

# Swedbank's fourth quarter 2010 results

8 February 2011

Michael Wolf, CEO

Erkki Raasuke, CFO

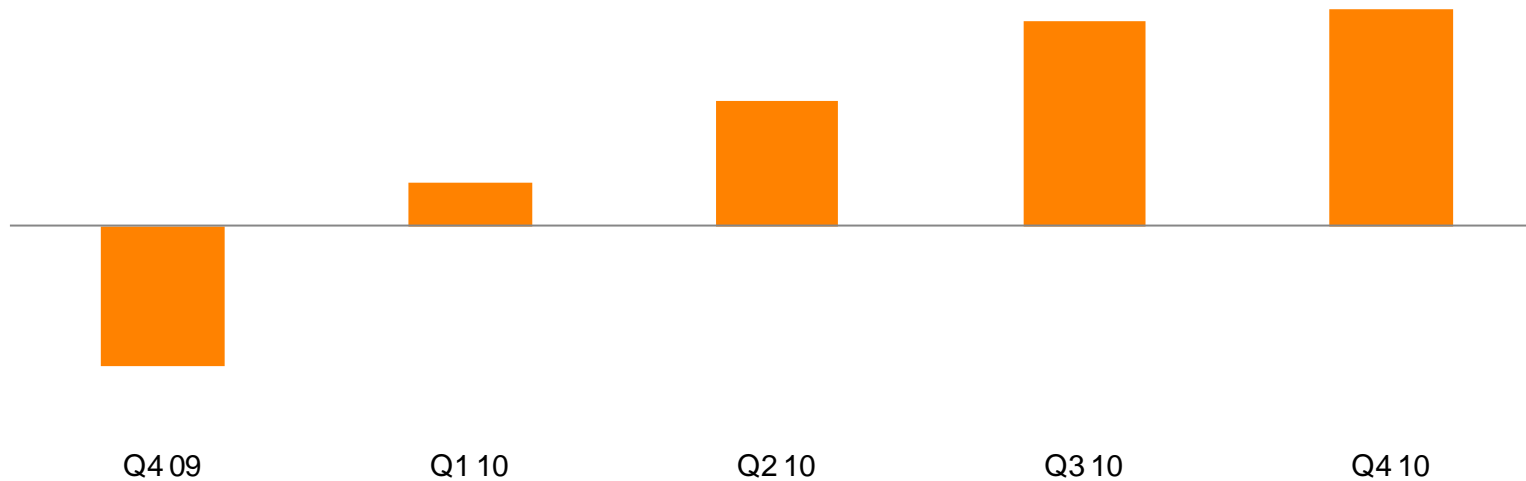
Göran Bronner, CRO



# 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



## Summing up the year

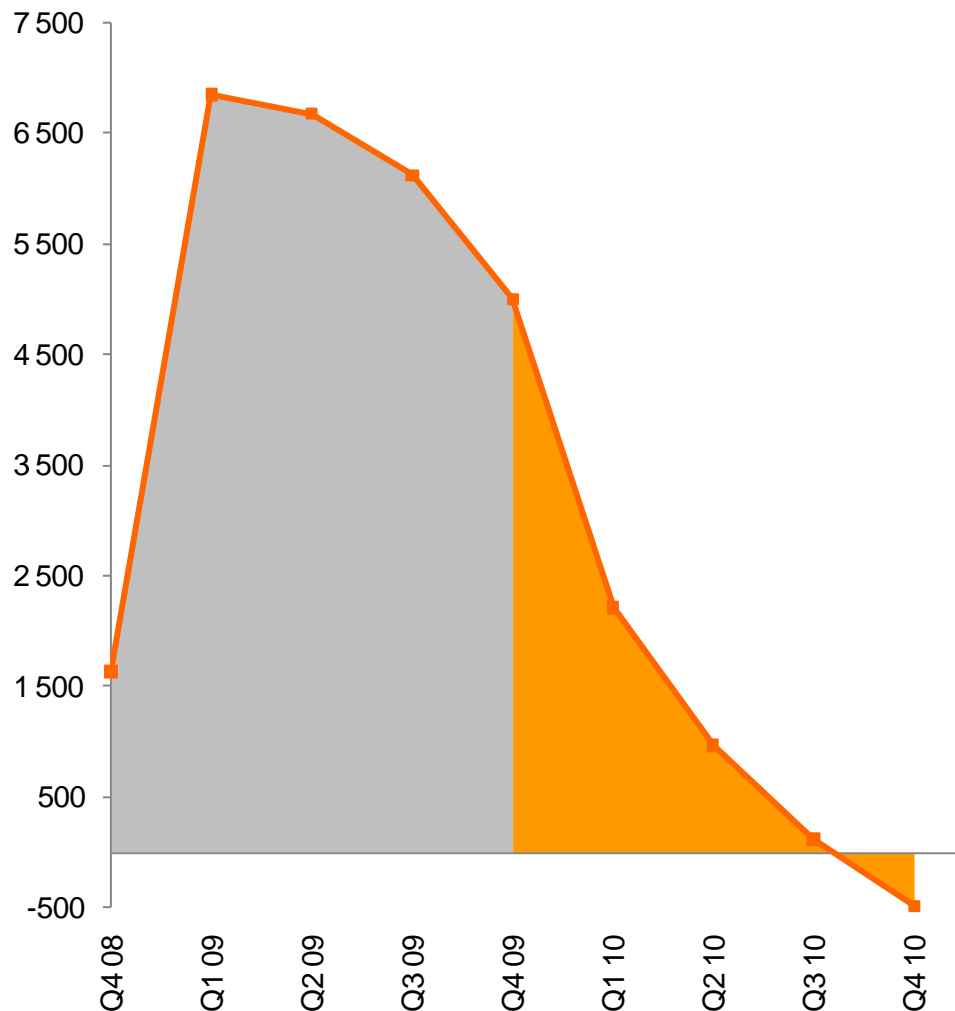
- Customer satisfaction
- Lower risk level
- Earnings
- Liquidity and capitalisation

