



Interim report Q3 2008
23 October 2008
Jan Lidén
President and CEO

Content

- Highlights in Q3 results
- The macro-economic environment
- Comments on issues in focus
 - Funding and liquidity
 - Credit quality
 - Business areas
- Summary and conclusions

Stable NII - negative valuation effects as a result of the credit crisis

- Net profit for the period Jan-Sep amounted to SEK 8 972m (8 888)
- Net interest income increased by 15 percent to SEK 15 960m (13 898)
- Net commission income decreased by 7 percent to SEK 6 819m (7 344)
- Net gains and losses on financial items decreased by 15 percent to SEK 1107m (1 305)
- Loan losses, net* increased to SEK 1 523m
 - Loan losses in the Baltic Banking increased to SEK 823m
 - Loan losses in Swedish Banking increased to SEK 307 million

The macro-economic environment



Weaker economic outlook

- Financial crisis
- Global economy under stress
 - Quick deceleration of world economy
 - Advanced economies close to or moving into recession
- Recovery not yet in sight - and likely to be gradual when it comes
 - Declining credit demand
 - Emerging economies are still expected to provide a source of resilience
 - Households and corporates in many countries are under pressure from former inflation and lengthy credit contraction
 - Government efforts from a large number of countries are gradually expected to normalize the market conditions with an increased access and lower price levels on interbank capital

Effects on Swedbank's home markets

Sweden

- Weaker global growth restrain exports
- Fewer new jobs and unemployment rate above 7% in 2009
- Dampening increase of private consumption
- Lower tax rates for 2009 and likely additional tax cuts in 2010 in order to stimulate consumption
- Further rate cuts by the Swedish Riksbank are likely

Baltics

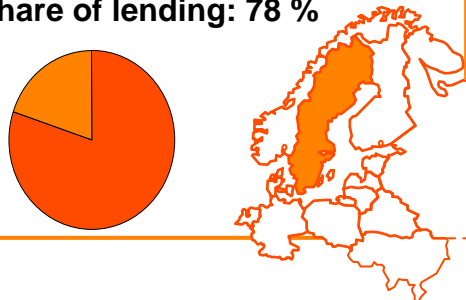
- Reduced demand in the Baltic Sea region is restraining growth
- Diminishing private consumption
- Lower current account deficit
- Gradually decreased inflation
- Lower foreign direct investments
- Likely cut downs in the welfare systems
- Declining economic conditions in the Baltics pose challenges for Swedbank as the region's largest bank.

Focus on credit quality and efficiency

Sweden

- Stricter lending criteria
- Personal contact with all customers with loans overdue
- Stricter requirements on minimum margins
- Process efficiency measures
- Restrictive employment policy
- Increased product sales

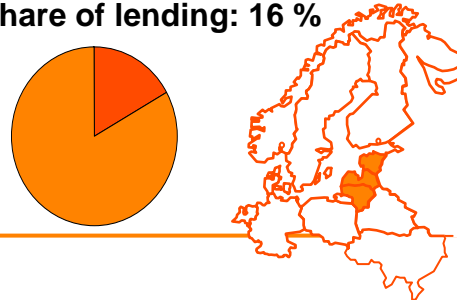
Share of lending: 78 %



Baltics

- Stricter lending criteria
- Balanced goal for loan to deposit ratio
- Personal contact with all customers with loans overdue
- Increased margins for new lending
- Staff reductions
- Self-adjusting performance pay system

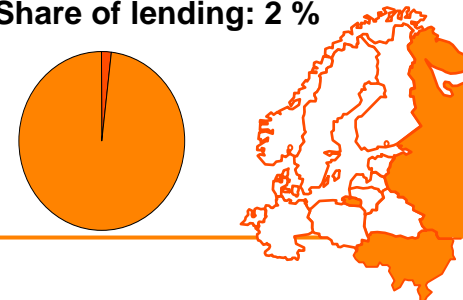
Share of lending: 16 %



Ukraine and Russia

- More focus on quality than growth
- Implementation of Group credit and risk systems
- Centralized credit decisions
- Group procurement process successfully implemented
- Streamlining of distribution network

Share of lending: 2 %



Funding and liquidity



Funding markets

- After mid September funding markets have worsened significantly – no risk appetite – flight to treasury bills
- Money markets and commercial paper markets have dried up
- Low volumes in primary issuance of both covered bonds and senior unsecured bonds, the secondary markets are illiquid and spreads have widened significantly
- The Swedish covered bond market has improved lately
 - Spreads between government bonds and mortgage bonds has tightened
 - Signs of increased trading
 - Mainly due to actions from Swedish authorities

Swedbank AB – Funding 2008 and 2009

- During 2008, Swedbank AB has issued senior unsecured bonds amounting to SEK 45 billion to external investors (excluding issues linked to index-linked bonds)
- In Q4 2008 senior unsecured bonds amounting to SEK 18 billion will mature
- In 2009 senior unsecured bonds amounting to SEK 40 billion will mature.

Swedbank Mortgage – Funding 2008 and 2009

- During 2008, Swedbank Mortgage has issued covered bonds amounting to SEK 94 billion to external investors
- During Q3 2008, Swedbank Mortgage has issued covered bonds amounting to SEK 29 billion to external investors
- In Q4 2008 covered bonds amounting to SEK 25 billion will mature
- In 2009 covered bonds amounting to SEK 102 billion will mature.

