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Operator: Hello and welcome to the Swedbank Full Year 2015 Conference Call. Throughout the call, all participants will be in a listen-only mode and afterwards there will be a question and answer session. Today I'm pleased to present Michael Wolf. Please begin your meeting.

Michael Wolf: Good morning everyone and thanks for participating. We have a little change in the set-up today. Göran Bronner is unfortunately home sick with very high fever, so Gregori is going to play the role of CFO during this call and run you through the numbers. Also with me is Anders Karlsson, our CRO.

If we look at the quarter, I would say that once again, a quarter with stable results, and what I'm very pleased about is that the adjustment, especially in Swedish banking, to new customer behaviour, that work is going well and has a good momentum. If we look at the global economy, it's definitely an economy out of sync. Europe is slowly improving, but low inflation pressure is still there, and falling raw material prices sets the tone. In the US, we have seen an improving economy and have had, as you know, high rates for the first time since 2006, whilst China's economy is breaking or slowing down, which of course affects the global trade negatively.

However, the economies in our four home markets do well in a global comparison. The challenges in Sweden relates to lack of housing starts, bearing in mind the strong urbanisation trend and the new trend on immigration. In the Baltics, wage inflation is an issue to keep an eye on, as is the geopolitical political situation in their neighbourhoods. The sudden drop of oil price in Q4 has led to an increased risk in that sector.

We have, as we discussed in Q3, seen a stagnation of the house price inflation in Sweden and that's positive. The implementation of a strong urbanisation culture in Sweden is progressing well in Swedbank. 95% of all new loans with an LTV north of 70% is amortising, and the corresponding number for LTVs between 50-70%, is 82%, which is up from 64% in the last quarter and 53, 52 in half year numbers, so a quick adaptation, and that affects our market share in the quarter slightly negatively. The front book market share is hovering around 14%, 15%, compared to the normal 20, and that is very much due to that not every bank in Sweden is adopting the new amortisation rules as we speak. Overall, credit quality remains strong. However, the low oil price will, if it continues to trade at this level, cause credit quality challenges in the sector.

If we look at our different business areas, I would like to start with Swedish banking. Here, we see a huge effort of transforming the operation to new – meet new client behaviour – behaviours. Half of the branch offices have been refurbished and updated, and this effort will be completed during 2016. The next generation of our internet bank will be launched during Q2. The telephone bank has increased our capacity to serve both corporate and private clients, and the mobile bank continues to add features. Furthermore, we will, during the year, ensure that all channels have the same feel and look for our clients. Swish continues to show its relevance, and now we're introducing that to e-commerce, and I hope for that to be as successful as in the other, sort of, channels that we have presented Swish.

We are defending our market position overall on mortgages, as we are on corporate lending, and we see market share growth in corporate deposits, so that's very positive. When it comes to savings in mutual funds, Robur is still the largest provider in the market space. During 2015, we have had net outflows, relating mainly to that the elder part of our client base is now starting to shift from saving to consuming, as they get into pension age. We have also seen outflows from financial institutions. We have, during the year, done quite a massive effort to update our fund range, to change prices in order to be competitive going forward.

Moving over to Baltic banking, I would say a very strong year overall, strong Q4, probably the best ever, and this in an environment which is very difficult and we see continuous deleveraging in society. The key to this performance is a well-executed multichannel strategy, and a strong capability to sell through the digital channels. Credit quality remains solid, despite the geopolitical situation, and we expect that we get regulatory – more regulatory clearance around the acquisition of the Danske Bank's private customer portfolio, Latvia and Lithuania, during the quarter.

LCI, sluggish trading environment through the autumn, but improving in December, a reasonably good pipeline of primary market deals into 2016. Also very pleased to note that we ended the year as market leader on bond issuance in SEK we're number three in Norway, we will continue to make good progress on euro denominated bonds.

Turning back to the Bank, the capital situation is very strong, Core tier 1 at 24.1%. As credit demand has been as anticipated, we can go ahead with the fourth consecutive year of dividending out 75% of the profit that equals 10.7 SEK per share. If we look at, sort of, credit growth going into 2016, probably slightly weaker than 2015, a notch weaker but, overall, going into 2016, I feel very confident about our financial resilience. We continue focussing on cost, as we guided for, we should aim for around 16 billion in costs by the year end, and I feel that the transformation that we're doing in Sweden has a good momentum. And, finally, I really want to thank all the co-workers for a stellar 2015.

With that, I hand over to Gregori, who will take you through the numbers and then we will head over to Risk.

Gregori Karamouzis: Thank you, Michael. Hi, good morning everyone. I will take a few moments for us to talk about the three business segments, and then summarise the quarter at the Group level. If we first turn to Swedish banking, the income was strong across our income lines, despite an even lower interest rate environment. If we start with NII, looking at the deposit margins being again under pressure in the quarter, while we have higher mortgage margins supporting NII. Back book margins expanded with four to five basis points, while new lending mortgage margins were up one or two basis points.

Turning to volumes, mortgage loan volume growth continues to support income. On an annualised basis it was around 5% growth. Over the deposit side, we saw, as part of our savings advice to our customers, we were able to attract volumes in the quarter, primarily the corporate space, which has also contributed positively in the quarter. Net commission income was supported by PPM, meaning pension close and performance fees towards the end of the year. Asset quality was solid in the quarter, with one specific engagement causing an increase in impairment. Anders will talk a bit more about that in a few minutes.

