

# Swedbank's fourth quarter 2010 results

8 February 2011

Michael Wolf, CEO

Erkki Raasuke, CFO

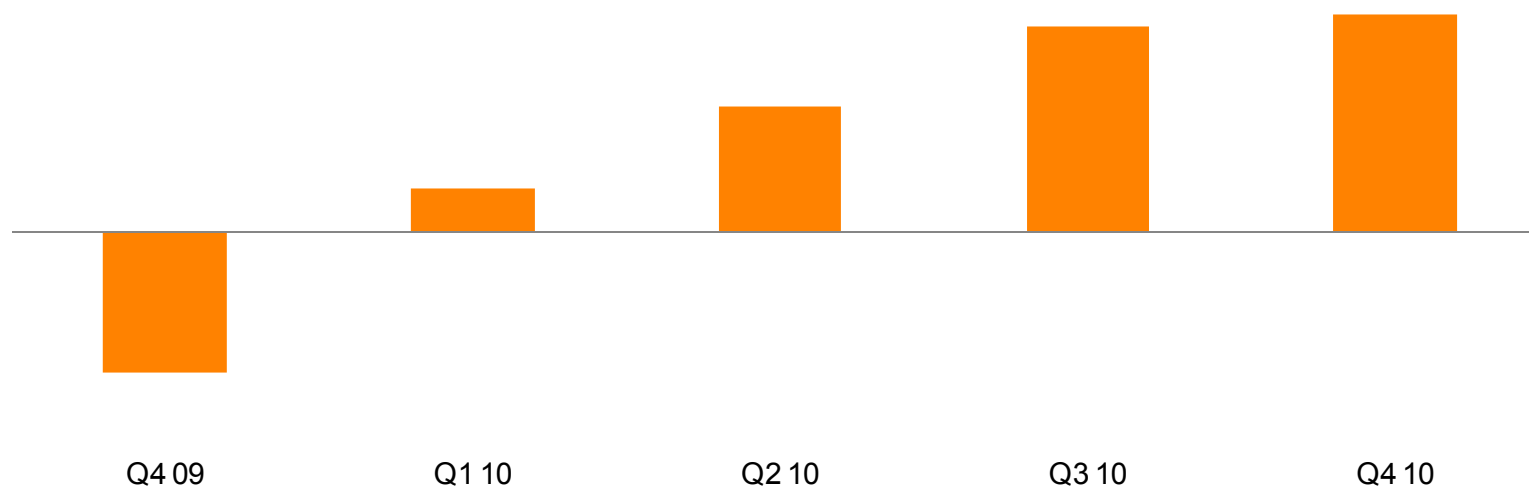
Göran Bronner, CRO



## Favourable profit trend

- Net profit of SEK 7.4bn for 2010
- Core Tier 1 ratio of 13.94 per cent
- Proposed dividend: SEK 2.10 per A-share, SEK 4.80 per preference share

Net profit performance



Priorities 2010

## **Summing up the year**

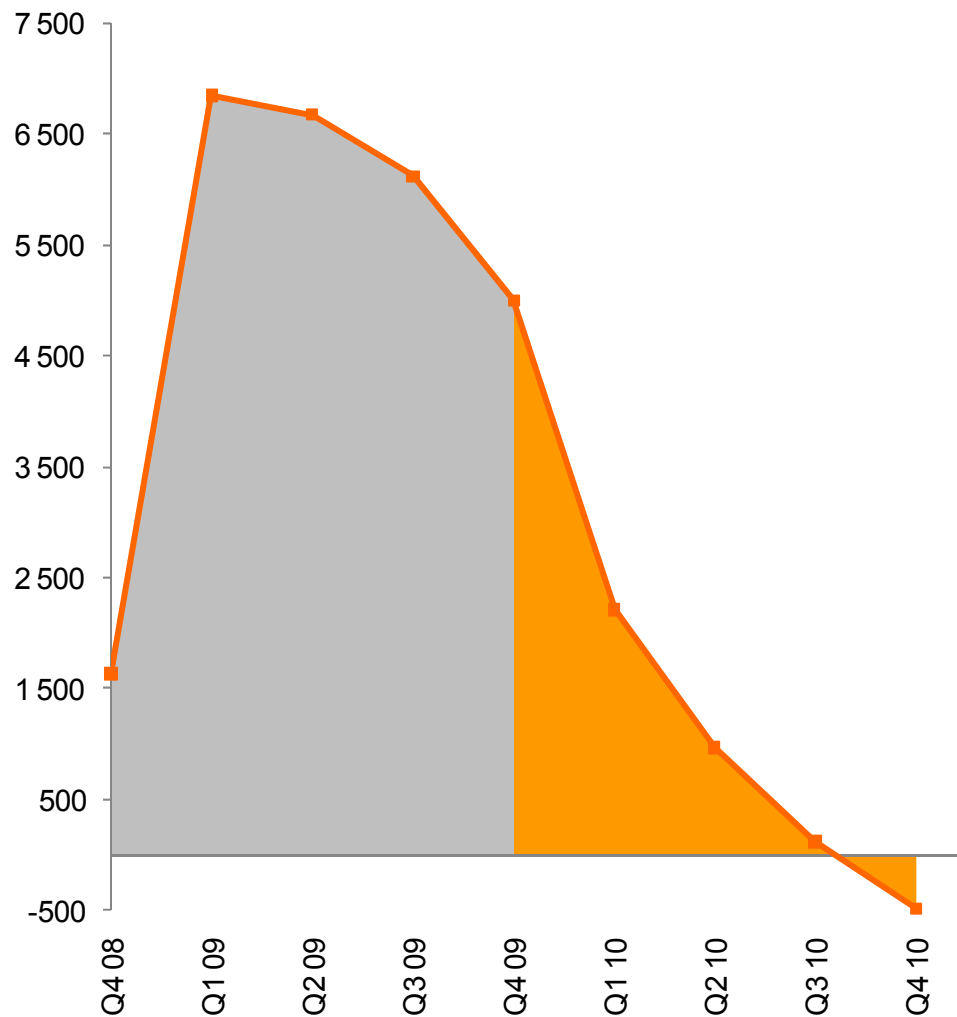
- Customer satisfaction
- Lower risk level
- Earnings
- Liquidity and capitalisation

## **Making progress but still more to do...**

- New service concepts in Retail yields result
- Sector focus in LC&I
- Baltic Banking implementing same customer approach as Retail in the branch network
- Enhanced capital markets offering to meet increased demands

## Significantly reduced risk

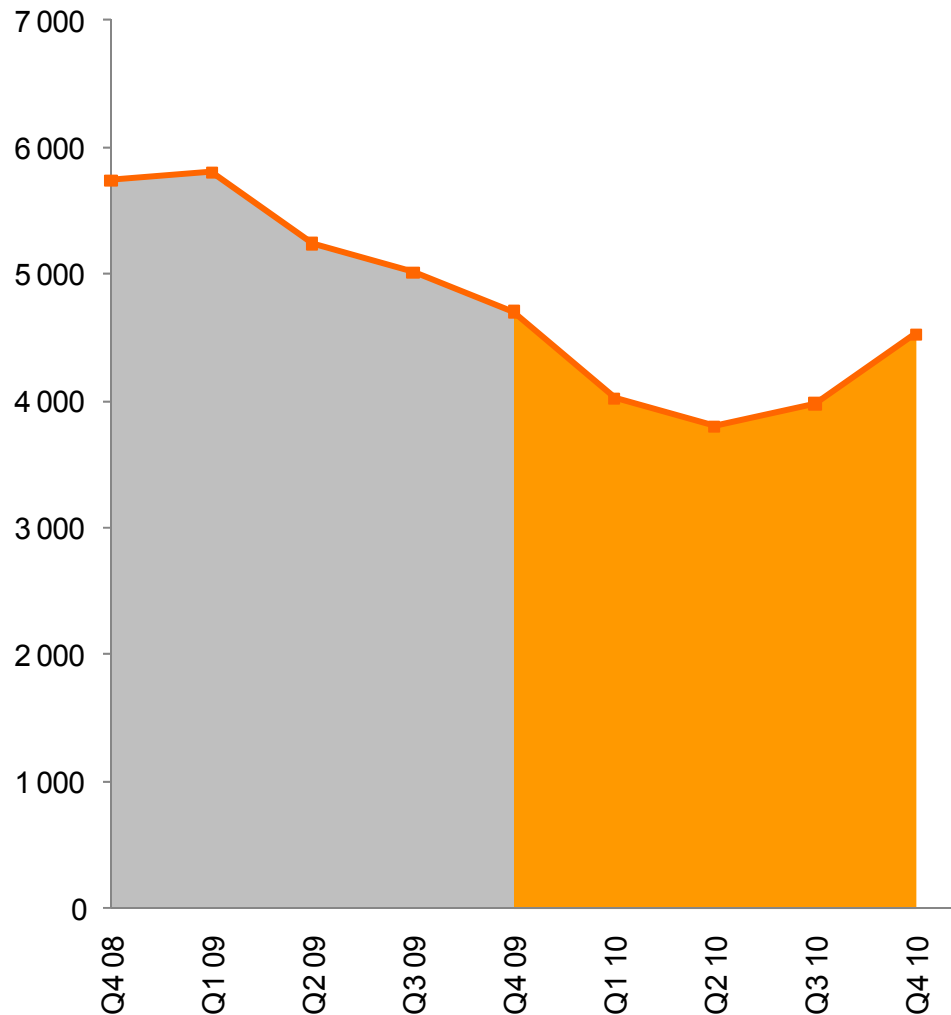
Credit impairments, SEKm



- Continued reduced CEE lending
- Estonia joined the EMU 1 Jan 2011
- Decreased RWA
- Reduced need for senior funding