Deposits from the public

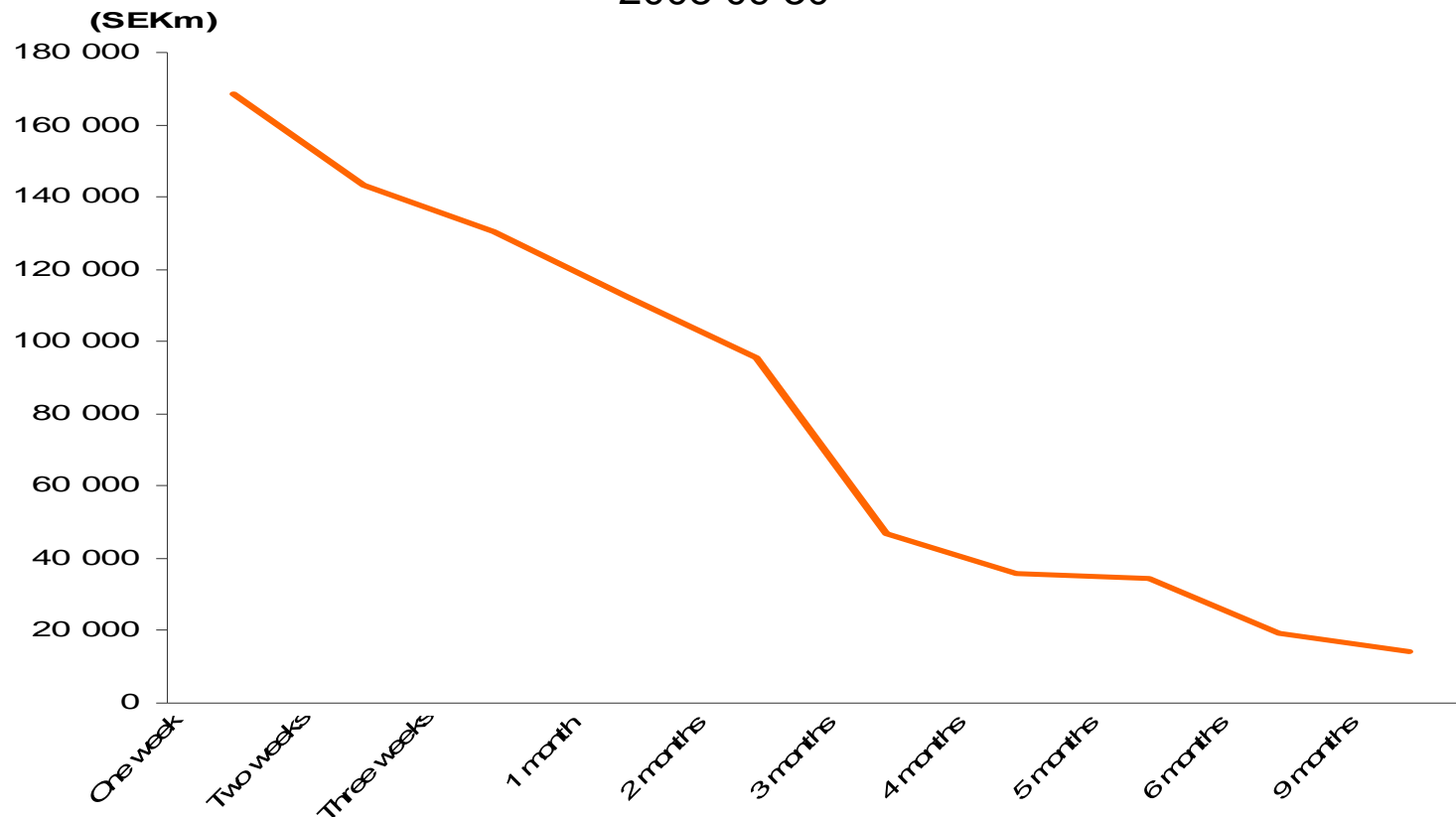
- Deposits declined during a period of speculations
 - Increased sales of other products, such as interest rate funds
 - Intensified focus on customer dialogue and improved customer offerings
 - During the last 12 months deposits in Swedish Banking have increased by 7% or SEK 22 billion, during Q3 2008 deposits decreased by 2% or SEK 5 billion
 - During the last 12 months deposits in Baltic Banking have increased by 8% in local currency (in SEK deposits increased by SEK 14 billion), during Q3 2008 deposits decreased by 2% in local currency (in SEK deposits increased by SEK 1 billion)

Liquidity

- Debt securities in issue are principally covered bonds with Aaa/aaa rating from Moody's and S&P
 - Class of assets with demand
- New covered bonds with long maturities have been issued
- Attractive savings accounts
- Adequate liquidity reserves which can be further enlarged

Liquidity stress test

2008 09 30



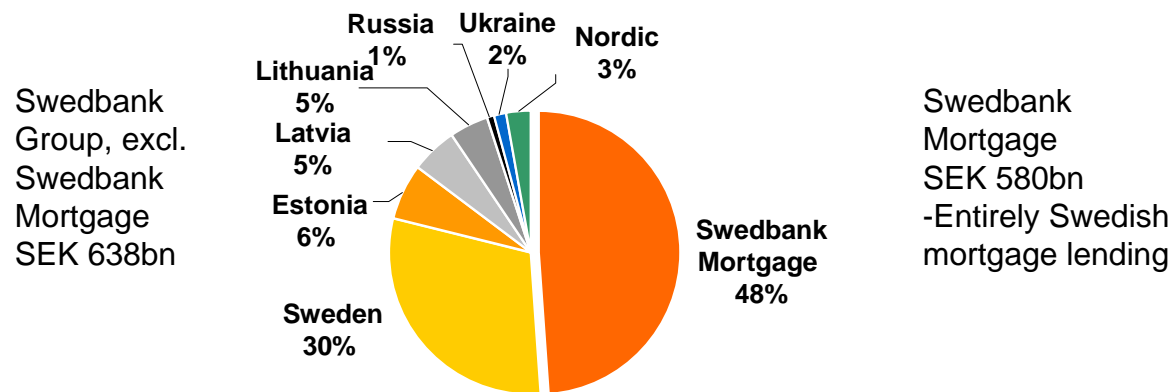
Main assumptions: No access to capital markets; no refinancing of debt to credit institutions, issued bonds or subordinated capital; and moderate reduction of business activities

The Swedish government's stability plan – summary

- Good intention – has the possibility to decrease the overall perceived risk level of the Swedish bank system
 - Could decrease the overall interest rate level
 - Could reduce the interest burden for individuals and companies
- Guaranty program to support banks and mortgage institutions with funding, max amount is SEK 1 500 billion
- For mid-term maturities (90 days – 5 years)
- The Swedish National Debt Office is responsible for the liquidity for shorter maturities
- Stabilisation fund of max SEK 15 billion to support potential future insolvencies in Swedish institutions
- Infusion of capital is made against preference shares
- Minimum requirements: Tier 1 capital ratio 6% and total capital adequacy ratio of 9%
- The stability plan is limited to 30 April 2009 (with a possibility to prolong it to 31 December 2009)
- The Swedish Parliament will make a resolution on 27 October and the new law will be in force as from 28 October
- Formal approval from the EU Commission

Swedbank lending structure

Lending to the public, SEK 1,218bn

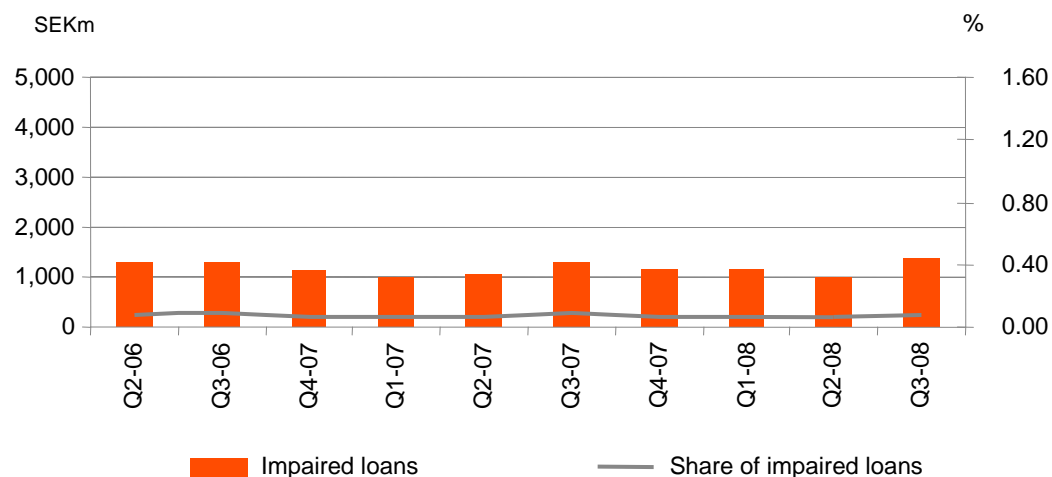


- Large deposits
- Liquidity reserves
- Liquidity limits – conservative view
- Swedbank Mortgage constitutes a larger part of Swedbank Group’s balance sheet compared to other financial institutions