Looking ahead, we expect mortgage volumes to continue growing at about the same rate. We see moderate corporate loan growth, in terms of margins, new lending mortgage margins, expansion is approaching the end of the repricing cycle on the back of the increased capital requirements, as we have seen over the last couple of years, while back book will continue repricing them.

On the corporate side, the corporate margins were under pressure in the quarter, while, looking ahead, we expect on the back of upcoming regulatory – the capital regulatory requirements – this pressure to recover somewhat, but, of course, that will depend on competition and how pricing the market looks, going forward.

If we look to – turn to Baltic banking. Continue to have a very – a very solid performance again in this quarter. We had, on the volumes side, a flat development on the lending side, in euro terms, while it was a decline in Swedish krona terms. If we look at the margins, it was a slightly mixed picture, with lower deposit margins, while we saw higher margins on the new mortgage lending and the corporate loan margins were a bit under pressure, primarily because of better asset quality continuing in this quarter. We had a one off in NII in Lithuania, a lower deposit guarantee fee, due to a change of the fee level, but also the base that the calculations are being made on. Asset quality continues to be very solid. Looking ahead, we expect volumes to stay stable – at stable levels, and the margin development to continue the way I just described.

If we look at large corporate and institutions, which showed a good outcome in light of the volatile market, we had deposit and lending margins being under pressure, while a positive contribution came from deposit volumes. The trading activity was higher in FX and equity, but somewhat lower for the season. In the corporate finance space, we had a lower activity for the season, but we're building up a nice pipeline when we look ahead, with deals that have been postponed due to market conditions.

On the lending – if you look ahead – on the lending growth side, we expected continued modest loan growth in 2016. Repeating what I said on the Swedish banking, that the corporate margins should start recovering during 2016 in light of the upcoming regulatory requirements, although this will depend on the competition, which is tough, and that we still have a low demand.

Summarising now the quarter at the Group level, NII was stable and held up quite nicely, despite lower market rates. Mortgage and deposit volume growth supported NII in the quarter, while the development in margins was mixed. In NII, specifically, we had some traffic between treasury and the business segments this quarter on the back of attracting more deposits, as there was a reallocation of between 75 and 100 million from treasury to the different business segments in this quarter. Most of that reallocation went to Swedish banking, of course, as the deposit base is larger.

Expenses in the quarter were seasonally higher, but we are still in line with our ambition to reach total expenses of 16 billion in 2016. Summarising the asset quality, I would say, for the full year, we showed another solid quarter. Looking ahead, as Michael touched upon, in terms of volume growth, the expectations are to be somewhat lower than the 4-5% growth that we saw during 2015.

If I spend just one minute looking at treasury results, we would like you to continue looking at the result, combined with NII and NGL. In 2015, we saw NII and NGL combined, falling somewhat more than was expected in the beginning of the year, that was due to market rates and credit spread movements during the year. This means that we look into 2016, the combined results for treasury should be around the same level as in 2015, but with a change in the mix between NII and NGL, meaning that NII should continue falling, while net gains and losses should start improving.

Return to capital, we finish the year with a common equity one capital ratio of 24.1%, which we are very happy with. The ratio was increased in the quarter, both as a result of increased common equity tier one capital base and a reduction in recent exposure amount. The first look at the recent exposure amount, it decreased with around 15 billion. There was mainly four factors leading to this decline. The first one is relating to credit exposures, with lower corporate credit exposures, specifically over year end in retail and manufacturing. There were loan commitments that matured before year end. In some financial institution, lending that also that went away over year end. We had increased collateral values, contributing positively as well, with a little bit more than three billion, and over the year end, we had reduced our interest rate positions, which combined with the market rate and the movements in the market reduced market risk with almost four billion. Positive FX effects in the quarter with around two billion reduction in the REA was also contributing positively.

Summarising then, in putting the ratio into the context of the requirements, we see that we have a bit more than 400 basis points of buffer to the minimum requirements as we see that we currently have. However, despite – I would say, with a continued regulatory uncertainty when we look ahead, we still have no visibility of any excess capital. We expect and hope that there will be more clarity on the regulatory uncertainties during the course of 2016.

Just want to finish off with showing you a slide on our funding activities throughout 2015. You remember that we started the year with very active pre-funding activities that we actually continued in Q3 and Q4, issuing a total of almost 250 – 230 billion SEK. We have also extended our maturity profile slightly during the year with a little bit more senior funding. This has put us in a very comfortable and nice position from a liquidity fund perspective, reaching an NSFR ratio of 107% at the year end.

With that, I hand over to Anders.

Anders Karlsson: Thank you. Good morning. During 2015, the development of the asset quality was favourable. The increase in lending volume generally comprised low risk customers with good collateral, further strengthening the asset quality. Unsecured loans declined during 2015, and throughout the year, the level of credit losses remained low – although provisions for two customers had an impact during Q4. One of these affected Swedish banking, while the other affected LC&I. All in all, the credit impairments ended at four basis points in 2015, to be compared with three basis points in 2014.

As earlier communicated, we have implemented new guidelines for private mortgages, in terms of amortisation requirements, limits on debt to income and the more conservative affordability calculation. In addition, as we also have communicated, in the property management sector sharpened requirements on sustainable cash flows in a situation with stretched interest rate levels.

