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OPERATOR: Ladies and gentlemen, welcome to the Swedbank Year-end Report 2011 conference call. Today I am pleased to present Mr Michael Wolf, President and CEO. For the first part of this call all participants will be in listen-only mode and afterwards there will be a question and answer session. Mr Michael Wolf, please begin.

MICHAEL WOLF: Good morning and thanks for attending our fourth quarter result presentation. As we put 2011 behind us we conclude the critical transformation of Swedbank in terms of establishing a financial strength that will give us a competitive advantage going forward. We have built the necessary capitalisation, funding structure and liquidity buffers, not only to ensure a resilience to external shocks but also to meet tomorrow's demands on banks from regulators. This banking confirms our financial strength in their latest stabilisation report and we were one of the few banks that S&P upgraded during the autumn.

In 2009 we articulated that our aim was to re-establish Swedbank as a traditional retail bank in its four home markets. A business model built on local decision making and close relationships with customers and the local communities. We did also establish that our purpose was to promote a sound and sustainable financial situation for the many households and enterprises. Our focus and our purpose have directed us to reduce the risk in the bank over three years and our asset quality has today improved significantly.

We have welcomed the new regulatory environment as we fundamentally believe it will benefit the society. It will make shareholders, and not tax payers, responsible for future possible losses in the sector. Therefore, it should drive better risk based pricing and more sound leverage ratios. This risk transformation is sound as it will help mitigate unwanted and unsound cross-subsidies, but we need to accept that it comes with a significant cost for the banks. These costs will have to be shared by all stakeholders.

Our return on equity is at historical low levels despite the boost from the Lehman one off income. The economic uncertainty and thereby the lower economical activity that we see will be mitigated by increased cost focus in the bank. As we announced late last year we have taken a restructuring charge of SEK 330m. We do also see other opportunities for cost savings and synergies and our aim is to reduce the underlying cost with Krona 1 billion in 2012. We have also taken significant steps to align pay in the bank. Eken, our profit sharing programme, aims to support better cooperation internally and be a carrier for cost and risk focus. The individual bonuses declined to SEK 230m in 2011. In 2012 we will reduce the number of participants in the individual variable pay programme by a third. Margin increases are not compensating the additional cost for being compliant with the new regulation. The whole debate around this can only be dealt with through openness.

To conclude, we entered 2012 from a position of strength financially and this allows us to put our entire focus on customer relations and improving our operational efficiency. With that, I hand over to Göran

Göran Bronne: OK. Thank you, Michael. I think if we look at the quarterly result we have already provided details to the market on that. We took goodwill write down in the quarter as a direct consequence of the new capital regime announced by the finance inspection of SEK 1.9bn. We have also announced that we are in the quarter booking a restructuring charge relating to redundancies of staff during the fourth quarter and also for the first half of this year of SEK 330m relating to 600 persons.

If we look then at the underlying result I think overall it's a very stable result. We have a slight increase in income. Most of that is relating actually to better capital markets activity and better income in that part but also we have seen some positive valuation effects in Group Treasury. We have a number of one-offs though appearing in the different lines and we have provided analysts with an email specifying the number of one offs after the disclosure in order to understand it better but if we look at the net interest income we are affected by a positive one-off from Lehman Brothers of SEK 200m. At the same time we have actually booked two times 50 negative one-offs also, one in the Baltic banking arena and one in group treasury so the net positive effect on NII of one offs is SEK 100m.

Net commission income is negatively affected quarter on quarter by lower corporate finance incomes which are still struggling in a difficult environment in the fourth quarter but we have also seen somewhat less income relating to asset management and also payment provisions in the Retail business area.

As I mentioned earlier on in net gains and losses we have an increase mostly relating to valuation effects in the treasury but also better results in client driven activity in Large Corporates & Institutions.

Looking at the cost development, excluding the restructuring charge, I think it is very much in line with what we have projected to have in the fourth quarter. We have a small seasonal effect of SEK 200m between the fourth and the third quarter that we normally see. Otherwise I think costs have developed more or less according to plan.

