

### Profit for the period increased by 1 percent compared with the first three quarters of 2007

- Profit for the period amounted to SEK 8 972m (8 888)
- Earnings per share amounted to SEK 17.41 (17.25)
- The return on equity was 17.0 percent (19.0)
- The cost/income ratio was 0.50 (0.51)
- Net interest income increased by 15 percent to SEK 15 960m (13 898)
- Net loan losses\* amounted to SEK 1 523m (381), corresponding to a loan loss ratio of 0.18 percent (0.06)
- The tier 1 capital ratio was 8.7 percent according to the new rules (8.5 percent on 31 December 2007) and 6.8 percent (6.2) according to the transition rules.

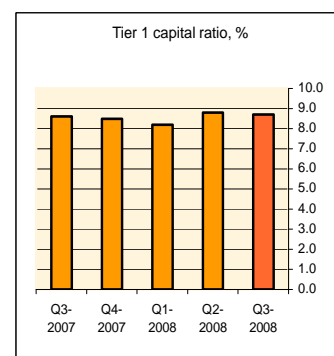
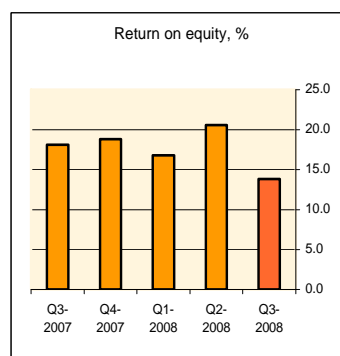
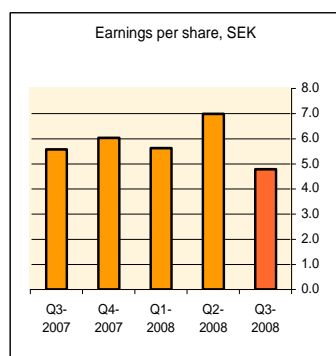
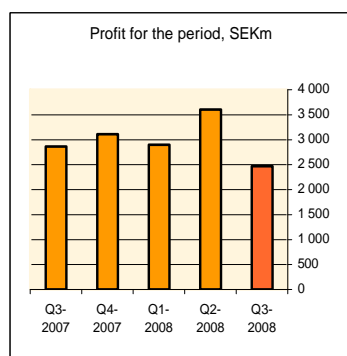
### Lower profit in the third quarter compared with the second quarter 2008

- Profit for the period decreased by SEK 1 136m to SEK 2 468m (3 604), where of net gains and losses on financial items at fair value decreased by SEK 1 250m to SEK -109m (1 141)
- Earnings per share amounted to SEK 4.79 (6.99)
- The return on equity decreased to 13.8 percent (20.6)
- The cost/income ratio was 0.52 (0.47)
- Net interest income increased by 2 percent to SEK 5 424m (5 295)
- Net loan losses\* amounted to SEK 812m (423), corresponding to a loan loss ratio of 0.27 percent (0.14).

### Effect of financial crisis on third quarter results

The global financial markets turmoil adversely affected Swedbank's third quarter results, mainly due to lower net gains and losses on financial items at fair value. Examples include:

- Negative valuation effects in Swedbank Markets' credit bond portfolio of SEK 217m.
- Loan loss provisions of SEK 169m in unsecured trading exposure to Lehman Brothers.
- Drop of SEK 356m in Swedbank Mortgage's income due to prolonged liquidity and turbulence in the funding markets, among other things (net interest income and net gains and losses on financial items at fair value).
- Negative valuation effects of around SEK 100m in the Baltic trading, liquidity and insurance portfolios.
- Lower income of SEK 98m in Swedbank Robur.



### President and CEO comments

The global economy and financial system is being affected by unprecedented turbulence. The financial crisis has spread rapidly and is impacting the development of the real economy worldwide and Swedbank's domestic markets are no exception to this.

Swedbank is committed to working with and supporting its customers in this extremely testing environment. The bank has solid profitability. Results for the period show stable profits in line with the same period in 2007. The bank's financial risks are limited.

Swedbank is taking measures to balance development for example by raising credit quality requirements and by stricter relation between deposits and lending. Cost-cutting and efficiency measures remain high priority issues.

