

# Year-end report 2009

## 9 February 2010

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## Progress made in 2009

- Reduced CEE exposure
- Restructuring units established (FR&R and Ektornet)
- Capital strengthening through rights issue and managed risk weighted assets
- Improved funding structure
- Enhanced organisational and governance structure

## Results by business area

# Q4 update

### Swedish Banking

Continued solid performance, strong growth in deposits, low credit impairments

### Baltic Banking

Lower total income due to contracting economy, lower growth rate in impaired loans

### International Banking

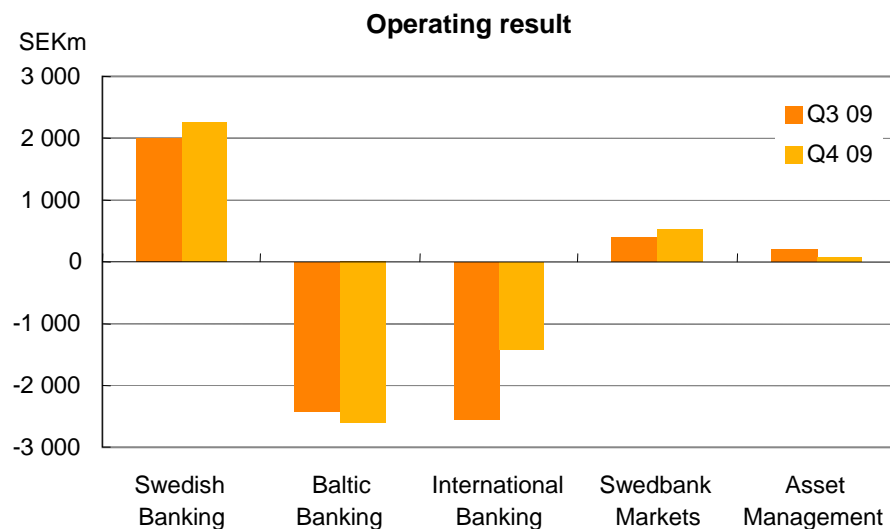
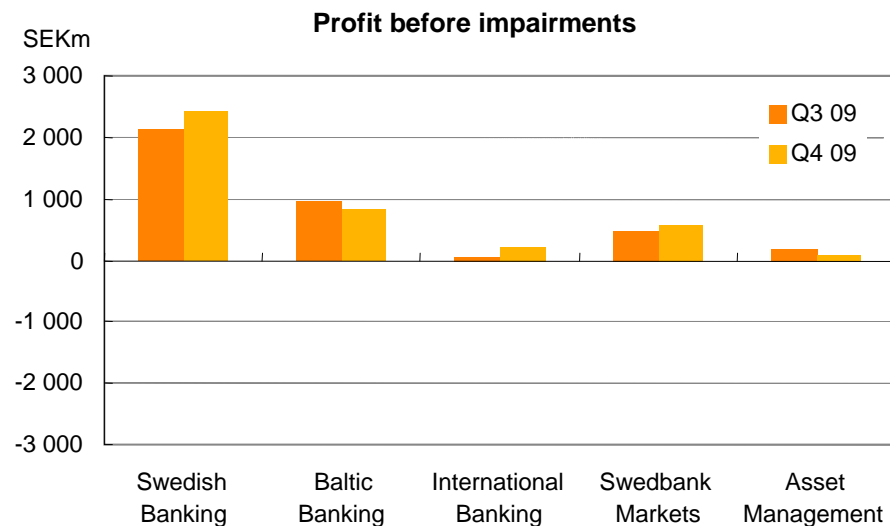
Slowing credit impairments in Ukraine, Russia weaker, further capacity adjustments

### Swedbank Markets

Strong year, weak trading in Q4

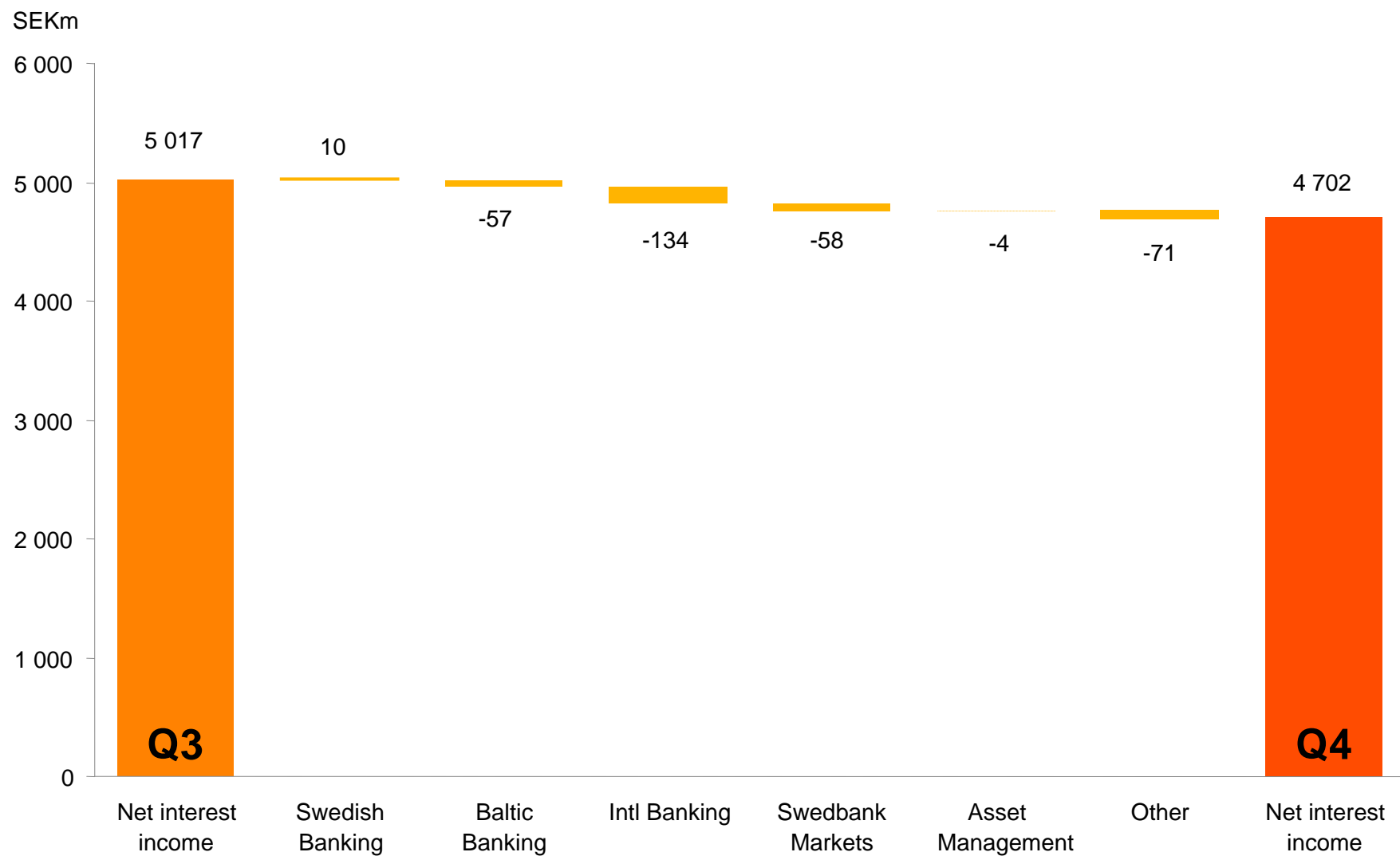
### Asset Management

Continued positive trend in new sales



## Net interest income

# Continued headwinds in net interest income



## Net gains and losses

# Slow quarter in trading

- FX gains in Ukraine SEK 82m
- Slow trading in Swedbank Markets
- Inefficiencies of hedge accounting and repurchase of own debt in Group Treasury

SEKm	Q4 09*	Q3 09	Q4 08
Swedish Banking	96	-233	834
Baltic Banking	88	196	-3
International Banking	143	-197	228
Swedbank Markets	59	268	335
Asset Management	2	18	-20
Shared Services and Group Staffs	-167	35	-156
Ektornet	2		
Eliminations	0	0	26
<b>Swedbank Group</b>	<b>223</b>	<b>87</b>	<b>1 244</b>

\* Excluding capital gain of SEK 39m (sale of Aktia shares SEK 24m and of Tallinn Stock Exchange shares SEK 15m)

## Costs

# Capacity and expenses development

- FTE reduction ahead of plan
- SEK 389m reserves of variable remuneration reversed in Q4
- Variable remuneration expenses down from 2008 by SEK 920m
- Risk management and restructuring related expenses increasing in short-term
- Day-to-day operations expenses will be lowered further

<b>FTE reduction</b>	<b>plan H2 09</b>	<b>actual H2 09</b>
Swedish Banking	0	-102
Baltic Banking	-690	-860
Intl Banking	-660	-821
<b>Total</b>	<b>-1 350</b>	<b>-1 783</b>

