

Swedbank AS*

Interim report January-September

Tallinn, 5 November 2009



Third quarter 2009

compared with second quarter 2009

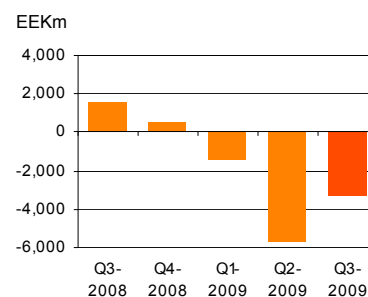
- Profit for the period was EEK -3 315m (-5 711)
- The return on equity was negative (negative)
- The cost/income ratio was 0.46 (0.33).
- Net interest income decreased by 13 per cent to EEK 1 453m (1 668)
- Impairment losses on loans amounted to EEK 5 043m (8 757). The loan loss ratio was 6.94 per cent (11.43)
- The tier 1 capital ratio was 9.7 per cent according to the Basel 2 rules (11.8 per cent on 31 December 2008)

January-September 2009

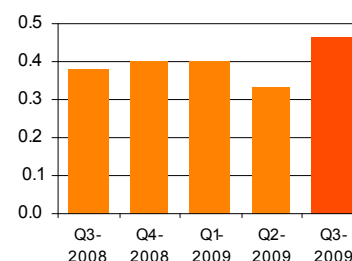
compared with January – September 2008

- Profit for the period was EEK -10 445m (5 469)
- Earnings per share was EEK -32.9 (EEK 17.2)
- The return on equity was negative (22.9 per cent)
- The cost/income ratio was 0.40 (0.37)
- Net interest income decreased by 37 per cent to EEK 5 152m (8 134)
- Impairment losses on loans amounted to EEK 17 125m (1 364). The loan loss ratio was 7.15 per cent (0.61)

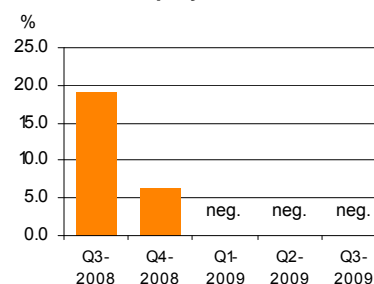
Profit for the period



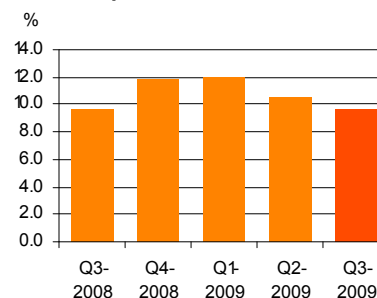
Cost/income ratio



Return on equity



Tier 1 capital ratio



* The consolidated financial statements of Swedbank AS (Estonia) comprise Swedbank AS and its subsidiaries (together referred to as "Swedbank in Baltics") and its interest in associates. The legal results of Swedbank AS do not reconcile with the business area results of Baltic Banking in the interim report of Swedbank Group due to the group level adjustments and elimination of certain business areas.

Financial summary

Income statement EEKm	Q3 2009	Q2 2009	%	Q3 2008	%	Jan-Sep 2009	Jan-Sep 2008	%
Net interest income	1 453	1 668	- 13	2 829	- 49	5 152	8 134	- 37
Net commissions	676	597	13	740	- 9	1 876	2 181	- 14
Net gains and losses on financial items at fair value	414	362	14	185		1 184	593	100
Other income	406	171		230	77	765	780	- 2
Total income	2 949	2 798	5	3 984	- 26	8 977	11 688	- 23
Staff costs	565	308	83	796	- 29	1 545	2 288	- 32
Other expenses	799	626	28	708	13	2 044	2 026	1
Total expenses	1 364	934	46	1 504	- 9	3 589	4 314	- 17
Profit before impairments and provisions	1 585	1 864	- 15	2 480	- 36	5 388	7 374	- 27
Impairment of tangible assets	78					78		
Impairment losses on loans and other credit risk provisions	5 043	8 757	- 42	670		17 125	1 364	
Operating profit	-3 536	-6 893	- 49	1 810		-11 815	6 010	
Tax expense	- 221	- 1 182	- 81	171		- 1 370	541	
Profit for the period for continuing operations	-3 315	-5 711	- 42	1 639		-10 445	5 469	

Key ratios	Q3 2009	Q2 2009		Q3 2008		Jan-Sep 2009	Jan-Sep 2008
Return on equity, %	neg.	neg.		19.3		neg.	22.9
Earnings per share, EEK	-10.5	-18.0		5.2		-32.9	17.2
Cost/income ratio	0.46	0.33		0.38		0.40	0.37
Tier 1 capital ratio, %	9.69	10.52		9.65		9.69	9.65
Capital adequacy ratio, %	13.19	13.94		12.25		13.19	12.25
Loan loss ratio, % ¹⁾	6.94	11.43		0.85		7.15	0.61
Share of impaired loans, net, %	8.18	7.02		1.36		8.18	1.36
Total provision ratio for impaired loans, %	51	51		53		51	53

¹⁾ Impairment losses on loans and other credit risk provisions, net, in relation to the lending opening balance (excluding repurchase agreements and loans to credit institutions) as well as loan guarantees.

Balance sheet data EEKbn	30 Sep 2009	31 Dec 2008	%	30 Sep 2008	%
Loans to the public	271	317	- 15	323	- 16
Deposits and borrowings from the public	149	154	- 3	169	- 12
Shareholders' equity	25	35	- 29	35	- 28
Total assets	349	395	- 12	396	- 12

Overview

The global economic crisis continued to affect operations during the period. During the second quarter GDP fell on an annual basis by 16 per cent in Estonia, 19 per cent in Latvia and 20 per cent in Lithuania. This dramatic development has created problems for a growing number of the bank's loan customers in repaying their interest and principal. At the same time demand for financial services, especially credit has dropped substantially. The negative trend has been most evident in Latvia. On the positive side first signs of macroeconomic stabilisation have appeared, mainly in Estonia.

All three Baltic countries reported current account surpluses for the first time since 2000 and certain industrial sectors have begun to show signs of recovery. Weak domestic demand and falling nominal wages have pushed inflation rates down in the region. In September the annual growth rate in the consumer price index (CPI) was -1.6 per cent in Estonia, 0.5 per cent in Latvia and 2.7 per cent in Lithuania.

The Baltic unit for problem loans (BFR&R), which was established in May to focus on customers and projects that require special attention during the recession, is now fully operational with a staff of 160. Specially designed tools, systems and processes, as well as training for this unit, have been developed and implemented.

