Event:	Swedbank Press Conference
Date:	17 July 2009
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Duration:	00:54:33

MALE SPEAKER: Good morning and welcome to this presentation due to the second quarter interim report from Swedbank. We will start with a presentation by Swedbank's CEO, Michael Wolf, by our CFO, Erkki Raasuke, and by our Chief Risk Officer, Göran Bronner. After that we will open up for a Q and A session.

I remind all of you that this is also a web cast event, so to give everyone the opportunity through the web to listen to your question wait until you are handed a microphone by Anna and Klaus, who have two microphones over there.

So, Michael, please.

MICHAEL WOLF: Good morning everyone, and welcome to the second quarter result presentation of Swedbank. The financial crisis has stabilised but the effect in the real economy is being felt and will continue to do so for quite some time. In light of this reality our focus, and what we talked about during the first quarter, is on asset quality and earnings capacity, liquidity and funding and capital, that is where we have had our focus and worked very hard on that.

We have also worked hard on changing Swedbank to be able to be more resilient to face the downturn in the economy. Our staff has shown extreme commitment to the cause and had also been very capable of being close to the clients which is one of the areas we talked very much about the last quarter, to be close and talk a lot to the clients. The result of all of our actions is that we have actually improved our financial strength in this quarter.

If we look at the guidance in Q1 we are actually following the assumed path. Overall our credit portfolios are developing in line with our assumptions. If we dig into the different markets we can note that Sweden and Estonia are actually performing better than expected whilst Ukraine, Latvia and Lithuania are performing slightly worse. Despite impairment losses of 6.7 billion in the quarter, our tier 1 ratio is improving as a result of the reduction of risk-weighted assets and the magnitude is like a small rights issue of approximately 4 billion krona.

During the quarter the business areas have assessed capacity adjustments necessary due to the declining economic activities in our markets. We have also had a very good momentum in building our organisational capabilities and structure as well as to enhance the governance framework. All in all we have moved further ahead in our ability to meet the economy that we are facing.

During the second quarter both the Swedish Riksbank and the FSA came out with their stress tests confirming the resilience of the Swedish banks for an even more severe development of the economy. There is now a very strong alignment between different observers' views on the effect of Swedish banks both in the more normal situation, or base case situation, and in the more stressed environment. I think that is an encouraging sign because it shows that visibility, although from a low level, is improving.

We cannot affect the macro(?) but what I am confident about is that we are well prepared for any possible scenario going forward. Of course in order to be well prepared we need to have the right staff and the structure in place and we have taken quite a lot of actions in this quarter to build the future organisation of Swedbank. I believe in involvement and clear accountability and the formation of the senior management forum in combination that we have taken out one level in the Swedish organisation which means there is only two degrees of separation between myself and a branch manager in the Swedish banking unit. I think that will have a positive affect on our ability to operatoinalise our strategies going forward.

Furthermore, in the quarter Göran has organised the risk organisation. He has been able to set up fully operational workout units, not only in the Baltic banking operation, but also in the Ukrainian banking operation. We have a new regional management team stepping in as of August in Sweden; a very client-focused management team and I am very confident that that will have a positive effect on our ability to build client relationships in the Swedish markets going forward.

Swedbank Market as well as Swedbank Ruber(?) has integrated their organisations across all geographies during this quarter and finally we have recruited a new head of HR, a new head of compliance, a new head of treasury, and finally a new head of Swedbank Markets in this quarter. This means that we can now move to the next phase in building our future and during the autumn we will mainly focus on two areas. We will firstly start to integrate the other groups' functions across the markets as well as to fine-tune our corporate strategies in all four home markets.
Now looking at the process and the focus areas that we outlined: asset quality; secondly, earnings capacity; thirdly, liquidity and funding; and finally capital. I am very pleased to report that we are getting good traction in management and its co-operation with the business on these areas. Asset quality and our ability to mitigate losses is of course the single most important area to defend earnings going forward. Having fully operational workout units in all markets in place now has of course enhanced our abilities but also our visibility in this area. When it comes to our guidance on asset quality, we stand by the guidance given in Q1 and Göran will talk more about that in his presentation.