Credit quality

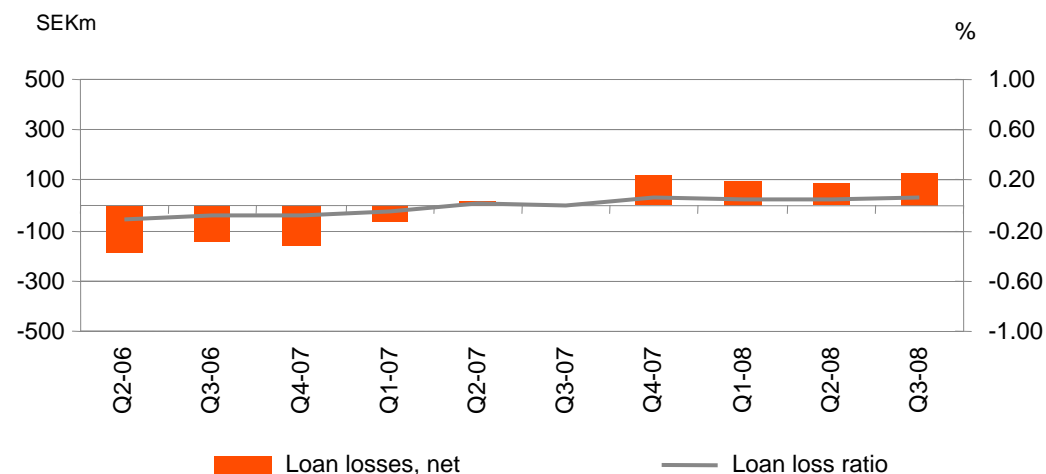


Credit quality, Swedish banking



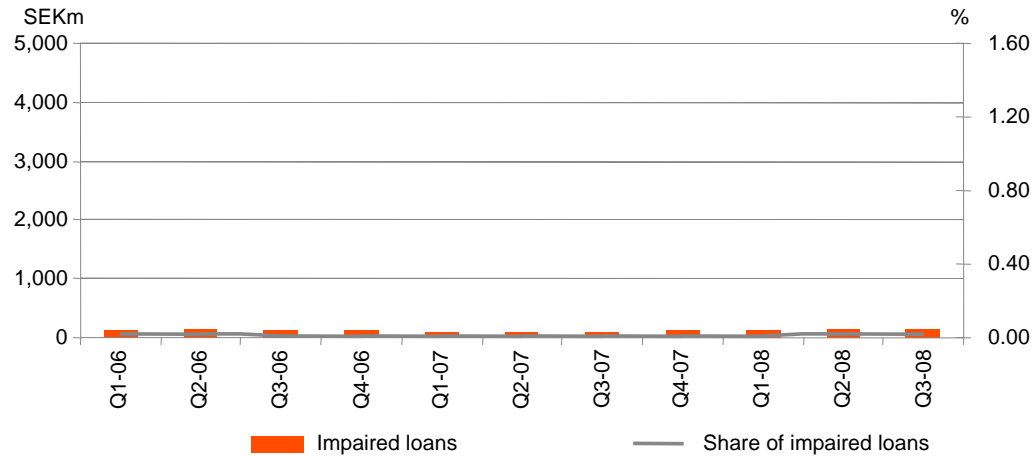
Share of impaired loans

	Q4-07	Q2-08	Q3-08
Private	0.02%	0.03%	0.04%
Corporate	0.11%	0.09%	0.14%
Total	0.06%	0.06%	0.08%



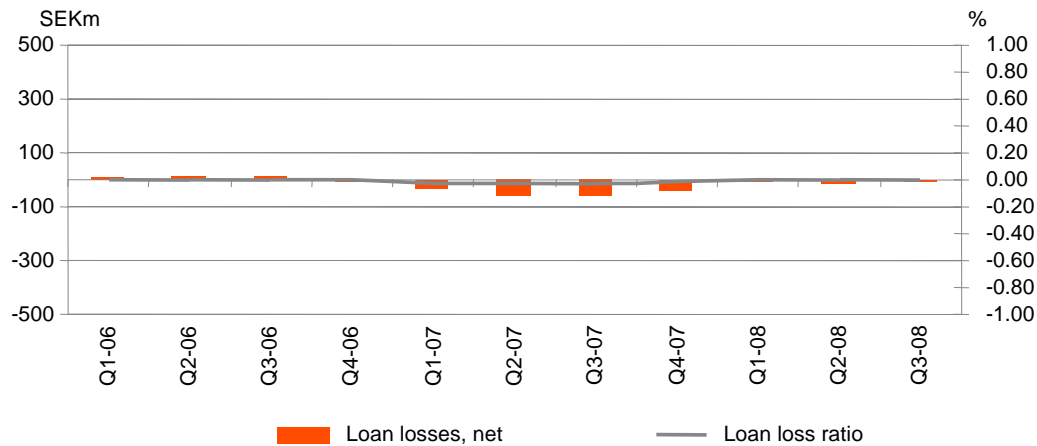
Loan losses, net = write-offs + provisions – recoveries

Credit quality, Swedbank Mortgage



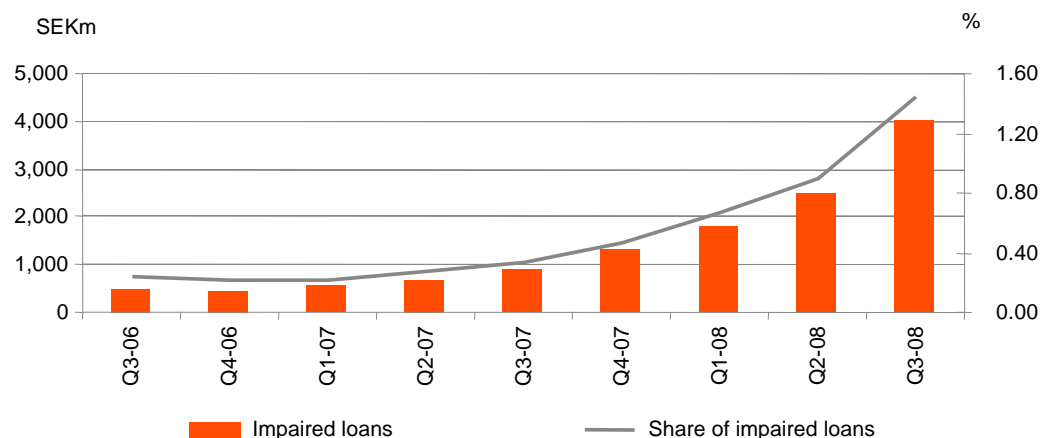
Share of impaired loans

	Q4-07	Q2-08	Q3-08
Private	0.01%	0.01%	0.01%
Corporate	0.01%	0.03%	0.03%
Total	0.01%	0.02%	0.02%