Moving ahead and looking forward I think of course, as Micke has stated earlier here, cost will be a focused area for us and we intend to reduce our cost base with SEK 1bn. So if we have a SEK 17.9bn cost base in 2011 and we exclude one-offs that are in there due to restructuring charges and also take out the variable pay we are in at the cost base of roughly SEK 17.1bn. That we intend to reduce down towards the SEK 16bn-mark. That is the sort of the target and the ambition of management during 2012.

Then of course we will continue to focus on being capital efficient. I think one of the achievements in Swedbank is of course to be capital efficient and we can see proof of that that we had a very significant upward move in Core Tier 1-ratio in this quarter as well with 15.7 in the quarter which is very good to see.

Turning to funding. I think there is not too much to actually talk about there. We had a quarter with very high maturities. We had SEK 90bn of maturities and we continued to fund our reserve with SEK 44bn of long term issuance. We did increase though the collateralisation in the **capital**(?) to 29% and we continued to have a very strong liquidity reserve and there has been good demand for our short term (inaudible), much as a result of the problems in Europe.

I think the main focus for us now, going forward here, will be of course to continue the funding activities but they will come at a much slower pace since our prolongation of the liability side, in maturity structure terms, is finished. Today we have an NSFR of 94% and we really feel that we have prolonged the maturity structure and therefore also the maturities are coming at a much slower pace. At the same time we have actually increased the liquidity buffers. From that perspective, the whole liability side of the bank and the funding risk and liquidity risk has greatly been reduced. One of the main ambitions now, going forward, is of course to put effort into being recognised for that by debt investors and actually having lower funding costs as a result of being a much more secure place for the debt investor.

Then turning to regulatory compliance I think, as Micke said, we have worked with firstly ourself really to make the necessary buffers in the bank and we have, as I stated, prolonged the maturity structure, we have really the built good liquidity reserves and we have also built a good capital buffer. Even with the latest capital targets or regime coming from the finance inspection, even though they were a bit higher than we anticipated at first, it is very good to see that we are fully compliant as it looks right now so we are well ahead in being compliant with the new regulatory framework that will gradually come into place in 2013/2015 and with regards to term structuring 2018.

Of course that means that it's a significantly reduced risk and we would like, as I stated earlier, to get paid for that in terms of debt investors and funding costs. Of course also the financial impact of this transition is more or less in the P&L statement today already. We have taken the cost now for this liquidity reserve and the prolongation of the maturity structure which is very good and puts us in a very good relative position in being able really to be competitive with clients.

Lastly, just a few words around capital then. The Board has taken the decision to withdraw the earlier capital targets of 10% and 13% as a consequence of the new regime and they will revert with new capital targets as we get the legislation that becomes clearer for us. In the meantime though the management's belief is that we will, with the current proposal on the table, aim to have a capital target around Core Tier 1 of 13.5% to 14.5% including our risk buffers, full Basel III.

In the meantime we will operate and steer the business towards that. The Board has decided to continue with the dividend policy of 50% of net profit while other kinds of capital repatriation are on hold. We're awaiting really a clear regulatory legislation so we have a clear picture on that.

Lastly, we will go to the AGM for a mandate for the Board to issue convertible debt instruments. With that I mean being able to be an early adopter of the market to focus as and when we see that regulatory become clearer.

With that I hand over to Håkan

Håkan Berg: Thank you, Göran. Despite the global turmoil during 2011 we have seen a positive year from a risk perspective. The trend we have seen in the previous quarters has continued with decreasing impaired loans and improving credit quality. Recoveries for the full year 2011 is a bit more than SEK 1.9bn.

Looking at Q4 we are reporting 174 million in recoveries, which is a bit lower than previous quarters. It is mostly two reasons behind. We have done renewed reviews of the mortgage portfolios in Latvia and the Ukraine, portfolios mentioned in quarter three. The risks have increased and the sensitivities to further downturn is higher so we have added collective provisions of a bit more than 200 million for the portfolios respectively.

We have also seen a slight increase of impairments in Swedish retail but still from very low levels.

We have continued our reviews of the credit portfolio in order to, as early as possible, identify clients with potential problems. In general the new inflow is low and those becoming problem loans are well known and identified as risk loans already earlier.