Due to the uncertain oil price development, I would like to spend some time on our oil price sensitive portfolio in Norway. As you might remember, in conjunction with Q4 2014 report, we communicated an outcome of the stress test that we performed on oil prices being at $40 per barrel for two consecutive years. We then said that at that price level, we will see a negative impact on credit quality starting in 2015, that credit losses in the sector will most likely not materialise until 2016 or 2017. Due to a continued supply surplus, and uncertainty regarding the future demand for oil, the price have been under pressure throughout the year, we have consequently been in close contact with our customers throughout the year and in line with expectations, they have, so far, succeeded in handling the situation well. As a result, the bank was not affected by any credit losses in the sector during 2015, and we managed to reduce our exposures in the oil sensitivity offshore portfolio by almost 10% to US $2.2 billion equivalent to roughly 18 billion SEK. The derivatives exposure amounted to US $300 million. With a further decline, at the end of the year in the oil price, the uncertainty has obviously increased, and we conclude that disposals, stacking and renegotiated contracts of new builds will be necessary to regulate the supply in the market.

With the deteriorated cash flow generating capacity, as well as asset value clients in the sector, we expect negative rating migrations going forward, impacting portfolio provisions and risk exposure amount. It also means that the need for equity injections into the sector becomes vital to avoid insolvencies and credit losses, should the oil price remain around the current levels. Most of the financing agreements are syndications or club financing, which is common practice in this capital intensive industry. In addition to that, it’s also common for these companies to obtain a relatively large part of their financing on the bond market. We have therefore concentrated our resources and competencies to further secure a close dialogue with our customers and relevant banks. Having said this, I would like to remind you that the oil price density offshore portfolio constitutes only 1.3% of our total lending, and I still expect that Swedbank’s asset quality will continue to perform strongly. However, given the uncertainties in the external environment and the low visibility in the oil price development, it is not reasonable to expect credit losses on recent years’ very, very low levels, and hence we expect somewhat higher credit losses for 2016.

Thank you.

Michael Wolf: Thanks, Anders, then we open up for Q&As.

Operator: Thank you. Ladies and gentlemen, if you would like to ask a question, please press the 01 on your telephone keypad. If you wish to withdraw that question, you do so by pressing the 02 to cancel. There will be a brief pause while questions are being registered.

Our first question comes from the line of Pawel Wyszynski from Danske Bank. Please go ahead, your line is now open.

Pawel Wyszynski: Yes, hi. Pawel here from Danske. Just a question, I guess, on the dividend. You're keeping the 75% payout this year, and you say that there is still capital uncertainty for next year, due to regulations. But if regulations don't come in, kind of, as harsh as you believe them to come in, I mean, you have a 420 basis points buffer and levelling growth is decelerating, so I mean, how will you address this extra capital buffer during 2016 and 2017, if regulations are actually less severe than what you think?

Michael Wolf: I think the most important thing is to get clarity and – before we start speculating how we're going to ensure the efficient use of excess capital, but I think we have proven in the past that there are amples – ample set of tools to work with the case, if you have excess capital, so let's focus on firming in capital regulation, and then we'll open up the next chapter about the possibility of handling excess.

Pawel Wyszynski: Okay. And one question on NII margins, you're saying that kind of front book, or the expansion for mortgages repricing is coming to an end, does that include if the counter cyclical buffer is increased further, or is that as things are today?

Michael Wolf: That remains to be seen, but, I mean, repricing of capital requirements is very important in this new banking environment, and I think everyone rationally sees that in the market, as we continue to get pressure on ancillary business and margins on ancillary business, so I assume that there is capability to do repricing for further capital increases.

Pawel Wyszynski: And just lastly, looking on loan losses, I mean, consensus is at 1.1 billion for next year, so quite significantly up from 2015. Is that, kind of, what – I know that you won't guide that specifically, but you're saying loan losses to increase somewhat for the next year, is consensus around right or are they kind of still too – too defensive, given the low oil price?

Michael Wolf: I mean, we don't want to guide, I think Anders was very clear in his message, it's low visibility, we want to prudent and be transparent, talk about the challenges we see in the market, we are very proactive, but three, four basis points, if the oil price remains, it's a very low number and that's why I think consensus should come up a bit, but I mean, we don't want to guide.

Pawel Wyszynski: Fair enough. Thanks.

Operator: Thank you. Our next question comes from the line of Pieter Valin from Handelsbanken. Please go ahead, your line is now open.

Peter Valin: Thank you and good morning. I would like to come back to your capital position, and you're stating that your current capital requirement is 19.9, could you just refresh me what's included in there? I guess that the coming counter cyclical buffer hikes in Sweden and Norway to 1.5 is in that, but is it also one kind of crude estimate for stricter corporate modelling in the Swedish risk exposures?

Gregori Karamouzis: Hi, it's Gregori here. No, it's actually – what happens in the quarter, compared to 19.6 from the previous quarter, is that since risk exposure amount goes down, we had a risk weight floor on mortgages going up with 0.3 percentage units, so it's – in the requirements, it's still the same basis as last quarter, meaning counter cyclical buffer from 1.5%.

