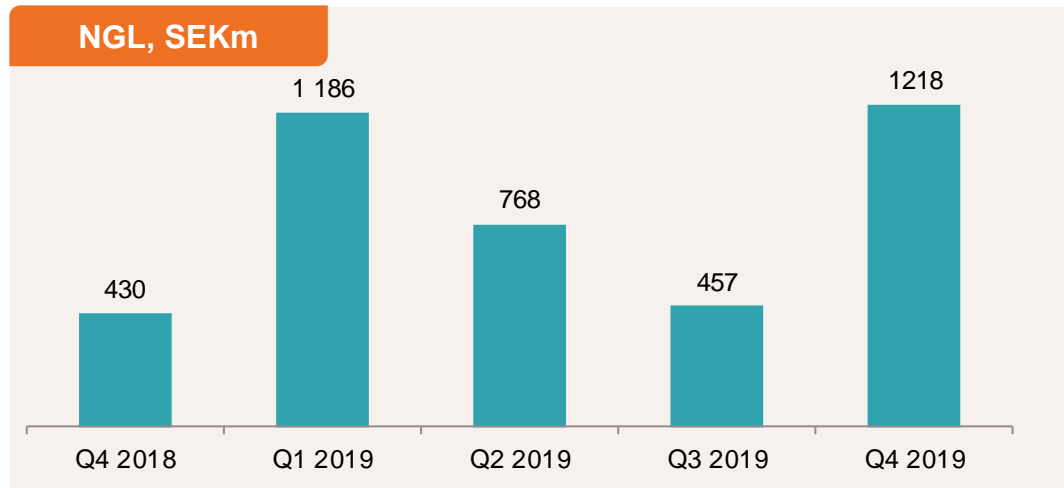
Group result

# Strong net commission income



- Seasonally lower income in cards
- Asset management income supported by positive market development and net inflows
- Higher corporate finance activity
- Annual covered bond market maker fees
- Lower income from lending and guarantees

# Favourable market movements and stable other income



- Positive valuation effects in derivatives
- Higher net positive effect from Visa and Asiakastieto
- Solid FX and credit trading activity
- Stable income from insurance and savings banks
- Entercard
  - Sale of credit portfolio
  - Weaker underlying income
- One-off capital gains in Q3

