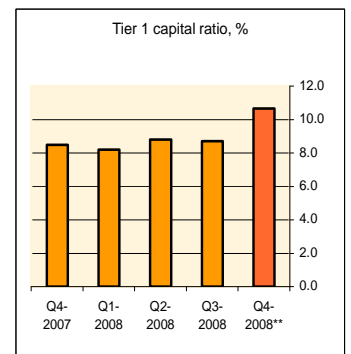
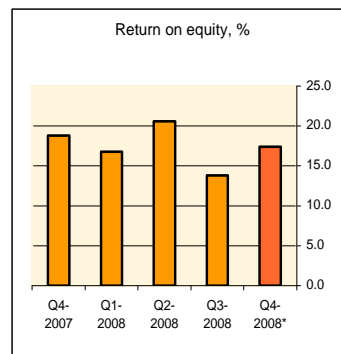
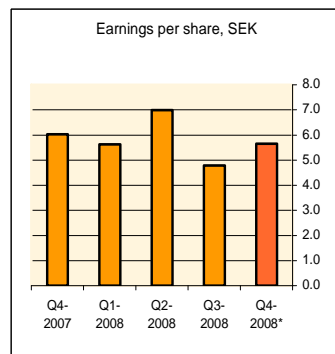
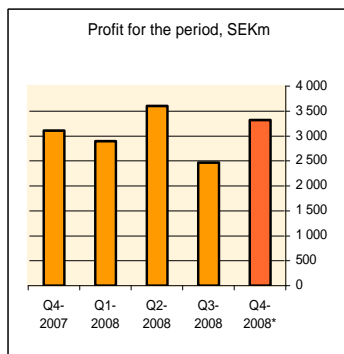


**Strong profit in 2008 despite a turbulent market**

- Profit for the period amounted to SEK 10 887m (11 996), excluding goodwill write-offs the profit was SEK 12 290m
- Earnings per share amounted to SEK 19.44 (21.78)
- The proposed dividend is SEK 4.50 (9.00) per ordinary share and SEK 2.40 per preference share
- The return on equity was 15.2 percent (18.9), excluding goodwill write-offs the return on equity was 17.1 percent
- The cost/income ratio was 0.50 (0.51)
- Net interest income increased by 13 percent to SEK 21 702m (19 157)
- Provisions for loan losses amounted to SEK 3 156m (619), corresponding to a loan loss ratio of 0.28 percent (0.07)
- The tier 1 capital ratio including total subscribed capital was 10.7 percent according to the new rules (8.5 percent on 31 December 2007) and 8.1 percent (6.2) according to transition rules
- Goodwill related to Ukrainian Banking has been written off by SEK 1 403m to SEK 1 150m. The write-off did not affect the cash flow or the capital adequacy.

**Cost/income ratio 0.47 in the fourth quarter**

- Profit for the period amounted to SEK 1 915m (2 468), excluding goodwill write-offs the profit was SEK 3 318m
- Earnings per share amounted to SEK 3.26 (4.48)
- The return on equity amounted to 10.1 percent (13.8), excluding goodwill write-offs the return on equity was 17.4 percent
- The cost/income ratio was 0.47 (0.52)
- Net interest income increased by 6 percent to SEK 5 742m (5 424)
- Provisions for loan losses amounted to SEK 1 633m (812), corresponding to a loan loss ratio of 0.53 percent (0.27)
- Goodwill related to Ukrainian Banking has been written off by SEK 1 403m to SEK 1 150m. The write-off did not affect the cash flow or the capital adequacy.



\* Excluding goodwill write-offs of SEK 1 403m. \*\* Including total subscribed capital.

## **Comment by the CEO**

Swedbank maintained solid earnings in 2008, driven by stable earning capacity and an efficient organization, coupled with low exposures to financial instruments. Swedbank's business model is based on being close to its customers and providing classic banking services. This contributes to a transparent, diversified balance sheet.

The outlook for the economy worsened during 2008. During the second half of the year, the downturn was more extensive and faster than previously projected. Swedbank responded by accelerating preparations for slower times ahead. The organization responsible for financial reconstruction and recovery has been strengthened. Preparations are steadily being made for an expected increase in problem loans. The best, most experienced internal and external experts are working across the Group to minimize future losses. Due to the dramatic decline in market conditions during the second half of 2008, Swedbank revised its growth objectives downward for the years ahead. As a result, a portion of goodwill related to the acquisition in Ukraine, SEK 1.4bn, has been written-off. Although the short-term outlook in Ukraine is challenging, we are convinced of a positive long-term future.

During the fourth quarter, Swedbank implemented a rights issue totalling SEK 12.4bn. The issue was finalized in January. The new capital makes Swedbank well capitalized and puts us in a better position of strength.

On November, Swedbank's application to participate in the Swedish state's guarantee programme was approved. Swedbank applied for the guarantee because it was felt that it would benefit Swedbank's stakeholders such as lenders, borrowers, shareholders, etc. Swedbank expects the funding market to remain challenging for some time. With the help of the state guarantee, Swedbank was able to reduce its relative funding costs, increase the liquidity reserve, extend the maturity on its credit facilities and thereby mitigate its liquidity risks.

Swedbank's Board of Directors has proposed a dividend of SEK 2.40 per preference share and of SEK 4.50 per ordinary share. A balance was struck between the stated dividend objective and the importance of retaining capital within the bank.

## Financial summary for the Group

SEKm	Q4 2008	Q3 2008	%	Q4 2007	%	Full-year 2008	Full-year 2007	%
Net interest income	5 742	5 424	6	5 259	9	21 702	19 157	13
Net commission income	2 011	2 265	-11	2 536	-21	8 830	9 880	-11
Net gains and losses on financial items at fair value	1 244	-109		386		2 351	1 691	39
Other income	1 349	658		693	95	3 580	2 196	63
<b>Total income</b>	<b>10 346</b>	<b>8 238</b>	<b>26</b>	<b>8 874</b>	<b>17</b>	<b>36 463</b>	<b>32 924</b>	<b>11</b>
Staff costs	2 602	2 458	6	2 633	-1	10 092	9 792	3
Other expenses	2 300	1 855	24	1 893	22	7 993	6 927	15
<b>Total expenses</b>	<b>4 902</b>	<b>4 313</b>	<b>14</b>	<b>4 526</b>	<b>8</b>	<b>18 085</b>	<b>16 719</b>	<b>8</b>
<b>Profit before goodwill write-offs and loan losses</b>	<b>5 444</b>	<b>3 925</b>	<b>39</b>	<b>4 348</b>	<b>25</b>	<b>18 378</b>	<b>16 205</b>	<b>13</b>
Goodwill write-offs	1 403					1 403		
Loan losses, net	1 633	812		238		3 156	619	
<b>Operating profit</b>	<b>2 408</b>	<b>3 113</b>	<b>-23</b>	<b>4 110</b>	<b>-41</b>	<b>13 819</b>	<b>15 586</b>	<b>-11</b>
Tax expense	500	640	-22	950	-47	2 880	3 450	-17
Profit for the period	1 908	2 473	-23	3 160	-40	10 939	12 136	-10
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>1 915</b>	<b>2 468</b>	<b>-22</b>	<b>3 108</b>	<b>-38</b>	<b>10 887</b>	<b>11 996</b>	<b>-9</b>
<b>Profit for the period attributable to the shareholders of Swedbank AB excluding goodwill write-offs</b>	<b>3 318</b>	<b>2 468</b>	<b>34</b>	<b>3 108</b>	<b>7</b>	<b>12 290</b>	<b>11 996</b>	<b>2</b>

Key ratios	Q4 2008	Q3 2008	Q4 2007	Full-year 2008	Full-year 2007
Return on equity excluding goodwill write-offs, %	17.4	13.8	18.8	17.1	18.9
Return on equity including goodwill write-offs, %	10.1			15.2	
Earnings per share excluding goodwill write-offs, SEK <sup>1)</sup>	5.65	4.48	5.64	21.95	21.78
Earnings per share including goodwill write-offs, SEK <sup>1)</sup>	3.26			19.44	
C/l ratio	0.47	0.52	0.51	0.50	0.51
Equity per share, SEK <sup>1)</sup>	111.54	141.68	131.96	111.54	131.96
Capital quotient excluding complement <sup>2)</sup>	1.85	1.57	1.59	1.85	1.59
Core tier 1 capital ratio, %, excluding complement <sup>2)</sup>	9.3	7.4	7.3	9.3	7.3
Tier 1 capital ratio, %, excluding complement <sup>2)</sup>	10.7	8.7	8.5	10.7	8.5
Capital adequacy ratio, %, excluding complement <sup>2)</sup>	14.8	12.5	12.7	14.8	12.7
Loan loss ratio, %	0.53	0.27	0.09	0.28	0.07
Share of impaired loans, %	0.52	0.32	0.13	0.52	0.13

1) The number of shares is specified on page 46.

2) Including total subscribed capital.

Key ratios are based on profit and shareholders' equity allocated to shareholders of Swedbank.

Balance sheet data SEKbn	Dec 31 2008	Dec 31 2007	%
Loans to the public	1 287	1 135	13
Deposits and borrowings from the public	508	458	11
Shareholders' equity	86	68	27
Total assets	1 812	1 608	13
Risk weighted assets, excluding complement	697	600	16
Risk weighted assets, transition rules	916	822	11
Risk weighted assets, older rules	1 051	892	18

## Group profit trend, Q4 vs. Q3 2008

### Improved profit excluding goodwill write-offs

(All figures are excluding goodwill write-offs of SEK 1 403m)

- Profit for the period increased by SEK 850m or 34 percent to SEK 3 318m (2 468)
- Net gains and losses on financial items at fair value increased by SEK 1 353m to SEK 1 244m (-109)
- Earnings per share increased to SEK 5.65 (4.48)
- The return on equity increased to 17.4 percent (13.8)
- Operating profit increased by 22 percent to SEK 3 811m (3 113)
- Income increased by 26 percent to SEK 10 346m (8 238)
- Net interest income increased by 6 percent to SEK 5 742m (5 424)
- Net commission income decreased by 11 percent to SEK 2 011m (2 265)
- Expenses increased by 14 percent to SEK 4 902m (4 313)
- The cost/income ratio decreased to SEK 0.47 (0.52)
- Loan losses amounted to SEK 1 633m (812)
- The effective tax rate decreased to 13 percent (21)
- Goodwill impairments identified in Ukrainian Banking led to write-offs of SEK 1 403m.

### Higher income

**Income** increased by SEK 2 108m or 26 percent to SEK 10 346m (8 238). The increase was due to higher net gains and losses on financial items at fair value and one-off revenue of SEK 680m from the sale of the shareholding in NCSD Holding AB to Euroclear Group. The previous quarter included one-off revenue of SEK 95m from the sale of the reinsurance company SPS Reinsurance in Luxembourg.

**Net interest income** increased by 6 percent to SEK 5 742m (5 424). Net interest income from the lending portfolio increased by SEK 391m. Net interest income from deposits increased by SEK 85m due to higher interest margins. Other operations decreased by SEK 158m.

**Net commission income** decreased by 11 percent to SEK 2 011m (2 265). Falling stock prices led to lower asset management commissions and brokerage income. Corporate finance income increased by SEK 36m to SEK 58m.

**Net gains and losses on financial items at fair value** increased by SEK 1 353m to SEK 1 244m (-109).

The market valuation of Swedbank Mortgage's lending and funding, including derivatives, had a positive effect on profit of SEK 763m during the quarter, compared with a negative effect of SEK 173m in the previous quarter. This consisted mainly of unrealized changes in value that arose as a result of the substantial movement in market interest rates in December.

In Ukrainian Banking, net gains and losses on financial items at fair value increased by SEK 297m to SEK 332m (35) mainly due to a decline in the hryvnia against the U.S. dollar, the currency in which the majority of loans are granted.

**Net insurance** increased to SEK 139m (105). The large part of the increase was in Asset Management and Insurance.

The **share of the profit or loss in associates** amounted to SEK 136m (138).

**Other income** increased to SEK 1 074m (415). The fourth quarter included a capital gain of SEK 680m on the sale of the shareholding in NCSD Holding AB to Euroclear Group. The third quarter included a capital gain of SEK 95m on the sale of SPS Reinsurance.

### Expenses

The Group's **expenses** increased by 14 percent to SEK 4 902m (4 313). Fourth-quarter expenses are higher on a seasonal basis.

**Staff costs** increased by 6 percent to SEK 2 602m (2 458). Profit-based staff costs increased by SEK 27m. The allocation to the Kopparmyntet profit-sharing scheme increased by SEK 108m, while other bonus allocations decreased.

The increase in staff costs excluding profit-based compensation was mainly outside Sweden.

**Other general administrative expenses** increased by 24 percent to SEK 2 300m (1 855). The quarter was affected by higher consulting costs. Amortisation of the Hansabank trademark is included in the amount of SEK 38m (39). VAT recoveries of SEK 83m were reported in the Russian leasing operations in the third quarter.

### Loan losses

**Loan losses** amounted to a net of SEK 1 633m (812), corresponding to a loan loss ratio of 0.53 percent (0.27). Loan losses increased in Swedish Banking as well as in Baltic Banking and International Banking. Swedbank Markets suffered losses due to overleveraged brokerage accounts in Norway's First Securities. Of the total loan losses, SEK 1 451m consisted of provisions, SEK 309m of write-offs and SEK -127m of recoveries. A specification of loan losses and loan receivables can be found in notes 3 and 4.

### Tax rate

Profit before tax amounted to SEK 3 811m (3 113) and the **tax expense** was SEK 500m (640), corresponding to an effective tax rate of 13 percent (21). The lower tax rate was due to tax-exempt capital gains and the revaluation effect of deferred taxes as a result of a lower Swedish corporate tax rate, among other things.

## Group profit trend, Q4 2008 vs. Q4 2007

### Improved profit excluding goodwill write-offs

(All figures are excluding goodwill write-offs of SEK 1 403m)

- Profit for the period increased by 7 percent to SEK 3 318m (3 108)
- Earnings per share was SEK 5.65 (5.64)

- The return on equity decreased to 17.4 percent (18.8)
- Operating profit decreased to SEK 3 811m (4 110)
- Income increased by 17 percent to SEK 10 346m (8 874)
- Net interest income increased by 9 percent to SEK 5 742m (5 259)
- Net commission income decreased by 21 percent to SEK 2 011m (2 536)
- Net gains and losses on financial items at fair value increased to SEK 1 244m (386)
- Expenses increased by 8 percent to SEK 4 902m (4 526)
- The cost/income ratio was 0.47 (0.51)
- Loan losses increased to SEK 1 633m (238)
- The effective tax rate was 13 percent (23)
- Goodwill impairments identified in Ukrainian Banking led to write-offs of SEK 1 403m.

## Higher income

**Income** increased by SEK 1 472m or 17 percent to SEK 10 346m (8 874) primarily due to higher net gains and losses on financial items at fair value and the capital gain on the sale of the shareholding in NCSD Holding AB. Excluding the capital gain, income increased by 9 percent.

**Net interest income** increased by 9 percent to SEK 5 742m (5 259). Net interest income from the lending portfolio increased by SEK 596m mainly due to higher volumes. Net interest income from deposits increased by SEK 60m through volume increases. Other operations decreased by SEK 173m.

**Net commission income** decreased by SEK 525m or 21 percent to SEK 2 011m (2 536). Payment commissions increased by SEK 89m, while income from asset management commissions decreased by SEK 268 and brokerage commissions by SEK 149m. Corporate finance income decreased by SEK 151m to SEK 58m.

**Net gains and losses on financial items at fair value** increased by SEK 858m to SEK 1 244m (386). The increase was mainly in Swedbank Mortgage, where net gains and losses on financial items at fair value increased by SEK 697m from the previous year mainly due to unrealized changes in value that arose as a result of the substantial movement in market interest rates in December.

In Ukrainian Banking, net gains and losses on financial items at fair value increased by SEK 308m to SEK 332m (24) mainly due to a decline in the hryvnia against the dollar, the currency in which the majority of loans are granted.

**Net insurance** decreased to SEK 139m (279). In 2007, net insurance was affected positively through withdrawals from certain technical reserves for Swedish loan insurance.

The **share of the profit or loss in associates** amounted to SEK 136m (70) mainly due to a higher profit in EnterCard.

**Other income** increased to SEK 1 074m (344) mainly due to a capital gain of SEK 680m on the sale of the shareholding in NCSD Holding AB.

## Higher expenses

**Expenses** increased by SEK 376m or 8 percent to SEK 4 902m (4 526). Amortisation of the Hansabank trademark was included in the amount of SEK 38m (0).

**Staff costs** decreased by SEK 31m or 1 percent to SEK 2 602m (2 633). Profit-based staff costs decreased by SEK 260m mainly in Baltic Banking and First Securities. Staff costs excluding profit-based compensation increased by SEK 229m. The increase was mainly outside Sweden.

**Other general administrative expenses** increased by 22 percent to SEK 2 300m (1 893), among other things due to higher consulting costs and the amortisation of the Hansabank trademark. The fourth quarter 2007 included VAT recoveries in Russia of SEK 60m.

## Loan losses

**Loan losses** amounted to a net of SEK 1 633m (238), corresponding to a loan loss ratio of 0.53 percent (0.09). The increase was primarily attributable to Baltic Banking and provisions of SEK 121m in First Securities.

## Tax rate

Profit before tax amounted to SEK 3 811m (4 110) and the **tax expense** was SEK 500m (950), corresponding to an effective tax rate of 13 percent (23). The lower tax rate was due to tax-exempt capital gains and the revaluation effect of deferred taxes as a result of a lower Swedish corporate tax rate, among other things.

## Group profit trend, 2008 vs. 2007

### Improved profit excluding goodwill write-offs

(All figures are excluding goodwill write-offs of SEK 1 403m)

- Profit for the period increased by 2 percent to SEK 12 290m (11 996)
- Earnings per share was SEK 21.95 (21.78)
- The return on equity was 17.1 percent (18.9)
- Operating profit decreased by SEK 364m to SEK 15 222m (15 586)
- Income increased by 11 percent to SEK 36 463m (32 924)
- Net interest income increased by 13 percent to SEK 21 702m (19 157)
- Net commission income decreased by 11 percent to SEK 8 830m (9 880)
- Net gains and losses on financial items at fair value increased by 39 percent to SEK 2 351m (1 691)
- Expenses increased by 8 percent to SEK 18 085m (16 719)
- The cost/income ratio was 0.50 (0.51)
- Loan losses increased to SEK 3 156m (619)
- The effective tax rate was 19 percent (22)
- Goodwill impairments identified in Ukrainian Banking led to write-offs of SEK 1 403m.

## Higher income

**Income** increased by SEK 3 539m or 11 percent to SEK 36 463m (32 924). Excluding capital gains (SPS Reinsurance, PKK and NCSD Holding AB 2008, CEK AB 2007) and income from the sale of branch offices, income rose by 7 percent.

**Net interest income** increased SEK 2 545m or 13 percent to SEK 21 702m (19 157). Net interest income from the lending portfolio increased by SEK 1 419m and from deposits by SEK 906m. The increase arose primarily from volume increases. Net interest income from other operations increased by SEK 220m.

**Net commission income** decreased by SEK 1 050m or 11 percent to SEK 8 830m (9 880). Payment commissions increased by SEK 400m, while income from stockmarket-related operations decreased by SEK 1 096m and from corporate finance by SEK 286m.

**Net gains and losses on financial items at fair value** increased by SEK 660m or 39 percent to SEK 2 351m (1 691).

The market valuation of Swedbank Mortgage 's lending and funding, including derivatives, had a positive effect on profit of SEK 598m during the year, compared with a negative effect of SEK 71m in the previous year. The positive effect is mainly due to unrealized changes in value that arose as a result of the substantial movement of market interest rates.

Ukrainian Banking reported an increase of SEK 358m to SEK 419m (61) mainly due to a decline in the hryvnia against the dollar, the currency in which the majority of loans are granted.

The change in the value of Group Treasury's derivatives linked to the financing of euro lending in the Baltics amounted to SEK 145m (0). To reduce the accounting volatility in these transactions, cash flow hedges were applied as of the third quarter, due to which unrealized changes in value are no longer recognized through profit or loss but instead directly through shareholders' equity.

For Baltic Banking, net gains and losses on financial items at fair value were SEK 414m lower than the previous year, mainly due to a decrease in the value of investment assets held by the insurance operations and weak earnings in equity trading.

**Net insurance** decreased to SEK 452m (548). In 2007, net insurance was affected positively through withdrawals from certain technical reserves for Swedish loan insurance. Underlying operations developed positively during the year.

The **share of the profit or loss in associates** increased to SEK 512m (424) mainly due to higher profit in EnterCard.

**Other income** increased to SEK 2 616m (1 224) due to capital gains of SEK 440m on the sale of branch offices to savings banks in western and southern Sweden, capital gains of SEK 95m on the sale of SPS Reinsurance, SEK 66m from Hansabank's partly owned card company Pankade Kaardikeskus, and SEK 680m from the sale of NCSD Holding AB. A capital gain of SEK 40m from CEK AB was included in 2007.

## Higher expenses

**Expenses** increased by SEK 1 366m or 8 percent to SEK 18 085m (16 719). Of the increase, SEK 493m was attributable to the acquired Ukrainian operations (Ukrainian Banking is consolidated as of July 2007) and SEK 101m to amortisation of the Hansabank trademark.

**Staff costs** increased by SEK 300m or 3 percent to SEK 10 092m (9 792). The increase of SEK 1 008m or 12

percent excluding profit-based compensation was mainly outside Sweden.