\* Net loan losses = provisions + write-offs - recoveries

## Financial summary for the Group

SEKm	Q3 2008	Q2 2008	%	Q3 2007	%	Jan-Sep 2008	Jan-Sep 2007	%	Full-year 2007
Net interest income	5 424	5 295	2	4 806	13	15 960	13 898	15	19 157
Net commission income	2 265	2 374	-5	2 503	-10	6 819	7 344	-7	9 880
Net gains and losses on financial items at fair value	-109	1 141		196		1 107	1 305	-15	1 691
Other income	658	623	6	526	25	2 231	1 503	48	2 196
<b>Total income</b>	<b>8 238</b>	<b>9 433</b>	<b>-13</b>	<b>8 031</b>	<b>3</b>	<b>26 117</b>	<b>24 050</b>	<b>9</b>	<b>32 924</b>
Staff costs	2 458	2 453	0	2 412	2	7 490	7 159	5	9 792
Other expenses	1 855	1 977	-6	1 720	8	5 693	5 034	13	6 927
<b>Total expenses</b>	<b>4 313</b>	<b>4 430</b>	<b>-3</b>	<b>4 132</b>	<b>4</b>	<b>13 183</b>	<b>12 193</b>	<b>8</b>	<b>16 719</b>
<b>Profit before loan losses</b>	<b>3 925</b>	<b>5 003</b>	<b>-22</b>	<b>3 899</b>	<b>1</b>	<b>12 934</b>	<b>11 857</b>	<b>9</b>	<b>16 205</b>
Loan losses, net	812	423	92	230		1 523	381		619
<b>Operating profit</b>	<b>3 113</b>	<b>4 580</b>	<b>-32</b>	<b>3 669</b>	<b>-15</b>	<b>11 411</b>	<b>11 476</b>	<b>-1</b>	<b>15 586</b>
Tax expense	640	935	-32	793	-19	2 380	2 500	-5	3 450
Profit for the period	2 473	3 645	-32	2 876	-14	9 031	8 976	1	12 136
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>2 468</b>	<b>3 604</b>	<b>-32</b>	<b>2 866</b>	<b>-14</b>	<b>8 972</b>	<b>8 888</b>	<b>1</b>	<b>11 996</b>

Key ratios	Q3 2008	Q2 2008	Q3 2007	Jan-Sep 2008	Jan-Sep 2007	Full-year 2007
Return on equity, %	13.8	20.6	18.1	17.0	19.0	18.9
Earnings per share, SEK <sup>1)</sup>	4.79	6.99	5.57	17.41	17.25	23.28
C/I ratio before loan losses	0.52	0.47	0.51	0.50	0.51	0.51
Equity per share, SEK <sup>1)</sup>	141.68	135.81	124.89	141.68	124.89	131.96
Capital quotient excluding complement	1.57	1.58	1.63	1.57	1.63	1.59
Tier 1 capital ratio, %, excluding complement	8.7	8.8	8.6	8.7	8.6	8.5
Capital adequacy ratio, %, excluding complement	12.5	12.6	13.1	12.5	13.1	12.7
Tier 1 capital ratio, %, transition rules	6.8	6.7	6.2	6.8	6.2	6.2
Capital adequacy ratio, %, transition rules	9.9	9.7	9.4	9.9	9.4	9.3
Loan loss ratio, net, %	0.27	0.14	0.09	0.18	0.06	0.07
Share of impaired loans, %	0.32	0.20	0.14	0.32	0.14	0.13

1) The number of shares is specified on page 43.

