

# Swedbank AB

SWEDA

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Agency	Issuer Rating			Debt Instruments		
	LT	ST	Outlook	SP	SNP	T2
Moody's	Aa3	P-1	Pos.	Aa3	Baa1	Baa2
S&P	A+	A-1	Pos.	A+	A-	BBB+
Fitch	AA-	F1+	Sta.	AA	AA-	A

Source: Moody's, S&amp;P, Fitch.

## Background and Ownership

Swedbank AB ("Swedbank") is the third-largest banking group incorporated in Sweden with total assets of SEK3.1trn (€277.5bn) at 3Q24. The bank is one of four major banking groups that dominate the Swedish market and together collectively account for over three-fifths of loans and deposits from the Swedish public. Swedbank operates the largest retail bank and has leading market shares in mortgage loans, retail deposits and asset management. It is also the most domestically focused of the four. Operations outside the Nordics are focussed on the Baltic states of Estonia, Latvia and Lithuania, where the bank holds leading positions in most key market segments. The group is publicly-traded, and outstanding shares are floated on the Nasdaq OMX Stockholm stock exchange. As at 27 November 2024, the largest shareholders with stakes >4% were as follows: Sparbanksgruppen (group of Swedish savings banks; 12.6% of total share capital), Folksam (Swedish insurance company; 7.1%) and Swedbank Robur Funds (Swedbank's asset management subsidiary; 4.1%).

## Peer Comparables – Major Nordic Banks 9M24

Issuers	Total Assets (€bn)	Net Income (€m)	ROE (%)	NIM (%)	Cost-Income Ratio (%)	NPL (%)	NPL Coverage Ratio (%)*	CET1 (%)	LCR (%)
Nordea	617	3,930	17.5	1.8	42.7	0.8*	63.6	15.8	156
Danske Bank	502	2,364	13.4	1.3	45.5	2.1*	62.3	19.1	175
SEB	367	2,486	17.2	1.4*	36.0	0.4	64.2	19.4	133
Svenska Handelsbanken	333	1,805	14.8	1.7*	40.7	0.4*	39.9	18.8	184
DNB ASA	328	2,858	17.0	1.9	34.3	1.4*	28.0	19.0	144*
Swedbank AB	277	2,306	17.5	1.5	34.0	0.6	67.1	20.4	167

Source: Bloomberg, Company Reports. \*YTD figures manually calculated.

## Main Activities

Swedbank is a retail and commercial bank providing a wide variety of products and services, including deposit-taking, savings facilities, loans and mortgages, as well as investment, cash management, trade finance, payment processing, investment banking, asset management services and insurance. The group is organised along four main business lines:

- **Swedish Banking** (35% of net revenues in 3Q24) provides retail financial products and services through the bank's branches in Sweden – including those of affiliated savings banks – and other direct channels. This segment also includes a number of subsidiaries as well as the retail operations of branch offices in Denmark, Norway, Finland and Luxembourg. It serves approximately four million private customers and incorporates Sweden's largest private bank;
- **Baltic Banking** (30%) comprises banking services to approximately 3.7 million private and corporate customers in Estonia, Latvia and Lithuania;
- **Premium and Private Banking** (5%) provides advisory and discretionary asset management advice for private customers in Sweden. This unit was reported under the Swedish Banking segment until 1Q24; and
- **Corporates & Institutions** (24%) services Nordic and Baltic large companies and financial institutions. In 2023, mid-sized companies, tenant-owner associations and Swedish corporate customers with advisory functions were transferred to Corporates & Institutions from the Swedish Banking unit as part of a reorganisation to strengthen the banks' offering for these clients.

## Strategic Expansions and AML Updates

In May 2024, Swedbank announced a strategic partnership with Finnish bank Aktia to enhance its corporate services in Finland. Swedbank will wind down its cash management and payment services in Finland, allowing Aktia to serve existing customers. In July 2024, Swedbank completed the acquisition of Estonia-based fintech company Paywerk A.S. for approximately €4.3mn, aiming to leverage this acquisition to strengthen its position in the growing e-commerce sector, particularly in the buy-now-pay-later market.