Looking to risk weighted assets the risk weighted assets have decreased by SEK 49 bn during 2011 and SEK 4.7 bn in quarter four. There are many positive contributions to this. We have a limited growth of exposure at default compared to volume growth primarily due to the new volumes have lower risks and volumes with high risks have decreased.

Migration and other credit effects come from clients being upgraded but also improvements in the rating systems and active work to have correct and timely registration in our systems.

In market risk the biggest impact is the Estonia Euro entry which decreased the risk weighted assets by SEK 8bn.

Moving over to 2012, given the economic uncertainty, it is extremely difficult to have an opinion on how risks will develop. Even if there are some positive signals the problems in Europe are far from solved and there has been many downward adjustments on the growth prospects.

Real estate prices in Sweden have fallen back somewhat 2011. Generally we think that is positive and most likely that may continue but we see no evidence for a more drastic downturn. Altogether we expect credit impairments in Sweden to be higher 2012 compared to the very low numbers we have seen for the full year 2011.

The Baltic countries have seen a strong recovery 2011 with growth numbers exceeding 5% in all three countries. Even if growth estimates are coming down in 2012 we currently estimate that all three countries will have a positive economics development also for 2012. Our current estimate is that we are well provided for the credit risk we have outside of Sweden.

MICHAEL WOLF: Thanks, Håkan. Just to conclude then, our starting point in 2012 is strong. Our balance sheet is well positioned for the new environment despite the prevailing uncertainties. We now have the resources to support our clients and help them build their businesses and we will continue our efforts to decentralise decision making in the organisation and, through more collaboration internally between business areas and staff functions, we intend to ensure that we free up even more time for relationship building activities.

With that I hand over to the moderator and open for Q&A.

OPERATOR: Ladies and gentlemen, if you have a question for the speakers please press zero one on your telephone keypad. Our first question comes from Mr Peter Grabe from Handelsbanken. Please go ahead.

PETER GRABE: Thank you. Two are just technical questions and then an additional third if I may. Firstly the basis swap. If you can just give us a figure of the basis swap impact in Q4. Secondly, in LC&Is if you can guide us as to who much was trading related and how much was corporate banking related. Then the third question relates to the new capitalisation target - ambition or whatever you want to call it - 13.5% to 14.5%. Do you also actually add on ROE target on top of this?

Göran Bronner: If we take your first question the basis swap is roughly SEK 150m. Improvement in large corporate and institution is, I would say, roughly 100 million relating to the markets trading division and 50 million relating to improved NII in the loan book. With regards to a return target the return target of 15% is of course still the ambition of the management.

PETER GRABE: OK. Thanks.

OPERATOR: Our next question comes from Mr Chintan Joshi from Nomura. Please go ahead.

CHINTAN JOSHI: Hi. Good morning. I've got two questions on NII and then on funding. On NII I see that you have some senior unsecured debt coming up for refinancing in 2012 looking at your slides. I was just wondering if you could give us some indication of where the fund book pricing is relative to the senior unsecured that is maturing? The second question on NII is, with regards to your liquidity buffers, they have fallen quarter on quarter but somewhere in your report you mentioned that you're holding buffers for the maturing Government guaranteed debt. I'm just trying to think about how much negative impact is coming on NII from this and how we should think about these buffers going away and therefore the negative NII impact going away in 2012 once you repay the maturing Government guaranteed debt? I'll come back on funding.

Göran Bronner: The Government debt is mostly maturing in March and April this year and I think we don't particularly intend to substitute that debt with senior funding. We have plenty of space and liquidity and also in the cover pool really to substitute that and I think we have guided the market for that. We have roughly an uplift of 100 basis points currently on that one going forward.

Then you asked the question really the cost for carrying that liquidity up until that maturity and then you have the substitution effect of 100 basis points. Now I'm looking at Jonas Eriksson. What would you say is the cost for carrying that sort of liquidity? I haven't really had that in my mind.

JONAS ERIKSSON: I think there are many moving parts here. Sorry for talking …

GÖRAN BRONNER: Jonas just lost his voice! Chintan, I think we have to come back on that one. It's a cost associated with it but I haven't calculated and I don't have it in my head.