## **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

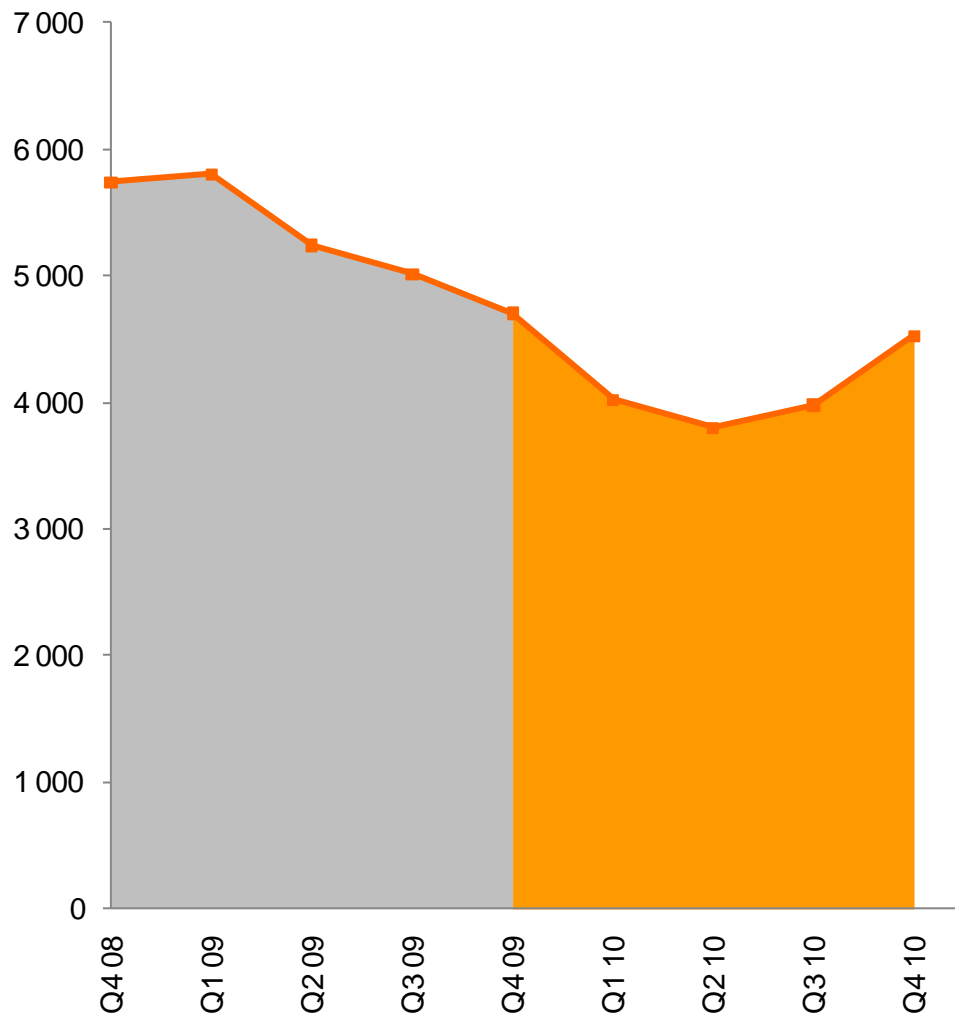
Credit impairments, SEKm



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

## Pre-provision earnings starting to improve

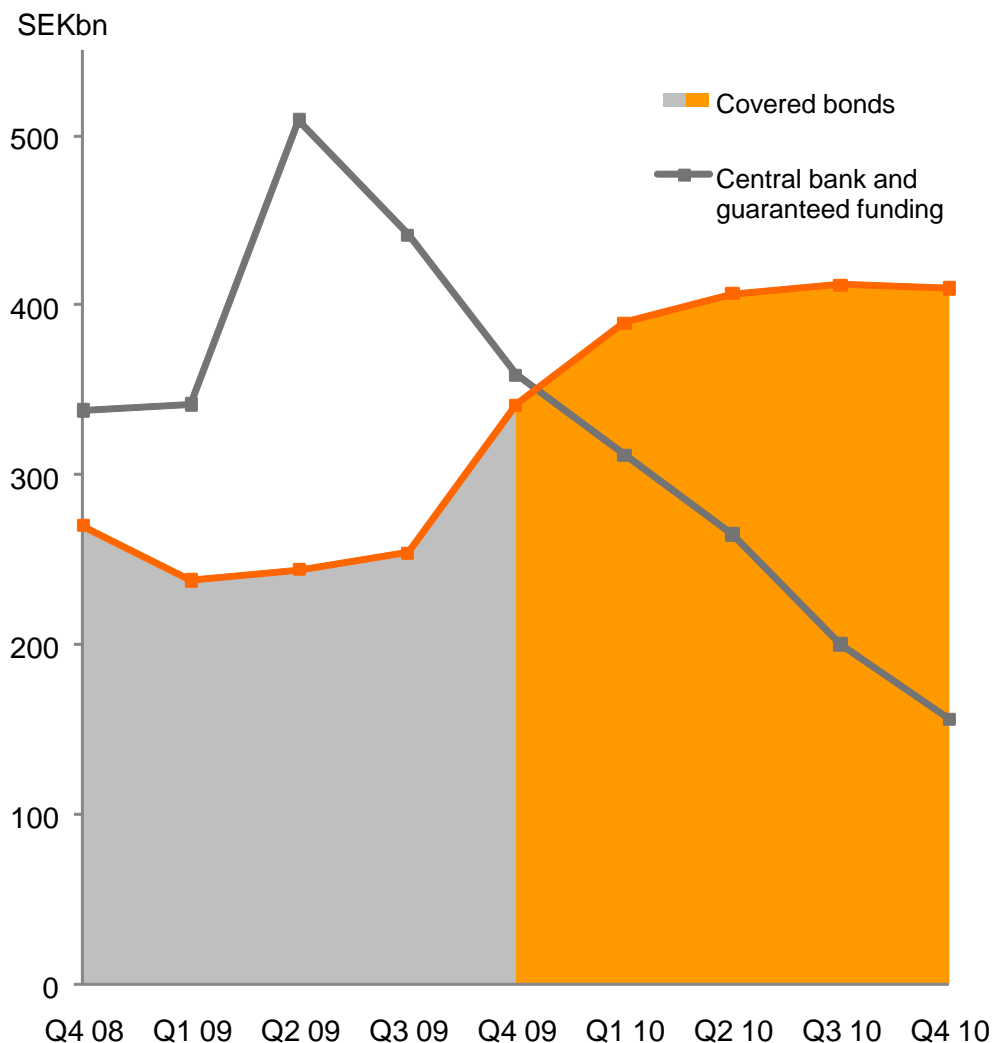
Net interest income, SEKm