In March 2020 Swedbank was fined SEK4bn (~€400m) by the Swedish Financial Services Authority (FSA) for serious deficiencies in its anti-money laundering (AML) controls and for withholding documents from Swedish and Estonian regulators, due to processing high-risk payment transactions between 2014-2019. Since then, the bank has stepped up

its investments into improved governance, progressively implementing international best practices in line with U.S. and European regulatory AML frameworks. The bank also concluded a 244-point AML action plan and replaced it with the long-term AML/CTF & Sanctions Transformation Program, devoted to the development and improvement of internal risk management and controls. Additionally, Swedbank hired external consultants to conduct annual AML reviews for the next three years (rolled over each year). It should be noted that while Estonian authorities announced that they had closed their investigation into Swedbank in February 2024, U.S. authorities (the DoJ, SEC and DFS) are still investigating Swedbank due to some transactions constituting a breach of U.S. sanctions. It is estimated that any potential penalty would unlikely exceed the ~€400m fine applied by the FSA, provided U.S. authorities don't uncover further evidence of wrongdoing. A conclusion on the matter is expected by 1Q25 with no indication of the outcome by Swedbank.

## Financial Strength Indicators

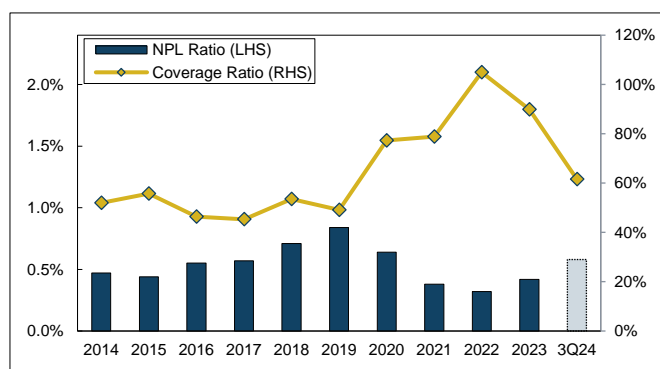
**Profitability** – The group reported a net profit of SEK9.4bn in 3Q24, up 3% yoy helped by higher incomes and lower expenses. Group income of SEK19.1bn was predominantly comprised of NII (64% of total), which was down 5.2% yoy due to the lower rates environment and slightly lower average loan volumes. Excess liquidity and intense competition in the Swedish mortgage market, in which Swedbank is one of the two largest players, makes it susceptible to changes in mortgage margins. Net commission income was up 10% yoy to SEK4.3bn due to an improved performance in asset management due to positive market developments (higher average stock market performance) and higher AuM of SEK2.4tr (+22% yoy). Swedbank's expenses on the quarter were reported at SEK5.6bn (+8% yoy). The jump was attributed to higher staff costs (salary-related) and higher IT-related expenses, although generally it has been steadily decreasing over the last three-quarters as a consequence of stricter cost controls and a recent hiring freeze. The bank's operating efficiency as measured by the adjusted cost to income ratio marginally increased to 34% (9M23: 33%). Improved bottom-line profitability resulted in a very strong quarterly ROE of 17.5% well-above the 2025 target of 15%, demonstrating the banks' resilience in internal revenue and capital generation despite the tighter rates environment suppressing NII gains.

**Asset quality** – Total assets stood at SEK3.14tr (+3.8% yoy) and asset quality was strong, supported by a stable economic environment. Impaired loans (stage 3 as per IFRS9) amounted to a very low 0.6% of gross loans as at 9M24 (9M23: 0.4%), 67% covered by loan loss provisions (9M23: 116%). The healthy asset quality also reflects the bank's focus on Swedish private customers and SMEs, which accounted for 81% of the bank's loan book. The largest non-Swedish geographic exposures correspond to the Baltic countries (15% of the loan book). However, the largest loan book component is comprised of low-risk residential mortgages extended to a high-quality borrower base. Downside risks to the large stock of mortgages could emerge from potential house price corrections. Housing prices have risen by 3% this year, although, remain 10% lower compared to their 2Q22 peak driven by a period of elevated interest rates that had resulted in higher mortgage rates.