The BFR&R unit is evaluating individual exposures and devising restructuring solutions together with the customer or, if no other solution is possible, ensuring that the necessary recovery action is taken to recoup the best possible value. The BFR&R portfolio is evenly divided between the Baltic countries, and over 50 per cent of exposures are in the commercial real estate segment.

Swedbank Robur AB will, subject to approval from the authorities, acquire the Swedbank Group's fund management companies in Estonia, Latvia and Lithuania in the fourth quarter of 2009, after which the Swedbank Group's asset management resources will be consolidated in a single organisation.

Current financial analysis is presented for continued operations, eg without OAO Swedbank and Hansa Leasing Ltd (sold in 2008) and the three fund management companies (to be sold in 2009). All historical ratios have been recalculated for continued operations.

As of the third quarter the management of trading and capital market operations in the Baltic countries was transferred to Swedbank Markets. In the Baltic Banking financial results these operations are shown under Other unit and eliminated from country business units. Comparative figures have been restated.

Events after 30 September 2009

Following an agreement with the Estonian financial supervisory authorities, Swedbank in Estonia is going to

compensate customers who invested in one of Swedbank's funds (Private Debt Fund) because the regulations on the management of conflicts of interest were unclear. The compensation cost will be reported in the fourth quarter and is estimated at around EEK 140m.

Third quarter 2009

Profit

Swedbank's result in Baltics was a loss of EEK 3 315m in the third quarter of 2009. Main contributors to the loss were impairment losses and increase in expenses during the quarter. Profit before impairments and provisions was EEK 1 585m, a decrease by 15 per cent from the previous quarter.

During the third quarter the losses on the sale of repossessed leasing assets were reclassified from other income to other expenses and impairment losses in order to unify reporting in Swedbank Group. The reclassification increased total income by EEK 345m, expenses by EEK 127m and impairment losses on loans by EEK 218m in Q309.

Total income was EEK 2 949 with quarterly increase of 5 per cent. Without the reclassification effect total income declined 7 per cent from second quarter.

Net interest income decreased 13 per cent compared to the second quarter. The decrease in net interest income was due to a lower Euribor rate, as the bank has more Euribor-sensitive assets than liabilities. On the positive side, bank has been able to reprice some of the portfolio that is already showing positive impact on net interest income.

Net commission income increased by 13 per cent to EEK 676m compared to the second quarter. The increase is driven by reclassification effect; normalised quarterly growth was 1 per cent.

Net gains and losses on items at fair value totalled EEK 414m in the third quarter with 14 per cent quarterly growth. Unrealised losses from hedge of Swedbank AS equity investment into the Latvian subsidiary impacted second quarter results thus reducing the comparison base.

Operating expenses increased by 46 per cent compared to the second quarter to EEK 1 364m. Second quarter results were lower due to reversal of bonus reserve in the amount of EEK 289m. Third quarter expenses are elevated due to reclassifications. Quarterly expense growth without these effects was 1 per cent. Slight expense growth is due to write-off of software development expenses in the amount of EEK 70m. Cost-income ratio was 0.46.

Staff costs declined due to vacation season and 6 per cent reduction in the number of employees during the

quarter. Number of branches was reduced by 22 during the quarter or 9 per cent of total branch network.

Reducing excess operational capacity and maintaining cost efficiency remains one of the key focus areas also for the coming quarters. Activities for productivity improvement include reduction of employee numbers, decrease in total compensation, branch network optimization as well as cost reduction in other administrative items.

Volumes

The volume of lending declined by 5 per cent during the quarter with highest decline in Latvia (7 per cent).

Deposit volume declined 2 per cent during the third quarter. Decline was largest in Latvia (8 per cent) due to falling household incomes.

Lending margin declined 11bp during the quarter to 1.17 per cent in Baltics with 19bp reduction in Estonia, 13bp reduction in Latvia and 5bp increase in Lithuania. The reduction is driven by two main drivers – an increase in funding cost as well as the growing share on non-performing loans.

Asset quality

The rate of increase in impaired loans slowed during the third quarter. Total impairment losses on loans were EEK 5 043m during the third quarter. Loan loss ratio formed 6.94 per cent of the loan portfolio. Second quarter impairment losses were elevated due to the collective provision. Impairment losses on loans increased in all segments of the economy.

January-September 2009

Profit

Due to impairment losses on loans of EEK 17 125m, Swedbank reported a loss of EEK 10 445m in Baltics, against a profit of EEK 5 469m in the same period last year. Profit before impairments and provisions was EEK 5 388m and decreased by 27 per cent from the previous year, mainly due to lower net interest income.

Income for the period fell by 23 per cent, mainly due to lower net interest income. Euribor rates continued to fall during the third quarter with the 6-month rate reaching 1 per cent. As the bank has more Euribor-linked assets (mainly lending) than liabilities (deposits and other financing), this affects net interest income adversely. Net interest income was also negatively affected by the increasing spread between local and euro interest rates. The bank has a short open position in local currency (Estonian kroon and Lithuanian lit), because of which the funding cost has not declined at the same rate as interest income.

Risk-adjusted re-pricing of loans continued during the quarter. During the nine-month period the bank re-priced 7 per cent of mortgage loans to better reflect risk and actual

funding costs. The average margin increase was approximately 100bp. In total, 27 per cent of the corporate portfolio has been re-priced. New lending margins have also increased and exceed the existing portfolio margin by 150-200bp. The positive effect is small, however, due to lower lending volume.

Net commission income fell by 13 per cent, driven by the low level of activity in the financial markets, the decrease in new lending and lower domestic demand. Net gains and losses on financial items at fair value increased by 100 per cent compared with the same period in 2008.

Expenses decreased by 17 per cent. The bank has taken comprehensive measures to adapt operations to slower economic activity. Detailed action plans with specific targets to increase operational efficiency, maximise procurement efficiencies and limit benefits have been implemented in all three countries.

The number of employees was reduced by about 1 000 or 12 per cent during the first nine months, and the number of branches was reduced by 15 per cent. As a result, the cost/income ratio was maintained at 0.40.

A deferred tax asset of EEK 1.4bn was formed from the current year tax loss in Latvia and Lithuania. The tax losses will be used to reduce future income tax expense in coming years.