We are also taking the necessary steps to right size the organisation due to the declining economic activity. By the end of the second quarter in 2010 we will be 3,600 employees fewer in the bank compared to year end 2008. Already during the first 6 months this year we have taken out 860 fulltime employees and most importantly we have in the quarter been able to reduce risk-rated assets worth 43 billion krona without hurting our franchise or ability to serve core clients in our home market.

Our pre-provision earnings, in light of the environment, has seen reasonable resilience and provisions for impaired loans are in line with guidance given in Q1. Net Interest Earnings have been affected by the economic climate, but we are able to re-price the lending book and will see the positive effects of that in the coming quarters. Furthermore, we have deliberately been very, very conservative in terms of risk-taking in this quarter. We have focused on creating a financial strength that in short we can continue to operate without any limitations, with the effect that we have seen now in Q1 been able to have a more balanced view on risk-taking going forward. Costs are in good control and the capacity adjustments announced in this quarter will help us improve that situation even further.

Looking at the different business areas I would like to start focusing on the good performance in Swedish banking. We are seeing very little of impaired losses and Göran will come back to that. We have been able to keep our market share on deposits and overall had a good environment and done great in this unit during the quarter.

Baltic banking has seen a perfect storm, quick contraction, lots of pricing according to our guidance, but it has been very tough and actually we will dwell more about what we are doing to mitigate that situation.

International banking mainly affected by the Ukraine in operation where the economy has been deteriorating at a fast pace; huge depreciation of the currency, but that is also an opportunity once the economy starts to turn.

Swedbank markets reported another stellar quarter and in asset management business is back to normal after the big one-off in the first quarter.

So, with that I would like to hand over to Erkki, who will go through the results in more detail. Here is Erkki.

ERKKI RAASUKE: Thank you, Michael. Let me then go slightly deeper into the income statements, more detail around capacity and I will also cover what we have been doing around the liquidity and funding area over this quarter.

To start off I would like to bring ourselves back to the first quarter three months ago. Already all of our home markets being in recession, we were reporting then the highest ever net interest income and highest ever net gains and losses. It was quite clear that maintaining this level was going to be challenging in the given circumstances and we were also guiding that most likely we were going to see the lower levels going forward.

Now, over the second quarter we were seeing some of these headwinds also starting to materialise. These headwinds are mostly low interest rates; that is always a difficult environment for any universal bank because deposits cannot be priced any lower than 0%. What we have seen is our volume reductions in some of our geographies, but what we are also seeing is an increased amount of impaired loans and what we are also doing is we are lengthening the maturity profile of our funding. So, that is the combination of what we are calling the headwinds and in a short period of time they are contributing against our results.

If we look to the NII (Net Interest Income) then the change between the first and second quarter has been 560 million and that is why they want to slightly open it up more in the areas of different business lines. Swedish banking as we have already said, has been quite resilient. It is partly helped by the structural interest rate hedge that we have inside the Swedish banking. The Baltic banking over a short period of time is contributing all of these headwinds very heavily and this is also seen on the year-on-year comparisons. The Ukraine was a rather similar situation. Swedbank market was, I would say, over-elevated levels in the NII in the first quarter so in that sense also the slightly lower volumes and also internally we have assigned higher cost of funds so this has been taking the NII of the Swedbank markets lower, so that is bringing us back between the first and second quarter.

Now, what is going to happen further is that obviously these headwinds are not disappearing. Some of them are starting to lose their impact. Interest rates for the last couple was inside of July but the interest rate levels in all of our home markets are already at levels where there it is difficult to see them go any lower. Again, traditionally in a universal bank any increase in the interest rates would be quite shortly beneficial to our NII.

Secondly, the re-pricing of our credit is gaining speed. In a shorter term there is the best outlook perhaps in the Swedish market which is due to its product structure and dynamics. The new pricing of the credit is coming in the quickest. The process is slower in the Baltic banking, partly because of the credit standing and asset quality issues but partly it is because of the structure of the products of our bank and overall in the market. It is also important that eventually in the Baltic banking, or Baltic markets, the expansion or the margin widening should be considerably bigger than it is ever going to be in Sweden.

I was also thinking already that we have been prolonging the maturity profile of our funding and one can see that is another headwind. We have been taking a cautious approach, reducing the risks, so that is a part of the cost also, but we are also very mindful while prolonging the maturity profile, keeping an eye on the costs and what we have been seeing is generally slightly getting further funding conditions and also better pricing for our risk.