Swedbank AB – Key Data			
Key Ratios (%)	9M24	9M23	9M22
CET1	20.4	18.7	18.5
Total Capital	24.6	23.0	23.1
NPL Ratio	0.6	0.4	0.3
NPL Coverage*	67.1	110.6	83.2
LCR	167.0	154.4	146.4
Net Interest Margin	1.5	1.6	1.0
Cost to Income	34.0	33.0	42.0
Balance Sheet (SEKbn)			
Total assets	3,134	3,018	2,994
Loans to customers	1,796	1,808	1,798
Customer deposits	1,273	1,278	1,277
Debt securities	1,014	998	918
Total Equity	209	193	169
Income Statement (SEKbn)			
Total Income	55.5	54.0	36.1
o/w NII	37.0	37.6	22.2
Total Expenses	18.6	17.7	15.2
Net Income	26.4	25.8	14.6

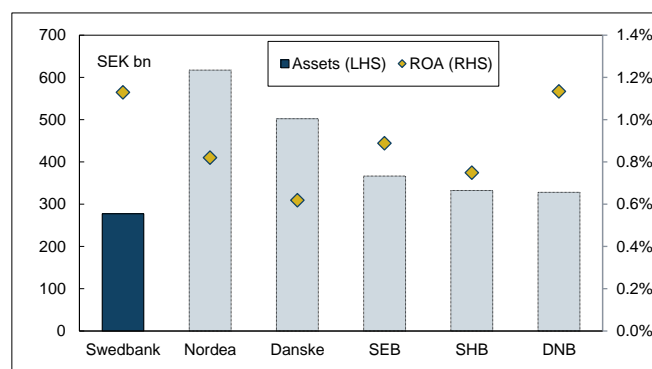
Source: Company earnings reports, Bloomberg.  
 \*Total credit impairment provisions / stage 3 loans, calculated as a YTD average.

## NPL and Coverage Ratios



Source: Company reports.

## Total Assets and ROA Peers Comparison

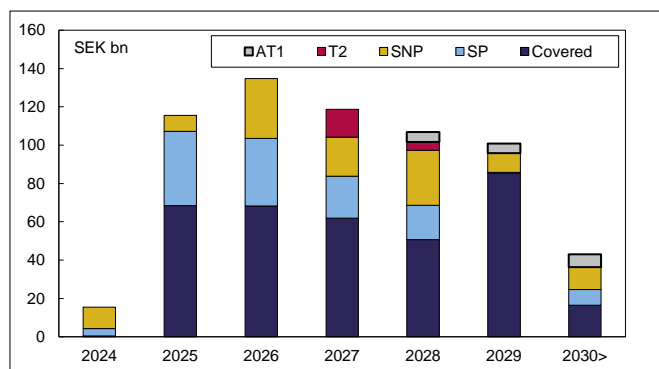


Source: Bloomberg, company reports.

Swedish banks' exposure to real estate activities are among the highest in Europe on average (2023: ~18% of total lending per the EBA) and sector instability would consequently prove to be a risk for the banks, however, individually Swedish banks display strong fundamentals mitigating these risks. They maintained sizeable capital and collateral buffers, have conservative underwriting criteria and returned a strong level of profitability amid the higher rates environment, contributing to a limited deterioration in asset quality. Among the SEK611bn in corporate lending the largest sectoral exposures related to real estate at 50% of the total, followed by agriculture (10%), construction (7%) and manufacturing (7%).