## Fourth quarter results 2009

# Income statement

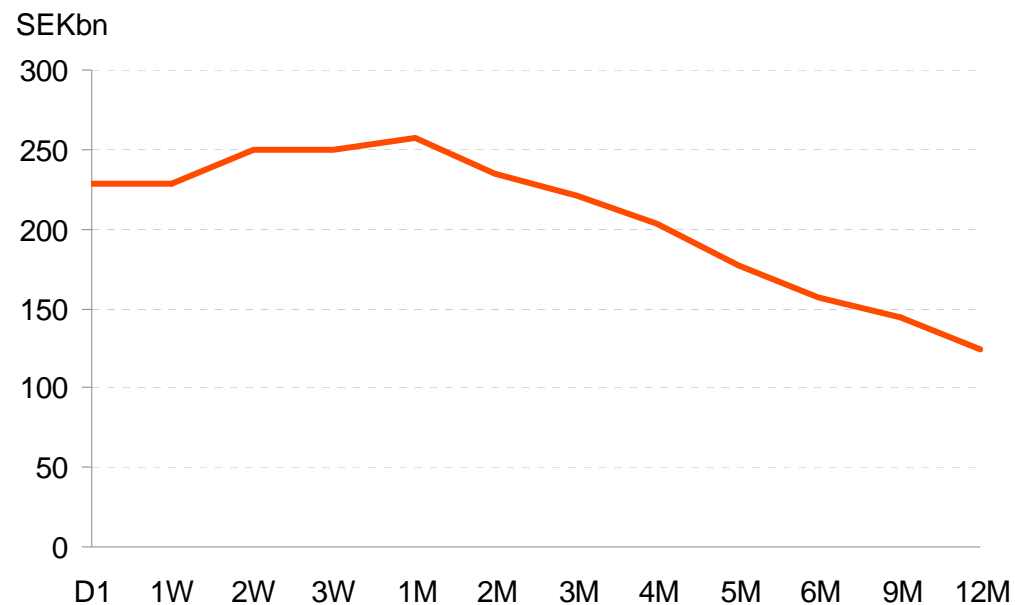
SEKm	Q4 2009	Q3 2009	Change
Net interest income	4 702	5 017	-315
Net commission income	2 273	2 208	65
Net gains/losses on financial items, fair value	223	87	136
Other income	784	830	-46
<b>Total income</b>	<b>7 982</b>	<b>8 142</b>	<b>-160</b>
Staff costs	2 319	2 241	78
Profit-based staff costs	-389	207	-596
Other expenses	2 370	2 078	292
<b>Total expenses</b>	<b>4 300</b>	<b>4 526</b>	<b>-226</b>
Profit before impairments	3 682	3 616	66
Impairment of tangible assets	352	77	275
Credit impairments	5 003	6 121	-1 118
<b>Operating profit</b>	<b>-1 673</b>	<b>-2 582</b>	<b>909</b>
Tax expense	115	734	-619
Result for the period	-1 788	-3 316	1 528
<b>Profit for the period attributable to: Shareholders of Swedbank AB</b>	<b>-1 804</b>	<b>-3 337</b>	<b>1 533</b>

## Liquidity & Funding

# High liquidity maintained

- Survival period further increased thanks to long-term funding issuance
- Need for short-term funding continuously reduced as loan-to-deposit ratios improve
- Liquidity managed from a long-term and cost efficient view

**Stress test of liquidity as of 31 December 2009**

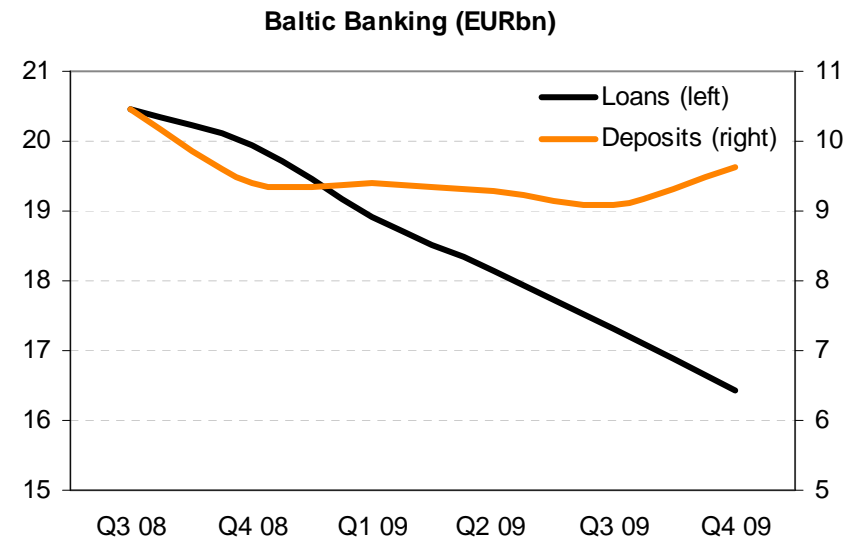
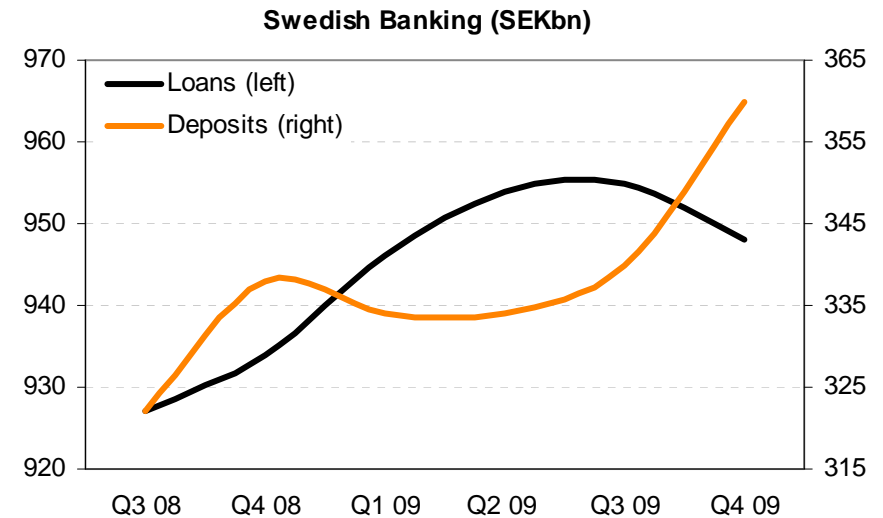




# Liquidity & Funding

## Loans and deposits development

- Good growth of deposits
- Loan/deposit ratios improved in all business areas
- Quality of funding improved



Loan/deposit ratio	2008	2009
Swedish Banking	279	263
Baltic Banking	204	164
Estonia	176	150
Latvia	292	243
Lithuania	182	135
<b>Group</b>	<b>262</b>	<b>240</b>

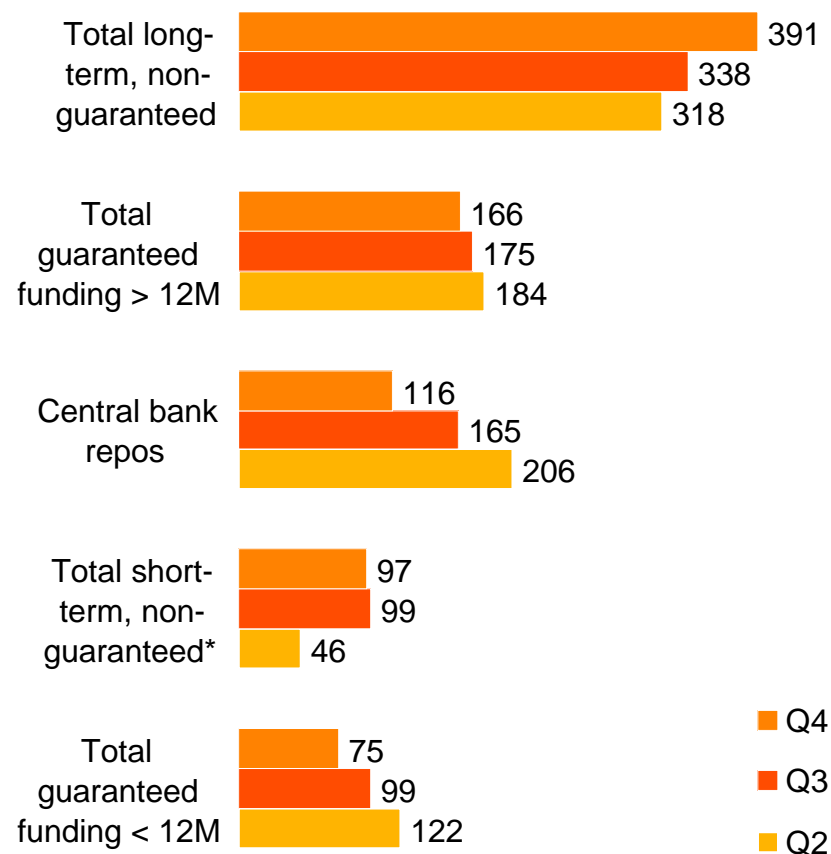
## Liquidity & Funding

# Improved funding situation

- SEK 66bn of long-term debt issued during Q4 (and another SEK 30bn during January 2010)
- Central bank repos down to SEK 116bn
- Average maturity of full wholesale funding further extended to 22 months (>36 months for covered bonds)

