

Experiences from the Nordic-Baltic Banking Market

December 2013



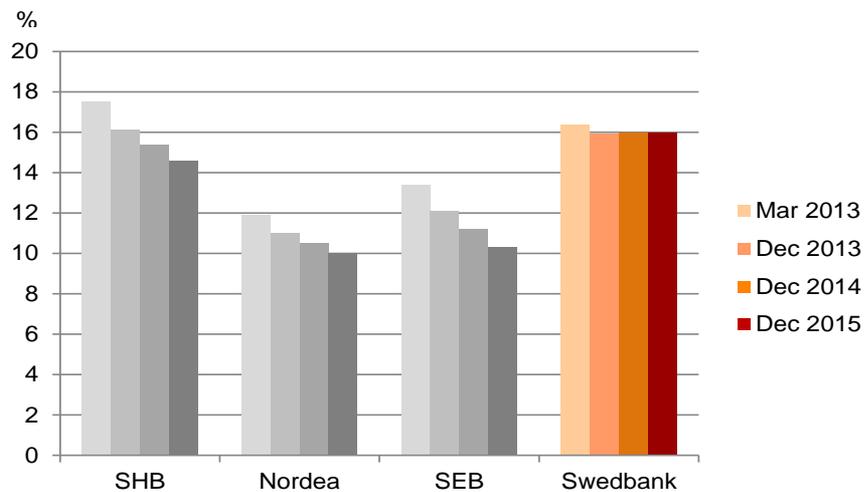
Swedbank in Baltic region

- Encumbent in most areas of banking and insurance
- Core markets for Swedbank
- Profitability
 - Cost efficiency
 - Loan-to-deposit ratio
 - RAROC steering harmonized throughout the group
 - Impairments dealt with early in the crisis

Baltic markets sound

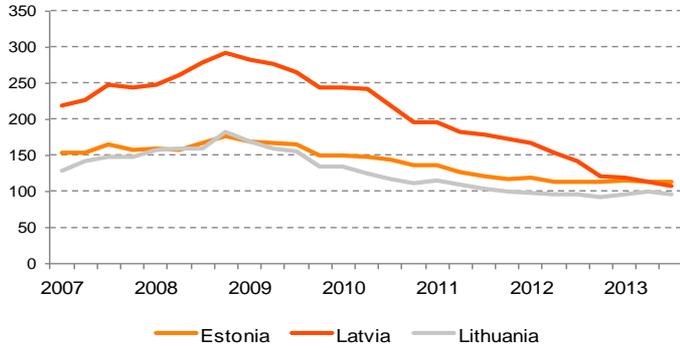
- Legal and institutional framework
- Fiscal policy
- Liberal labour markets
- Concentration – economies of scale in spite of small countries
- Banking market more mature than overall economies – growth expectations?

CET1 development in Riksbank stress test

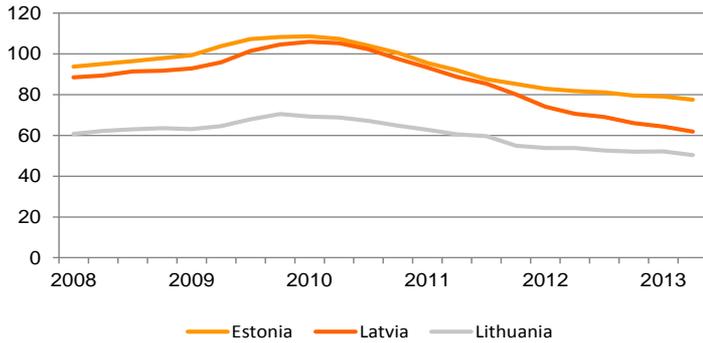


Quick adjustment

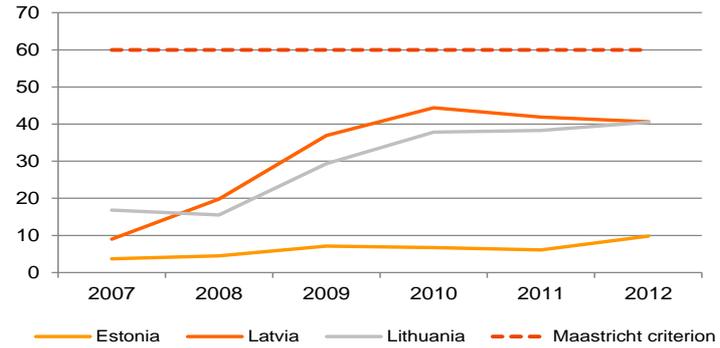
Loan/Deposit ratio, % (Swedbank)



Resident loan stock, % of GDP



Government debt, % of GDP



Source: Bank of Latvia, Bank of Lithuania, Bank of Estonia

Source: Eurostat

Nordic-Baltic banking

- Regulation decreases efficiency of cross border banking
 - Different supervisory jurisdictions
 - Resolution framework?
- Important risk mitigators
 - Loan-to-deposit ratio restrictions
 - Integrated governance model
 - EMU entry
- Opportunities
 - GDP/Capita transition over time
 - Utilise lower cost wage environment for shared services within group