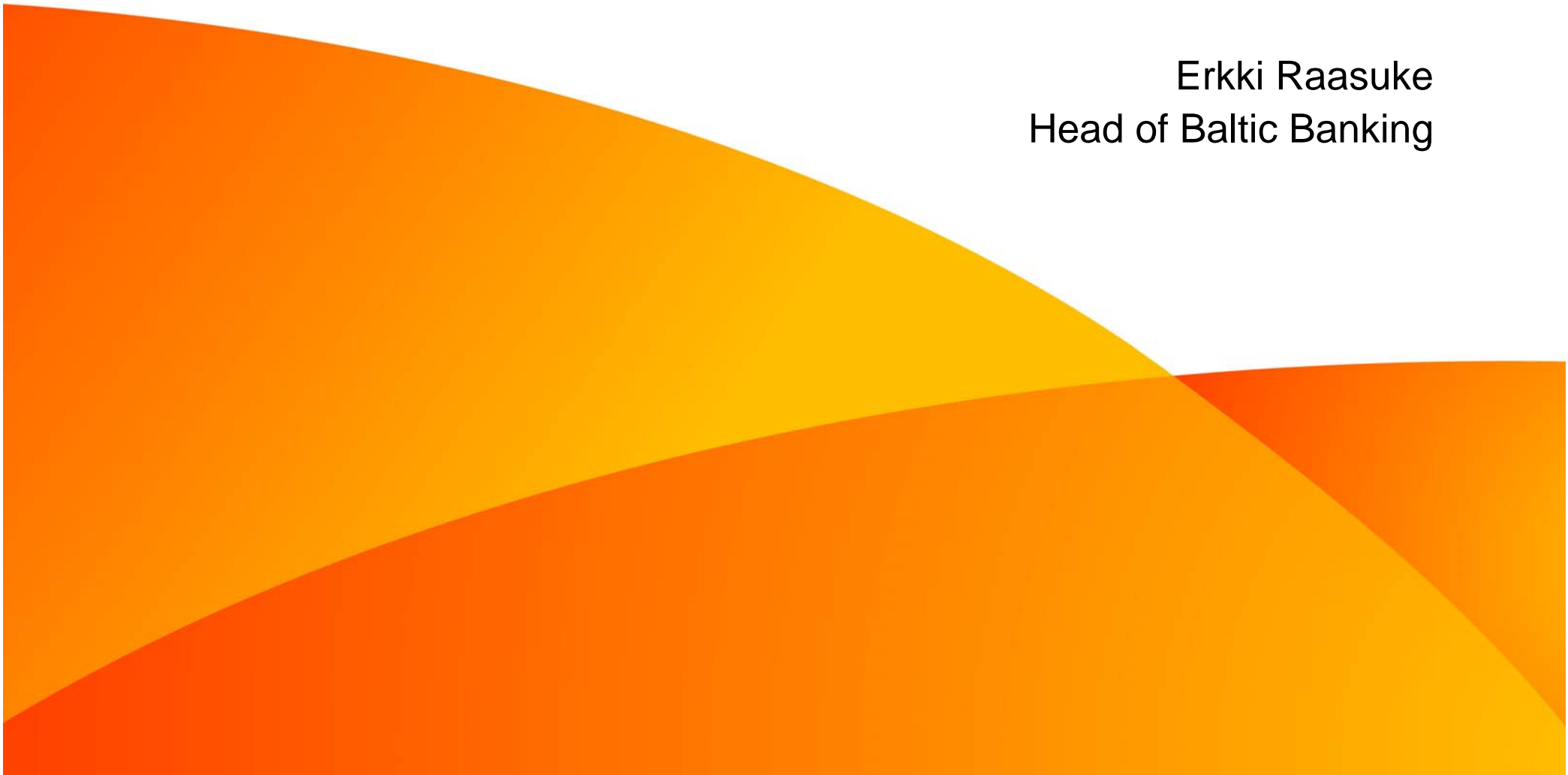




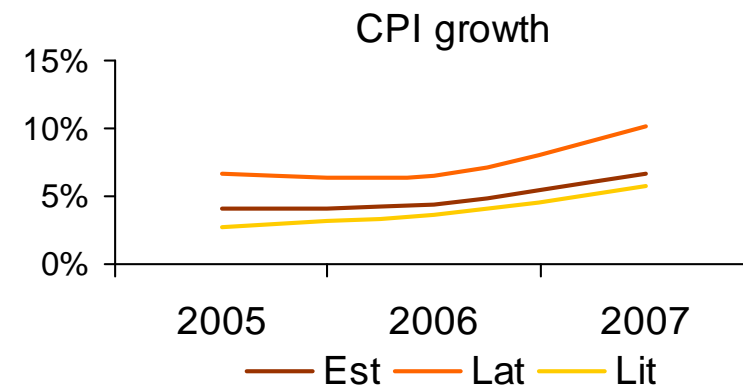
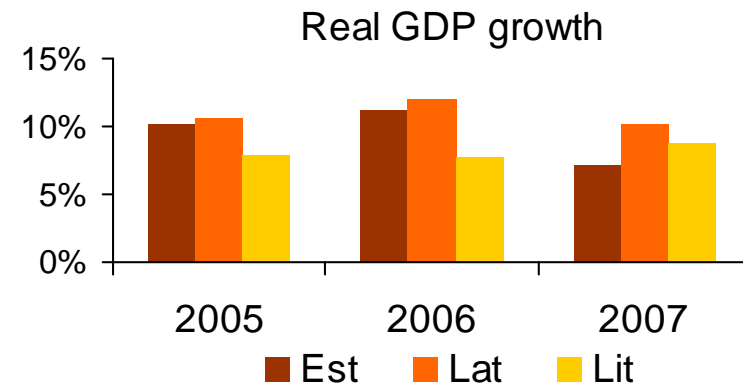
The Sustainability of Emerging Market Growth as Risk Rises