## Pre-provision earnings starting to improve

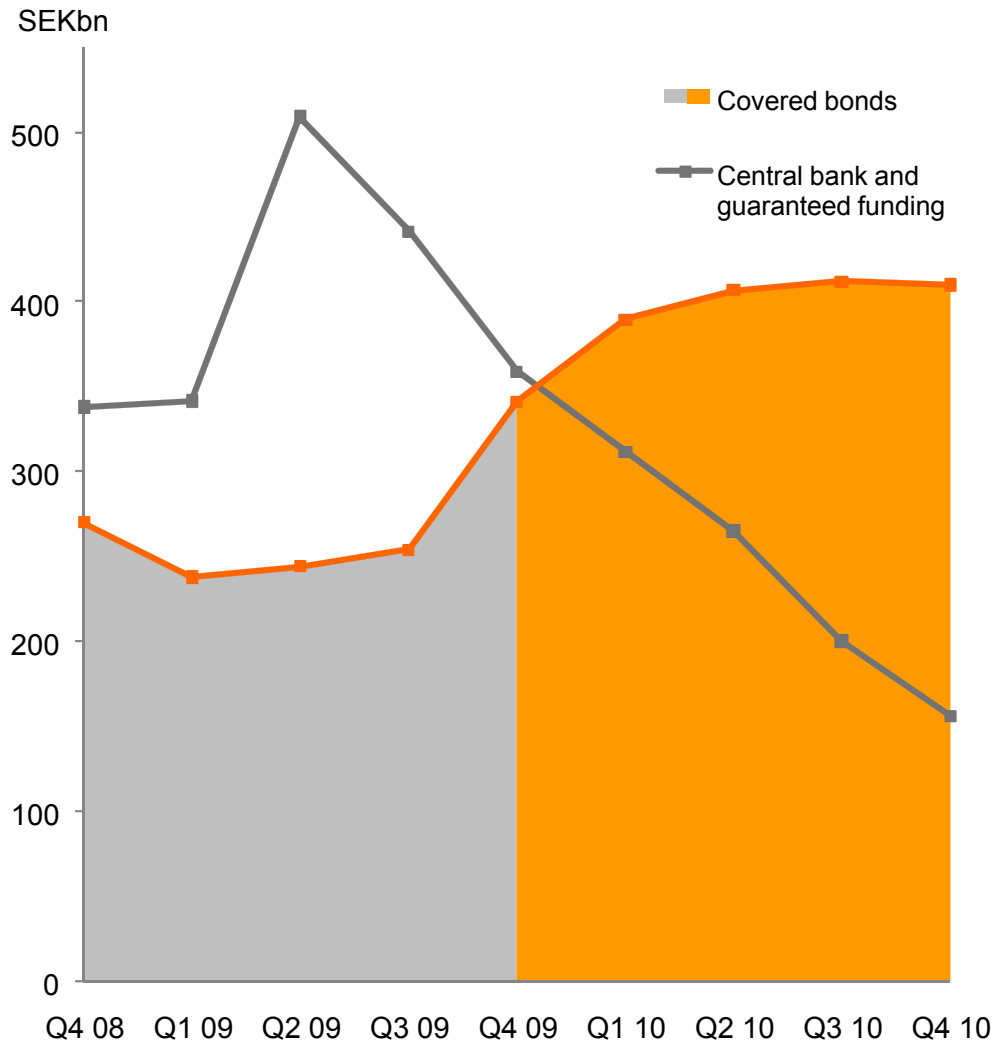
Net interest income, SEKm



- Net profit increased by SEK 18bn due to lower credit impairments
- NII troughed in Q2, positive trend
- Expenses adopted to lower business volumes

\* In Q4 NII in Baltic Banking was positively affected by about SEK 200m attributable to the reclassification of penalty fees and late interest, previously recognised as other income.

## Strengthened funding position



- Average maturity of capital market funding extended to 27 months
- Left the state guarantee programme in April
- State guaranteed funding and central bank repos reduced to SEK 156bn (359)

## **New capitalisation target and dividend policy**

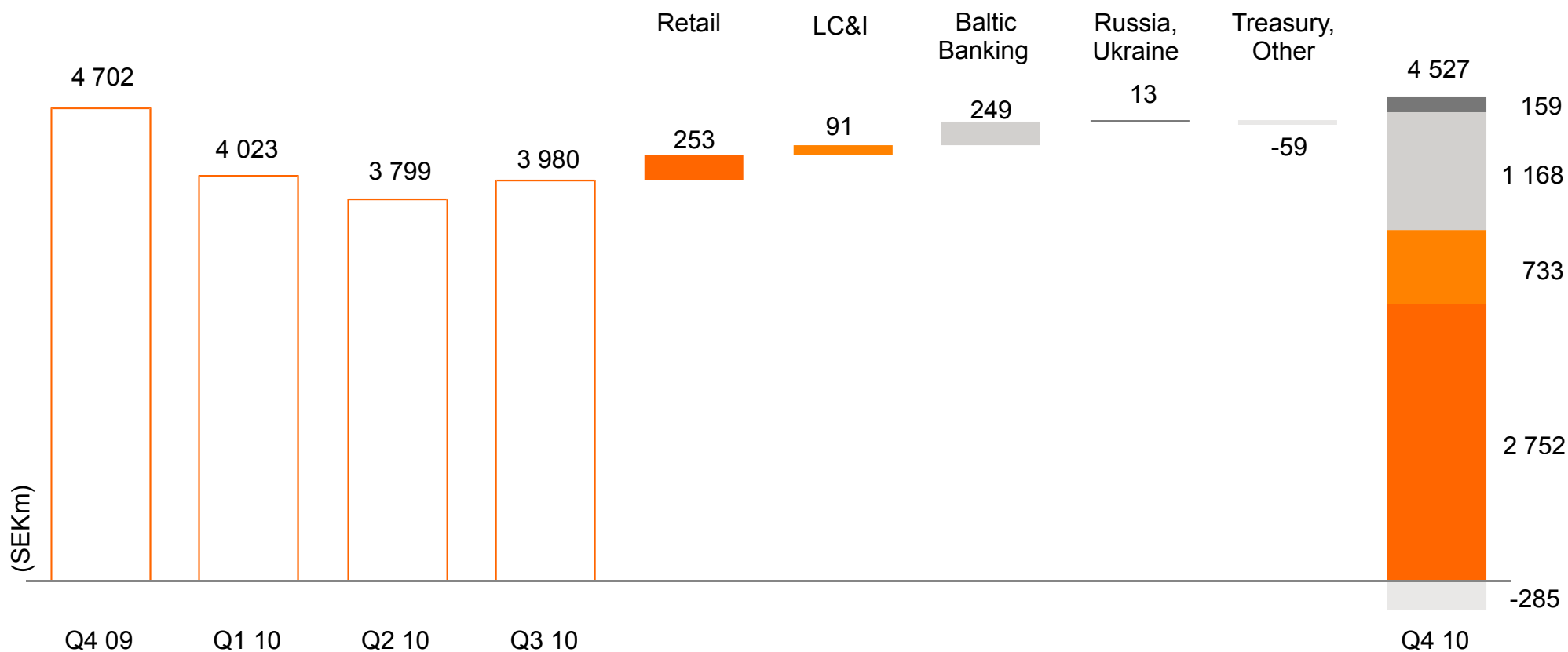
- Core Tier 1 capital ratio of at least 13 per cent until 2013
- Long-term core Tier 1 capital ratio of at least 10 per cent
- AGM to decide on buy-back programme to manage capitalisation
  