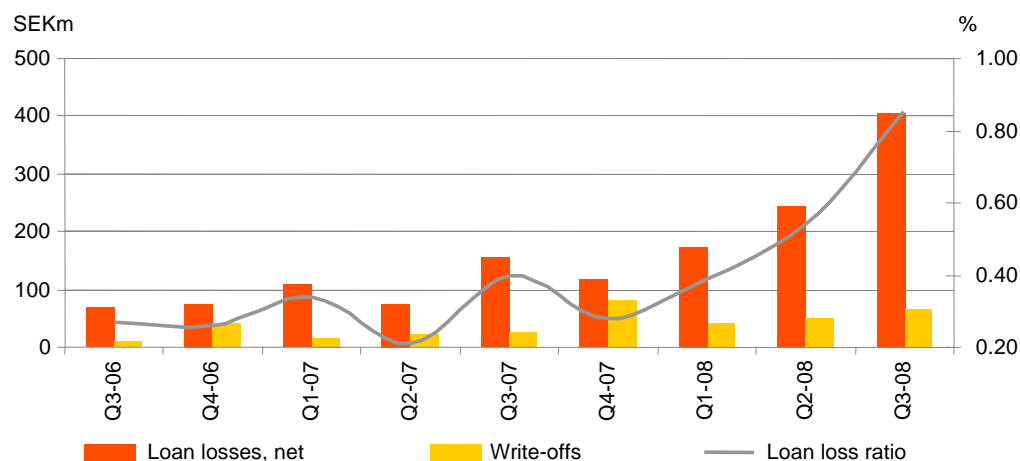
Loan losses, net = write-offs + provisions – recoveries

Credit quality, Baltic Banking Operations



Share of impaired loans

	Q4-07	Q2-08	Q3-08
Private	0.41%	0.72%	0.96%
Corporate	0.50%	1.01%	1.78%
Total	0.47%	0.91%	1.45%

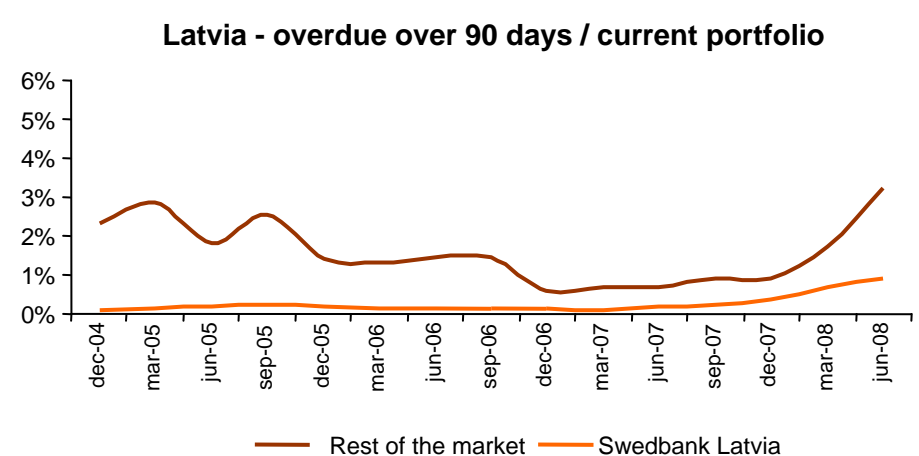
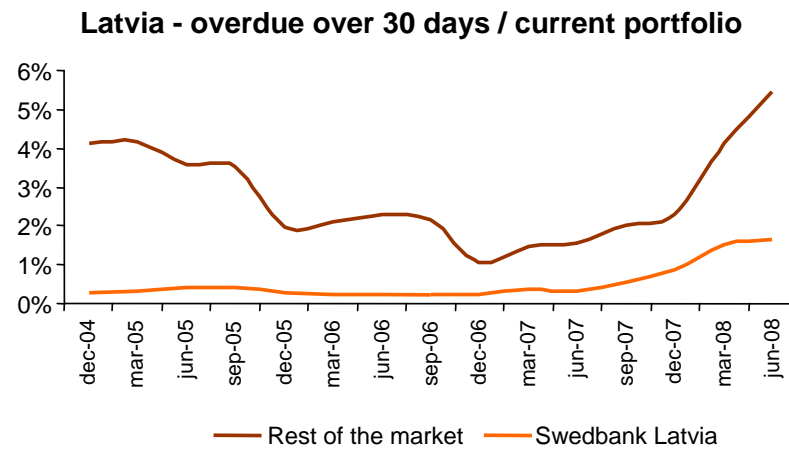
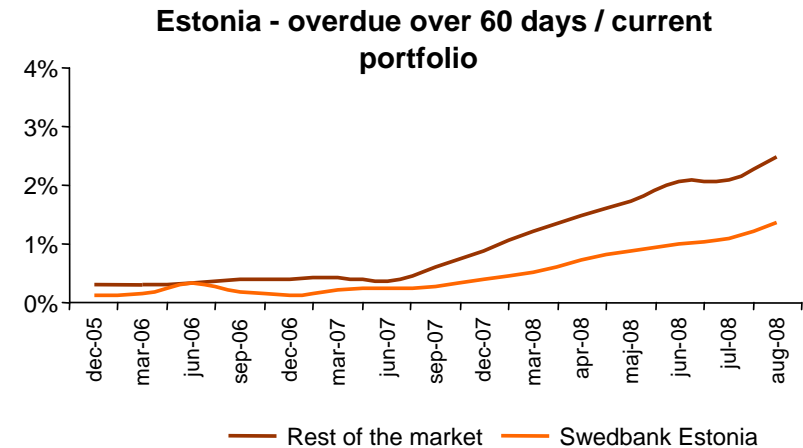
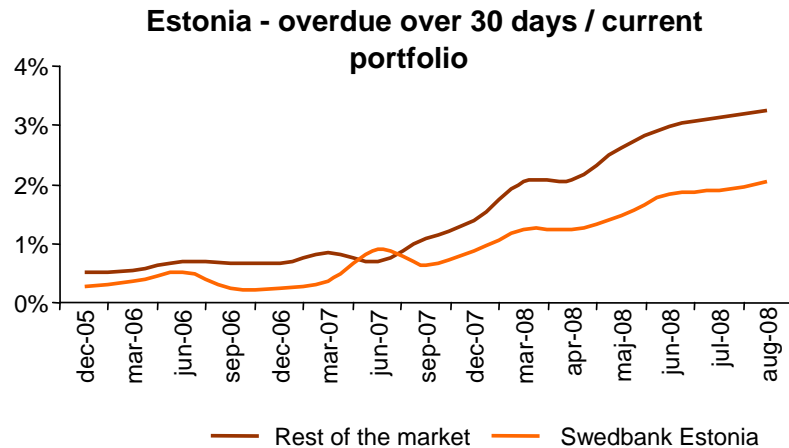


Loan loss ratio, net

	Q4-07	Q2-08	Q3-08	9M-08
Estonia	0.41%	0.55%	0.72%	0.57%
Latvia	0.46%	0.73%	1.02%	0.79%
Lithuania	-0.08%	0.30%	0.87%	0.50%
Total	0.28%	0.54%	0.85%	0.62%

Loan losses, net = write-offs + provisions – recoveries

Baltic banking overdues vs market



Collateral exposure towards Lehman Brothers

The assets

- 69 commercial mortgage loans
- Aggregate loan value well above exposure to Lehman USD 1 350m
- All loans are performing
- Secured by 52 pieces of commercial real estate
 - Geographic diversification over 19 states
 - Diversification over 11 different asset classes (eg. office, logistics, residential etc. both cash flow generating and development projects)

Conclusions as of Q3 2008

- On-site due diligence and dialogue with relevant parties
 - The due diligence has confirmed the value of the collateral
- Swedbank has preserved the right to the mortgage loans and associated cash-flow
- Neither Swedbank nor its auditors have found any need for provisions.