Profit-based staff costs decreased by SEK 708m. The decrease was mainly in Baltic Banking and First Securities.

**Other general administrative expenses** increased by SEK 1 066m or 15 percent to SEK 7 993m (6 927) mainly due to expansion and changes outside Sweden as well as higher costs for security transports and security in Sweden. VAT recoveries in the Russian leasing operations reduced expenses by SEK 83m. Russian VAT recoveries in 2007 amounted to SEK 60m.

## Loan losses

**Loan losses** amounted to a net of SEK 3 156m (619), corresponding to a loan loss ratio of 0.28 percent (0.07). Loan losses increased by SEK 523m in Swedish Banking, by SEK 1 350m in Baltic Banking, by SEK 308m in International Banking (Ukrainian Banking is consolidated as of July 2007) and by SEK 290m in Swedbank Markets.

## Tax rate

Profit before tax amounted to SEK 15 222m (15 586) and the **tax expense** was SEK 2 880m (3 450), corresponding to an effective tax rate of 19 percent (22). The lower tax rate was due to tax-exempt capital gains and the revaluation effect of deferred taxes as a result of a lower Swedish corporate tax rate, among other things.

## Interest rate risk

An increase in all market interest rates of one percentage point as of 31 December 2008 would have reduced the value of the Group's assets and liabilities, including derivatives, by SEK 1 811m (1 961). This calculation includes the portion of the bank's deposits assigned a duration of between 2 and 3 years. The decrease in the value of positions in Swedish kronor would have been SEK 810m (1 549). Positions in foreign currencies would have decreased in value by SEK 1 001m (412).

An interest rate increase of one percentage point would have increased the Group's net gains and losses on items at fair value by SEK 310m (-296) as of 31 December 2008.

Comparative figures refer to 31 December 2007.

## Risks and uncertainties

Swedbank's earnings are affected by changes in the marketplace over which it has no control, including changes in interest rates, stock prices and exchange rates. However, Swedbank maintains a low-risk profile through a well-diversified credit portfolio and low financial and operating risks.

The effects of changes in the marketplace on Swedbank's operations are described in more detail in the business area report below.

In addition to what is stated in this interim report, a detailed description of risk factors is provided in Swedbank's rights issue prospectus from December 2008. The Group's risks and risk control are also described in detail in Swedbank's annual report and in its annual disclosure on risk management and capital adequacy according to the Basel 2 rules, available on [www.swedbank.com](http://www.swedbank.com).

## **Liquidity, funding and covered bonds**

Since mid-September, the Swedish and international capital markets have been severely curtailed. A growing risk aversion among investors and in interbank markets has made funding and access to liquidity via capital markets much more difficult for the entire banking system. Central banks have therefore taken steps to increase liquidity into the banking system. Swedbank succeeded in maintaining sufficient liquidity by actively managing available liquidity reserves despite the unfavourable market climate. In November, Swedbank decided to participate in the Swedish state's guarantee programme, which guarantees new unsecured funding and covered bonds. As of year-end, Swedbank had issued SEK 126bn under this guarantee, including public issues and private placements with different maturities and in different currencies. The guarantee further strengthens Swedbank's liquidity and preparedness for further problems in the financial markets. Investors have also begun showing greater interest in Swedbank's funding outside the guarantee.

Long-term mortgage loans in Sweden, which are managed by the subsidiary Swedbank Mortgage and include significant credit volumes brokered by the Swedish savings banks, totalled SEK 623bn, or around half of the Group's lending to the public. Swedbank Mortgage's lending to the public is financed through capital market borrowings and as of April 2008 primarily through covered bonds. The transition to covered bonds took place on 21 April 2008 through a conversion of outstanding long-term bonds to covered bonds with an AAA rating from Standard and Poor's and an Aaa rating from Moody's. The quality of the covered bonds rests on the high quality of Swedbank Mortgage's secured credit portfolio, where the loan-to-value ratio is around 45 percent. There is no connection between the Group's other lending and the credit portfolio, which consists of collateral in properties in Sweden, credit to Swedish municipalities or guaranteed credit from Swedish municipalities.

Swedbank has a large base of deposits in Sweden and the Baltic countries with consistently high market shares for deposits from the public. Bank and finance company lending in Sweden is financed by deposits together with equity and subordinated capital. Swedbank's funding requirements from capital markets, aside from Swedbank Mortgage and the need for normal liquidity reserves, relate primarily to operations outside Sweden.

Swedbank has been working actively for several years to maintain and further improve its well-diversified funding base and is continuing this work.

## **Capital adequacy**

The transition to the new Basel 2 rules is being implemented gradually. Swedbank will not feel the complete anticipated effect of a reduced capital requirement until 2010.

As of 2008, all companies in the financial companies Group report according to the new Basel 2 rules. The companies that reported strictly according to the old Basel 1 rules in 2007 are now reporting according to the standardised approach in the new rules. These companies include the bank's subsidiaries in the Baltics, Russia and Ukraine as well as the Swedish finance company.

The capital adequacy ratio, which is calculated for the financial companies group, was 14.8 percent pro forma with full effect of the new rules as of 31 December 2008 (12.7 as of 31 December 2007), of which the core tier 1 capital ratio was 9.3 percent (7.3) and the tier 1 capital ratio was 10.7 percent (8.5). The pro forma key ratios include SEK 3bn in capital that had been subscribed but

not paid in as of year-end, which formally may not be included in the capital adequacy calculations. This raises the core tier 1 capital ratio, the tier 1 capital ratio and the capital adequacy ratio by 43 percentage points. The capital adequacy quotient was 1.85 (1.59). Tier 1 capital includes profit for the period after deducting the estimated dividend.

Taking into account the transitional rules, the pro forma tier 1 capital ratio was 8.1 percent (6.2), the capital adequacy ratio was 11.2 percent (9.3) and the capital adequacy quotient was 1.41 (1.16).

A specification of capital adequacy and a summary of the new rules are provided on page 35.

## **Balance sheet**

Swedbank's total assets amounted to SEK 1 812bn as of 31 December, an increase of SEK 115bn or 7 percent from the previous quarter and SEK 204bn or 13 percent since the beginning of the year. Of the year's lending increase of SEK 148bn, SEK 51bn was due to changes in exchange rates and market values.

The long-term liquidity reserve, consisting of securities approved as collateral by central banks, amounted to approximately SEK 210bn, of which approximately SEK 20bn was in the Swedish liquidity portfolio and approximately SEK 12bn in the Baltic liquidity portfolio. The figure also includes the parent bank's holding of covered bonds issued by Swedbank Mortgage of approximately SEK 180bn, although the holding is eliminated in the consolidated balance sheet. In addition to the liquidity reserve, there were mandated cash reserves of nearly SEK 17bn in the Baltic countries, Russia and Ukraine.

The loan/deposit ratio was 262 percent, against 245 percent at the beginning of the year. The loan/deposit ratio excluding lending in Swedbank Mortgage was 131 percent (121).

Loans to credit institutions excluding repurchase agreements (repos) amounted to SEK 93bn (83).

Interest-bearing securities amounted to SEK 134bn (115), of which approximately SEK 32bn was held in liquidity portfolios in Group Treasury and the Baltic countries and approximately SEK 102bn in Swedbank Markets' trading book.

On the liability side, securities in issue, primarily commercial papers, decreased by SEK 80bn to SEK 593bn, while amounts owed to credit institutions including repos and the National Debt Office increased by SEK 180bn to SEK 344bn.

In 2008, Swedbank Mortgage issued covered bonds for SEK 97bn to outside investors. In 2009, SEK 104bn of the external, long-term financing is due.

Swedbank AB raised approximately SEK 110bn in long-term funding in 2008 excluding issues tied to index-linked bonds. Of the long-term funding, approximately SEK 49bn matures in 2009.

Subordinated liabilities amounted to SEK 45bn, an increase of SEK 5bn from the beginning of the year. The increase is essentially attributable to exchange rate effects.

Equity amounted to SEK 86bn, an increase of SEK 13bn from the previous quarter and SEK 18bn from the beginning of the year.

A specification of the balance sheet is provided on page 38. A specification of changes in equity is provided on page 39.

## **Change in equity**

Compared with the previous quarter, equity increased by SEK 13 213m, of which the rights issue less transaction costs accounted for SEK 11 976m. Net income for the quarter added SEK 1 915m and translation differences SEK 16m after deducting the hedge of the net investment in foreign subsidiaries and associates. The effects of cash flow hedges reduced equity by SEK 694m.

## **Intangible fixed assets**

Intangible fixed assets with an indeterminate value in use amounted to SEK 17.3bn, of which goodwill arising through the acquisition of Hansabank accounted for SEK 13.2bn. As of 31 December, the Group's goodwill and other intangible assets were tested for impairment.

Impairments were identified in Ukrainian Banking and a write-off of SEK 1 403m was recorded. The write-off is recognized in the income statement as Impairments of goodwill. After the write-off, goodwill attributable to the cash-generating unit OJSC Swedbank Ukraine amounted to SEK 1.2bn. The unit consists of the banks OJSC Swedbank and CJSC Swedbank Invest. The value of the assets declined due to the major slowdown in the Ukrainian economy in late 2008. Because of the slowdown and great uncertainty about the country's future economic development as of the closing day, the estimation of cash flows in the immediate future has been significantly revised downward. Estimated cash flows, which are based on Swedbank's long-term investment in Ukraine, have therefore been pushed further into the future and, due to discounting, will be worth less as of the closing day.

The asset has been valued at its value in use. This means that projected future cash flows are calculated at present value using a discount factor. Projected future cash flows are based on three-year financial plans. After that they are calculated using growth assumptions. These assumptions are based on estimated inflation, real GDP growth, the difference between growth in the banking sector and GDP growth, and changes in the bank's market share. The discount factor is determined based on the market's risk-free rate of interest and yield requirements, with a mark-up for illiquidity and the size of small businesses. The parameters are obtained from outside sources.

The market's risk-free rate of interest has been adapted to different periods to harmonize with the assumptions for inflation and real GDP growth.

In the next three-year period, growth is expected to be non-existent, after which the country's economy should recover and the banking system grow, at the same time that the bank to some extent increases its low market share. At the end of the projected period, annual growth is estimated at 4 percent. Different discount factors have been used for different periods. During the next three-year period, a discount factor of 31.5 percent has been used. During the 20 subsequent years, a discount factor of 23.2 percent has been used, and after that 17.2 percent.

An increase in the discount factor of 1 percentage point would necessitate a further write-off of the asset of SEK 0.8bn. A decrease in the discount factor of 1 percentage point would reduce the write-off by SEK 1.0bn.

No impairments were identified for Baltic Banking. In the next three-year period, growth is expected to be slightly negative, after which conditions are expected to return to a more normal level. At the end of the projected period, annual growth is expected to be 4 percent. A discount factor of 11.2 percent was used.

The discount factor can generally be raised by 0.5 percent without causing impairments, all else being equal.

## **Lending**

The Group's lending to the public, excluding repos, decreased during the quarter by SEK 11bn excluding exchange rate and market valuation effects. Including valuation effects, the increase was SEK 33bn or 3 percent. Lending amounted to SEK 1 251bn as of 31 December.

Excluding exchange rate effects, lending in the Baltic countries decreased by SEK 5bn during the quarter. Including exchange rate effects, the increase was SEK 18bn.

A specification of lending can be found on page 41.

As of 31 December, the share of impaired loans was 0.52 percent, against 0.32 percent on 30 September and 0.13 percent in the previous year. Of the increase in gross impaired loans of SEK 7.5bn since the beginning of the year, Baltic Banking accounted for SEK 5.7bn, of which SEK 0.9bn was due to exchange rate effects. The increase in the Baltics was primarily among private customers and real estate management companies in Estonia and Latvia.

## **Savings and investments**

Customers' total savings and investments in Swedbank decreased by SEK 7bn to SEK 1 073bn during the quarter. Since the beginning of the year, customers' total savings and investments have decreased by SEK 35bn. Customers' investment assets have fallen in value due to declining stock prices.

Customers' deposits excluding repos have increased by SEK 28bn or 6 percent since the beginning of the year to SEK 478bn.

A specification of savings and investments is provided on page 41.

## **Other events**

### **Branch sales to savings banks**

On 1 January 2008, Swedbank transferred its operations in Lerum to Sparbanken Alingsås. On the same date, Swedbank's seven branches in the municipalities of Osby and Hässleholm were transferred to Sparbanken 1826 (formerly Kristianstads Sparbank and Tyinge Sparbank). At year-end, business volumes in the transferred branches amounted to SEK 12.9bn, of which bank lending accounted for SEK 1.4bn and deposits for SEK 3.6bn. Business volumes related to lending in Swedbank Mortgage and Swedbank Finans and investments in Swedbank Robur's mutual funds and Swedbank's index-linked bonds remained with Swedbank after the transaction. The sale price was SEK 440m.

### **Swedbank Robur acquires Folksam Fond AB**

On 2 January 2008, Swedbank Robur acquired all the shares in Folksam Fond AB. The acquisition was settled in cash for SEK 463m. The difference between the acquisition value and the company's net assets of SEK 43m was allocated to intangible assets, fund management services, SEK 583m, and deferred tax liabilities, SEK 163m. The useful life has been estimated at 20 years.

## Swedbank Robur named best Nordic fund manager

For the second consecutive year, Swedbank Robur was named the best fund manager in the Nordic region by the international analyst firm Lipper. Swedbank Robur received a total of eight awards, two for the best fund company and six for individual funds. In 2008, Swedbank Robur was also named Sweden's Fund Manager of the Year for 2007 by investment research firm Morningstar and business daily Dagens Industri for its strong fund performance during 2007.

## Acquisition of ZAO OKO Capital Vostok

During the first quarter, Swedbank AB completed the acquisition of ZAO OKO Capital Vostok from Finland's Pohjola Bank. The acquisition cost was SEK 5m, which was allocated to goodwill. The company, which changed its name to ZAO Swedbank Markets, is active in investment banking with focus on financial advice for Nordic and Russian companies in connection with acquisitions and divestments of businesses in Russia. At the time of acquisition, the company had seven employees.

## Ownership of Swedbank's Russian operations transferred from AS Hansabank to Swedbank AB

On 12 May, ownership of the Russian operations of OAO Swedbank and Hansa Leasing Ltd was transferred from AS Hansabank to Swedbank AB.

## Swedbank brand launched in Baltics

In autumn 2008, Hansabank changed its name in the Baltic states to Swedbank. The full brand migration is expected to take about one year. This means that the useful life is finite and the asset is subject to amortisation.

## Swedbank AB sells its shares in NCSD

Swedbank AB sold its holding in NCSD Holding AB to Euroclear Group. The capital gain of SEK 680m was reported in the fourth quarter. NCSD's operations affected Swedbank's earnings positively by SEK 82m in 2007 and negatively by SEK 13m in 2006.

## Annual General Meeting and dividend

Swedbank's Annual General Meeting (AGM) 2009 will be held in Stockholm on 24 April.

The Board of Directors proposes that the Annual General Meeting approve a cash dividend of SEK 2.40 per preference share and SEK 4.50 per ordinary share (9.00), corresponding to SEK 2 938m and a payout ratio of 28 percent. The proposed record date for the 2008 dividend is 29 April 2009. The last day for trading in the bank's share with the right to the dividend is 24 April 2009. If the Annual General Meeting resolves to adopt the Board's recommendation, the cash dividend is expected to be paid by VPC (the Swedish Central Securities Depository) on 5 May 2009.

## Revised capital adequacy objective

In July, Swedbank's Board of Directors approved a new objective for the tier 1 capital ratio based on the full effect of the new capital adequacy rules. According to the new objective, the tier 1 capital ratio will be in the range of 8.5-9.0 percent. This represents an increase from the previous objective of around 6.5 percent, which was based on the transitional capital adequacy rules.

## Swedbank's exposure to Lehman Brothers

In mid-September, the parent company of the U.S. investment bank Lehman Brothers filed a request for bankruptcy protection. Since the early 1990s, Swedbank and Lehman Brothers have been commercial partners, bank-to-bank, in custody, finance and derivatives trading.

As of 30 September, Swedbank had a non-secured and a secured exposure to the Lehman Brothers Group. Provisions of SEK 169m, or 80 percent of the unsecured exposure, were allocated in the third quarter for probable loan losses. No further provisions are expected to be needed.

Swedbank's secured exposure is unchanged from 30 September at USD 1 350m. The exposure consists of a pool of 69 real estate mortgage loans with 55 real estates as collateral. Each property was appraised by an independent appraisal firm before the end of the year. Swedbank does not consider any provisions to be necessary as of 31 December.

## Swedbank Robur AB acquires two equity funds from Carnegie

In November, Swedbank Robur AB acquired two equity funds, a small-cap fund and a Sweden fund, from Carnegie. Assets under management amounted to SEK 1.1bn.

## Rights issue

On 27 October 2008, the Board of Directors of Swedbank AB announced a rights issue of preference shares totalling SEK 12.4 billion.

An Extraordinary General Meeting on 25 November approved the Board's proposal to issue no more than 257 686 706 preference shares with preferential rights for existing shareholders. In the rights issue, every two (2) existing ordinary shares entitle the holder to subscribe for one (1) new preference share. It was also resolved to amend the Articles of Association and thereby introduce a new class of shares with the preferential right to dividends (preference shares), limit the bank's share capital and number of shares and declare that all shares currently in issue shall be ordinary shares.

During the period 2-16 December 2008, new preference shares were issued at a price of SEK 48 per share. The quota value of the shares was SEK 21 per share. As of 31 December, a total of 194 985 456 preference shares had been issued in the amount of SEK 9 359m, and 62 701 250 preference shares in the amount of SEK 3 010m were in issue. The preference shares in issue were registered on 19 January 2009. The new issue increased the Group's equity as of 31 December by SEK 11 976m after transaction expenses.

The preference shares have preference to an annual, non-cumulative dividend of up to SEK 4.80 per preference share, provided that the Annual General Meeting resolves to pay a dividend. If a higher dividend is declared on the ordinary shares, the same dividend will also be paid on preference shares. The exception is 2009, when the preference shares will have preference to a dividend of SEK 2.40 per share and nothing more.

In February and August of each year, starting in August 2009, holders of preference shares may request to convert their preference shares to ordinary shares. The request must pertain to the shareholder's entire holding. If the shareholder previously has not requested a conversion, all their preference shares outstanding will

be converted to ordinary shares in the month immediately after the month in which the Annual General Meeting is held in 2013.

Preference shares carry the same voting rights as ordinary shares.

## Swedbank's preference share approved for trading

NASDAQ OMX Stockholm AB decided to admit Swedbank's preference shares for trading as of 22 December 2008.

## Swedish state's guarantee programme

In November, the National Debt Office approved Swedbank's application to participate in the Swedish state's guarantee programme.

## Michael Wolf appointed new CEO as of 1 March 2009

Michael Wolf has been appointed the new President and CEO. He started his new position at Swedbank on 1 December 2008. Michael Wolf will be introduced to the bank's operations during a three-month period until he officially takes up his new position on 1 March 2009. Jan Lidén will remain at the bank's disposal until his contract expires on 25 April 2009.

## Accounting policies

The interim report has been prepared in accordance with IAS 34.

As previously, the Parent Company prepares its accounts according to the Annual Accounts Act for Credit Institutions and Securities Companies, the directives of the Financial Supervisory Authority and recommendation RFR 2.2 of the Financial Reporting Council.

The accounting policies applied in the year-end report are the same as those applied in the preparation of the annual report for 2007. However, the accounting standards have been updated with an amendment in IAS 39 that the International Accounting Standards Board (IASB) issued on 13 October 2008 and that the EU adopted on 15 October 2008. The change - Reclassification of Financial Assets - means that financial assets, excluding derivatives, which were previously held for trading purposes can be reclassified as of 1 July 2008 to another category in exceptional circumstances. The fair value of the assets at the time of reclassification is henceforth deemed to be its cost. In the parent company, calculated pension costs and pension settlements are no longer reported. As a result, the cost of self-managed pension assets is fully reported as a staff cost. Comparative figures have been restated.

## Valuation issues

Because the market for interest-bearing securities became increasingly inactive in 2008, valuations have been based to a significantly greater extent than before on valuation models, i.e., on quoted prices in inactive markets or on prices in active markets for similar instruments.

As of 31 December, around 19 percent of the Group's interest-bearing securities were valued in accordance with these valuation models against around 81 percent as of 30 September and around 5 percent as of 31 December 2007.

On 1 July 2008, Swedbank chose to reclassify certain interest-bearing securities which had become illiquid due to the extraordinary market conditions. The holdings, listed in the table below, were reclassified to the category Held

to Maturity since the instruments are no longer tradable but are deemed financially justified to be held to maturity. Reporting at fair value would have raised net gains and losses on financial items at fair value by SEK 460m during the fourth quarter. The corresponding change in value of the holding during the third quarter was SEK -610m. No write-offs were needed as of 31 December. The average effective interest rate on the holding at the time of reclassification was 5.62 percent. Of the holdings listed below, Residential Mortgage Backed Securities (RMBS) and Commercial Mortgage Backed Securities (CMBS) accounted for 90 percent of the exposure, while the remaining 10 percent consists of a bond issued by companies controlled by the U.S. government.

SEKm	Dec 31 2008	Sep 30 2008	Jul 1 2008
Book value	8 138	7 662	7 376
Nominal value	8 328	7 828	7 558
Fair value	7 988	7 052	7 376

Carrying amounts and nominal values are affected by changes in exchange rates. Carrying amounts are also affected by the allocations of discount in accordance with the effective interest method.