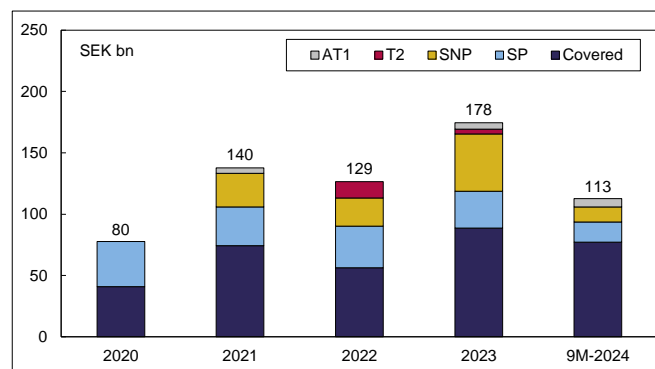
**Funding and Liquidity** – In line with its Swedish peers, Swedbank displays high reliance on confidence-sensitive wholesale markets for funding as customer deposits only contribute 44% towards the bank's non-equity funding. This results in a high customer loan-to-deposit ratio of 141% as at 3Q24, unchanged from 3Q23. Wholesale funding is accessed through a variety of different debt programmes for publicly and privately placed bonds in different currencies. Total debt securities in issue amount to SEK1.0tr and account for 35% of Swedbank's non-equity funding. Only SEK128bn (12% of debt) was issued in senior unsecured format. The remainder was mostly comprised of commercial paper (38%) and covered bonds (34%). Issued bonds are predominantly denominated in SEK (44%), followed by EUR (36%), USD (13%), GBP (2%) and other (4%).

### Long-Term Funding Maturity Profile



Source: Company reports. Tier 2 and AT1 maturities are according to their call dates.

### Long-Term Funding Issuance Profile



Source: Company reports.

At 9M24, Swedbank have issued SEK133bn in long-term debt, 22% lower yoy, following the bank's sizeable issuance volume in Senior Non-Preferred Bonds (SNP) the year prior (9M24: SEK12bn issued; 9M23: SEK45bn). The trend coincides with the Swedish National Debt Office's (SNDO) implementation of the BRRD II into Swedish law, effective from 1 Jan 2022 (phase-in ended 1 Jan 2024). The implementation contained revisions to the existing framework, whereby minimum requirements are expressed as a percentage of risk-weighted exposures (REA) rather than total liabilities and therefore a smaller portion of MREL needs to be met with subordinated and junior subordinated instruments. This permitted the increased issuance of SNP debt for MREL purposes. Swedbank's MREL ratio of 28.37% is well above requirements, with a 1,210bps buffer, comprised of SEK110bn in SNP and SEK96bn in Senior Preferred (SP) bonds. No explicit funding target was set for 2024, although, the bank initially expected total funding to align with 2023 volumes of SEK178bn, with an emphasis towards covered bonds. So far, Swedbank has issued 64% of its 2023 issuance volume. With regards to liquidity, Swedbank's position is comfortable as it can draw on a liquidity reserve of SEK680bn, holding SEK277bn in cash and balances with central banks and the SNDO. Liquidity indicators such as LCR and NSFR are also adequate and above requirements at 167% and 124% respectively.

### ESG Activities and Funding

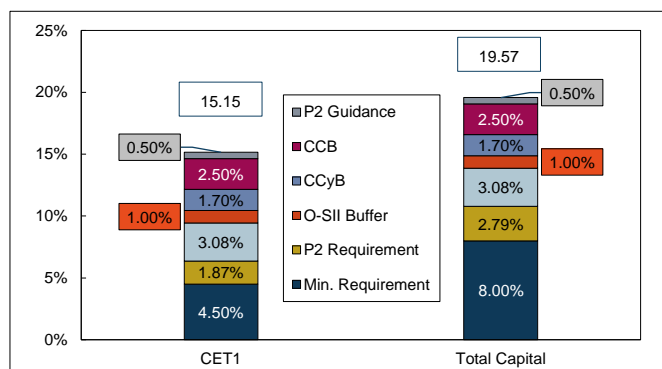
Swedbank established its [Sustainable Funding Framework](#) in 2022, which permits the issuance of green, social and sustainability bonds. This framework carries a [second party opinion](#) by ISS ESG (evaluation dated 22 September 2022), deeming it credible and impactful, aligning with ICMA's Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines. As per Bloomberg data, Swedbank has 12 ESG-themed bonds outstanding for a total amount of €6.6bn. 2024 ESG issuance stands at €2.4bn across five green bonds. This represents 29% of the €8.3bn ESG bonds issued by Swedish banks, slightly above 2023 levels (+2% yoy). In 2023, Swedbank was the first Nordic bank to issue a social bond with the use of proceeds aimed at employment generation, socioeconomic advancement and empowerment of women, among others, and affordable housing in deprived areas of Sweden and the Baltics. Furthermore, this year Swedbank became the first bank to issue a green-labelled SEK denominated covered bond.