Exposures

- No direct US Sub-Prime exposure
 - Minimal indirect exposure through investments of EUR 19m in bonds issued by US mortgage institutions who, in their turn, have exposures towards US sub-prime
- Total exposure towards structured credits is minimal
 - Total commitments towards conduits or SIV's is EUR 9.5m
 - Negligible exposure towards CDO's
 - Swedbank holds a very small CDO trading stock for client trades in CDO's which we have issued ourselves with mainly large Cap's as underlying risk
 - Total holdings was EUR 12m at end Q3
 - Exposure towards Mortgage Backed Securities is appr. EUR 698m
 - European Aaa and mainly residential (RMBS)
 - Held for EUR liquidity purposes and client trading
- Hedge fund exposure is appr. EUR 169m, all collateralized
- Exposure towards private equity firms and their target companies is about EUR 1 460m in total
 - Nordic related LBO's
- In total, above mentioned exposures represent less than 1.5% of total assets

Business area summary

Swedish Banking

- Stable NII despite effects from troublesome funding markets
- Strong product sales during September
- Credit growth is moderating
- Continued strong credit quality with low losses and low share of non performing loans
- Continuous focus on cost control and credit quality

Baltic Banking

- Challenging macro economic environment
- Solid market performance despite market turbulence
- Net profit Jan-Sep 2008 in line with Jan-Sep 2007
- Continuous cost control – C/I ratio 0.38 in Q3
- Loan losses at expected levels – 85 bp in Q3

International Banking

- Recovered VAT of SEK 83m in Russia
- Three retail branches opened in Moscow and Kaliningrad
- Strong NII development in Ukraine
- Net 7 new branches in Ukraine during the third quarter

Swedbank Markets

- Retained or strengthened market shares in a highly volatile market conditions
- Strong FX trading
- Slow equity and fixed income trading
- Low activity in First Securities

Business areas

9M 2008 vs 2007, SEKm	Swedish Banking		Baltic Banking		Int'l. Banking		Swedbank Markets		Asset Mgmt	
	2008	%	2008	%	2008	%	2008	%	2008	%
Net interest income	8,810	0	4,773	17	1,415	77	1,125	66	77	24
Net commission income	3,120	-6	1,428	4	257	15	797	-15	1,217	-16
Other income	1,238	20	861	-9	168		189	-69	127	-22
Total income	13,168	0	7,062	10	1,840	68	2,111	-5	1,421	-15
Staff costs	3,162	-1	1,348	-7	589	99	833	-1	307	7
Other expenses	3,529	0	1,272	24	469	55	521	6	352	-5
Total expenses	6,691	-0	2,620	5	1,058	77	1,354	2	659	0
Profit before loan losses	6,477	1	4,442	13	782	59	757	-16	762	-25
Loan losses, net	307		823		230		169		0	
Operating profit	6,170	-4	3,619	1	552	44	588	-34	762	-25
Tax	1,657	-8	319	-4	165	59	168	-33	181	-28
Profit for the period	4,513	-3	3,300	1	387	38	420	-35	581	-24
Attributable to Swedbank's shareholders	4,503	-3	3,300	1	387	38	371	-35	581	-24
Return on allocated equity, %	20.6		29.9		6.1		15.4		35.6	

Group results
Mikael Inglander
CFO



Income statement

SEKm	Jan-Sep 2008	Jan-Sep 2007	%
Net interest income	15,960	13,898	15
Net commission income	6,819	7,344	- 7
Net gains/losses on financial items at fair value	1,107	1,305	- 15
Other income	2,231	1,503	48
Total income	26,117	24,050	9
Staff costs	6,802	6,023	13
Profit-based staff costs	688	1,136	- 39
Other expenses	5,693	5,034	13
Total expenses	13,183	12,193	8
Profit before loan losses	12,934	11,857	9
Loan losses , net	1,523	381	
Operating profit	11,411	11,476	- 1
Tax	2,380	2,500	- 5
Profit for the period	9,031	8,976	1
Attributable to shareholders of Swedbank	8,972	8,888	1

Income statement

SEKm	Q3 2008	Q2 2008	%	Q3 2007	%
Net interest income	5,424	5,295	2	4,806	13
Net commission income	2,265	2,374	- 5	2,503	- 10
Net gains/losses on financial items at fair value	- 109	1,141		196	
Other income	658	623	6	526	25
Total income	8,238	9,433	- 13	8,031	3
Staff costs	2,223	2,268	- 2	2,075	7
Profit-based staff costs	235	185	27	337	- 30
Other expenses	1,855	1,977	- 6	1,720	8
Total expenses	4,313	4,430	- 3	4,132	4
Profit before loan losses	3,925	5,003	- 22	3,899	1
Loan losses, net	812	423	92	230	
Operating profit	3,113	4,580	- 32	3,669	- 15
Tax	640	935	- 32	793	- 19
Profit for the period	2,473	3,645	- 32	2,876	- 14
Attributable to shareholders of Swedbank	2,468	3,604	- 32	2,866	- 14

Net interest income Swedish Banking

SEKm	Q3 2008 vs Q2 2008	Q3 2008 vs Q3 2007
<i>Net interest income Q2 2008</i>	2,971	
<i>Net interest income Q3 2007</i>		2,926
<i>Changes:</i>		
Higher lending volumes	35	204
Higher lending margins	15	
Decreased lending margins		- 139
Difference in number of days/quarter, lending	19	
Higher deposit volumes	20	117
Decreased deposit margins	- 44	
Higher deposit margins		33
Difference in number of days/quarter, deposits	12	
Other changes	- 171	- 284
Total change	- 114	- 69
<i>Net interest income Q3 2008</i>	2,857	2,857

Baltic Banking, change in net interest income

SEKm	Q3 2008 vs Q2 2008	Q3 2008 vs Q3 2007
<i>Net interest income Q2 2008</i>	1,531	
<i>Net interest income Q3 2007</i>		1,487
<i>Changes:</i>		
Higher lending volumes	26	171
Decreased lending margins	-19	-96
Difference in number of days/quarter, lending	11	0
Exchange rate effect, lending	15	25
Higher deposit volumes		56
Decreased deposit volumes	-1	
Higher deposit margins	83	
Decreased deposit margins	0	-52
Difference in number of days/quarter, deposits	7	0
Exchange rate effect, deposits	8	15
Other changes	6	61
Total change	136	180
<i>Net interest income Q3 2008</i>	1,667	1,667

Net commission income

SEKm	Q3 2008	Q2 2008	%	Q3 2007	%
Payments	899	839	7	814	10
Lending	194	199	- 3	183	6
Brokerage	166	188	- 12	243	- 32
Asset management	864	933	- 7	1,133	- 24
Insurance	69	71	- 3	94	- 27
Corporate finance	22	177	- 88	49	- 55
Other	51	- 33		- 13	
Total net commissions	2,265	2,374	- 5	2,503	- 10

