

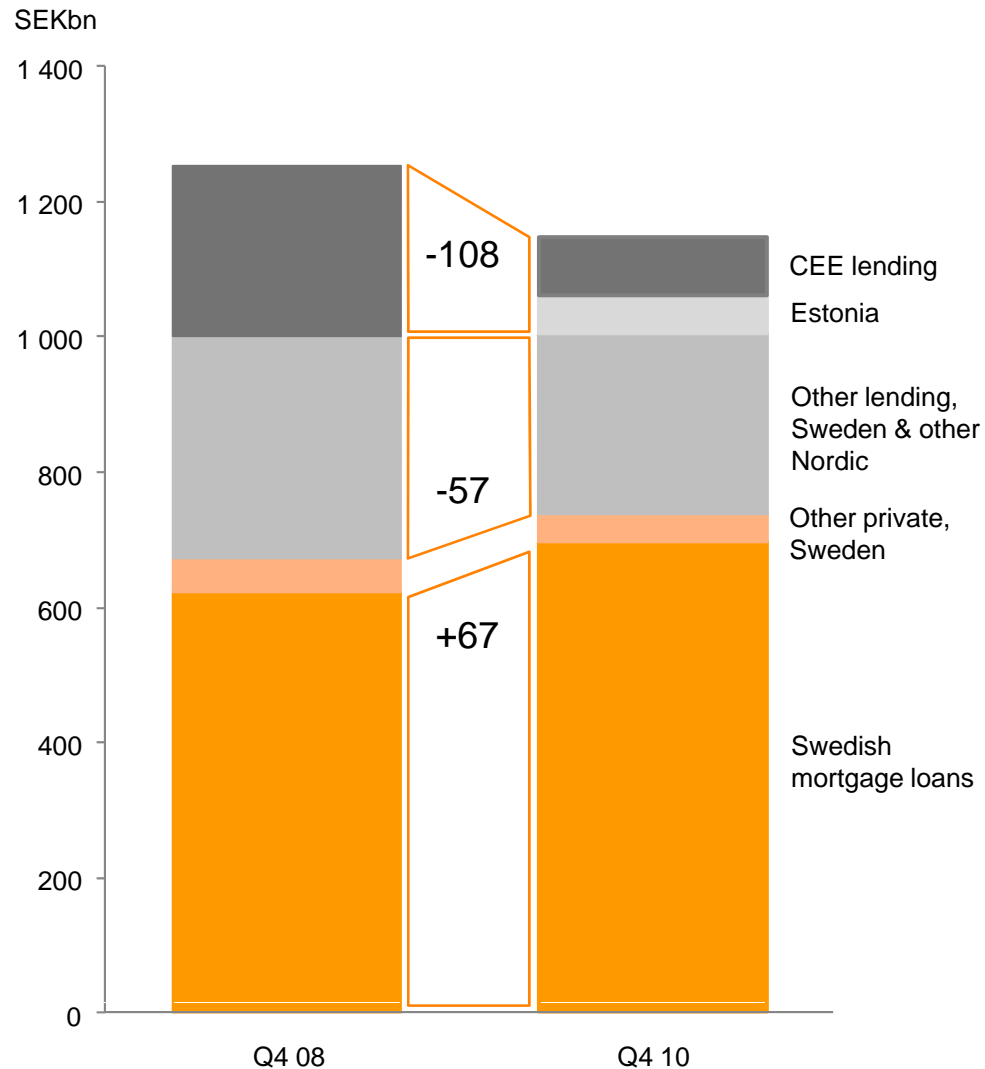
# Low risk – strong capitalisation

Göran Bronner, Group Chief Risk Officer



## Risk

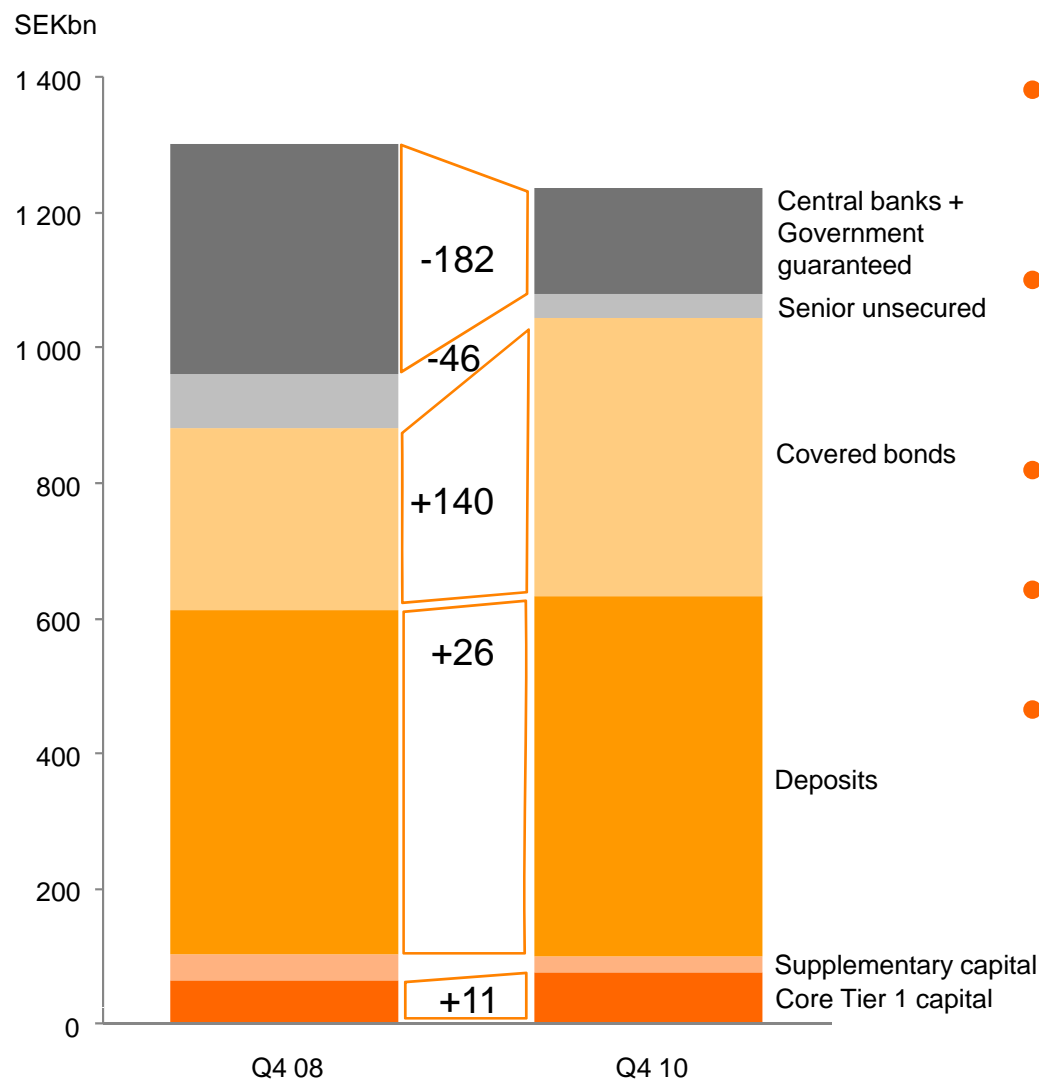
# Assets – significantly reduced risk level since Q4 08



- Estonia joined the EMU, 1 Jan 2011
- RWA reduced from SEK 697bn to SEK 541bn
- Reduced need for unsecured funding of about SEK 150bn