## Rating

Dec 2008	S&P		Moody's			Fitch	
	Short	Long	Short	Long	BFSR *	Short	Long
Swedbank	A-1	A	P-1	Aa3	C+	F1	A+
Swedbank Mortgage Covered bonds	A-1	AAA	P-1	Aa2	Aaa	F1+	AA-
Hansabank			P-1	A1	C-	F1	A

\* Bank Financial Strength Ratings

## Swedbank's share

SWED A and SWED PREF	Dec 31 2008	Dec 31 2007
<b>SWED A</b>		
Share price, SEK	44.40	183.00
No. of ordinary shares in issue	515 373 412	515 373 412
Market capitalization, SEKm	22 883	94 313
<b>SWED PREF</b>		
Share price, SEK	44.40	
No. of subscribed preference shares in issue	194 985 456	
Market capitalization, SEKm	8 657	
<b>Total market capitalization, SEKm</b>	<b>31 540</b>	<b>94 313</b>

Swedbank's share, ticker symbol SWED A, is listed on the OMX Nordic Exchange.

The preference share has the ticker symbol SWED PREF and is traded in the Large cap segment.

## **Events after 31 December 2008**

### **Swedbank Robur AB acquires Banco Fonder AB**

Swedbank Robur acquired Banco Fonder AB, with assets under management of just over SEK 7bn. The acquisition was completed on 20 January 2009, and the purchase price has been paid. Banco Fonder AB currently has around 128 000 customers and 26 different mutual funds. The difference between the purchase price and acquired net assets, approximately SEK 281m, is expected to be allocated to intangible assets and deferred tax liabilities.

### **Repayment of fund fees**

During an internal audit in the beginning of February it was detected that Swedbank Robur had client terms that were not in-line with the fund rules set out for two funds, namely the Russia and Mixed fund, which resulted in a notification to the Swedish Financial Supervisory Authority. The mistake is down to human error in connection with a re-authorisation process of all Robur's funds in 2004. All affected customers will be compensated for the error. Swedbank's preliminary assessment is that the net cost for the compensation will be around SEK 300m.

## Business area report

Full-year 2008 SEKm	Swedish Banking	Baltic Banking	International Banking	Swedbank Markets	Asset Management and Insurance	Shared Services and Group Staffs	Eliminations	Group
Net interest income	11 840	5 998	2 171	1 555	76	85	-23	21 702
Net commission income	4 078	1 925	354	960	1 513	0	0	8 830
Net gains and losses on financial items at fair value	897	402	330	456	-3	254	15	2 351
Share of the profit or loss of associates	443	2		1		66		512
Other income	1 009	636	77	73	212	3 785	-2 724	3 068
<b>Total income</b>	<b>18 267</b>	<b>8 963</b>	<b>2 932</b>	<b>3 045</b>	<b>1 798</b>	<b>4 190</b>	<b>-2 732</b>	<b>36 463</b>
Staff costs	3 947	1 749	740	790	370	1 554	-8	9 142
Profit-based staff costs	335	52	106	304	44	109		950
IT expenses	873	336	81	247	140	903	-957	1 623
Other expenses	3 817	1 239	537	499	255	791	-1 767	5 371
Depreciation/amortisation	109	417	151	14	32	276	0	999
<b>Total expenses</b>	<b>9 081</b>	<b>3 793</b>	<b>1 615</b>	<b>1 854</b>	<b>841</b>	<b>3 633</b>	<b>-2 732</b>	<b>18 085</b>
<b>Profit before goodwill write-offs and loan losses</b>	<b>9 186</b>	<b>5 170</b>	<b>1 317</b>	<b>1 191</b>	<b>957</b>	<b>557</b>		<b>18 378</b>
Goodwill write-offs			1 403					1 403
Loan losses, net	594	1 800	478	290		-6		3 156
<b>Operating profit</b>	<b>8 592</b>	<b>3 370</b>	<b>-564</b>	<b>901</b>	<b>957</b>	<b>563</b>		<b>13 819</b>
Tax expense	2 156	297	261	231	224	-289		2 880
Profit for the period	6 436	3 073	-825	670	733	852		10 939
<b>Profit for the period attributable to: Shareholders of Swedbank AB</b>	<b>6 425</b>	<b>3 073</b>	<b>-825</b>	<b>629</b>	<b>733</b>	<b>852</b>		<b>10 887</b>
<b>Profit for the period attributable to: Shareholders of Swedbank AB excluding goodwill write-offs</b>	<b>6 425</b>	<b>3 073</b>	<b>578</b>	<b>629</b>	<b>733</b>	<b>852</b>		<b>12 290</b>
Minority interest	11			41				52
Return on allocated equity, %	21.8	13.8	neg.	17.6	33.6	16.2		15.2
Return on allocated equity excluding goodwill write-offs, %	21.8	13.8	6.5	17.6	33.6	16.2		17.1
C/I ratio including goodwill write-offs	0.50	0.42	1.03	0.61	0.47	0.87		0.53
C/I ratio excluding goodwill write-offs	0.50	0.42	0.55	0.61	0.47	0.87		0.50
Full-time employees	5 999	8 327	4 175	736	349	1 694		21 280

### Business area accounting policies

The business area report is based on Swedbank's accounting policies, organization and internal accounts.

Responsibility for financial institutions and related product areas as well as the branches in the U.S. and China has been transferred as of the third quarter from Swedbank Markets to International Banking. Comparative figures have been restated.

Market-based compensation is applied between business areas, while all expenses for IT, other shared services and Group staffs are transferred at full cost-based internal prices to the business areas. Executive

management expenses are not distributed. Cross-border transfer pricing is applied according to OECD transfer pricing guidelines.

The Group's equity allocated to shareholders is distributed to each business area based on capital adequacy rules and estimated capital requirements. The new Basel 2 rules are principally used. Since all companies report according to Basel 2 as of 2008, this entails several minor changes.

Return on equity for the business areas is based on operating profit less estimated tax and minority interests in relation to average allocated equity.

## Swedish Banking

Swedish Banking is Swedbank's dominant business area, with responsibility for all Swedish customers except financial institutions. A broad range of products and services are available to private customers, corporate customers and municipalities.

The distribution network – branch offices, the Internet Bank and the Telephone Bank – is strengthened by the Customer and Product Offerings unit, which produces and co-ordinates offerings for various customer groups and is responsible for the development and launch of new products based on customer needs.

Swedish Banking also comprises the subsidiaries Swedbank Mortgage, Swedbank Finans and Swedbank

Card Services (formerly Swedbank Babs), whose products are sold through Swedbank and the cooperating savings banks' distribution network. The subsidiaries Swedbank Fastighetsbyrå (real estate brokerage), Swedbank Juristbyrå (legal services) and Swedbank Företagsförmedling (company sales) operate according to franchise concepts. Swedish Banking also includes the jointly owned card company EnterCard, with operations in Sweden, Norway and Denmark.

Of the business area's 6 000 full-time employees, 5 322 are in retail operations.

## Profit trend

SEKm	Full-year 2008	Full-year 2007	%	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007
Net interest income	11 840	11 701	1	3 030	2 857	2 971	2 982	2 927
Net commission income	4 078	4 504	-9	958	1 038	1 057	1 025	1 183
Net gains and losses on financial items at fair value	897	335		828	-126	179	16	116
Share of the profit or loss of associates	443	331	34	134	122	97	90	52
Other income	1 009	807	25	149	127	149	584	277
<b>Total income</b>	<b>18 267</b>	<b>17 678</b>	<b>3</b>	<b>5 099</b>	<b>4 018</b>	<b>4 453</b>	<b>4 697</b>	<b>4 555</b>
Staff costs	3 947	3 954	0	967	983	976	1 021	995
Profit-based staff costs	335	342	-2	153	63	41	78	101
IT expenses	873	892	-2	222	212	230	209	242
Other expenses	3 817	3 728	2	1 021	913	964	919	927
Depreciation/amortisation	109	84	30	27	26	28	28	14
<b>Total expenses</b>	<b>9 081</b>	<b>9 000</b>	<b>1</b>	<b>2 390</b>	<b>2 197</b>	<b>2 239</b>	<b>2 255</b>	<b>2 279</b>
<b>Profit before loan losses</b>	<b>9 186</b>	<b>8 678</b>	<b>6</b>	<b>2 709</b>	<b>1 821</b>	<b>2 214</b>	<b>2 442</b>	<b>2 276</b>
Loan losses, net	594	71		287	127	85	95	122
<b>Operating profit</b>	<b>8 592</b>	<b>8 607</b>	<b>0</b>	<b>2 422</b>	<b>1 694</b>	<b>2 129</b>	<b>2 347</b>	<b>2 154</b>
Tax expense	2 156	2 413	-11	499	476	525	656	606
Profit for the period	6 436	6 194	4	1 923	1 218	1 604	1 691	1 548
<b>Profit for the period attributable to:</b>								
<b>Shareholders of Swedbank AB</b>	<b>6 425</b>	<b>6 182</b>	<b>4</b>	<b>1 922</b>	<b>1 214</b>	<b>1 601</b>	<b>1 688</b>	<b>1 545</b>
Minority interest	11	12	-8	1	4	3	3	3
Allocated equity	29 526	26 658	11	30 627	29 636	28 924	28 918	28 110
Return on allocated equity, %	21.8	23.2		25.1	16.4	22.1	23.3	22.0
<b>Income items</b>								
Income from external customers	16 779	15 802	6	4 754	3 658	4 081	4 286	4 101
Income from transactions with other business areas	1 488	1 876	-21	345	360	372	411	454
<b>Business volumes, SEK billion</b>								
Lending	933	867	8	933	926	909	888	867
Deposits	337	317	6	337	322	327	316	317
Mutual funds & insurance	189	251	-25	189	203	218	222	251
Other investment volume	24	25	-4	24	26	26	27	25
Investments in associates	2	2	0	2	2	2	2	2
Risk-weighted assets, older rules	705	623	13	705	667	656	643	623
Total assets	1 173	972	21	1 173	1 072	1 057	1 040	972
Total liabilities	1 141	943	21	1 141	1 041	1 028	1 010	943
Full-time employees	5 999	6 236	-4	5 999	6 094	6 054	6 133	6 236

## **Recession in the Swedish economy**

The global financial crisis worsened in 2008. This led to several extraordinary measures by the Riksbank and the government to ensure financial stability in Sweden. In October, the deposit guarantee was increased to SEK 500 000 from SEK 250 000. The Riksbank has implemented a number of measures to increase liquidity in the financial market. In late October, the government approved a stability plan to guarantee refinancing by Swedish banks for the next half year. For a fee on loans of up to five years, the state will guarantee new issues of debt instruments. Weakness in capital markets since September has led to higher funding costs and has made managing liquidity for Swedbank as well as other Swedish banks more difficult.

The Swedish economy continued to weaken during the final quarter of 2008. The effects of the financial crisis on the economy have become more apparent, at the same time that the global economy has slowed, which is having an increasing impact on the Swedish labour market. The number of layoffs rose substantially during the last quarter of 2008, which will eventually lead to higher unemployment. Swedbank's Purchasing Managers Index (PMI) fell to record-low levels in December. The Swedish economy is in recession, i.e., negative GDP growth for two consecutive quarters. Inflation was 0.9 percent in December, compared with 4.4 percent as recently as September.

The slowdown in the Swedish economy and lower inflation pressures have led to a significant shift in the Riksbank's monetary policy. In December, the central bank decided to reduce its repo rate by 1.75 percentage points to 2 percent. Since the rate hike in early September, the repo rate has been slashed by 2.75 percentage points. Accordingly, Swedbank during the last quarter adjusted its lending and savings rates to the current interest rate environment.

## **Service leader**

Despite the substantial economic slowdown and turbulence in the financial markets, Swedbank defended its strong position in the private market in Sweden and strengthened its position among corporate customers. Swedbank's efforts in 2008 to improve the level of service have produced results. Private and corporate customers both gave higher ratings to the quality of service in the most recent customer satisfaction survey. Satisfaction among Swedbank's private and corporate customers was at the same level as in 2007, according to the survey last autumn. The areas that have improved steadily in recent years are product and service quality. Major investments have been made to improve product quality, a concrete example of which is the new Internet Bank. This improvement means that Swedbank for the first time has beaten the average for the corporate market.

The financial crisis and media attention on Swedbank has clearly affected customer confidence. The dialogue with customers has mainly focused on how the economy is affecting them and how Swedbank's solutions can offer greater security.

## **Swedbank again named most popular employer**

For the second consecutive year, Swedbank was ranked as the most popular bank to work for in Sweden. In this year's Company Barometer, presented by Universum Communication, Swedbank was the fourth most popular employer in Sweden among business students.

In a reputational survey by Nordic Brand Academy, Swedbank was named the best company in banking and financial services. In the insurance company Folksam's annual survey of large Swedish companies, Swedbank was ranked as being the most gender-equal.

## **Access through various channels**

An important part of the strategy of service leadership is increasing accessibility. Customers have access to the bank's services through its branches and those of cooperating savings banks, through the Internet Bank and Telephone Bank, and through in-store banking solutions. Additional cash services are available through ATMs, the co-operation with the grocery chain ICA and the opportunity to round off card purchases. In 2007 and 2008, opening hours have been extended at many large branches, and several in metropolitan areas are open on Saturdays.

In 2008, the restructuring of the retail operations continued through the sale of a number of branches. On 1 January, 2008, Swedbank transferred its operations in Lerum to Sparbanken Alingsås and the seven branches in the municipalities of Osby and Hässleholm to Sparbanken 1826 (formerly Kristianstads Sparbank and Tyringe Sparbank). The sale price was SEK 440m for the branches, which have 52 employees. As of year-end, their business volumes amounted to SEK 12.9bn, of which bank lending accounted for SEK 1.4bn and deposits for SEK 3.6bn.

## **Less cash handling and more card use**

The banking industry, retailers and armoured transport companies have a shared interest in reducing cash use in society with respect to their employees' work environments. Reducing the amount of cash in circulation is also desirable from a security and environmental standpoint. To reduce its cash on hand, the bank launched a cash optimisation programme during the year together with outside suppliers. This has resulted in a 30 percent reduction in cash reserves. Cash optimisation is typical of the projects conducted during the year to improve work processes. More efficient processes lead to lower costs and greater focus on customer service.

Increased card processing is an important element in reducing cash usage. Cards are a priority growth area for Swedbank. Several initiatives have been taken to make card use more attractive. New pricing for small purchases and bonuses for retailers to round off purchases are examples of this.

The best show of confidence the bank can receive is that customers do more business with us. Despite the turbulence last autumn, which especially affected private customers' savings over a period of several weeks, sales of the bank's products and services have remained high. This applies, for example, to card and payment services.

The number of bank cards issued by Swedbank increased by 138 000 during the year to 3.6 million. Each card is used 12.8 times on average for purchases each month and 3.1 times for withdrawals at ATMs, an improvement from an average of 11.7 purchases per month and 3.3 ATM withdrawals in 2007. The number of card purchases in 2008 rose by 14 percent year-over-year and the number of card transactions cleared rose 17 percent.

## Savings and investment volumes

During the year, Swedish Banking strengthened its position in a shrinking mutual fund and unit-linked market. The focus on mutual funds during the year included a structured product range that has facilitated sales as well as campaigns such as "Wake up Your Money" and "Pension Check-up." The new PPM Management service launched in May, which manages premium pension fund investments for customers based on the level of risk they select, received a positive response and 44 000 customers have added this service. The lifting of restrictions on the transfer of pension savings has meant a net increase of nearly 2 000 customers for Swedish Banking.

The financial turbulence last autumn and media focus on Swedbank affected customer confidence in the bank. During a brief period, customers withdrew substantial sums from their bank accounts, but as of mid-October the outflow from savings accounts has stopped. A significant share of the withdrawals was transferred to Swedbank Robur's Treasury bill fund. Fixed-rate funds were re-launched in May and quickly became a popular savings alternative, with volume increasing by over 200 percent. Since the start of October, this account is covered by the state deposit guarantee.

Savings and investment volumes excluding holdings in customers' brokerage accounts decreased by SEK 1bn during the quarter, compared with a decrease of SEK 20bn during the previous quarter and with a volume increase of SEK 7bn in the same quarter of the previous year. Total savings and investment volumes amounted to SEK 550bn.

Of the change in volume during the quarter, deposits accounted for 15bn (SEK 17bn in the corresponding quarter of 2007), mutual fund and insurance volumes for SEK -14bn (-12) and index-linked bonds for SEK -2bn (2).

The market share for private deposits declined from 26 percent at year-end 2007 to 24 percent. The decline took place during the last quarter. The market share for deposits from corporate customers was 14 percent (16).

## Lending

Swedish bank and finance companies lending is financed with the help of deposits, along with equity and subordinated loans. Swedbank Mortgage's loans to the public are financed through funding in the capital market, mainly covered bonds.

Total lending volume amounted to SEK 933bn, an increase of 8 percent since last year. During the fourth quarter, lending increased by SEK 7bn, compared with an increase of SEK 17bn in the previous quarter and an increase of SEK 35bn in the same quarter of 2007.

Private lending, which primarily consists of mortgage loans, increased by SEK 19bn (SEK 14bn in the same quarter of 2007). Excluding changes in market values the increase was SEK 8bn (14). Against the backdrop of the stagnant economy and its impact on the housing market, growth was lower than in the previous year. In 2008 private lending increased by 10 percent to SEK 520bn. The market share for total private lending was 27 percent (26 percent on 31 December 2007).

Corporate lending decreased by SEK 13bn during the quarter. This was due to a temporary co-operation in November and December with Kommuninvest to provide municipalities the best possible terms on short-term loans. As part of this, SEK 15bn in lending was transferred to Kommuninvest in the fourth quarter.

To ensure that financing is available to the corporate market, Swedbank transferred its long-term lending, mainly related to mortgage and municipal financing, from the bank to Swedbank Mortgage. Since the mortgage lender refinances its lending through covered bonds, access to credit has been secured for the foreseeable future.

In 2008 corporate lending increased by 5 percent to SEK 413bn. The market share for total lending to the corporate market was 21 percent (21).

## Profit trend Q4 2008 vs. Q3 2008

**Profit for the period** for the fourth quarter amounted to SEK 1 922m, an increase of SEK 708m compared with the previous quarter. The return on equity during the quarter was 25.1 percent and the cost/income ratio was 0.47. For the third quarter, the corresponding figures were 16.4 percent and 0.55.

**Income** for the fourth quarter totalled SEK 5 099m, an increase of SEK 1 081m or 27 percent from the previous quarter.

**Net interest income** amounted to SEK 3 030m, an increase of SEK 173m or 6 percent from the previous quarter (2 857). Further increases in lending volumes raised net interest income by SEK 15m. The lending margin increased by 11 bps to 0.88 percent, which affected net interest income positively by SEK 247m. The increase in margins was affected by the volumes that were transferred to Kommuninvest. Lower deposit volumes led to a decrease in net interest income of SEK 40m. The interest margin on deposits decreased by 10 bps to 1.24 percent, which affected net interest income negatively by SEK 81m.

**Net commission income** decreased by SEK 80m or 8 percent to SEK 958m due to lower commissions from mutual fund and unit-linked savings as well as securities.

**Net gains and losses on financial items at fair value** increased by SEK 954m to SEK 828m after Swedbank Mortgage's lending, funding and derivatives were marked at fair value.

**Other income** amounted to SEK 283m and mainly consisted of results from associates (EnterCard and partly owned savings banks). Income increased by SEK 34m compared with the previous quarter.

**Expenses** for the fourth quarter amounted to SEK 2 390m, an increase of SEK 193m or 9 percent compared with the previous quarter.

**Staff costs** decreased by SEK 16m or 2 percent to SEK 967m mainly due to a lower number of employees. Profit-based compensation increased by SEK 90m to SEK 153m partly due to higher expenses for the profit-sharing scheme. The number of full-time positions decreased by 95 to 5 999.

**Other expenses** increased by SEK 119m or 10 percent to SEK 1 270m mainly due to higher security transport costs and seasonal effects.

**Loan losses** amounted to a net of SEK 287m (127). The loan loss ratio was 0.12 percent (0.06).

## Profit trend Q4 2008 vs. Q4 2007

**Profit for the period** increased by SEK 377m or 24 percent to SEK 1 922m. The return on equity was 25.1 percent (22.0). The cost/income ratio was 0.47 (0.50).

**Income** totalled SEK 5 099m for the fourth quarter, which was SEK 544m or 12 percent higher than the same quarter in the previous year.

**Net interest income** rose by SEK 103m to SEK 3 030m. Further increases in deposit and lending

volumes raised net interest income by SEK 202m. The lending margin increased by 9 bps to 0.88 percent, which raised net interest income by SEK 197m. The interest margin on deposits decreased by 12 bps to 1.24 percent, which affected net interest income negatively by SEK 103m. Other effects were SEK 193m lower. The decrease was due to the more complicated financing situation, which necessitated a higher liquidity reserve in Swedbank Mortgage. The absence of a perfect match between short-term lending and short-term funding in Swedbank Mortgage also affected net interest income.

**Net commission income** decreased by SEK 225m or 19 percent to SEK 958m, mainly due to lower income from mutual fund and unit-linked operations.

**Net gains and losses on financial items at fair value** increased by SEK 712m to SEK 828m after Swedbank Mortgage's lending, funding and derivatives were marked at fair value.