CHINTAN JOSHI: Okay. Then on funding your collateralisation levels improved this quarter. Could you explain what is behind that and also whether the pool includes the impact of the recent fall in the house prices?

GÖRAN BRONNER: We have a slight effect in the pool of declining house prices but it's very minor so far because you have a lot of safety buffers in the pool when you match price levels. So that's one aspect. The pool has increased partly also because we have, of course, input new collaterals in the pool. We are working very extensively. We have a number of internal projects in extending the pool really and gradually we are inserting more collaterals into the pool, but it is also an effect of the fact that of the 44 billion of long term funding with did 7 billion in senior private placement and we have also increased deposits during the quarter - more than we actually increased lending volumes. So it is a lot of moving parts that make this increased upturn.

CHINTAN JOSHI: Would you like to guide us on how much increase should we expect in the pool from what you are inputting in to as new collateral?

GÖRAN BRONNER: I think earlier we talked about the 20 billion to 50 billion but now we have done parts of that. I think 20 billion to 30 billion is still to come over a period of time. It is a time consuming effort though since it entails doing a lot of IT development in order to capture all the relevant pool assets.

CHINTAN JOSHI: Many thanks.

OPERATOR: Our next question comes from Mr Masih Yazdi from Credit Suisse. Please go ahead.

MASIH YAZDI: Hi, good morning. A couple of questions on your new cost targets. Could you give us a bit more flavour around that? Where is the reduction coming from? Is that cutting staff in Sweden or is it the Baltics? Also, what kind of underlying cost development are you assuming you're going to have in Ektornet given that new cost target? Thanks

GÖRAN BRONNER: I think for the cost target, I think if we just divide it between Sweden and the rest there is more tilted towards Sweden this time than it has been previously of course but there are a number of elements towards the cost targets. I would say one is of course to adapt to a changing and slower environment and that goes especially for large corporates and institutions that have already started earlier, around summer time last year, in adapting the cost base to a new changed business environment. Then we continue to want to reduce over ambition particularly in the retail arena in Russia and the Ukraine where we will release costs going forward as well. That is more a strategic choice that we done a couple of years back.

Then I would say also that we have seen rather pronounced cost increases in some staff units, much of that relating to the cost of handling the crisis here in 2009 and 2010 and that cost we are now, of course, trying to drive down in FR&R, in credit and so forth.

The fourth element towards it is that we have created an area called global business support with the ambition to have more efficient processes and streamline the processes more. Of course they have a cost target as well in trying to prove that we can improve the operational efficiency in that

MASIH YAZDI: Can you just tell me the Ektornet.

GÖRAN BRONNER: Ektornet, I think actually will peak cost-wise around Q1/Q2 so I think we will have roughly 100 million in more cost in (inaudible) for 2012 than for 2011, if I'm following my base assumptions. We are still repossessing assets and particularly taking care of the granular assets in Latvia is a costly exercise.

MASI YAZDIE: Thank you very much.

OPERATOR: Our next question comes from Mr Nick Davies from UBS. Please go ahead.

NICK DAVEY: Yes, good morning, everyone. Nick Davies from UBS. Three quick questions if I may. The first please on your discussions of Swedish asset quality. Clearly there has been a pick up in loan losses in Q4. You put that down in the reports of huge corporate commitments. Could you please just talk a bit about your observations as to which segments that's coming through in? Also, in your appendix slides to your presentation you talk about monthly house prices now being down 7% in December. Does that surprise you? Does that filter in at all in your asset quality guidance?

The second question please to Jonas if he can on the guidance for net interest income in Group Treasury to be trending towards nil over time. If he can, or if someone could, please just explain the drivers of that or should we just be thinking about the replacement costs of the Government guaranteed funding or are there other impacts in there and therefore what would be the timings of those reversals please?

Then, thirdly and finally please, if I can just come back on the coco debate. It strikes me that your regulator seems to have been pretty clear about his preference for core equity. What is it that leads you to believe that cocos would have a role to play in the Swedish capital structure? Thank you.

HÅKAN BERG: Starting with the asset quality in Sweden. Yes, there is a slight increase in quarter four but from very low levels. There are a couple of clients but also some small clients contributing to that. We don't really see, as I mentioned, any trends in this.