Net gains and losses on financial items at fair value

SEKm	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007
Swedish Banking	-126	179	16	116	1	86
<i>Swedbank Mortgage open interest rate exposure</i>	-172	29	-22	66	-129	44
<i>MasterCard</i>		101			89	
Baltic Banking	107	205	78	163	213	235
International Banking	-6	114	22	30	42	7
<i>Inefficiency in hedge accounting</i>	-43	61				
Swedbank Markets	-210	118	244	137	167	187
<i>Valuation of credit bonds</i>	-217	0	-187	0	-60	0
Asset Management & Insurance	-14	25	-15	-1	1	1
Shared Service and Group Staff	139	512	-270	-31	-228	69
<i>Derivatives Group funding</i>	0	419	-272	21	-89	78
Eliminations	1	-12	0	-28	0	-6
Total, net gains and losses	-109	1 141	75	386	196	579

Swedbank has reclassified interest-bearing securities with an book value of SEK 7 662 million to the category Held to Maturity. Accounting according to the theoretical value would have decreased total income by SEK 610m in the third quarter.

Expenses

SEKm	Q3 2008	Q2 2008	%	Q3 2007	%
Swedish Banking	2,197	2,239	- 2	2,208	- 0
Baltic Banking	926	795	16	864	7
International Banking	315	391	- 19	318	- 1
Swedbank Markets	398	543	- 27	377	6
Asset Management & Insurance	200	206	- 3	236	- 15
Other	277	256	8	129	
Total expenses	4,313	4,430	- 3	4,132	4
<i>of which staff costs in:</i>					
Swedish Banking	1,046	1,017	3	1,093	- 4
Baltic Banking	483	343	41	511	- 5
International Banking	213	198	8	149	43
Swedbank Markets	227	369	- 38	210	8
Asset Management & Insurance	99	98	1	109	- 9

Key figures

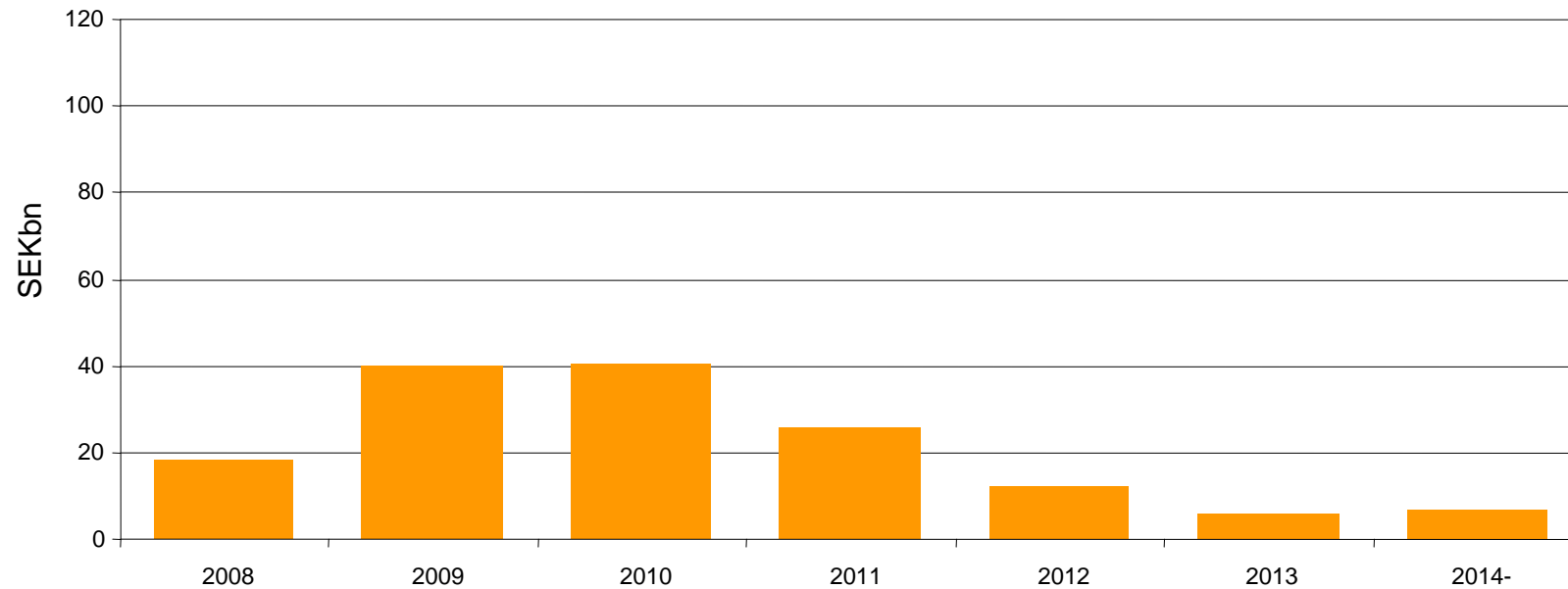
	Q3, 2008	Q2, 2008	Q3, 2007
Return on equity, %	13.8	20.6	18.1
Earnings per share, SEK	4.79	6.99	5.57
Equity per share, SEK	141.68	135.81	124.89
C/I ratio before loan losses	0.52	0.47	0.51
Loan loss ratio, net, %	0.27	0.14	0.09
Share of impaired loans, %	0.32	0.20	0.14
Provision ratio for impaired loans, %	73	91	138
Tier 1 capital ratio, new rules, %	8.7	8.8	8.6
Tier 1 capital ratio, transition rules, %	6.8	6.7	6.2
Capital adequacy ratio, new rules, %	12.5	12.6	13.1