**Other income** decreased by SEK 46m to SEK 283m

**Expenses** totalled SEK 2 390m, an increase of SEK 111m or 5 percent compared with the same quarter last year.

**Staff costs** decreased by SEK 28m or 3 percent due to a lower number of employees, among other things. Profit-based compensation increased by SEK 52m due to higher allocations to the profit-sharing scheme. The number of full-time positions decreased by 237 to 5 999. Of the decrease, 52 were due to the branch transfers.

**Other expenses** increased by SEK 87m due to higher security transport costs.

**Loan losses** amounted to a net of SEK 287m (122).

### **Profit trend 2008 vs. 2007**

**Profit for the period** amounted to SEK 6 425m, an increase from the previous year of SEK 243m or 4 percent. The return on equity was 21.8 percent (23.2). The cost/income ratio was 0.50 (0.51).

**Income** amounted to SEK 18 267m, an increase of SEK 589m compared with the previous year. Excluding one-off items, income rose by SEK 177m.

**Net interest income** increased by SEK 139m to SEK 11 840m compared with the previous year. Further increases in deposit and lending volumes raised net interest income by SEK 1 271m. The lending margin decreased by 7 bps to 0.79 percent, which affected net interest income negatively by SEK 554m. The interest margin on deposits improved by 5 bps to 1.35 percent, which raised net interest income by SEK 152m. Other effects were SEK 730m lower. The decrease was due to the more complicated financing situation, which necessitated a higher liquidity reserve in Swedbank Mortgage. The absence of a perfect match between short-term lending and short-term funding in Swedbank Mortgage also affected net interest income.

**Net commission income** decreased by SEK 426m or 9 percent to SEK 4 078m, mainly due to lower income from mutual fund and unit-linked operations.

**Net gains and losses on financial items at fair value** increased by SEK 562m to SEK 897m after Swedbank Mortgage's lending, funding and derivatives were marked at fair value.

**Other income** amounted to SEK 1 452m, an increase of SEK 314m compared with the previous year, mainly due to an increased profit share from EnterCard.

**Expenses** totalled SEK 9 081m, an increase of SEK 81m or 1 percent compared with the previous year.

**Staff costs** were mainly unchanged. The number of full-time positions decreased by 237 to 5 999. Of the decrease, 52 were due to the branch transfers.

**Other expenses** increased by SEK 95m due to higher security transport costs.

**Loan losses** amounted to a net of SEK 594m (71m). The loan loss ratio was 0.06 percent (0.01). The share of impaired loans increased to 0.14 percent (0.06).

## Baltic Banking

Baltic Banking consists of Baltic Banking Operations and Investment, respectively.

Baltic Banking Operations is defined as the subsidiary group Hansabank, adjusted so that slightly lower equity is allocated to this business on the basis of the estimated need for risk capital compared with the de facto equity in the subsidiary group. Baltic Banking has business operations in Estonia, Latvia and Lithuania. Comments on Baltic Banking in this report refer to business operations, unless indicated otherwise.

The effects of Swedbank's ownership of Hansabank are reported in Baltic Banking Investment in the form of financing costs, Group goodwill and amortisation of the surplus values in the lending and deposit portfolios identified at the time of the acquisition in 2005.

The name change from Hansabank to Swedbank in the Baltic states began in September. The full brand migration will take about one year. Officially, the name change will take place in spring 2009.

## Baltic Banking Operations

### Profit trend

SEKm	Full-year 2008	Full-year 2007	%	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007
Net interest income	6 448	5 667	14	1 675	1 667	1 531	1 575	1 588
Net commission income	1 925	1 854	4	497	492	478	458	477
Net gains and losses on financial items at fair value	402	816	-51	12	107	205	78	163
Share of the profit or loss of associates	2	7	-71	0	0	0	2	3
Other income	636	429	48	167	140	200	129	141
<b>Total income</b>	<b>9 413</b>	<b>8 773</b>	<b>7</b>	<b>2 351</b>	<b>2 406</b>	<b>2 414</b>	<b>2 242</b>	<b>2 372</b>
Staff costs	1 749	1 475	19	462	397	451	439	427
Profit-based staff costs	52	569	-91	-9	86	-108	83	160
IT expenses	336	292	15	97	86	84	69	81
Other expenses	1 239	1 023	21	365	301	315	258	343
Depreciation/amortisation	221	187	18	62	56	53	50	51
<b>Total expenses</b>	<b>3 597</b>	<b>3 546</b>	<b>1</b>	<b>977</b>	<b>926</b>	<b>795</b>	<b>899</b>	<b>1 062</b>
<b>Profit before loan losses</b>	<b>5 816</b>	<b>5 227</b>	<b>11</b>	<b>1 374</b>	<b>1 480</b>	<b>1 619</b>	<b>1 343</b>	<b>1 310</b>
Loan losses, net	1 800	450		977	405	245	173	116
<b>Operating profit</b>	<b>4 016</b>	<b>4 777</b>	<b>-16</b>	<b>397</b>	<b>1 075</b>	<b>1 374</b>	<b>1 170</b>	<b>1 194</b>
Tax expense	367	455	-19	48	109	103	107	124
<b>Profit for the period</b>	<b>3 649</b>	<b>4 322</b>	<b>-16</b>	<b>349</b>	<b>966</b>	<b>1 271</b>	<b>1 063</b>	<b>1 070</b>
Allocated equity	14 968	13 866	8	15 721	14 915	14 603	14 633	15 045
Return on allocated equity, %	24.4	31.2		8.9	25.9	34.8	29.1	28.4
<b>Income items</b>								
Income from external customers	9 409	8 773	7	2 347	2 406	2 414	2 242	2 372
Income from transactions with other business areas	4			4				
<b>Business volumes, SEK billion</b>								
Lending	218	177	6 *	218	200	190	182	177
Deposits	107	102	-9 *	107	106	105	102	102
Mutual funds & insurance	16	19	-25 *	16	17	18	17	19
Risk-weighted assets, older rules	204	175	17	204	187	180	173	175
Total assets	276	233	18	276	250	241	231	233
Total liabilities	259	218	19	259	235	226	216	218
Full-time employees	8 327	9 203	-10	8 327	8 791	9 242	9 206	9 203

\* Changes reported excl. foreign exchange effects

### Continued changes in the Baltic economies

Events in the fourth quarter strengthened the sentiment that the entire global economy was entering a recession. The Baltic economies were already facing recession prior to the global problems, and this has now accelerated.

GDP growth for the third quarter was -3.5 percent in Estonia, -10.5 percent in Latvia for the fourth quarter and -1.5 percent in Lithuania for the fourth quarter. The slowdown in annual GDP growth is expected to continue in all three Baltic countries.

Inflation in December was 7.0 percent in Estonia, 10.5 percent in Latvia and 8.5 percent in Lithuania.

In 2008, the stock index fell by 63 percent in Estonia, by 54 percent in Latvia and by 65 percent in Lithuania.

Euro rates fell in the fourth quarter. The 90-day Euribor rate averaged 4.26 percent, compared with 5.00 percent in the third quarter 2008 and 4.72 percent in the fourth quarter 2007. Domestic interest rates rose in all three Baltic countries. The increase was especially high in Latvia.

## Major challenges

Declining economic conditions pose challenges for Swedbank as the largest bank in the Baltic states. Ensuring continued high quality in the credit portfolio while finding workable solutions together with customers who incur payment problems remains the highest priority. Forecasts worsened during the latter part of the year, especially in the fourth quarter. Although there were no major negative surprises, events have unravelled faster than previously predicted. Credit quality gradually worsened during the year. On the positive side, credit quality was better than that of many competitors.

Lower credit demand has meant that the sales organization has had to adapt to lower volumes. This, coupled with ongoing efforts to increase efficiency in sales and back office processes, necessitates a reduction in the number of employees. The number of employees was reduced by 464 during the fourth quarter. The reduction was achieved through a combination of natural employee turnover and a controlled optimization of workflows in an environment of lower business volumes.

Under current market conditions both lending and deposits decreased. The decrease in deposits continued in the fourth quarter and was the result of growing market turbulence in the third quarter. In Latvia and Lithuania, the total savings market shrunk during the fourth quarter. In Estonia, the decrease was largely due to a redistribution of the market.

To take better advantage of synergies between the three Baltic countries, a reorganization has been launched that includes a shared, streamlined organization for product development and customer offerings.

Initiatives were under way to further integrate the Baltic operations with other parts of the Group.

As of 2009, the IRB internal risk classification method will be fully implemented.

## Business volumes

Lending increased by SEK 18bn to SEK 218bn in the fourth quarter, compared with SEK 10bn in the previous quarter and SEK 13bn in the same quarter of the previous year. Of the quarterly increase, SEK 23bn was an exchange rate effect from the translation to Swedish kronor. Lending in the original currency decreased in the fourth quarter as a result of the economic slowdown and stricter lending terms. The large decrease in corporate lending, 4 percent, mainly related to leasing and factoring. Private lending decreased by 1 percent compared with the previous quarter.

In the last 12 months, the lending increase was 6 percent measured in euros. The rate of increase gradually decreased during the last year and is expected to continue to slide.

In 2008, lending increased by 6 percent in Estonia to SEK 86bn, by 7 percent in Latvia to SEK 70bn and by 7 percent in Lithuania to SEK 62bn. Lending to private customers increased by 8 percent in the last 12 months to SEK 96bn, while corporate lending rose 5 percent to SEK 122bn.

In 2008, deposits decreased by 9 percent to SEK 107bn. In Estonia, deposits decreased in one year by 6 percent to SEK 49bn, in Latvia by 11 percent to SEK 24bn and in Lithuania by 13 percent to SEK 34bn.

The number of cards in circulation increased slightly from the beginning of the year to nearly 3.6 million.

## Market shares

The market share for outstanding corporate lending was 42 percent (44 percent as of 31 December 2007) in Estonia, 26 percent (26) in Latvia and 23 percent (25) in Lithuania. The market share for outstanding lending to private customers was 49 percent (49) in Estonia, 28 percent (27) in Latvia and 26 percent (29) in Lithuania.

The market share for outstanding deposits was 49 percent (53) in Estonia, 16 percent (17) in Latvia and 28 percent (30) in Lithuania.

## Profit trend Q4 2008 vs. Q3 2008

**Profit for the period** amounted to SEK 349m (966). The return on equity was 8.9 percent (25.9) and the cost/income ratio was 0.42 (0.38).

**Income** decreased by SEK 55m to SEK 2 351m (2 406) mainly due to lower net gains and losses on financial items at fair value.

**Net interest income** increased by SEK 8m to SEK 1 675m. The decrease in deposit volumes negatively affected net interest income by SEK 61m. The lending margin decreased by 5 bps to 1.88 percent, which reduced net interest income by SEK 24m. For deposits, the interest margin increased by 85 bps to 3.17 percent, raising net interest income by SEK 206m. The increase was largely due to high local money market rates. Other effects reduced net interest income by SEK 113m.

**Net commission income** was essentially unchanged from the third quarter at SEK 497m (492) mainly due to the exchange rate effect from the translation to Swedish kronor. Stockmarket-related income continued to decline.

**Net gains and losses on financial items at fair value** decreased by SEK 95m to SEK 12m. The fourth quarter was affected by weak earnings in stock and fixed income trading as well as the negative change in the value of assets in the insurance operations.

**Other income** increased by SEK 27m or 19 percent to SEK 167m partly due to an increase in insurance income.

**Expenses** increased by SEK 51m or 6 percent to SEK 977m. Fourth-quarter expenses are seasonally high. Expenses include redundancy-related expenses of SEK 15m.

The number of full-time positions decreased by 464 to 8 327, of which 132 in Estonia, 228 in Latvia and 104 in Lithuania.

**Loan losses** amounted to SEK 977m (405). The loan loss ratio calculated in local currencies increased to 1.91 percent (0.85). The share of impaired loans increased to 2.31 percent (1.45). The increase was largely due to private customers and real estate management companies in Latvia and Estonia.

## Profit trend Q4 2008 vs. Q4 2007

**Profit for the period** decreased by SEK 721m or 67 percent to SEK 349m (1 070). The return on equity was 8.9 percent (28.4) and the cost/income ratio was 0.42 (0.45).

**Income** decreased by SEK 21m or 1 percent to SEK 2 351m (2 372) mainly due to lower net gains and losses on financial items at fair value.

**Net interest income** increased by SEK 87m or 5 percent to SEK 1 675m. The increase in lending volumes positively affected net interest income by SEK 104m, while the decrease in deposits negatively affected net interest income by SEK 14m. The lending margin decreased by 24 bps to 1.88 percent, lowering net interest income by SEK 124m. Higher funding costs that

could not be fully passed on to lending customers explain the change in margins. In terms of deposits, the interest margin improved by 30 bps, mainly due to higher local money market rates, to 3.17 percent, which increased net interest income by SEK 72m. Other effects increased net interest income by SEK 49m.

**Net commission income** increased by SEK 20m or 4 percent to SEK 497m.

**Net gains and losses on financial items at fair value** decreased by SEK 151m to SEK 12m. The fourth quarter 2008 was affected by poorer trading results and a decline in the value of assets in the insurance operations.

**Other income** increased by SEK 26m or 18 percent to SEK 167m despite lower insurance income.

**Expenses** decreased by SEK 85m or 8 percent to SEK 977m.

**Staff costs** excluding profit-based compensation increased by SEK 35m or 8 percent, mainly due to higher wages and redundancy-related expenses. Profit-based compensation decreased by SEK 169m, mainly due to lower profitability.

The number of full-time positions decreased by 876 to 8 327, of which 296 in Estonia, 235 in Latvia and 345 in Lithuania.

**Other expenses** increased by SEK 49m or 10 percent mainly due to higher expenses for premises and expenses for organizational changes.

**Loan losses** amounted to SEK 977m, an increase of SEK 861m. The loan loss ratio calculated in local currency was 1.91 percent (0.28). The share of impaired loans increased to 2.31 percent (0.47). The increase was mainly due to private customers and real estate management companies in Latvia and Estonia.

### Profit trend 2008 vs. 2007

**Profit for the period** decreased by SEK 673m or 16 percent to SEK 3 649m (4 322). The return on equity was 24.4 percent (31.2) and the cost/income ratio was 0.38 (0.40).

**Income** increased by SEK 640m or 7 percent to SEK 9 413m (8 773) mainly because higher net interest income offset lower net gains and losses on financial items at fair value.

**Net interest income** increased by SEK 781m or 14 percent to SEK 6 448m. The average increase in volumes positively affected net interest income by SEK 921m. The lending margin decreased by 16 bps to 1.97 percent, lowering net interest income by SEK 467m. Higher funding costs that could not be fully passed on to lending customers explain the change in margins. In terms of deposits, the interest margin decreased by 4 bps to 2.43 percent, which negatively affected net interest income by SEK 139m. Other effects increased net interest income by SEK 466m.

**Net commission income** increased by SEK 71m to SEK 1 925m mainly due to higher payment and card commissions, while stockmarket-related income decreased.

**Net gains and losses on financial items at fair value** decreased by SEK 414m to SEK 402m partly due to poorer results from trading in equity and interest-bearing instruments as well as a decline in the value of assets in the insurance operations.

**Other income** increased by SEK 207m to SEK 636m partly due to a capital gain of SEK 66m on the sale of the partly owned card company PKK. Net insurance increased by SEK 74m.

**Expenses** increased by SEK 51m or 1 percent to SEK 3 597m.

**Staff costs** excluding profit-based compensation increased by SEK 274m or 19 percent due to higher wages and redundancy-related expenses. Profit-based compensation decreased by SEK 517m, of which SEK 185m relates to a reserve reversal.

The number of full-time positions decreased by 876 to 8 327, of which 296 in Estonia, 235 in Latvia and 345 in Lithuania.

**Other expenses** increased by SEK 294m or 20 percent mainly due to higher expenses for premises, IT expenses and expenses for organizational changes.

In the last year, the number of branches decreased by 18 in the Baltics (8 in Estonia, 2 in Latvia and 8 in Lithuania). There are now 278 branches in the Baltics.

**Loan losses** amounted to SEK 1 800m, an increase of SEK 1 350m. The loan loss ratio calculated in local currency was 0.98 percent (0.35).

### Estonia

Estonia is the dominant unit in Baltic Banking with approximately half the business area's profit. It accounts for 40 percent (40 percent in December 2007) of lending and 46 percent (45) of deposits in the business area.

Hansabank was named Bank of the Year by Euromoney in 2007. The Estonian association of non-profit organizations named Hansabank the Company of the Year. The international financial journal Global Finance named Hansa Net Bank the best Internet bank in the Central and Eastern European region in three different categories. The Internet Bank was also named best Internet bank in Estonia.

Non-life insurance has become a popular product. During the year, a market share of 15 percent was achieved.

Quarterly profit decreased by SEK 215m from the third quarter and by SEK 195m from the fourth quarter 2007 to SEK 272m mainly due to higher loan losses.

Profit for 2008 decreased by SEK 337m to SEK 1 773m compared with 2007. The return on equity for the fourth quarter was 17.4 percent (32.3 percent in the previous quarter) and the cost/income ratio was 0.40 (0.37). The loan loss ratio calculated in local currency was 1.32 percent (0.72). The share of impaired loans was 1.87 percent (1.25).

### Latvia

Latvia is the second largest unit in Baltic Banking, accounting for 32 percent (32) of lending and 22 percent (23) of deposits.

For the fourth consecutive year, Hansabank was voted the most respected company in Latvia and the country's strongest brand. Also, the influential periodical The Banker named Hansabank Bank of the Year in Latvia in 2007.

Quarterly profit decreased by SEK 310m from the third quarter and by SEK 445m from the fourth quarter 2007 to SEK -116m. Profit for 2008 decreased by SEK 617m to SEK 635m compared with 2007.

The return on equity for the fourth quarter was negative (17.7 percent in the previous quarter) and the cost/income ratio was 0.37 (0.42). The loan loss ratio calculated in local currency was 3.70 percent (1.02). The share of impaired loans was 3.29 percent (2.25).

### Lithuania

Lithuania accounts for 28 percent (28) of lending and 32 percent (33) of deposits in the business area.

Quarterly profit decreased by SEK 45m from the third quarter and by SEK 89m from the fourth quarter

2007 and amounted to SEK 225m. Profit for 2008 decreased by SEK 32m to SEK 1 018m compared with 2007.

The return on equity for the quarter was 19.1 percent (24.0 percent in the previous quarter) and the cost/income ratio was 0.46 (0.39). The loan loss ratio calculated in local currency was 0.77 percent (0.87). The share of impaired loans was 1.68 percent (0.82).

#### **Exchange rate effects**

The local currencies in Estonia, Latvia and Lithuania are pegged to the euro. The Swedish krona decreased against the euro by 12 percent during the fourth quarter 2008.

The exchange rate effect of the translation to SEK positively affected profit for the period by SEK 142m or 4 percent compared with 2007.

#### **Popular employer**

According to TNS Global's latest survey, Hansabank ranked as the most popular employer, across all industry sectors, in both Estonia and Latvia. In Lithuania, it was ranked as the most popular employer by Gallup.

## Baltic Banking, Operations and Investment

### Profit trend

SEKm	Full-year 2008	Full-year 2007	%	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007
Net interest income	5 998	5 248	14	1 565	1 556	1 416	1 461	1 473
Net commission income	1 925	1 854	4	497	492	478	458	477
Net gains and losses on financial items at fair value	402	816	-51	12	107	205	78	163
Share of the profit or loss of associates	2	7	-71	0	0	0	2	3
Other income	636	429	48	167	140	200	129	141
<b>Total income</b>	<b>8 963</b>	<b>8 354</b>	<b>7</b>	<b>2 241</b>	<b>2 295</b>	<b>2 299</b>	<b>2 128</b>	<b>2 257</b>
Staff costs	1 749	1 475	19	462	397	451	439	427
Profit-based staff costs	52	569	-91	-9	86	-108	83	160
IT expenses	336	292	15	97	86	84	69	81
Other expenses	1 239	1 023	21	365	301	315	258	343
Depreciation/amortisation	417	282	48	126	116	101	74	74
<b>Total expenses</b>	<b>3 793</b>	<b>3 641</b>	<b>4</b>	<b>1 041</b>	<b>986</b>	<b>843</b>	<b>923</b>	<b>1 085</b>
<b>Profit before loan losses</b>	<b>5 170</b>	<b>4 713</b>	<b>10</b>	<b>1 200</b>	<b>1 309</b>	<b>1 456</b>	<b>1 205</b>	<b>1 172</b>
Loan losses, net	1 800	450		977	405	245	173	116
<b>Operating profit</b>	<b>3 370</b>	<b>4 263</b>	<b>-21</b>	<b>223</b>	<b>904</b>	<b>1 211</b>	<b>1 032</b>	<b>1 056</b>
Tax expense	297	404	-26	31	90	85	91	106
<b>Profit for the period</b>	<b>3 073</b>	<b>3 859</b>	<b>-20</b>	<b>192</b>	<b>814</b>	<b>1 126</b>	<b>941</b>	<b>950</b>
Allocated equity	22 231	21 139	5	22 984	22 160	21 873	21 907	22 312
Return on allocated equity, %	13.8	18.3		3.3	14.7	20.6	17.2	17.0
<b>Income items</b>								
Income from external customers	8 959	8 354	7	2 237	2 295	2 299	2 128	2 257
Income from transactions with other business areas	4			4				
<b>Business volumes, SEK billion</b>								
Lending	219	178	6 *	219	201	191	183	178
Deposits	107	102	-9 *	107	106	105	102	102
Mutual funds & insurance	16	19	-25 *	16	17	18	17	19
Risk-weighted assets, older rules	205	176	16	205	188	181	174	176
Total assets	290	246	18	290	263	254	244	246
Total liabilities	266	224	19	266	241	232	222	224
Full-time employees	8 327	9 203	-10	8 327	8 791	9 242	9 206	9 203

\* Changes reported excl. foreign exchange effects

## International Banking

International Banking comprises all international business units that are not defined as home markets and independent strategic business areas. These include the banking operations in Ukraine and Russia, the branches in Denmark, Finland, Norway, the U.S. and China, the subsidiary in Luxembourg and the representative offices in Japan, Ukraine and Spain. Moreover, International Banking is responsible for the Swedbank Group's overall relations with banks and financial institutions. A management unit with staff functions is also included in the business area.

