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Speakers: Mr Michael Wolf, President & CEO
Göran Bronner, CFO
Håkan Berg, CRO

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OPERATOR: Ladies and gentlemen, welcome to the Swedbank Interim Report January-September 2012 conference call. Today I'm 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: Thank you, and good morning and welcome to this results presentation.

If we look at the external factors in this quarter we see that they are sending dual messages. On the one hand, we see increased risk appetite in the financial markets due to the interventions of ECB; on the other hand, the debt crisis is starting to bite in the real economy here in Sweden. From an international perspective, Sweden still looks relatively strong, with a robust banking sector; our view is that credit demand will continue to be subdued, and that we have to plan for an environment with low interest rates for the foreseeable future.

The new capital rules for the banking sector drives re-pricing of loans; at the same time, it causes increased competition on deposits. Our work with risk and credit quality, in combination with our focus on profitability, has resulted in improved funding cost. Another impact of this is that it opens up for more corporates going to the bond market for financing. As you know, in the US three-fourths of the current supply for corporates comes from the bond markets, whilst in Europe the same number is only 30%. We do have a strong distribution capacity and can therefore benefit from this trend. Traditionally our strong areas have been issues of bonds in the FIG area, and for municipalities, but during 2012 we have made good inroads on corporate bonds, high-yield bonds, and furthermore, as we speak we are building up a team to be able to compete on the Euro bond side.

Thanks to our good profitability, our focus can now turn even more towards improving customer relationships and investments to improve the customer offering. We are right now in the process of recruiting more than 100 advisors in the affluent and SME segments in the Swedish retail operation. We are also investing more in the telephone, mobile and internet bank. In the mobile bank we just passed 1 million clients.

We are also launching a new app for clients, which will not only provide our clients with access to traditional banking services, but also an improved service with securities-related needs.

We will of course continue our focus on cost and capital efficiency. We have, though, achieved a good improvement and are today operating with a cost-income ratio of 0.47, and a return on equity on 13.7% after nine months; in the quarter, cost-income was 0.44.

When it comes to our capitalisation, we aim to have a secure distance to the demands by the regulators. Already today we meet not only the new minimum level of 12%, which is due to be implemented in 2015, but we do also have a risk tolerance buffer for a much more stressed economical scenario. As the outlook for credit demand is weak in all our four home markets for the foreseeable future, our earnings capacity is still strong; we will see that capital will become an issue which will be more relevant to address. As you know, too much capital will be inefficient for all stakeholders – i.e. shareholders, customers, staff.

With that, I would like to hand over to Göran.

GÖRAN BRONNER: Thank you, Michael. If I try to give some more flavour on the figures then, starting with our retail division. I think it's fair to say that it's been a very stable quarter. Volume-wise, we have increased volumes in the mortgage side with 3 billion, and on the corporate side with 4.5 billion during the quarter.

We have seen shrinking deposit margins, due to the fact that interest rates have gone down. That has been the headwind for us, but we have continued to re-price our lending – both the corporate book and the fixed proportion of the mortgage book.

In the commission income line, we have good underlying activity with regard to payments and cards, which is seasonal to some degree, but also I think the underlying growth in the market is quite good as we have a transition from cash into card utilisation overall in the economy. We have seen and continue to see quite weak commission income relating to asset management fees and equity- and brokerage-related fees in the equities base. There also we can see that the sort of risk reduction that has taken place among the retail investors over the past year has meant the mixture is of a higher degree of fixed-income rather than equity-related. That is affecting it slightly on the negative side.

Turning to large corporates and institutions, I think it's a little bit of a mixed picture, but overall the majority is improving. I think it's helped, of course, by the improved risk appetite that we have seen in financial markets. That has meant that activity on foreign exchange and fixed income debt capital markets origination has been high during the quarter, even though it's normally a seasonally weak quarter from an activity point of view. So that's good.

With regards to corporate finance, advisory business, and also equity-related income, that has continued to be weak; even though risk appetite has gone up, it hasn't really materialised into any higher degree of transactions.

We continue to see good development of the underlying lending portfolio. Volume-wise it increased by 3 billion during the quarter, and NII continued to develop well, which we are very happy with.