Erkki Raasuke
Head of Baltic Banking



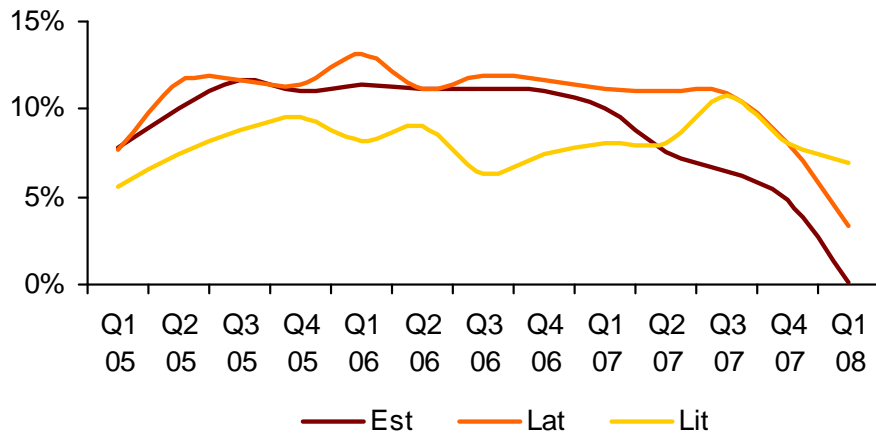
Baltics macro development

- Long-term economic growth is supported by:
 - Attractive initial conditions
 - Prudent governance and strong institutions
 - Significant investment in capital stock and human capital
 - Open and flexible economies
- Short-term unsustainable growth caused by:
 - EU accession and convergence
 - Strong inflow of (foreign) debt capital