- New dividend policy from 2011
  - 50 per cent pay-out ratio



# Net interest income

## Growing NII

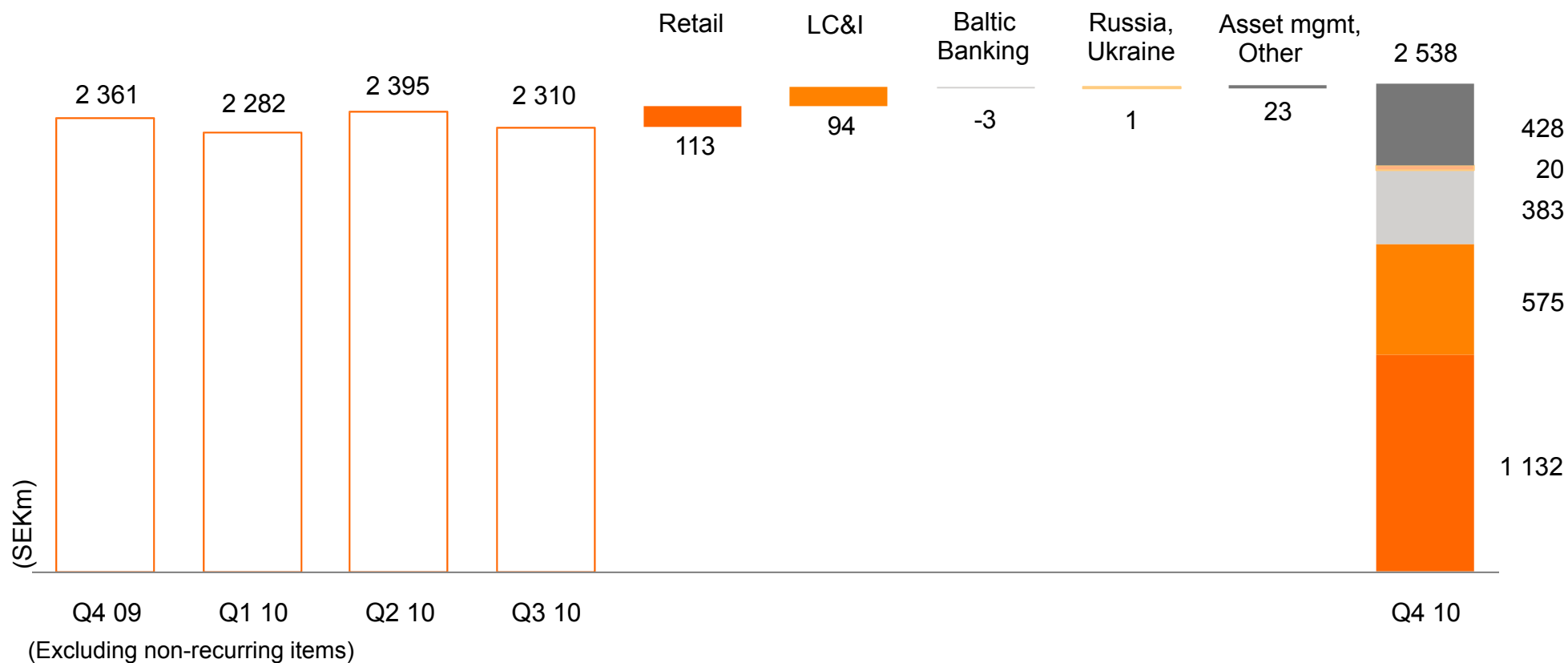
- Increasing interest rates in SEK
- Deposit margins improving
- Restated Baltic Banking late payment fees



Net commission income

## Strong commission income

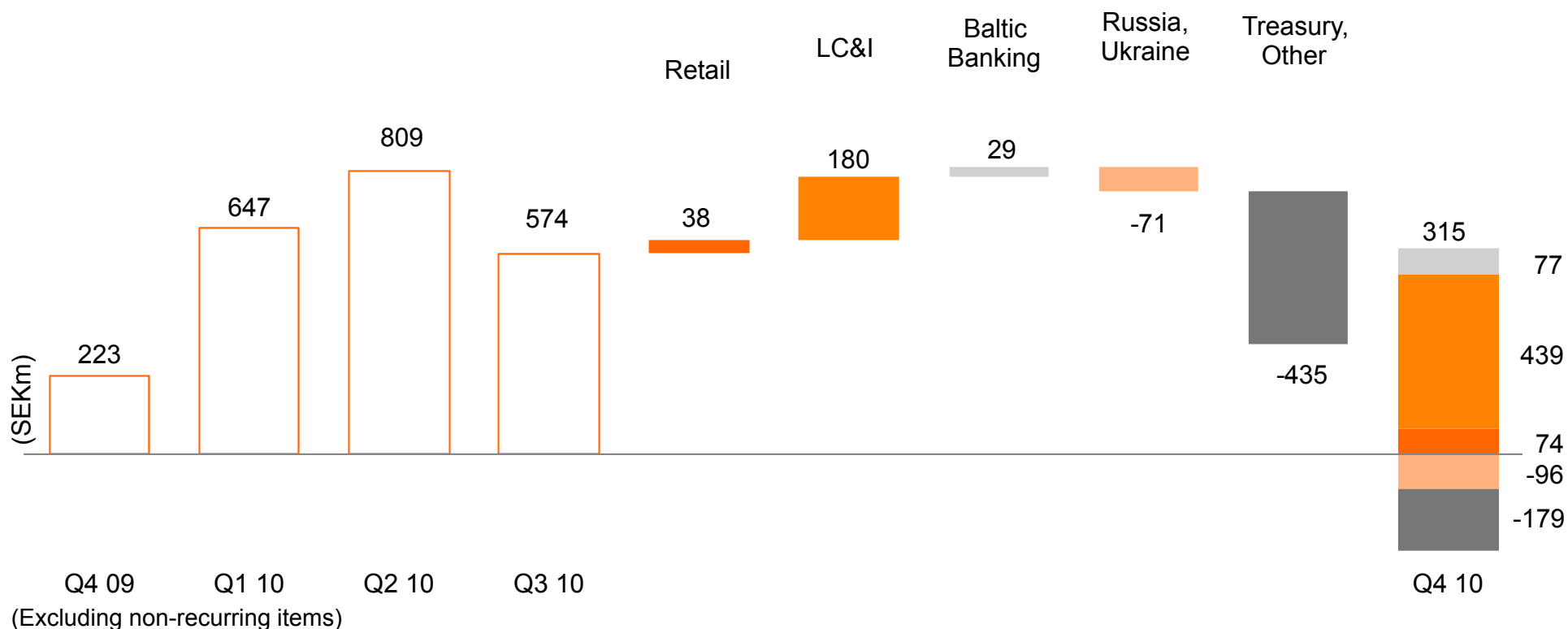
- Strong syndicated lending fees
- Low brokerage fees in Q3
- Corporate finance picking up



Net gains/losses on financial items, fair value

## Lower gains with higher quality

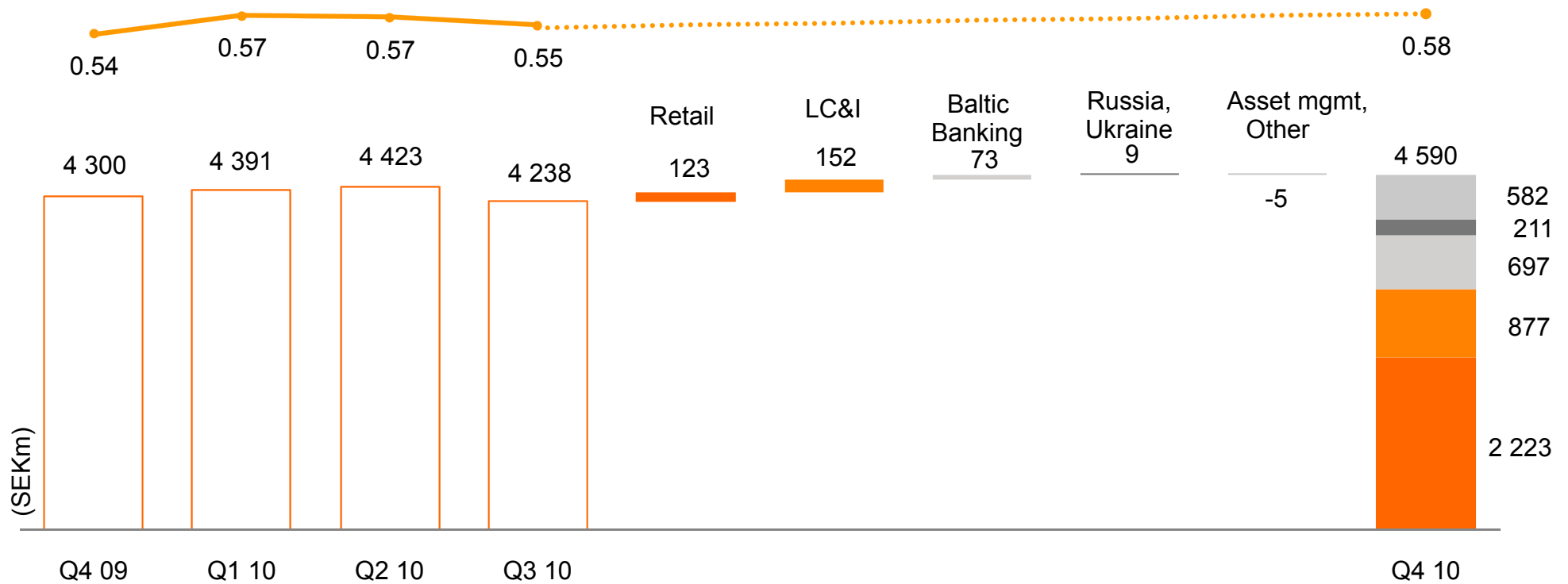
- Strong end of the year from LC&I
- Cancellation of deposit in Russia
- Treasury valuation effects turned to negative



## Expenses

# Expenses seasonally higher

- Accelerated IT development
- Y/Y expenses flat
- FR&R and Ektornet 2010 expenses SEK 714m