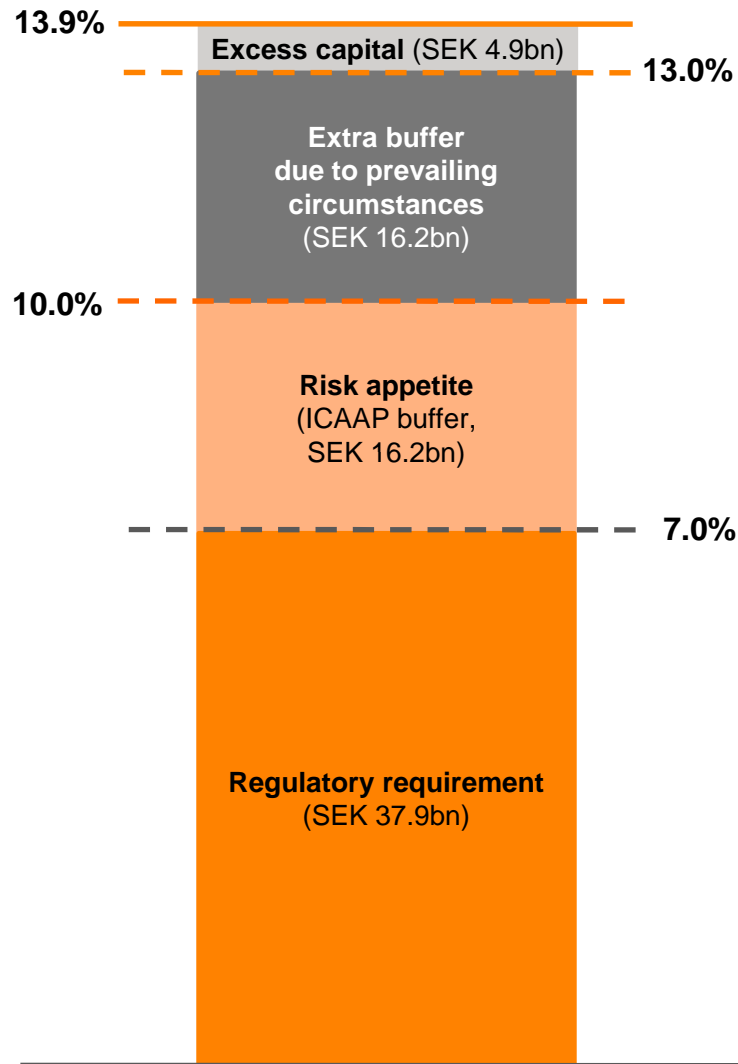
## Risk

# Liabilities – significantly reduced risk level since Q4 08



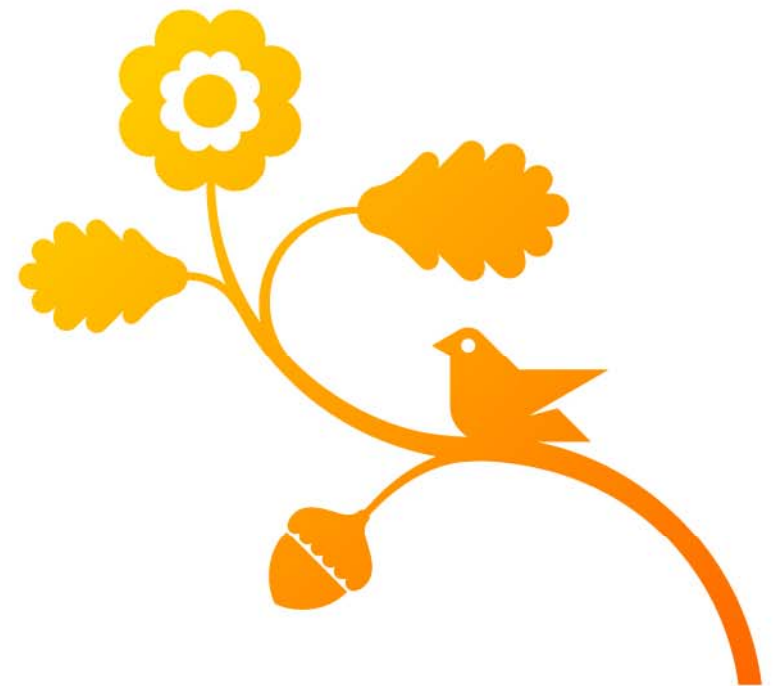
- Increased use of stable and efficient funding sources
- Issued SEK 365bn since second rights issue
- Maturity extended significantly
- Liquidity buffer established
- Limited, if any, need for unsecured funding