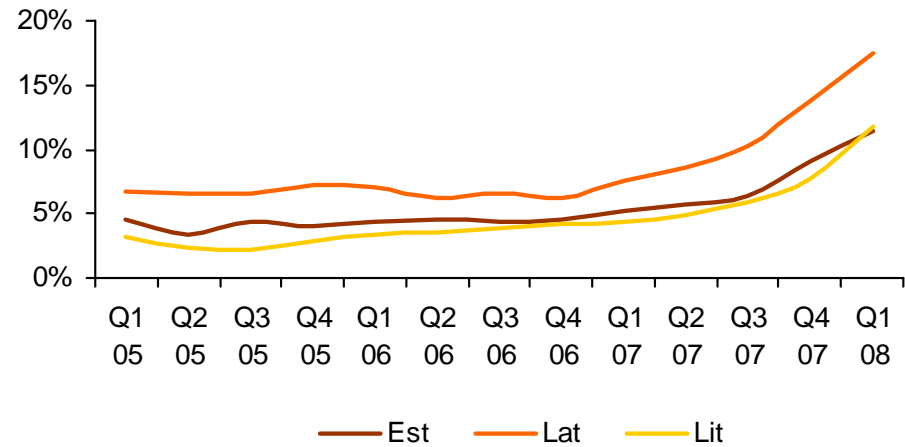


Main indicators

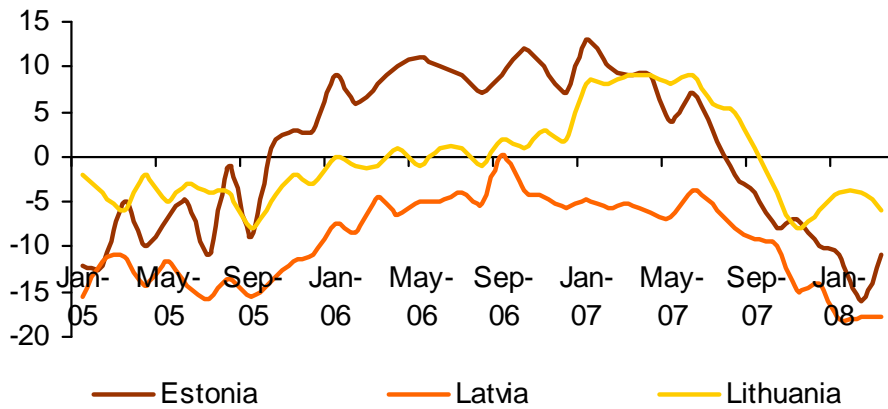
Real GDP growth



CPI growth

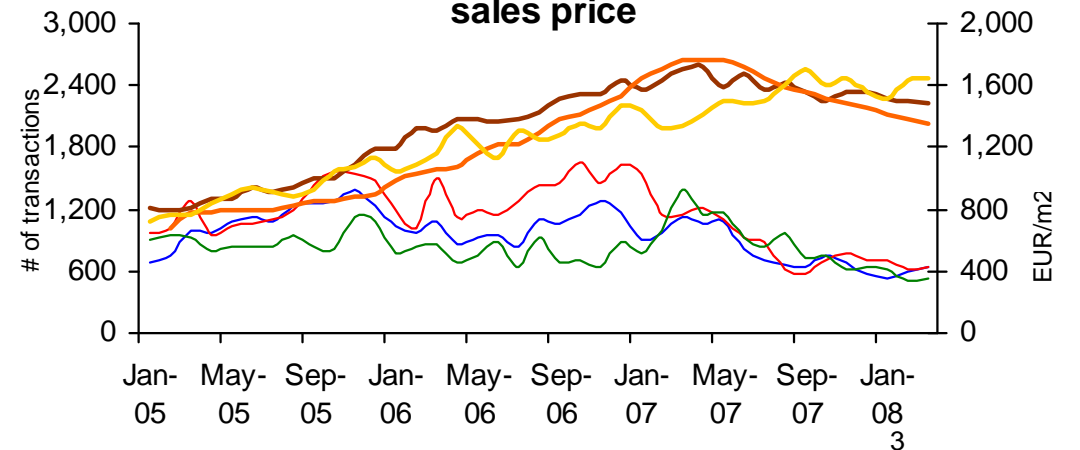


Consumer confidence



© Swedbank

Number of real-estate transactions and average sales price

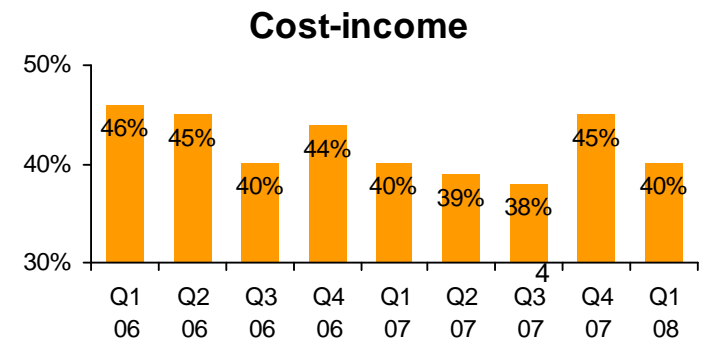
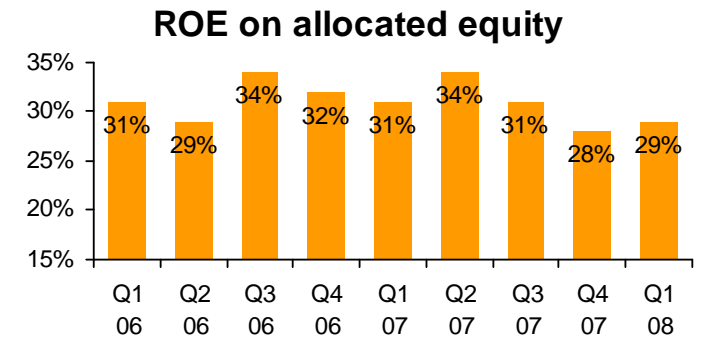
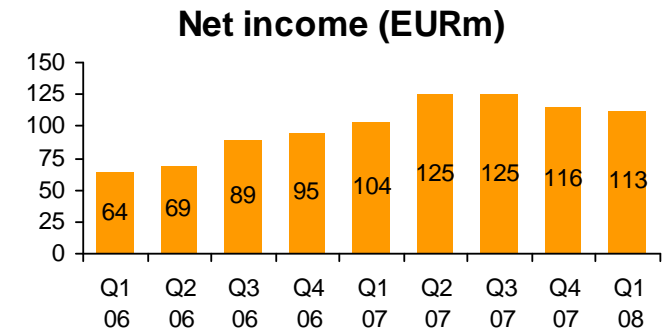


— Tallinn, # of transactions
 — Riga, # of transactions
 — Vilnius, # of transactions
— Tallinn, avg sales price
 — Riga, avg sales price
 — Vilnius, avg sales price