The objective is that Ukraine and Russia will develop into geographical home markets in the Group.

The main purpose for other international units is to support Swedbank's operations in its geographical home markets.

The effects of the investment in OJSC Swedbank in Ukraine at Group level in the form of goodwill, amortisation of identified surplus values in connection with the acquisition and financing costs for the acquisition are reported as a separate business distinct from Ukrainian Banking Operations. Ukrainian Banking Investment is included in the business area.

Comments on Ukrainian and Russian Banking in this report refer to business operations, unless indicated otherwise.

## Profit trend

SEKm	Full-year 2008	Full-year 2007	%	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007
Net interest income	2 171	1 150	89	756	522	486	407	351
Net commission income	354	304	16	97	82	89	86	81
Net gains and losses on financial items at fair value	330	87		229	-35	114	22	30
Other income	77	23		39	3	29	6	10
<b>Total income</b>	<b>2 932</b>	<b>1 564</b>	<b>87</b>	<b>1 121</b>	<b>572</b>	<b>718</b>	<b>521</b>	<b>472</b>
Staff costs	740	409	81	232	183	163	162	138
Profit-based staff costs	106	60	77	25	30	35	16	35
IT expenses	81	66	23	23	20	14	24	24
Other expenses	537	300	79	216	49	150	122	75
Depreciation/amortisation	151	66		61	33	29	28	30
<b>Total expenses</b>	<b>1 615</b>	<b>901</b>	<b>79</b>	<b>557</b>	<b>315</b>	<b>391</b>	<b>352</b>	<b>302</b>
<b>Profit before goodwill write-offs and loan losses</b>	<b>1 317</b>	<b>663</b>	<b>99</b>	<b>564</b>	<b>257</b>	<b>327</b>	<b>169</b>	<b>170</b>
Goodwill write-offs	1 403			1 403				
Loan losses, net	478	170		248	111	93	26	61
<b>Operating profit</b>	<b>-564</b>	<b>493</b>		<b>-1 087</b>	<b>146</b>	<b>234</b>	<b>143</b>	<b>109</b>
Tax expense	261	117		104	68	53	36	13
<b>Profit for the period</b>	<b>-825</b>	<b>376</b>		<b>-1 191</b>	<b>78</b>	<b>181</b>	<b>107</b>	<b>96</b>
<b>Profit for the period excluding goodwill write-offs</b>	<b>578</b>	<b>376</b>	<b>54</b>	<b>212</b>	<b>78</b>	<b>181</b>	<b>107</b>	<b>96</b>
Allocated equity	8 943	4 674	91	10 458	9 269	8 507	7 539	7 020
Return on allocated equity, %	neg.	8.0		neg.	3.4	8.5	5.7	5.5
Return on allocated equity excluding goodwill write-offs, %	6.5	8.0		8.1	3.4	8.5	5.7	5.5
<b>Income items</b>								
Income from external customers	2 914	1 558	87	1 114	569	714	517	469
Income from transactions with other business areas	18	6		7	3	4	4	3
<b>Business volumes, SEK billion</b>								
Lending	73	41	78	73	69	55	46	41
Deposits	13	14	-7	13	12	12	12	14
Mutual funds & insurance	1	2	-50	1	1	1	2	2
Risk-weighted assets, older rules	75	48	56	75	73	59	52	48
Total assets	95	73	30	95	92	88	77	73
Total liabilities	85	66	29	85	83	81	69	66
Full-time employees	4 175	4 045	3	4 175	4 366	4 198	4 059	4 045

Changing conditions in the global economy and political developments in Russia and Ukraine are affecting Swedbank's market outlook. The bank has taken

measures to lower risks in International Banking and reduce the growth rate.

## Ukrainian Banking

The Ukraine economy has had GDP growth and high inflation. Growth has levelled off, however, and in recent months has been negative. GDP growth during 2008 is estimated to reach 2 percent. Inflation in December was 22.3 percent on an annual basis. The currency weakened by 54 percent against the dollar and by 35 percent against the krona in the last quarter.

The Ukrainian banking market is under development. Swedbank's aim is to take advantage of long-term growth opportunities.

OJSC Swedbank and its subsidiary CJSC Swedbank Invest were acquired in July 2007. The legal units in Ukraine changed their name to Swedbank in late 2007. The launch of the Swedbank brand is under way. During the quarter, as in previous quarters, the priorities were the expansion and reorganization of the branch network, the creation of an attractive corporate offering, employee training, and improvements to computer systems.

The process continued to more closely integrate the subsidiary CJSC Swedbank Invest, which primarily targets large companies and high net worth individuals, with OJSC Swedbank. Integration work was also taking place within the framework of the Swedbank Group, where experience and competence from Sweden and the Baltics are being provided to the Ukrainian operations.

During the quarter, 51 percent of the European Agency for Debts Recovery was acquired for approximately SEK 10m.

Profit for the fourth quarter amounted to SEK 203m, compared with SEK 110m in the third quarter and SEK 72m in the fourth quarter 2007. The return on equity for 2008 was 18.7 percent and the cost/income ratio was 0.42.

Lending amounted to SEK 19bn as of year-end. This represents an increase in local currency of 153 percent in one year. Approximately three fourths of lending is in the dollar, which rose in value against the hryvnia by 55 percent during the year. Excluding exchange rate effects, lending increased by 55 percent during the year and decreased 1 percent during the fourth quarter.

The market share for total bank lending was 3 percent.

Deposits amounted to SEK 5bn, an increase in local currency of 12 percent in the last 12 months.

As of 31 December, there were 3 302 full-time employees, compared with 3 433 a year earlier. The number of branches was 215, a net increase of 18 since 30 September. In connection with the expansion and reorganization of the branch network, old, inefficient branches have been closed or renovated.

## Russian Banking

The Russian economy and banking market has experienced high growth, though it is declining. GDP growth during 2008 is estimated to reach 5.6 percent. Inflation in December was 13.3 percent on an annual basis. The rouble declined by 19 percent against the dollar and by 14 percent against the euro during the fourth quarter.

Swedbank has offered leasing services since 2002 and banking services since 2005 in Russia. The focus in the initial years had been on corporate customers, however, a campaign was launched during the year to attract private customers.

During the fourth quarter, two new retail branches were opened, one in Moscow and one in St. Petersburg. As a result, there are a total of eight branches: four in Moscow, two each in St. Petersburg and Kaliningrad. All but one in each city serve private customers. One representative office has been opened in Krasnodar.

Profit amounted to SEK 16m, compared with SEK 81m in the third quarter and SEK 64m in the second quarter 2007. Profit in the third quarter includes VAT recoveries of SEK 83m and SEK 60m in the fourth quarter 2007.

Lending amounted to SEK 14bn at year-end, an increase in local currency of 42 percent in one year. Approximately 85 percent of lending was in currencies other than the rouble, mainly in dollars. Excluding the effects of the declining value of the rouble against both the dollar and euro, lending growth was 7 percent in the fourth quarter.

The return on equity for 2008 was 11.6 percent (19.7) and the cost/income ratio was 0.50 (0.46). The number of full-time positions increased to 631 (386).

## Nordic branches

Swedbank's branch in Norway was established in 1998. Money and capital market operations are part of Swedbank Markets. The branch has historically served Swedish corporate customers with operations in Norway as well as a select number of Norwegian corporate customers. The customer base and credit portfolio have increased substantially in the last two years. Since the end of 2007, greater attention is also being paid to the retail market, which is being cultivated together with EnterCard and First Securities. The branch also includes services for financial institutions.

Swedbank's branch in Denmark was established in spring 2005. In autumn 2006, a second branch was opened. The branches target both retail and corporate customers. Swedbank's market share of Öresund commuters is estimated at 30 percent. The branches have entered into an alliance with FDB, Denmark's largest consumer cooperative, to provide socially responsible banking solutions to FDB's 1.6 million members. Sales to customers began at the end of the second quarter.

Swedbank's branch in Finland was founded in autumn 2005. Its focus is on Swedish corporate customers with operations in Finland, Finnish corporate customers with business in the Baltics and Russia, and a select number of other Finnish corporate customers.

Lending by the Nordic branches amounted to SEK 35bn at the end of the fourth quarter, an increase of SEK 16bn in one year. The 89 full-time positions represent an increase of 24 in one year.

## Other branches

The branch in New York was founded in 1991. Operations include financing and payment services for companies as well as capital market operations in cooperation with Swedbank Markets and Treasury. The branch primarily targets customers with ties to Swedbank's home markets.

Operations in Shanghai were established in 2001 in the form of a representative office. In 2007, the office received a banking licence and was converted to a branch. At present, the branch offers local banking services in foreign currencies to Swedbank's corporate customers. The product range is expected to be expanded to services in local currency in 2010.

These branches together have 25 employees.

## Luxembourg

Swedbank's private banking operations in Luxembourg have been affected by the situation in the financial markets, which has led to lower activity among customers. Assets under management amounted to SEK 2.5bn at the end of the quarter (3.3). The number of full-time positions was 61 (59).

## Global Financial Institutions

Operations comprise overall responsibility for the Group's relations with international banks and financial institutions. This responsibility includes co-ordination of transactions with Swedbank's other business areas as well as monitoring of counterparty risks. Correspondent banking and trade finance are also part of this unit.

## Intangible fixed assets

Goodwill impairments identified in Ukrainian Banking led to a write-off of SEK 1 403m. The write-off is recognised in the income statement as goodwill write-offs. After the write-off, goodwill attributable to the cash-generating unit OJSC Swedbank amounted to SEK 1.2bn. The value of the assets declined due to the major slowdown in the Ukrainian economy in late 2008. Because of the slowdown and the great uncertainty about the country's future economic development as of the closing day, the estimation of cash flows in the immediate future has been significantly revised downward. Estimated cash flows, which are based on Swedbank's long-term investment in Ukraine, have therefore been pushed further into the future and, due to discounting, will be worth less as of the closing day.

## Profit trend Q4 2008 vs. Q3 2008

**Profit for the period** before goodwill write-offs of SEK 1 403m increased by SEK 134m to SEK 212m. The return on equity was 8.1 percent (3.4). The cost/income ratio was 0.50 (0.55).

Quarterly profit for Ukrainian Banking, which received a short-term positive impact on profit from the depreciation of the domestic currency, increased by SEK 93m to SEK 203m. Quarterly profit for Russian Banking, which had VAT recoveries of SEK 83m in the previous quarter, decreased by SEK 65m to SEK 16m (81). Quarterly profit for other international operations increased by SEK 130m to SEK 132m.

**Income** increased by SEK 549m to SEK 1 121m (572). Income for Ukrainian Banking increased by SEK 302m or 72 percent to SEK 721m (419) mainly due to the revaluation of assets in U.S. dollars. For Russian Banking, income increased by SEK 77m to 230m (153). Income from other international operations increased by SEK 219m to SEK 334m (115).

**Expenses** increased by SEK 242m to 557m (315). Expenses in Ukrainian Banking increased by SEK 57m or 32 percent to SEK 237m (180) mainly due to increased staff costs and impairment losses on real estate of SEK 27m. Expenses for Russian Banking increased by SEK 144m to SEK 156m (12). In addition to VAT recoveries of SEK 83m in leasing operations during the third quarter, the opening of two new branches and higher staff costs were also a contributing factor. Expenses for other international operations increased by SEK 43m to SEK 152m (109).

**Loan losses** increased by SEK 137m to SEK 248m (111). The increase was in Ukrainian Banking.

## Profit trend Q4 2008 vs. Q4 2007

**Profit for the period** before goodwill write-offs of SEK 1 403m increased by SEK 116m to SEK 212m. The return on equity was 8.1 percent (5.5). The cost/income ratio was 0.50 (0.64).

**Income** increased by SEK 649m to SEK 1 121m (472). Income for Ukrainian Banking increased by SEK 435m to SEK 721m (286). For Russian Banking, income increased by SEK 106m or 86 percent to SEK 230m (124). Income for Ukrainian Banking Investment was SEK -130m (-40). Income from other international operations increased by SEK 232m to SEK 334m (102).

**Expenses** increased by SEK 255m to 557m (302). Expenses in Ukrainian Banking increased by SEK 88m to 237m (149). Expenses for Russian Banking increased by SEK 130m to SEK 156m (26) mainly due to VAT recoveries of SEK 60m in the previous year and expanded operations. Expenses for other international operations increased by SEK 39m to SEK 152m (113).

**Loan losses** increased by SEK 187m to SEK 248m (61). The increase was primarily in Ukrainian Banking.

## Profit trend 2008 vs. 2007

**Profit for the period** before goodwill write-offs of SEK 1 403m increased by SEK 202m to SEK 578m (376). The return on equity was 6.5 percent (8.0). The cost/income ratio was 0.55 (0.58).

**Income** increased by SEK 1 368m to SEK 2 932m (1 564). Ukrainian Banking, which was not included in the Group in the first half of 2007, contributed SEK 1 759m (559). For Russian Banking, income increased by SEK 170m or 34 percent to SEK 665m (495). Ukrainian Banking Investment affected income by SEK -298m (-73). Income from other international operations increased by SEK 223m or 38 percent to SEK 806m (583).

**Expenses** increased by SEK 714m to 1 615m (901). Expenses in Ukrainian Banking, which were not included in the Group in the first two quarters of 2007, amounted to SEK 739m (268). Expenses for Russian Banking increased by SEK 101m or 44 percent to SEK 330m (229). Expenses for amortisation of the Group's surplus values in Ukrainian Banking Investment amounted to SEK 51m (29). Expenses for other international operations increased by SEK 120m to SEK 495m (375).

**Loan losses** increased by SEK 308m to SEK 478m (170) largely due to the acquired Ukrainian operations.

## Swedbank Markets

Swedbank Markets comprises capital market products and services and various types of project and corporate finance. In addition to operations in Sweden, the business area includes the subsidiaries First Securities in Norway and Swedbank First Securities LLC in New York. Fixed income trading is conducted by the New York branch and through the Oslo branch in co-operation with First Securities. Project and Corporate Finance also has operations in Tallinn, Riga, Vilnius and through the subsidiary ZAO Swedbank Markets in Moscow and St. Petersburg.

Swedbank Markets offers trading in securities and derivatives in the equity, fixed income and foreign exchange markets as well as financing solutions and professional analysis and advice. The research unit issues ongoing research reports on some 150 Nordic companies. For individual investors, Swedbank Markets offers equity trading and other investment services such as equity linked bonds. The sale of these products is done through the Group's Swedish branch network, through savings banks and through the Internet Bank and Telephone Bank.

## Profit trend

SEKm	Full-year 2008	Full-year 2007	%	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007
Net interest income	1 555	1 179	32	430	443	431	251	500
Net commission income	960	1 333	-28	163	284	318	195	397
Net gains and losses on financial items at fair value	456	723	-37	304	-210	118	244	137
Share of the profit or loss of associates	1	2	-50	1				-4
Other income	73	35		36	20	9	8	14
<b>Total income</b>	<b>3 045</b>	<b>3 272</b>	<b>-7</b>	<b>934</b>	<b>537</b>	<b>876</b>	<b>698</b>	<b>1 044</b>
Staff costs	790	635	24	232	194	178	186	175
Profit-based staff costs	304	540	-44	29	33	191	51	158
IT expenses	247	227	9	82	54	51	60	58
Other expenses	499	448	11	153	114	119	113	135
Depreciation/amortisation	14	12	17	4	3	4	3	4
<b>Total expenses</b>	<b>1 854</b>	<b>1 862</b>	<b>0</b>	<b>500</b>	<b>398</b>	<b>543</b>	<b>413</b>	<b>530</b>
<b>Profit before loan losses</b>	<b>1 191</b>	<b>1 410</b>	<b>-16</b>	<b>434</b>	<b>139</b>	<b>333</b>	<b>285</b>	<b>514</b>
Loan losses, net	290	0		121	169	0	0	0
<b>Operating profit</b>	<b>901</b>	<b>1 410</b>	<b>-36</b>	<b>313</b>	<b>-30</b>	<b>333</b>	<b>285</b>	<b>514</b>
Tax expense	231	380	-39	63	-6	94	80	130
Profit for the period	670	1 030	-35	250	-24	239	205	384
<b>Profit for the period attributable to:</b>								
<b>Shareholders of Swedbank AB</b>	<b>629</b>	<b>902</b>	<b>-30</b>	<b>258</b>	<b>-25</b>	<b>201</b>	<b>195</b>	<b>335</b>
Minority interest	41	128	-68	-8	1	38	10	49
Allocated equity	3 582	3 379	6	4 668	3 432	3 289	2 939	3 421
Return on allocated equity, %	17.6	26.7		22.1	neg.	24.4	26.5	39.2
<b>Income items</b>								
Income from external customers	2 751	2 980	-8	830	474	815	632	978
Income from transactions with other business areas	294	292	1	104	63	61	66	66
<b>Business volumes, SEK billion</b>								
Lending	26	17	53	26	22	14	14	17
Deposits	21	17	24	21	17	22	22	17
Mutual funds & insurance	0	1		0	0	1	1	1
Other investment volume	30	30	0	30	32	33	33	30
Risk-weighted assets, older rules	58	40	45	58	42	36	38	40
Total assets	707	420	68	707	536	484	517	420
Total liabilities	702	417	68	702	533	481	515	417
Full-time employees	736	659	12	736	722	698	679	659

## Market conditions

High volatility in equity, fixed income and currency trading continued in the fourth quarter. The financial crisis has maintained its grip on the market and continues to impact the real economy. Expectations regarding central bank actions were met by a wide margin late in the quarter when the Riksbank cut its repo rate by 1.75 percent to 2.00 percent and the U.S. Federal Reserve cut its fed funds rate to 0.25 percent.

Interbank rates continued to fall during the fourth quarter in Sweden, Europe and the U.S., but at a slow rate. The spreads remained clearly higher than prior to the start of the financial crisis last year. The stockmarket continued to be affected by high volatility and uncertainty, with risk premiums remaining at a very high level. The global financial crisis and fear of economic stagnation and its impact on corporate earnings continued to put pressure on equities.

## Business volumes

**Fixed income and currency trading**, Swedbank Markets' largest product area, is responsible for all customer-related fixed income and foreign exchange transactions in Sweden. Products range from simple investment solutions to structured investment or financing solutions in foreign currencies designed for specific customer needs. During the year currency trading resources were expanded with respect to emerging markets. Together with further improvements to the product range, this generally improved Swedbank Markets' position in currency trading.

Fixed income and currency trading continued to do very well also in the fourth quarter. Trading in short-term fixed income instruments generated a positive result mainly through a strong conclusion to the fourth quarter. The combination of continued growth in customer trading, successful analysis and good risk management continued to lead to good earnings.

In the international bond market, the return on government securities declined due to investor expectations of repo rates of close to zero in the long term.

During the fourth quarter, the negative stockmarket climate also affected the total number of issues. However, Swedbank retained its position as the leading seller of corporate bonds in Swedish kronor, with a market share of 34 percent. All in all, fixed income and currency trading operations continued to perform well.

In addition to responsibility for institutional equity trading, Swedbank Markets' **equity operations** play an important role as a supplier to Swedbank's retail network.

Swedbank's market shares on the Stockholm stock exchange increased substantially late in the year to 6.8 percent, against 4.1 percent in the third quarter. This represents an increase for the full year of 4.5 percent, compared with 4.1 percent in 2007.

**Structured products** mainly consist of various forms of equity linked bonds called SPAX. Although negative market sentiment led to lower sales, Swedbank remained the market leader with a market share of approximately 24 percent of outstanding volume. Sales during the fourth quarter amounted to SEK 1.3bn, an increase of 19 percent compared with the previous quarter. Sales in the same quarter of the previous year amounted to SEK 6.3bn.

**Project and Corporate Finance** offers qualified advice to corporate customers in the debt and equity markets. In Sweden, Corporate Finance continued to strengthen its position in the market partly by establishing another sector team, Life Sciences. Financial results for the fourth quarter were lower than in the previous quarter and the equivalent quarter of the previous year. Business activity and the number of transactions under mandate remained high in Corporate Finance. However, other areas experienced a wait-and-see market.

**Custody** is responsible for, among other things, the bank's custodial services for institutional customers, administration and safekeeping of Swedish and foreign securities, and registration and monitoring of corporate events. During the fourth quarter, the level of customer activity remained very high. During the period, a number of value-added services were added to the customer offering.

**First Securities** is one of Norway's leading brokerages active in equity, fixed income and currency trading and corporate finance. Despite a demanding, volatile market, income remained satisfactory, especially

in fixed income and currency trading as well as the retail segment for equities. Profit was affected by the fact that 2008 was a year with new operating areas and more employees.