Volumes

Lending volume has decreased by 13 per cent from the beginning of the year, with similar trends in all three Baltic countries. The decrease is the result of a combination of higher provisions and reduced new lending. Portfolios with the highest amortisation rates – leasing, factoring and consumer finance - decreased the fastest. Lending market share has decreased slightly (0.8pp) during the year to 30 per cent.

Deposits remained stable in Estonia and Lithuania, but decreased by 12 per cent in Latvia from the beginning of the year. Special campaigns to increase deposits and an active dialogue with customers have helped the bank to maintain its market share at 29 per cent in 2009.

As a result of stable deposit volumes and reduced lending, the loan-to-deposit ratio improved from 204 per cent at year-end to 182 per cent as of 30 September 2009.

Asset quality

Total impairment losses on loans were EEK 17 125m during the period. Of the impairment losses on loans, EEK 9 404m is related to Latvia.

The rate of increase in impaired loans slowed during the third quarter. Impaired loans, gross, increased to EEK 39bn (EEK 10bn at year-end). The increase relates mainly to the real estate sector and private individuals in

all three countries. The share of impaired loans, net, was 3.83 per cent in Estonia, 13.17 per cent in Latvia and 8.59 per cent in Lithuania.

Other events

The Global Finance magazine has recognised Swedbank as the Best Bank in Lithuania and Estonia of 2009.

As of September 1st, Helo Meigas, formerly Baltic Head of Human Resources, was appointed as the Chief Financial Officer of International Banking in Swedbank Group. Consequently, she resigned from Swedbank AS management board.

Estonia

Income statement

EEKm	Q3 2009	Q2 2009	%	Q3 2008	%	Jan-Sep 2009	Jan-Sep 2008	%
CONTINUING OPERATIONS								
Net interest income	570	675	- 16	1 170	- 51	2 011	3 212	- 37
Net commissions	238	235	1	286	- 17	716	862	- 17
Net gains and losses on financial items at fair value	49	105	- 53	- 21		215	27	
Share of profit or loss of associates	1			1		1	3	- 67
Other income	187	122	53	133	41	417	380	10
Total income	1 045	1 137	- 8	1 569	- 33	3 360	4 484	- 25
Staff costs	147	161	- 9	194	- 24	493	637	- 23
Profit-based staff costs				35	- 100		94	- 100
Other expenses	300	246	22	329	- 9	797	921	- 13
Depreciation/amortisation	12	12		12		37	38	- 3
Total expenses	459	419	10	570	- 19	1 327	1 690	- 21
Profit before impairments and provisions	586	718	- 18	999	- 41	2 033	2 794	- 27
Impairment of tangible assets	5					5		
Impairment losses on loans and other credit risk provisions	903	1 080	- 16	219		3 040	499	
Operating profit	- 322	- 362	- 11	780		-1 012	2 295	
Tax expense	1	7	- 86			8		
Profit for the period from continuing operations	- 323	- 369	- 12	780		-1 020	2 295	
Return on allocated equity, %	neg.	neg.		32.3		neg.	31.1	
Loan loss ratio, %	3.00	3.49		0.72		3.17	0.55	
Total provision ratio for impaired loans, %	55	54		58		55	58	
Share of impaired loans, net, %	3.83	3.47		1.04		3.83	1.04	
Cost/income ratio	0.44	0.37		0.36		0.39	0.38	
Full-time employees	1 954	2 036	- 4	2 359	- 17	1 954	2 359	- 17
Lending, excluding repos	112 887	116 250	- 3	127 628	- 12	112 887	127 628	- 12
Deposits, excluding repos	69 725	69 825	- 0	76 384	- 9	69 725	76 384	- 9

Note: Current financial analysis is presented for continued operations (without Swedbank Investeerimisfondid AS). Trading and capital market operations are eliminated from country results. Comparative figures have been restated.

Development January - September

Swedbank Estonia incurred a loss of EEK 1 020m in nine months of 2009. Weak asset quality, declining base rate and capacity reduction were driving the performance. Profit before impairments and provisions was EEK 2 033m and decreased by 27 per cent from the previous year. The efforts to adapt to smaller business volumes and reduced revenue base helped to achieve solid cost/income ratio of 0.39.

Total income was EEK 3 360m in nine months of 2009, a decrease of 25 per cent over the year.

Net interest income decreased by 37 per cent. Smaller loan portfolio, declining Euribor, higher cost of domestic funding and increase in overdue loans all contributed to the decline.

Net lending portfolio declined 12 per cent in annual comparison; a decline of 9 per cent in 2009. All core portfolios declined during the period: leasing and factoring EEK 4 025m, corporate portfolio EEK 2 001m, mortgages EEK 1 416m, and consumer finance EEK 604m. Lending market share has decreased 0.8pp to 44 per cent during 2009. Deposit portfolio was almost unchanged during nine months of 2009. Despite fierce competition for deposits,

Estonian business unit has been able to maintain its market share at 48 per cent during eight months of 2009.

Net commission income was EEK 716m during the period with annual decline of 17 per cent. Net gains and losses on items at fair value was EEK 215m during the period.

Operating expenses decreased by 21 per cent compared to the same period last year and were EEK 1 327m. Employee related expenses experienced the fastest decline both due to no bonus allocations and decrease in number of employees. Number of employees decreased by 282 in the period. Annual employee decline was 17 per cent. Other expenses decreased mainly due to lower marketing, IT and office equipment related expenses. 17 branches were closed in 2009 owing to lower business volumes.

Impairment losses on loans and other credit risk provisions increased to EEK 3 040m in nine months of 2009. Loan loss ratio formed 3.17 per cent of loan portfolio in the period, up from 0.55 per cent in 2008. Loans overdue more than 60 days to loan portfolio were 5.96 per cent - up from 2.57 per cent at the end of 2008. Growth of overdue loans declined during third quarter.