So, basically we work hard to enhance the quality and sustainability of the Net Interest Income, lower level of the risk-weighted assets, steadily improving the funding position also helps us to pick more new exposure but more or less improve the other rates credit standings there going forward.

I said we had a higher stellar in gains and losses in the first quarter. This was mostly due to the stellar performance of the Swedbank markets. We have broadly, I would say, repeated that. It's not at quite that level but looking at a longer period of time Swedbank markets have posted another extremely strong result. So, it is probably a sign of the times as well. We see a continuously good trading environment, we see expanding margins, we see slightly less of the competition, we see higher volatility and this is -- even basically being risk-cautious otherwise, we also are gaining out of that.

Another topic also that we discussed back in the first quarter was the historic volatility around our funding and devaluation effects in there and this goes back really a number of quarters. There are two large pools of our funding; one is with Swedbank mortgage, and another is at the parent bank. We have been working to reduce that volatility in Swedbank mortgage to the lower levels. We haven't quite yet reached the parent bank level. So, that is rather unwanted volatility but not the continuous trend in this area so we have seen -- but the funding portfolio and valuation effects gave us a 480 million negative result in the second quarter.

If we look further to the income statements, already also mentioned three transactions which have had an impact in there. We have sold nine branches to the Independent Savings Bank netting 370 million out of that. We have agreed the sale of the shares of Visa International, 320 million and we also have reversed the remaining part of the performance pay reserves in the Baltic banking. We did exactly the same move 12 months ago and the impact of that is 200 million sec(?). So, all in all over 800 million has been contributed to this quarter.

So, we ended the second quarter with a strong 4.8 billion profit before loan loss provisions, which is almost exactly the same spot as we were three months ago.

We have also gone through impairment tests for the Baltic banking goodwill. We have inserted new medium term plan figures in there and with the current financial base case and current outlook it does not trigger the need for the impairment there. So, the goodwill in the Baltic banking has been kept at the current level. We have formed additional provisions worth 6.7 billion. Göran is going to open that up more in detail and we are in the second quarter with a net loss of 2 billion sec.

Also, as promised already in the second quarter we have established some more clarity in terms of capacity, adjustment and capacity needs going forward. Over the first half of 2009 we have reduced -- we have been in that already for some time but we have now done some more work in there so in the first half of this year we have reduced our headcount by 860. We are going to accelerate that now going forward, so we are forecasting to reduce further headcount, particularly in the international banking and Baltic banking arena, over the second half by 1,300 and the process is also going to continue over the first half of 2010 when we think we will take off another !,300.

So, all in all, as Michael mentioned, from the end of 2008 up to the second quarter of 2010 the reduction is over 3,600 people. From our peak, where we were exactly a year ago, which was more than 22,000 people working in our organisation, we have by the second half of the next year we have gone down by more than 4,500. We have been open and we are still open in terms of the staff functions in our capacity needs in there; as you can see, there has been some increase in there over the first half. This work is still ahead of us and will be back with more clarity in that. It is also a very sizable part of the organisation. Some of the areas due to the cycle and where we are right now need further strengthening, but we also see some of the improvement possibilities in some of these areas still but we will be back on that with more details.

Let me move onto liquidity and funding. That is another area of hard work over the last three months. We have done some baby steps towards improvements. We have listed liquidity levels to the historic high which is, I think, mostly saying that we have not taken any chances really again over the last quarter, so as it is standing now the shortened liquidity buffer is at 250 billion.

The funding is through the state guarantee programme and that is the primary vehicle currently for us in terms of the funding has been working really well and part of the reason that it is working so well is also that we are making up for quite a heavy share of this programme utilisation where one sign of that is that in the beginning of May we reopened our USCP programme with the ambition of increasing it to $1.5 to $2 billion over the coming few months. What we saw is a major appetite over the coming four months climbing up to 8 billion and now we have been using some of these funds also reducing our positions with the Riksbank and other central banks.

We also managed to issue, after quite a time gap -- we did a good transaction to the international (inaudible) markets. The last time we were there was almost a year ago, or slightly less, so this is the unguaranteed part now. So, also these markets are slowly step-by-step becoming better.