- 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

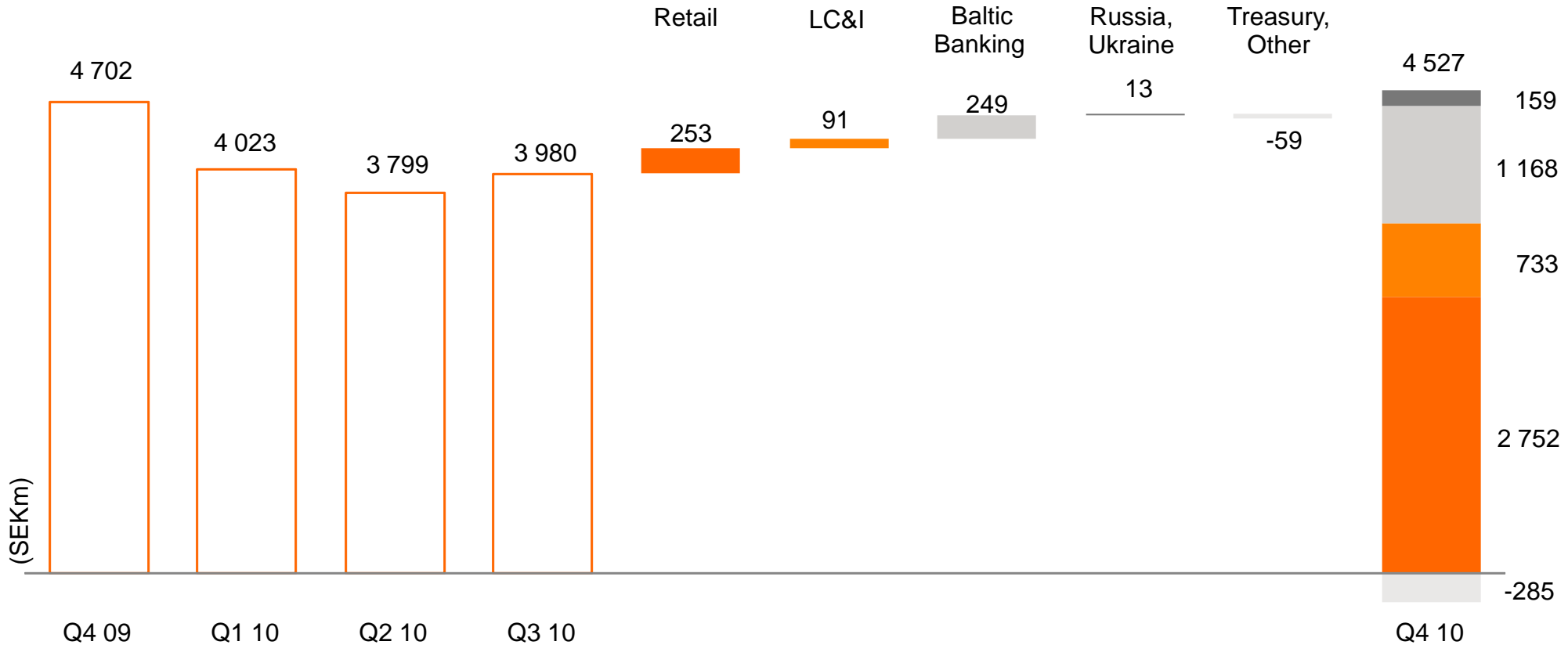
- Core Tier 1 capital ratio of at least 13 per cent until 2013
- Long-term core Tier 1 capital ratio of at least 10 per cent
- AGM to decide on buy-back programme to manage capitalisation
  