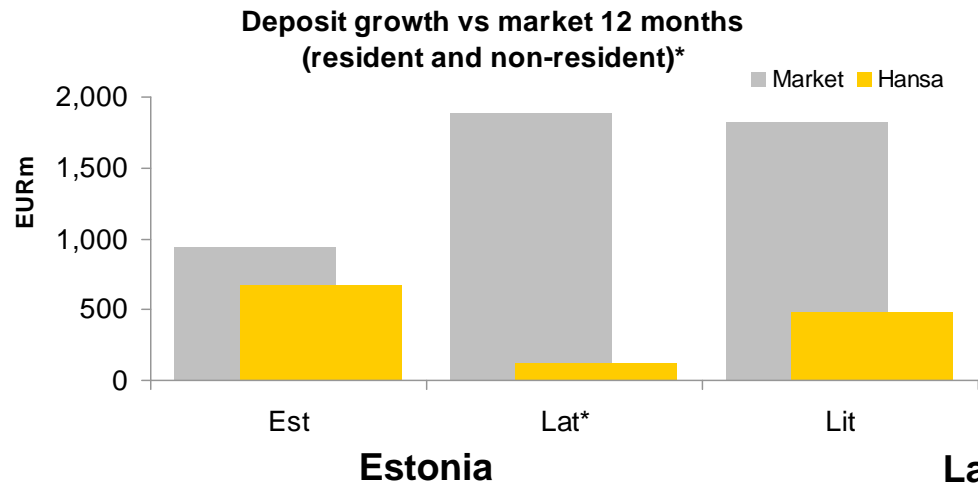
Key financials – Q1 2008

EURm	Q1 2008	Q1 2007	% ΔYOY
Loans	19,642	15,400	27%
Deposits	10,877	9,488	15%
Revenues	239	209	17%
Expenses	95	83	17%
EBT	124	114	13%
Net Income	113	104	12%
Return on allocated equity	29.1%	31.3%	
Cost-income	40.0%	40.0%	
Net interest margin	2.76%	2.84%	
Employees (FTE)	9,206	8,610	7%

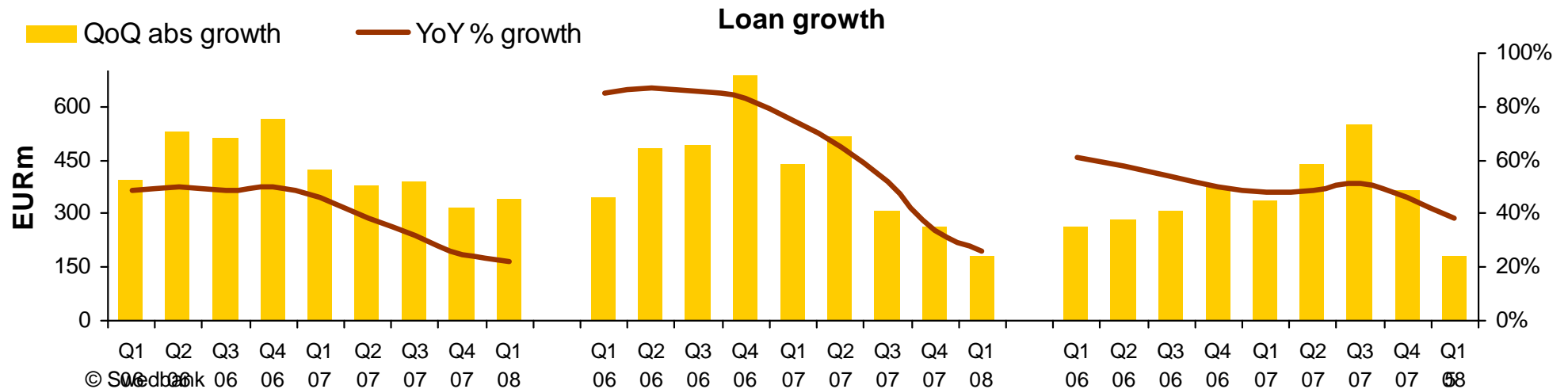
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Loan and deposit growth



- Loan portfolio growth has declined in all 3 countries. Mortgage lending increased by 30% yoy and corporate lending 27% in Q108
- Lending market share did not change during Q108
- Deposit growth was low EUR 4m in Q108. However, Baltic Banking outperformed market performance. Deposit market share remained unchanged in Lithuania and increased in Estonia and Latvia



* Latvian market deposit growth was EUR 1,655m in Q4 2007 out of which EUR 1,287m was in non-resident deposits.

Asset quality and provisioning cost

Net loan losses*

	Q4 07	2007	Q1 08
Estonia	0.67%	0.21%	0.38%
Latvia	0.78%	0.56%	0.54%
Lithuania	0.13%	0.23%	0.25%
Baltic Banking	0.56%	0.40%	0.39%
<i>Group level provision adjustment**</i>	<i>-0.28%</i>	<i>-0.05%</i>	
Group	0.28%	0.35%	0.39%

*Net loan losses = (changes in provisions + net write offs) / credit portfolio at the beginning of the year

Overdue more than 60 days*

	Q2 07	Q4 07	Q1 08
Corporate	0.58%	0.65%	0.79%
Private	0.49%	0.75%	0.92%
Baltic Banking	0.56%	0.71%	0.86%

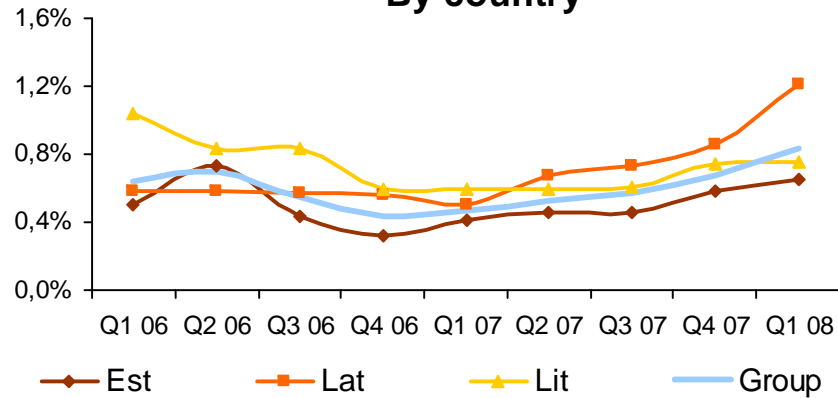
*The volume of 60 days overdues /12m old portfolio