Latvia

Income statement

EEKm	Q3 2009	Q2 2009	%	Q3 2008	%	Jan-Sep 2009	Jan-Sep 2008	%
CONTINUING OPERATIONS								
Net interest income	538	666	- 19	858	- 37	1 821	2 531	- 28
Net commissions	222	149	49	203	9	533	584	- 9
Net gains and losses on financial items at fair value	66	218	- 70	22		382	249	53
Share of profit or loss of associates								
Other income	79	15		37		115	102	13
Total income	905	1 048	- 14	1 120	- 19	2 851	3 466	- 18
Staff costs	130	131	- 1	166	- 22	414	515	- 20
Profit-based staff costs				12	- 100		95	- 100
Other expenses	312	182	71	265	18	724	763	- 5
Depreciation/amortisation	18	17	6	17	6	53	48	10
Total expenses	460	330	39	460		1 191	1 421	- 16
Profit before impairments and provisions	445	718	- 38	660	- 33	1 660	2 045	- 19
Impairment of tangible assets	29					29		
Impairment losses on loans and other credit risk provisions	2 674	5 314	- 50	258		9 404	562	
Operating profit	-2 258	-4 596	- 51	402		-7 773	1 483	
Tax expense	- 299	- 822	- 64	76		-1 117	258	
Profit for the period from continuing operations	-1 959	-3 774	- 48	326		-6 656	1 225	
Return on allocated equity, %	neg.	neg.		17.8		neg.	22.2	
Loan loss ratio, %	12.00	21.95		1.02		12.33	0.79	
Total provision ratio for impaired loans, %	53	49		37		53	37	
Share of impaired loans, net, %	13.17	11.82		2.21		13.17	2.21	
Cost/income ratio	0.51	0.31		0.41		0.42	0.41	
Full-time employees	1 764	1 865	- 5	2 340	- 25	1 764	2 340	- 25
Lending, excluding repos	81 318	87 232	- 7	102 159	- 20	81 318	102 159	- 20
Deposits, excluding repos	29 923	32 441	- 8	36 493	- 18	29 923	36 493	- 18

Note: Current financial analysis is presented for continued operations (without Swedbank leguldījumu Pārvaldes Sabiedrība AS). Trading and capital market operations are eliminated from country results. Comparative figures have been restated.

Development January – September

Economic contraction has been deeper in Latvia than in the other two Baltic countries. This has created problems for a growing number of the bank's loan customers in repaying their interest and principal. Swedbank in Latvia incurred a loss of EEK 6 656m in the period. Profit before impairments and provisions was EEK 1 660m and decreased by 19 per cent from the previous year. Given high impairment losses on loans and other credit risk provisions deferred tax asset was recognized and tax expense was positive EEK 1 117m during nine month period.

In order to adjust to lower business volumes and reduced revenue base the bank has gradually streamlined its organization and distribution network. During third quarter these efforts were intensified - annual decrease of employees reached 25 per cent. The bank has also closed 13 per cent of branches during the past year. As a result, solid cost-income ratio of 0.42 was achieved.

Total income of the Latvian business unit decreased by 18 per cent compared to the same period last year to EEK 2 851m. Net interest income decreased by 28 per cent. Main impact came from falling base rate, lower volumes and increase in overdue loans.

Lending portfolio declined by 18 per cent since 31 December 2008 and 20 per cent from 30 September 2008. Decline was largest in leasing and factoring EEK 4 124m and corporate lending EEK 3 505m followed by mortgages EEK 1 242m and consumer finance EEK 634m. Lending market share has declined by 1pp to 25 per cent in 2009. Deposits decreased by EEK 4 186m or 12 per cent since 31 December 2008. Deposit market share has declined 0.8pp to 16 per cent.

Net commission income decreased 9 per cent from the same period year ago. Decline is evident in all sub-items, especially so in lending related fees. Net gains and losses on items at fair value increased 53 per cent. Strong result is a combination of more favourable financial market and unrealised income from hedge of Swedbank AS equity investment to Latvia.

Latvian unit's operating expenses declined 16 per cent compared to the same period last year. Staff costs declined the most and significant reductions can also be seen in marketing and IT expenses.

Impairment losses on loans were EEK 9 404m during nine months of 2009. Loan loss ratio formed 12.33 per cent of loan portfolio. Loans overdue more than 60 days increased during the period and were 15.72 per cent of the loan portfolio, up from 3.19 per cent on 31 December 2008.

Lithuania

Income statement

EEKm	Q3 2009	Q2 2009	%	Q3 2008	%	Jan-Sep 2009	Jan-Sep 2008	%
CONTINUING OPERATIONS								
Net interest income	426	518	- 18	843	- 49	1 661	2 370	- 30
Net commissions	183	185	- 1	202	- 9	539	575	- 6
Net gains and losses on financial items at fair value	76	149	- 49	67	13	304	170	79
Share of profit or loss of associates								
Other income	138	35		67		230	207	11
Total income	823	887	- 7	1 179	- 30	2 734	3 322	- 18
Staff costs	167	165	1	178	- 6	523	665	- 21
Profit-based staff costs				32	- 100		113	- 100
Other expenses	233	207	13	240	- 3	645	681	- 5
Depreciation/amortisation	11	10	10	11		32	32	
Total expenses	411	382	8	461	- 11	1 200	1 491	- 20
Profit before impairments and provisions	412	505	- 18	718	- 43	1 534	1 831	- 16
Impairment of tangible assets	44					44		
Impairment losses on loans and other credit risk provisions	1 466	2 356	- 38	197		4 674	318	
Operating profit	-1 098	-1 851	- 41	521		-3 184	1 513	
Tax expense	77	- 367		94	- 18	- 261	280	
Profit for the period from continuing operations	-1 175	-1 484	- 21	427		-2 923	1 233	
Return on allocated equity, %	neg.	neg.		23.1		neg.	22.9	
Loan loss ratio, %	7.21	10.97		0.87		6.94	0.50	
Total provision ratio for impaired loans, %	44	53		84		44	84	
Share of impaired loans, net, %	8.59	6.56		0.80		8.59	0.80	
Cost/income ratio	0.50	0.43		0.39		0.44	0.45	
Full-time employees	2 311	2 519	- 8	2 881	- 20	2 311	2 881	- 20
Lending, excluding repos	76 747	80 398	- 5	90 471	- 15	76 747	90 471	- 15
Deposits, excluding repos	49 289	49 861	- 1	56 025	- 12	49 289	56 025	- 12

Note: Current financial analysis is presented for continued operations (without „Swedbank investicijų valdymas“ UAB). Trading and capital market operations are eliminated from country results. Comparative figures have been restated.

Development January – September

Swedbank in Lithuania incurred a loss of EEK 2 923m during nine months of 2009. Increase of impaired loans due to severe economic downturn accelerated in the third quarter. On the positive side, consistent improvement of operational efficiency, downsizing, and optimising other expenditures have helped to reach higher expense decline rate than that of total income. Profit before impairments and provisions was EEK 1 534m and decreased by 16 per cent from the previous year. Given high impairment losses on loans and other credit risk provisions deferred tax asset was recognized and tax expense was positive EEK 261m during nine month period.

Total income decreased by 18 per cent compared to the same period last year and was EEK 2 734m in the period. Net interest income decreased by 30 per cent. Lower volumes, increasing domestic funding costs and higher overdue loans contributed the most to decline.