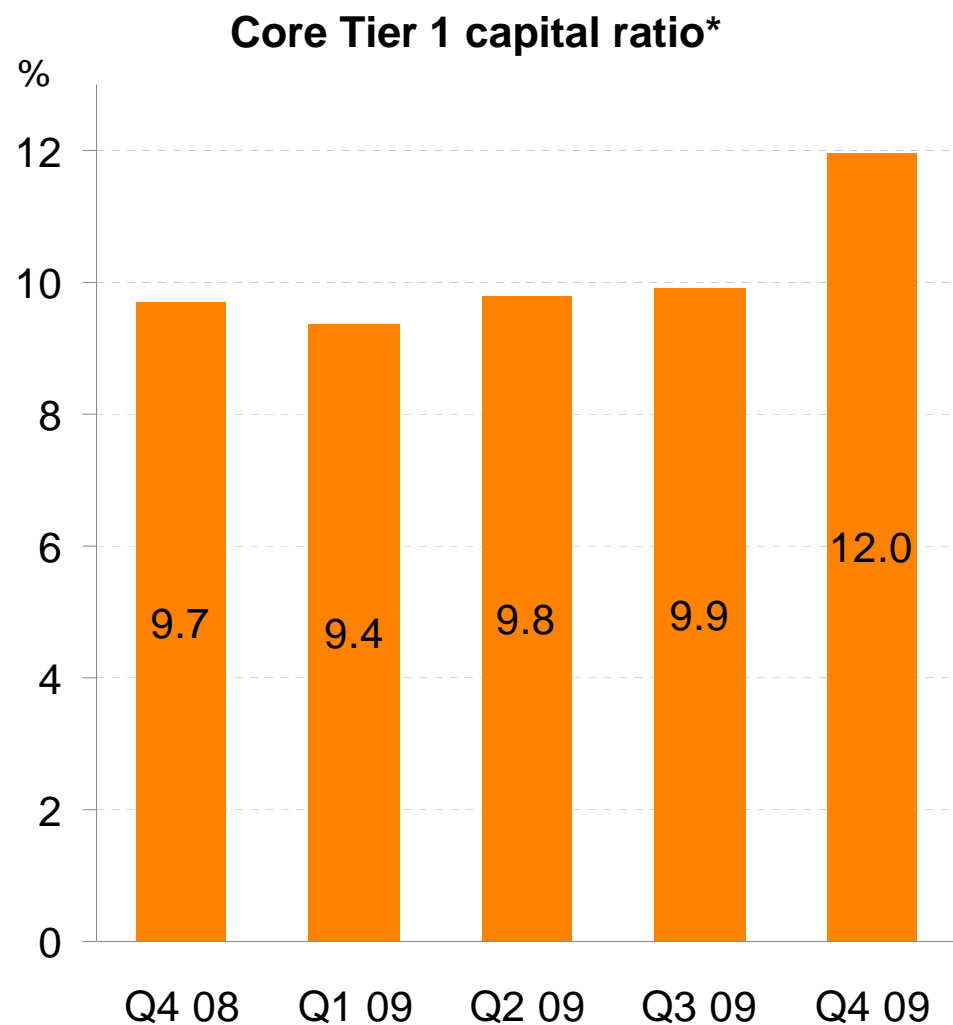
### Outstanding wholesale funding Q2-Q4

SEKbn, notional value



# Capital management

## Well capitalised



Core Tier 1 capital ratio* YE 08		9.68%
Result	loss: SEK10.5bn	-1.51%
RWA reduction		+1.50%
Rights issue		+2.10%
Other		+0.24%
<b>Core Tier 1 capital ratio* YE 09</b>		<b>12.01%</b>