**Upon Hansabank acquisition in 2005, Swedbank made a general provision of about SEK280m. In Q4 2007, SEK70m of this was released

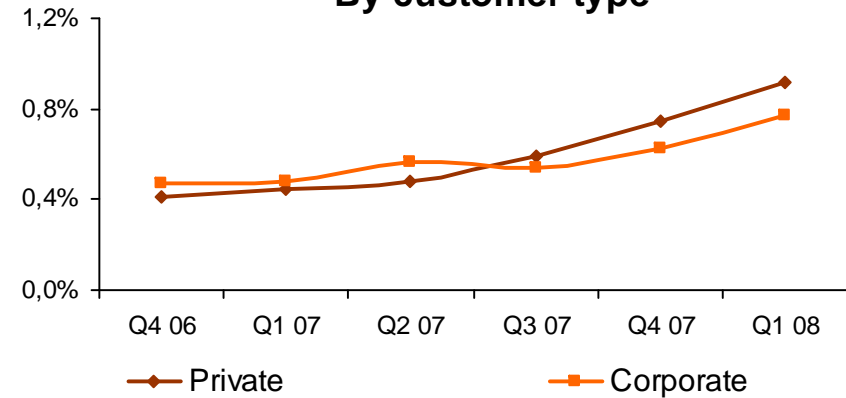
- An increase in risk ratios was observed towards the end of 2007 in line with general macro developments and the trend continued in Q108
- The effects of slower economy can already be seen in the rise of overdue loans and defaults. There are reasons to believe that trend will continue towards the end of 2008. However, Hansabank's loan loss ratios still will remain at international peer averages, and are absorbable from operating profits and created provision/capital buffers

Asset quality – overdue more than 60 days

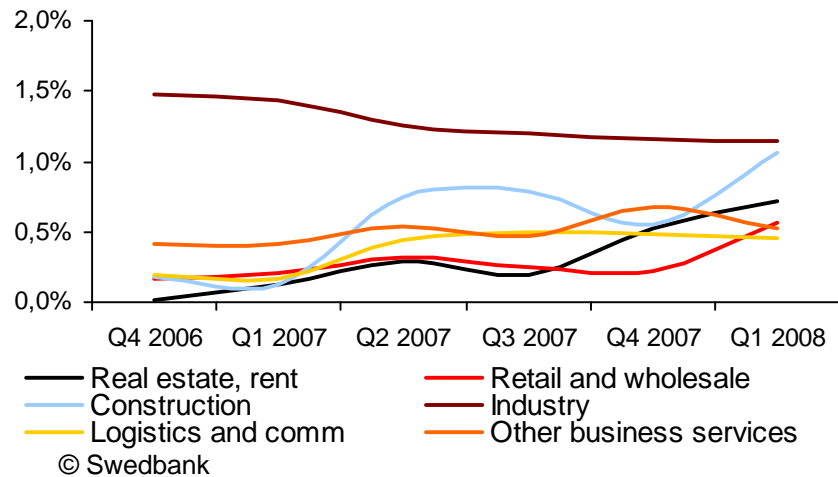
By country



By customer type



By sectors



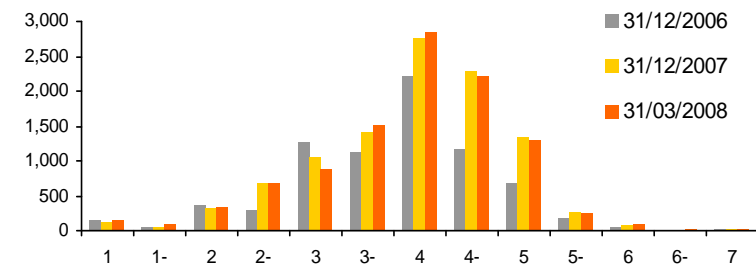
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Overdue more than 60 days/12 month old portfolio

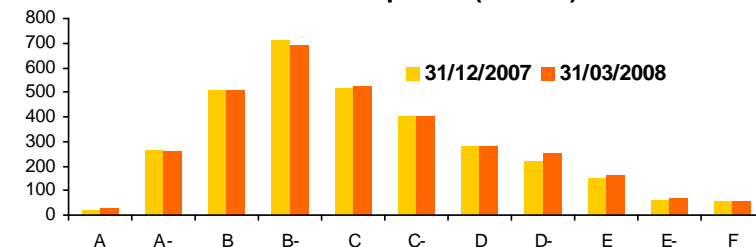
Credit quality of the loan book

- Large corporate (exposure > EUR 0.8m) ratings are assigned by credit risk analysts. Share of doubtful (rating 6, 6-, 7) remains at acceptable level of 0.9% (~EUR 130m). Migration to lower classes is taking place.
- Mixed quantitative & soft factor tool used by client managers to assign SME score for exposures in the range of EUR 0.2-0.8m. SSE scoring is purely statistical model used for the clients with total exposure below EUR 0.2m. 62% of portfolio with PD <1%
- Private individuals portfolio scoring system is based on the type of loan (mortgage, consumer, revolving, car leasing). 83% of portfolio with PD <1%
- Overall asset quality has remained solid. Macro developments is triggering downgrades (by large driven by real estate sector). Level of defaults and overdue levels has increased from historically lowest, but is not a major concern.