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

Balance sheet data SEKbn	Sep 30 2008	Dec 31 2007	%	Sep 30 2007	%
Loans to the public	1 255	1 135	11	1 092	15
Deposits and borrowings from the public	507	458	11	444	14
Shareholders' equity	73	68	7	64	14
Total assets	1 696	1 608	5	1 575	8
Risk weighted assets, older rules	979	892	10	848	15
Risk weighted assets, excluding complement	667	600	11	564	18
Risk weighted assets, transition rules	847	822	3	784	8

## Group profit trend, Q3 2008 vs. Q2 2008

### Higher net interest income and lower costs

- Profit for the period decreased by SEK 1 136m or 32 percent to SEK 2 468m (3 604)
- Net gains and losses on financial items at fair value decreased by SEK 1 250m to SEK -109m (1 141)
- Earnings per share amounted to SEK 4.79 (6.99)
- The return on equity was 13.8 percent (20.6)
- Operating profit decreased by 32 percent to SEK 3 113m (4 580)
- Income decreased by 13 percent to SEK 8 238m (9 433)
- Net interest income increased by 2 percent to SEK 5 424m (5 295)
- Net commission income decreased by 5 percent to SEK 2 265m (2 374)
- Expenses decreased by 3 percent to SEK 4 313m (4 430)
- The cost/income ratio was 0.52 (0.47)
- Loan losses increased to SEK 812m (423)
- The effective tax rate was 21 percent (20).

### Higher net interest income

**Income** decreased by SEK 1 195m or 13 percent to SEK 8 238m (9 433). The decrease is due to lower net gains and losses on financial items at fair value. The quarter includes one-time revenue of SEK 95m from the sale of SPS Reinsurance in Luxembourg. The previous quarter included one-time revenue from the sale of shares in MasterCard (SEK 101m) and Hansabank's partly owned card company Pankade Kaardikeskus (PKK) SEK 66m.

**Net interest income** increased by 2 percent to SEK 5 424m (5 295). Net interest income from the lending portfolio increased by SEK 123m. Net interest income from deposits increased by SEK 89m due to higher interest margins. Other operations decreased by SEK 83m.

**Net commission income** decreased by 5 percent to SEK 2 265m (2 374). Payment commissions increased by SEK 60m. Falling stock prices led to slightly lower asset management commissions and brokerage income. Corporate finance income decreased by SEK 155m to SEK 22m.

**Net gains and losses on financial items at fair value** decreased by SEK 1 250m to SEK -109m (1 141). To reduce the accounting volatility of derivatives linked to the financing of euro lending in the Baltics, cash flow hedges are applied as of the third quarter. As a result, unrealized changes in value are no longer recognized through profit or loss but instead directly through shareholders' equity. During the second quarter, net gains and losses were affected positively by SEK 419m.

Net gains and losses on financial items at fair value for Swedbank Markets decreased by SEK 328m from the previous quarter, of which the decrease in the value of the credit bond portfolio accounted for SEK 217m (0).

For Swedbank Mortgage, the market valuation of its lending and funding including derivatives reduced income by SEK 171m during the quarter, compared to a positive figure of SEK 29m in the previous quarter. The negative change in value is due to the major fluctuations in the

market between interest rates on mortgage bonds and interbank rates.

For Baltic Banking, net gains and losses on financial items at fair value decreased by SEK 98m from the previous quarter mainly due to the decrease in the value of investment assets held by the insurance operations and weak earnings in equity trading.

The third quarter includes a negative exchange rate effect of SEK 77m attributable to the reported liability for the assessed supplemental purchase price in dollars for Swedbank Ukraine, whose functional currency is the Ukrainian hryvnia. The Swedish krona weakened against the dollar more in relative terms than against the hryvnia. The corresponding value for the second quarter was a positive effect of SEK 61m.

The second quarter included a capital gain on the sale of shares in MasterCard of SEK 101m.

**Net insurance** increased to SEK 105m (101).

The **share of the profit or loss of associates** increased to SEK 138m (122) mainly due to higher income in EnterCard.

**Other income** increased to SEK 415m (400). The third quarter includes a capital gain of SEK 95m on the sale of SPS Reinsurance. The second quarter was affected by a capital gain of SEK 66m on the sale of Hansabank's partly owned card processing company, Pankade Kaardikeskus (PKK), and reversed tax on lease assets in Russia of SEK 19m.

### Lower expenses

Group **expenses** decreased by 3 percent to SEK 4 313m (4 430).

**Staff costs** were stable and amounted to SEK 2 458m (2 453). Profit-based staff costs increased by SEK 50m. Weak quarterly income in Swedbank Markets reduced profit-based staff costs by SEK 158m compared to the previous quarter. The second quarter was affected by a revision in the reserve for profit-based compensation in the Baltic Banking business area of SEK 185m due to lower provision requirements.