Group

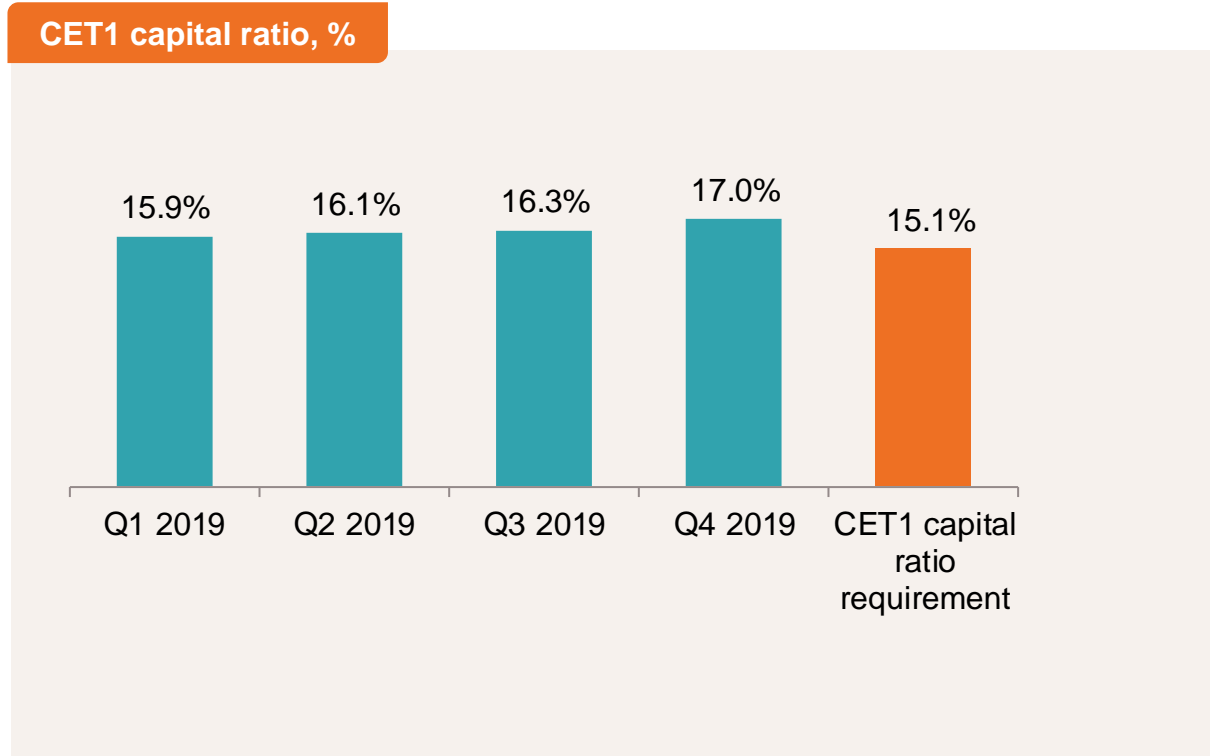
# Solid asset quality

Credit impairments, SEKm	Q4 19	Q3 19	▲ QoQ	FY 2019
Swedish Banking	10	27	-17	154
Baltic Banking	-3	10	-13	3
Large Corporates & Institutions	982	117	865	1 312
<b>Swedbank Group</b>	<b>988</b>	<b>154</b>	<b>834</b>	<b>1 469</b>

Ratios	Q4 19	Q3 19	FY 2019
Credit impairment ratio, %	0.23	0.04	0.09
Share of Stage 3 loans, gross %	0.82	0.77	0.82
Total credit impairment provision ratio, %	0.40	0.38	0.40

- Strong asset quality in core segments
- Oil-related segments
  - Increased provisions in a few exposures due to additional restructurings
  - Overall limited exposures for Swedbank - total SEK 15bn - portfolio run-off to continue

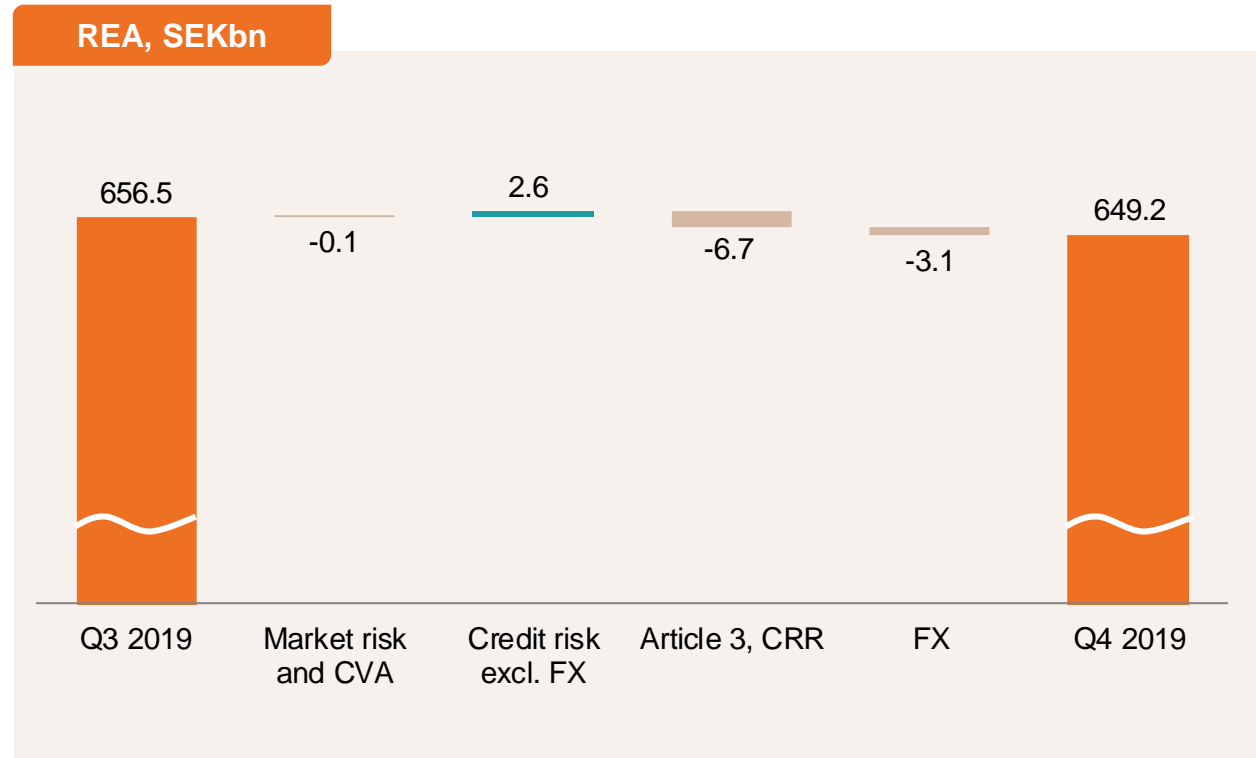
# Solid capital position



- CET1 capital increased by SEK 2.9bn
  - Positive effect from net profit of SEK 2.1bn excl. dividend
  - Positive IAS19 pension valuation effect of SEK 0.9bn
- REA decreased by SEK 7.3bn
- Buffer of around 190bps above minimum requirements
- Management capital buffer target of 100-300bps