- New dividend policy from 2011
  - 50 per cent pay-out ratio



# Net interest income

## Growing NII

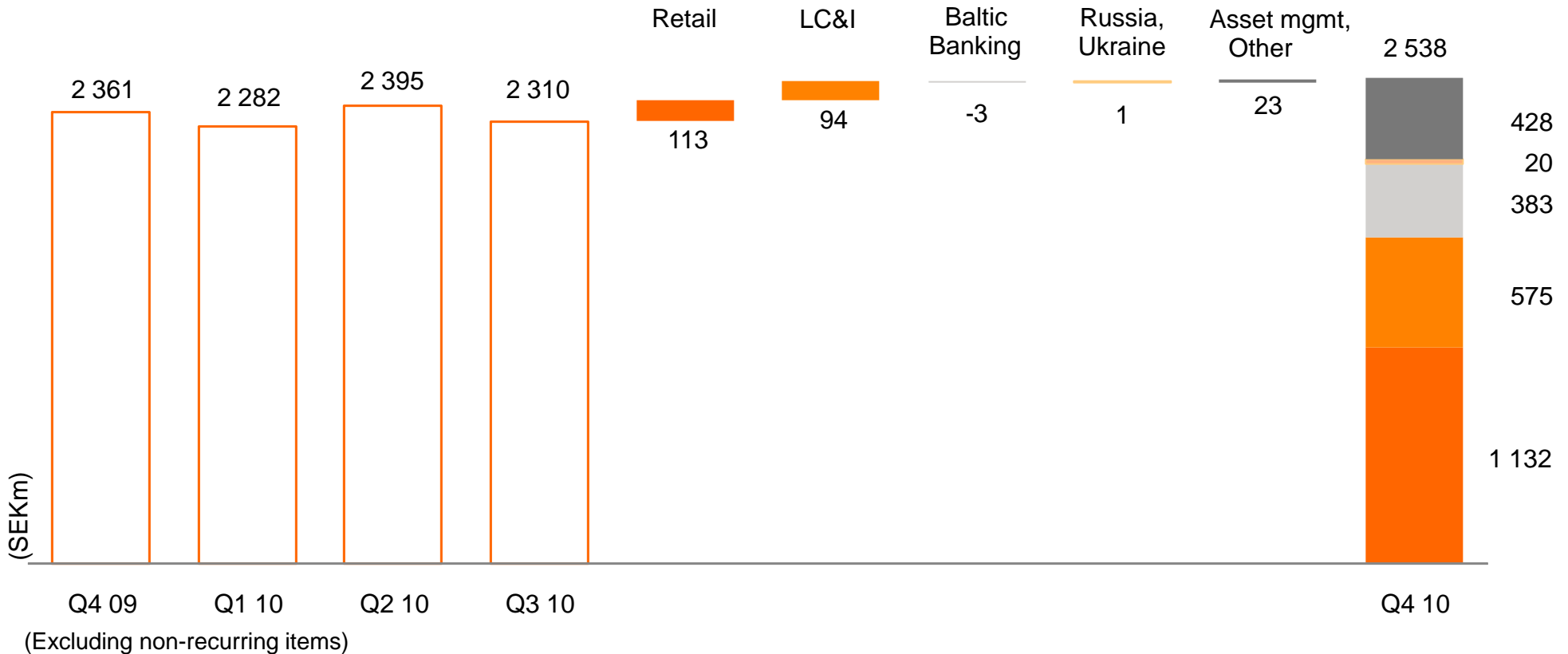
- Increasing interest rates in SEK
- Deposit margins improving
- Restated Baltic Banking late payment fees



Net commission income

# Strong commission income

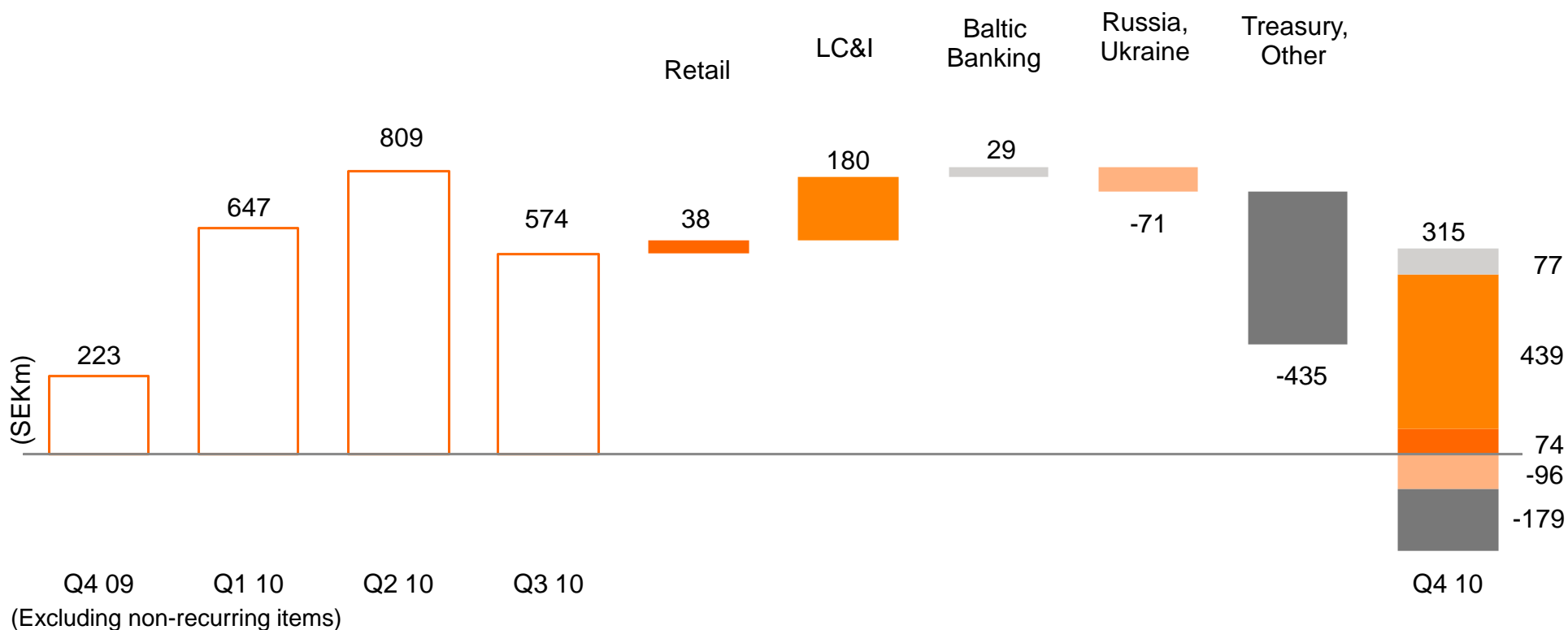
- Strong syndicated lending fees
- Low brokerage fees in Q3
- Corporate finance picking up