Lastly, just a quick glance at our Baltic banking division. Here we have been affected by two things: one is of course the strengthening of the Swedish Kronor that makes a translation effect of the full P&L statement look more negative than it is underlying that, from a return basis. That of course affects all lines and drags down the net profit in nominal terms. But also there is an underlying trend or pressure on the deposit margins of course in the Baltic business area as well that is affecting our MII negatively during the quarter.

We have continued to see growth in EURO terms of the lending book in the third quarter, which we had started to see in the second quarter. And given the general economic environment I think that is a positive effect to see, that the Baltic regions do have their crisis behind them.

Summarising this in a picture for the full group, it's a very good quarter. We have managed to increase our revenues. We have been able to mitigate the shrinking deposit margins with continued re-pricing on the corporate side and on the mortgage side, but also been helped by the improved treasury NII when we've seen falling interest rates in Sweden.

We have also had better activity in trading and capital markets, like I said, that improves net gains and losses slightly, together with valuation effect in Treasury on the liquidity portfolio.

So all in, the income is up a little bit more than SEK 150 million. The more important thing, though, I think is actually that we continue to reduce our cost base, and we do actually have a very efficient quarter now behind us, where we have cost-income ratio 0.44, and we are almost delivering the full year cost target of SEK 1 billion in direct cost savings already off the three-quarters, which is very good to see, of course.

Summarising these aspects, I think we are extremely happy with the return on equity at 14.1, mostly driven by cost efficiency. Of course return on tangible equity and Core Tier 1 capital which are the relevant measures for us going forward is even higher so the profitability is very good at this stage.

Looking at costs more in detail, I think I mentioned we were almost at 950 million of the billion. I think it's fair to say it comes from no specific area; it's a very general cost decline in all departments in the bank, actually, so everyone has been focusing on cost in the past 12 months and it has paid off. Of course, we are helped by the sort of general deflationary environment that we perceive us to be in, so there are less natural cost pressures than you normally see, which is good.

Going forward I think this is good news for us, since it's one of our key strategic ambitions to be very cost-efficient, in order to be really competitive on that angle. And having achieved this position, it gives us a good possibility to both continue to improve our cost efficiency going forward, but also to cater for the investment needs that we really want to do in our offering towards the client base, especially in the digital channels.

Looking at funding a bit, I think it has been a very good quarter. Swedish banks, and Swedbank in particular, have continued to have fantastic access in the funding market. We are now pre-funding 2013, starting with that, and we have issued lower volumes during the quarter, as we have planned to do, as we have reached the desired position to a very high degree.

We continue to broaden our investor base in different international jurisdictions, so we did do a senior transaction in Dollars for the first time under 144 documentation, and the strategies continue to work with our funding base, and work towards lowering our funding costs – that's also a strategic ambition with us, and we can't see any reason why the sort of DNA in Swedbank on the asset side, and the capital structure, shouldn't really enable us to reach an extremely good position in terms of funding cost.

Lastly, before I pass over to Håkan I will take a few words on the capital position. With the profitability we have and also the subdued credit demand picture, and the reduction of risk-weighted assets in the quarter, we are at 17.3 in full Basel 2. We will get them in effect on Basel 3, estimated to be 1.2. And we will most likely have an impact from the new accounting rules for the pension liability affecting us with 0.7. Then we will further expect, as you all know, to see changes in the mortgage risk weights. On the other hand, we do have internal measures; among other things, we are in the process of implementing IRB advanced.

If I put all of this together, I think it's fair to say that we are at the present moment fully loaded with all anticipated regulatory changes. We are currently at 14.5 Core Tier one ratio at the moment; that should be compared with the new regulatory landscape communicated by the regulators around 12 in two and a bit years time. We have an extremely good position in terms of capital.

With that I hand over to Håkan.

HÅKAN BERG: Thank you, Göran. The third quarter has developed similar to previous quarters this year when it comes to asset quality. Sweden continued to show very good asset quality, and we still see very small movements in our books, but there are signs of a weakening environment. We see an increase in bankruptcies in SSEs, and in large corp we see an increase of covenant breaches, but thanks to an early and proactive approach these are taken care of, together with the clients.

The Baltic operation continued to show write-backs, though at a lower pace this quarter, mainly due to lower restructuring activity. In Ukraine, where we have seen increased impairments this year, mainly from exiting the retail portfolio, we have added an additional 100 million SEK on collected provision this quarter.