## Capital

# Decreased Risk Exposure Amount (REA)



- REA decreased by SEK 7.3bn
  - Higher PD in the portfolio increased credit risk REA and decreased article 3 adjustment
  - Decreased exposures in the corporate portfolio further decreased the article 3 adjustment
  - Stronger SEK reduced REA

# Comments on 2020

## **INCOME**

- Loan volumes
- Margins
- NII sensitivity
- Lower resolution fund fee

## **EXPENSES**

- Investigations
- Investments
- Compliance
- Total expenses in 2020 around the same level as in 2019

## **CREDIT OUTLOOK**

- Strong asset quality

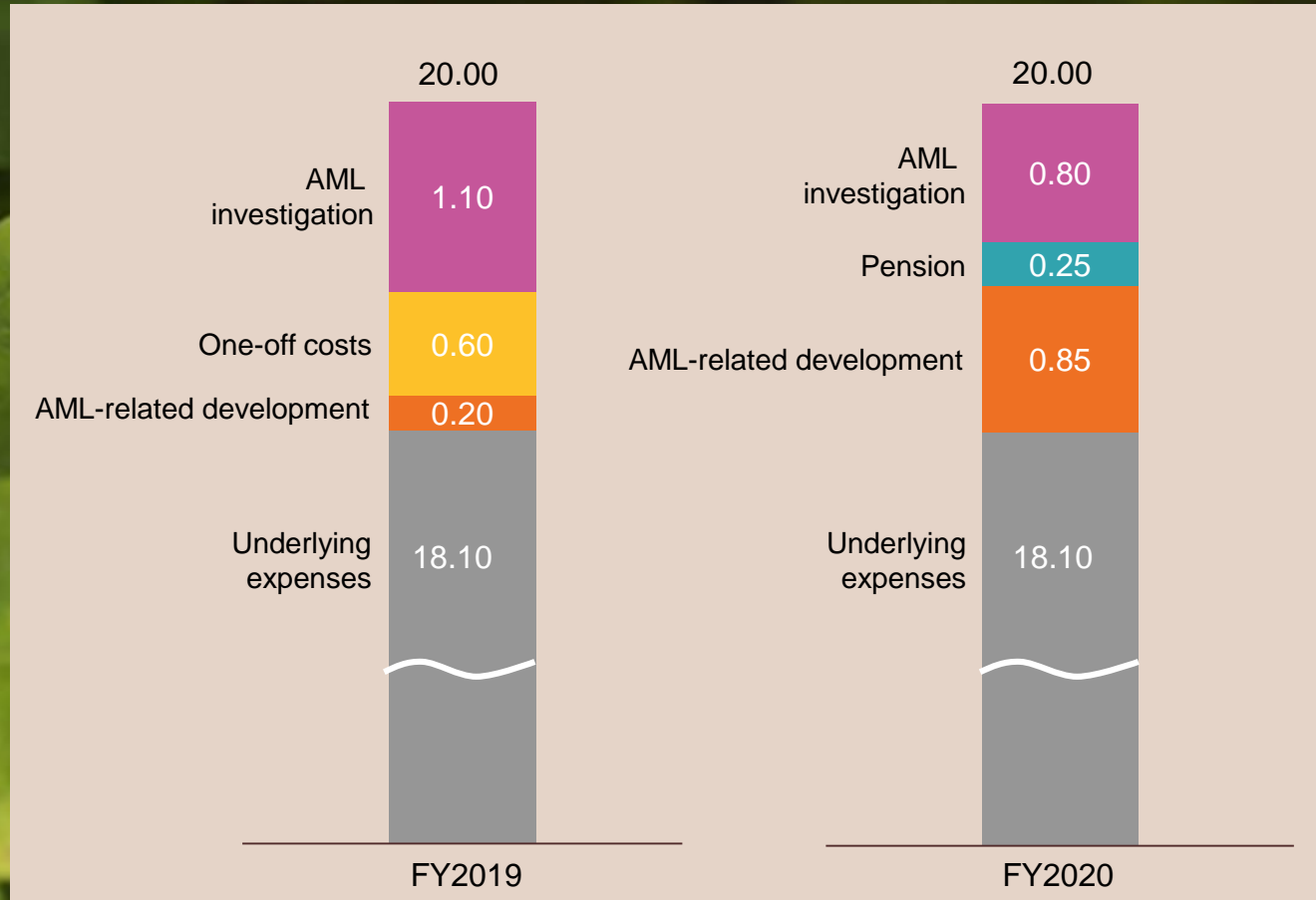
## **CAPITAL**

- Strong capital generation
- 50% pay-out ratio
- Uncertainty regarding future capital regulations