These are previously known clients with high risks that turns into problem loans and there are no specific sectors or other trends that can be seen in this. So, overall, it is more on an individual basis for risk clients that are already known.

MICHAEL WOLF: To add to that, we saw in the quarter positive rating migration so the overall book is very robust. Sweden has, until now, fared extremely well and that's all loading into it from known sources and not any new watch list items.

I hand over to Jonas and the NII and the coco issue.

JONAS ERIKSSON: On the NII for the Government guarantee it is split in two parts. One is that when we issue these bonds we pay investors round about swaps plus 90 basis points on average. On top of that we pay the fee to the Government so if you look at the Government fee, which is what we're keeping on a Group Treasury level, that fee was - I can give you the exact numbers here. In 2011 that was SEK 1.16 bn and for 2012 we expect it to be SEK 365m and for 2013 SEK 240m. That is the number with which you will see the treasury NII improve over the coming years. Also, if you deduct that you see that we're ranging around the zero mark overall.

On the coco issue we're not particularly saying that we will replace equity with cocos; what we are saying is that we want to be prepared for what might come when we know the new regulatory regime. Let's see and wait until we no more exactly what we will do with that mandate if we get it.

NICK DAVEY: OK. Thank you.

OPERATOR: Our next question comes from Mr Andreas Håkansson from ExanE. Please go ahead.

ANDREAS HÅKANSSON: Yes, hi, it's Andreas Håkansson from ExanE BNP Paribas. Could I ask you to elaborate a little bit about the performance in the Baltics? We saw that NII was coming down a bit in the quarter, we saw that volumes continued down, costs are going up and we heard from S&P that they don't believe in further reversals. Could you tell us what's your outlook for 2012?

GÖRAN BRONNER: Overall, I think the result in the Baltics is very stable to be quite honest and we expect that to continue. We think that the book will stop shrinking. We thought that would happen already this year in 2011 and I think, if it hadn't been for the sort of economic turmoil in the second half, it would have turned already. That is, I think, quite good. They will of course also work with costs as everyone else, so they will be part of achieving sort of a more operational efficiency.

On the impairment side I would say that, overall, we feel very comfortable provided -- on the overall book and especially the corporate side of it. If there is one area that has been problematic for it, it's been the mortgage side in Latvia but that is very curtailed in size-wise.

Then of course great differences between the countries; Estonia being very, very much solid and moving in the right direction and closing up on Sweden and Finland while Latvia being the laggard from all aspects really.

In general I am cautiously optimistic - depending on the economic environment in Europe of course - that the Baltics are on long term growth traction.

ANDREAS HÅKANSSON: Do you expect that we'll get reversals also during 2012?

GÖRAN BRONNER: The reversal stories in the Baltics there are possibilities for that if the base case of the economies remains but we also need to see what happens with the overall economic environment.

ANDREAS HÅKANSSON: OK. Thanks.

OPERATOR: Our next question comes from Mr Jacob Kruse from Autonomous Research. Please go ahead.

JACOB CRUISE: Hi. It's Jacob from Autonomous. Just a couple of questions on the risk weights. You talk about the mortgage risk weights increasing in line with the proposals. Do you have some kind of timing and scale of that increase in mind? Secondly, on the corporate risk weights. I assume you're talking about the transitions that were advanced IRB. Again, do you have any kind of guidance for the timing there or the scale of those changes? Thank you.

GÖRAN BRONNER: I think mortgages risk weights on the -- we are awaiting clearer guidance that has been announced on the finance inspection and hopefully we have that as soon as possible really. It is long awaited really. We have guided earlier that we will have a Core Tier 1 impact of 100 to 150 basis points depending on what the new regulatory regime will bring us.

MICHAEL WOLF: We haven't basically steered on higher risk weights implicitly for a long time so, for us, this is not the transformation; it is more a confirmation of what we think is sound and wanted.

HÅKAN BERG: On corporate risk weights we mentioned in quarter three we had two projects; one in SME and also the IRB advanced. The application for the SMEs we sent in just before Christmas so hopefully we will get approval from FSA during this year. When it comes to IRB advanced we will be sending the application this year but we don't expect to get approval from that during 2012, rather 2013.