The market is very uncertain and there is a risk of further weakening of the economy after the election at the end of October. In quarter two we guided for the second half of 2012 to be similar or slightly better than the first half-year. The third quarter has developed according to expectations and we don't expect the weakening trends we have seen in quarter three to have any material impact in Q4. So, to conclude, we currently see no reason to change our quarter two guidance.

Moving to impaired loans, impaired loans continues to decrease in the quarter, but they are still at high levels due to the remaining crisis portfolio in Russia, Ukraine, and in the Baltic countries. In the Baltic countries more than 80% of the impaired loans are coming from the crisis portfolio, and we are now enhancing our efforts to decrease the part of impaired loans that stems from the crisis portfolio.

MICHAEL WOLF: Thank you, Håkan. And with that we open up for Q&As.

OPERATOR: Ladies and gentlemen, if you have a question for the speakers please press 01 on your telephone keypad.

Our first question comes from Mr Peter Grabe from Handelsbanken. Please go ahead.

PETER GRABE: Thank you. Yes, two questions: Firstly, back to the credit losses and Ukraine. It's now the third quarter in a row that we're seeing quite massive loan losses – how big are the exit costs really going to be? I mean what should we expect going forward? That's my first question.

The second question relates to costs: We're now seeing a very positive trend for a few quarters. Should we see it as reap the low-hanging fruit, and that's going to be tougher from now on? Or should we see it, like you are, on the current trend going forward, that the costs should continue to trend down at the same pace?

HÅKAN BERG: To start on Ukraine: yes, there have been quite massive credit losses this year, mainly, as I mentioned, stemming from exiting the retail portfolio. It's very difficult to say. The market is quite weak, and finding good possibilities to exit the market is difficult. We guided in Q2 that we may see further asset quality decreasing, and this is what we've seen this quarter. I don't think we're going to see the same level that we have seen in the last quarters going forward, but it's still very difficult to say, so we have a great uncertainty in that part.

PETER GRABE: Okay, thanks. And on the costs side?

GÖRAN BRONNER: On the costs side, I don't think you can take the trend on costs and say this is going to prevail for years to come, because then the bank will disappear. Of course at some point in time it will level off. I think it's fair to say that we will beat our cost target. Having said that, when we look on 2013, we don't see that 2013 should entail higher costs than 2012. Cost is a very important parameter for us going forward. But the good work on cost gives us the ability now to sort of focus on how we can see to it that we become even more relevant with the clients.

We are in the middle of the business planning period for next year, and in conjunction with the next quarter's result I think we will perhaps give you more flavour as to what 2013 can mean on the cost side.

MICHAEL WOLF: On that note, Peter, I think this bank has always perceived that it will be difficult to be best in class when it comes to cost income because we are the bank for the many. And I think this quarter shows that we can be best in class thanks to the fact that we are the bank for the many.

GÖRAN BRONNER: I think also if I can just add something on the Ukraine there, now we have net exposure after provision at 2 billion SEK left of exposure in the Ukraine, so it's a very limited portfolio. In the past three and a half years it's gone from 22 billion to 2.

PETER GRABE: Okay, thanks a lot.

OPERATOR: Our next question comes from Mr Pawel Wyszynski from Nordea. Please go ahead.

PAWEL WYSZYNSKI: Yes, hello. Two questions from my side. The first one: you state in the report that there is surplus capital that you could repay to the bank's shareholders. When do you think that we could expect this, and do you need to see any further clarity in terms of regulation before this could happen?

And secondly, if you could give us some more flavour on the macro development in Sweden? We're seeing an increased number of lay-offs and increased corporate bank receipts, as you say. How should we view this in credit quality in Sweden going forward, and which sector should one be worried about?

MICHAEL WOLF: Well, on the capital issue I think what's very important is to have a safe distance to any regulatory requirements, and also have a buffer that withstands strong downturns in the economy, and I think we have a tick-off in both those corners. That makes us come to the conclusion that if we continue to build capital in the way we have done in the past then it will be an issue to be addressed, and we'll revert to you in due time as we come to Q4 with the conclusions of that situation. But at present we have a dividend policy of 50% and that stands until we have taken a new decision.

On the macro, I would say overall our asset quality has proven to be very strong. Yes, we see more bankruptcies, especially in the micro and SSE segment, but most of our lending there is with good security, so we feel we are well protected for that issue. We see covenant breaches in certain other areas of the corporate book, but shareholders are stepping up to the plate and we are able to deal with the issues at an earlier stage.