The decrease in staff costs excluding profit-based staff costs arose mainly in Baltic Banking partly due to a lower number of employees.

**Other general administrative expenses** decreased by 6 percent to SEK 1 855m (1 977) mainly due to recovered VAT of SEK 83m in the Russian leasing operations. Amortization of goodwill attributable to the Hansabank trademark is included with SEK 39m (24).

### Loan losses

**Loan losses** amounted to a net of SEK 812m (423), corresponding to a loan loss ratio of 0.27 percent (0.14). The increase is due to a provision of SEK 169m for anticipated losses in the trading portfolio and higher losses in the Baltics. Provisions amounted to SEK 787m, write-offs to SEK 122m and recoveries to SEK -97m. 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 113m (4 580) and the **tax expense** was SEK 640m (935), corresponding to an effective tax rate of 21 percent (20).

## Group profit trend, Q3 2008 vs. Q3 2007

### Higher income

- Profit for the period decreased by 14 percent to SEK 2 468m (2 866)
- Earnings per share decreased to SEK 4.79 (5.57)
- The return on equity decreased to 13.8 percent (18.1)
- Operating profit decreased by 15 percent to SEK 3 113m (3 669)
- Income increased by 3 percent to SEK 8 238m (8 031)
- Net interest income increased by 13 percent to SEK 5 424m (4 806)
- Net commission income decreased by 10 percent to SEK 2 265m (2 503)
- Net gains and losses on financial items at fair value decreased to SEK -109m (196)
- Expenses increased by 4 percent to SEK 4 313m (4 132)
- The cost/income ratio was 0.52 (0.51)
- Loan losses increased to SEK 812m (230)
- The effective tax rate was 21 percent (22).

### Higher income

**Income** increased by SEK 207m or 3 percent to SEK 8 238m (8 031). Higher net interest income and other income compensated for lower commission income and lower net gains and losses on financial items at fair value. Excluding capital gains from the sale of SPS Reinsurance in the third quarter, income increased by 1 percent.

**Net interest income** increased by 13 percent to SEK 5 424m (4 806). Net interest income from the lending portfolio increased by SEK 233m despite continued margin pressure and higher funding costs. Net interest income from deposits increased by SEK 159m through a volume increase. Other operations increased SEK 226m.

**Net commission income** decreased by SEK 238m or 10 percent to SEK 2 265m (2 503). Income from payment commissions rose by SEK 85m, while income from asset management services decreased by SEK 269m and brokerage commissions dipped SEK 77m.

**Net gains and losses on financial items at fair value** decreased by SEK 305m to SEK -109m (196). The decrease is mainly attributable to Swedbank Markets, where net gains and losses on financial items at fair value decreased by SEK 377m from the previous year. The decrease in the value of Swedbank Market's credit bond portfolio amounted to SEK 217m (-60).

To reduce the accounting volatility of derivatives linked to the financing of euro lending in the Baltics, cash flow hedges are applied as of the third quarter. As a result, unrealized changes in value are no longer recognized through profit or loss but instead directly through shareholders' equity. In the third quarter 2007 net gains and losses were affected negatively by SEK 89m.

**Net insurance** increased to SEK 105m (99).

The **share of the profit or loss of associates** amounted to SEK 138m (140).

**Other income** increased to SEK 415m (287) mainly through a capital gain of SEK 95m on the sale of SPS Reinsurance.

### Increased expenses

**Expenses** increased by SEK 181m or 4 percent to SEK 4 313m (4 132). Amortization of goodwill attributable to the Hansabank trademark is included with SEK 39m (0). Recovered VAT in the Russian leasing operations reduced expenses by SEK 83m.

**Staff costs** increased by SEK 46m or 2 percent to SEK 2 458m (2 412). Profit-based staff costs decreased by SEK 102m primarily in Baltic Banking.

Staff costs excluding profit-based compensation increased by SEK 148m mainly outside Sweden. In Sweden, expenses rose due to higher pension costs and contractual wage increases.