JACOB KRUSE: OK. Thank you.

OPERATOR: Our next question comes from Ms Claire Kane from the Royal Bank of Canada. Please go ahead.

CLAIRE KANE: Good morning. Can I just follow up on some of those capital questions? You are now at 14.7 on Basel III. Does that include the IS19 impact and, if so, what is that in basis point terms? Then, also, did you say the 100 to 150 bips range is essentially due to the mortgage floors and, if not, what is that? Also, then, if you look at where you are now in your range of 13.5% to 14.5%, what can we expect for the dividend payout going forward? I mean, once you get the outlook will you give us a formal guidance and can we then assume that the dividend will grow to keep that ratio stable? Thank you.

GÖRAN BRONNER: The IAS19 impact is 40 basis points as it looks right now.

On the risk weight on the mortgages I think, if I've got my memory right, if we were to have a floor of 10%, which would mean that the average risk weight for us would go to 12%, that would mean 130 basis points. So from that you can model really more exactly the impact. With the profit generating capacity that we are having and the capital position and the starting point here at 15.7%, the Board yesterday decided to keep the dividend policy of 50% of the net profit, so that is what you should be counting ON.

JONAS ERIKSSON: We are also clear that we will not distribute further capital until we have full clarity on the regulatory requirements.

MICHAEL WOLF: More from the dividend policy, yes.

CLAIRE KANE: Can I just clarify the 40 base was 130? Can we take them off the Basel III of 14.7% to give you a pro-forma of 13%? Would that be fair?

MICHAEL WOLF: Yes, that is what you should be doing but then you should also take into consideration that we expect to get an improvement of IRB advanced and the SME portfolio that Håkan was talking about.

CLAIRE KANE: OK. Thank you.

OPERATOR: Our next question comes from Mr Hampus Brodén from SEB. Please go ahead.

HAMPUS BRODÉN: Yes, hello. I was just wondering if you would be able to elaborate a bit on your return target using the assumption that rates won't go up?

MICHAEL WOLF: I can start, Hampus, and then I guess Göran has some added comments. If you look at our results, bearing in mind that we are now in compliance with all new regulations meaning that we have taken all costs to move to that position, you see us showing pretty historical low return numbers at 12.2% and then, bearing in mind, that we are helped with the 900 million one off from Lehman so there is, in my book, a necessity to come up on returns if we want to compete with other industries in the capital markets for money going forward. It's always competition that sets the actual return numbers and this is just our target over time with the knowledge we have today. So that is the logic behind it. I think our business model is a favouring model in this environment and these regulatory regimes.
Bearing in mind that we think it's a sensible target to strive for. Göran?

HAMPUS BRODÉN: Would you say that there is an increase in rates implied in the targets?

GÖRAN BRONNER: No. It is not I would say, Hampus.

We are returning 12.2% today. We are saying that we feel that at this low historic consideration we want to strive for higher returns. Therefore we are working with all stakeholders in this and we are reducing cost as a viable way forward but, of course, we are also looking to gain momentum and re-pricing that client activity. The client has to be a part of this cost as well.

There is a lot of focus on mortgages there in Sweden but I think it's important to remember that in the banking system three quarters of the capital actually goes against the corporate exposures so re-pricing on corporate loans will continue to be a main theme in the Swedish banking market for 2012 definitely. There are a number of ways to improve that 12.2% further from here.

Then we have some tail wind as we have the funding situation improving. Partly through Government guarantee falling off but then also we expect to get more paid from low refunding costs in general when we are getting recognised for being fully compliant with all buffers and we don't see any new costs for the NII for the buffers because we have finished that. We don't see any new cost appearing for the regulatory framework.

HAMPUS BRODÉN: All right. Thank you.

OPERATOR: Our next question comes from Mr Jan Wolter from Deutsche Bank. Please go ahead.

JAN WOLTER: Yes, morning. Jan Wolter here. Deutsche. Just a follow up question here. You recently issued a senior for the first time in a while. Do you foresee the cost for further issuance of that will offset the gain that we can get from refinancing Government wrapped debt in your balance sheet?