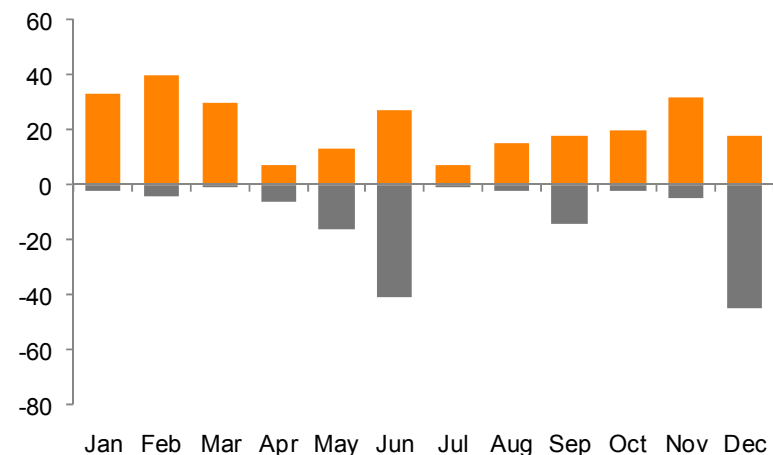


## SEK 265bn term funding issued in 2010

- Full year 2011 maturities of nominal SEK 180bn
  - Of which SEK 80bn in guaranteed funding
  - Of which SEK 86bn in covered bonds
- Average maturity of wholesale funding, including short-term funding, 27 months (38 months for covered bonds)

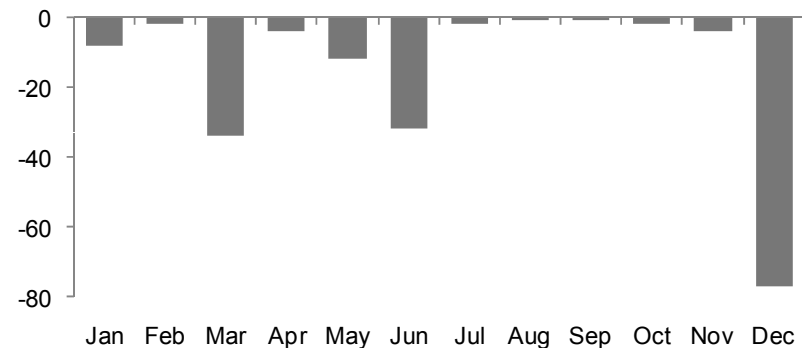
### Issued & matured full year 2010

(nominal SEKbn)



### Maturity profile full year 2011

(nominal SEKbn)



## Fourth quarter 2010 results

# Income statement

SEKm	Q4 10	Q3 10	QoQ %	Q4 09
Income	7 958	7 647	4%	7 982
Expenses	4 590	4 238	8%	4 300
<b>Profit before impairments</b>	<b>3 368</b>	<b>3 409</b>	<b>-1%</b>	<b>3 682</b>
Impairment of intangible assets		23		
Impairment of tangible assets	406	30		352
Credit impairments	- 483	120		5 003
<b>Operating profit</b>	<b>3 445</b>	<b>3 236</b>	<b>6%</b>	<b>-1 673</b>
Tax expense	693	638	9%	115
<b>Profit attributable to shareholders</b>	<b>2 750</b>	<b>2 591</b>	<b>6%</b>	<b>-1 804</b>
Return on equity, %	11.7	11.3		-8.3
Cost-income ratio	0.58	0.55		0.54
Loan-deposit ratio, %	222	233		240
Core Tier 1 capital ratio, %*	13.94	13.39		11.97
Risk-weighted assets *	541.3	559.7		603.4

\* Basel 2

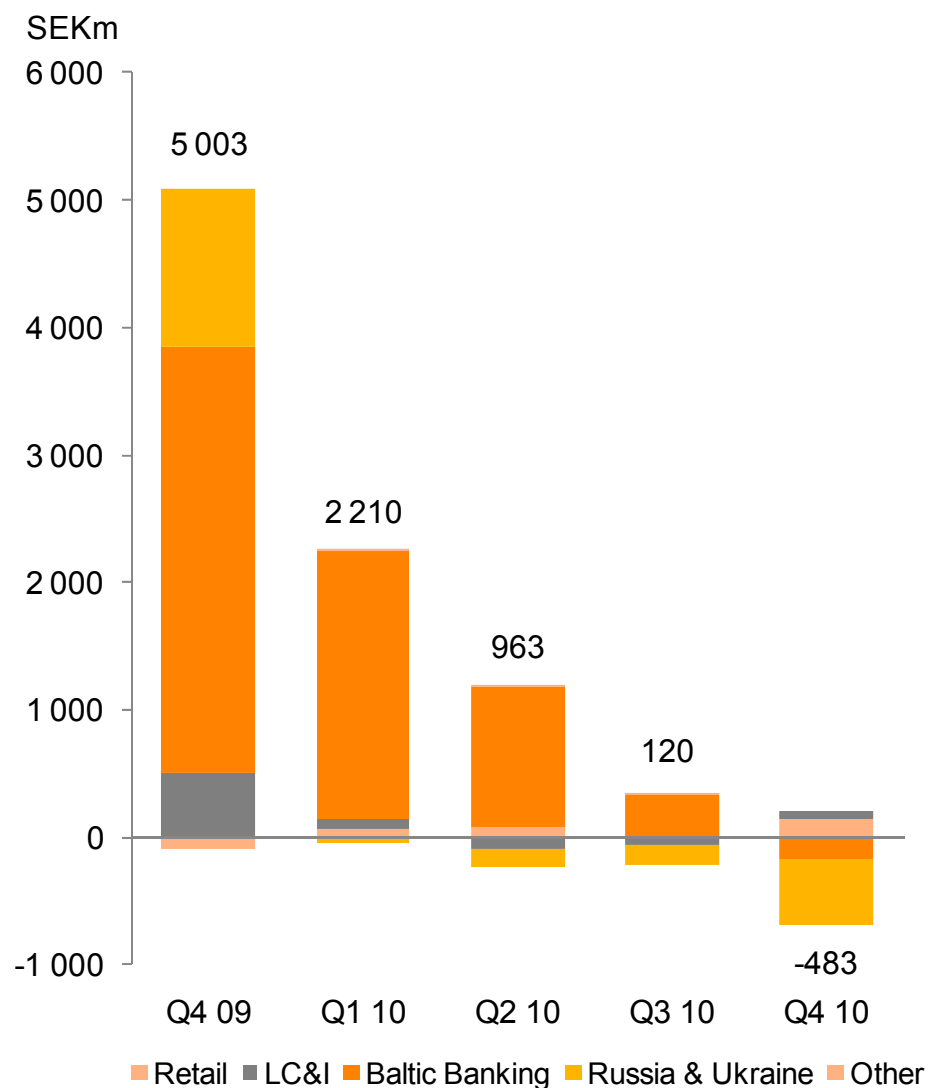
## Continued improvements

- All indicators in the right direction
  - Impaired loans
  - 60 days overdue
  - Restructured loans
  - Watch list

} Declining in all countries
- RWA decreased by SEK 18.4bn in Q4
  - Positive rating migration
  - Continued de-leveraging in Baltic countries
- Recoveries in CEE portfolio
- Further tightened lending criteria in Swedish mortgage market