### Profit trend Q4 2008 vs. Q3 2008

**Profit for the period** was SEK 258m, compared with SEK -25m in the previous quarter. Loan losses amounted to SEK 121m (169m). Loan losses primarily relate to overleveraged brokerage accounts in First Securities. The return on equity was 22.1 percent (neg.). The cost/income ratio was 0.54 (0.74).

**Income** increased by SEK 397m or 74 percent to SEK 934m mainly due to solid earnings in fixed income trading. First Securities' income increased by SEK 88m.

**Expenses** increased by SEK 102m or 26 percent to SEK 500m. Staff costs excluding profit-based compensation increased by SEK 38m, of which First Securities increased by SEK 36m.

### Profit trend Q4 2008 vs. Q4 2007

**Profit for the period** decreased by SEK 77m or 23 percent to SEK 258m. Loan losses amounted to SEK 121m (0). The return on equity was 22.1 percent (39.2). The cost/income ratio was 0.54 (0.51).

**Income** decreased by SEK 110m or 11 percent to SEK 934m, of which First Securities decreased by SEK 139m or 40 percent.

**Expenses** decreased by SEK 30m or 6 percent to SEK 500m.

### Profit trend 2008 vs. 2007

**Profit for the period** decreased by SEK 273m or 30 percent to SEK 629m. The return on equity was 17.6 percent (26.7). The cost/income ratio was 0.61 (0.57).

**Income** decreased by SEK 227m or 7 percent to SEK 3 045m. First Securities' income decreased by SEK 243m.

**Expenses** decreased by SEK 8m to SEK 1 854m, of which non-staff costs increased by SEK 73m.

**Loan losses** amounted to SEK 290m (0), of which SEK 169m relates to write-offs of trading assets in connection with Lehman Brothers' bankruptcy, while SEK 121m relates to First Securities, primarily overleveraged brokerage accounts.

## Asset Management and Insurance

Asset Management and Insurance comprises the Swedbank Robur Group and its operations in fund

management, institutional and discretionary asset management, insurance as well as individual pension savings.

### Profit trend

SEKm	Full-year 2008	Full-year 2007	%	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007
Net interest income	76	83	-8	-1	25	27	25	21
Net commission income	1 513	1 868	-19	296	369	432	416	415
Net gains and losses on financial items at fair value	-3	2		1	-14	25	-15	-1
Other income	212	230	-8	81	49	43	39	70
<b>Total income</b>	<b>1 798</b>	<b>2 183</b>	<b>-18</b>	<b>377</b>	<b>429</b>	<b>527</b>	<b>465</b>	<b>505</b>
Staff costs	370	346	7	89	87	93	101	92
Profit-based staff costs	44	79	-44	18	12	5	9	46
IT expenses	140	148	-5	6	41	36	57	37
Other expenses	255	311	-18	61	52	63	79	54
Depreciation/amortisation	32	4		8	8	9	7	1
<b>Total expenses</b>	<b>841</b>	<b>888</b>	<b>-5</b>	<b>182</b>	<b>200</b>	<b>206</b>	<b>253</b>	<b>230</b>
<b>Profit before loan losses</b>	<b>957</b>	<b>1 295</b>	<b>-26</b>	<b>195</b>	<b>229</b>	<b>321</b>	<b>212</b>	<b>275</b>
<b>Operating profit</b>	<b>957</b>	<b>1 295</b>	<b>-26</b>	<b>195</b>	<b>229</b>	<b>321</b>	<b>212</b>	<b>275</b>
Tax expense	224	320	-30	43	51	77	53	69
<b>Profit for the period</b>	<b>733</b>	<b>975</b>	<b>-25</b>	<b>152</b>	<b>178</b>	<b>244</b>	<b>159</b>	<b>206</b>
Allocated equity	2 180	1 712	27	2 195	2 177	2 182	2 166	1 703
Return on allocated equity, %	33.6	57.0		27.7	32.7	44.7	29.4	48.4
<b>Income items</b>								
Income from external customers	3 510	4 305	-18	798	828	953	931	1 011
Income from transactions with other business areas	-1 712	-2 122	-19	-421	-399	-426	-466	-506
<b>Business volumes, SEK billion</b>								
Mutual funds & insurance	326	401	-19	326	350	374	385	401
Other investment volume	219	205	7	219	220	220	224	205
Risk-weighted assets, older rules	0	0		0	0	1	0	0
Total assets	59	75	-21	59	65	71	70	75
Total liabilities	57	74	-23	57	63	68	68	74
Full-time employees	349	332	5	349	346	346	341	332

### Fund savings, volumes and flows

Contributions to Swedbank Robur's own mutual funds and those it markets amounted to SEK 96.8bn (106.5) during the year, while withdrawals amounted to SEK 94.6bn (114.9). Thus, the net inflow to Swedbank Robur's own and brokered funds was SEK 2.2bn, compared with a net outflow of SEK 8.4bn during the same period of the previous year. Of the net inflow, SEK 5.4bn (4.0) was from premium pension savings and SEK 2.3bn (0.9) from unit-linked insurance in Swedbank Insurance.

On 2 January 2008, Swedbank Robur acquired Folksam Fond AB, a fund management company with 19 funds and assets of SEK 28bn.

Swedbank Robur's funds assets under management amounted to SEK 326bn as of 31 December 2008 including Folksam Fond, while assets under management as of 31 December 2007 amounted to SEK 401m excluding Folksam Fond.

The change is due to a decrease in the value of fund assets of SEK 105bn mainly from falling stock prices during the year.

SEKbn	Dec 31 2008	Dec 31 2007
<b>Funds assets under management</b>	326	401
<i>of which:</i>		
<i>Swedish equities, %</i>	25.4	30.0
<i>foreign equities, %</i>	33.0	38.5
<i>interest-bearing securities, %</i>	41.7	31.5
Number of customers (thousands)	2 748	2 778
<b>Unit-linked insurance</b>		
Assets under management	52.2	68.7
<i>of which in Swedbank Robur's funds</i>	50.2	66.9
Number of policies (thousands)	964	896
<b>Discretionary asset management</b>		
Assets under management	264	246
<i>of which in Swedbank Robur's funds</i>	45	41

### Unit-linked insurance

Sales (premiums paid) of unit-linked insurance in 2008 amounted to SEK 10.1bn (9.1). Swedbank Insurance's assets under management amounted to SEK 52.2bn (68.7) on 31 December. Swedbank Insurance had 964 000 (896 000) policies as of 31 December, in addition to around 1 million group life insurance policies.

### Institutional asset management

In institutional asset-management, SEK 264bn (246) in assets were under management, including SEK 45bn in Swedbank Robur's funds (41).

As a result of Folksam's merger with KP Pension & Försäkring on 1 January 2008, Swedbank Robur's assets increased by SEK 47bn.

### Market shares

Swedbank Robur's share of net contributions in the Swedish mutual fund market was SEK 2.2bn (-9.2), compared with the market as a whole, which saw a net outflow of SEK 17.5bn in 2008. The market share for assets under management in the fund market was 27 percent on 30 September 2008, compared with 25 percent on 31 December 2007. The increase was primarily due to the acquisition of Folksam Fond.

The market share for new unit linked insurance policies was 11 percent (10) as of 30 September 2008.

In private pension savings, Swedbank Insurance was one of the largest players in the Swedish market during the first three quarters of 2008 with a market share for premium payments of 13.4 percent (12.4). In the corporate pension market, its share was 5.7 percent (5.5).

### Fund management results

With the exception of fixed income funds, the return on Swedbank Robur's funds was negative during the period due to the downturn in the stockmarket.

Morningstar's average rating on Swedbank Robur's funds as of 31 December was 3.32 (3.42 as of 31 December 2007). Swedbank Robur ranks number one in a comparison of large fund management companies in Sweden.

### Other important events

During the period, six new funds were launched: Access Trygg, a fund of funds that primarily invests in fixed income funds; Global Performa, a global equity fund that charges a fee only if the fund generates a positive return; the Asia Index Fund, which invests in Asian equities; Global Macro Hedge, a Luxembourg-registered

absolute-return hedge fund; Currency Hedge, a global hedge fund that invests in currencies and currency-related instruments; and a Luxembourg-registered Russia Fund.

Swedbank Robur was named Fund Manager of the Year by the business daily Dagens Industri and Morningstar. For the second consecutive year, Lipper named Swedbank Robur the best fund management company in the Nordic region.

Swedbank Insurance ranked number one among insurance companies with the most satisfied life insurance and pension customers. The ranking was done by the Swedish Quality Index.

In September, an agreement was signed to acquire Banco Fonder AB, a fund management company with 26 funds and assets of SEK 7bn, effective 20 January 2009.

In November, two equity funds were acquired from Carnegie - a small-cap fund and a Sweden fund.

### Profit trend Q4 2008 vs. Q3 2008

**Profit for the period** decreased by SEK 26m or 15 percent to SEK 152m. The cost/income ratio was 0.48 (0.47).

**Income** decreased by SEK 52m or 12 percent to SEK 377m mainly due to lower net commission income.

**Expenses** decreased by SEK 18m or 9 percent mainly due to lower IT costs.

### Profit trend Q4 2008 vs. Q4 2007

**Profit for the period** decreased by SEK 54m or 26 percent. The cost/income ratio was 0.48 (0.46).

**Income** decreased by SEK 128m or 25 percent mainly due to lower net commission income resulting from lower fund volumes.

**Expenses** decreased by SEK 48m or 21 percent due to lower IT and staff costs.

### Profit trend 2008 vs. 2007

**Profit for the period** decreased by SEK 242m or 25 percent. The cost/income ratio was 0.47 (0.41).

**Income** decreased by SEK 385m or 18 percent to SEK 1 798m mainly due to lower net commission income resulting from lower fund volumes.

**Expenses** decreased by SEK 47m or 5 percent due to lower mailing and consulting costs.

## Shared Services & Group Staffs

The business area includes the Shared Service units, comprising IT and other service functions, Group Executive Management and Group Staffs, including

Group Treasury, and the group's own insurance company, Sparia.

### Profit trend

SEKm	Full-year 2008	Full-year 2007	%	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007
Net interest income	85	-196		-4	22	-48	115	-5
Net commission income		17				0	0	-17
Net gains and losses on financial items at fair value	254	-246		-156	168	512	-270	-31
Share of the profit or loss of associates	66	84	-21	1	16	25	24	19
Other income	3 785	3 090	22	1 449	822	766	748	784
<b>Total income</b>	<b>4 190</b>	<b>2 749</b>	<b>52</b>	<b>1 290</b>	<b>1 028</b>	<b>1 255</b>	<b>617</b>	<b>750</b>
Staff costs	1 554	1 361	14	363	382	407	402	312
Profit-based staff costs	109	68	60	46	11	21	31	22
IT expenses	903	752	20	247	220	229	207	213
Other expenses	791	865	-9	222	172	180	217	193
Depreciation/amortisation	276	257	7	70	73	66	67	69
<b>Total expenses</b>	<b>3 633</b>	<b>3 303</b>	<b>10</b>	<b>948</b>	<b>858</b>	<b>903</b>	<b>924</b>	<b>809</b>
<b>Profit before loan losses</b>	<b>557</b>	<b>-554</b>		<b>342</b>	<b>170</b>	<b>352</b>	<b>-307</b>	<b>-59</b>
Loan losses, net	-6	-72	-92	0	0	0	-6	-61
<b>Operating profit</b>	<b>563</b>	<b>-482</b>		<b>342</b>	<b>170</b>	<b>352</b>	<b>-301</b>	<b>2</b>
Tax expense	-289	-184	57	-240	-39	101	-111	26
<b>Profit for the period</b>	<b>852</b>	<b>-298</b>		<b>582</b>	<b>209</b>	<b>251</b>	<b>-190</b>	<b>-24</b>
Allocated equity	5 256	5 962	-12	5 385	5 003	4 870	5 766	4 321
Return on allocated equity, %	16.2	neg.		43.2	16.7	20.6	neg.	neg.
<b>Income items</b>								
Income from external customers	1 360	-73		585	276	557	-58	28
Income from transactions with other business areas	2 830	2 822	0	705	752	698	675	722
<b>Business volumes, SEK billion</b>								
Risk-weighted assets, older rules	8	5	60	8	9	6	5	5
Total assets	383	246	56	383	274	253	243	246
Total liabilities	370	240	54	370	268	247	237	240
Full-time employees	1 694	1 673	1	1 694	1 671	1 677	1 658	1 673

### Shared Services

Shared Services comprises slightly over 1 300 full-time positions and is responsible for IT, back office for the Swedish retail operations and other shared support functions in Sweden.

According to an international benchmarking by the polling company Compass, Swedbank's IT operations are among the most cost-effective in the industry. Despite further substantial increases in transaction volumes, particularly for the Internet Bank and in the card area, Swedbank's IT costs for Swedish operations have essentially remained unchanged for several years.

Swedbank signed a cooperation agreement with Logica to open a Group Development Centre (GDC) in Bangalore, India. The agreement gives Swedbank further opportunities to reduce IT development expenses. The first IT development projects were delivered from Bangalore with very good results.

The purchasing process previously introduced in Sweden was implemented in the Baltics, Russia and Ukraine. Swedbank therefore uses uniform routines and co-ordinates all Group purchases.

Shared Services continued to improve the efficiency of the bank's processes using structured methodologies. The work accelerated in 2008 and was being done in co-operation with all business areas. A

number of shared projects were also conducted with the Baltic and Ukrainian operations in the areas of IT operations, management and development in order to further enhance efficiency.

### Group Staffs

The main duties of Group Staffs during the year have included the integration and oversight of the growing international group as well as issues related to liquidity, funding and capital requirements.

### Sparia

Sparia Försäkringsaktiebolag, which exclusively insures risks within the Swedbank Group, sold Luxembourg-based SPS Reinsurance S.A. in September to AEF Holding S.à r.l. The sale produced a capital gain of SEK 95m. The risks that had previously been reinsured by SPS were taken over by Sparia.

**Profit trend Q4 2008 vs. Q3 2008**

**Profit for the period** amounted to SEK 582m (209).

A large part of the business area's income is from services sold internally by Shared Services and Group Staffs to other operating areas, primarily Swedish Banking.

**Income** increased by SEK 262m or 25 percent to SEK 1 290m (1 028). Included in income is a capital gain of SEK 680m on the sale of the shareholding in NCSD Holding AB. The third quarter included a capital gain of SEK 95m on the sale of SPS Reinsurance.

Income from Group Treasury including the internal bank decreased by SEK 322m.

**Expenses** increased by SEK 90m to SEK 948m (858) partly due to higher consulting and IT costs.

**Profit trend Q4 2008 vs. Q4 2007**

**Profit for the period** amounted to SEK 582m (-24).

**Income** increased by SEK 540m or 72 percent to SEK 1 290m (750) mainly due to a capital gain of SEK 680m on the sale of NCSD Holding AB.

Income from Group Treasury including the internal bank decreased by SEK 91m.

**Expenses** increased by SEK 139m or 17 percent to SEK 948m (809), of which SEK 51m was due to higher IT costs, SEK 24m to higher pension costs and

SEK 21m to increased provisions to the Kopparmyntet profit-sharing scheme. IT costs increased by SEK 34m partly due to international expansion and integration.

**Profit trend 2008 vs. 2007**

**Profit for the period** amounted to SEK 852m (-298).

**Income** increased by SEK 1 441m or 52 percent to SEK 4 190m (2 749). Capital gains amounted to SEK 95m on the sale of SPS Reinsurance and SEK 680m on NCSD Holding AB.

Income from Group Treasury including the internal bank increased by SEK 898m.

**Expenses** increased by SEK 330m or 10 percent to SEK 3 633m (3 303), of which SEK 76m was due to higher pension costs, SEK 95m to higher consulting costs and SEK 21m to higher provisions for the Kopparmyntet profit-sharing scheme and SEK 24m related to a higher allocation approved for Kopparmyntet in 2007 than the amount reserved in the annual accounts for 2007. IT costs increased partly due to international expansion and integration.

The changing Group-wide provisions for individually valued receivables amounted to SEK -6m (-72).

## Eliminations

SEKm	Full-year 2008	Full-year 2007	%	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007
Net interest income	-23	-8		-34	-1	12	0	-8
Net commission income		0			0	0	0	0
Net gains and losses on financial items at fair value	15	-26		26	1	-12	0	-28
Other income	-2 724	-2 842	4	-708	-641	-695	-680	-673
<b>Total income</b>	<b>-2 732</b>	<b>-2 876</b>	<b>5</b>	<b>-716</b>	<b>-641</b>	<b>-695</b>	<b>-680</b>	<b>-709</b>
Staff costs	-8	-46	83	-5	-3	0	0	-28
IT expenses	-957	-909	-5	-235	-219	-248	-255	-230
Other expenses	-1 767	-1 921	8	-476	-419	-447	-425	-451
Depreciation/amortisation		0						0
<b>Total expenses</b>	<b>-2 732</b>	<b>-2 876</b>	<b>5</b>	<b>-716</b>	<b>-641</b>	<b>-695</b>	<b>-680</b>	<b>-709</b>
<b>Business volumes, SEK billion</b>								
Mutual funds & insurance	-189	-253	-25	-189	-203	-219	-224	-253
Other investment volume	-23	-24	-4	-23	-25	-25	-26	-24
Total assets	-895	-424		-895	-606	-536	-495	-424
Total liabilities	-895	-424		-895	-606	-536	-495	-424

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## **Exchange rates**

	31 Dec 2008	30 Sep 2008	30 Jun 2008	31 Mar 2008	31 Dec 2007
SEK/EUR, average rate	9.627	9.440	9.403	9.429	9.251
SEK/EUR, closing day rate	10.935	9.782	9.478	9.390	9.460
SEK/EEK, average rate	0.615	0.603	0.601	0.603	0.591
SEK/EEK, closing day rate	0.699	0.625	0.606	0.600	0.605
SEK/UAH, average rate	1.255	1.275	1.244	1.238	1.306
SEK/UAH, closing day rate	1.006	1.359	1.315	1.185	1.273
SEK/RUB, average rate	0.264	0.258	0.256	0.259	0.264
SEK/RUB, closing day rate	0.263	0.270	0.256	0.253	0.263
SEK/USD, average rate	6.572	6.185	6.123	6.247	6.749
SEK/USD, closing day rate	7.720	6.898	6.006	5.918	6.428
UAH/USD, closing day rate	7.800	5.070	4.533	4.990	5.045
RUB/USD, closing day rate	30.525	25.632	23.444	23.486	24.570

## Income statement, Group

SEKm	Q4 2008	Q3 2008	%	Q4 2007	%	Full-year 2008	Full-year 2007	%
<i>Interest income</i>	20 889	19 906	5	19 146	9	79 563	67 087	19
<i>Interest expenses</i>	-15 147	-14 482	5	-13 887	9	-57 861	-47 930	21
<b>Net interest income</b>	<b>5 742</b>	<b>5 424</b>	<b>6</b>	<b>5 259</b>	<b>9</b>	<b>21 702</b>	<b>19 157</b>	<b>13</b>
<i>Commission income</i>	2 924	3 088	-5	3 398	-14	12 241	12 939	-5
<i>Commission expenses</i>	-913	-823	11	-862	6	-3 411	-3 059	12
<b>Net commission income (Note 1)</b>	<b>2 011</b>	<b>2 265</b>	<b>-11</b>	<b>2 536</b>	<b>-21</b>	<b>8 830</b>	<b>9 880</b>	<b>-11</b>
Net gains and losses on financial items at fair value (Note 2)	1 244	-109		386		2 351	1 691	39
<i>Insurance premiums</i>	399	366	9	367	9	1 563	1 711	-9
<i>Insurance provisions</i>	-260	-261	0	-88		-1 111	-1 163	-4
<b>Net insurance</b>	<b>139</b>	<b>105</b>	<b>32</b>	<b>279</b>	<b>-50</b>	<b>452</b>	<b>548</b>	<b>-18</b>
Share of the profit or loss of associates	136	138	-1	70	94	512	424	21
Other income	1 074	415		344		2 616	1 224	
<b>Total income</b>	<b>10 346</b>	<b>8 238</b>	<b>26</b>	<b>8 874</b>	<b>17</b>	<b>36 463</b>	<b>32 924</b>	<b>11</b>
Staff costs	2 340	2 223	5	2 111	11	9 142	8 134	12
Profit-based staff costs	262	235	11	522	-50	950	1 658	-43
Other general administrative expenses	2 004	1 596	26	1 701	18	6 994	6 222	12
<b>Total general administrative expenses</b>	<b>4 606</b>	<b>4 054</b>	<b>14</b>	<b>4 334</b>	<b>6</b>	<b>17 086</b>	<b>16 014</b>	<b>7</b>
Depreciation/amortisation of tangible and intangible fixed assets	296	259	14	192	54	999	705	42
<b>Total expenses</b>	<b>4 902</b>	<b>4 313</b>	<b>14</b>	<b>4 526</b>	<b>8</b>	<b>18 085</b>	<b>16 719</b>	<b>8</b>
<b>Profit before loan losses and write-offs</b>	<b>5 444</b>	<b>3 925</b>	<b>39</b>	<b>4 348</b>	<b>25</b>	<b>18 378</b>	<b>16 205</b>	<b>13</b>
Goodwill write-offs	1 403					1 403		
Loan losses, net (Note 3)	1 633	812		238		3 156	619	
<b>Operating profit</b>	<b>2 408</b>	<b>3 113</b>	<b>-23</b>	<b>4 110</b>	<b>-41</b>	<b>13 819</b>	<b>15 586</b>	<b>-11</b>
Tax expense	500	640	-22	950	-47	2 880	3 450	-17
Profit for the period	1 908	2 473	-23	3 160	-40	10 939	12 136	-10
<b>Profit for the period attributable to:</b>								
<b>Shareholders of Swedbank AB</b>	<b>1 915</b>	<b>2 468</b>	<b>-22</b>	<b>3 108</b>	<b>-38</b>	<b>10 887</b>	<b>11 996</b>	<b>-9</b>
<b>Profit for the period attributable to:</b>								
<b>Shareholders of Swedbank AB excluding goodwill write-offs</b>	<b>3 318</b>	<b>2 468</b>	<b>34</b>	<b>3 108</b>	<b>7</b>	<b>12 290</b>	<b>11 996</b>	<b>2</b>
Minority interest	-7	5		52		52	140	-63
Earnings per share including goodwill write-offs before and after dilution, SEK	3.26					19.44		
Earnings per share excluding goodwill write-offs before and after dilution, SEK	5.65	4.48		5.64		21.95	21.78	

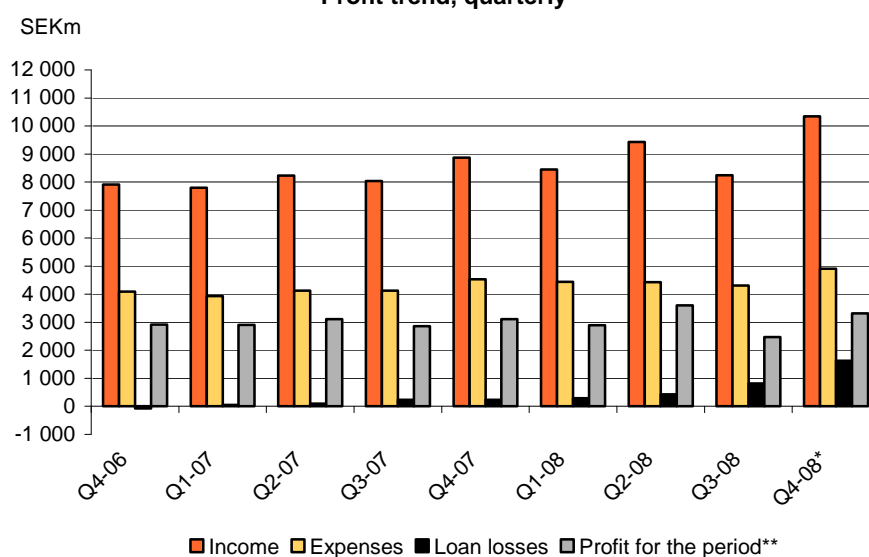
See page 46 for number of shares.