Net gains/losses on financial items, fair value

## Lower gains with higher quality

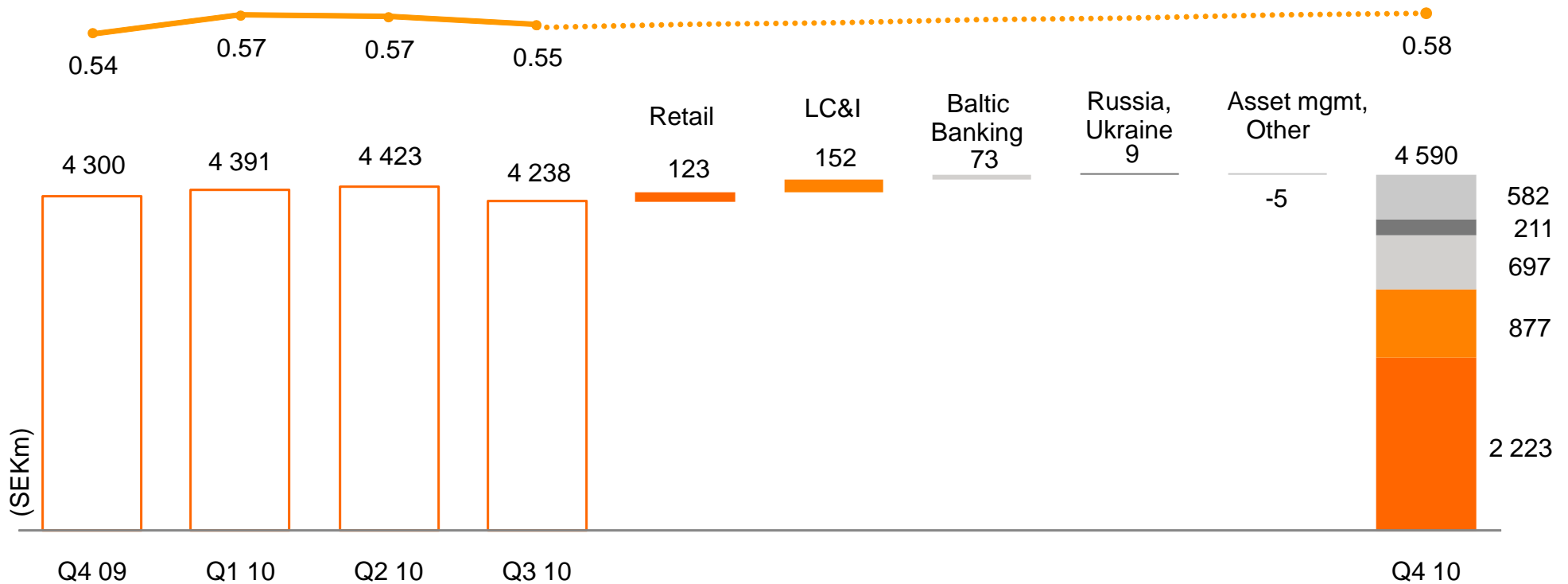
- Strong end of the year from LC&I
- Cancellation of deposit in Russia
- Treasury valuation effects turned to negative



# Expenses

## Expenses seasonally higher

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

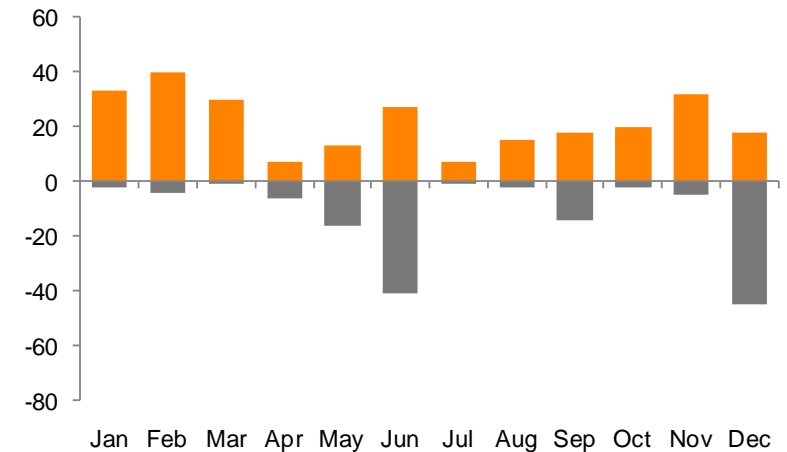


# SEK 265bn term funding issued in 2010

- 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)

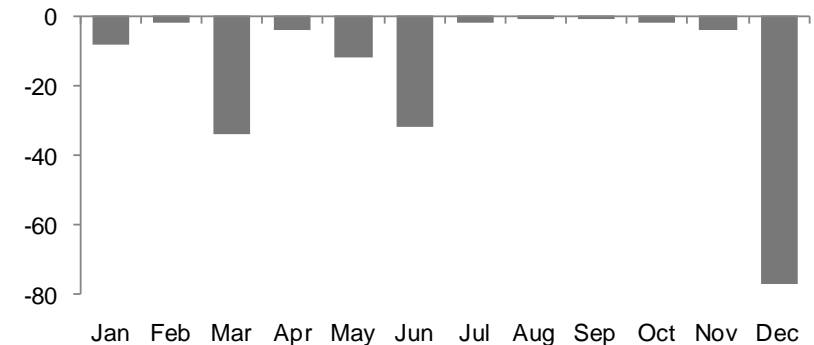
**Issued & matured full year 2010**

(nominal SEKbn)



**Maturity profile full year 2011**

(nominal SEKbn)