But the overall trend is deteriorating, that is true, and the real economy is feeling the debt crisis in the rest of Europe. As we are a small and open economy we need to be very prudent, and we need to be very proactive, and I feel that we have spent the last three years with that sentiment, and we will continue to work hard and close to our customers.

PAWEL WYSZYNSKI: All right, thanks.

OPERATOR: Our next question comes from Mr Omar Keenan from Nomura. Please go ahead.

OMAR KEENAN: Good morning. Thanks very much for taking the question. Just another one on capital: I guess the message seems increasingly positive on capital return this quarter. I was just wondering, you saw better core tier 1 in the quarter, but how much of the guided risk-rated asset improvement of about 40-50 billion was achieved in Q3, or do you think this still represents the total future upside to capital?

And then secondly, just another question on costs: thinking that you've nearly got a billion of the cost savings already by the end of this quarter, do you think perhaps 1.2 billion is a reasonable new target for the end of the year? Thanks.

GÖRAN BRONNER: Just a comment on the RWA: half of the decrease of 10 billion relates to foreign exchange, and it hasn't really improved the capital position. Since we have such a high capital in the Baltic countries we are actually losing core tier one due to the strengthening of the Swedish Kronor, with 0.2 or 0.3 – I'm not certain there. So if the Swedish Kronor had been stable we would have had an even better capital position.

The remaining 5 million in PD migration that we have seen: part of it relates to the fact that we did a model change in the previous quarter that we continue to re-rate some of our corporates. That makes changes. And other parts relate to more true rating migration, you could say, among other things in the Baltic operation. And also some updated property valuations overall in the system in the Baltic that improves LGDs. So that's sort of the detail.

With regards to the guidance, I think even though we have a quarter behind us now we are stating that we continue to see 40-50 billion RWA reductions going forward.

On cost, I don't think we can take out a billion more in cost next year. I don't think it would be desirable for anyone: neither clients, nor shareholders, nor employees.

OMAR KEENAN: Sorry, excuse me, I think you misunderstood my question. I said, given that a billion had already been accumulated to the end of the third quarter do you think the full year for 2012 could reach 1.2 billion versus your original target of a billion, or is that extra 200 million too optimistic for you overachieving? Thanks.

GÖRAN BRONNER: I'm not really one to guide on a specific number for the year, but I think it's fair to assume that we will overshoot our target.

OMAR KEENAN: That's great. Okay, thanks very much.

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

MASIH YAZDI: Yes, good morning. I have two questions for you. Firstly on the funding side: the run rate this year I guess is about 45% of your long-term fund and being senior unsecured. Is this the kind of share of long-term fund that we can expect to be senior unsecured also going forward in the next couple of years?

Secondly, on deferred tax liabilities being released in Q4, about 370 million: given that you're saying that you feel that you're overcapitalised, can we assume that the whole part of this will be paid out to shareholders?

MICHAEL WOLF: As I said on the capital issue, we'll revert back in Q4. What we are giving is our view on credit demand, which we think will be lacklustre going forward, and we have a good earnings capacity. That combination makes the capital issue more pronounced, and we'll revert back with more conclusions on that in Q4.

JONAS ERIKSSON: On the funding side, the way we calibrate the mix between covered and senior is that in the cover pool we want to have a good safety margin to any fluctuations in house prices. That we measure by saying that at any given point in time we should be able to withstand 20% house price drops overnight, without coming at a too low OC to keep our triple-A rating. After that we calibrate essentially to see how much senior we need, our liquidity reserve needs, etc., etc. So if you do that maths, for the coming year or so I would say that the proportion of senior would rather be in the 30% range than what we've had so far this year.

GÖRAN BRONNER: So the first six months of senior issuance is not the new benchmark standard going forward; it will become slightly less going forward. The drivers for it are the OC and the liquidity position.

MASIH YAZDI: Okay, thanks.

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

JOHAN EKBLOM: Thank you. I think a lot of questions have actually been answered, but maybe we can come back to your net interest income and I guess what we saw in the treasury business this quarter. It looks like there was quite a big pick up there, and I just want to see if this is a sustainable level, because I was a bit surprised that we didn't see more – the pressure on deposit margins wasn't more evidenced.