## Quarterly profit trend

Group SEKm	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Net interest income	5 742	5 424	5 295	5 241	5 259	4 806	4 591	4 501
Net commission income	2 011	2 265	2 374	2 180	2 536	2 503	2 552	2 289
Net gains and losses on financial items at fair value	1 244	-109	1 141	75	386	196	579	530
Net insurance	139	105	101	107	279	99	91	79
Share of the profit or loss of associates	136	138	122	116	70	140	95	119
Other income	1 074	415	400	727	344	287	318	275
<b>Total income</b>	<b>10 346</b>	<b>8 238</b>	<b>9 433</b>	<b>8 446</b>	<b>8 874</b>	<b>8 031</b>	<b>8 226</b>	<b>7 793</b>
Staff costs	2 340	2 223	2 268	2 311	2 111	2 075	2 016	1 932
Profit-based staff costs	262	235	185	268	522	337	409	390
Other general administrative expenses	2 004	1 596	1 740	1 654	1 701	1 528	1 539	1 454
<b>Total general administrative expenses</b>	<b>4 606</b>	<b>4 054</b>	<b>4 193</b>	<b>4 233</b>	<b>4 334</b>	<b>3 940</b>	<b>3 964</b>	<b>3 776</b>
Depreciation/amortisation of tangible and intangible fixed assets	296	259	237	207	192	192	160	161
<b>Total expenses</b>	<b>4 902</b>	<b>4 313</b>	<b>4 430</b>	<b>4 440</b>	<b>4 526</b>	<b>4 132</b>	<b>4 124</b>	<b>3 937</b>
<b>Profit before loan losses and write-offs</b>	<b>5 444</b>	<b>3 925</b>	<b>5 003</b>	<b>4 006</b>	<b>4 348</b>	<b>3 899</b>	<b>4 102</b>	<b>3 856</b>
Goodwill write-offs	1 403							
Loan losses, net	1 633	812	423	288	238	230	102	49
<b>Operating profit</b>	<b>2 408</b>	<b>3 113</b>	<b>4 580</b>	<b>3 718</b>	<b>4 110</b>	<b>3 669</b>	<b>4 000</b>	<b>3 807</b>
Tax expense	500	640	935	805	950	793	856	851
Profit for the period	1 908	2 473	3 645	2 913	3 160	2 876	3 144	2 956
<b>Profit for the period attributable to: Shareholders of Swedbank AB</b>	<b>1 915</b>	<b>2 468</b>	<b>3 604</b>	<b>2 900</b>	<b>3 108</b>	<b>2 866</b>	<b>3 112</b>	<b>2 910</b>
<b>Profit for the period attributable to: Shareholders of Swedbank AB excluding goodwill write-offs</b>	<b>3 318</b>	<b>2 468</b>	<b>3 604</b>	<b>2 900</b>	<b>3 108</b>	<b>2 866</b>	<b>3 112</b>	<b>2 910</b>
Minority interest	-7	5	41	13	52	10	32	46
Earnings per share including goodwill write-offs before and after dilution, SEK	3.26							
Earnings per share excluding goodwill write-offs before and after dilution, SEK	5.65	4.79	6.99	5.63	6.03	5.57	6.03	5.65

See page 46 for number of shares.

Profit trend, quarterly



\* Excluding goodwill write-offs, SEK 1 403m

\*\* Refers to profit for the period attributable to shareholders in Swedbank AB.

## Capital adequacy

The transition to Basel 2 rules that are based to a greater extent on internal risk measurement entails substantial changes in the minimum capital requirement for the majority of institutions. As a result, capital floors apply during a three-year period until end 2009. According to these floor rules, any reduction in the capital requirement is limited by the new rules during the transition period. The rules state that the minimum capital requirement in 2007 could not fall below 95 percent of the capital requirement calculated according to the older rules, with the exception of certain adjustments. In 2008, the floor is reduced to 90 percent and in 2009 to 80 percent of the capital requirement calculated according to the older rules. The capital requirement according to the new rules is increased by an add-on corresponding to the minimum capital requirement in the transition rules.

The Internal Ratings-Based Approach ("IRB") is gradually being introduced in Swedbank's financial companies group. As of 2007, the method applied in the Swedish business, including the branches in New York and Oslo, with the exception of Swedbank Finans, EnterCard and certain exposure classes such as the Swedish state and Swedish municipalities, where the method is considered less suitable. In the table below, Swedbank's capital adequacy as of 31 December is shown according to the Basel 2 rules, with comparable figures according to older rules.

As of 31 December 2008, the Swedbank financial companies Group included the Swedbank Group, EnterCard Group, Eskilstuna Rekarne Sparbank AB, Färs och Frosta Sparbank AB, Swedbank Sjuhärad AB, Bergslagens Sparbank AB, Vimmerby Sparbank AB and Bankernas Depå AB. Insurance companies are not included in the financial companies group according to capital adequacy rules.

Swedbank financial companies Group SEKm	Capital requirement according to older rules		
	Dec 31 2008	Dec 31 2008	Dec 31 2007
Core tier 1 capital	61 508		43 606
Hybrid capital	9 709		7 314
<b>Total tier 1 capital</b>	<b>71 217</b>		<b>50 920</b>
Tier 2 capital	30 774		27 458
Settlements, equities, etc.	-1 986		-1 922
<b>Total capital base</b>	<b>100 005</b>		<b>76 456</b>
<b>Risk-weighted assets</b>	<b>696 505</b>	<b>1 051 140</b>	<b>600 238</b>
Capital requirement for credit risks, older rules		80 832	19 364
Capital requirement for credit risks, standardised approach	20 528		
Capital requirement for credit risks, IRB	28 908		24 737
Capital requirement for settlement risks	1	1	7
Capital requirement for market risks	2 396	3 259	1 242
<i>of which risks in the trading book outside VaR</i>	<i>1 015</i>	<i>1 878</i>	<i>891</i>
<i>of which currency risks outside VaR</i>	<i>591</i>	<i>591</i>	<i>0</i>
<i>of which risks where VaR models are applied</i>	<i>790</i>	<i>790</i>	<i>351</i>
Capital requirement for operational risks	3 888		2 669
<b>Capital requirement</b>	<b>55 720</b>	<b>84 091</b>	<b>48 019</b>
Complement during transition period	17 569		17 770
<b>Capital requirement including complement</b>	<b>73 289</b>		<b>65 789</b>
Capital quotient excluding complement <sup>1)</sup>	1.79		1.59
Capital quotient excluding complement <sup>2)</sup>	1.85		1.59
Core tier 1 capital ratio, %, excluding complement <sup>1)</sup>	8.8		7.3
Core tier 1 capital ratio, %, excluding complement <sup>2)</sup>	9.3		7.3
Tier 1 capital ratio, %, excluding complement <sup>1)</sup>	10.2		8.5
Tier 1 capital ratio, %, excluding complement <sup>2)</sup>	10.7		8.5
Total capital adequacy ratio, %, excluding complement <sup>1)</sup>	14.4		12.7
Total capital adequacy ratio, %, excluding complement <sup>2)</sup>	14.8		12.7
Capital quotient, transition rules <sup>1)</sup>	1.36		1.16
Capital quotient, transition rules <sup>2)</sup>	1.41		1.16
Core tier 1 capital ratio, %, transition rules <sup>1)</sup>	6.7		5.3
Core tier 1 capital ratio, %, transition rules <sup>2)</sup>	7.0		5.3
Tier 1 capital ratio, %, transition rules <sup>1)</sup>	7.8		6.2
Tier 1 capital ratio, %, transition rules <sup>2)</sup>	8.1		6.2
Total capital adequacy ratio, %, transition rules <sup>1)</sup>	10.9		9.3
Total capital adequacy ratio, %, transition rules <sup>2)</sup>	11.2		9.3

1) Including subscribed and paid capital.

2) Including total subscribed capital.

## Capital base

The difference by which expected losses exceed the provisions in the accounts for the part of the portfolio calculated according to IRB is deducted from the capital base. These expected losses are estimated according to current laws and regulations and with information from Swedbank's internal risk classification system. Swedbank's calculations are characterized by prudence, so that risks are overestimated rather than underestimated. In addition, the Swedish FSA's instructions have built additional safety margins into the risk classification system. As a result, expected losses according to the new capital adequacy rules exceed the bank's best estimate of loss levels and required provisions.

## Transition to Basel 2 rules

The transition to Basel 2 rules means that the legal capital requirement has decreased by 34 percent, to SEK 55 720m compared with SEK 84 091m according to the old rules.

## Capital requirements for credit risks according to IRB

The capital requirement for the part of the portfolio calculated according to IRB has increased by 17 percent to SEK 28 908m compared with the previous year. The large part of the change is in the corporate portfolio, where the capital requirement increased by 17 percent to SEK 20 257m. The capital requirement for exposures to institutions decreased by 8 percent to SEK 1 339m, while the corresponding change for retail exposures is an increase of 3 percent to SEK 5 402m. The capital requirement for securitisation was SEK 73m.

Swedbank financial companies Group Credit risks, IRB SEKm	Exposure after credit risk protection			Average risk weight, %		Capital requirement		
	Dec 31	Dec 31	%	Dec 31	Dec 31	Dec 31	Dec 31	%
	2008	2007		2008	2007	2008	2007	
<b>Total credit risks, IRB</b>	<b>1 169 555</b>	<b>1 199 270</b>	<b>-2</b>	<b>31</b>	<b>26</b>	<b>28 908</b>	<b>24 737</b>	<b>17</b>
<i>of which institutional exposures</i>	<i>64 049</i>	<i>204 329</i>	<i>-69</i>	<i>26</i>	<i>9</i>	<i>1 339</i>	<i>1 452</i>	<i>-8</i>
<i>of which corporate exposures</i>	<i>348 142</i>	<i>299 713</i>	<i>16</i>	<i>73</i>	<i>72</i>	<i>20 257</i>	<i>17 326</i>	<i>17</i>
<i>of which retail exposures</i>	<i>695 841</i>	<i>653 557</i>	<i>6</i>	<i>10</i>	<i>10</i>	<i>5 402</i>	<i>5 233</i>	<i>3</i>
<i>of which securitization</i>	<i>7 762</i>			<i>12</i>		<i>73</i>		
<i>of which other non credit-obligation asset exposures</i>	<i>53 761</i>	<i>41 671</i>	<i>29</i>	<i>43</i>	<i>22</i>	<i>1 837</i>	<i>726</i>	

## Capital requirement for credit risks according to the standardised approach

As of 2008, all companies in the financial companies group report according to the new Basel 2 rules. The companies that reported strictly according to the old Basel 1 rules in 2007 are now reporting according to the standardised approach in the new rules. These companies include the subsidiaries in the Baltics, Russia and Ukraine as well as the Swedish finance company.

## Market risks

According to the current rules and regulations, capital adequacy for market risks is either based on the standardised approach or on an internal VaR model which requires the approval of the Swedish Financial Supervisory Authority. In 2004, the parent company obtained such approval to use its own VaR model for general interest-rate risks, general and specific share-price risks in the trading stock, and exchange-rate risks throughout its business operations. Capital adequacy reporting has been done in accordance with this approval since the beginning of 2005. In 2006, the approval was expanded to include Baltic banking operations for general interest-rate risks in the trading stock and exchange-rate risks throughout its business operations.

At end-2008, the approval was amended, following a decision by the Swedish Financial Supervisory Authority, so that exchange-rate risks outside the trading stock, i.e. in other operations, are excluded from the internal VaR model. The capital required for exchange-rate risks in other operations is instead calculated using the standardised approach as stipulated in the rules and regulations. The main reason for the method change was to exclude strategic exchange-rate risks that are not suitable for VaR model calculation, rendering it in agreement with the Group's internal approach to and management of such risks. The change has entailed a lower capital requirement for market risks compared to the old model. However, the Group's capital requirement for market risks increased when compared to end-2007 due to higher financial market volatility and turbulence.

The capital requirement for other market risks thus refers to specific interest-rate risks in Swedbank AB and Hansabank Group, to share-price risks in the Hansabank Group, and to market risks in the remaining companies. Counterparty risks in the trading stock were previously recorded as market risks; however, according to the new rules and regulations they are included in credit risks.

## Operating risk

Swedbank has chosen the standardised approach to calculate operational risk. According to the Swedish FSA, Swedbank meets the qualitative requirements to apply this method.

## Income statement, Parent Company

SEKm	Q4 2008	Q3 2008	%	Q4 2007	%	Full-year 2008	Full-year 2007	%
<i>Interest income</i>	12 946	12 085	7	11 185	16	47 066	38 449	22
<i>Interest expenses</i>	-10 520	-9 950	6	-9 107	16	-38 237	-30 866	24
<b>Net interest income</b>	<b>2 426</b>	<b>2 135</b>	<b>14</b>	<b>2 078</b>	<b>17</b>	<b>8 829</b>	<b>7 583</b>	<b>16</b>
Dividends received	1 356	-2		4 736	-71	1 583	5 400	-71
<i>Commission income</i>	1 310	1 410	-7	1 417	-8	5 462	5 651	-3
<i>Commission expenses</i>	-368	-293	26	-205	80	-1 252	-733	71
<b>Net commission income (Note 1)</b>	<b>942</b>	<b>1 117</b>	<b>-16</b>	<b>1 212</b>	<b>-22</b>	<b>4 210</b>	<b>4 918</b>	<b>-14</b>
Net gains and losses on financial items at fair value (Note 2)	83	5		145	-43	855	363	
Other income	1 199	290		309		2 519	1 195	
<b>Total income</b>	<b>6 006</b>	<b>3 545</b>	<b>69</b>	<b>8 480</b>	<b>-29</b>	<b>17 996</b>	<b>19 459</b>	<b>-8</b>
General administrative expenses								
- Staff costs	1 706	1 576	8	1 613	6	6 568	6 361	3
- Other expenses	1 244	999	25	1 053	18	4 372	3 981	10
<b>Total general administrative expenses</b>	<b>2 950</b>	<b>2 575</b>	<b>15</b>	<b>2 666</b>	<b>11</b>	<b>10 940</b>	<b>10 342</b>	<b>6</b>
Depreciation/amortisation of tangible and intangible fixed assets	97	101	-4	99	-2	395	390	1
Other operating expenses	34	17	100	15		98	93	5
<b>Total expenses</b>	<b>3 081</b>	<b>2 693</b>	<b>14</b>	<b>2 780</b>	<b>11</b>	<b>11 433</b>	<b>10 825</b>	<b>6</b>
<b>Profit before loan losses and impairments</b>	<b>2 925</b>	<b>852</b>		<b>5 700</b>	<b>-49</b>	<b>6 563</b>	<b>8 634</b>	<b>-24</b>
Loan losses, net (Note 3)	269	299	-10	59		762	79	
Impairment of financial fixed assets	2 965	0		7		2 965	7	
<b>Operating profit</b>	<b>-309</b>	<b>553</b>		<b>5 634</b>		<b>2 836</b>	<b>8 548</b>	<b>-67</b>
Appropriations	-690	0		-1 935	-64	-690	-1 935	-64
Tax expense	71	129	-45	1 060	-93	830	1 746	-52
<b>Profit for the period</b>	<b>-1 070</b>	<b>424</b>		<b>2 639</b>		<b>1 316</b>	<b>4 867</b>	<b>-73</b>

## Balance sheet

SEKm	Group		Parent company	
	Dec 31 2008	Dec 31 2007	Dec 31 2008	Dec 31 2007
<b>Assets</b>				
Loans to credit institutions	128 536	174 014	522 327	386 240
Loans to the public	1 287 424	1 135 287	397 515	362 213
Interest-bearing securities	133 694	115 492	261 666	134 452
Shares and participating interests	60 182	77 618	48 777	47 765
- for which customers bear the investment risk	51 638	69 324		
Derivatives	128 055	36 984	133 982	33 227
Other assets	73 799	68 589	37 553	33 664
<b>Total assets</b>	<b>1 811 690</b>	<b>1 607 984</b>	<b>1 401 820</b>	<b>997 561</b>
<b>Liabilities and equity</b>				
Amounts owed to credit institutions	316 730	163 785	425 284	230 802
Deposits and borrowings from the public	508 456	458 375	393 079	348 557
Debt securities in issue, etc	593 365	673 116	278 051	229 381
Financial liabilities for which customers bear the investment risk	52 074	69 819		
Derivatives	116 720	36 267	136 639	34 392
Other liabilities and provisions	93 128	98 563	79 011	75 355
Subordinated liabilities	44 755	39 736	42 677	36 975
Untaxed reserves			5 855	5 164
Equity	86 462	68 323	41 224	36 935
- <i>Minority interest</i>	232	315		
- <i>Equity attributable to shareholders of Swedbank AB</i>	86 230	68 008	41 224	36 935
<b>Total liabilities and equity</b>	<b>1 811 690</b>	<b>1 607 984</b>	<b>1 401 820</b>	<b>997 561</b>
Assets pledged for own liabilities	693 518	150 880	304 160	81 214
Other assets pledged	3 420	32 111	3 350	32 083
Contingent liabilities	43 860	31 324	36 862	25 346
Commitments	199 643	191 495	157 325	149 084

## Cash flow statement

SEKm	Group		Parent company	
	Full-year 2008	Full-year 2007	Full-year 2008	Full-year 2007
<b>Cash and cash equivalents at beginning of period *</b>	<b>100 763</b>	<b>83 032</b>	<b>109 826</b>	<b>76 779</b>
Operating activities	46 953	-75 085	78 912	-30 328
Investing activities	372	-6 203	-61 895	-6 880
Financing activities	-94 292	97 626	60 275	70 253
<b>Cash flow for the period</b>	<b>-46 967</b>	<b>16 338</b>	<b>77 292</b>	<b>33 045</b>
Exchange rate differences on cash and cash equivalents	3 911	1 099		
Cash and cash equivalents in acquired entities		294		2
<b>Cash and cash equivalents at end of period *</b>	<b>57 707</b>	<b>100 763</b>	<b>187 118</b>	<b>109 826</b>
* of which, securities pledged for OMX				
- at beginning of period	8 086	4 384	8 086	4 384
- at end of period		8 086		8 086

## Turnover of own debt instruments

The Swedbank Group issues and repurchases its own debt instruments. This turnover is intended for the bank's securities operations and as a component in financing its operations. The turnover of interest-bearing securities, bonds and commercial paper in 2008 was as follows:

Issued (sold)	SEK 292bn (177)
Redeemed (bought)	SEK -296bn (-174)