**Other general administrative expenses** increased by 8 percent to SEK 1 855m (1 720) mainly due to higher costs for premises and IT as well as amortization of the Hansabank trademark.

### Loan losses

**Loan losses** amounted to a net of SEK 812m (230), corresponding to a loan loss ratio of 0.27 percent (0.09). The increase was primarily attributable to Baltic Banking and provisions of SEK 169m for trading assets.

## Tax rate

Profit before tax amounted to SEK 3 113m (3 669) and the **tax expense** was SEK 640m (793), corresponding to an effective tax rate of 21 percent (22). The lower tax rate was due to refunds of taxes from previous years, among other things.

## Group profit trend, Jan-Sep 2008 vs. Jan-Sep 2007

### Increased income

- Profit for the period increased by 1 percent to SEK 8 972m (8 888)
- Earnings per share amounted to SEK 17.41 (17.25)
- The return on equity was 17.0 percent (19.0)
- Operating profit decreased by 1 percent to SEK 11 411m (11 476)
- Income increased by 9 percent to SEK 26 117m (24 050)
- 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 at fair value decreased by 15 percent to SEK 1 107m (1 305)
- Expenses increased by 8 percent to SEK 13 183m (12 193)
- The cost/income ratio was 0.50 (0.51)
- Loan losses increased to SEK 1 523m (381)
- The effective tax rate was 21 percent (22).

### Increased income

**Income** increased by SEK 2 067m or 9 percent to SEK 26 117m (24 050). Excluding capital gains (SPS Reinsurance, MasterCard and PKK 2008, CEK AB

2007) and income from branch sales, income increased by 6 percent.

**Net interest income** increased by SEK 2 062m or 15 percent to SEK 15 960m (13 898). Net interest income from the lending portfolio increased by SEK 850m despite continued margin pressure and higher funding costs. Net interest income from deposits increased by SEK 847m through a volume increase and improved interest margins. Net interest income from other operations increased by SEK 365m.

**Net commission income** decreased by SEK 525m or 7 percent to SEK 6 819m (7 344). Payment commissions increased by SEK 311m, while income from stock market-related operations decreased. Income from asset management commissions decreased by SEK 472m, from brokerage commissions by SEK 207m, from corporate finance by SEK 136m and from unit-linked insurance by SEK 47m.

**Net gains and losses on financial items at fair value** decreased by SEK 198m or 15 percent to SEK 1 107m (1 305).

The change in the market valuation of Swedbank Markets credit bond portfolio amounted to SEK -404m (-60).

For Baltic Banking, net gains and losses on financial items at fair value were SEK 263m lower than in the previous year mainly due to the decrease in the value of investment assets held by the insurance operations and weak earnings in equity trading.

For Swedbank Mortgage, the market valuation of its lending and funding including derivatives reduced income by SEK 158m during the year, compared with a positive effect of SEK 19m in the previous year. The negative change in value is due to the major fluctuations in the market between interest rates on mortgage bonds and interbank rates.

The change in the value of Group Treasury's derivatives linked to the financing of euro lending in the Baltics amounted to SEK 163m (0). To reduce the accounting volatility in these transactions, cash flow hedges are 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.

**Net insurance** increased to SEK 313m (269). The increase was primarily in the Baltics.

The **share of the profit or loss of associates** increased to SEK 376m (354) mainly due to higher income in EnterCard.

**Other income** increased to SEK 1 542m (880) through a capital gain of SEK 440m on branch sales to two savings banks in western and southern Sweden as well as capital gains of SEK 95m on the sale of SPS Reinsurance and SEK 66m on Hansabank's partly owned card company, Pankade Kaardikeskus. 2007 included a capital gain from CEK AB of SEK 40m.

## Increased Expenses

**Expenses** increased by SEK 990m or 8 percent to SEK 13 183m (12 193). Of the increase, SEK 407m was attributable to the acquired Ukrainian banking operations and SEK 63m to the amortization of the Hansabank trademark.

**Staff costs** increased by SEK 331m or 5 percent to SEK 7 490m (7 159). The cost increase of SEK 779m or 13 percent excluding profit-based compensation was primarily outside Sweden.