# Stable expenses in 2020

FY 2020 total expenses estimate of around SEK 20bn



- Total expenses in 2020 are expected to be around the same level as in 2019
- The AML-related development cost, is expected to increase by around SEK 650m
  - Staff
  - Increased IT-development
- Pension cost is expected to increase by SEK 250m
- AML investigation cost is expected to decrease by around SEK 300m in 2020 – high uncertainty

# Appendix

## Group result

# Higher expenses weigh on net profit

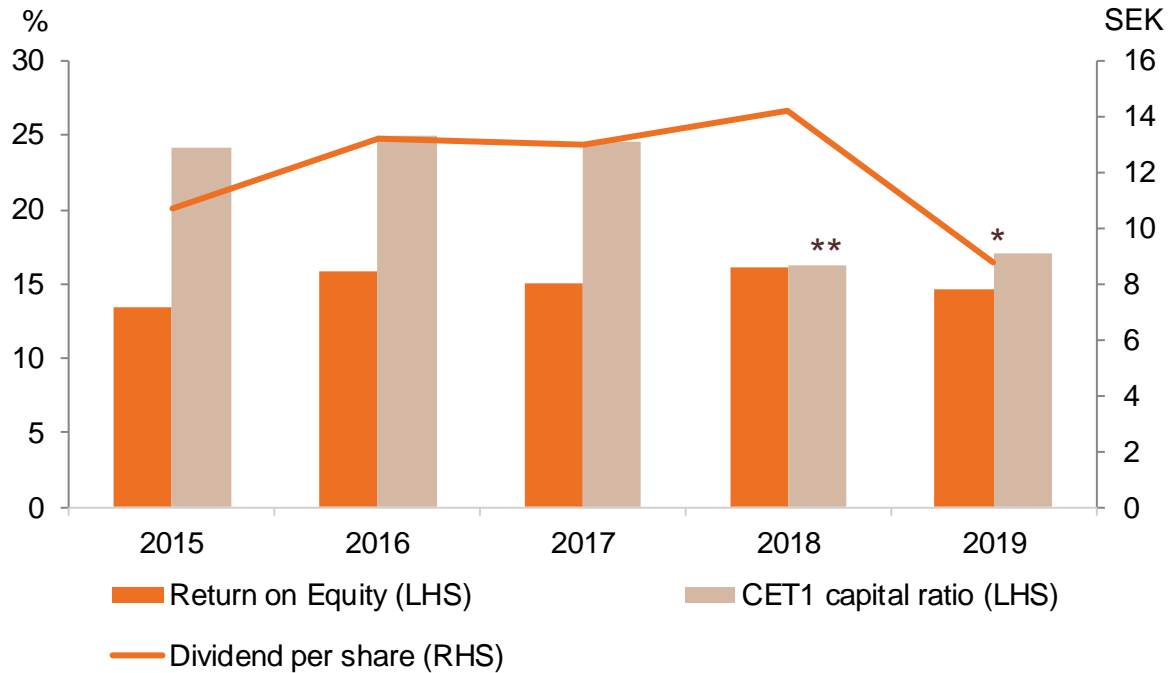
SEKm	Q4 19	Q3 19	▲ QoQ	Q4 18	▲ YoY
Net interest income	6 408	6 553	-145	6 335	73
Net commission income	3 415	3 297	118	3 183	232
Net gains and losses	1 218	457	793	430	788
Other income	915	919	-4	784	131
<b>Total income</b>	<b>11 956</b>	<b>11 226</b>	<b>730</b>	<b>10 732</b>	<b>1 224</b>
<b>Total expenses</b>	<b>5 549</b>	<b>5 164</b>	<b>385</b>	<b>4 406</b>	<b>1 143</b>
<b>Profit before impairments</b>	<b>6 407</b>	<b>6 062</b>	<b>345</b>	<b>6 326</b>	<b>81</b>
Credit impairments	988	154	834	412	576
Other impairments	18	67	-49	32	-14
Tax	973	1 176	-203	1 288	-315
<b>Net profit</b>	<b>4 428</b>	<b>4 663</b>	<b>-235</b>	<b>4 590</b>	<b>-162</b>
<b>Ratios</b>	<b>Q4 19</b>	<b>Q3 19</b>		<b>Q4 18</b>	
ROE, %	13.0	14.1		13.5	
C/l ratio	0.46	0.46		0.41	
CET1 capital ratio, %	17.0	16.3		16.3	