Lithuanian business unit's lending portfolio decreased by 15 per cent from 30 September 2008; a decline of 14 per cent in 2009.

Decline was largest in leasing and factoring EEK 5 374m, corporate lending EEK 1 843m followed by consumer finance

EEK 683m and mortgages EEK 592m. Lending market share decreased by 0.6pp to 23 per cent in eight months of 2009. Deposits were unchanged during the nine month period. Deposit market share declined 0.5pp to 28 per cent.

Net commission income decreased 6 per cent from the same period last year. Net gains and losses on items at fair value increased by 79 per cent explained by poor results of 2008 and more stable financial markets during first half of 2009.

Operating expenses decreased 20 per cent compared to the same period last year. Largest decline was in employee related expenses. Number of employees was reduced by 464 during 2009; annual decline was 20 per cent. Other expenses declined on the account of lower IT and marketing expenses. 17 branches were closed in 2009 owing to lower business volumes.

Impairment losses on loans increased to EEK 4 674m. Loan loss ratio formed 6.94 per cent of lending portfolio in 2009. Loans overdue more than 60 days to loan portfolio were 9.57 per cent - up from 2.14 per cent as of 31 December 2008.

Income statement

EEKm	Q3 2009	Q2 2009	%	Q3 2008	%	Jan-Sep 2009	Jan-Sep 2008	%
CONTINUING OPERATIONS								
<i>Interest income</i>	3 732	4 261	- 12	6 579	- 43	13 502	19 033	- 29
<i>Interest expenses</i>	-2 279	-2 593	- 12	-3 750	- 39	-8 350	-10 899	- 23
Net interest income	1 453	1 668	- 13	2 829	- 49	5 152	8 134	- 37
<i>Commission income</i>	830	811	2	965	- 14	2 439	2 825	- 14
<i>Commission expenses</i>	- 154	- 214	- 28	- 225	- 32	- 563	- 644	- 13
Net commissions	676	597	13	740	- 9	1 876	2 181	- 14
Net gains and losses on financial items at fair value	414	362	14	185		1 184	593	100
Net insurance	138	143	- 3	109	27	384	349	10
Share of profit or loss of associates	1					1	3	- 67
Other income	267	28		121		380	428	- 11
Total income	2 949	2 798	5	3 984	- 26	8 977	11 688	- 23
Staff costs	565	308	83	796	- 29	1 545	2 288	- 32
Other expenses	706	533	32	617	14	1 761	1 765	- 0
Depreciation/amortisation	93	93		91	2	283	261	8
Total expenses	1 364	934	46	1 504	- 9	3 589	4 314	- 17
Profit before impairments and provisions	1 585	1 864	- 15	2 480	- 36	5 388	7 374	- 27
Impairment of tangible assets	78					78		
Impairment losses on loans and other credit risk provisions (note 3)	5 043	8 757	- 42	670		17 125	1 364	
Operating profit	-3 536	-6 893	- 49	1 810		-11 815	6 010	
Tax expense	- 221	- 1 182	- 81	171		- 1 370	541	
Profit for the period from continuing operations	-3 315	-5 711	- 42	1 639		-10 445	5 469	
DISCONTINUED OPERATIONS								
Profit for the period from discontinued operations (note 6)	46	35	31	37	24	112	146	- 23
Profit for the period	-3 269	-5 676	- 42	1 676		-10 333	5 615	
Earnings per share, EEK	- 10.5	- 18.0		5.2		- 32.9	17.2	

Statement of comprehensive income

EEKm	Q3 2009	Q2 2009	%	Q3 2008	%	Jan-Sep 2009	Jan-Sep 2008	%
Profit for the period reported via income statement	-3 269	-5 676	- 42	1 676		-10 333	5 615	
Exchange differences on translating foreign operations	- 154	239		- 123	25	39	- 296	
Cash flow hedges:								
-Gains/losses arising during the period				32	- 100	40	19	
Other comprehensive income for the period, net of tax	- 154	239		- 91	69	79	- 277	
Total comprehensive income for the period	-3 423	-5 437	- 37	1 585		-10 254	5 338	

Income statement, quarterly

EEKm	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008
CONTINUING OPERATIONS						
Interest income	3 732	4 261	5 509	6 688	6 579	6 287
Interest expenses	-2 279	-2 593	-3 478	-4 022	-3 750	-3 642
Net interest income	1 453	1 668	2 031	2 666	2 829	2 645
Commission income	830	811	798	926	965	971
Commission expenses	- 154	- 214	- 195	- 222	- 225	- 233
Net commissions	676	597	603	704	740	738
Net gains and losses on financial items at fair value	414	362	408	33	185	270
Net insurance	138	143	103	115	109	115
Share of profit or loss of associates	1					
Other income	267	28	85	142	121	218
Total income	2 949	2 798	3 230	3 660	3 984	3 986
Staff costs	565	308	672	692	796	578
Other expenses	706	533	522	679	617	638
Depreciation/amortisation	93	93	97	95	91	87
Total expenses	1 364	934	1 291	1 466	1 504	1 303
Profit before impairments and provisions	1 585	1 864	1 939	2 194	2 480	2 683
Impairment of tangible assets	78					
Impairment losses on loans and other credit risk provisions (note 3)	5 043	8 757	3 325	1 562	670	406
Operating profit	-3 536	-6 893	-1 386	632	1 810	2 277
Tax expense	- 221	-1 182	33	74	171	203
Profit for the period from continuing operations	-3 315	-5 711	-1 419	558	1 639	2 074
DISCONTINUED OPERATIONS						
Profit for the period from discontinued operations (note 6)	46	35	31	- 11	37	78
Profit for the period	-3 269	-5 676	-1 388	547	1 676	2 152
Earnings per share, EEK	- 10.5	- 18.0	- 4.5	1.8	5.2	6.5