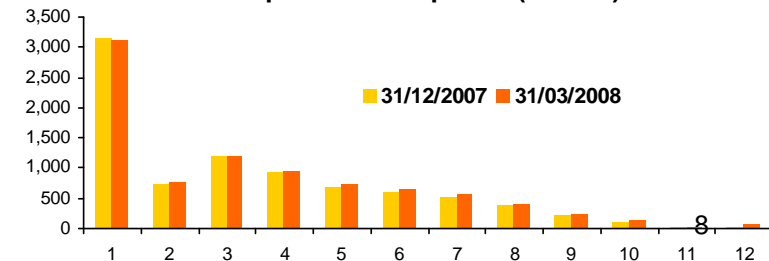
Large corporate risk profile (EUR m)



SME/SSE risk profile (EUR m)



Private portfolio risk profile (EUR m)



Baltic Banking priorities 2008

Build efficient organization and reduce complexity

- Build new organization model
- Increase operational efficiency
- Improve employee productivity
- Build capabilities to work with data

Grow core businesses

- Corporate banking - manage through the cycle
- Retail lending - improve credit selection and risk-based pricing
- Daily banking - strengthen our client offerings
- Investment management - build cross-border operating model

Other short-term focuses

- Manage credit portfolio in the slowdown
 - Proactive management of watch-list
 - Overdue management
 - Restructuring capabilities
 - New origination quality
- Implementation of Basel II IRB
 - Documents supplied
 - Process managed by Swedish FSA
- Changing brand in the Baltics to Swedbank

Summary

- **Short-term challenges**
 - Credit quality
 - Operational efficiency
- **Building capabilities going forward**
 - Cross-border operating model
 - Business processes for more mature markets

Additional materials



Macro forecast by Hansabank Markets (Apr 08)

Economic growth, %

	2005	2006	2007	2008f	2009f	Latest data
Estonia	10.2	11.2	7.1	3.5	5.0	0.1 (Q1 08)
Latvia	10.6	11.9	10.2	4.0	3.0	3.6 (Q1 08)
Lithuania	7.9	7.7	8.8	6.0	5.5	6.9 (Q1 08)
EU27	1.8	3.0	2.8	2.0	1.8	

Consumer price growth, %

	2005	2006	2007	2008f	2009f	Latest data
Estonia	4.1	4.4	6.7	8.3	3.8	11.3 (May 08)
Latvia	6.7	6.5	10.1	15.0	6.5	17.9 (May 08)
Lithuania	2.7	3.7	5.8	10.0	6.7	11.7 (Apr 08)

Harmonized unemployment level, %

	2005	2006	2007	2008f	2009f	Latest data
Estonia	7.9	5.9	4.7	5.0	5.0	5.5 (Mar 08)
Latvia	8.9	6.8	5.9	6.5	7.0	5.3 (Mar 08)
Lithuania	8.3	5.6	4.3	4.6	4.9	4.5 (Mar 08)
EU27	8.9	8.1	7.1	6.8	6.8	

Current and capital account balance, % of GDP

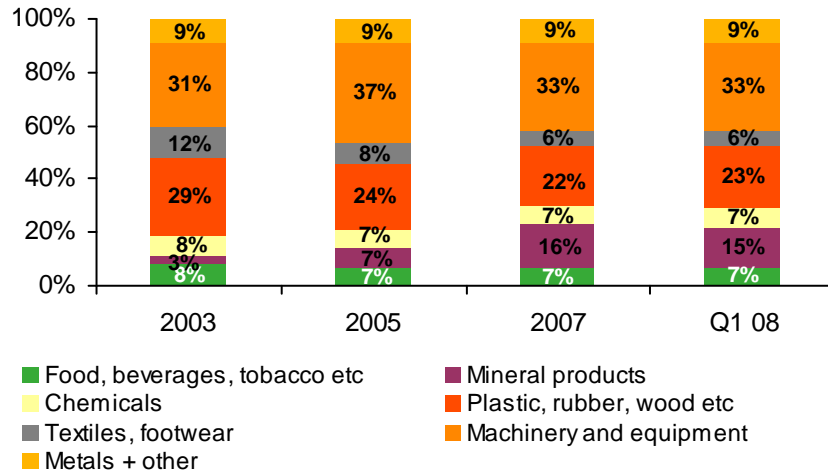
	2005	2006	2007	2008f	2009f	Latest data
Estonia	-8.1	-13.4	-15.8	-9.5	-7.0	-10.1 (Q1 08)
Latvia	-11.2	-21.1	-20.7	-12.5	-10.0	-17.7 (Q1 08)
Lithuania	-5.9	-9.6	-11.9	-11.0	-9.2	-11.2 (Q1 08)
EU27	-0.7	-0.8	-0.9	-0.9	-0.9	