- Smaller contribution from loan volume growth
- Strong net commission income
- Favourable market movements and stable other income
- Higher extraordinary expenses
- Solid asset quality
- CET1 capital ratio of 17.0%
  - Solid buffer to requirements

# Reduction of loan volumes – growth in deposits



# Swedbank creates value



## Return on Equity

>15% target

**14.7% (FY)**

## Common Equity Tier 1 ratio

One of the highest among European banks

**17.0%**

## Dividend per share\*

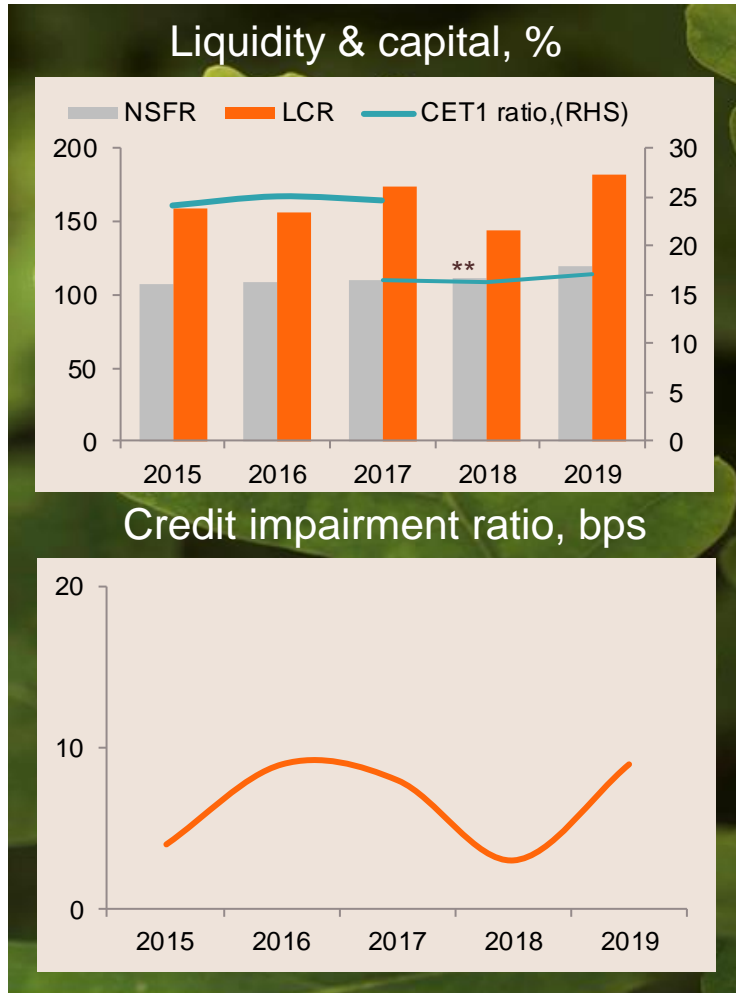
50% pay out ratio

**SEK 8.80**

\* Dividend proposal from the Board (for the financial year 2019) - to be decided at the Annual General Meeting in March 2020

\*\*After move of Swedish mortgage risk weight floor to Pillar 1

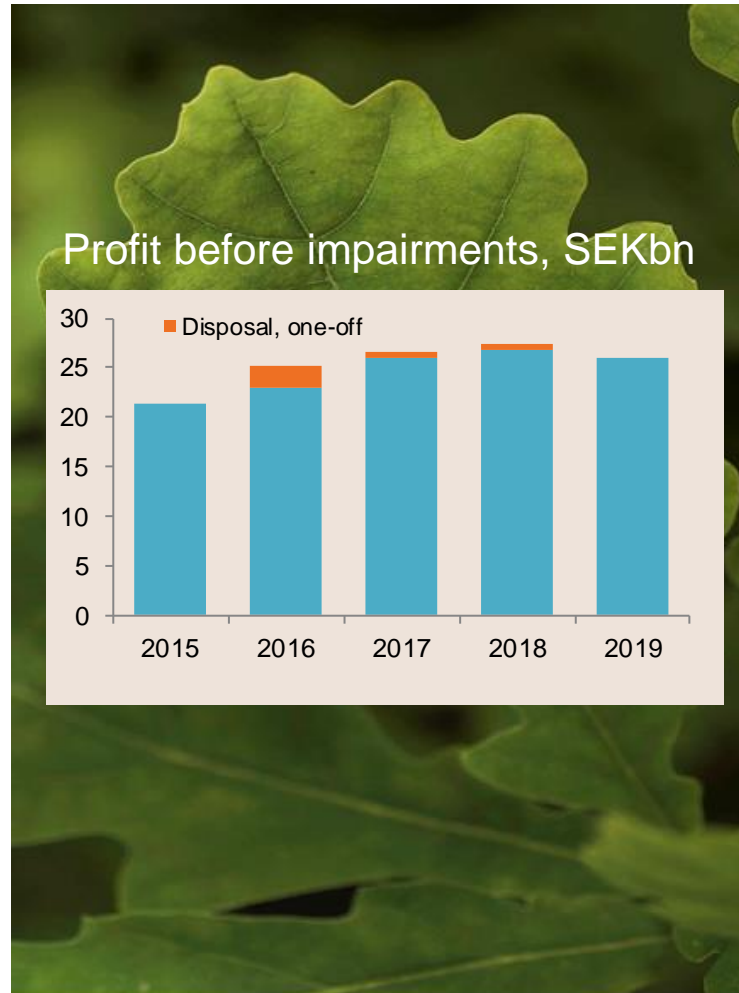
# Swedbank – low-risk bank with strong capital base