## Statement of changes in equity, Group

SEKm	Minority interest	Shareholders' equity			Total equity
		Capital contributions	Non-registered shares	Other equity	
				Total	
<b>Opening balance January 1, 2007</b>	<b>303</b>	<b>14 891</b>		<b>45 083</b>	<b>59 974</b>
Translation difference of subsidiaries and associates	16			860	876
Hedging of net investments in foreign operations:					
-Gains/losses recognized directly in equity				-716	-716
-Related deferred tax				211	211
Cash flow hedges:					
-Gains/losses recognized directly in equity				-40	-40
-Transferred to Income statement, Net interest income				-44	-44
-Related deferred tax				-182	-182
-Transferred to initial carrying amount of hedged item				44	44
-Related deferred tax				157	157
<b>Net income for the period recognized directly in equity</b>	<b>16</b>			<b>290</b>	<b>290</b>
Profit for the period reported via income statement	140			11 996	12 136
<b>Total net income for the period</b>	<b>156</b>			<b>12 286</b>	<b>12 442</b>
Dividend	-172			-4 252	-4 424
New share issue	18				18
Minority interest in newly started business	10				10
<b>Closing balance December 31, 2007</b>	<b>315</b>	<b>14 891</b>		<b>53 117</b>	<b>68 008</b>
<b>Opening balance January 1, 2008</b>	<b>315</b>	<b>14 891</b>		<b>53 117</b>	<b>68 008</b>
Translation difference of subsidiaries and associates	-8			3 431	3 423
Hedging of net investments in foreign operations:					
-Gains/losses recognized directly in equity				-3 419	-3 419
-Related deferred tax				879	879
Cash flow hedges:					
-Gains/losses recognized directly in equity				-1 423	-1 423
-Transferred to Income statement, Net interest income				198	198
-Related deferred tax				332	332
<b>Net income for the period recognized directly in equity</b>	<b>-8</b>			<b>-2</b>	<b>-10</b>
Profit for the period reported via income statement	52			10 887	10 939
<b>Total net income for the period</b>	<b>44</b>			<b>10 885</b>	<b>10 929</b>
Dividend	-133			-4 639	-4 772
New share issue		9 360	3 010		12 370
Expenses in connection with new share issue		-394			-394
Minority interest acquired during the year	6				6
<b>Closing balance December 31, 2008</b>	<b>232</b>	<b>23 857</b>	<b>3 010</b>	<b>59 363</b>	<b>86 462</b>

## Statement of changes in equity, Parent Company

SEKm	Restricted equity	Non-restricted equity	Total equity
<b>Opening balance January 1, 2007</b>	<b>17 312</b>	<b>19 003</b>	<b>36 315</b>
Cash flow hedges:			
-Gains/losses recognized directly in equity		-157	-157
-Related deferred tax		44	44
-Transferred to initial carrying amount of hedged item		157	157
-Related deferred tax		-44	-44
Merger result, Söderhamns Sparbank AB		11	11
Group contributions paid		-8	-8
Related tax		2	2
<b>Net income for the period recognized directly in equity</b>		<b>5</b>	<b>5</b>
Profit for the period		4 867	4 867
<b>Total net income for the period</b>		<b>4 872</b>	<b>4 872</b>
Dividend		-4 252	-4 252
<b>Closing balance December 31, 2007</b>	<b>17 312</b>	<b>19 623</b>	<b>36 935</b>
<b>Opening balance January 1, 2008</b>	<b>17 312</b>	<b>19 623</b>	<b>36 935</b>
Cash flow hedges:			
-Gains/losses recognised directly in equity		-1 365	-1 365
-Transferred to Income statement, Net interest income		103	103
-Related deferred tax		332	332
Group contributions paid		-589	-589
Related tax		165	165
<b>Net income for the period recognized directly in equity</b>		<b>-1 354</b>	<b>-1 354</b>
Profit for the period		1 316	1 316
<b>Total net income for the period</b>		<b>-38</b>	<b>-38</b>
Dividend		-4 639	-4 639
New share issue	4 095	5 265	9 360
Expenses in connection with new share issue		-394	-394
<b>Closing balance December 31, 2008</b>	<b>21 407</b>	<b>19 817</b>	<b>41 224</b>

## Lending, Group

SEKbn	Dec 31 2008	Dec 31 2007	%
Private customers	628.0	559.5	12
<i>of which Swedbank Mortgage AB</i>	472.1	426.4	11
Real estate management	264.3	217.9	21
Retail, hotels, restaurants	49.5	42.5	16
Construction	19.3	16.3	18
Manufacturing	54.1	37.1	46
Transportation	27.5	21.8	26
Forestry and agriculture	55.4	49.9	11
Other corporate lending	143.1	141.2	1
Municipalities *	9.3	16.8	-45
<b>Total lending to the public, excl. repos</b>	<b>1 250.5</b>	<b>1 103.0</b>	<b>13</b>
<i>of which Baltic Banking Operations</i>	217.7	177.1	6 **
Credit institutions incl. the Swedish Nat'l Debt Office	92.6	83.4	11
Repurchase agreements (Repos)	72.9	122.9	-41
<i>of which to the public</i>	13.8	25.3	-45
<i>of which to credit inst. incl. the Swedish Nat'l Debt Office</i>	59.1	97.6	-39
<b>Total lending</b>	<b>1 416.0</b>	<b>1 309.3</b>	<b>8</b>

\* Not including municipal companies

\*\* Changes reported excl. foreign exchange effects

## Savings and investments, Group

SEKbn	Dec 31 2008	Dec 31 2007	%
<b>Deposits from the public</b>			
Households	278.3	274.3	1
Other deposits from the public	199.3	175.2	14
<b>Total deposits from the public</b>	<b>477.6</b>	<b>449.5</b>	<b>6</b>
<i>of which Baltic Banking Operations</i>	107.5	102.2	-9 *
Discretionary asset management **	219.0	204.7	7
Funds assets under management	343.3	421.3	-19
Unit-linked insurance	52.2	68.6	-24
Of which unit-linked insurance in own companies	-50.2	-66.9	-25
Retail bonds, interest-bearing	1.2	1.1	9
Retail bonds, equity linked	29.9	30.1	-1
<b>Total savings and investments</b>	<b>1 073.0</b>	<b>1 108.4</b>	<b>-3</b>

\* Changes reported excl. foreign exchange effects

\*\* Excluding investments in Swedbank Robur's funds

## Notes

### Note 1. Net commission income

<b>Group SEKm</b>	<b>Q4 2008</b>	<b>Q3 2008</b>	<b>Q4 2007</b>	<b>Full-year 2008</b>	<b>Full-year 2007</b>
<b>Commission income</b>					
Payment processing	1 401	1 384	1 216	5 349	4 612
Lending	129	194	162	658	671
Brokerage	144	171	290	734	1 064
Asset management	727	864	995	3 486	4 226
Other securities	31	53	47	132	104
Other	492	422	688	1 882	2 262
<b>Total</b>	<b>2 924</b>	<b>3 088</b>	<b>3 398</b>	<b>12 241</b>	<b>12 939</b>
<b>Commission expenses</b>					
Payment processing	-512	-485	-416	-1 929	-1 592
Securities	-126	-112	-128	-498	-446
Other	-275	-226	-318	-984	-1 021
<b>Total</b>	<b>-913</b>	<b>-823</b>	<b>-862</b>	<b>-3 411</b>	<b>-3 059</b>
<b>Total net commission income</b>	<b>2 011</b>	<b>2 265</b>	<b>2 536</b>	<b>8 830</b>	<b>9 880</b>
<b>Parent company SEKm</b>	<b>Q4 2008</b>	<b>Q3 2008</b>	<b>Q4 2007</b>	<b>Full-year 2008</b>	<b>Full-year 2007</b>
<b>Commission income</b>					
Payment processing	546	572	460	2 207	1 876
Lending	52	115	84	333	361
Brokerage	77	60	115	313	445
Asset management	325	364	435	1 453	1 815
Other securities	29	48	46	121	97
Other	281	251	277	1 035	1 057
<b>Total</b>	<b>1 310</b>	<b>1 410</b>	<b>1 417</b>	<b>5 462</b>	<b>5 651</b>
<b>Commission expenses</b>					
Payment processing	-159	-158	-95	-612	-403
Securities	-157	-111	-47	-514	-174
Other	-52	-24	-63	-126	-156
<b>Total</b>	<b>-368</b>	<b>-293</b>	<b>-205</b>	<b>-1 252</b>	<b>-733</b>
<b>Total net commission income</b>	<b>942</b>	<b>1 117</b>	<b>1 212</b>	<b>4 210</b>	<b>4 918</b>

## Note 2. Net gains and losses on financial items at fair value

Group SEKm	Q4 2008	Q3 2008	Q4 2007	Full-year 2008	Full-year 2007
<b>Trading, derivatives and fair value option</b>					
Shares/participating interests	128	-113	116	205	875
- of which change in value	90	-117	114	133	518
- of which dividend	38	4	2	72	357
Interest-bearing instruments	508	-286	-179	367	-540
- of which change in value of open interest-bearing position, Swedbank Mortgage	763	-172	66	598	71
- of which other change in value	-255	-114	-245	-231	-611
Other financial instruments	19	-1	62	122	60
- of which change in value	19	-1	62	122	60
<b>Total</b>	<b>655</b>	<b>-400</b>	<b>-1</b>	<b>694</b>	<b>395</b>
<b>Interest income compensation, claims valued at cost</b>					
	<b>12</b>	<b>2</b>	<b>1</b>	<b>19</b>	<b>15</b>
<b>Changes in exchange rates</b>	<b>577</b>	<b>289</b>	<b>386</b>	<b>1 638</b>	<b>1 281</b>
<b>Total net gains and losses on financial items at fair value</b>	<b>1 244</b>	<b>-109</b>	<b>386</b>	<b>2 351</b>	<b>1 691</b>
Parent company SEKm	Q4 2008	Q3 2008	Q4 2007	Full-year 2008	Full-year 2007
<b>Trading, derivatives and fair value option</b>					
Shares/participating interests	183	13	190	521	423
- of which change in value	183	13	190	521	423
Interest-bearing instruments	-163	-57	-265	-137	-652
- of which other change in value	-163	-57	-265	-137	-652
<b>Total</b>	<b>20</b>	<b>-44</b>	<b>-75</b>	<b>384</b>	<b>-229</b>
<b>Changes in exchange rates</b>	<b>63</b>	<b>49</b>	<b>220</b>	<b>471</b>	<b>592</b>
<b>Total net gains and losses on financial items at fair value</b>	<b>83</b>	<b>5</b>	<b>145</b>	<b>855</b>	<b>363</b>

## Note 3. Loan losses, net

Group SEKm	Q4 2008	Q3 2008	Q4 2007	Full-year 2008	Full-year 2007
<i>Loans assessed individually</i>					
Write-off of established loan losses	274	114	370	806	575
Reversal of previous provisions for loan losses that are now reported as established	-26	-34	-104	-291	-236
Provisions for probable loan losses	832	509	187	1 838	453
Recoveries of previously established loan losses	-69	-11	-85	-125	-178
Reversal of provisions for probable loan losses no longer required	-25	-72	-13	-194	-126
<b>Net expense for the period</b>	<b>986</b>	<b>506</b>	<b>355</b>	<b>2 034</b>	<b>488</b>
<i>Collective provisions for loans assessed individually</i>					
<b>Allocations/withdrawals from collective provisions</b>	<b>574</b>	<b>232</b>	<b>-176</b>	<b>874</b>	<b>-39</b>
<i>Collectively valued homogenous groups of loans with limited value and similar credit risk</i>					
Write-off of established loan losses	62	40	28	170	85
Recoveries of previously established loan losses	-16	-12	-5	-42	-23
Provision/reversal for collectively assessed loan losses	34	44	25	136	73
<b>The period's net expense for collectively valued homogenous claims</b>	<b>80</b>	<b>72</b>	<b>48</b>	<b>264</b>	<b>135</b>
<i>Contingent liabilities</i>					
<b>The period's net expense for discharged guarantees and other contingent liabilities</b>	<b>-7</b>	<b>2</b>	<b>11</b>	<b>-16</b>	<b>35</b>
<b>The period's net loan loss expense</b>	<b>1 633</b>	<b>812</b>	<b>238</b>	<b>3 156</b>	<b>619</b>
<b>Parent company</b>					
SEKm	Q4 2008	Q3 2008	Q4 2007	Full-year 2008	Full-year 2007
<i>Loans assessed individually</i>					
Write-off of established loan losses	132	53	252	539	399
Reversal of previous provisions for loan losses that are now reported as established	-21	-2	-42	-212	-140
Provisions for probable loan losses	225	239	104	550	193
Recoveries of previously established loan losses	-54	-3	-69	-74	-96
Reversal of provisions for probable loan losses no longer required	-20	-3	-8	-63	-72
<b>Net expense for the period</b>	<b>262</b>	<b>284</b>	<b>237</b>	<b>740</b>	<b>284</b>
<i>Collective provisions for loans assessed individually</i>					
<b>Allocations/withdrawals from collective provisions</b>	<b>-23</b>	<b>-23</b>	<b>-200</b>	<b>-75</b>	<b>-299</b>
<i>Collectively valued homogenous groups of loans with limited value and similar credit risk</i>					
Write-off of established loan losses	15	16	15	58	45
Recoveries of previously established loan losses	0	0	0	0	0
Provision/reversal for collectively assessed loan losses	12	16	2	41	17
<b>The period's net expense for collectively valued homogenous claims</b>	<b>27</b>	<b>32</b>	<b>17</b>	<b>99</b>	<b>62</b>
<i>Contingent liabilities</i>					
<b>The period's net expense for discharged guarantees and other contingent liabilities</b>	<b>3</b>	<b>6</b>	<b>5</b>	<b>-2</b>	<b>32</b>
<b>The period's net loan loss expense</b>	<b>269</b>	<b>299</b>	<b>59</b>	<b>762</b>	<b>79</b>

## Note 4. Loans to credit institutions and loans to the public

SEKm	Group		Parent company	
	Dec 31 2008	Dec 31 2007	Dec 31 2008	Dec 31 2007
Book value (before recognized provisions)	1 422 314	1 312 992	921 513	749 880
Specific provisions for individually assessed loans	-2 841	-1 145	-686	-407
Provisions for collectively valued homogenous groups of loans with limited value and similar credit risk	-320	-187	-124	-84
Collective provisions for individually assessed loans	-3 193	-2 359	-861	-936
<b>Total provisions</b>	<b>-6 354</b>	<b>-3 691</b>	<b>-1 671</b>	<b>-1 427</b>
<b>Book value</b>	<b>1 415 960</b>	<b>1 309 301</b>	<b>919 842</b>	<b>748 453</b>
Book value of impaired loans	7 397	1 740	1 026	303
<b>Property taken over to protect claims:</b>				
- Buildings and land	2	0	0	0
- Shares and participating interests	190	28	186	21
- Other	2	2	0	0
<b>Total</b>	<b>194</b>	<b>30</b>	<b>186</b>	<b>21</b>
Share of impaired loans, %	0.52	0.13	0.11	0.04
Total provision ratio for impaired loans, % *	60	120	91	180
Provision ratio for individually identified impaired loans, %	30	43	44	62

\* Total provision, i.e. all provisions for claims in relation to impaired loans, gross.

## Credit risks

Group	Specific provisions for	Collective provisions for	Provisions for	Book value	Book value
Sector/Industry	individually	individually	collectively	of loans	of impaired
Dec 31, 2008	assessed	assessed	assessed	after	loans
SEKm	loans	loans	homogenous groups	provisions	loans
Private customers	585	495	320	627 959	1 627
Real estate management	611	591		264 308	2 374
Retail, hotels, restaurants	436	351		49 499	932
Construction	237	166		19 277	432
Manufacturing	314	470		54 156	641
Transportation	68	191		27 486	381
Forestry and agriculture	70	85		55 383	117
Other corporate lending	520	844		143 122	893
Municipalities, excl. municipal corporates				9 341	
<b>Lending</b>	<b>2 841</b>	<b>3 193</b>	<b>320</b>	<b>1 250 531</b>	<b>7 397</b>
Credit Institutions incl. Nat'l Debt Office				92 597	
Repurchase agreements - credit					
Institutions incl. Nat'l Debt Office				59 067	
Repurchase agreements - public				13 765	
<b>Total lending to credit Institutions and the public</b>	<b>2 841</b>	<b>3 193</b>	<b>320</b>	<b>1 415 960</b>	<b>7 397</b>

## Derivatives

The Group trades derivatives in the normal course of business and to hedge certain positions with regard to the value of equities, interest rates and currencies.

Group SEKm	Interest related		Currency related		Equity related, etc.	
	Dec 31 2008	Dec 31 2007	Dec 31 2008	Dec 31 2007	Dec 31 2008	Dec 31 2007
Derivatives with positive book values	83 876	17 765	49 481	14 413	4 215	6 632
Derivatives with negative book values	79 026	19 856	46 152	13 350	1 058	4 887
Nominal amount	8 733 108	7 232 312	963 477	1 104 433	81 372	96 075

Derivatives with a value of SEK 9 516m (1 826) have, as a consequence of netting agreements, been recorded net in the balance sheet.

## Number of shares in issue

Average number of shares in issue	Q4 2008	Q3 2008	Q4 2007	Full-year 2008	Full-year 2007
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Average number of shares in issue before and after dilution	587 090 956	550 863 197	550 863 197	559 969 628	550 863 197
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In relation to the rights issue a bonus element was identified, which means that the average number of shares in issue has been retroactively restated.

Number of shares in issue on the closing day	Dec 31 2008	Dec 31 2007
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Ordinary shares	515 373 412	515 373 412
Subscribed and paid preference shares	194 985 456	
Subscribed but not paid preference shares	62 701 250	
<b>Total number of shares in issue on the closing day</b>	<b>773 060 118</b>	<b>515 373 412</b>

During the period 2-16 December 2008, preference shares were issued at the price of SEK 48 per share. As of 31 December, a total of 194 985 456 preference shares had been issued in the amount of SEK 9 359m and 62 701 250 preference shares were in issue in the amount of SEK 3 010m. The preference shares in issue were registered as of 19 January 2009. The new issue increased the Group's equity as of 31 December, after deducting transaction costs, by SEK 11 976m.

Holders of preference share have preference to an annual, non-cumulative dividend of up to SEK 4.80 per preference share, provided that the Annual General Meeting resolves to pay a dividend. If a higher dividend is declared on the ordinary shares, the same dividend will also be paid on preference shares. The exception is 2009, when the preference shares will have preference to a dividend of SEK 2.40 per share and nothing more.

In February and August of each year, starting in August 2009, holders of preference shares may request to convert their preference shares to ordinary shares. The request must pertain to the shareholder's entire holding. If the shareholder previously has not requested a conversion, all their preference shares outstanding will be converted ordinary shares in the month immediately after the month in which the Annual General Meeting is held in 2013.

Preference shares carry the same voting rights as ordinary shares.

## Number of employees

Number of employees	Dec 31 2008	Dec 31 2007
Swedish Banking	5 999	6 236
Baltic Banking	8 327	9 203
<i>Estonia</i>	2 950	3 246
<i>Latvia</i>	2 342	2 577
<i>Lithuania</i>	3 035	3 380
International Banking	4 175	4 045
<i>Ukraine</i>	3 302	3 433
<i>Russia</i>	631	386
<i>Nordic branches and Luxembourg</i>	143	125
<i>Other</i>	99	101
Swedbank Markets	736	659
Asset Management and Insurance	349	332
Shared Services & Group Staffs	1 694	1 673
<b>Total</b>	<b>21 280</b>	<b>22 148</b>

## **Signatures of the Board of Directors and the President**

The Board of Directors and the President certify that the year-end report for 2008 provides a fair and accurate overview of the operations, financial position and results of the Parent Company and the Group, and that it describes the significant risks and uncertainties faced by the Parent Company and the companies in the Group.

Stockholm, 11 February 2009

Carl Eric Stålberg  
Chair

Ulrika Francke  
Deputy Chair

Gail Buyske  
Board Member

Simon Ellis  
Board Member

Berit Hägglund-Marcus  
Board Member

Göran Johnsson  
Board Member

Helle Kruse Nielsen  
Board Member

Anders Nyblom  
Board Member

Monica Hellström  
Board Member  
Employee Representative

Kristina Janson  
Board Member  
Employee Representative

Jan Lidén  
President

## **Review report**

### **Introduction**

We have reviewed the year-end report for Swedbank AB (publ) for 2008. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and IAS 34. Our responsibility is to express a conclusion on this interim report based on our review.

### **Scope of review**

We conducted our review in accordance with the Standard on Review Engagements SÖG 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing in Sweden RS and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim report for Swedbank AB (publ) is not, in all material aspects, in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and IAS 34.

Stockholm, 11 February 2009

Deloitte AB  
Jan Palmqvist  
Authorised Public Accountant

## **Publication of financial information**

The Group's financial reports can be found on <http://www.swedbank.se/ir> or [www.swedbank.com](http://www.swedbank.com).

Swedbank will publish financial results on the following dates in 2009:

Interim report for the first quarter on 23 April

Interim report for the second quarter on 17 July

Interim report for the third quarter on 21 October

## **Annual General Meeting 2009**

The Annual General Meeting will be held in Stockholm on 24 April 2009.

## **For further information, please contact:**

Jan Lidén

President and CEO

Telephone: + 46 8 585 922 27

Mikael Inglander

CFO

Telephone: +46 8 585 913 14

Johannes Rudbeck

Head of Investor Relations

Telephone: +46 8 585 933 22,  
+46 70 582 56 56

Thomas Backteman

Head of Group Corporate

Communications  
Telephone: +46 8 585 935 09,  
+46 73 098 14 17



### **Swedbank AB (publ)**

Registration no. 502017-7753

Brunkebergstorg 8

SE-105 34 Stockholm, Sweden

Tel.: +46 8 585 900 00

[www.swedbank.com](http://www.swedbank.com)