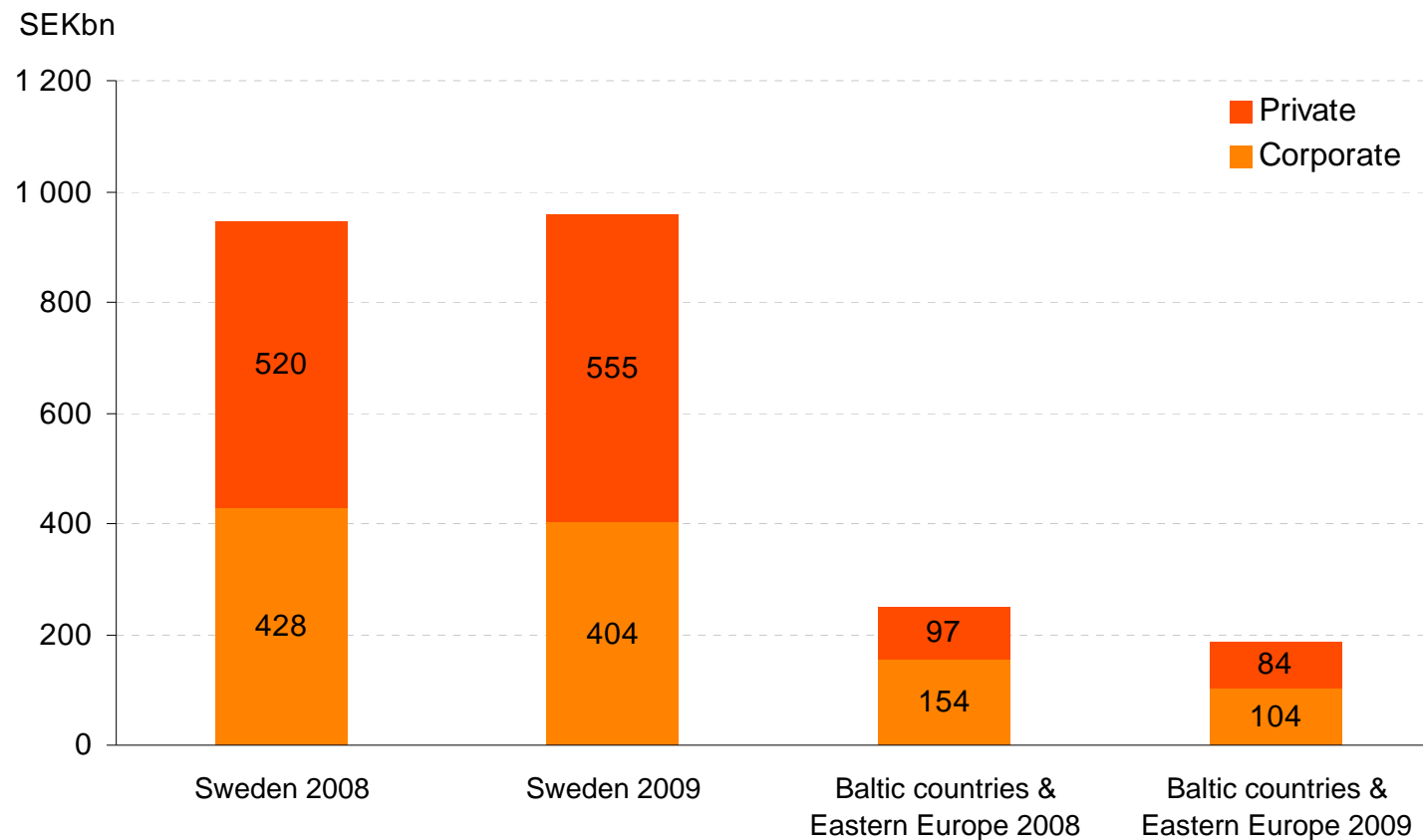
\* According to Basel 2

## Asset quality

# Continued risk reduction

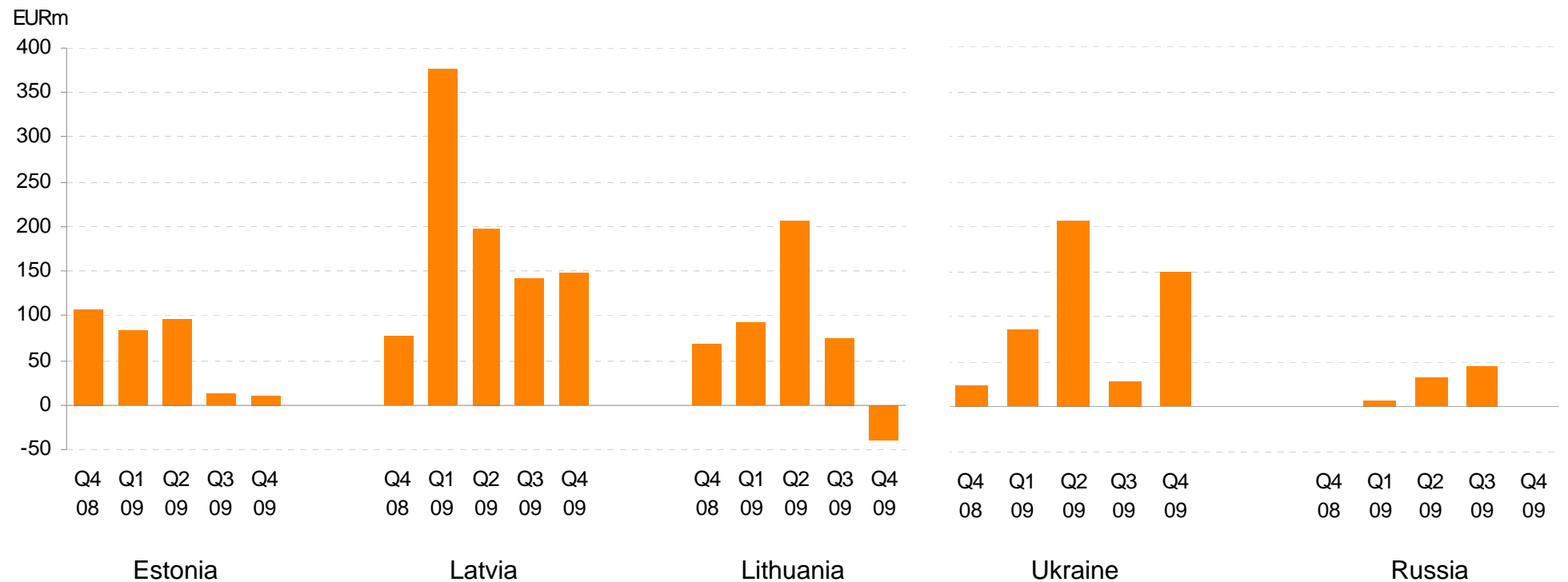
- CEE lending as % of equity down from 290% to 209%

### Development – lending to the public



## Asset quality

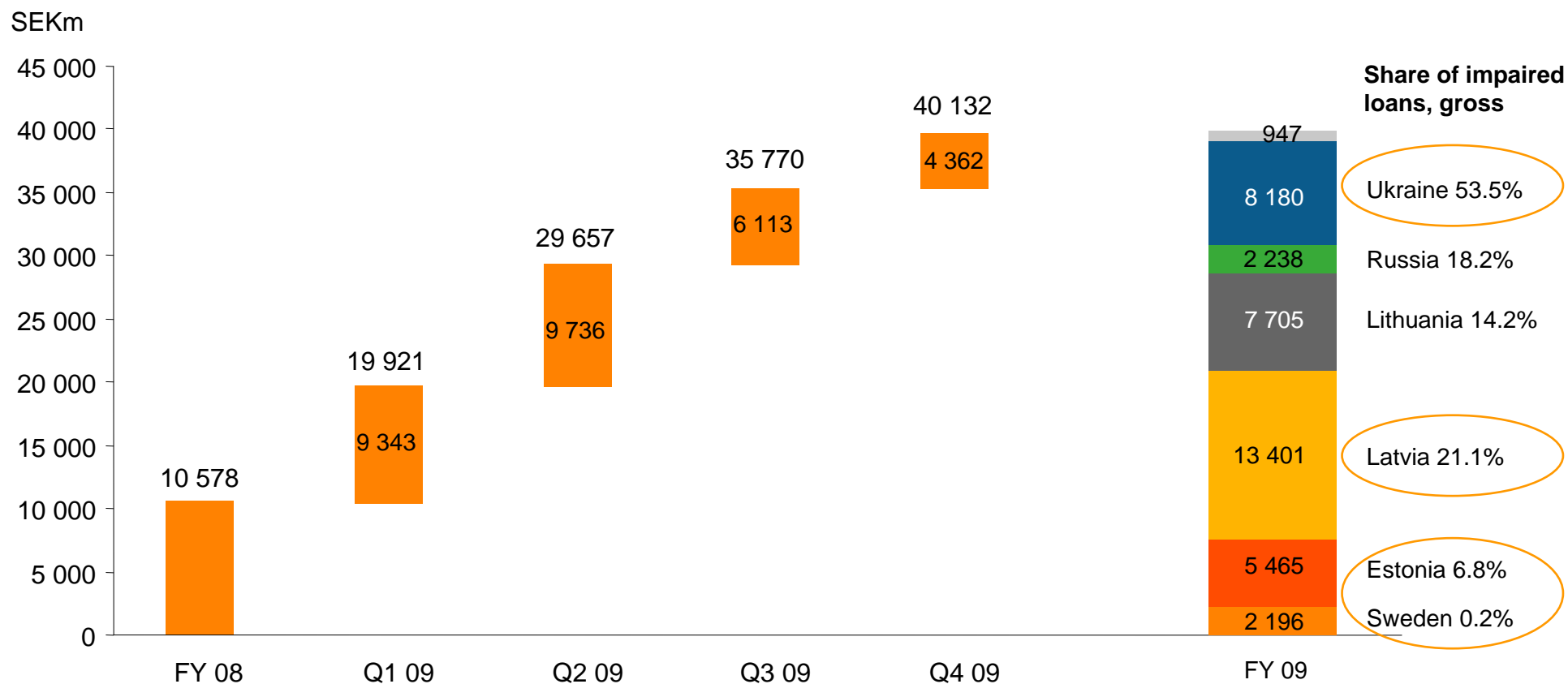
# Quarterly change of 60-day past due loans – stabilisation continues



## Asset quality

# Development of impaired loans

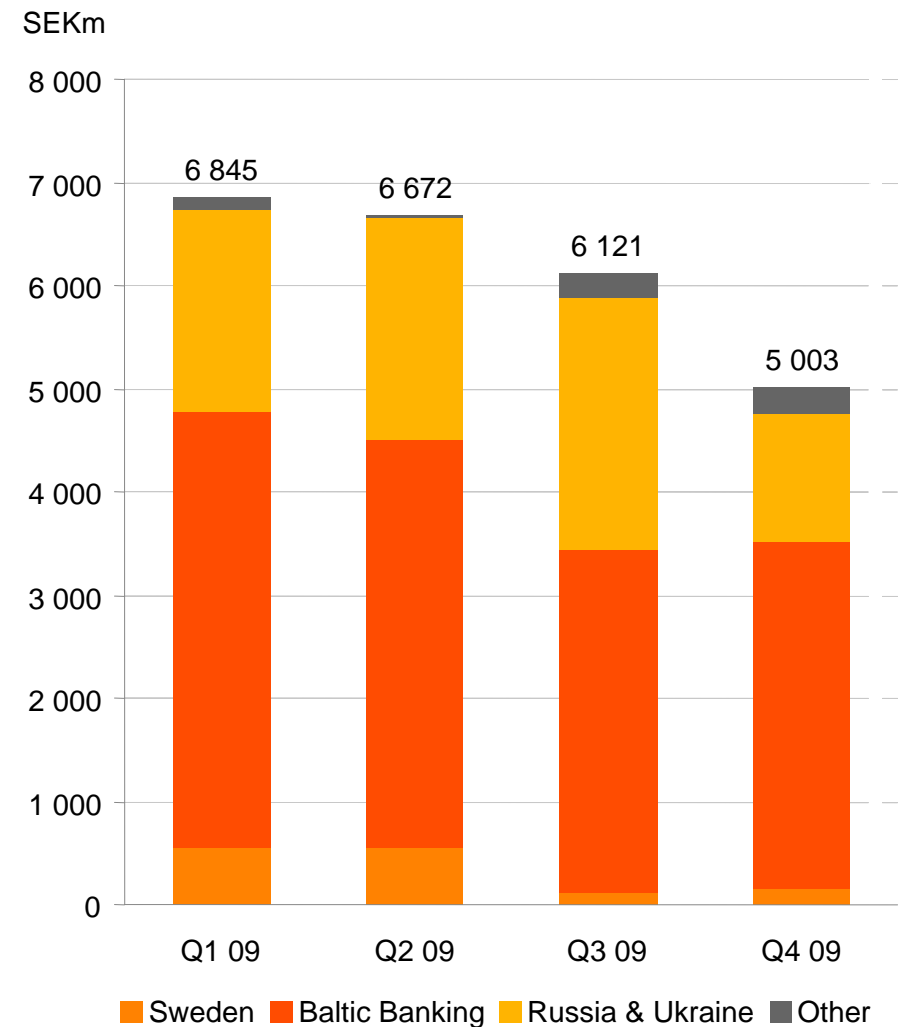
- Impaired loans increased by SEK 4.4bn (SEK 6.5bn excl definition change)
- The rate of increase in impaired loans is decreasing
- As expected weak performance in Latvia, Lithuania and Ukraine