## Asset quality

# Credit impairments of SEK -483m

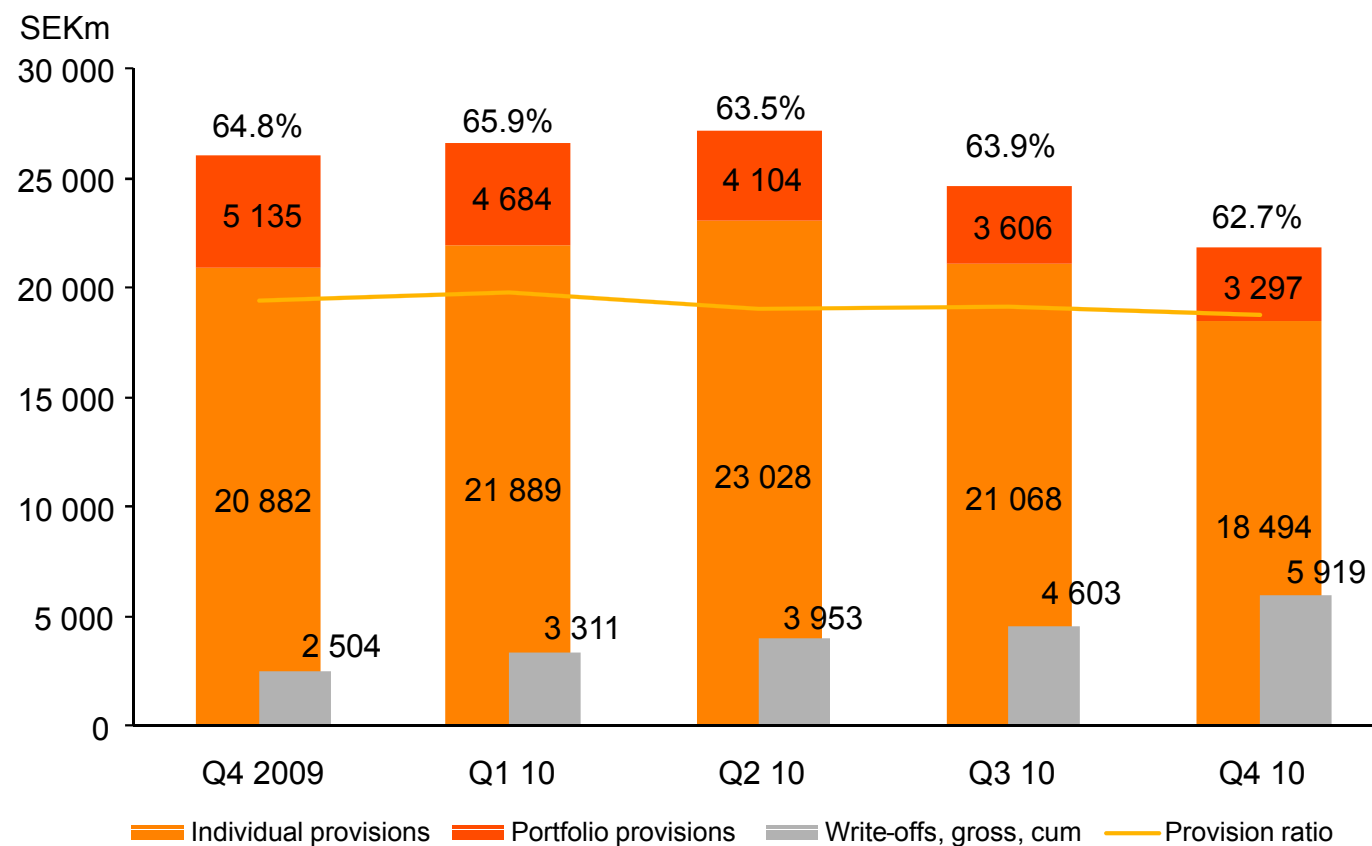


- Net recoveries in Baltic Banking and Russia & Ukraine
- Minor credit impairments in Retail and LC&I
- Write-down of tangible assets, mainly in Ukraine



## Asset quality

# Provisions – work-out portfolios slowly declining

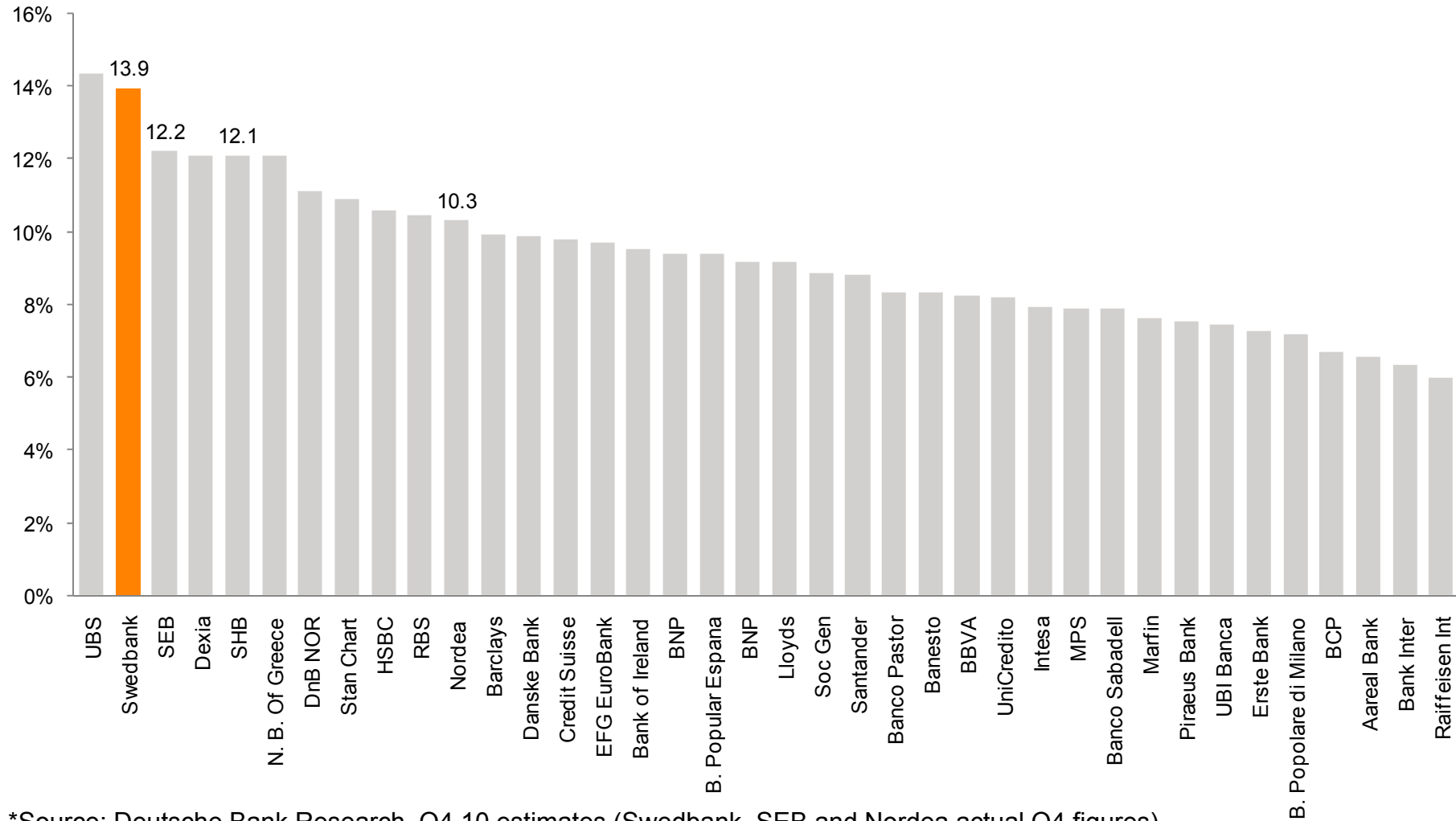


Provision ratios, %	Q4 10
Retail	99
LC&I	106
Baltic Banking	58
Russia	57
Ukraine	65
<b>Group</b>	<b>63</b>

## Capital management

# European peer comparison core Tier 1 ratios

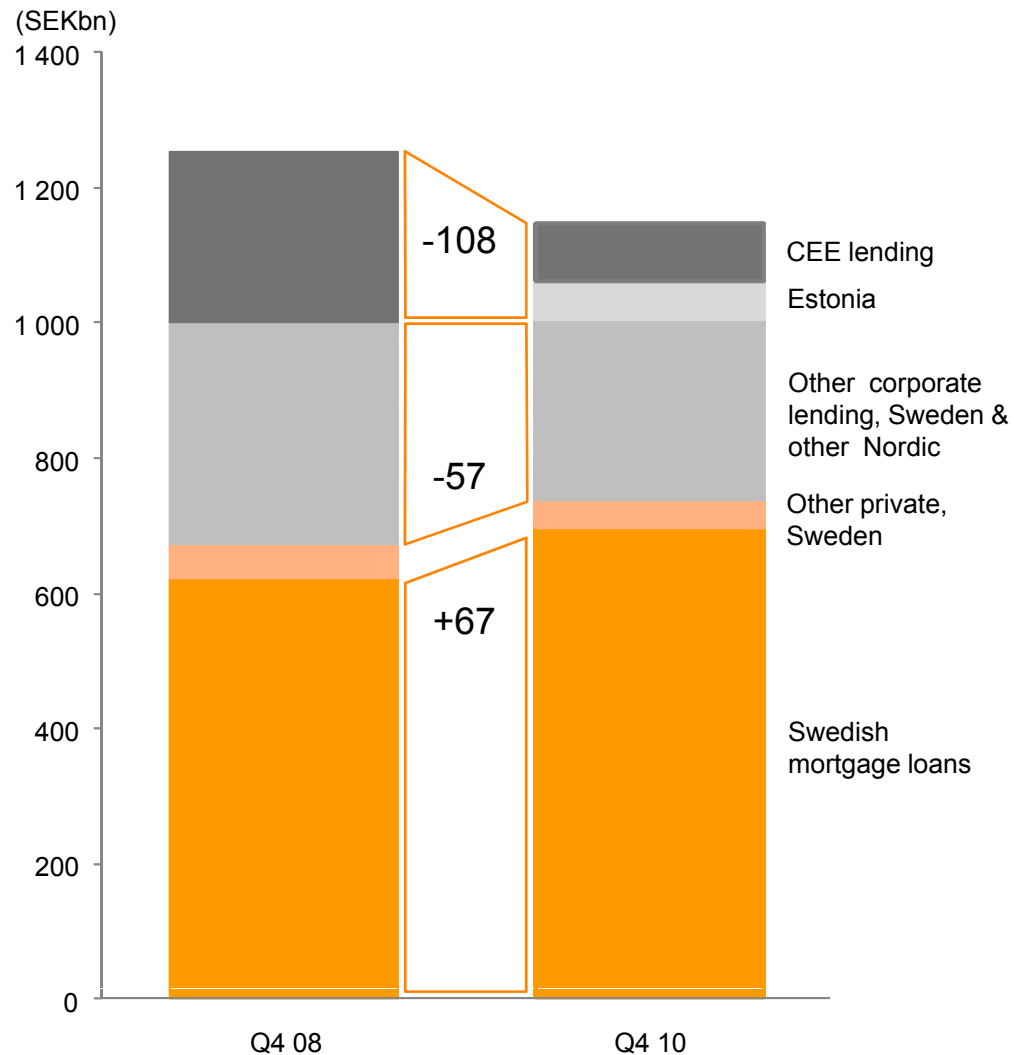
Core Tier 1 ratios (Basel 2) European banks\*