Balance sheet

EEKm	30 Sep 2009	31 Dec 2008	%	30 Sep 2008	%
Assets					
Loans to credit institutions (note 4)	20 251	20 963	- 3	20 519	- 1
Loans to the public (note 4)	270 984	317 046	- 15	323 152	- 16
Interest-bearing securities	24 168	16 660	45	16 880	43
Shares and participating interests	2 608	2 261	15	3 362	- 22
- for which customers bear the investment risk	2 229	1 625	37	2 224	0
Derivatives	1 182	1 263	- 6	1 289	- 8
Other assets	29 120	36 157	- 19	30 592	- 5
Assets held for sale (note 6)	542	488	11	498	9
Total assets	348 855	394 838	- 12	396 292	- 12
Liabilities and equity					
Amounts owed to credit institutions	143 182	169 994	- 16	155 713	- 8
Deposits and borrowings from the public	148 937	153 785	- 3	169 123	- 12
Debt securities in issue, etc	12 227	13 672	- 11	13 763	- 11
Financial liabilities for which customers bear the investment risk	2 241	1 630	37	2 227	1
Derivatives	892	321		262	
Other liabilities and provisions	8 385	12 165	- 31	12 521	- 33
Subordinated liabilities	7 823	7 823		7 823	
Liabilities held for sale (note 6)	28	55	- 49	54	- 48
Equity	25 140	35 393	- 29	34 806	- 28
Total liabilities and equity	348 855	394 838	- 12	396 292	- 12

Statement of changes in equity

EEKm	Shareholders' equity						
	Share capital	Other contributed equity	Reserves	Translation of foreign operations	Cash flow hedges	Retained earnings	Total
Opening balance 1 January, 2008	3 174	504	872	- 238	- 108	25 264	29 468
Appropriations to reserves			135			- 135	
Total comprehensive income for the period				- 296	19	5 615	5 338
Closing balance 30 Sep, 2008	3 174	504	1 007	- 534	- 89	30 744	34 806
Opening balance 1 January, 2008	3 174	504	872	- 238	- 108	25 264	29 468
Appropriations to reserves			136			- 136	
Total comprehensive income for the period				- 306	68	6 163	5 925
Closing balance 31 December, 2008	3 174	504	1 008	- 544	- 40	31 291	35 393
Opening balance 1 January, 2009	3 174	504	1 008	- 544	- 40	31 292	35 394
Appropriations to reserves			232			- 232	
Total comprehensive income for the period				39	40	-10 333	-10 254
Closing balance 30 Sep, 2009	3 174	504	1 240	- 505		20 727	25 140

Cash flow statement

EEKm	Jan-Sep 2009	Jan-Sep 2008	Full-year 2008
Cash flow from operating activities	33 235	-2 546	-24 085
Cash flow from investing activities	-1 108	- 337	766
Cash flow from financing activities	-25 249	-8 420	17 155
Cash flow for the period	6 878	-11 303	-6 164
Cash and cash equivalents at beginning of period	37 443	43 913	43 913
Cash flow for the period	6 878	-11 303	-6 164
Exchange differences on cash and cash equivalents	40	- 297	- 306
Cash and cash equivalents at end of period	44 361	32 313	37 443

Basis of Preparation

Swedbank AS (Estonia) is a fully-owned subsidiary of Swedbank AB. Swedbank AB, the parent company of Swedbank Group, publishes interim reports for Swedbank Group.

The Interim report for the period of January-September 2009 is not audited.

Note 1 Accounting policies

These interim report condensed financial statements are prepared in accordance with IAS 34 Interim financial reporting.

The accounting principles applied in the interim report are the same as those applied in the preparation of the Annual Report for 2008, with the exception of accounting principles related to the new standard below and the revised standard below.

These condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2008.

IFRS 8 Operating Segments

The Swedbank in Baltics has adopted IFRS 8 Operating Segments to its business area reporting, as of 1 January 2009. Under the standard previously applied, IAS 14 Segment Reporting, two sets of segments (business and geographical) was identified using a model based on risks and rewards. Under IFRS 8, the segment information is presented from the perspective of the company management and business segments are identified on the basis of the internal reporting to the company's chief operating decision maker. Swedbank in Baltics has identified its CEO as the chief operating decision maker and the internal reporting used by the CEO to monitor operations and take decisions on the allocation of resources forms the basis for the business area information presented.

The business area reporting under IAS 14 was based on the organisation and internal reporting, and hence only minor differences were identified in conjunction with the transition to IFRS 8.

The implementation of this standard has had no impact on the reported result or financial position of Swedbank in Baltics.

IAS 1 (revised) Presentation of Financial Statements

The revised standard entails, amongst other things, a more inclusive Income Statement referred to as a Statement of Comprehensive Income. This includes, in addition to the traditional Income statement, the profit/loss items previously reported directly in equity (not transactions with the equity holders), such as translation differences in conjunction with the currency translation of foreign operations' results. Companies may however choose to present either a Statement of Comprehensive Income, with sub-totals, or in the form of a traditional Income Statement followed by a presentation of the profit/loss items previously reported

directly in equity (other comprehensive income). Swedbank in Baltics has chosen the latter alternative of a traditional Income Statement and a separate presentation entitled "Other Comprehensive Income".

Amendments to IAS 1 also offer the opportunity to use new designations for the financial reports – an opportunity not taken by Swedbank.

The revised standard has had no impact on the reported result or financial position of Swedbank.

Note 2 Business area reporting

Jan-Sep 2009 EEKm	Estonia	Latvia	Lithuania	Other	Total
CONTINUING OPERATIONS					
Net interest income	2 011	1 821	1 661	- 341	5 152
Net commissions	716	533	539	88	1 876
Net gains and losses on financial items at fair value	215	382	304	283	1 184
Share of profit or loss of associates	1				1
Other income	417	115	230	2	764
Total income	3 360	2 851	2 734	32	8 977
Staff costs	493	414	523	402	1 832
Profit-based staff costs				- 287	- 287
Other expenses	797	724	645	- 405	1 761
Depreciation/amortisation	37	53	32	161	283
Total expenses	1 327	1 191	1 200	- 129	3 589
Profit before impairments and provisions	2 033	1 660	1 534	161	5 388
Impairment of tangible assets	5	29	44		78
Impairment losses on loans and other credit risk provisions	3 040	9 404	4 674	7	17 125
Operating profit	-1 012	-7 773	-3 184	154	-11 815
Tax expense	8	-1 117	- 261		-1 370
Profit for the period from continuing operations	-1 020	-6 656	-2 923	154	-10 445