Profit-based staff costs decreased by SEK 448m. The decrease was primarily in Baltic Banking and Swedbank Markets.

**Other general administrative expenses** increased by SEK 659m or 13 percent to SEK 5 693m (5 034) mainly due to expansion and changes outside Sweden as well as higher expenses for cash transport and security in Sweden. Recovered VAT in the Russian leasing operations reduced expenses by SEK 83m.

## Loan losses

**Loan losses** amounted to a net of SEK 1 523m (381), corresponding to a loan loss ratio of 0.18 percent (0.06). Loan losses increased by SEK 358m in Swedish Banking, by SEK 489m in Baltic Banking, by SEK 121m in International Banking (Ukrainian Banking is consolidated from July 2007) and by SEK 169m in Swedbank Markets (trading assets).

## Tax rate

Profit before tax amounted to SEK 11 411m (11 476) and the **tax expense** was SEK 2 380m (2 500), corresponding to an effective tax rate of 21 percent (22). The lower tax rate was due to a higher share of tax-exempt income as well as refunds of taxes from previous years, among other things.

## Interest rate risk

An increase in all market interest rates of one percentage point as of 30 September 2008 would have reduced the value of the Group's assets and liabilities, including derivatives, by SEK 1 721m (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 952m (1 549). Positions in foreign currencies would have decreased in value by SEK 769m (412).

An interest rate increase of one percentage point would have reduced the Group's net gains and losses on items at fair value by SEK 162m (296) as of 30 September 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 credit crunch in global financial markets escalated during the third quarter. By the end of the quarter, global money and capital markets essentially stopped working, creating a liquidity crisis for the entire financial system. This has affected Swedbank.

Several financial institutions have been hurt by the financial crisis. Swedbank has limited exposure to financial institutions.

Higher risk premiums on securities issued by counterparties other than governments have negatively affected the market values of bond holdings and derivatives. At the same time, finding accurate market

prices has become increasingly difficult, since trading in many instruments has not been active.

Higher funding costs and reduced function in the markets especially for long-term funding have to some extent affected net interest income. The lack of functioning long-term funding markets has also made it more difficult to match fixed capital between assets and liabilities.

Falling stock prices have negatively affected income from asset management, unit-linked insurance and equity trading, among other things

News reports on the global financial crisis and an increase in rumours have sparked concern among banking customers in all of Swedbank's home markets.

Rapidly worsening economic conditions around the world are affecting the bank's customers and will eventually impact income. In Swedbank's home markets, the economic slowdown has already become especially evident in the Baltic countries. To date, the slowdown has not had a significant adverse effect on income.

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 the Group's risks and risk control is provided in the annual report for 2007 and in Swedbank's first annual disclosure on risk management and capital adequacy under the new Basel 2 rules. No significant changes have taken place with regard to the distribution of risks compared with what is stated in the annual report or the risk report.

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

Since mid-September, the Swedish and international capital market functions have been severely curtailed. A growing risk aversion among investors and in the interbank markets has made funding and access to liquidity via the capital markets much more difficult for the entire banking system. That is why the central banks took the step of pumping liquidity into the banking systems. Swedbank has succeeded in maintaining good liquidity through actively managing available liquidity reserves despite the unfavorable market climate.

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 580bn or around half of the Group's lending to the public. Swedbank Mortgage's lending to the public is financed through capital market borrowing 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. On 15 May, the first international covered bond issue of one billion euros was floated. The quality of the covered bonds rests on the high-quality in Swedbank Mortgage's secured credit portfolio, where the loan-to-value ratio is around 43 percent. There is no connection between the credit portfolio and the Group's other lending; the portfolio consists of collateral in properties in Sweden, credit to Swedish municipalities or guaranteed credit from Swedish municipalities.

During the first nine months of the year, Swedbank Mortgage issued covered bonds for SEK 71bn to investors in the Swedish market and SEK 23bn in the international market. During the third quarter, the corresponding amounts were SEK 18bn in the Swedish market and SEK 11bn in the international market. During the fourth quarter

2008, SEK 25bn of external long-term financing matures and in 2009 SEK 102bn matures.