\*Source: Deutsche Bank Research, Q4 10 estimates (Swedbank, SEB and Nordea actual Q4 figures)

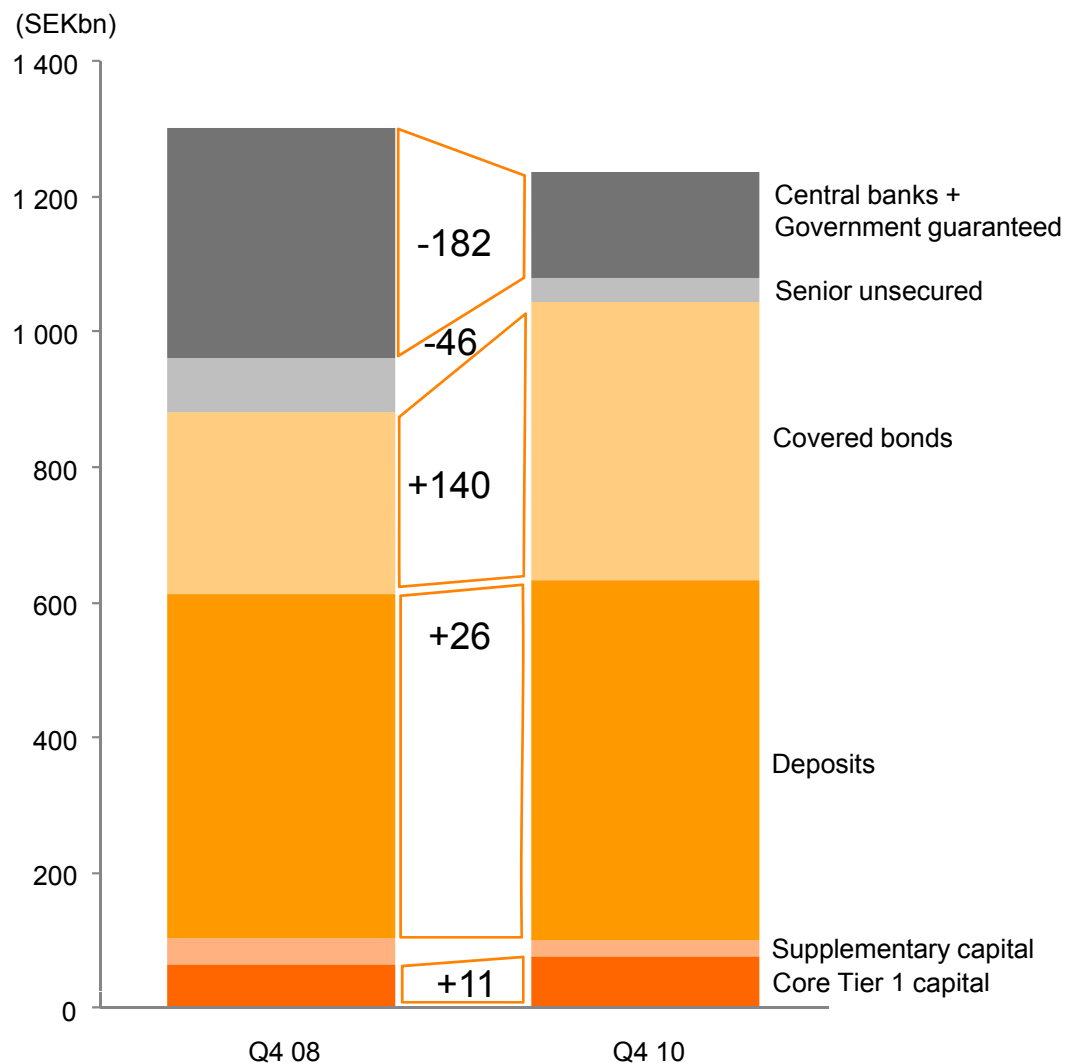
## Capital management

# Assets – significantly reduced risk level since Q4 08



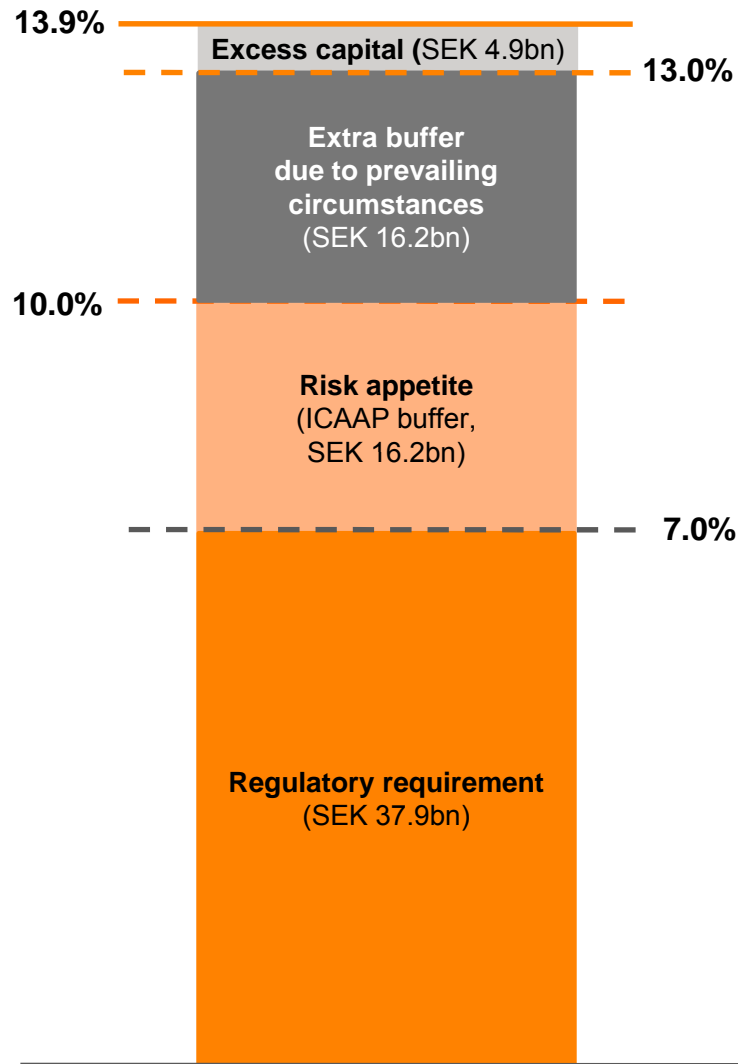
- Estonia joined the EMU, 1 Jan 2011
- RWA reduced from SEK 697bn to SEK 541bn
- Reduced need for unsecured funding of about SEK 150bn

## 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

Capital management

## **Excess capital – no need to increase capital further**

- Large capital buffer in relation to current risk level
- Increasing profit generation
- RWA growth expected to be moderate
- Continued focus on capital efficiency

## Proposal

- AGM to decide on buy-back programme to manage capitalisation
  - Up to 10 per cent of outstanding shares (incl. acquisition of own shares through the securities operations)
  - Gradual buy-backs during the permit period
  - Full flexibility to chose between A and preference shares

# Priorities 2011

- Customer focus
- Growth in selective segments
- Quality and effectiveness
- Robust and low-risk balance sheet



# Welcome to Swedbank's Capital markets day 23 February 2011

Registration at [www.swedbank.com/ir](http://www.swedbank.com/ir)