# 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

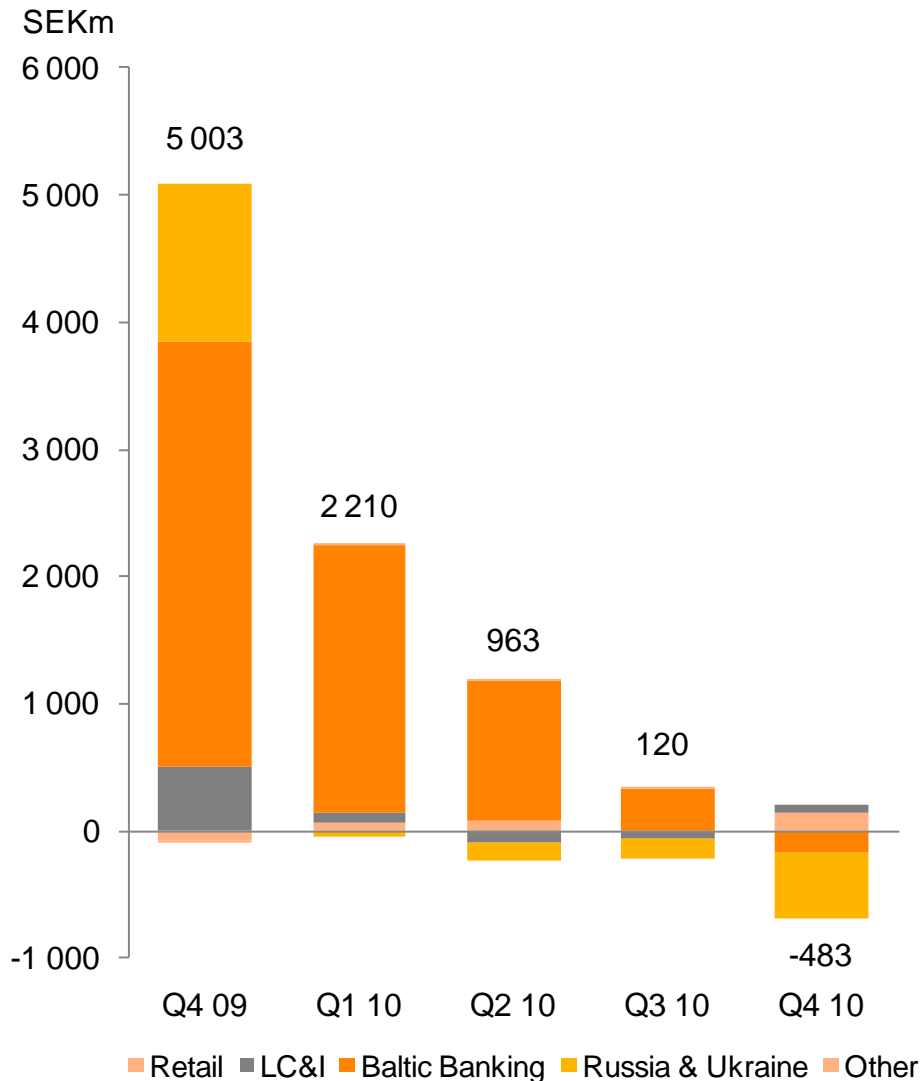
\* Basel 2

## 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

# Credit impairments of SEK -483m

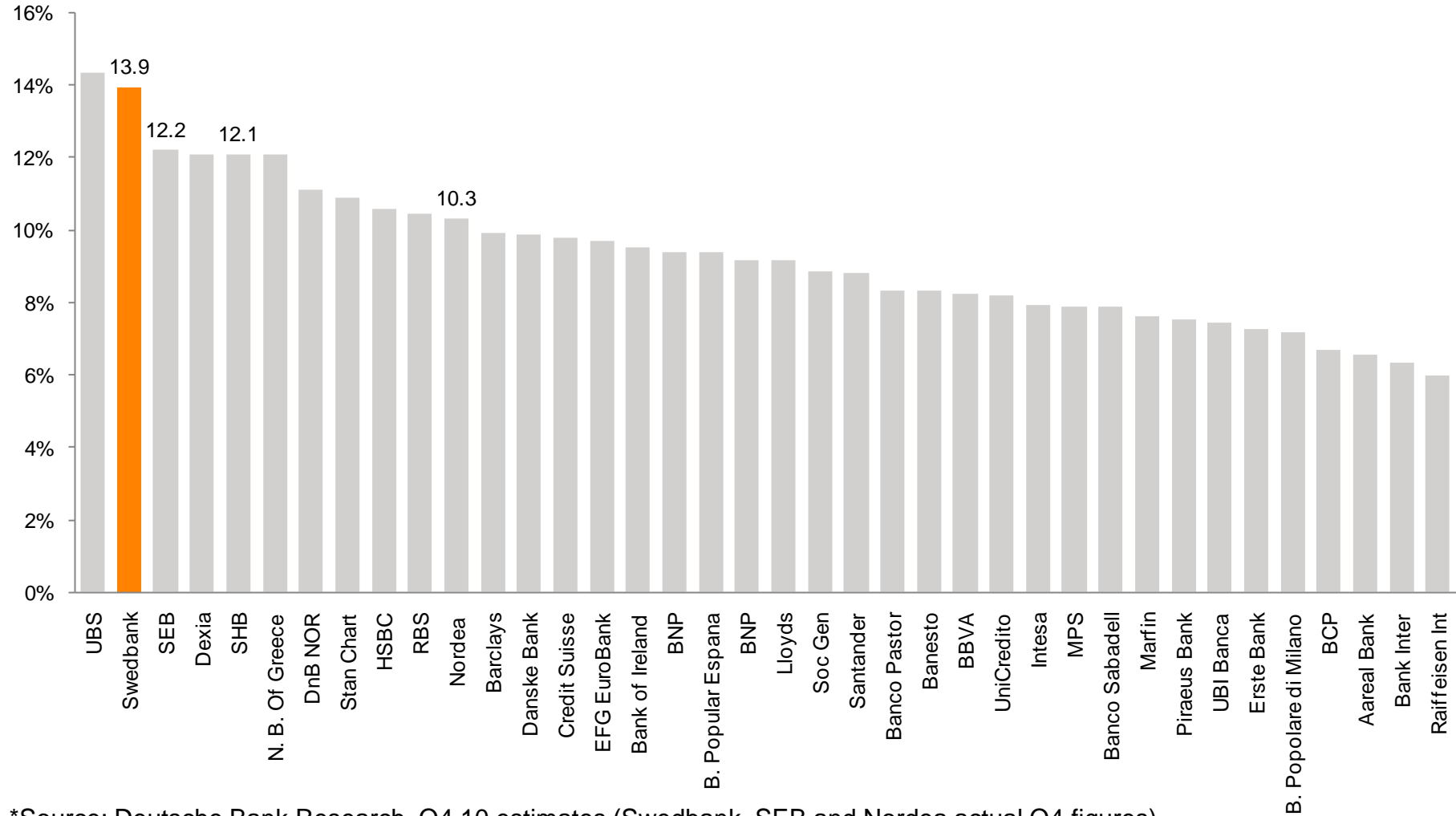