Pieter Valin: Okay, thank you. And also, would it be possible to give some kind of colour on the, provisionally seen in Swedish banking and large corporates in terms of sector for this quarter?

Michael Wolf: I think you'll find that in the fact book, it's primarily within manufacturing.

Pieter Valin: Okay. And then a final question would be for – if you believe that, sort of, like, the credit demand for the corporate sector will remain sustained, do you see, sort of, like, which risks, the positive and the negatives ones, do you see them, so like, the most considerable on the positives being the further capital requirements could help, like, push margins up, or rather that the lack of demand will increase the competitor pressure?

Michael Wolf: That's a very difficult question. I mean, we are guiding for slightly lower credit growth, 2016 over 2015. I think, like in any market, you need to be close to your customer to win the deals, you need to understand the structures necessary to become competitive, and I do feel that we are making good headway on corporate lending. Out in the Swedish banking unit, we see good progress on mid corporate clients and SMEs. We are under our, sort of, normal market shares in the SME sector, so there is definitely a capability for us to take market share there, and on mortgage lending, I think everyone will, sort of, have to adopt the new amortisation requirements, and that should have a positive effect on front book market share for us, who have already implemented the new rules towards our customers.

Pieter Valin: Okay, great. Thank you.

Operator: Thank you. Our next question comes from the line of Magnus Andersson from ABG. Please go ahead, your line is now open.

Magnus Andersson: Yes, good morning. First a question on costs. You keep the guidance for 2016 of a level towards 16 billion. Can you give any light on what you expect for 2017? Is it still a flattish development you're targeting or is there something else in the pipeline?

Michael Wolf: We have not yet guided for 2017, we're still working with 2016, and we have a dire agenda of investment and transformation ahead of us, and as we see the year materialise, we'll get back, if we feel that further guidance on cost is necessary. I mean –

Magnus Andersson: Okay –

Michael Wolf: Cost is always important in this type of industry, especially with these interest rates and the massive digitalisation trend that we see, so being cost efficient is going to be a competitive question.

Magnus Andersson: Okay. And then, secondly, just on capital, I was wondering if you have anything more to say, any update on the expected financial impacts on the Visa deal where you earlier talked about 1.5 to 2.5 billion and, secondly, in addition to that, just if you can confirm that we should expect 75% of the net one offs from the Visa and Hemnet deals to be – come back as dividends in 2016?

Gregori Karmaouzis: Yeah. Both potentials, and these Hemnet receipts should be included in the base next year. On Visa, we have updated the range that we talked about during the quarter. We have described the range in euro terms, and the range is €140-180 million, is the expected income, one off the incomes will come from the sale of Visa, and the reason why we have adjusted the range is that we have received some more information from Visa Europe as to the allocation keys, but there's still a lot of uncertainty and we can therefore not be more precise with the range and the level.

Magnus Andersson: Okay. And finally, just, you write in your retail section in the report about your increased efforts on consumer credit in Sweden, that you gained a billion in new loans there. Can you just say something about what kind of efforts or targets you have there? I guess your portfolio is, if I'm right, is 18, 19 billion or so?

Michael Wolf: We see a slight increase in market share from low levels, but the positive is that we have – I mean, that book amortised quite quickly, so in order to grow, you need to be strong on sales, and we have intensified sales efforts. We're still investing in further capabilities on the digital arena to really make a larger impact in that market, so right now we're using old tools, more traditional ways to communicate with customers, and we should be pleased if we can continue to slightly improve market share during this year, and once we have installed the more digitalised services, we should go for a much larger ambition.

Magnus Andersson: Yeah, but what is it that you've done differently in 2015? You say that you've increased your efforts, what is it you're doing now that you didn't do before?

Michael Wolf: Now we're more active in seeking out clients that are clients with us but we know have consumer credit in other organisation – in other financial institutions.

Magnus Andersson: Okay. Thank you.

Operator: Thank you. Our next question comes from the line of Masih Yazdi from SEB. Please go ahead, your line is now open.

Masih Yazdi: Hi, good morning. Just a follow-up question there on Gregori's comment on NII and NGL treasury. Could you give any more guidance on, sort of, the mix there? You said it's going to be fairly flat in 2016 over 2015, then NII will come down and NGL will be less negative than in 2015. Could you give any more, sort of, detail on how you think those lines will develop separately, going forward?

Gregori Karamouzis: We – as you know Masih, we don't give exact guidance on the levels, but what you can look at, however, is the fall in NII in treasury during 2015 is a good proxy, I would say, for what you would expect for next year, and then the equivalent would then be coming back on the NGL. But that's roughly – that depends on so many things during the year. The important thing is the combined NII, NGL level, I think. There's a lot of strategy between those two lines, as you know, that depend on market movements, and covered bond buyback activities, and positions that we actually take in treasury, so we just mislead you if we talk about a specific level.

Masih Yazdi: Okay, understood. Just another one, then, on capital. I think you are the only Nordic bank that hasn't given any guidance on what you're targeting or what you think your management buffer should be. What are your thoughts on that currently, and, I mean, you've had a very, sort of, positive improvement of your CET1 ratio, but also, sort of, has been higher volatility. Should we see that higher volatility in your ratio, on your capital there, as something that should, sort of, lead towards a higher management buffer than what your peers have, or how should we think about your buffer in general?