I will then (inaudible) that our average maturity profile will have been prolonged. We do it carefully going forward. Over the last six months it has been improved by four months and that is the trend we will seek to continue.

Here I guess we should move onto asset quality. Göran please.

GÖRAN BRONNER: Thank you, Erkki. I have three areas that I wanted to cover today. One is asset quality, how it progressed during the quarter and a little bit of prognosis going forward. The second area is to give a quick where we are in terms of the work in the workout unit and what we are doing in repossessed assets. Lastly, I would like to give you a little bit about the capital efficiency programme that we are running within the bank.

So, moving into asset quality. I think it is fair to say that impaired loans developed as expected during the quarter. They came in at 9.7 billion, which is a few hundred million more than last quarter, but very much in line with what we thought. Beneath that number there is of course a number of stories to tell. Perhaps the most important for us is that the Swedish and Estonian banking operation developed better than expected. I think going back three months from now we would have expected to see much more problems arise with (inaudible) in Sweden but we see a number of covenant breaches, we see a moderate increase of the watch list, but overall I think the quality is very good and it is of course very much helped by the macro and the low interest rate in my mind.

Moving to Eastern Europe; Latvia, Lithuania and the Ukraine are experiencing very severe downturn and that is the area where we see most of the increase in our impaired loans as a result of that. We have reached levels in the portfolios that are very high, I would say; it is 18% in Latvia and 24% in Ukraine. Of course these two countries have been hit the most from a macro perspective, but also the credit bubble preceding this downturn went further. Overall in the impaired loans, 20% is related to private individuals while 80% is related to corporate exposure, which is expected.

Going forward with regard to provisions of these, I think that the quarter has given us somewhat increased disability. In the last quarter we did 3.7 billion in group collective provisions and in this quarter we have done 1.5 billion in group collective provisions to maintain the provisioning ratio in Ukraine over 100%, which I will come back to in a little bit.

The impairment losses for the quarter was, as Michael said, 6.7 billion. Provisioning ratios in the Baltics are kept at 50% at this stage and total provisions in the group has reached 18.8 billion. Actual write-offs are still quite low in comparison, 534 million krona, but it still shows that it still early days in these sites, so even though we have provided a lot of money actual write-offs have not really materialised. Going forward, we think that after workout units get up to speed we will see more individual impairment losses being materialised during the third quarter and that will be met by that we dissolved some of the group provisioning we now have done in the first half of the year.

Guiding on this area is of course an interest, I would imagine. We said in the first quarter that we think that impaired loans will level off during the second half of this year and we stand by that guidance. During the first half of the year we had almost 20 billion in impaired loans and we think the second half of the year will be less than that number. We also stated that the provisioning ratio through the cycle would be 30% to 50% over a number of years and we think that is still valid. We are now a quarter into it and we see a lot more of the restructuring of problematic loans and the collateral but we still think that overall provisioning ratio should be 30% to 50% of the cycle(?).

Today we are currently, as you saw on the previous picture, at 63% in the group, so gradually as the time goes and the process continues we will start to move the provisioning ratio down and the trigger points for that will be that we see the expected slowdown in impaired loans, or we get the best of visibility with regards to the collaterals that we are taking over and repayment capabilities.

Now, moving into restructuring work. I think the quarter has really been intense in building resources in this area to handle all the problems. By the end of August we will reach 300 persons in this area of which a little bit more than 200 would work with Baltic, roughly 40 with Ukraine and another 40 in Sweden. We continue to separate good from bad in order to secure good duality of things and that we have the right competencies in dealing with these borrowers and helping them. We are establishing action plans for every borrower and we are in dialogue with every borrower. It is very time consuming and this work will continue for many, many months.

We have created special fee(?) structures in order to take over collaterals when needed and we also created special credit committees in order to be quick and have the right competencies when dealing with it. Then to dwell on differences between countries. I think the Ukraine is a very special case. We have extremely low visibility there. It is a very weak legal system. The macro situation is one of the toughest ever and also the political situation is somewhat in limbo. They have elections coming up after year end.

In Sweden on the other hand I think this quarter gives us confidence. We have problems, as I mentioned. They are related very much to suppliers, to the car and export industry, smaller exposures and a few big covenant features but overall we feel more confident there. In the numbers for this quarter also we have taken a write-off which is quite big, so the distribution of the numbers is even better than you can see.