JONAS ERIKSSON: No, not really, Jan. I think looking at where we issued senior, and when we have issued senior during the last year, it has been on a clearly lower level. Then obviously the elevated levels in the credit market that we've seen in the last few months, if they prevail, then the gap will be smaller but, then again, I don't think the market on the asset side is priced according to costs of funding that are considering the current levels.

JAN WOLTER: OK. Thanks. A follow up if I may then just to clarify on the cost side. I think, Göran you said that you're aiming for 16.1 billion or so in 2012 and, on top of that, should we add the variable comp then? How should we look at it?

GÖRAN BRONNER: That is correct. I'm talking about the underlying cost and then I'm putting the variable aside since, hopefully, that will be a positive problem for us.

JAN WOLTER: OK. Ektornet cost, should we add that on top of the 16.1bn as well then?

MALE SPEAKER: No. Ektornet is included in the 16.1bn.

JAN WOLTER: Ok. Very clear. Thank you.

OPERATOR: Our next question comes from Johan Ekblom from Bank of America. Please go ahead.

JOHAN EKBLoM: Thank you. Two quick questions. First of all there's clearly a lot of talk about re-pricing but at the same time we read every week in the papers about politicians trying to intervene and we've seen politicians being successful in that intervention in other areas. What's the risk that the re-pricing story will derail due to political or media pressure? Then, secondly, can you just confirm that the shares you did buy back in 2011 will be cancelled at the AGM?

MICHAEL WOLF: Johan, thanks for asking that question. We had our Minister of Financial Markets in the news this morning on television stating that SBAB the state owned mortgage company, couldn't go lower on pricing because they're hurting profitability-wise. I think that the discussion is becoming more and more correct and the fact is that the price difference in mortgages today versus the past is mainly due to the increased cost of funding for banks due to the financial situation in Europe and the rest of the world and margin increases have not been able to compensate the new costs for the new regulatory regime. I think it's extremely important that we have in all segments a correct risk based pricing otherwise we'll have cross-subsidies that could hurt things over time.

For me, we're doing rational decisions and we're trying to price as correctly as possible. The notion in Sweden is that the repo rate is driving the funding cost of Swedish banks, which used to be the case but is not any longer true. This transformation has not really been grasped by all observers. We can only deal with it through being open and Göran has now put a slide on the screen which he will go through with you.

GÖRAN BRONNER: It's a lot of talk about the mortgage margins and I don't know if people can see this but of course the price that is hitting the consumer on the mortgage side has risen very substantial since the beginning of 2010 and part of that story is of course the repo rate hikes but also the increased credit cost that the Swedish banking system are facing as a result of the European debt crisis. I think that that knowledge is not really wide enough but hear you can see the yellow and the grey area is really our increased funding cost that prior to this financial crisis we didn't really have. The blue area is the true gross margin for us which is there to cover the cost of liquidity that has gone up significantly but also should cover cost of administration, credit losses and also generate a profit on top of a higher capital base. So even if it looks like the blue area is similar to pre-crisis levels going back to 2004 and 2003, in reality it's actually smaller because they haven't really incorporated yet the increased cost of liquidity and capital.

Of course if you look at the banks we are returning, as Micke has said, 12.2% in return on equity and, in the past ten years, prior to the crisis, average return levels were around 15% to 20%. Being a profit maximising company we would firstly strive to get back to 15%.

Then you had a question on cancellation of shares and, yes, we will cancel the shares.

JOHAN EKBLOM: Perfect. Thank you very much.

OPERATOR: A reminder that if you would like to ask a question please press 01 on your telephone keypad. One other question from Mr Omar Keenan from Nomura. Please go ahead.

OMAR KEENAN: Hi. Good morning. Just a question on the retail division. Can you give us a few comments on your outlook for retail and NII for 2012 and what your current expectation is for a rates sensitivity impact in 2012? Just on NPL development, if you have a net growth environment in Sweden for 2012 then what kind of increase in NPLs can you expect and are you expecting further falls in NPLs in the Baltic for 2012? Thank you.

MICHAEL WOLF: On NII guidance I don't think we're giving any brake up guidance on business area **level**. We stated that we have positive effects coming from funding but we should also see positive effects coming from re-pricing but it becomes difficult to model that and therefore we refrain from being more precise on that. We expect it to improve.