Swedbank has a stable base of deposits in Sweden and the Baltic countries with consistently very high market shares for deposits from the public. Bank and finance company lending in Sweden is financed in its entirety with 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, where domestic deposits are not in line with lending.

During the first nine months of the year, Swedbank has raised approximately SEK 45bn in long-term funding, excluding issues linked to index-linked bonds. Of the long-term funding, approximately SEK 18bn matures in the fourth quarter and approximately SEK 40bn matures in 2009.

Swedbank has been working actively for a long time 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 full 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 standard method in the new rules. These companies include the bank's subsidiaries in the Baltics, Russia and Ukraine as well as Swedbank Finans.

The capital adequacy ratio, which is calculated for the financial companies Group, was 12.5 percent as of 30 September 2008 with full effect of the new rules (12.7 as of 31 December 2007), of which the tier 1 capital ratio was 8.7 percent (8.5). The capital adequacy quotient was 1.57 (1.59). Tier 1 capital includes profit for the period after deducting the estimated dividend.

Taking into account the transitional rules, the tier 1 capital ratio was 6.8 percent (6.2), the capital adequacy ratio was 9.9 percent (9.3) and the capital adequacy quotient was 1.23 (1.16).

A specification of capital adequacy and a summary of the new rules are provided on page 32.

## **Balance sheet**

Swedbank's total assets amounted to SEK 1 696bn as per 30 September, an increase of SEK 25bn or 1 percent from the previous quarter and SEK 88bn or 5 percent since the beginning of the year. The quarterly and annual increases mainly relate to loans to the public.

The long-term liquidity reserve amounted to approximately SEK 130bn, of which approximately SEK 20bn was in the Swedish liquidity portfolio and approximately SEK 10bn in the Baltic liquidity portfolio. The liquidity reserve also includes the parent bank's holding of covered bonds issued by Swedbank Mortgage of approximately SEK 100bn, although the holding is eliminated in the consolidated balance sheet. In addition to the active liquidity reserve, there were mandated cash reserves of nearly SEK 14bn in the Baltic region, Russia and Ukraine.

The loan/deposits ratio was 267 percent, against 245 percent at the beginning of the year. The

loan/deposits ratio excluding lending in Swedbank Mortgage was 140 percent (121).

Loans to credit institutions, excluding repurchase agreements (repos), amounted to SEK 60bn (83).

Interest-bearing securities amounted to SEK 100bn (115), of which approximately SEK 30bn was held in liquidity portfolios in Group Treasury and the Baltic countries and approximately SEK 70bn in Swedbank Markets' trading book.

On the liability side, securities in issue decreased by SEK 45bn during the quarter to SEK 635bn, while amounts owed to credit institutions including repos and the National Debt Office increased by SEK 88bn to SEK 243bn. As a part of its efforts to increase liquidity in current market conditions, Swedbank AB increased its holding of covered bonds issued by Swedbank Mortgage, which are eligible for refinancing with central banks.

Subordinated liabilities amounted to SEK 41bn, an increase of SEK 1bn from the previous quarter and the beginning of the year. The increase during the quarter was essentially attributable to exchange rate effects.

Equity amounted to SEK 73bn, an increase of SEK 3bn from the previous quarter and SEK 5bn since the beginning of the year.

A specification of the balance sheet is provided on page 35. A specification of changes in equity is provided on page 36.

## **Change in equity**

Of the increase in equity of SEK 3 025m during the quarter, profit for the period contributed SEK 2 468m and translation differences after deducting the hedge of the net investment in foreign subsidiaries and associates added SEK 748m. The effects of cash flow hedges reduced equity by SEK 191m.

## **Intangible fixed assets**

Intangible fixed assets with an indeterminate value in use amounted to SEK 18.7bn, of which goodwill arising through the acquisition of Hansabank accounted for SEK 12.0bn and goodwill arising through the acquisition of OJSC Swedbank accounted for SEK 3.9bn. As of 30 September a thorough analysis was made of the Group's goodwill and other intangible assets. No write-offs were required.