- 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
    - Around 84% of total loans originated in Sweden - Swedish private mortgages account for around 50% of total loans
    - 90.5% of total loans were collateralised (77.9% real estate and 12.6% 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 190bps
  - Conservative funding and liquidity position – survival horizon longer than 12 months assuming closed funding markets, NSFR 120%\* and LCR 182%
  - Baltic operations self-funded – loan-to-deposit ratio < 100%
- \* From Q4 2019 – Calculation method is changed from Basel III to CRR 2 (also, see Fact book, page 57)  
 \*\* Increased risk exposure amount (REA) and capital requirement due to adaptation of the Swedish mortgage risk weight floor in accordance with decision from the Swedish FSA (Also showing the 2017 ratio in pro forma)

# Swedbank – strong and stable earnings capacity

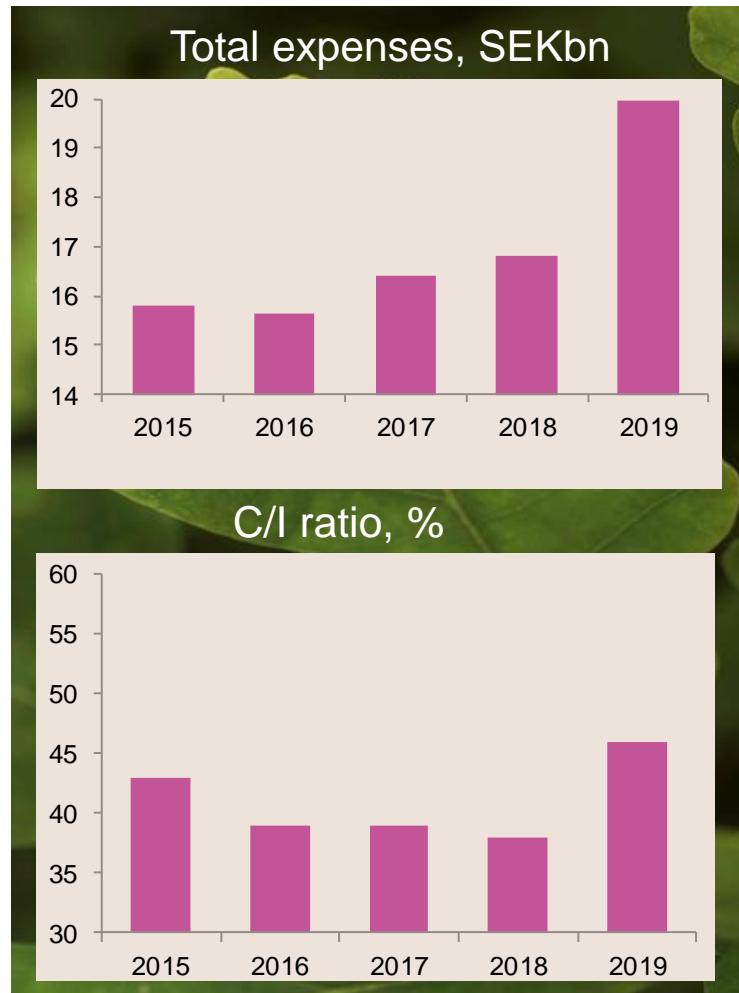
This is  
Swedbank



- 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



# Group-wide strategic transformation initiatives securing future competitiveness

- 1 Customer relationships and trust based on data
- 2 Daily banking
- 3 Channel transformation
- 4 Digital commerce offering
- 5 Digital lending process
- 6 Financial health & advice
- 7 Corporate self-service & cash management

# Sustainability in our DNA – Q4 accomplishments

## Enabling customers to make smart and sustainable choices



Baltic Banking financed almost 500 Eco friendly cars by end of the year, totalling EUR 9.7 million.