# Appendix

## Loan to deposit ratio improved

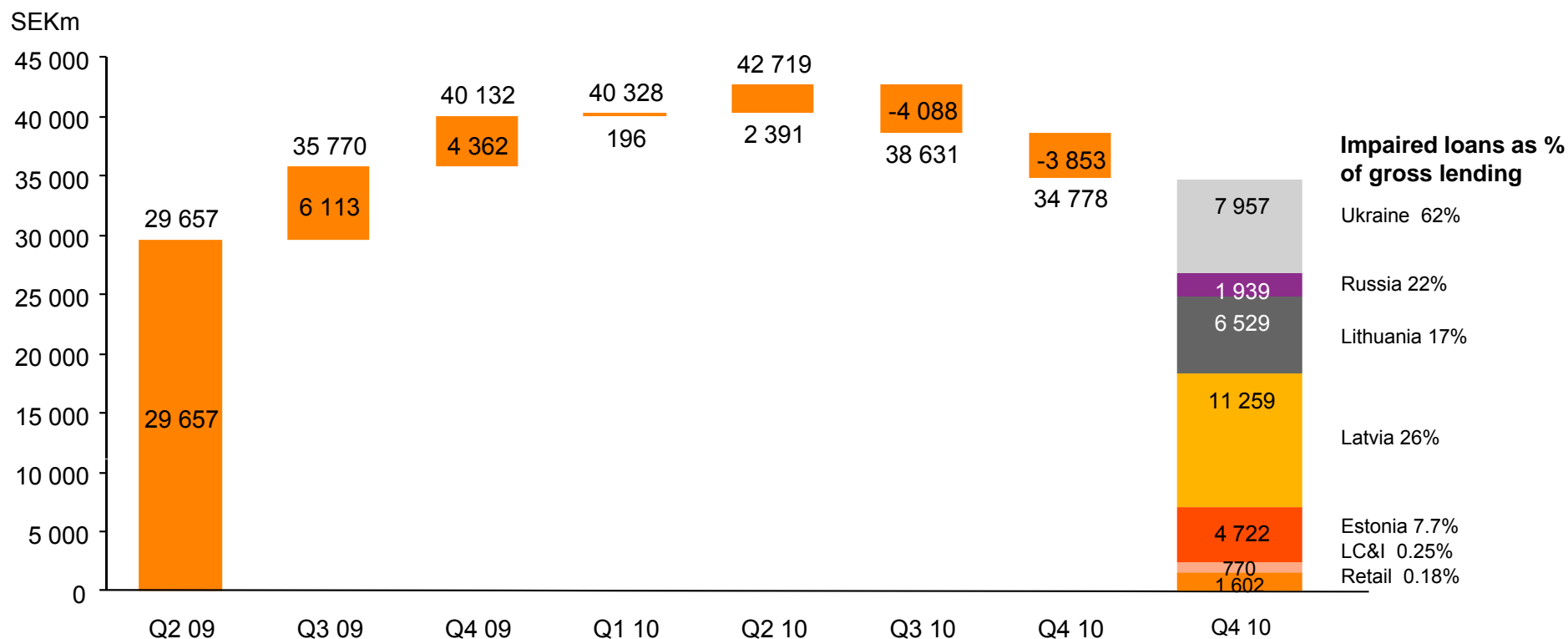
SEKbn	2010	2009	Δ
Retail - loans	873	854	19
Retail - deposits	347	318	29
LC&I - loans	130	150	-20
LC&I - deposits	74	69	5
BB - loans	130	170	-40
BB - deposits	93	103	-10
R&U - loans	13	18	-5
R&U - deposits	3	7	-4
<b>Group - loans</b>	<b>1 146</b>	<b>1 192</b>	<b>-46</b>
<b>Group - deposits</b>	<b>517</b>	<b>497</b>	<b>20</b>

# Business area performance

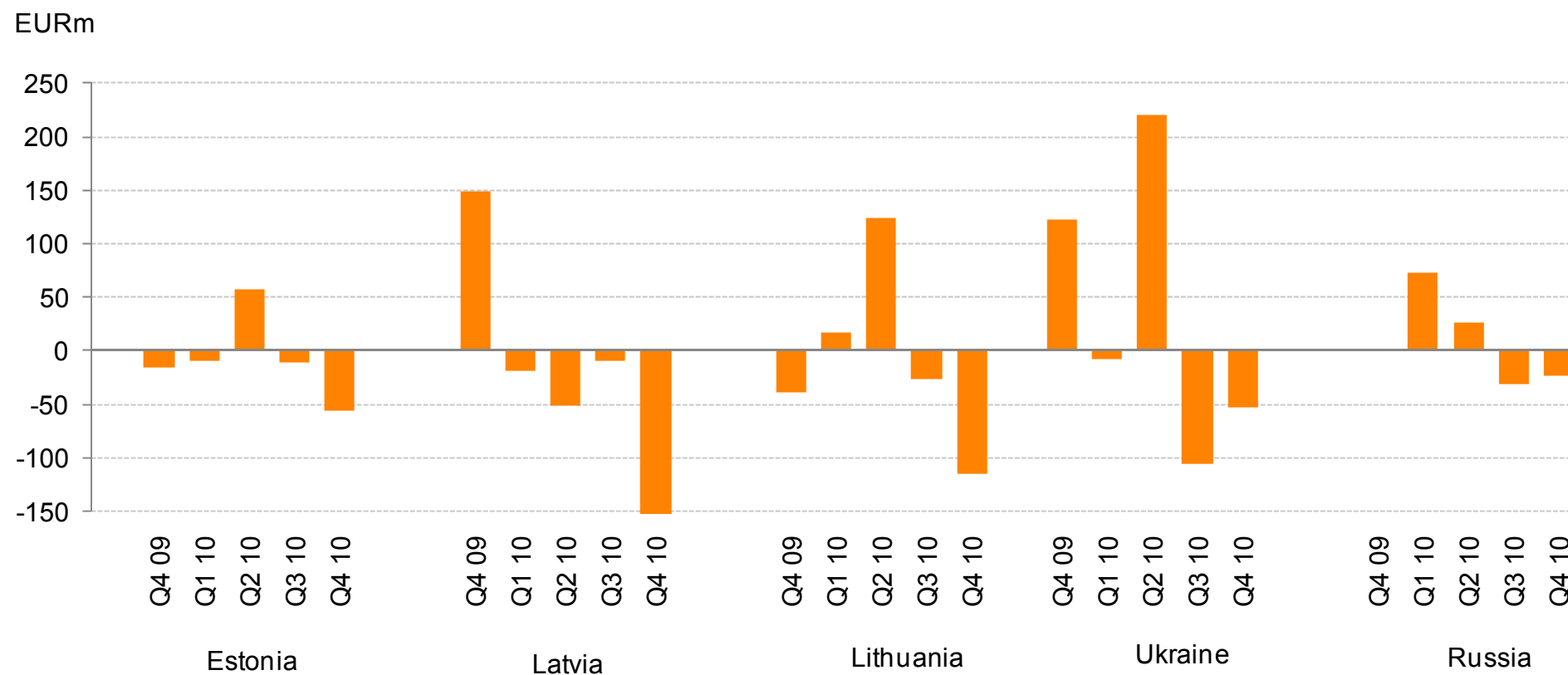
Profit before impairments	Q4 10	Q3 09	Δ	8Q development
Retail	2 126	1 881	245	
Large corporates & Institutions	895	664	231	
Baltic Banking	935	937	-2	
Asset management	188	179	9	
Russia & Ukraine	-116	-55	-61	
Other	-660	-197	-463	
<b>Group</b>	<b>3 368</b>	<b>3 409</b>	<b>-41</b>	

# Impaired loans decreasing

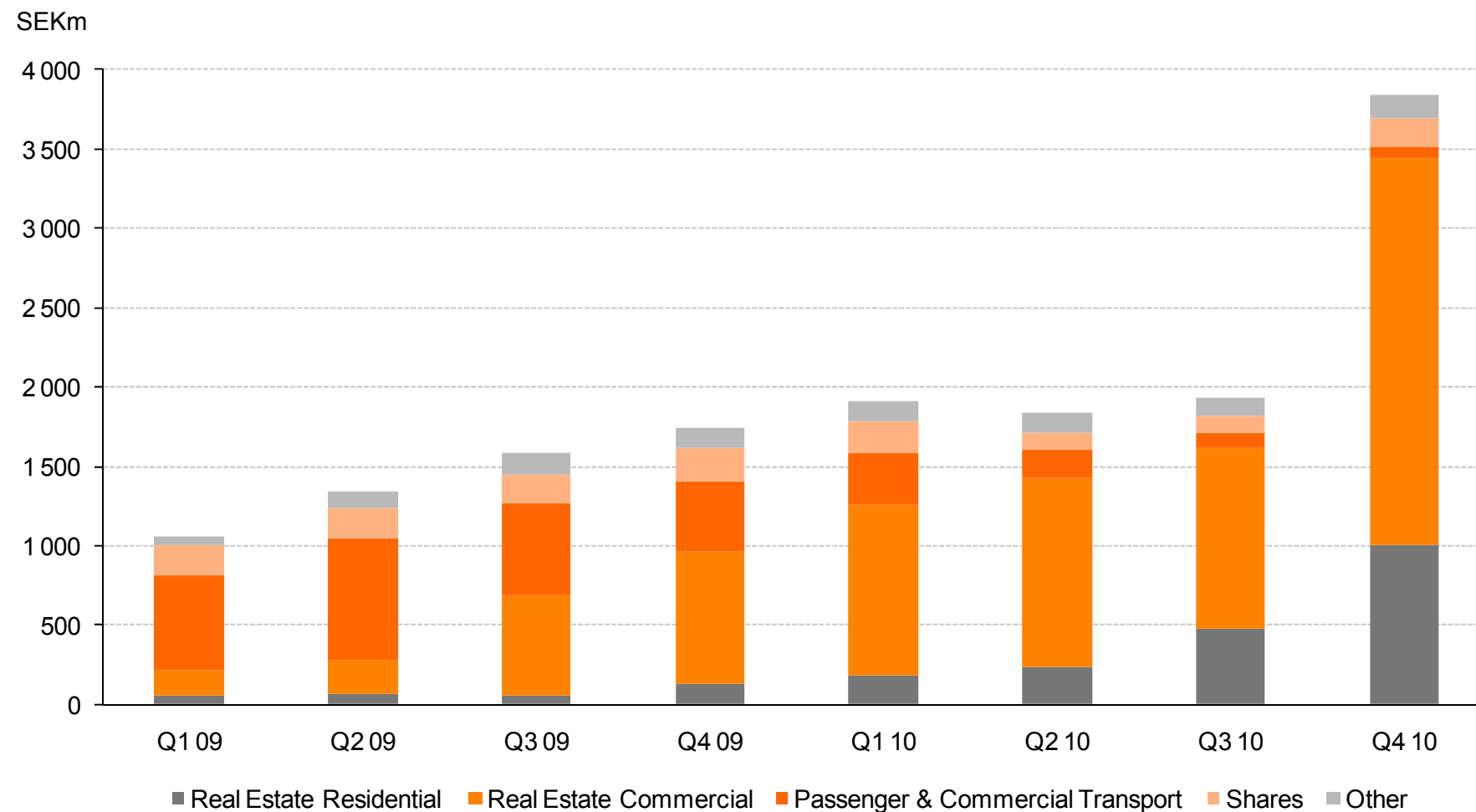
- Excl. FX effect down SEK 3bn in Q4
- Underlying decreases in all business areas in Q4