And maybe related to that, if you could just say what was the actual impact from the lower STIBOR rate in the quarter?

GÖRAN BRONNER: The lower STIBOR raTE 80-90 million SEK, I think it is. But let me double-check that number – we can be more precise on that one.

I'm going to hand over to Göran I think, on the treasury NII. But the main beneficiary there is of course that we make more NII on the lowering of the short-term interest rates in essenc and that sort of tempo will be prevalent for some time to come, but not indefinitely.

JONAS ERIKSSON: I think that pretty much sums it up. If you look at the duration of the interest rate risk we have in the treasury currently, it's around two years. So that would mean that a quarter of the positive contribution in a year will fall off. Then you will always have some volatility of the NII from quarter to quarter. But the underlying duration is about two years of the interest rate risk we have.

JOHAN EKBLOM: Excellent. Thank you very much.

JONAS ERIKSSON : Thanks, Johan.

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

NICK DAVEY: Yes, good morning everyone. A couple of follow-up questions then please. Back on the interest rate sensitivity first of all, I see from page 74 of your fact book you seem to have an increasing sensitivity to short-term interest rates – 2.9 billion, I think, from September – so could you maybe just comment a little bit? I guess this ties in a little bit Jonas point in treasury, but maybe also just make a few observations about near-term margin trends given STIBOR in Q4. Do you really think this corporate repricing will be enough to defend margins in the ongoing interest rate environment?

Then second if I can come back on this over-collateralisation point: it seems that encumbrance is becoming an increasing theme for the regulators to focus on. I know you give us some pretty good disclosure in the fact book, but maybe you could just flesh that out a little bit with your views. This view that you take on over-collateralisation levels to house price shocks, is that really your guiding principle or is there any other view which you have against this regulatory scrutiny? Thanks.

GÖRAN BRONNER: If I start with the last one, I think that for the time being that is correct. I think on the encumbrance issue there is a lot of attention and thought being devoted to that issue but it's very inconclusive at this stage. Rating agencies, regulators are thinking about it, and so are investors. You can't really compare different countries with each other because they have really different DNAs in terms of how their banking systems look, so you can't really compare the banking system in Canada or Australia with Sweden. It is really difficult to do cross-border regulation on the issue, I think. Also, there are of course very strong differences between banks, where you have banks who have a larger proportion of corporate lending that requires a larger proportion on the senior side. I think Swedbank is quite well placed in this aspect because we have the best sort of funding sources; we have a lot of good collaterals to use and we have a large deposit base to work with, and we can tilt our funding in the way we want in the end. The important thing for us is that we continue to get the good investor demand for our name and credit, and we have really experienced that in the quarter. So we don't get any pushback on encumbrance whatsoever; on the contrary, this has been the quarter when we have seen the most demand, really, and queries about private placements for senior unsecured funding.

So I think it is for the time being a question where we just wait and see where investors will price the LGD on senior unsecured. And the investors need more information with regards to regulation, and they also need to know what the resolution regime will look like and what the bailed-in debt will look like before they can do that to any degree. But from our point of view I think we are in a very good position and we continue to steer the business, as Jonas said, on what we deem to be really the survival horizon, which is, in effect, the over-collateralisation side and also the liquidity side of things.

In the next quarter we intend to disclose our stressed survival horizon for the market, stressed the liquidity scenario. We have already given you a stressed capital scenario for the ICAAP, and next time we will give you different curves for our liquidity position with stressed scenarios. So we will come back, but that is really how we view the situation now.

And perhaps just lastly saying that the investor seems to put an awful lot more emphasis at this point in time at least on the PD rather than the LGD. So (For Sweden of the PD and the persistent of the PD is really the main issue. And therefore I think we should put emphasis on asset quality and origination – that's really important.

Now I've been talking so much that I've forgotten the first question!

JONAS ERIKSSON: NII sensitivity.

GÖRAN BRONNER: Yeah. The increased NII sensitivity is a matter of fact when interest rates get lower. If, for example, you see 100 basis points move down on STIBOR and the REPO rate, there are a number of accounts that today only have a 40 basis point margin, or are left(?) sort of to re-price, and therefore it becomes just impossible to take out the full effect on the client accounts. Therefore the sensitivity goes up as we approach zero on interest rates. And that's the risk picture of course.