## Capitalisation – solid to meet risk profile and uncertainties

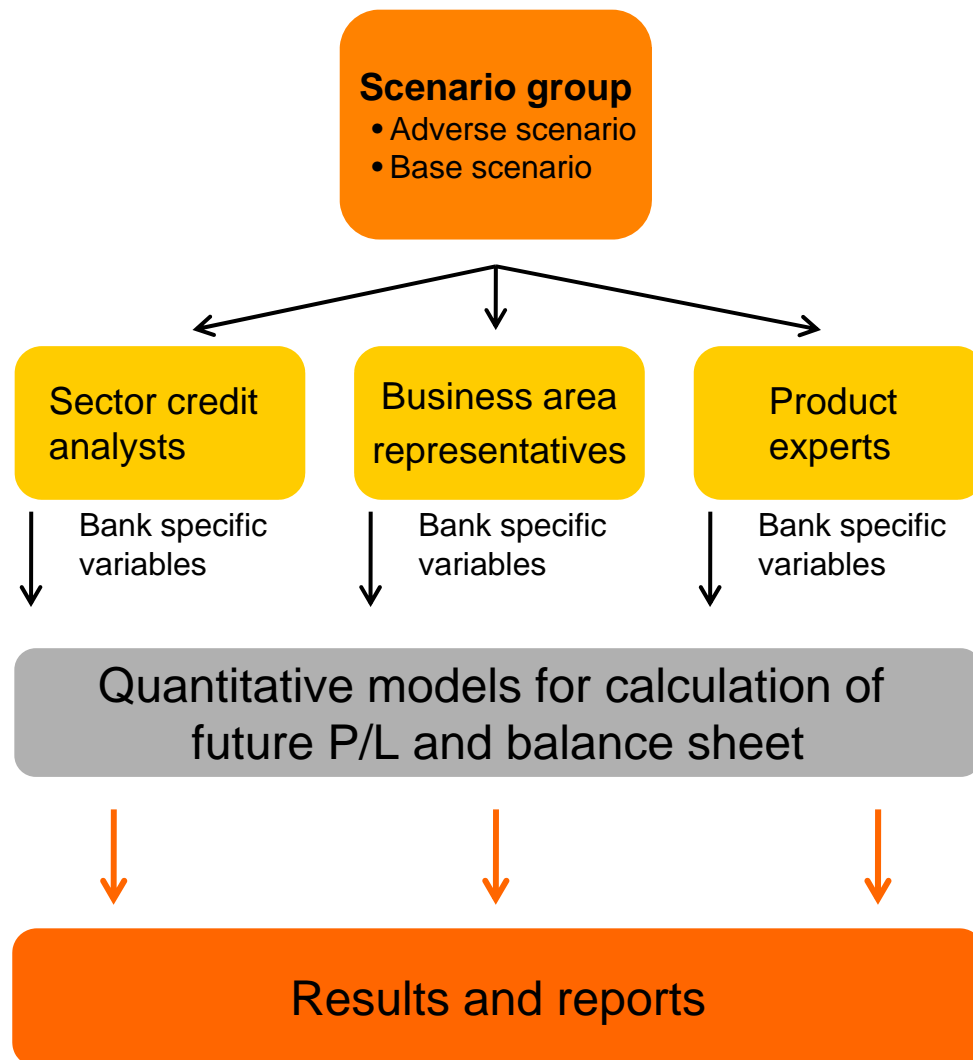


- CT1-ratio to stay above 13 per cent until 2013
  - Perception
  - Unclear regulatory framework
  - Uncertain macro economic environment
- Long-term CT1-ratio of at least 10 per cent
  - CT1-ratio to stay above regulatory minimum in ICAAP (stressed) scenario