- Net recoveries in Baltic Banking and Russia & Ukraine
- Minor credit impairments in Retail and LC&I
- Write-down of tangible assets, mainly in Ukraine



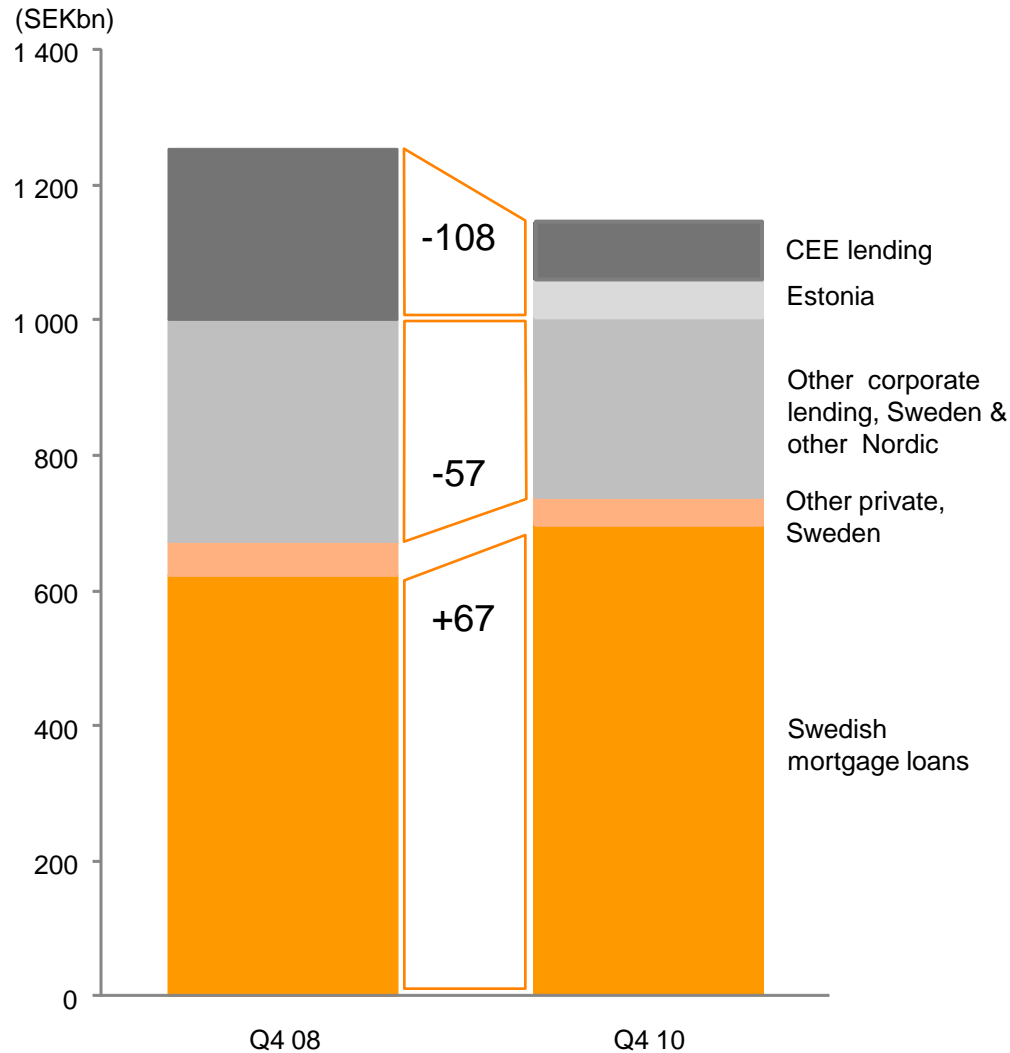
# European peer comparison core Tier 1 ratios

