

CEO Michael Wolf answers some questions on the second quarter results

How can the second quarter results be summarized?

Swedbank's positive trend continues. The profit of SEK 1.6bn during the second quarter is primarily the result of significantly lower credit impairments. In the Baltic countries, credit quality has improved more rapidly than we anticipated and the credit quality in Sweden remains strong. The results of Swedbank's efforts during the past year continued to be felt during the quarter in the form of decreased risk levels at the bank. The bank has strengthened credit quality, capitalisation, access to funding and the funding structure. Our position has thus gradually continued to strengthen and the measures accomplished have provided us with a solid financial resilience. We are therefore in a good position going forward in terms of being able to do more business with our customers.

Do the positive results for the second consecutive quarter mean that the bank has turned the page now?

Swedbank is without a doubt heading in the right direction. Assuming that the global macro economy develops according to current expectations, we believe that the results will continue to improve. Macro economic development in our home markets has been favourable. At the same time there is increasing financial concern in many places in Europe entailing a risk of a backlash. During the second quarter we posted a profit in Estonia for the first time since 2008, and Estonia's accession to the EMU in 2011 will strengthen confidence in the country's economy and increase interest in direct investments. Among the positive news is the fact that the credit rating institute Moody's recently removed its negative outlook rating for Swedbank.

What is the outlook for Baltic banking?

The Baltic economies continue to stabilize and the credit quality has improved more rapidly than we anticipated which meant that credit losses have decreased strongly. The profit in Estonia during the second quarter is of course a positive sign, as well as Estonia's accession to the EMU in 2011, which will strengthen confidence in the country's economy and increase interest in direct investments. Swedbank's work in the Baltic countries has been acknowledged by the magazine Euromoney, which recently named Swedbank in Estonia and Lithuania the best bank in each respective country, so there have been several positive signals during the quarter. The development in the region could however be adversely affected by new legislation on private debt rescheduling and insolvency which, if implemented, could diminish the possibility for individual consumers to obtain loans and thus prolong the recovery period in the region.

What will Swedbank's focus be going forward?

For natural reasons, our primary focus since the first quarter of 2009 has been to secure the bank's financial sustainability. As this work gradually demands less attention, more time can be spent on operational development in the business areas, where we need to increase efficiency as well as do more business. What is important to us is that we now have full capacity to do more business again.

What is the desired position for Swedbank on the Swedish mortgage market?

Swedbank is the bank for the many households and thus has a responsibility to clarify the risks we can see regarding our customers' long-term financial situations. During the spring of 2009, Swedbank in Sweden therefore instituted stricter requirements regarding loan-to-value ratio for mortgages and has been actively engaged in a debate on customer risk-taking when borrowing money for their homes. The Swedish Financial Supervisory Authority's new restrictions on mortgages is in line with Swedbanks reasoning and against this background, the trend seen in Sweden in June, when Swedbank's market shares in terms of new mortgages increased to 18 percent, should continue.