The sensitivity to repo rates are I think in the neighbourhood of 1.5 billion to 1.8 billion, a 100 basis points move, either way, depending really on the competitive behaviour and so forth that happens after that hike is created. You can model that yourself really on your expectation.

Then Håkan on NPL.

HÅKAN BERG: As I mentioned, given the uncertainty, it's really extremely difficult to have any view on how risks will develop in 2012. What we mentioned is we think we're going to have a higher credit impairment in Sweden compared to the low levels in 2011 and it's really difficult to give any more guidance than that.

Looking to the Baltic countries the picture is very similar. On the other hand we're still working with the tail of the crisis which means that the non performing loans most likely will go down net. What that means to inflow or non-performing loans is as difficult to say as in Sweden.

OMAR KEENAN: OK. Thank you very much.

OPERATOR: Our next question comes from Ms Claire Kane from Royal Bank of Canada. Please go ahead.

CLAIRE KANE: Hi there. Just had a follow up question on volumes. Can you talk us through what your outlook for volume growth is in Sweden next year and who you think are the most competitive banks in the current market? Also then, in the Baltics, you're cautiously optimistic. Does that mean you think you'll get a turnaround in volumes in 2012?

MICHAEL WOLF: Yes, like Göran earlier alluded to, we have a positive outlook on the Baltics. We thought it might already happen this year but then came the second half with increased uncertainty down in Europe that affected people's willingness to lend and they continue to amortise. It's very difficult. We have had a positive momentum in the last quarter which hopefully will carry into this year in Sweden. We are seeing a decline in the growth rate on mortgage lending overall in Sweden which we deem as positive. It reduces the risk. And it's a wanted decline after years of double digit credit growth. So Sweden needs a calmer credit expansion in the household sector going forward to de-risk everything.

So, overall, I think we are in a sweet spot here. We have moved to the new regulatory environment not everyone else has. That will hopefully be positive for our competitive situation both in 2012 and 2013 but it remains to be executed on and we can't control what others intend to do. We have a strong position and especially financially which means that we can be there for our customers and that matters.

CLAIRE KANE: OK. Thank you.

OPERATOR: Our next question comes from Mr Nick Davey from UBS. Please go ahead.

NICK DAVEY**:** Yes, good morning again everybody. Two follow up questions if I may. First if I could just build on this relatively optimistic outlook on the Baltics. I believe a year or so ago you talked about let's say a post-crisis NPL coverage ratio of 30% to 50% in the region but that sort of guidance seems to have fallen out of your slides. Is that still how you think about the required reserving rates in the Baltic economies post-crisis? Then the second follow up question please if I may would be on Russia and Ukraine. I notice that in forthcoming restatements of your business areas you'll be moving those divisions to group functions. Is there any change in your view of the strategic importance of those geographies? Thank you.

GÖRAN BRONNER: If we take the NPL and the 30% to 50% there I think what we stated in the build up when the impaired loans were accelerating in 2009 we stated we expected the end loss to be 30% to 50% of what we classified as impaired loans. We haven't really given any sort of through-the-cycle guidance on what credit losses will be in the Baltics going forward. Personally my own view is a little bit that, after such a deep crisis with so much in provision,, you tend to have a period of low credit losses due to the fact that you have, over a number of years of time, gradual small write backs that appear especially in the corporate book. Against that you should measure actually that we have a rather poor quality and very undeveloped mortgage market in Latvia.

MICHAEL WOLF: In Russian and Ukraine what is new there is that we want to exit the retail segments and concentrate on the corporate segments so that's a shift there. They still remain niche markets.

NICK DAVIES: OK. Thank you.

OPERATOR: There are no further questions on the telephone at this time.

MICHAEL WOLF: OK. No more questions. Thank you for attending and, once again, to conclude, financial stability is there. We are compliant with the new regulations. The reason we are focusing on costs is that we want to ensure that we bring up our return levels and we're going to fight for the re-pricing and other measures on the income side. We want just to be a stronger and more operationally efficient bank and closer to our customers.

With that I thank you for attending.