Swedbank adopted the “Equator Principles” on 28 October 2019. This is a risk management framework for determining, assessing and managing environmental and social risk in projects.

Swedbank Robur launched the Access Edge Emerging Markets Fund, a growth market fund with a climate focus.



### Financing one of Sweden’s largest solar farms

- The farm is expected to cover more than a third of the total electricity needs of Swedbank operations in Sweden
- Annual production of 11 500 MWh equivalent to the electricity consumption of 2 300 single-family houses



### Reducing greenhouse gas emissions

- Swedbank’s direct carbon footprint from operations amounted to 25 000 tonne CO<sub>2</sub>e in 2019. This is a decrease of almost 15% since 2017. Travel and premises account for most of the emission.

## Swedbank recent commitments and recognitions



*Swedbank once again received a #1 rating among major banks in Fair Finance Guide’s review of banks’ guidelines and openness related to their sustainability work*



*Swedbank Lithuania received three Equal Opportunity Wings for the successful introduction of equal opportunity principles in its activities and for spreading equal opportunity ideas to the public*

## Strong DCM franchise helping our customers issue green bonds

- Swedbank ranks among the top three Nordic banks in terms of issued volumes of green bonds in SEK and executed 51 transactions of green & sustainable deals in 2019

<p>Financing according to Green Bond Framework CICERO Joint Structuring Advisor and Bookrunner Due 2025 Issued December 2019 <b>SEK 1bn</b></p>	<p>Financing according to Green Bond Framework CICERO Joint Bookrunner Due 2025 Issued November 2019 <b>SEK 2bn</b></p>	<p>Financing according to Green Bond Framework Sustainalytics Joint Lead Manager Due 2024 Issued October 2019 <b>SEK 750m</b></p>	<p>Financing according to Green Bond Framework CICERO Sole Manager Due 2026 Issued October 2019 <b>SEK 1bn</b></p>
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# Two hundred years of sustainability

## Key achievements 2019

65%

...decrease of Swedbank's direct carbon footprint 2019

51

...Swedbank's green bond transactions in 2019

3 800

...Swedbank's Youth Financial Literacy sessions in 2019 – 15% increase compared to 2018

14bn SEK

...Swedbank's Green Asset Pool financing green buildings and renewable energy in the Nordics

100%

...Assets under management with enhanced sustainability work in Swedbank Robur

### Responsible banking



We enable people, businesses and society to grow



### Risk management



Monitoring the exposure in customer segments that have been identified as having the highest climate-related risks

Established Key Risk Indicators on the most exposed parts of lending portfolio regarding climate risk

Fund reporting in 2019 with Weighted Average Carbon Intensity, in line with the TCFD recommendations

Committed to set science based climate targets

Signed Equator Principles



### Long-term asset management

Swedbank's subsidiary Swedbank Robur is one of the leading asset managers in the Nordics, with a vision to be a world leader in sustainable value creation

#### Swedbank Robur's climate targets:

- that asset management be aligned with the Paris Agreement's 1.5°C goal by 2025
- that the entire business be carbon neutral by 2040



### Sustainable financing solutions

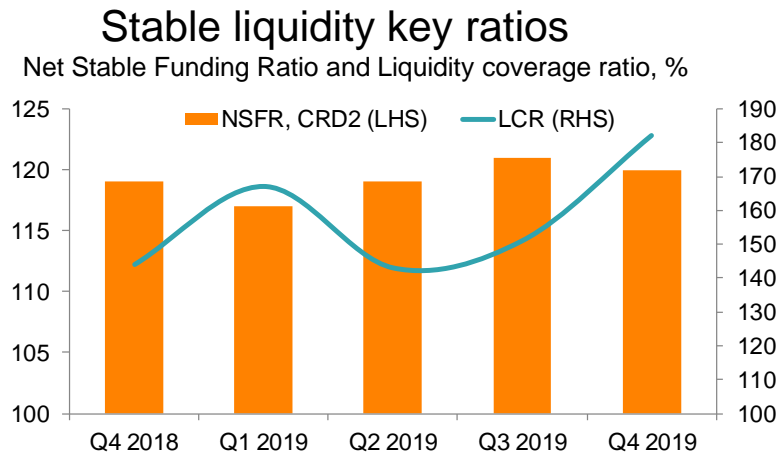
Issue green bonds supporting financing for sectors that are in transition to a sustainable society

Swedbank Debt Capital Markets provides advice on green, social and sustainability bonds