NICK DAVEY: That's very clear. If I could just ask a quick follow-up question and try my luck: this quarter you've then had very good success at offsetting this interest rate impact with the re-pricing effect and from the high-end at interest income and treasury; given the increased rate sensitivity from these levels, do you think it's fair to say that margins will be declining from here?

GÖRAN BRONNER: [chuckles] No, I'm not going to guess where the short-term interest rates are going to go. I can just say that we continue to work with the re-pricing issue and we continue to think that there is work to be done there and improvements to come through in the next quarter and in 2013 there as well. I think I'll stop there, because it will become more a second-guess of short-term interest rates than anything.

NICK DAVEY: Okay, very clear, thank you.

JONAS ERIKSSON: Thanks, Nick.

OPERATOR: Our next question comes from Mr Jeff Dawes from Soc Gen. Please go ahead.

JEFF DAWES: Yeah, hi, good morning everyone. Jeff Dawes here from Soc Gen. First of all coming back to net interest income, and without trying to let you guess short-term interest rate moves, we're already down about 30-40 basis points on the third quarter average. Could you perhaps give us a little bit of an indication as to how that plays out, and whether that sensitivity will increase as a result when we see the fourth quarter numbers?

Second question, and very much related to the first one on net interest income: if I look at the fact book you don't give a clear bridge obviously between the second quarter and third quarter net interest income, but you do break down the interest income and interest expense. That seems to be down about 250 million Swedish Kronor on a quarter-on-quarter basis, and the remainder is made up of derivatives net interest income. Could you just give a little bit of colour as to why that was such a big offsetting feature this quarter?

And finally just one very quick question: it seems in an earlier call you mentioned 13.5-14% Core Tier One being something of a longer-term target for you in terms of Core Tier One. Could you just give us a bit more clarity or detail on that comment on this call, because it seems slightly more specific than we have heard in the past. Thank you.

GÖRAN BRONNER: The first question, I think as you said, it is fair to assume short term interest rates declined more towards the end of the quarter, so there will be a sort of an effect going into the fourth quarter that will be headwind for us. The average short-term interest rates will be tougher going forward. So I think that's a fair observation, yes.

With regards to sorts of NII described by instrument and product type, I'll leave that to Jonas.

JONAS ERIKSSON: I think the derivative component in the NII is just the way we hedge on the liability side, primarily our interest rate risk. We have quite a few hundred billion SEK worth of derivatives to hedge our cash instruments, and as interest rates go down you will see the NII being generated more from those.

JEFF DAWES: Right, clear.

GÖRAN BRONNER: The last question was capital.

MICHAEL WOLF: Yeah, and we haven't changed our guidance there based on what we are seeing right now. So 13.5-14.5 stays.

JEFF DAWES: Okay, that's all very clear. Thank you.

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

JACOB KRUSE: Hi, it's Jacob from Autunomus. Just a couple of quick ones on capital: Firstly, the risk-rated asset increase on mortgages. How comfortable are you that 15% number that you're using is ballparked right for what the FSA will eventually come out with?

And secondly, when you say you're basically at the capital level you're targeting and you're saying you will hardly see much volume growth going forward, is the way to think about this that most of the cash generation exc some growth will be distributed over the next three years, although the timing may be uncertain? Thank you.

MICHAEL WOLF: We'll start with the mortgage thing.

GÖRAN BRONNER: Yeah, the mortgage risk rates. We have to pick one number; we don't know, nobody knows whether it's going to be 16 or something different. We felt that 15 has been sort of a good number talked about by most people, so we have that as a reference point really in our calculation. If you think it's going to be 20 you can see the sensitivity It won't affect the numbers to any sort of significant degree.

MICHAEL WOLF: And on the capital issue I'm just going to revert to the same answers I've given a few times, so good try but you won't get us to move on that one!

GÖRAN BRONNER: You had another question on volumes, didn't you?

MICHAEL WOLF: Yeah, it's subdued credit demand.

JACOB KRUSE: That's great, thank you very much.

OPERATOR: Our next question comes from Ms Sofie Peterzens from JP Morgan. Please go ahead.