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



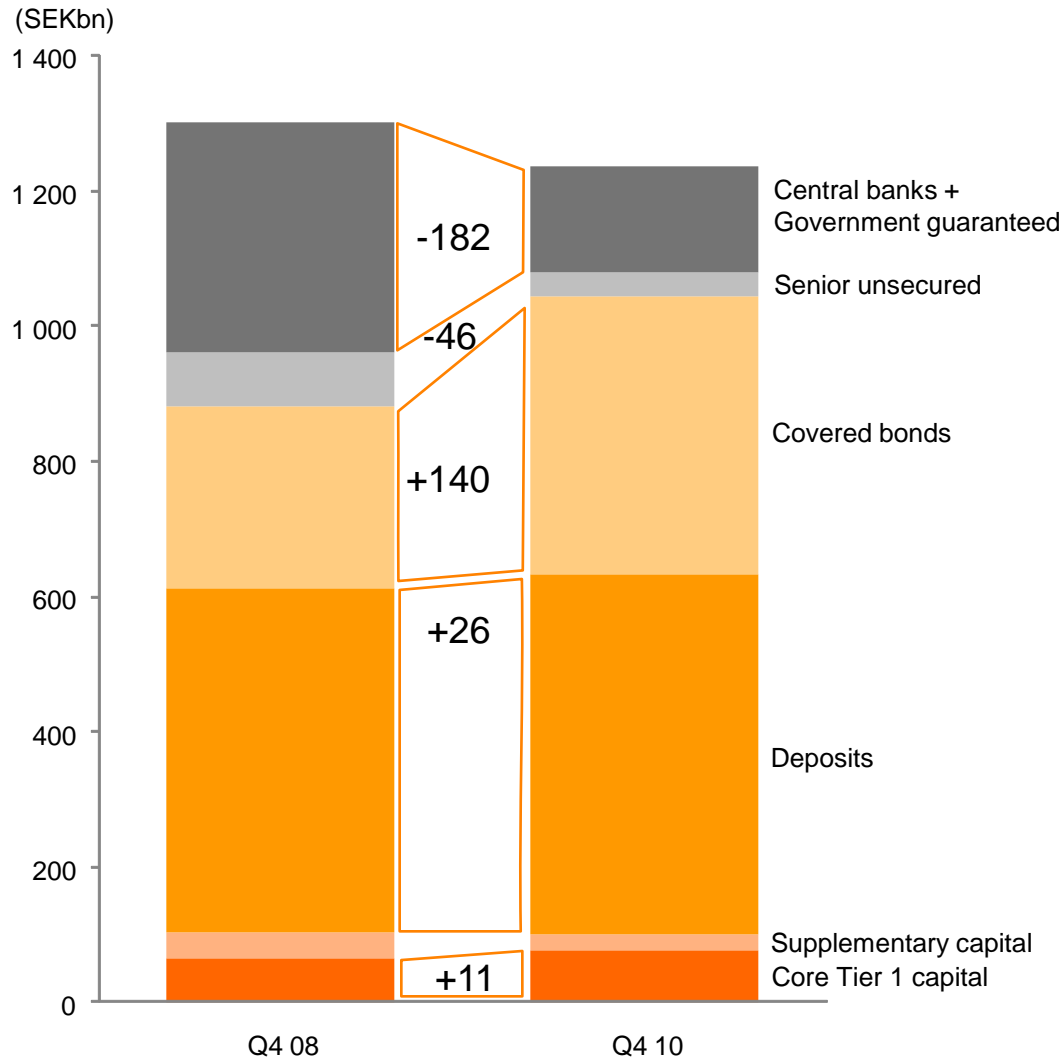
\*Source: Deutsche Bank Research, Q4 10 estimates (Swedbank, SEB and Nordea actual Q4 figures)

# Assets – significantly reduced risk level since Q4 08



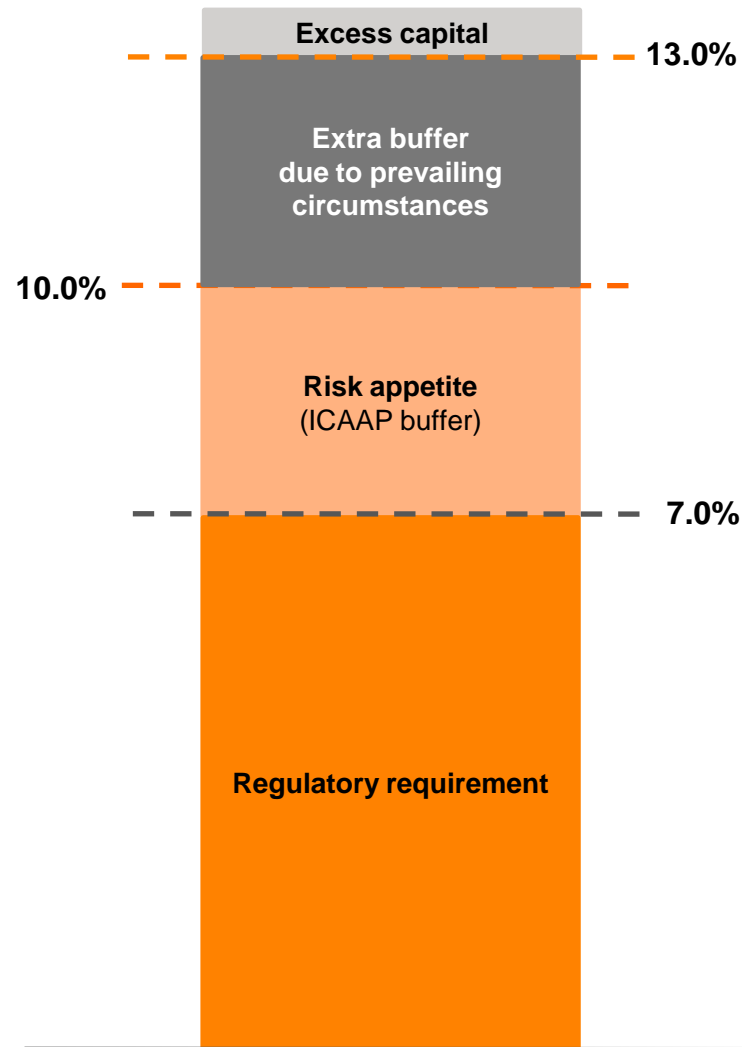
- Estonia joined the EMU, 1 Jan 2011
- RWA reduced from SEK 697bn to SEK 541bn
- Reduced need for unsecured funding of about SEK 150bn

# 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

## **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)