Swedbank has incorporated ESG topics into its corporate strategy, having set numerous qualitative and quantitative guidelines and aims to attain a leading market position in the sustainability transition. The bank aligns with the UN SDGs through its operations, investment, financing and services to customers. Net proceeds from its sustainable funding activity will be used to finance loans and investments (Eligible Green or Social Assets), catering to 15 of the 17 SDGs.

The bank has outlined climate targets in its lending portfolio in reducing its financed emission intensities across key sectors by 2030, including mortgages (reduction of 39% compared to its 2019 baseline), commercial real estate (43%), oil and gas exploration, production and refining (50%), power generation (59%) and shipping (~50% compared to its 2022 baseline). Additionally, Swedbank have set short-to-long-term sustainability targets, having committed to grow its sustainable lending by at least three-times by 2027 (against 2022 volumes), to reach the Paris Agreement's 1.5°C target by 2030 and eventually carbon neutrality by 2050.

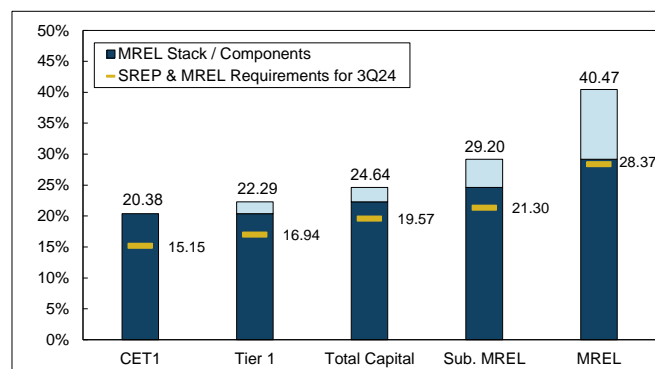
**Capitalisation** – Swedbank's fully loaded CET1 stood at 20.4% at 3Q24, one of the strongest in Europe. Buffers over requirements are sizeable at +520bps, well above the bank's own target buffer range of 100-300bps. Minimum capital requirements are marginally higher yoy, driven by an increase in the Pillar 2 requirement following the Swedish FSA's 3Q24 SREP decision, raising total capital and CET1 Pillar 2 requirements to 2.8% and 1.9% of REA (+10bps each), respectively. Swedbank's 19.57% minimum capital requirement is the highest in Sweden (SEB: 18.85%; SHB: 18.96%) since 3Q22, following a system-wide increase in the countercyclical buffer (from 1% to 2%) and review of Swedbank's IRB models (temporary 1% add-on to the Pillar 2 requirement whilst new models are under review). Capitalisation is expected to remain resilient towards year-end, as CET1 gained by 60bps on the quarter as retained earnings offset the anticipated full-year dividend (50% payout; ~SEK4.7bn). Key mitigants to bank capitalisation continue to be regulatory headwinds (Pillar 2 Requirement & Guidance), lingering litigation risk regarding AML failings and the adjustment to IRB models during 2021-2022 (adjustment expected to remain in place until 2025-26).

### CET1 and Total Capital Requirements



Source: 3Q24 Finansinspektionen Report on Swedish Banks Capital Requirements. All figures expressed as percentages of risk weighted exposure amounts (REA). P2 = Pillar 2; CCB = Capital Conservation Buffer, CCyB = Countercyclical Buffer; O-SII = Buffer for Systemically Important Institutions.

### MREL Structure vs. Requirements



Source: Company reports; 3Q24 Finansinspektionen Report on Swedish Banks Capital Requirements.