We have seen a lot more interest in the last quarter in buying assets from us from various bargain hunters from aboard or in Sweden and I just wanted to say that the management and the board is really into safeguarding long-term value for the shareholders and being long-term with things that we have to take over real estates. When it comes to commercial vehicles, that is something that will be shown over and I will come back to that.

So, repossessed assets; it is really early days, as we can see from this draft. The big increase so far has really been in the transport sector which is passenger cars and commercial vehicles and the good thing here is that during the quarter it has been a good interest to buy passenger cars as well, so we are receiving more, but we are also selling quite a lot. So, this part of the story will be short-lived, I think.

Going forward though, I think we will see more repossessed assets in real estate, starting now and speeding up in the second half of the year and into 2010. So, in this area we are securing staff with competencies to handle these assets.

Risk-weighted and capital management. Capital efficiencies has really been a good part of the story for the quarter, I think, and the bank. We have been able to reduce risk-weighted assets about 43 billion which is much more than management could have hoped for when we started off the programme, but I think it shows the strength once the message comes through to 22,000 people working it really -- you can achieve something. Of course it is a mixture of things that are non-recurring, like we have down at Swedbank Finance has gone higher B(?) with 10 billion. We have seen decreased volumes and we have also made improved processes and improved the collateral position towards our borrower.

Going forward in this area we can continue to reduce risk-weighted assets and it is a combination really of continuing to improve processes and collateral positions within the bank and continue to focus on the core clients. So, without hurting the core franchise, or the core clients, I think the efficiency programme can continue and also leave room to lend money to some of our core clients of course.

I will just end up with this slide showing the capital situation of the bank. I think we started this quarter at 9.4. We had a negative result. We got some help form a dividend from the insurance company. We got huge help from the risk-weighted assets reduction which made the bank end up at the 9.8 core capital situation which is higher than at year end and then you must consider that during the period we have taken credit provisions of 13.5 billion and currently of 30 billion in impaired loans, so I think it is a show of strength.

MICHAEL WOLF: Thank you, Göran. Last time when we met we stated quite clearly that our ambition is to get out of the state guaranteed programme and if we look at what we have focused on, basically the four areas we have touched on and Göran has talked about it also, and Erkki has commented. So, we have deliberately been very conservative on risk in order to take the necessary steps towards being self-sufficient when it comes to funding.

We were also addressing this corporate strategy. We want to be a more balanced bank, have a better balance between loans and deposits, we are going to favour customers that want to share their residual business in the cash management market and not only see us as a provider of loans.

So, I am very confident after this quarter that our organisation has an enormous capability to deliver on these four focus areas and will continue to work hard during the second quarter to get to the target of being self-sufficient in funding. So, with that I would like to hand over to Thomas who will open the floor for Q and A.

THOMAS: I guess we have two microphones. So, do we have any questions?

MALE SPEAKER: Yes, hi. I have a question on re-pricing. You said in the presentation that re-pricing is gaining speed. Firstly, I was just wondering, looking at NII and the mortgage operations you are up more than 30% quarter-on-quarter and volumes are up 2% to 3%. Is the rest pure margin effect, or is there some treasury impact or something in that NII, or is it a clean NII in the quarter?

ERKKI RAASUKE: Once again, the question was about Swedbank mortgage?

MALE SPEAKER: Swedbank mortgage, the improvement in NII. The significant improvement quarter-on-quarter of more than 30%.

ERKKI RAASUKE: Yes, it is clean NII. There has been an increase before that and there has also --

MALE SPEAKER: Two per cent, so is the remaining increase more than the re-pricing?

ERKKI RAASUKE: Not entirely. Yes, to be clear on that, not entirely. A part of the -- if you see also NII of the whole group there wasn't the change but there is a certain amount of the negative NII also accumulated at the group treasury and this is basically the higher funding cost which has not been at that point in time posted forward to the business areas. So, it is not entirely. I can't clarify at that point exactly.

MALE SPEAKER: Okay. On the corporate side, can you just talk us through the potential re-pricing effects going forward on the corporate book in Sweden, given the end maturity you have on that? What do you expect there going forward?