Michael Wolf: I think what we have tried to do is to ensure that we have the flexibility to act in any given instance, and therefore we refrained to come out last year with specifics on buffers, and I think we have been proven to take the right course here. We have still more than anyone else, and you're not questioning our capital buffers, you're more hovering into the excess side of that equation, and once we have firm knowledge, we will also set down the foot on that one, so I think, as a CEO, I'm very happy to have the flexibility I do have. It's a pleasant problem. And then on volatility, Gregori?

Gregori Karamouzis: Yeah. I think there – Masih, the short answer is it depends on market movements. As you have seen during the year, the IAS19 effect is now no longer impacting CET1 capital bases, we have more pension assets than we have liabilities, so the volatility from that factor, as long as we have that relation, has gone away. And then on REA, it really depends on interest rates and FX development during the year.

Michael Wolf: Is that a good answer.

Masih Yazdi: As always. Thank you.

Michael Wolf: Thanks, Masih.

Operator: Thank you. Our next question comes from the line of Rickard Henze from Nordea. Please go ahead, your line is now open.

Rickard Henze: Good morning, guys, I just had a few detailed questions. If we start off with the NII development, it – I can see in your details that the stability fund fee was 50 million SEK lower in Q4, and the resolution – sorry, the deposit guarantee scheme 50 million. I think the deposit cost fell in Latvia. Can you confirm that the stability fund fee was 50 million lower in the Swedish banking and why did it decline quarter on quarter?

Gregori Karamouzis: I can confirm that, Rickard. It’s a normal reconciliation that you do at the end of the year, when you look at the total balances at the – throughout the year, and it seems the – we have been accumulating the stability fund fee throughout the year. At the end of the year, we looked at the base and it was lower, and therefore there’s a one off kick back issue back to the businesses, as part of that reconciliation.

Rickard Henze: Okay, so that should have been spread over the first three quarters, so to speak, over the year, though?

Michael Wolf: Correct. And then you had a question on Lithuania, so Gregori?

Gregori Karamouzis: Yeah. That’s correct, there’s a one off there of 47 million, because of the change of basis and also the fee level in the Lithuanian guarantee scheme. But that means also going forward, that the deposit guarantee scheme fees will be lower.

Rickard Henze: Okay. Thank you. And I – the other numbers I can’t really get together in a rational way is the asset management commission. Firstly, the volumes were up 4% quarter on quarter, despite the net inflow being, you know, 0.6% of assets under management, and also the margin seems very strong in the quarter, despite performance fees being in line with expectations. Can you – is there anything where – I’m missing here? Have you increased your prices or is it a very positive mix change, or can you shed some light upon that?

Gregori Karamouzis: Yeah. There are three factors impacting. One is that we actually have net inflows in the quarter as part of the pension flow that we saw both in Sweden and in the Baltics. And then we've had despite the stock market being quite volatile, on average it was positive so the performance has always been flat and positive in the quarter. And the last of the performance fees, I looked it up to a more specifically before the call. And we had a slightly higher performance fees in the quarter if we also take into consideration the Baltics and Norway. So it typically is around 50 million coming in December. This quarter was closer to 80 million.

Rickard Henze: All right thank you very much.

Operator: Thank you. Our next question comes from the line of Andreas Håkansson from Exane. Please go ahead. Your line is now open.

Andreas Håkansson: Yeah, hi, thank you and good morning. Just a few follow-up from with you've been speaking about. On NII, if we look in Sweden, there was some movements between treasury and so on. But then you also have the lower interest rates in the quarter. Could you tell us how big was that negative impact you have to see what clean growth number would have been in the quarter? Then the second question, it's quite interesting that you have such a high core tier one ratio and you say that you have no excess capital then you have one of competitors in Denmark started a big buyback programme with a much lower core tier one ratio. So I wonder when you say that you don't have excess capital is that all you wanted to be conservative, or have you also get some sort of messages from the FSA to say that you should wait and see what's happening. Thanks.

Michael Wolf: If I take the latter question then Gregori will answer your first question. I think we want to be prudent. There is no new message from anyone. It just us wanting to be prudent.

Andreas Håkansson: Okay, thanks.

Gregori Karamouzis: And then NII – a question on the SA just come back to my earlier comments really that there was around 75 to 100 million of traffic, reallocation from treasury to the business and most of that is referred to Swedish banking. So you could take a proxy of that based on the deposits may be just to use the number, and that you should deduct when you, when you look ahead. Of course, assuming that won't be a regularity going ahead that we have this reallocation. But it depends on deposit volumes. It would depend on spreads and market rate.

Andreas Håkansson: Yeah, I understand the move between treasury and retail. Saying how big was the negative impact on the lower short rates in the quarter?

Gregori Karamouzis: We haven't provided magnitude of that in deposit; it's very difficult to give an exact answer.

Andreas Håkansson: Okay thanks.

Operator: Thank you. Our next question comes from the line of Heiner Luz from Goldman Sachs. Please go ahead. Your line is out.

Heiner Luz: I got one very brief question from the asset quality like you basically reflect that you after the losses in Swedish manufacturing. I just generally sort of looking in Sweden as a sort of a very open economy with a lot of sort of manifest manufacturing corporates with the sort of slowdown thing in Asia. Do you think sort of having sort of the occasional sort of loan loss then that area is something we should sort of get more used to or do you feel like those ones where we know loan losses on the large corporates always one-off by nature, but do you just feel like okay there's a specification. Would you generally sort of feel like that you've reached a point there where we might see a bit more loan versus particularly sort of an exporting companies?