SOFIE PETERZENS: Yeah, hi, it's Sofie Peterzens from JP Morgan. Just a couple of quick questions: First one, on capital you talked about the 14.5% equity tier one ratio, and if you have the starting point at 17.3, then you deduct the 1.2 BASEL 3, you deduct IAS19, 0.7 – you get to 15.4 I think. And if you take out the 72 billion of mortgage risk rate, you get to roughly 13.4, so does this mean that the IRB or what you could get from advance IRBs, roughly 1%, helped your equity tier one ratio? That was my first question.

And then could you talk a little bit about your Baltic loan loss provisions. They were down 90%(?) quarter-on-quarter. Should we expect the Baltic recoveries are more or less over? Thank you.

GÖRAN BRONNER: I think we are assuming in order to reach around 14.5 fully loaded, I think we are assuming 40 billion of risk-rated asset reduction there. That's sort of the maths of it. And then we have 15% mortgage risk rates.

HÅKAN BERG: On the recovery in the Baltic countries, as I mentioned this is more of a seasonal effect. We still think we are well provided and we still see rather an improvement in the economy in the three Baltic countries. So at least short term we are not changing the guidance that we may see further recoveries in the Baltic countries.

SOFIE PETERZENS: But do you think that you will see recoveries in 2013 as well from the Baltics?

HÅKAN BERG: We are not guiding on 2013; that's too far away. Rather on the quarter four, then we will come back onto 2013 when we report on quarter four.

SOFIE PETERZENS: Okay, thank you.

OPERATOR: I remind you that if you would like to ask a question to the speakers, please press 01 on your telephone keypad.
Our next question comes from Ms Claire Kane from RBC. Please go ahead.

CLAIRE KANE: Hi, good morning everyone. Just a couple of quick follow-ups: I noticed in your liquidity reserves there's quite a large uplift in your cash balances at central banks, and I just wondered if you could talk to us on timing of that since your interbank deposits haven't really moved – it seems to be funded by other deposits and your debt issuances so just wondering if this might be a negative headwind into Q4?
And then my second question really is on your market share, and really if there's any update on what you're seeing following Q2, when you said that you were starting to see some market share gains for the first time, and if you're still seeing competitors pull back? Thank you.

JONAS ERIKSSON: If I start on the cash balances at central banks. The main driver for that is that we've actually increased our short-term programme slightly in the quarter, volume-wise, and as you know we have a policy to keep our short-term liquidity entirely matched. So that's why you see us placing more with central banks.

MICHAEL WOLF: Market share, there have been no major moments during the quarter on the mortgage side, and a slight uptick in corporate lending in Sweden.

CLAIRE KANE: Thank you.

OPERATOR: Our next question comes from Mr Magnus Andersson from ABG Sundal Collier. Please go ahead.

MAGNUS ANDERSSON: Hi, good morning. I have two questions. First of all, just a short follow-up on this 40-50 billion that you expect in RWA decrease from implementing IB advanced and model changes. I was just thinking since you have not filed yet with the Swedish FSA how you can be so optimistic on the timeframe? You say that you expect an approval earliest second-half 2013, and previously you have been talking about 2014. It seems to be taking a lot longer for your Nordic peers. If you can give us a feeling for what indications you have there.

And secondly, just on the 15% ROE target, if you could give some flavour of how you're thinking there, obviously if everything else equal has been pushed forward in time because of the low short-term interest rates. But my question is how do you look at that? Is more that you will then have to mitigate these low short-term interest rates by taking down the costs more than you previously assumed to still reach it within a reasonable time frame, or is it just put further out in the future? Thanks.

HÅKAN BERG: If I start with the IRB advanced application, we are running projects to apply for the IRB advanced before this year-end. And you are totally correct that we of course can't estimate what time it will take for the FSA to approve that. So that is why we are saying earliest the second-half of 2013. Whether we will be able to get the approval in one year or whether it will take more is of course a matter of discussion with the FSA, and we have started that already. I would say that we are neither pessimistic nor optimistic on that, but the best guess we have is that we will get it at the earliest second half of 2013.

MICHAEL WOLF: On the 15% I'm going to give you a boring answer: yes, we're going to work diligently to reach it.

MAGNUS ANDERSSON: Okay, thank you.

OPERATOR: I remind you that if you'd like to ask a question to the speakers please press 01 on your telephone keypad.
There are no questions registered on the telephone.

MICHAEL WOLF: Then I would like to thank everyone for asking questions. I look forward to meeting you soon. Bye-bye.