ERKKI RAASUKE: On a general note the corporate demand for new lending has been extremely low in all markets so that is the starting point, and what we are doing when we have an opportunity either at commencement or extension of loans we are revisiting the pricing to reflect base environment. So, that is an active measure, and then we are also looking at the relationship. We don't want to be bank number four and five and just have lending; we want to be a relationship bank, we want to have a broader partnership with our clients, so that's how we look at this.

MALE SPEAKER: What is the maturity of the corporate lending book in Sweden?

MICHAEL WOLF: I don't have the details with us, but let's come back after the presentation.

ERKKI RAASUKE: It turns around quite quickly. Basically the end maturity is less relevant than it is to the covenant adjustments or to whatever other adjustments in a contractual agreement. I think it's fair to say that broadly the corporate portfolio turns around with around 12 months in general. Now obviously there are parts which are turning around much quicker and turning around here I mean putting us back at the table, reviewing the terms. Obviously if there is a ten-year provided real estate financing and no breach in the covenants then this cannot be re-priced, but (inaudible) corporate portfolio as a business model turns around within about 12 months.

MALE SPEAKER: Would you start to see an impact already during the second half of this year?

ERKKI RAASUKE: Yes. We are seeing an impact already but what I was saying is that we are expecting it to gain speed, but also because of the general funding profile then the impact through the increased cost of the funding has been coming in quicker.

MALE SPEAKER: Thank you.

THOMAS: Do we have another question up there?

MALE SPEAKER: Given your macro and the structuring work that you are conducting currently, when is it fair to assume that Net Interest Income will grow from lending and deposit margins and volumes, all taken together? That's the first question.

The second question relates to funding and the impact on Net Interest Income. Should we expect continued expansion of the overall funding profile in the coming quarters and if credit markets are unchanged, what kind of impact will this have on Net Interest Income?

GÖRAN BRONNER: I'll start with the second one, and it is going to be a balancing act by all means. I think that having so many of the moving parts in this situation it is difficult to forecast what it is really going to be, but our ambition is to prolong the maturity profile further, but again doing it as a balancing act with the costs. So, I will not give a guidance or quantify where and what it is going to be.

On your first question I wanted to be quite clear that if we see the NII developments and also margin developments going forward is that we were peaking in the first quarter and even all of the home markets being in recession we were showing at the highest point. One could say that you are almost partly (inaudible) in a short period of time, so this is not going to be repeated. I think that we should actually look -- going forward we should look less to absolute levels of the NII, what it was in Q1 or Q2, but what is going to be the balanced picture, what is going to be the inside quality of the NII and also very much the NII in combination with the risk-weighted assets growth going forward and what the combination is in that. Will the lending market expand? Absolutely, there is no question about that and this is not any of their phenomenon of Swedbank, but that is the global thing.

What comes to the deposit margins, here I think the outlook is going to be a bloody battle for the deposits in all of our home markets. So, we are the largest franchise holders in Sweden, Estonia, Latvia, Lithuania, when it comes to deposits and particularly the local currency deposits but we have ambition to improve the deposits ratio further from the current level step by step, but I think that our (several inaudible words) ambition.

MALE SPEAKER: Thank you.

THOMAS: Another question up there.

MALE SPEAKER: Yes, hi. A couple of questions. First, more of a long-term question perhaps. If we look at the Baltic region and Ukraine, that is roughly 30% of your revenue base, how should investors view this going forward, maybe not in 2010 or, say, the end of 2010 or 2011, given that these regions at least the Baltic seem to contract by say 25% or 30%? So, I guess that should have an impact on the revenue base. How should we view this as outsiders? That is the first question.

The second question is on your own indication that you perhaps will dissolve collective provisions in the second half. I wondered why you take that decision, that is the question, given that we are getting more and more indications from the commission that while implementing dynamic provisions and similar new regulations which actually work in the exact opposite direction, so just curious how you have come to that decision really.

MICHAEL WOLF: I think I will start with the general question and then we will turn over. I think you need to divide emerging markets with Europe and for me Ukraine is still an emerging market whilst the Baltic states have fully adoptable EU roles on repossession rights, legal systems etc. So, I think they are totally separate and can't be put in one basket. If you do that I think you do a major mistake when you assume what the future holds in terms of opportunities.