Summary

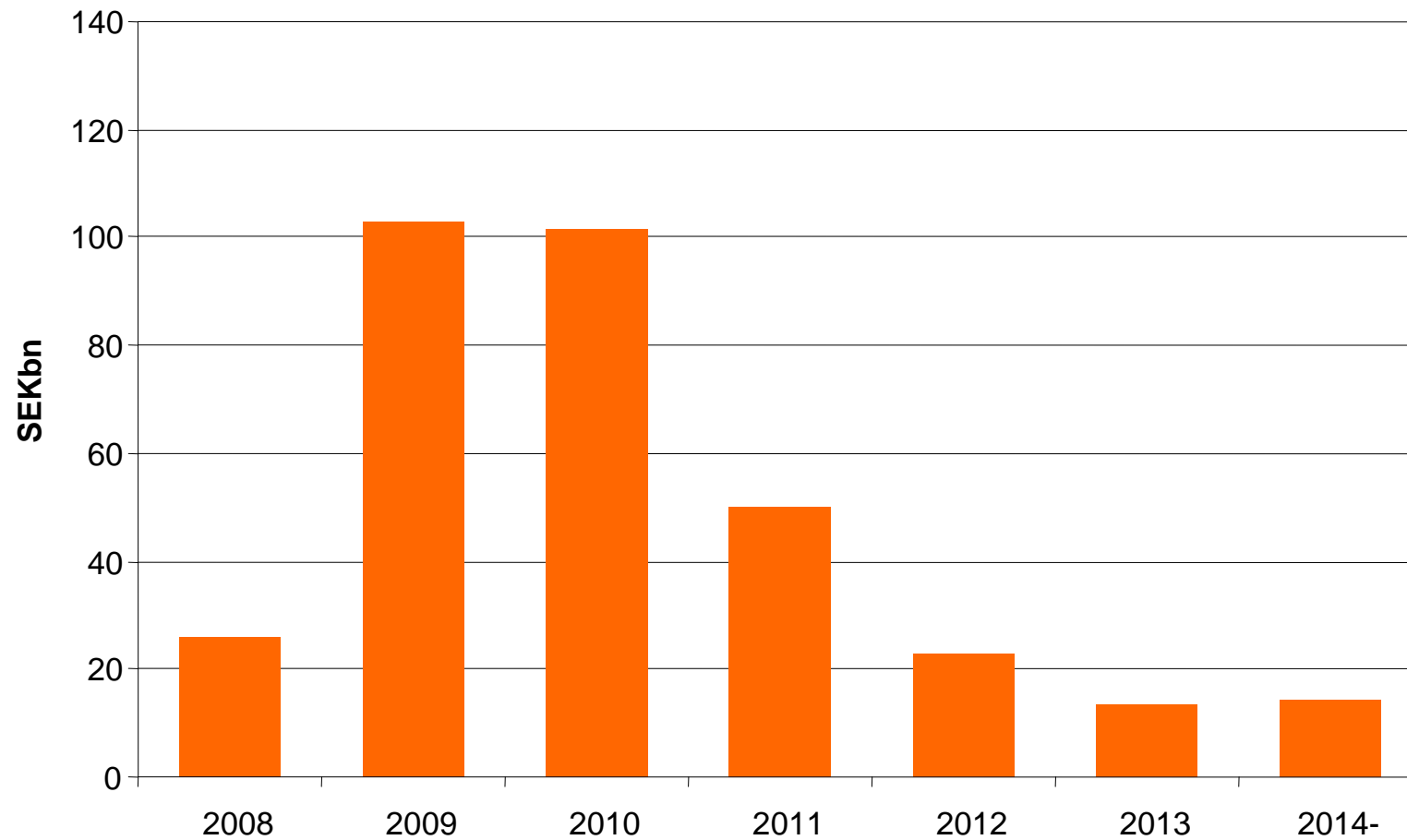
- Weaker economic outlook in Sweden and the Baltic States
- Net profit during the period in line with the profit during the same period 2007
- The results was negatively affected by valuation effects during the third quarter
- Adequate liquidity reserve
- Troublesome funding market but new issues are made regularly
- Higher funding costs has negatively affected the net interest income
- Provisions of SEK 169 million regarding the exposure towards Lehman Brothers without collateral. No provision need for the exposure with collateral
- Net loan losses in the Baltic Banking are increasing but the profitability is still good
- Focus on efficiency and credit quality.

Appendix

Swedbank AB long-term funding maturity profile, 30 September 2008



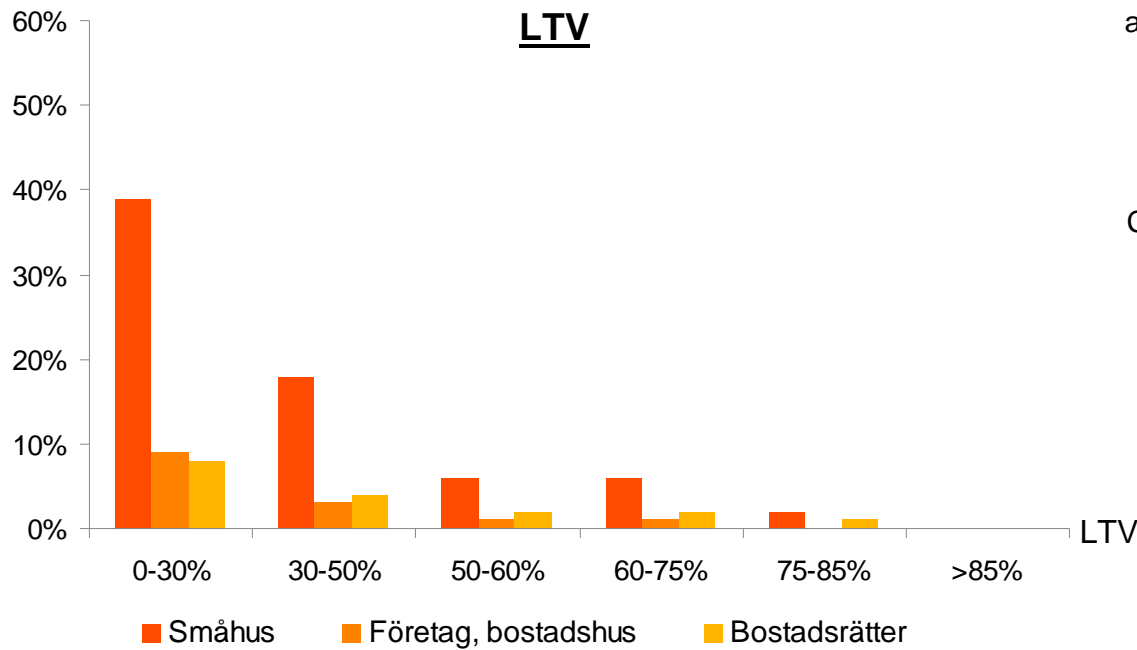
Swedbank Mortgage long-term maturity profile, 30 September 2008



Mortgage lending, Sweden

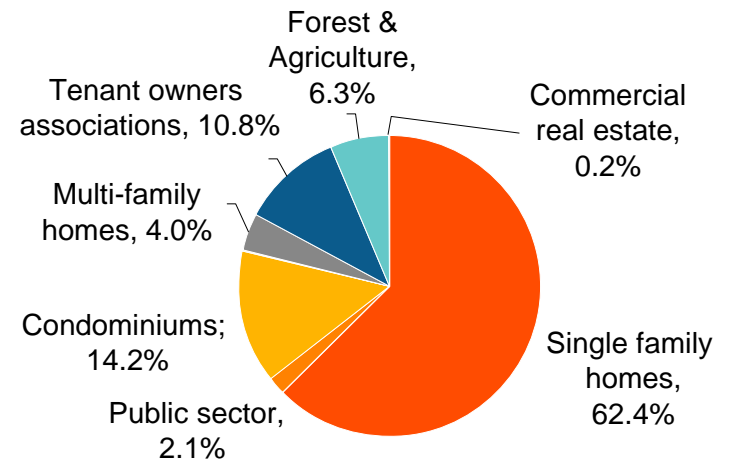
SEK 580bn

Share of portfolio

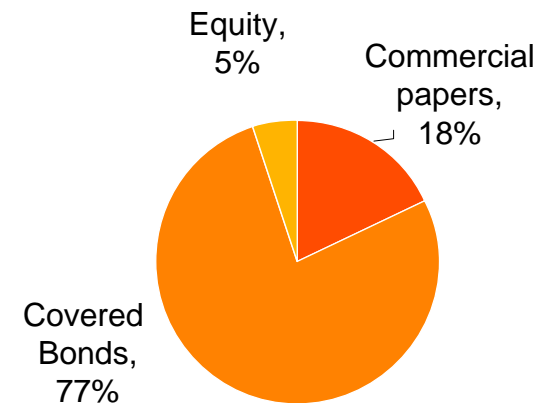


Average loan-to-value 44 percent. More than 50 percent of the total loan portfolio has a loan-to-value ratio of less than 30 percent.