General government balance (ESA95), % of GDP

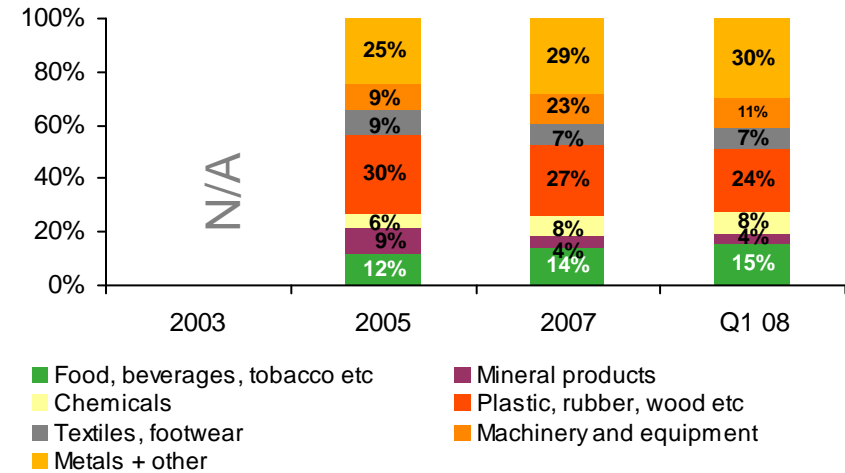
	2005	2006	2007	2008f	2009f
Estonia	2.3	3.8	3.2	-1.8	-0.8
Latvia	-0.4	-0.3	-0.0	0.0	0.0
Lithuania	-0.5	-0.6	-1.2	-0.7	0.0
EU27	-2.4	-1.6	-0.9	-1.2	-1.3