### Rating Agencies' Views

**Moody's (Apr-24):** Swedbank's ratings reflects the bank's strong credit quality, with a focus on Swedish mortgages which Moody's consider low risk, and solid capitalisation expected to remain resilient despite challenges in cyclical sectors (i.e. construction, real-estate, manufacturing and retail). Similar to many of its Nordic peers, the ratings also reflect the bank's high reliance on market funding. In their 2Q24 review, Moody's removed its one-notch negative adjustment for corporate behaviour, previously put in place due to deficiencies in their governance and risk management processes (crystallised in its breaching of AML rules over an extended period of time). The reversion comes as Moody's views the risks relating to governance failures to be reducing, following the termination of the Estonian authorities' investigation and as the bank promotes its efforts to strengthen its AML monitoring by investing in modern technology to monitor transactions.

**S&P (Sep-24):** Swedbank's A+/A-1 rating was affirmed (incl. all other debt instruments) while the outlook was upgraded to Positive, highlighting the bank's reconstruction of its risk management framework over the past few years to improve governance and strengthen its anti-money laundering functions. S&P expects the financial impact of a potential fine by U.S. authorities to be manageable given Swedbank's robust earnings and capitalisation profile and that the findings of the investigations are unlikely to have lasting repercussions on Swedbank's reputation. Ratings remain largely underpinned by the capitalisation profile and ALAC buffer, with the agency highlighting that the bank's continued issuance of SNP and subordinated debt instruments reinforces their view that a buffer will be in place for senior unsecured investors in the unlikely event Swedbank needs to be resolved.

**Fitch (Jun-24):** Swedbank's ratings are affirmed at AA- and a Stable outlook. Ratings reflect Swedbank's leading franchise in Sweden and Baltic countries, low-risk business model and robust financial metrics. Its retail banking strategy is viewed as well-executed, resulting in sustainable strong earnings, solid cost efficiency and low loan impairment charges (LICs). Its funding profile benefits from a stable deposit base, low refinancing risk and a strong access to wholesale markets. Fitch considers that the bank has a low risk profile, applying low-risk underwriting standards and its credit exposure is heavily weighted towards low-risk residential mortgage and housing association loans (2/3 of total)

and a conservatively managed exposure to property-management companies. Fitch determines that the bank has successfully completed a comprehensive anti-money laundering-related remediation and compliance strengthening of the group.

### Recent Benchmark Transactions

Issue Date	Security	Maturity/Call	Size (m)	IPT (bps)	Final Spread (bps)	Coupon (%)	Yield (%)	Book (m)/cov.
20/11/24	SP	5Y	US\$ 350	SOFR equiv.	SOFR + 103	SOFR + 103	-	-
20/11/24	SP	5Y	US\$ 650	T + 90	T + 70	4.998	4.998	-
31/10/24	SNP (Green)	4.5Y	€ 750	MS + 100	MS + 73	2.875	2.997	€ 1,400 / 1.9x
30/08/24	SP	3Y	€ 750	3mE + 70	3mE + 43	3.935	-	€ 1,200 / 1.6x
29/05/24	SP (Green)	6Y	€ 500	MS + 90-95	MS + 65	3.375	3.490	€ 1,150 / 2.3x
14/03/24	SNP	5Y	US\$ 750	T + 155	T + 133	5.407	5.407	-
13/02/24	AT1	PNC6.5	US\$ 650	8.25%	T + 365.7	7.750	7.747	\$ 3,100 / 4.8x

Source: Bloomberg, Bondradar.

This is an issuer profile and contains factual statements only. All statements are sourced from Swedbank's financial reports, which can be found at <https://www.swedbank.com/investor-relations/reports-and-presentations.html>

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- There is a risk that you will incur losses on your transactions due to changes in the market price of financial instruments based on fluctuations in interest rates, exchange rates, stock prices, real estate prices, commodity prices, and others. In addition, depending on the content of the transaction, the loss could exceed the amount of the collateral or margin requirements.
- There may be a difference between bid price etc. and ask price etc. of OTC derivatives handled by our company.
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\* The amount of the trading commission cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction etc.

\*\* The ratio of margin requirements etc. to the amount of the transaction cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction etc.

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