So, we have a long-term view on the three Baltic countries and we believe that they will do well at home markets for us and as they come through this crisis, and it will take time, they will be a good compliment to the Swedish home base where we started our journey 190 years ago.

Ukraine, as alluded to, is a very difficult environment as we speak, however, if you look at it from a macro point of view they have depreciated their currency, they have a good steel industry, they are strong in agriculture, so once the economy turns around they could actually turn around very much quicker from an economic sense. So, these cases are different.

MALE SPEAKER: Okay. Group collective provisions then. I think this crisis came very speedily and it came everywhere and it exploded in the first quarter and it's continued in the second quarter. It's quite easy to see the direction for doing collective provisions but you say that on a macro basis you're going to have a lot of problems but you cannot see it in your individual companies yet because they haven't responded and you can't have numbers from them and so forth. So, I think it's very logical you do collective provisions to be sort of conservative and take in (inaudible) for the problems coming then once you work through and you start to meet the clients, you start to identify which sector, which region, you become more precise where the problems come up. Then you do individual impairment losses and then it's quite natural to dissolve that against the collective as you did. It's a normal way of treating this. Then I think the various initiatives being discussed on how to capitalise banks in the future where they talk about dynamic provisioning and having higher capital ratios and so forth. I think it's too early to state where we're heading in that direction. It is two different things really.

MICHAEL WOLF: I mean, we make the reserve on a commercial basis and not presume political efficiency that hasn't been taken, so that's the simple answer to that as well.

THOMAS: Do we have any further questions? One more there.

MALE SPEAKER: Yes. There were perhaps a couple of those questions before, but just one that's very difficult to say, but do you have any opinion about your funding structure versus your peers? Are you better or worse funded today, or is it even impossible to say anything because I can't certainly?

MICHAEL WOLF: I don't think we focus on our peers, we focus on our own situation and I think there is probably not many banks in Europe that has extended their funding profile during this quarter and we have taken the opportunity under the state guarantee to do exactly that, but you need also to remember where we came from. We had a very short funding profile versus our peers and that played into our hands in the past from an earnings point of view what we want to do is to have a better balance and less concentration risk in the funding profile to have a good resilience for whatever happens out there. So, that is our ambition and that is how we have acted.

MALE SPEAKER: If I interpret you, you say that you still think you have a little bit shorter funding structure than your close peers?

ERKKI RAASUKE: If I can take this one. We actually have done a bit of the work to figure out this of where our peers are standing and unfortunately I have to say the visibility is not there. So, the best advice I could give is please ask the same question on the consecutive meetings coming up over the coming four days and take notes so that we know. I mean, (several inaudible words) nobody really knows. I think every bank absolutely knows what they are doing but the level of willingness to disclose that and there are probably more of the incentives coming up with the ECB transaction. Also, if we see the recent Riksbank transaction they definitely have been offered through the market to vitalise the economy but I think a quite sizable part of that is probably just going (several inaudible words) which is not the core meaning of bringing the money. So, that also probably partly explains why the visibility is low and why it is actually kept low. We don't know.

MALE SPEAKER: I have another question also about coverage ratio; when in time do you expect it to be 30% to 50%? Is it the cycle, or is it just some overall -- like 20 years, or so?

GÖRAN BRONNER: No. During the cycle. When you come to find the cycle it depends how long the cycle is of course. We will start to decrease it in a conservative way, I think, once we feel that it is levelling off.

MALE SPEAKER: If I do a mathematical exercise and say, let's say you have 40% coverage ratio at the end of this year and --

GÖRAN BRONNER: Overall?

MALE SPEAKER: Yes. And impaired loss increase by 20 billion in the second half, then you can take zero in dollars in the second half.

GÖRAN BRONNER: If you do the math that would be correct. That is highly unlikely.

MALE SPEAKER: But that is what I wonder. When in time? Because I assumed that when it all started at 50% that sounds reasonable on a Swedish portfolio, but on a Ukrainian portfolio I guess --

GÖRAN BRONNER: Absolutely correct, but I mean if you take Sweden in the early 1990s they were in the low 30s. That's why we say 30% to 50% because we are not really certain how things will pan out in the Eastern European area. I mean, the Baltics we feel of course much more certain or confident in that it's not -- I mean, the real emerging market is Ukraine. It's a big difference between Ukraine and the Baltics but there's also a difference between the Baltics and Sweden, but we feel confident that 30% to 50% will hold considering what we're seeing at this point in time, but we will start moving gradually, I would say.