## Asset quality

# Credit impairments in Q4

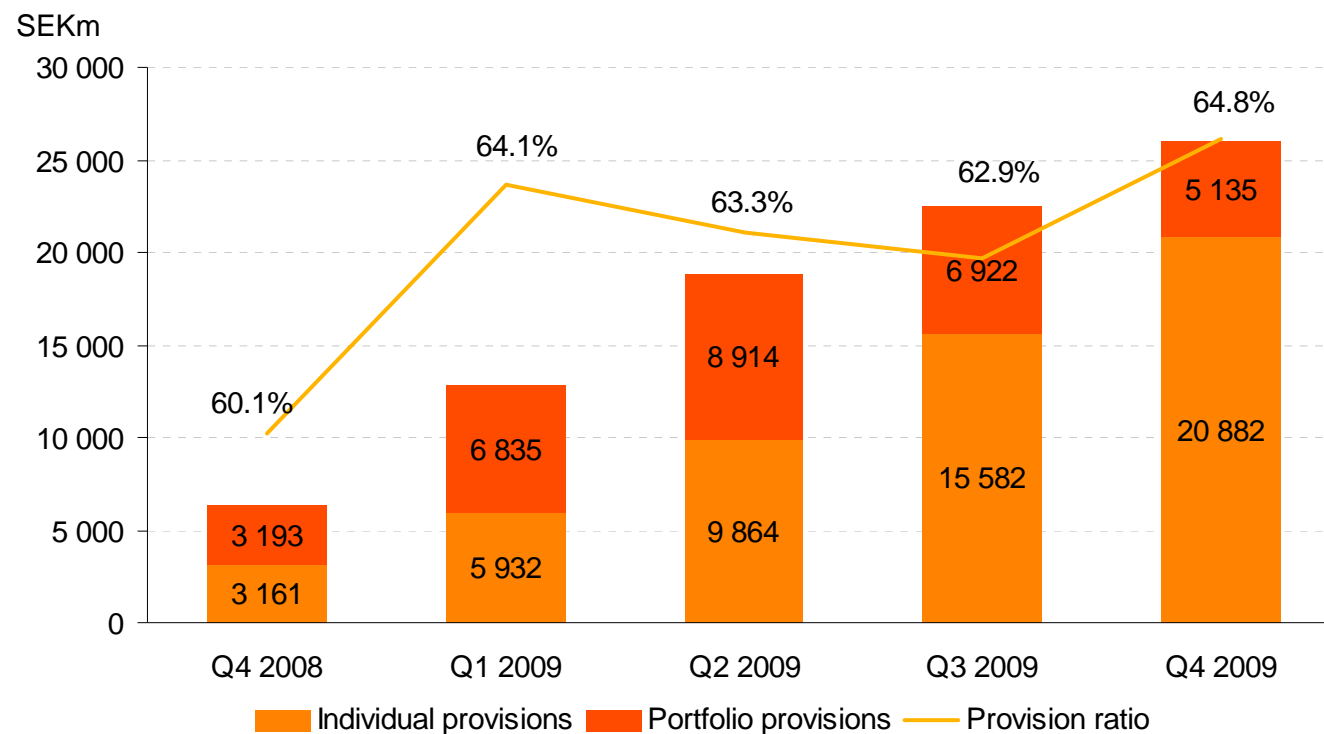
- Credit impairment SEK 5 003m
  - + Sweden and Estonia continued good development
  - + Ukraine: reduced provisioning ratio as portfolio knowledge increases
  - Russia high losses due to thorough review of portfolio
  - Lithuania: collateral value adjustment



# Asset quality

## Provisioning

- All portfolios thoroughly reviewed in 2009
- Portfolio provisions - individual
- Provision ratio for Group increased during Q4 from 63% to 65%



### Provision ratios:

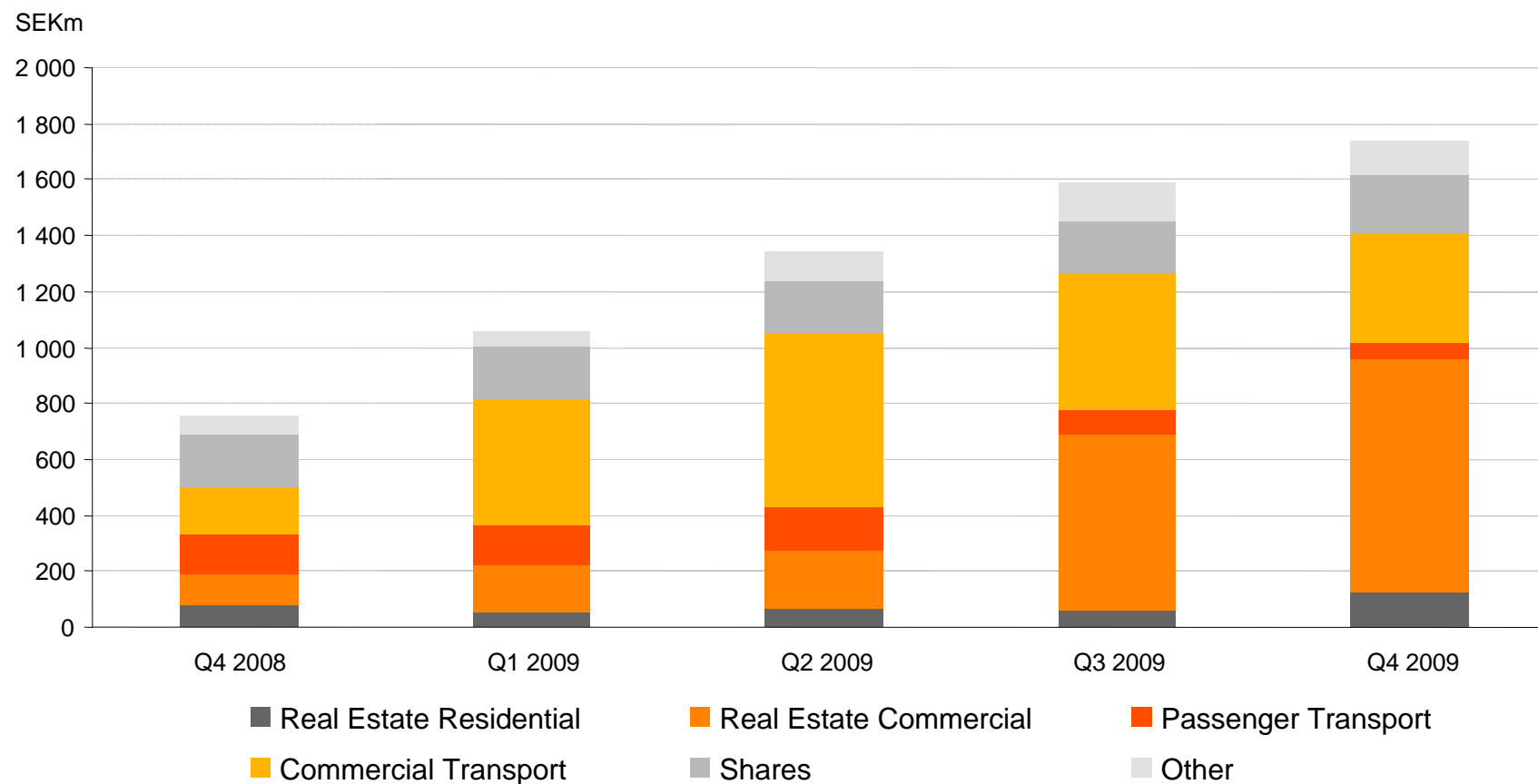
Swedish Banking	96%
Baltic Banking Op	57%
Ukraine	78%
Russia	66%



## Asset quality

# Repossessed assets

- Increased to SEK 1.7bn, of which SEK 0.5bn is managed by Ektornet



## Asset quality

### **Ektornet – recouping value over time**

- Independent business area as of the fourth quarter
- Management team in place – real estate experience background
- External market appraisal
- Seized collateral at year-end of SEK 517m, mainly real estate
  - Nordic region, SEK 173m
  - Estonia, SEK 150m
  - Latvia, SEK 64m
  - US, SEK 130m
- Intake forecast for 2010 is SEK 5bn
- Slow intake process continues into 2012

## Asset quality

# Main risks 2010

- Global macro situation
  - Deleveraging
  - Sovereign risks with high fiscal debt levels
- Sweden
  - Interest rate stimulus withdrawn
  - Late impairment losses in certain segments
- Latvia
  - Political uncertainty: Election in September
- Ukraine
  - Political uncertainty

- 
- Positives: Potential Estonian euro entry 2011

# Strategic priorities 2010

## Customer satisfaction

- Increased customer segment focus
- Local empowerment

## Risk reduction

- Reducing parts of exposure in CEE countries
- Protecting value through FR&R and Ektornet