# Internal Capital Adequacy Assessment Process (ICAAP)



## Comprehensive ICAAP scenario model



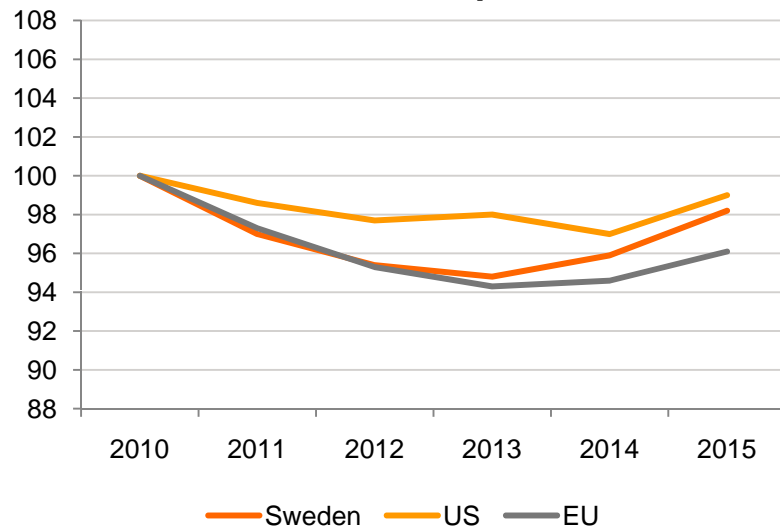
- The process involve a wide range of expertise
- Partly an iterative process at each level
- The exercise takes about ½ year
- Board of Directors approves adverse scenario and final results

## 2010 ICAAP – “The Double Dip Scenario”

### Triggers

- Financial crunch 2008 followed by weak recovery
- Negative GDP growth in EU
- Recovery fails and forms a second crisis - the global economy falls back into recession in 2011

### ICAAP 2010 - GDP development



### Outcome

#### Sweden

- Negative GDP and CPI for three consecutive years, 2011-2013
- Unemployment rate goes from 11.1% in 2009 to 20.2% in 2013
- Real estate prices drop 15% two years in a row
- Swedish krona depreciates 25% against the euro

#### Baltic countries

- 30% devaluation in Latvia and Lithuania during early 2011
- Estonia joins the euro in 2011 but at a 15% depreciated exchange rate
- Negative GDP growth in all three countries during 2011-2013
- Unemployment reaches above 20% in Latvia and Lithuania, 15% in Estonia

## Risk

# ICAAP 2010 – Scenario model results

Income statement (SEKm)	2009	2010	2011	2012	2013	2014	2015	Total 2011-2015
Profit before impairments	16 934	10 356	17 787	8 027	10 167	9 351	10 908	56 241
Credit impairments	24 641	7 485	25 823	12 811	10 284	5 810	4 248	58 976
Net profit	-10 247	1 331	-8 035	-4 784	-116	1 642	3 087	-8 207

(SEKm)	2009	2010	2011	2012	2013	2014	2015
Risk-weighted assets	603 431	609 809	587 709	555 462	531 872	520 878	518 853
Core Tier 1 capital	72 471	73 509	60 938	54 158	54 109	55 786	58 914
Core Tier 1 capital ratio, %	12.01	12.05	10.37	9.75	10.17	10.71	11.35

- Core Tier 1 capital ratio troughs in 2012
- One-off positive effect in 2011 from devaluation in the Baltic countries
- Lending volumes decline over the scenario, decreasing NII and risk-weighted assets



## Focus on proactive risk management

- Continue work with FRR/Ektornet
- Further develop risk appetite expressed by Board of Directors
  - Secure decision at "right level"
  - Steering tool for business
- Credit portfolio management
- Monitor mortgage market
- Transparency