Lending

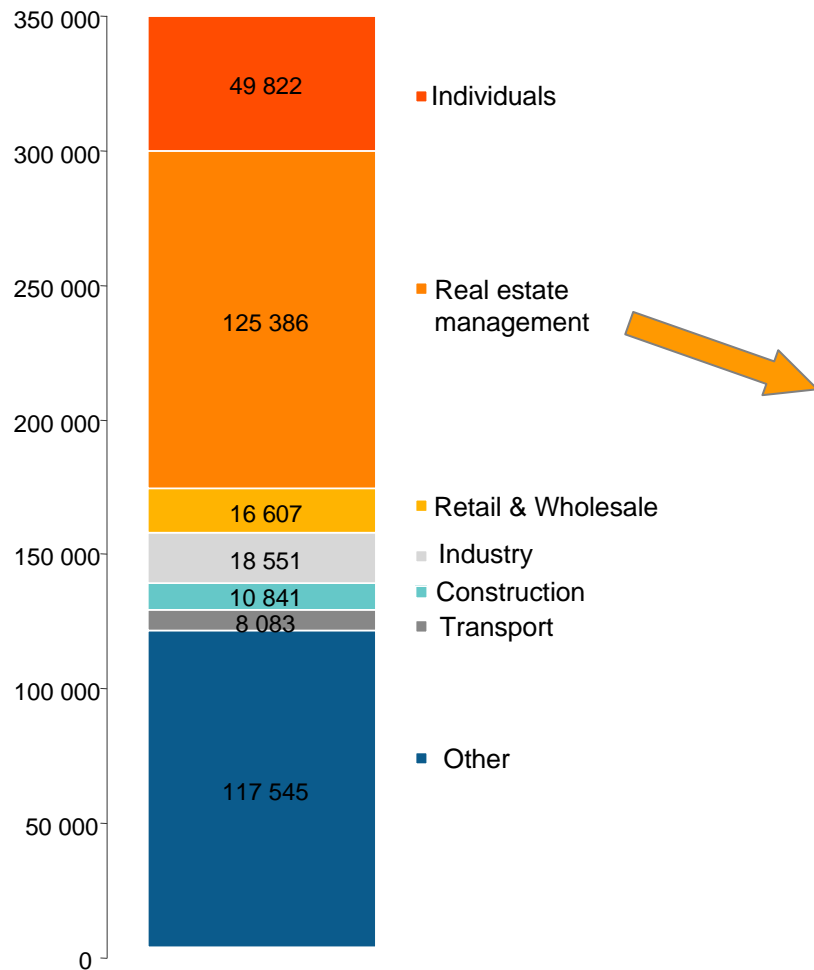


Funding

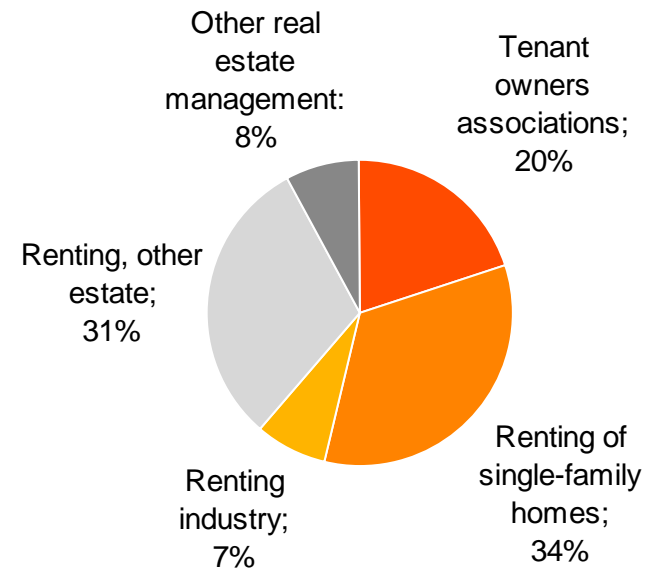


Other lending to the public, Sweden

(excl. Mortgage) SEK 345bn

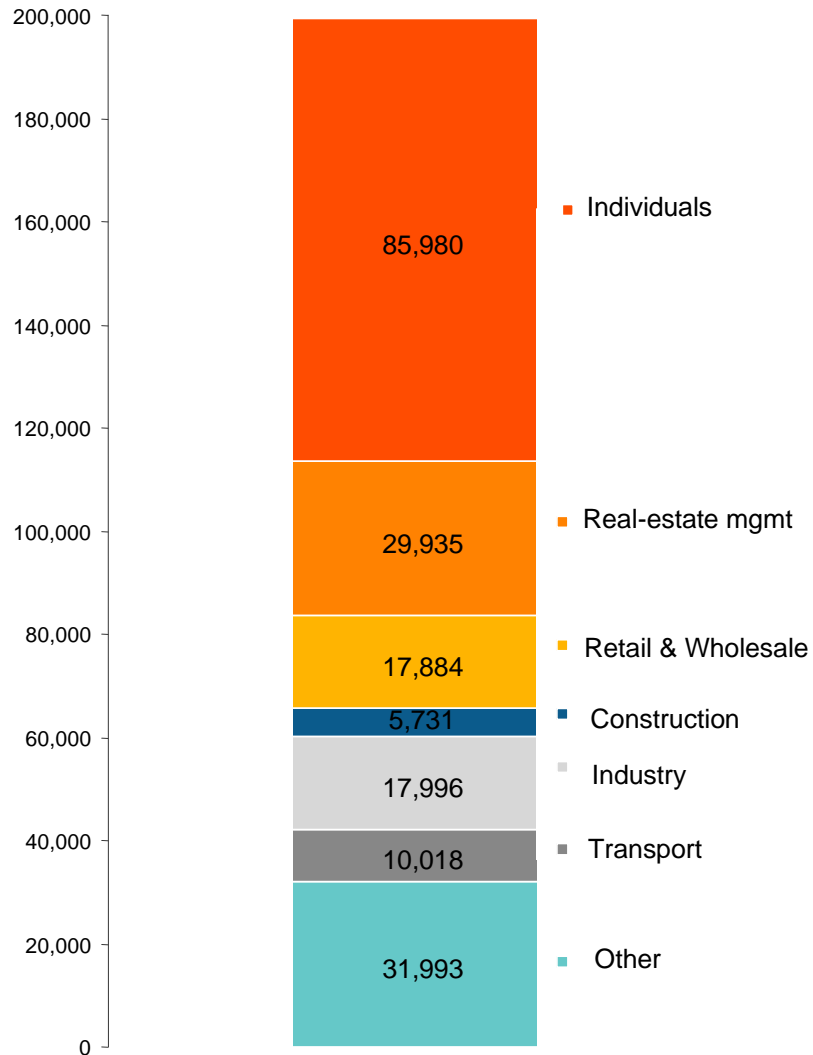


Real estate management



Lending to the public, Baltics

200 SEKbn



Real estate management