Michael Wolf: No, I think overall credit quality remains solid. And you need to bear in mind that our loss ratio is 4 basis points over the years so and 3 last year. So I can't see any single effect in this quarter due to the losses that we have recorded.

Heiner Luz: Okay, like the question is more coming from the point given its so low more like it seems like that the only direction would be sort of going up.

Michael Wolf: That would be – that is something we have said on these calls for the last five years. So, of course, there are factors that we don't control that might happen tomorrow and then they'll go up north. But credit quality as we see it right now is solid. And I mean we have since 2009 worked with the stress test as far as steering model, allocating capital, and everything out to the business to cope with a more stressed environment. And we are very proactively analysing sectors that might be affected if this and that happen. So we want to be proactive. We want to be close to clients and understand the robustness of their business models. And so far I think we have done a good job and we have prevented things to materialise, and that's why our relative credit loss levels have been at the level it has been. So I'm very proud with the organisations ability to work through different sectors in difficult times, but nothing specifically making me feel that we have a deteriorating fall in credit quality, apart from the language we just had on oil sector.

Heiner Luz: Okay, thank you very much.

Operator: Thank you. Our next question comes from the line of Peter Kessiakoff from Carnegie. Please go ahead. Your line is now open.

Peter Kessiakoff: Yes. Hi. Peter Kessiakoff here from Carnegie. A couple questions from my side. First of all relating to costs and, as you mentioned, before you will invest more into IT, and you mentioned that you have a quite high pace of development during 2016 with many launches. Just noting that IT costs rose in Q4 to the highest level that we've seen in a couple of years. Could you give some more details on that should be expected to continue increasing? It was up 4% year-on-year in Q4, and whether that would increase into 2017 as well or if 2016 is what would reach a peak. I guess I'll start with that question.

Michael Wolf: I mean thanks to the good efforts on cost the organisation we could start sort of investments slightly earlier than planned, and that's some of the effect that you see in the Q4. So we just – we're able to do something positively and start projects earlier than anticipated.

Peter Kessiakoff: And do you expect that to the IT investment level to continue increasing throughout 2016 or is this the level that you want to be at?

Michael Wolf: No, we have said that our IT development cost will come up, how much was it now again, Gregori, help me there.

Gregori Karamouzis: Around 300.

Michael Wolf: Around 300 million compared to last year. So that's part of the plan to increase capability to develop on IT.

Peter Kessiakoff: OK. Then just going onto your REA that declined more so declining market risk and that you mentioned that it relates to fewer interest rate positions. Does that relate to the trends that we're seeing a treasury now and the positions had been in the past and the REA towards market versus half that in say Q1 roughly and should we expect that to continue into Q1 as well as NII interest declines further?

Gregori Karamouzis: They're actually not correlated. So the one relating to REA is not specific treasury. And the treasury positions we talked about in the past, our position that we've been able to take when we've had a falling interest rate environment and a yield curve has been that's not been flat, basically. And that possibility is diminishing as rates are – at the levels where they're today.

Peter Kessiakoff: Okay and then just one last question relating to the NSFR which was at the 107%, which is up from previous quarters as – is that a temporary rise that we saw now and it should decline again in Q1 or is that the level where you expect it to be going forward as well?

Michael Wolf: It's not temporary. It's however during the end of this year been positively impacted by increased deposits as we've seen an increased deposits a bit more senior funding. We're not specifically steering towards a specific level yet as the regulation is still a few years ahead of us, but we will be close to you know around that level, I would say, going forward as well. It's a bit high in the quarter but it's nothing that is of temporary nature.

Peter Kessiakoff: And with the inflow of deposits does that mean that you feel comfortable issuing less wholesale funding during 2016?

Michael Wolf: I think if I were on to deposits, I think that you'll probably see more deposit inflows for banks as people have become more risk-averse that something we definitely seen in the Baltics, and we're starting to see it in Sweden as well. So deposits everything else it will be a much more preferable for most savings for households I believe. And also wholesale funding, would you like to answer on that?

Gregori Karamouzis: I mean it's always when we do the funding plan for the full year, we make, we look at deposit development. We look at loan volume development and then we look at how much maturities we have, and that boils down then to how much source of funding we need to do. And that would change on a monthly basis depending on flows and levels that we see. The funding plan for 2016 is still a bit higher than what we have maturities in the year. We had maturities 110 billion, and we're aiming to issue around 180 billion of long-term funding. That might be adjusted depending on where the parameters that I mentioned.

Peter Kessiakoff: Okay, thank you very much.

Operator: Thank you. Our next question comes from the line of Omar Keenan from Deutsche Bank. Please go ahead. Your line is now open.

Omar Keenan: Good morning. Thank you very much for taking the questions. I just had a question on corporate risk weights. One of your peers talked towards a 20 bps potential impact from corporate risk weight harmonisation from the Swedish FSA. I was just wondering whether you thought about where there's similar impact or what the sensitivity could be for Swedbank, and what kind of measures you think will be in place? Do you think it will be a harmonised floor or more model fixes, and then just I had a follow-up question on margins? Thanks.