MALE SPEAKER: Is that 2011 or something?

MICHAEL WOLF: We don't give those type of forecasts and that's why it's so great to have (several inaudible words).

THOMAS: Do we have another question there?

MALE SPEAKER: Yes. I was just wondering if you would maybe could just try to give us some more flavour on the impaired loan growth guidance in terms of what geographies, what sectors and so on do you expect the impaired loan growth to actual level off, and in what sectors or geographies do you perhaps expect it to actually increase a bit during the second half?

Then a second question regarding the (inaudible) situation. If you are going to start asking questions of each and every bank this quarter (several inaudible words) how much central bank funding do you have, and how much state guarantee do you have? Would you be willing to answer that question?

ERKKI RAASUKE: Yes. Our portfolio with the Riksbank was -- Göran, you may need to help me. We were close -- we were at the high --

GÖRAN BRONNER: (off mic response)

ERKKI RAASUKE: One hundred and sixty something, yes. Basically, we are currently, as we also demonstrated in the overall liquidity standing, we are propped up probably more than we should be so the more of the late transactions with the Riksbank coming due, so we are actually paying them now. That is the current outlook. We have been reducing them. We have been reducing our central bank dependency.

MALE SPEAKER: State guaranteed volumes, are those the 227 billion from last quarter, plus the $8 billion that you switched from central bank funding to state guaranteed?

MICHAEL WOLF: Oh, you mean the state guaranteed loans for both short-term and long-term?

MALE SPEAKER: Yes, exactly.

MICHAEL WOLF: I mean, this is split in the report.

ERKKI RAASUKE: We were close to that. At the time when Riksbank was out with their report at the end of May then we were -- the Riksbank was reporting that their utilisation of the programme was about 330 and our piece of that was 298 all in all and it has been slightly now increasing since and our total capability to utilise the programme is around 540 and we have also the remaining -- we have in terms of long-term funding still to get done is only 25 billion so we are -- in a way we can say that with the funding, if we chose to, we are pretty much done for this year.

GÖRAN BRONNER: Well, your first question and the short answer is no we are not prepared to give you any more but we state that we think it will be less than approximately the 20 billion we have now, but we don't want to put a number on it. In terms of (inaudible) I think it will fall more or less what we are seeing now based on the information we have now. Of course we have a cautiously optimistic view on Sweden. I mean, it's fair to expect, given the unemployment in the macro that it would increase, but on the other hand we see positive signs in the real economy as well. So, possibly cautiously optimistic.

MALE SPEAKER: Might I post a further question on the funding side? You mentioned during this presentation that you are aiming for a better balance between loans and deposits and you are also saying that the 18-month duration on wholesale funding should probably come up. Eventually, what kind of target are you heading for on those two items?

MICHAEL WOLF: I think the directional guidance is what is key right now and we are in early days. I think what we have achieved in this quarter is more about the financial situation that gives us more room to participate and support our core clients, but the direction is definitely right. Remind yourselves where we were five years ago. Swedbank has doubled its lending portfolio in the last five years and that was some very strong economical years that proved to be too strong. So, I think there is room to do quite a bit, but we need to be careful and we will never, ever touch our core franchise. This is where we think we have extended credits where there is no other residual business that could make up a reasonable relationship and then we will take the consequence of that but this would also enable us to be even stronger with our core clients and that is where we want to be, so there is no rocket science here. It is purely straight forward banking.

ERKKI RAASUKE: If I could just add to that. I think the long term direction is clear, as Michael said, but it is also a matter of balancing pricing and volumes here and I think most banks would probably agree if you said that the pricing internally for money today is too low, relative to how the market is and if you think that the current market pricing of money is going to be around for a while I think it is fair to say that loan demand will go down. So, that needs to be taken into consideration so it is not a simple factor of what we do but that is going to work in the right direction as well.

THOMAS: Do we have any further questions? So, no more questions.

MICHAEL WOLF: Then I wish you a great afternoon and hopefully some of you might go to holidays, so thank you for attending.