Note 3 Impairment losses on loans and other credit risk provisions

EEKm	Q3 2009	Q2 2009	%	Q3 2008	%	Jan-Sep 2009	Jan-Sep 2008	%
<i>Provisions:</i>								
Collective provisions, net	-1 260	2 994				1 734		
Individual provisions	5 398	5 515	- 2	623		14 074	1 349	
Reversal of individual provisions no longer required	46	- 105		- 20		- 238	- 71	
Provisions for contingent liabilities, net	71	6		1		85	- 16	
Provisions, net	4 255	8 410	- 49	604		15 655	1 262	
<i>Write-offs:</i>								
Write-offs, total	986	470		104		1 871	254	
Reversal of individual provisions utilized for write-offs	- 166	- 72		- 12		- 295	- 75	
Write-offs not previously provided for	820	398		92		1 576	179	
Recovered from previous write-offs	- 32	- 51	- 37	- 26	23	- 106	- 77	38
Write-offs, net	788	347		66		1 470	102	
Impairment losses on loans and other credit risk provisions	5 043	8 757	- 42	670		17 125	1 364	

Note 4 Loans

EEKm	30 Sep 2009	31 Dec 2008	%	30 Sep 2008	%
Private customers	129 545	138 740	- 7	140 050	- 8
Real estate management	42 002	47 068	- 11	47 894	- 12
Retail, hotels, restaurants	19 952	26 516	- 25	28 614	- 30
Construction	5 197	8 083	- 36	9 171	- 43
Manufacturing	24 104	30 486	- 21	31 637	- 24
Transportation	12 952	15 677	- 17	16 029	- 19
Forestry and agriculture	6 331	7 462	- 15	8 607	- 26
Other corporate lending	28 640	35 422	- 19	37 233	- 23
Municipalities, excluding municipal companies	3 963	2 256	76	1 023	
Total lending to the public, excluding repos before collective provision	272 686	311 710	- 13	320 258	- 15
Not allocated collective provisions	-1 734				
Total lending to the public, excluding repos	270 952	311 710	- 13	320 258	- 15
Credit institutions	20 251	20 963	- 3	20 519	- 1
Repurchase agreements (Repos)	32	5 336	- 99	2 894	- 99
Total loans	291 235	338 009	- 14	343 671	- 15

Note 5 Capital Adequacy

New capital adequacy rules ("Basel 2")

On January 1, 2007 Estonia introduced new capital adequacy rules, Basel 2. The rules are based on the so-called Basel Accord and are being introduced throughout the EU according to the provisions of the EU's Banking Directive and Capital Requirements Directive.

In 2008, Swedbank in Baltics used standardized method for credit, market and operational risks in all group companies. As of first quarter 2009, IRB method is used to calculate capital requirement for credit risk. Information on the capital base and capital requirements is provided for the most significant subsidiaries within the Swedbank in Baltics: Swedbank AS (Estonia), Swedbank AS (Latvia), "Swedbank" AB (Lithuania) on solo bases.

Companies included in capital adequacy calculation

As of 30 September 2009, companies included in capital adequacy calculation were as follows:

Parent company and major subsidiaries	Subsidiaries	Companies NOT included in the CAD calculation *
Swedbank AS (Estonia)	Swedbank Investeerimisfondid AS Swedbank Support OÜ AS Hansa Capital Swedbank Liising AS AS Hansa Leasing Russia Swedbank Autopargi Juhtimise AS Hansa Private Equity Partners S.a.r.l. SRE Management OÜ SCORE Segundo OÜ	Swedbank Elukindlustus AS Swedbank Varakindlustus AS
Swedbank AS (Latvia)	Swedbank Lizings SIA Swedbank Īpašumi SIA SIA Īpašumu pārvaldes fonds SIA Zemju pārvaldes fonds SIA Komercoobjektu pārvaldes fonds SIA Mājokļu pārvaldes fonds Swedbank Autoparku Vadība SIA SIA Hansa Apdrošinašanas Brokeris Swedbank Ieguldījumu Pārvaldes Sabiedrība AS Swedbank Atklātais Pensiju Fonds AS	
"Swedbank" AB (Lithuania)	„Swedbank lizingas" UAB „Swedbank investiciju valdymas" UAB „Swedbank autoparko valdymas" UAB „Swedbank valda" UAB „Swedbank draudimo brokeris" UADBB	„Swedbank gyvybės draudimas" UAB

* The Swedbank insurance companies are not included according to the Basel 2 capital adequacy rules.

Capital base

The capital base serves as a buffer against the losses that can arise from risks to which Swedbank in Baltics is exposed. Bank's ability to sustain large losses is also to a large extent dependent on the strength of the income statement but also on more qualitative factors such as risk management capabilities and internal governance and control.

Capital requirement for credit risks

Credit risk refers to the risk that a counterpart is incapable of meeting its obligations and pledged assets do not cover the claims. Credit risk includes concentration risk that includes large individual exposures as well as significant exposures to groups of counterparts whose likelihood of default is driven by common underlying factors, such as the economy,

sector, geography, instrument type or other. Credit risk forms the largest part of the total outstanding risk for Swedbank in Baltics and is inherent in almost all regular credit products such as loans, leasing, credit cards, guarantees and derivatives.

Market risks

Exposure to market risks arises from positions that are affected by changes in market risk factors: interest rates, foreign exchange rates and equity prices (or other relevant risk factors such as implicit volatility for options).

For capital requirement calculation purposes, the standardized approach has been implemented under Basel 2 capital adequacy rules.

Operational risk

Operational risk stands for any undesirable impact to business objectives, including direct or indirect financial loss or loss of confidence, occurring in day-to-day business operation, resulting from errors or omissions in internal procedures or systems, or due to human errors or fraud, or from external events.

For defining capital requirement to cover unexpected losses from operational risk, Swedbank has implemented the standardized approach under Basel 2 capital adequacy rules in Baltics. The required methods have been implemented, such as loss database, risk self-assessment and business contingency planning.

Capital base

EEKm	Basel II	
	IRB 30 Sep 09	Standardised 31 Dec 08
Primary capital (Tier 1)		
Share capital	3 174	3 174
Share premium	504	504
Reserves	1 215	984
Retained earnings from previous periods	30 511	24 579
Retained earnings (loss) from current period	-10 753	6 163
Foreign currency translation reserve	- 505	- 544
Other reserves	1	- 39
Less: Intangible assets	- 285	- 307
Total Tier 1	23 862	34 514
Supplementary capital (Tier 2)		
Subordinated debt	7 745	7 823
Value adjustments and provisions exceeding the expected loss	1 018	
Supplementary capital (Tier 2)	8 763	7 823
Own funds, total	32 625	42 337
Deductions from own funds	482	479
Own funds, net	32 143	41 858

Capital ratios

%	Basel II	
	IRB 30 Sep 09	Standardised 31 Dec 08
Tier 1 capital ratio, %*	9.69	11.82
Tier 2 capital ratio, %**	3.50	2.62
Total capital adequacy ratio	13.19	14.44