Export sectors

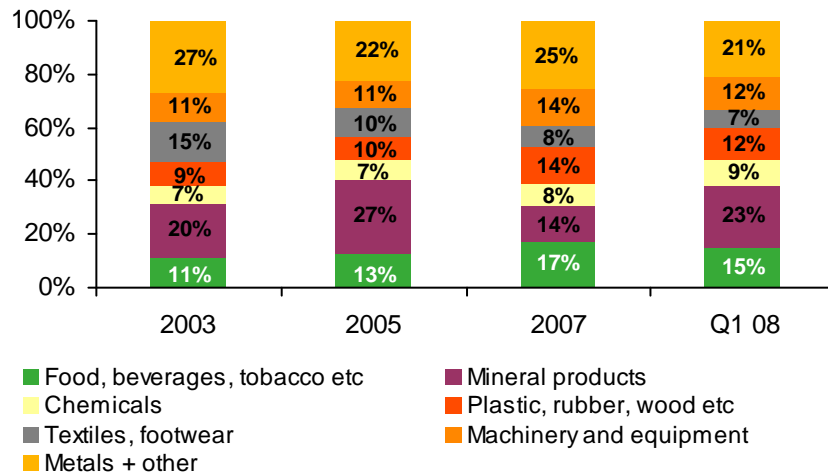
Main export sectors - Estonia



Main export sectors - Latvia



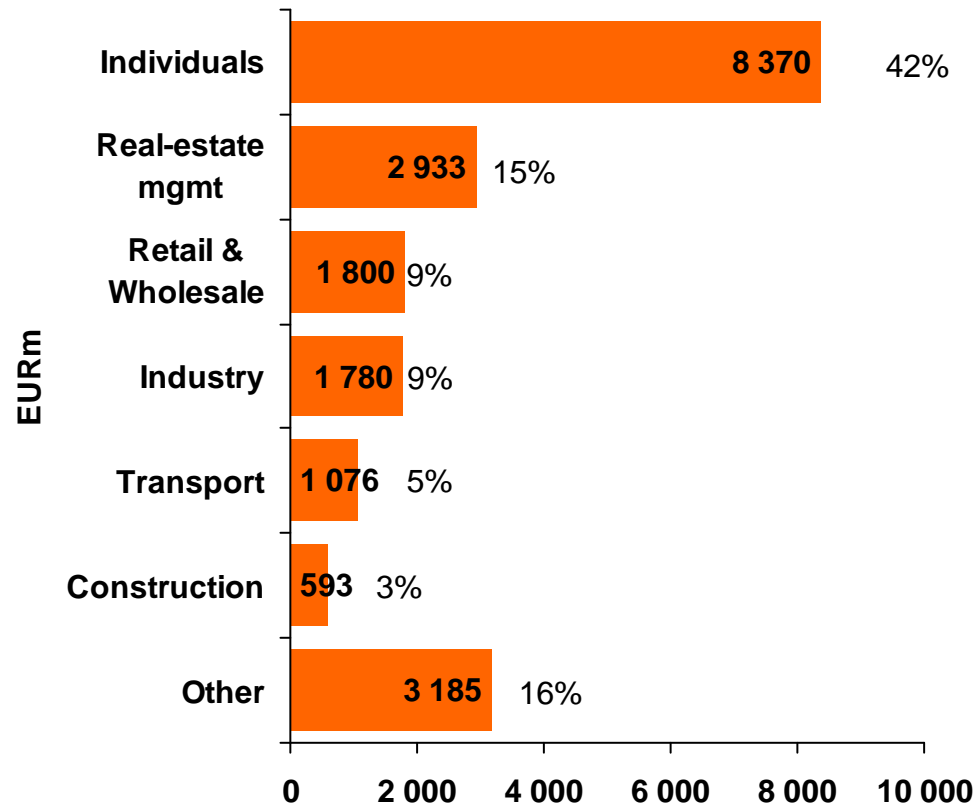
Main export sectors - Lithuania



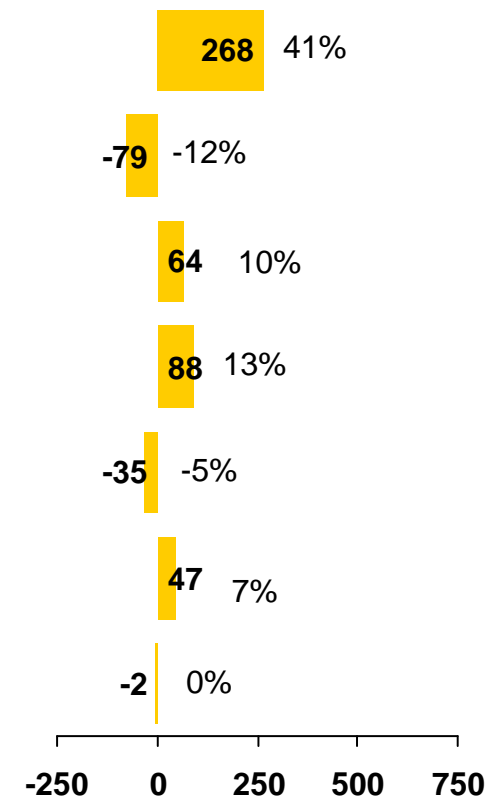
Group lending by sectors



Portfolio, March 2008



Portfolio growth, Q1 08



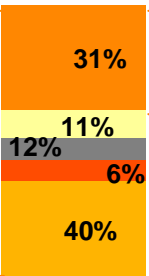
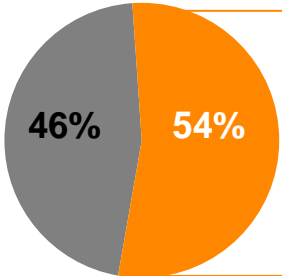
xx% - share of portfolio and portfolio growth

Starting from 2008, Bank of Estonia changed the official sector classification details. During the process of implementing the new classification, Hansabank switched to different source system and reviewed the sector data in detail. As a result, many reclassifications were performed with strongest impact to the real estate management sector. Current view illustrates Hansabank's exposure towards real estate sector better. Real estate management portfolio growth without the reclassifications was EUR 145m in Q108.

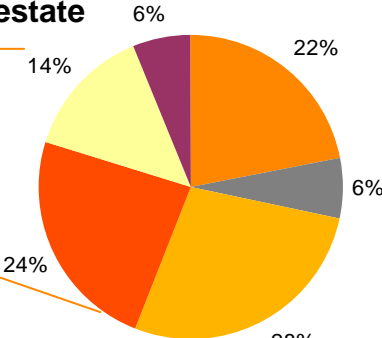
March 2008



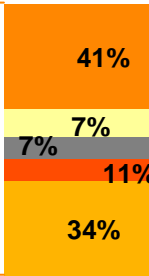
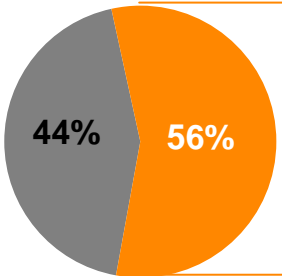
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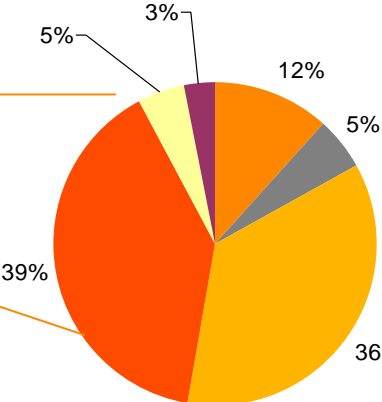
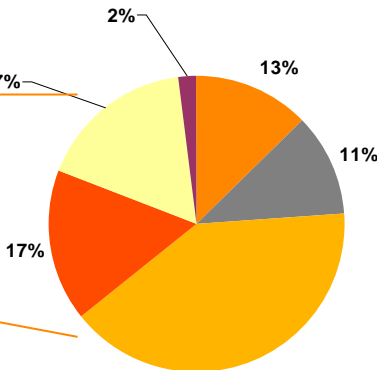
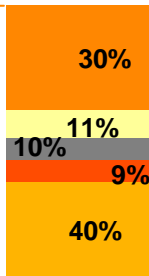
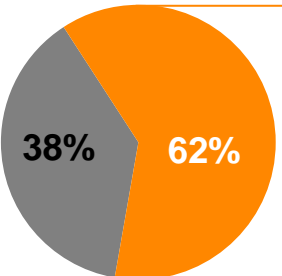
Commercial real estate



LV



LT



Private loans
Corporate loans

Commercial real estate
Capital goods
Other

Transport
Retail

Office
Production & warehouse
Residential
Retail
Land plots
Other