# Loans past due 60 days – performance Q/Q

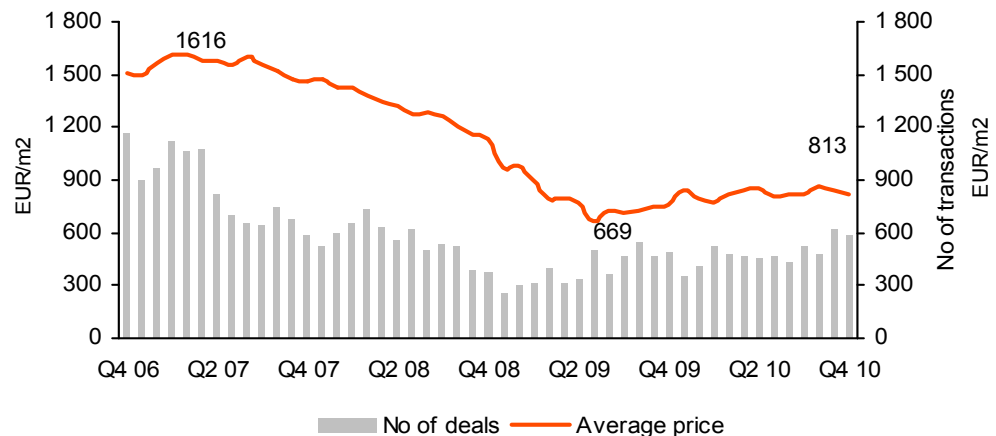


# Repossessed assets

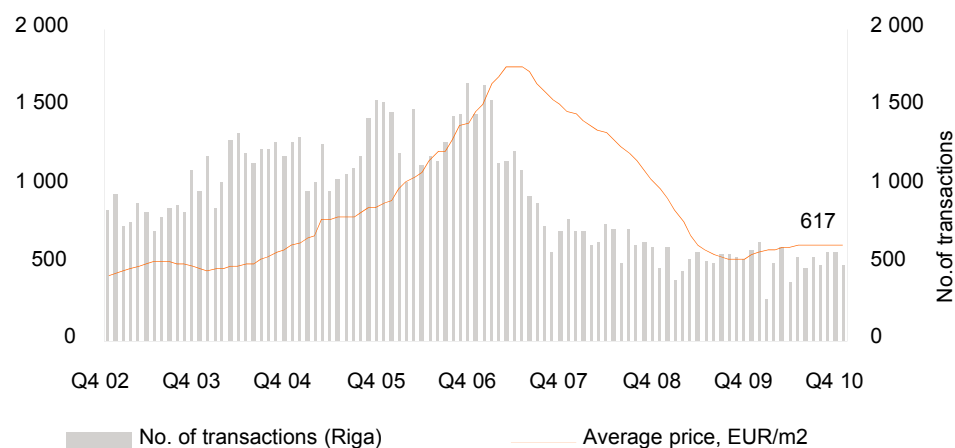


# Real estate prices

## Tallinn

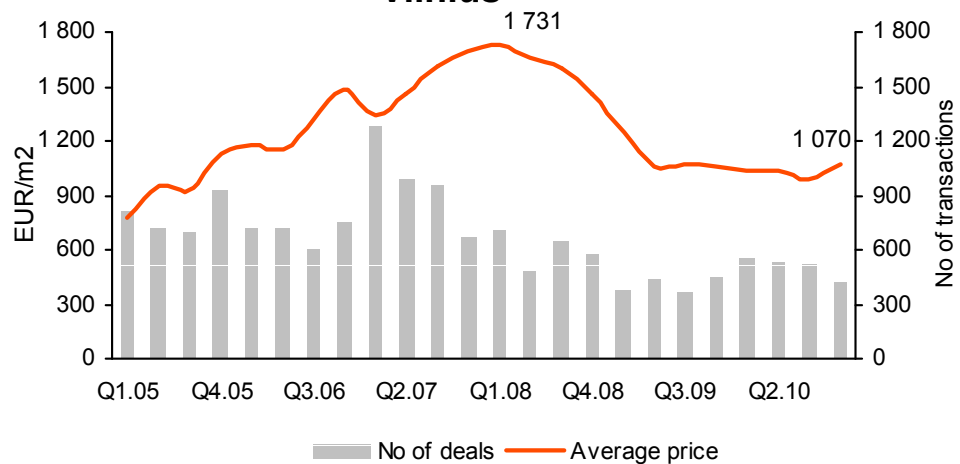


## Riga\*



Source: Swedbank, Estonian Land Board

## Vilnius



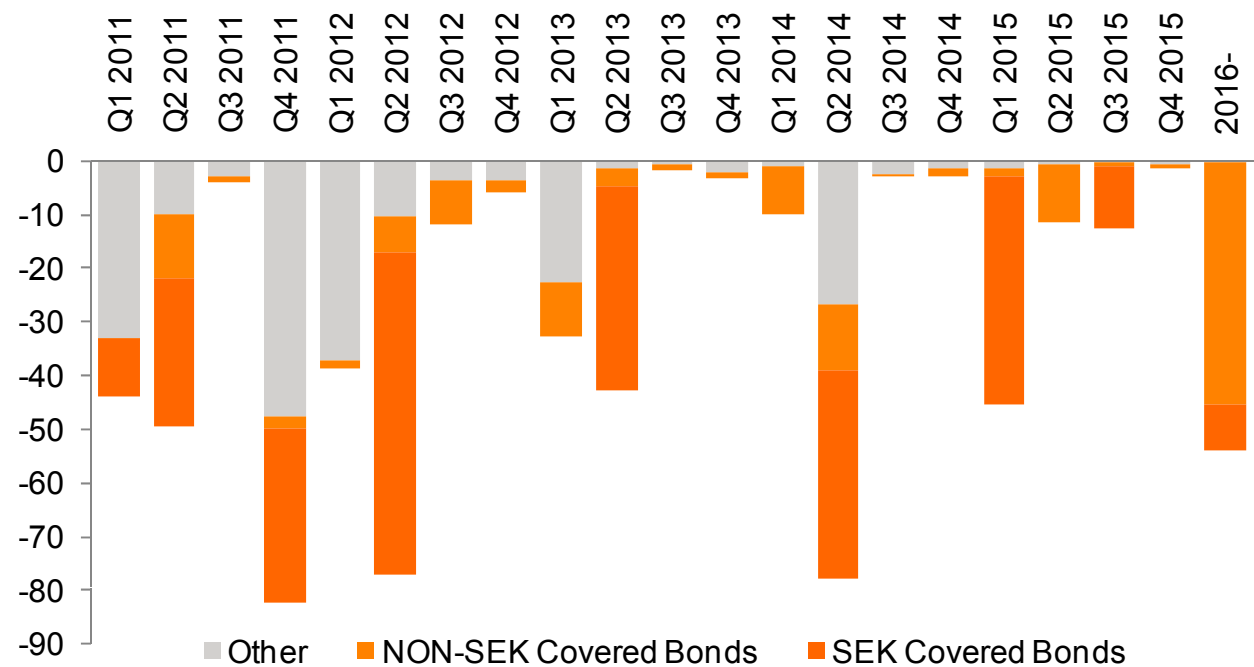
Source: Swedbank, State Enterprise Centre of Registers



## Long-term funding

- Continued focus on covered bonds with full-year issuance of SEK 238bn
- SEK 23bn in senior unsecured issuance
- 4 EUR-denominated covered bond benchmark deals, each in the size of EUR 1bn
- 1 EUR-denominated senior unsecured benchmark deal of EUR 1bn
- Total term funding maturities in 2011 of SEK 180bn

Long-term funding maturity profile, SEKbn



## Remaining government guaranteed debt

- Exited the programme on April 30, 2010
- No issuance under the programme since summer 2009
- SEK 75bn of government guaranteed debt matured during 2010
- Maturities of nominal SEK 80bn in 2011

Maturity profile, SEKbn