* Tier 1 capital divided by total risk-weighted on and off balance sheet items

** Tier 2 capital divided by total risk-weighted on and off balance sheet items

Capital requirements Swedbank in Baltics

EEKm	Basel II	
	Basel II 30 Sep 09	IRB Standardised 31 Dec 08
Capital requirement for credit risks, standardized approach		
Central governments and central banks		37
Regional and local governments	94	98
Institutions administered by state authorities, non-profit institutions and associations	274	306
Credit institutions and investment firms	384	376
Companies	175	13 207
Retail exposures	14	3 230
Exposures secured by real property		8 087
Past due claims	2	474
Shares of investment funds	18	18
Other assets	683	1 080
Capital requirement for credit risks, internal ratings based approach		
Credit institutions and investment firms	75	
Other companies	15 359	
Other items	83	
Retail exposures	4 401	
Total capital requirement for credit risk	21 704	26 913
Capital requirement for market risks		
Foreign exchange risk capital requirement	680	358
Capital requirement for interest rate risk	182	193
Equity position capital requirement	18	4
Capital requirements for options		2
Total capital requirement for market risk	880	557
Capital requirement for operational risks		
Operational risk standardized approach	1 791	1 525
Total capital requirement for operational risk	1 791	1 525
Total capital requirement	24 375	28 995
Transitional minimum of own funds	22 656	
Total capital requirement for adequacy calculation	24 375	28 995

Capital requirements, significant subsidiaries (solo)

EEKm	Swedbank AS (Estonia)	Swedbank AS (Latvia)	"Swedbank" AB (Lithuania)
	30 Sep 09		
Capital requirement for credit risks, standardized approach			
Central governments and central banks	40	80	
Regional and local governments and associations	63	19	15
Credit institutions and investment firms	2 397	158	116
Companies	746	484	470
Past due claims	1	1	
Other assets	55	284	95
Capital requirement for credit risks, internal ratings based approach			
Credit institutions and investment firms	20	33	14
Other companies	5 196	3 361	2 989
Retail exposures	1 192	1 328	1 042
Total capital requirement for credit risk	9 949	5 748	4 741
Capital requirement for market risks			
Foreign exchange risk capital requirement	915		85
Capital requirement for interest rate risk	26	62	94
Equity position capital requirement	18		
Total capital requirement for market risk	959	62	179
Capital requirement for operational risks			
Operational risk standardized approach	583	474	570
Total capital requirement for operational risk	583	474	570
Total capital requirement	11 491	6 284	5 490
Transitional minimum of own funds	11 363	4 921	4 629
Total capital requirement for adequacy calculation	11 491	6 284	5 490

Note 6 Discontinued operations

Swedbank Robur in Sweden plans to acquire the Swedbank Group's fund management companies in Estonia, Latvia and Lithuania in the fourth quarter of 2009, after which the Group's asset management resources will be consolidated in a single organisation. The entities to be acquired are Swedbank Investeerimisfondid AS (Estonia), Swedbank Ieguldījumu Pārvaldes Sabiedrība AS (Latvia) and „Swedbank investīciju valdymas” UAB (Lithuania).

These operations are reported in accordance with IFRS 5, “Discontinued operations”.

In May 2008, AS Hansapank and AS Hansa Capital sold to Swedbank AB the following operations (Russian business unit):

- OOO Swedbank - 85% of the shares (Note: 15% of the shares belong to EBRD)
- Hansa Leasing Ltd - 100% of the shares

In 2008, the financial results of the sold entities have been consolidated for the period of January to April (incl) and are reported as discontinued operations in this interim report.

Profit for the year from discontinued operations

EEKm	Q3			Q2			Q3			Jan-Sep		
	2009	2009	%	2008	%	2008	%	2009	2008	%		
DISCONTINUED OPERATIONS												
Net interest income	4	4		3	33			11	243	- 95		
Net commissions	56	53	6	71	- 21			155	202	- 23		
Net gains and losses on financial items at fair value	7	7		- 9				13	- 9			
Other income									63	- 100		
Total income	67	64	5	65	3			179	499	- 64		
Staff costs	3	7	- 57	8	- 63			17	99	- 83		
Profit-based staff costs		2	- 100	3	- 100				27	- 100		
Other expenses	20	16	25	12	67			44	110	- 60		
Depreciation/amortisation				1	- 100				5	- 100		
Total expenses	23	25	- 8	24	- 4			61	241	- 75		
Profit before impairments and provisions	44	39	13	41	7			118	258	- 54		
Impairment losses on loans and other credit risk provisions									64	- 100		
Operating profit	44	39	13	41	7			118	194	- 39		
Tax expense	- 2	4		4				6	48	- 88		
Profit for the period from discontinued operations	46	35	31	37	24			112	146	- 23		

Net cash flows from discontinued operations

EEKm	Jan-Sep 2009	Jan-Sep 2008	Full-year 2008
Cash flow from operating activities	95	- 2 840	- 2 837
Cash flow from investing activities	2	- 1	1
Cash flow from financing activities	- 31	2 666	2 666
Cash flow for the period	66	- 175	- 170
Cash and cash equivalents at beginning of period	186	1 389	1 389
Cash flow for the period	66	- 175	- 170
Exchange differences on cash and cash equivalents		- 1	
Cash and cash equivalents at end of period	252	1 213	1 219

Assets and liabilities related to asset for sale

EEKm	30 Sep 2009	31 Dec 2008	%	30 Sep 2008	%
Assets					
Loans to credit institutions	253	190	33	183	38
Interest-bearing securities	72	66	9	49	47
Shares and participating interests	178	183	- 3	207	- 14
Other assets	39	49	- 20	59	- 34
Total assets	542	488	11	498	9
Liabilities and equity					
Derivatives	1				
Other liabilities and provisions	27	55	- 51	54	- 50
Equity	514	433	19	444	16
Total liabilities and equity	542	488	11	498	9

General information

Company name	Swedbank AS
Address	Liivalaia 8, Tallinn 15040, Estonia
Registered in	Republic of Estonia
Registry code	10060701 (Estonian Commercial Register)
Phone	+372 6310 310
Fax	+372 6310 410
SWIFT/BIC	HABAE2X
e-mail	swedbank@swedbank.ee
Internet homepage	www.swedbank.ee
Audit company	AS Deloitte Audit Eesti
Report balance sheet date	30 September 2009
Reporting period	1 January 2009 – 30 September 2009
Report currency	Estonian kroon (EEK), millions