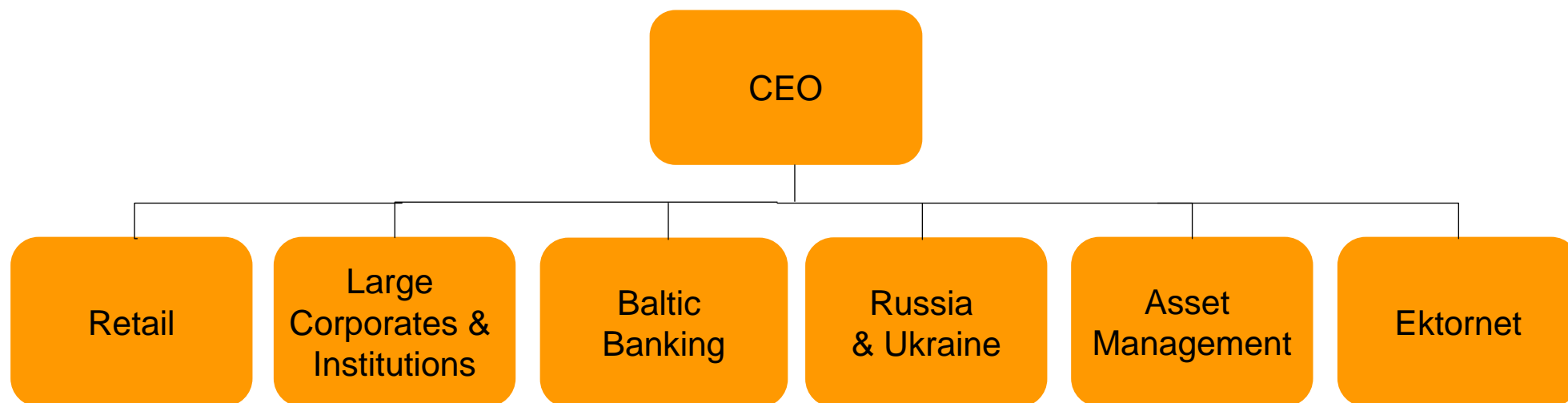
## Earnings capacity

- New business initiatives in Sweden
- Strong focus on cost and efficiency

## Liquidity & Capital management

- Increased covered bonds issuance
- Balancing loan/deposit in all business areas

# Customer-centric organisational model



# Outlook

Given that the global macro economy continues to develop positively without substantial divergence, particularly in Latvia and Ukraine, a profit for the full-year 2010 is feasible.

# Appendix

# Results 2009

## Income statement

SEKm	FY 2009	FY 2008	Change
Net interest income	20 765	21 702	-937
Net commission income	7 825	8 830	-1 005
Net gains/losses on financial items, fair value	2 731	2 351	380
Other income	3 461	3 580	-119
<b>Total income</b>	<b>34 782</b>	<b>36 463</b>	<b>-1 681</b>
Staff costs	9 184	9 142	42
Profit-based staff costs	17	950	-933
Other expenses	8 647	7 966	681
<b>Total expenses</b>	<b>17 848</b>	<b>18 058</b>	<b>-210</b>
<b>Profit before impairments</b>	<b>16 934</b>	<b>18 405</b>	<b>-1 471</b>
Impairment of intangible assets	1 305	1 403	
Impairment of tangible assets	449	27	422
Credit impairments	24 641	3 156	21 485
<b>Operating profit</b>	<b>-9 461</b>	<b>13 819</b>	<b>-23 280</b>
Tax expense	981	2 880	-1 899
Result for the period	-10 442	10 939	-21 381
<b>Result for the period attributable to: Shareholders of Swedbank AB</b>	<b>-10 511</b>	<b>10 887</b>	<b>-21 398</b>



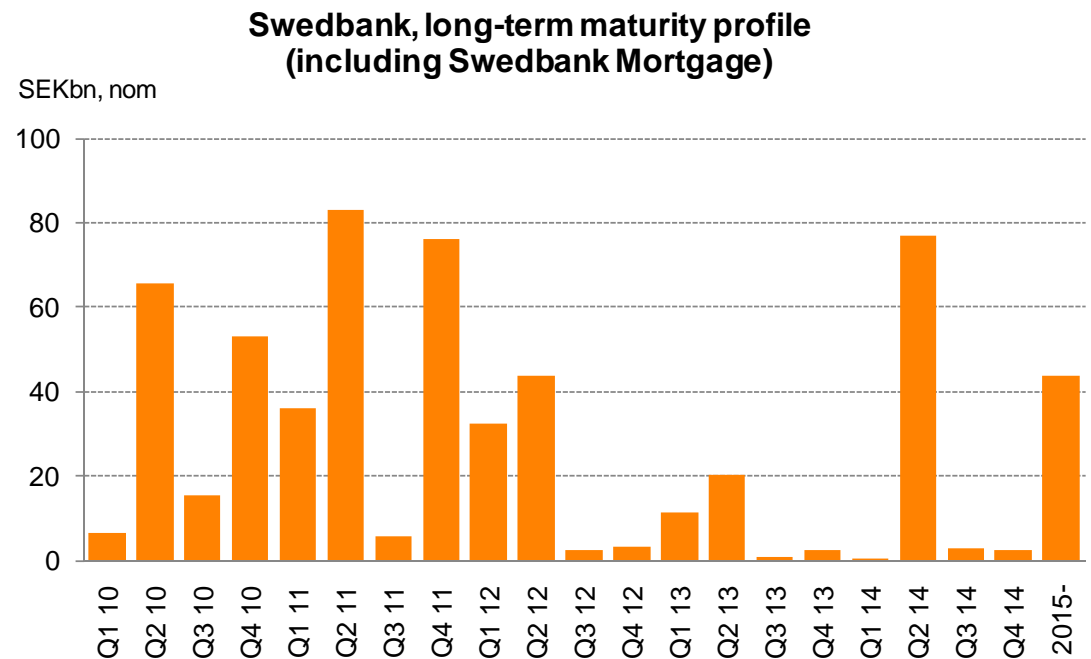
# Balance sheet

Swedbank Group SEKm	Dec 09	Dec 08	%
Loans to credit institutions	92 131	128 536	-28%
Loans to the public	1 290 667	1 287 424	0%
Interest-bearing securities	170 615	133 694	28%
Fund shares for which customers bear the investment risk	78 194	51 638	51%
Shares and participating interests	9 505	6 557	45%
Derivatives	72 969	128 055	-43%
Other assets	80 606	75 786	6%
<b>Total assets</b>	<b>1 794 687</b>	<b>1 811 690</b>	<b>-1%</b>
Amounts owed to credit institutions	231 687	316 730	-27%
Deposits and borrowings from the public	504 424	508 456	-1%
Debt securities in issue	703 258	593 365	19%
Financial liabilities for which customers bear the investment risk	80 132	52 074	54%
Derivatives	72 172	116 720	-38%
Other liabilities and provisions	75 057	93 128	-19%
Subordinated liabilities	37 983	44 755	-15%
Equity	89 974	86 462	4%
- Non-controlling interest	304	232	31%
- Equity attributable to shareholders	89 670	86 230	4%
<b>Total liabilities and equity</b>	<b>1 794 687</b>	<b>1 811 690</b>	<b>-1%</b>

## Liquidity & Funding

# Long-term funding

- In Q4 Swedbank issued SEK 66bn of covered bonds and senior unsecured bonds compared to maturities of SEK 14bn
- No Government guaranteed bonds issued since announcement of rights issue (Aug)
- Average maturity of wholesale funding further extended to 22 months
- Maturities of SEK 141bn over next 12 months



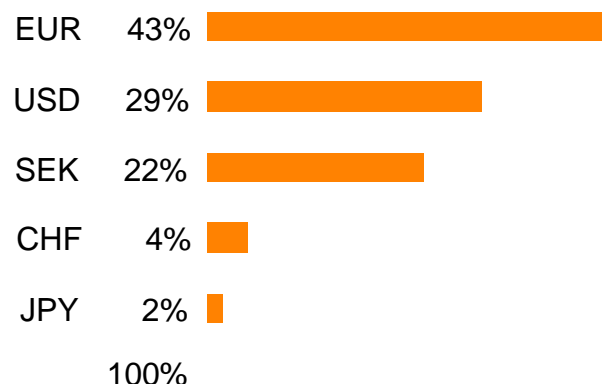
## Liquidity & Funding

# Funding under the Swedish guarantee programme

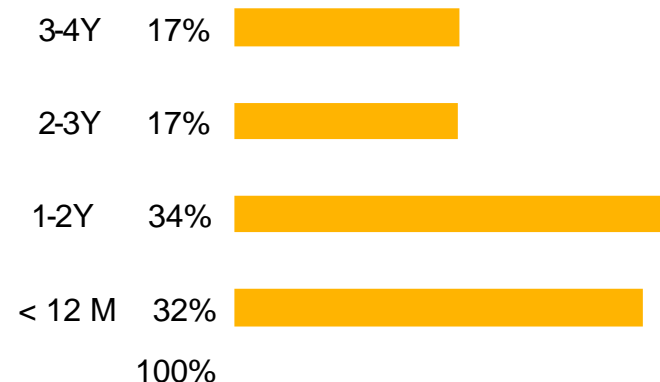
(total outstanding as per 31 December, notional SEK 241bn)

- Total outstanding guaranteed funding with maturity >12 months decreased by SEK 9bn to ca SEK 166bn
- No issuance under the government guarantee during Q4
- Total outstanding guaranteed funding with maturity <12 months decreased by SEK 24bn to ca SEK 75bn
- Small FX effects during the quarter