Gregori Karamouzis: Hi Omar. We don't have any additional information from the FSA over the past few months. And therefore, we have not – we're not in a position to make any estimate of potential additional requirements. So I'm not really sure what our competitor is basing the 20 basis points on. We will of course come back to these when we have more information.

Omar Keenan: Okay thank you. And then my second question is just your comments on corporate repricing. How confident are you that margins can be repriced? I mean it was done very successfully with mortgages, but you had quite a bit of volume growth, and not very much international competition. You know, given the margin pressure we've seen, how confident are you can get that playbook again?

Michael Wolf: I think if you look at the quality of Swedish corporates they're very solid. And that they can withstand that. That's my view. And I also think that the banking market has to be rational and reprice capital because down the line the reason for that os simple that is to create more robustness. So I'm pretty confident around both issues.

Gregori Karamouzis: Just to add another comment on that, the international competition is above all linked to the largest corporates, multinationals where Swedbank is not no historically been very, very strong in that segment.

Omar Keenan: Great thank you. And just a last question – understand that the front book expansion on Swedish mortgages has now ended. How much upside do you see to the back book margin coming through the next couple of quarters?

Gregori Karamouzis: We still have higher front book margins than back book margins. Last quarter, we commented value was between 5 and 10 basis points. That had come – it maybe a little bit narrower but I would say between 5 and 8 basis points or something like that.

Omar Keenan: Perfect. Thank you very much.

Operator: Thank you. Our next question comes from the line of Anton Kryachok from UBS. Please go ahead. Your line is now open.

Anton Kryachok: Thank you and good morning, just two questions please. Firstly, to come back to the theme of excess capital, I think it is fair to say that regulatory uncertainty has persisted all over the years that you've been managing Swedbank, and at the same time we saw a gradual increase in capital distribution. So I'm just trying to understand what exactly do you need to see in terms of regulatory clarity before you can become more assertive on this front? Again, is it just the Swedish regulatory debate that needs to be settled i.e., corporate risk weights and things like that, or are you waiting more clarity on the global regulatory discussions such as Basel proposal on credit risk weight amortisation? That's the first question, please. And then the second question on your oil exposure: have you actually seen any increase in the NPLs and, if so, how much have you provided for those NPLs? Thank you.

Michael Wolf: Thanks for those two questions. The first one I mean my reading on the regulatory landscape is that we have been receiving new news constantly in the last couple of years. So it's very difficult to say when clarity will be there, but I do believe that every one of us will have a very clear view when things are a more halting and we have regulatory clarity. I may remind the crisis happened at 2008-2009, and we're at 2016, and still experiencing new regulation and new surprises so I think one needs to be prudent here and I think the most important thing for me is that my customers know that I have a capital to support them in good and bad times. I don't want to tamper with that perception. I feel strong. I do believe we have a positive momentum towards the client base, and I don't want to tamper with that perception at all. Once we have clarity I think we have proven in the past that we're rational users of capital, and that we'll find ways to work with that capital base. Gregori should you try to or maybe Anders on the oil exposure?

Anders Karlsson: Yeah, the short answer is no. What I said is that what I foresee coming up in the environment that our clients are working in is a rating migration, which essentially means that you – we'll have an impact on portfolio provisions going forward. But the short answer to your question is no.

Anton Kryachok: Thank you. That's very clear.

Operator: And your next question comes from the line of Jan Wolter from Credit Suisse. Please go ahead. Your line is now open.

Jan Wolter: Good morning. Jan Wolter here, Credit Suisse. Thanks for taking the questions a couple on lending growth. What kind of growth levels do you expect now for 2016 and perhaps if you look a bit further out to 2017, and especially, if you do expect corporate lending to continue to come down. That's the first question. On mortgage growth, rounding now at 8% or so in the Swedish market, would you expect that the amortisation requirement will drive that down in anyway if you look at the market as such? Third question is on interchange fees. Do you think that you'll see any impact in 2016 from that capping implemented in December? Thank you.

Michael Wolf: Hi Jan. Thanks for your questions. In credit growth, for 2015, we talked about 4-5% credit growth. For 2016, we're talking about 3-4%. It's too early to make any assumptions about 2017. When it comes to amortisation, I would say that it will probably not have huge effects on things initially because it's new credit, and we have had amortisation requirements on LTVs over 70% in the past so that is something that has been there for a while. But of course the stagnating house price inflation will, of course, affect volume growth. And that is not due to amortisation requirements, primarily, it does have an effect I do believe, but more a minor one. The bigger one is that house price inflation over the last years has been so significant that fewer and fewer people can afford the present pricing levels, and that is actually driving down the house price inflation more than anything else.

So look at the demographic. Look at our boprisindex and look what macro-economical people says about people in urban areas and their cash flow. That is the driver going forward. And I do believe that cash flow has reached sort of its capacity so you will get a two-tier market where the really good spots will continue to price upwards because there are quite a few people that can of afford paying whatever they need to pay in order to get access of apartment. But the broader market has a capacity feeling that it has gradually been reached. That's how I read the market.

Gregori Karamouzis: And then on the interchange fees, sorry, did you have any follow-up question on that?

Jan Wolter: No, that was very clear. Thanks.