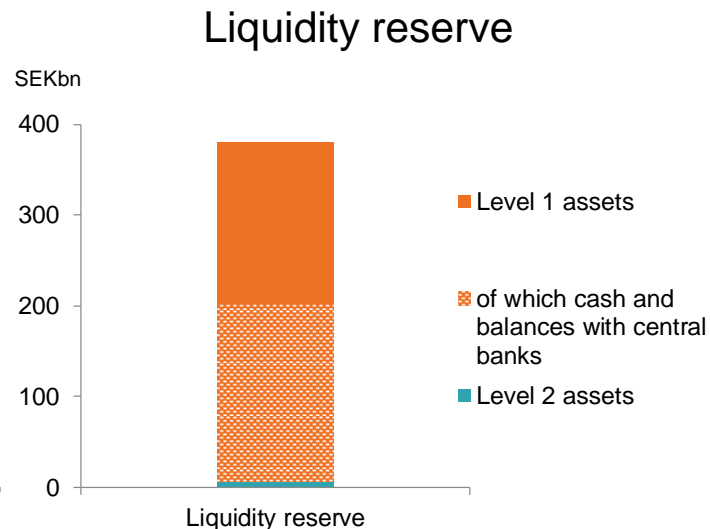
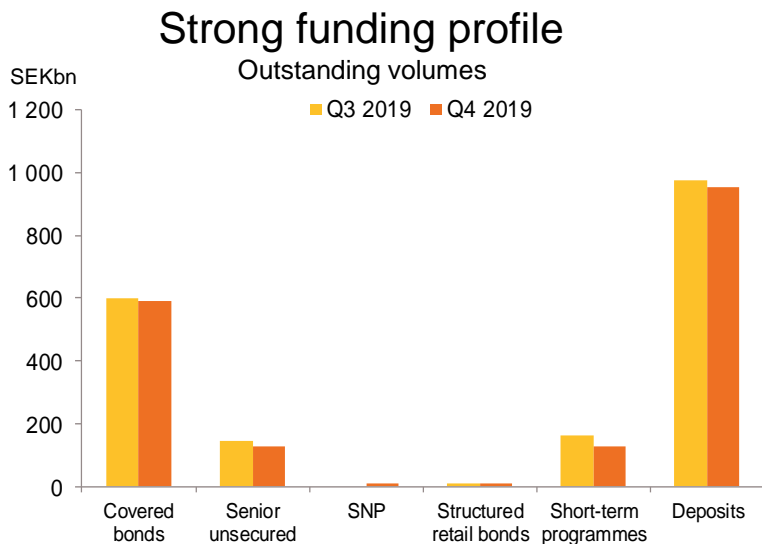
Promote sustainable financing and offer green loans and positive impact finance where loans are evaluated based on their contribution to one or more areas of sustainable development



# Strong liquidity position



- Solid liquidity buffer – prefunded for more than 12 months (survival horizon)
- Term funding, issued SEK 132bn in 2019 – FY 2020 maturities of SEK 165bn
- Significant over-collateralisation in the cover pool (76.9%)



No reliance on short-term funding - central bank holdings in excess of short-term funding

Stable deposit base

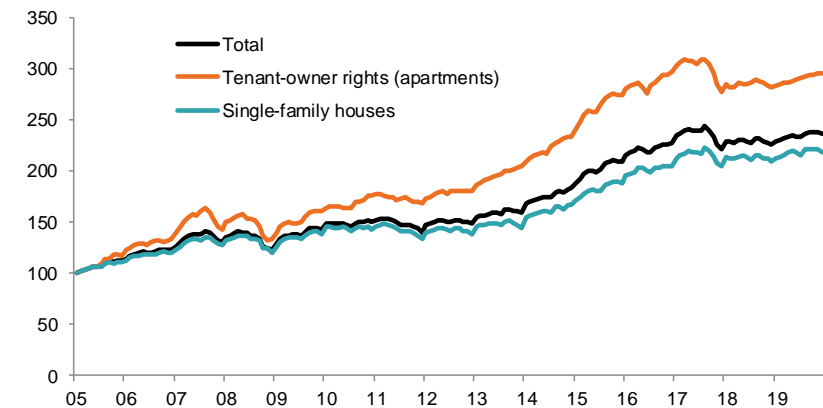
LCR 182% and NSFR, (CRD2) 120%

# 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
Jan 19	0%	0%	0%
Feb 19	1%	1%	1%
Mar 19	1%	1%	1%
Apr 19	2%	0%	1%
May 19	2%	1%	2%
Jun 19	2%	2%	2%
Jul 19	3%	2%	2%
Aug 19	2%	1%	2%
Sep 19	3%	2%	3%
Oct 19	4%	3%	3%
Nov 19	5%	4%	5%
Dec 19	4%	5%	4%

House price index, Sweden  
2005=100



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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