### Currency distribution



### Maturity distribution



# Cover pool and new issuance of cover bonds

## Cover pool data

Total pool size	SEK 608bn
Average loan size	SEK 398 818
Number of loans outstanding	1 524 546
Types of loans	Residential Mortgages (90.3%), Public (2.9%), Commercial (0.1%), Forest and Agriculture (6.7%)
Fixed / Floating interest loans <sup>1</sup>	Fixed 49%, Floating 51%
Average LTV <sup>2</sup>	WA LTV on loan level 44%, on property level 58%
Maximum LTV <sup>3</sup>	Underwriting maximum LTV limits 75%
Average maturity	54 months
Non performing loans <sup>4</sup>	None
Geographic distribution (Sweden only)	West 20%, South 24%, East 17%, Middle 32% and North 7%
Dynamic pool	Yes

<sup>1</sup> Distribution by origination, floating interest loans < 365 days

<sup>2</sup> LTV: by volume (loan level), index-valuation as of 31 Dec 2008

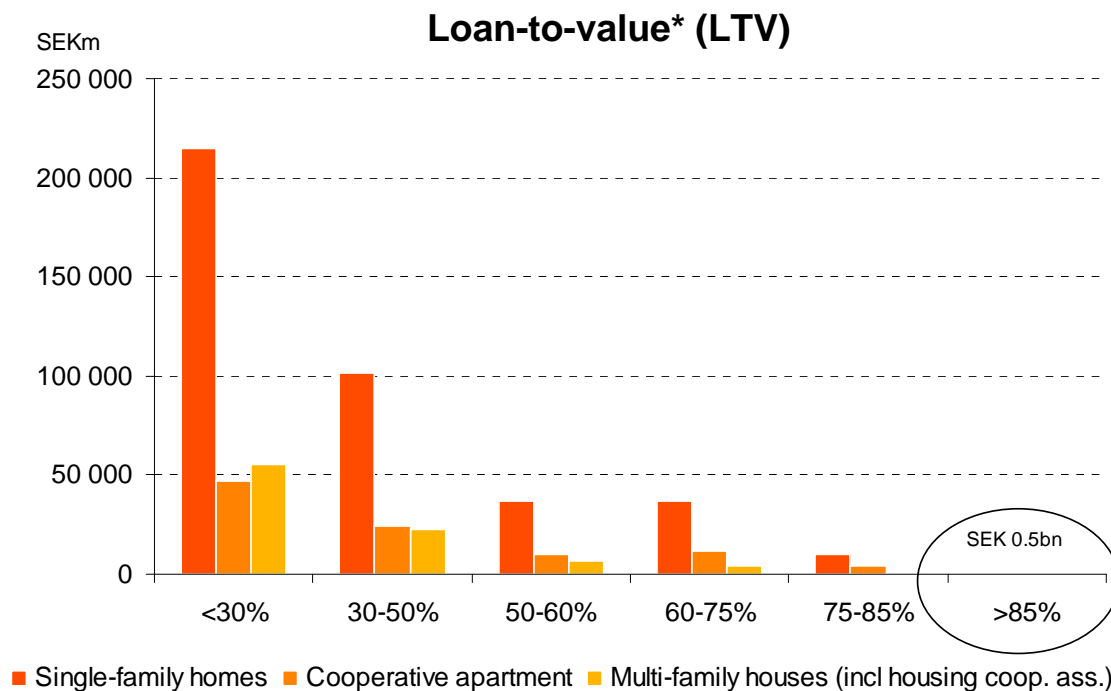
<sup>3</sup> Commercial properties 60%, Forest and Agricultural 70%

<sup>4</sup> Past due loans > 60 days are not eligible for the cover pool

- Since Q3, two euro covered bonds have been issued
  - Euro Mid Term Note CB 7Y, EUR 1.25bn, Sep/Oct 2009
  - Euro Mid Term Note CB 3Y, EUR 1bn, Jan 2010
- Also continued good demand for domestic covered bonds issuance through tap system

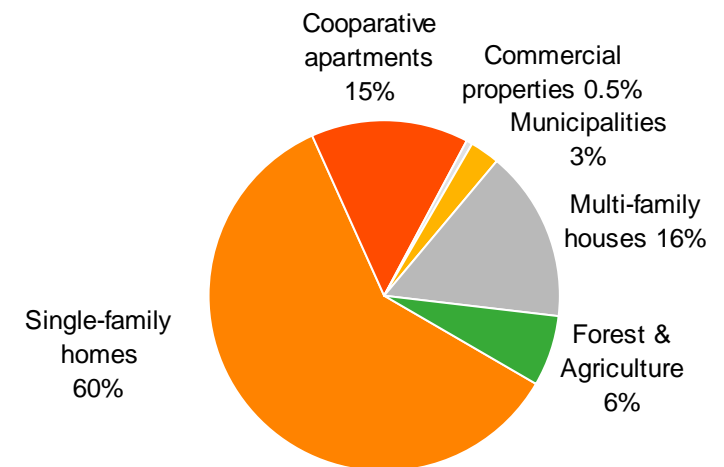
# Swedbank Mortgage, 31 Dec 2009, total loan portfolio SEK 672bn

- 100% lending – Swedish properties
- 90% residential lending
- Average LTV\* of 45% (loan level) 60% (property level). Cover pool 44% / 58%
- 79% of the total lending book within a loan-to-value\* ratio below 50%