Gregori Karamouzis: On the interchange fees, it's next to neutral for Swedbank across the group. As you know the fees and the cap came to into effect in December this last year, 2015. And we have a mixed impact in Sweden its net positive, and in the Baltic it's net negative. So I think which combined for the Group is net neutral. And as you know it impacts both the issuing and the acquiring side of the cards business, and that's why we have a net impact because which is neutral because we are also a large on the acquiring side of the business. That remains I think competition and development going forward will of course dictate how this develops.

Jan Wolter: Many thanks for that. Very clear.

Operator: Thank you. Sorry please go ahead.

Michael Wolf: Thanking Jan for his questions. Please next question.

Operator: Thank you. The next question from Adrian Cighi from RBC. Please go ahead. Your line is now open.

Adrian Cighi: Good morning. Thank you for taking my questions. Two follow-up questions please. One on NII and one on the oil exposures. On the front book mortgage pricing, Swedbank is the only bank of the fourth largest bank that has not increased its list price in the three month mortgage products from – for this quarter. Does this reflect a strategy to defend market share or is there a maybe a focus on a longer term product? Any colour here would be very helpful. And the second question on the oil exposure, thank you very much for the detail provided already. But just to confirm the 18.3 billion oil sector, does this include both the committed and uncommitted exposures? And is it possible to give us the current coverage levels for this level of exposures? Thank you.

Gregori Karamouzis: Well, on the mortgage prices Adrian, we follow the market. It's a competitive market and we adjust price like anything when we think it's appropriate. We follow, of course, both market rate development, but also have competition changes prices. And of the last three months we have stayed at the current average price that you see that we have published. Of course, that will change potentially, depending on how competition and market rates move from here.

Adrian Cighi: Okay.

Anders Karlsson: And on your question on the offshore oil-related exposure it's to net so there are no commitments in that number.

Adrian Cighi: Thank you.

Operator: Thank you. Our next question comes from the line of Adonis Catic from DNB Markets. Please go ahead. Your line is now open.

Adonis Catic: Yes, thank you. Michael, I just had a follow-up question regarding your guidance on asset quality because you said that one should expect higher loan losses in 2016. Were you referring to the loan losses that you saw in 2015, i.e. the 4 basis points, or were you talking about that consensus would need to increase their loan loss expectations for 2016? And then my second question relates to these single impairments in the manufacturing sector which you saw both in the Swedish banking and also LC&I. Do you see any connection between these two other than that they are both in the manufacturing sector? Thank you.

Michael Wolf: So there is no connection between the two losses you see in the quarters so it's two separate things. No trend in any sector or geography or such. And my guidance was based on the 4 basis points, in any scenarios a very low credit loss level. So that was what I was speaking about.

Adonis Catic: Okay, thank you. That was very clear.

Operator: Thank you. Our next question comes from the line of Cathy Tien from Citi. Please go ahead. Your line is now open.

Speaker: Hi morning. I have two questions. The first is around your other view of real exposures, particularly around operational risk. Do you have the estimate of what is the implementation of that you standardised framework is going to have – going to impact your operational RWA inflation? And then, secondly, I was quite pleased to see that your leverage ratio included 50 bps Q on Q. Do you – could you give more colours around what's driving the reduction in the leverage exposure that is contributing to the increase in leverage ratio? Thank you.

Gregori Karamouzis: On REA, we haven't guided and don't have an exact number what that might be. But what we're sure of is that would be higher requirements coming from the standardised approach. On the leverage ratio, it is, we have a smaller balance sheet at the end of the year, primarily, as you can see that being the short-term debt outstanding and of the equivalent being the deposits with central banks that is primarily reducing the exposures.

Speaker: Okay, thank you.

Operator: Thank you. And we have a follow-up question from Pawel Wyszynski from Danske Bank. Please go ahead. Your line is now open.

Pawel Wyszynski: Yes, hi, just two follow-ups. One, the first one is on tax. Could you give us an update for kind of that long-term tax rate now that the tax is been lowered in Norway?

Gregori Karamouzis: We have a short explanation in the report this quarter with the first reduction impacting slightly a lowering the tax rate, but very still – we cannot guide specifically going forward. And I still think there's uncertainty if you look at '17 and '18 as exactly how the decline of the corporate tax rate would be implemented in Norway. So I think we'll need to wait for more clarity from tax authorities now before we can comment on that.

Pawel Wyszynski: And last question being could you just say what you expect the funding cost to go during 2016 or compared to now?

Gregori Karamouzis: Impossible to say. Of course, I mean, we – during 2015, we took a view in the beginning of the year that the situation was very good in the funding markets, and therefore we did a little bit more funding during the first half, which proved to be right because the spreads widened a bit towards at the end of the year. It's difficult to say. It's a volatile market out there, and we tried to time our transactions so that we can obtain the best possible funding price. But it's difficult to say when you look at the full year.

Michael Wolf: And treasury has wide mandate to operate in this environment. I think that has helped timing different transactions through the last years, and hopefully that will continue to prevail.

Pawel Wyszynski: Okay, thanks.

Operator: Thank you. As there appeared to be no further questions I return the conference to you.

Michael Wolf: Well, once again, thanks for being so active everyone and thanks for following us, and we'll be there if you have further questions.

Operator: Thank you. This now concludes our conference call. Thank you all for attending. You may now disconnect your lines.