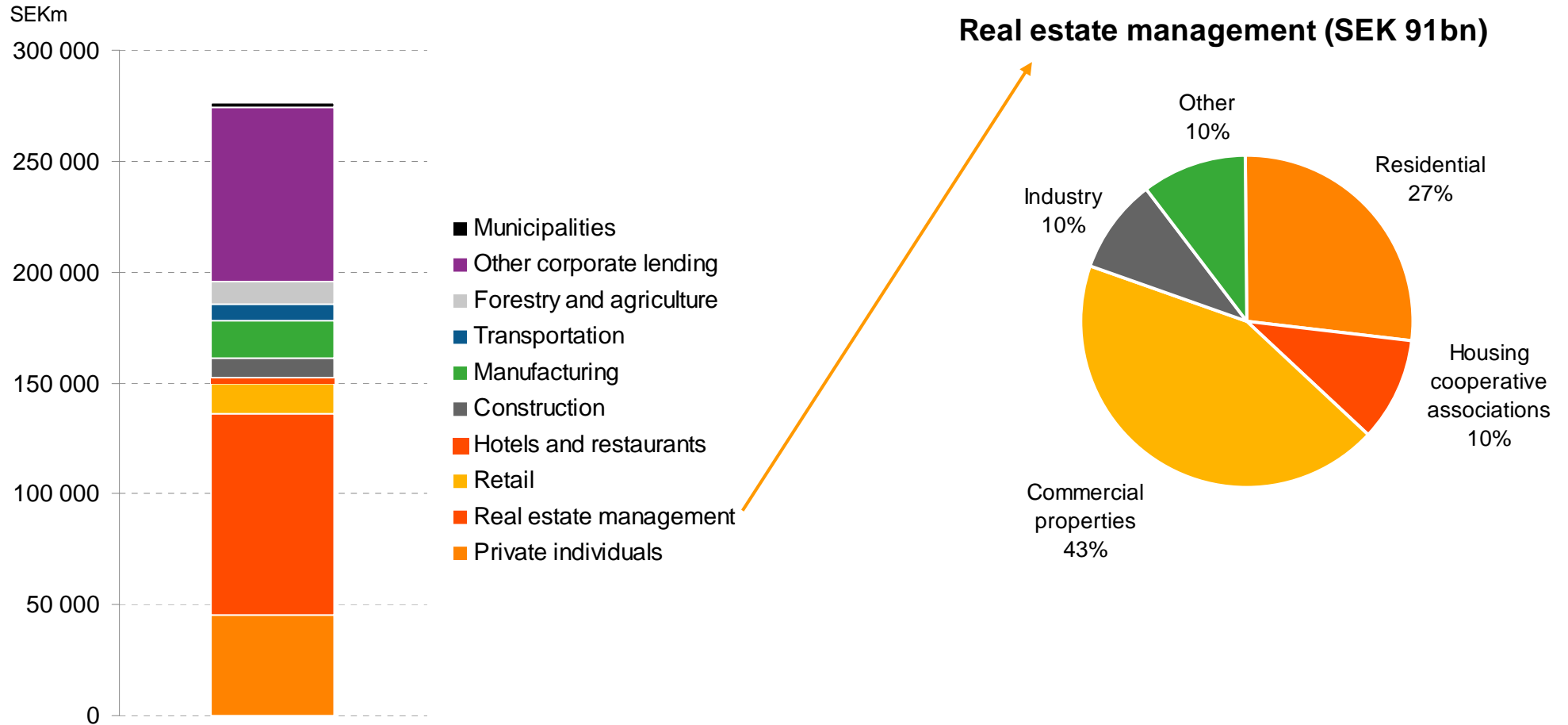


\*LTV calculated on a loan-by-loan level

## Lending distributed by collateral



# Swedish Banking lending to the public, excluding Swedbank Mortgage, SEK 276bn



## Earnings capacity

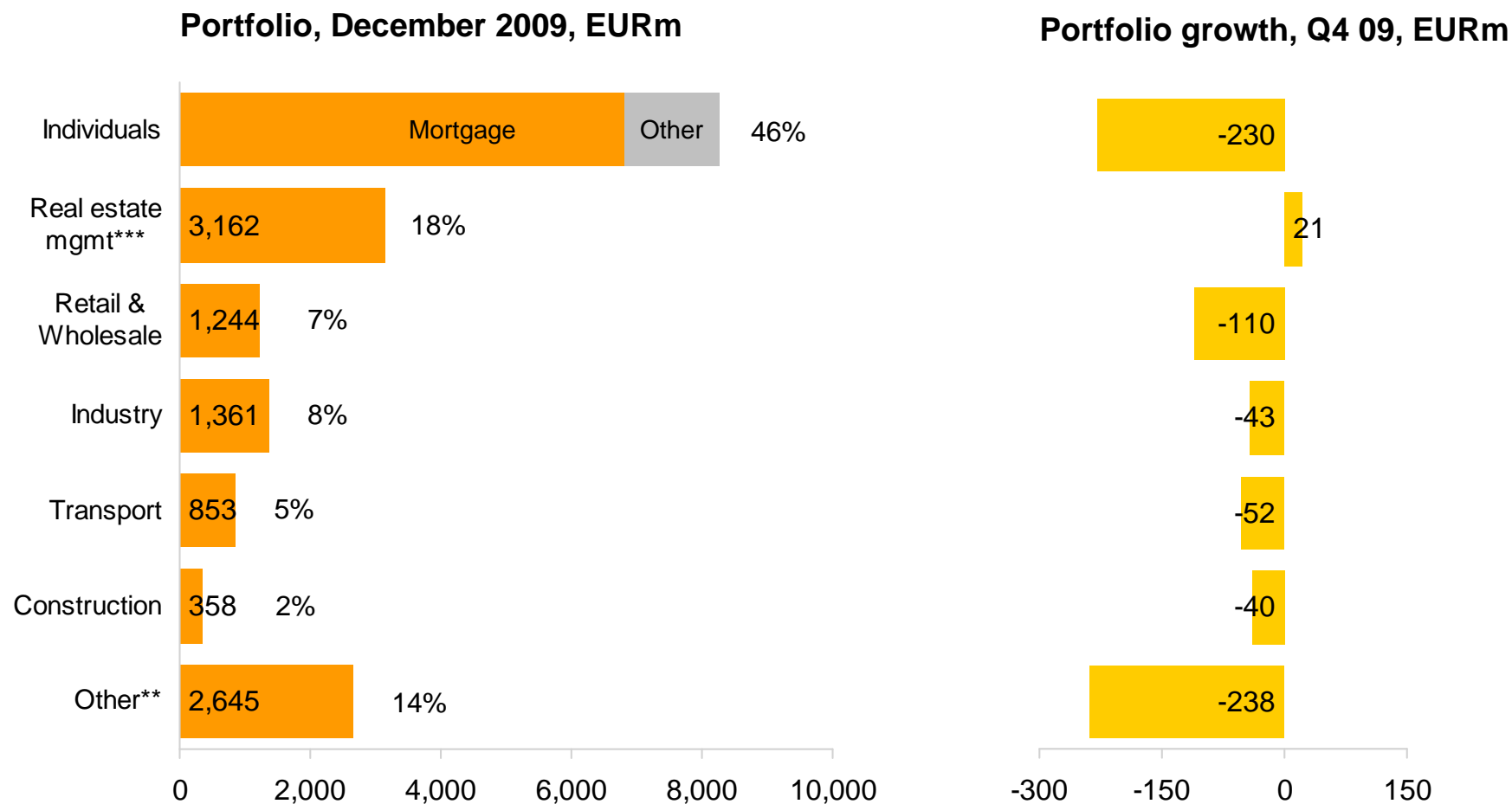
# Foreign exchange positions as of 31 December 2009

SEKm	EEK	LVL	LTL	UAH	RUB
Structural position	-36 577	64	-14 234	410	-5
Net assets	20 301	7 642	5 651	1 080	1 042
Equity hedge	0	- 7 607	-5 645	0	0
Goodwill	11 541	0	0	0	13
<b>Total position</b>	<b>- 4 735</b>	<b>99</b>	<b>-14 228</b>	<b>1 490</b>	<b>1 050</b>

## Appendix – Baltic Banking



# Baltic Banking gross lending by sectors\*



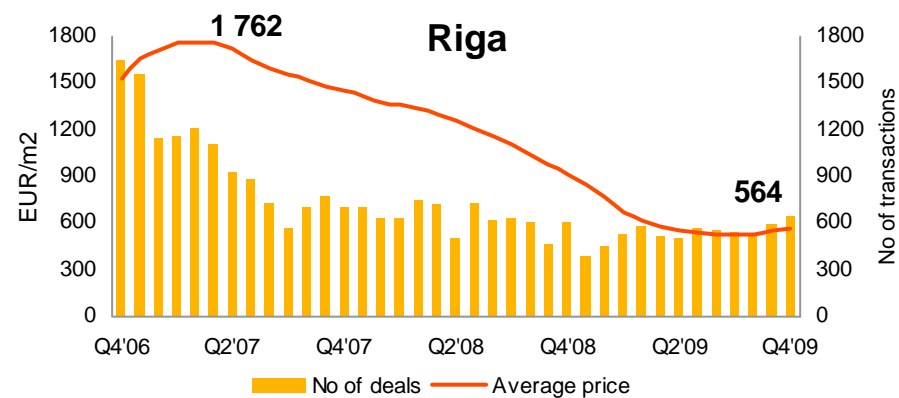
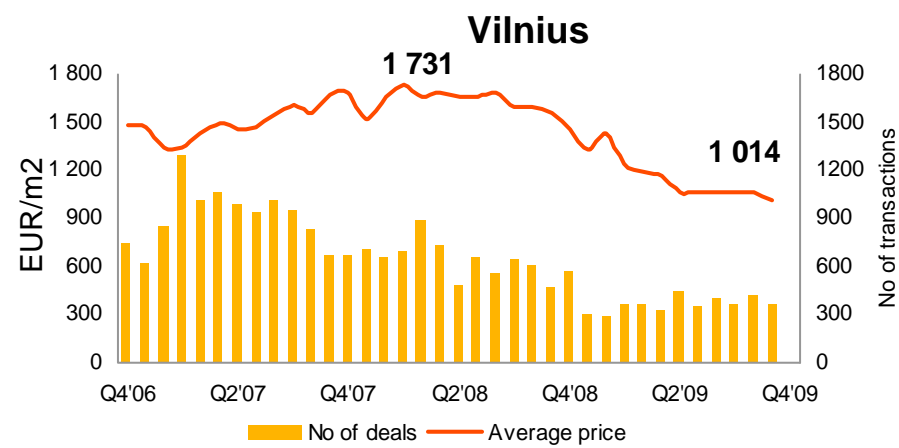
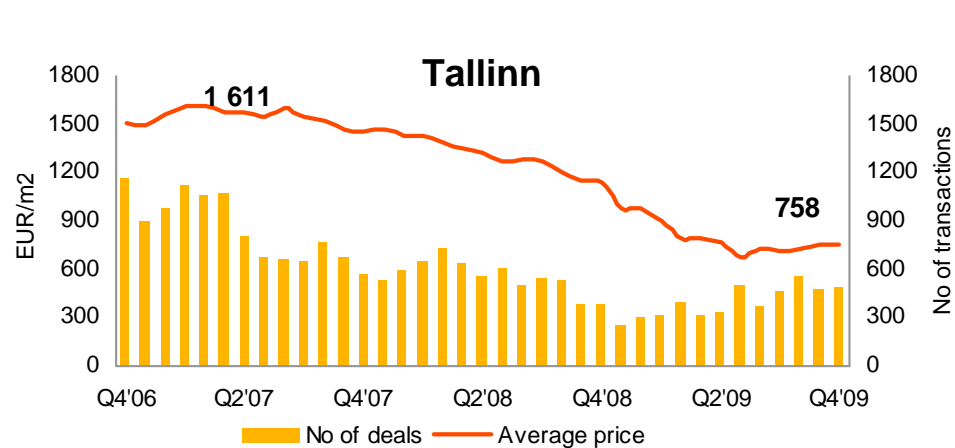
% share of portfolio

\* Lending portfolio split is based on NACE classification as presented to central bank

\*\* Other portfolio includes Other business services, Energy, Agriculture, State & Municipality and Other loans. Largest decline in Other business services and State loans

\*\*\* There is a customer Standard Industry Classification (SIC) code data update process ongoing and as a result, real estate management sector exposure increased. No major new loans have been granted.

# Real estate prices stabilised in the second half of 2009



## LTV risk dimensions

# Mortgage portfolio LTV

- Due to the price drop in all three Baltic countries, average LTVs have increased significantly
- Latvia was hurt most, due to higher share of portfolio issued at peak prices and a steeper price drop

	EE	LV	LT
Average LTV*: 2009-12-31	90%	166%	92%
Share of portfolio with LTV >100%**	39%	80%	42%

\*Average LTV: exposure weighted average of client LTVs within the portfolio

\*\*Share of portfolio with LTV>100%: sum of exposures where client LTV surpasses 100% in the total portfolio