## **Lending**

The Group's lending to the public, excluding repos, increased during the quarter by SEK 49bn or 4 percent to SEK 1 218bn (1 169) on 30 September. The increase was SEK 38bn in the previous quarter and SEK 43bn in the same quarter a year earlier. The lending increase in the Baltic region was SEK 10bn during the quarter, against SEK 11bn in the same quarter of the previous year. Of the lending increase in the Baltics during the quarter, SEK 6bn was attributable to exchange rate effects. A specification of lending is provided on page 38.

The share of impaired loans was 0.32 percent (0.20) at the end of the quarter. Of the increase in gross impaired loans of SEK 3.5bn since the beginning of the year, Baltic Banking accounted for SEK 2.7bn. The increase in the Baltics was primarily among private customers as well as real estate management companies in Estonia and Latvia.

## **Savings and investments**

Customers' total savings and investments in Swedbank decreased by SEK 36bn to SEK 1 080bn during the quarter. Since the beginning of the year, customers' total

savings and investments decreased by SEK 29bn. Customers' investment assets fell in value due to declining stock prices.

Customers' deposits, excluding repos, increased by SEK 7bn or 2 percent since the beginning of the year to SEK 457bn.

A specification of savings and investments is provided on page 38.

## **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 Tyringe 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 remain with Swedbank after the transaction. The sale price was SEK 440m.

### **Swedbank Robur acquired 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 subsidiary'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 fund manager in Nordic region**

For the second consecutive year, Swedbank Robur has been 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. Earlier in the year, 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 will change its name to ZAO Swedbank Markets, is active in investment banking with a focus on financial advice for Nordic and Russian companies in connection with acquisitions and divestitures of businesses in Russia. The company has 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 in the Baltic region is changing its name to Swedbank. The full brand migration will take about one year. This means that the useful life is finite and the asset is subject to amortization.

## Swedbank AB sells its shares in NCSD

Swedbank AB has agreed to sell its holding in NCSD Holding AB to Euroclear Group. This sale will result in a preliminary capital gain of around SEK 650m. NCSD's operations affected Swedbank's earnings negatively by SEK 13m in 2006 and positively by SEK 82m in 2007.

The capital gain will be reported in the fourth quarter pending the approval of authorities.

## Annual General Meeting and dividend

Swedbank's Annual General Meeting (AGM) 2008 was held in Stockholm on 25 April.

The AGM elected one new member to the Board of Directors, Helle Kruse Nielsen. Current board members Gail Buyske, Simon F.D. Ellis, Ulrika Francke, Berith Hägglund-Marcus, Göran Johnsson, Anders Nyblom and Carl Eric Ståhlberg were re-elected. Carl Eric Ståhlberg was also elected as Chair.

The dividend to the shareholders of SEK 9 per share (8.25) was approved in accordance with the Board's proposal. The dividend was paid through VPC (the Swedish Central Securities Depository) on 6 May 2008.

The Board and the President and CEO were discharged from liability for the year 2007.

The AGM also resolved, in accordance with the Board's proposal, to allow the bank, until the next AGM, to acquire up to 1 percent of the bank's shares to facilitate its securities operations. Moreover, it was resolved to authorize the Board, on one or more occasions until the next AGM, to decide to acquire up to 5 percent of all the shares in the bank in addition to the acquisitions by the securities operations. Purchases may only be through the OMX Nordic Exchange Stockholm at a price between the highest buying and lowest selling rate at the time of acquisition.

The AGM decided on the guidelines for the Nomination Committee. The bank will announce the names of the members of the committee not later than six months before the next AGM. The AGM also decided on compensation guidelines for senior executives.

## 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.

Swedbank has a non-secured and a secured exposure to the Lehman Brothers Group. The unsecured exposure, composed of derivatives and bonds to six companies in the Lehman Brothers Group, amounted to SEK 209m as of 30 September. Provisions of SEK 169m,

or 80 percent of the exposure, have been allocated for anticipated loan losses.

Swedbank's secured exposure amounts to USD 1 350m to one company in the Lehman Brothers Group. The collateral consists of a pool of 69 real estate mortgage loans with a maximum loan-to-value ratio of 72% as underlying assets. The collateral comprises a variety of U.S. real estate of substantial geographical diversity. Each property was initially appraised by an independent appraisal firm. The value of the collateral is adjusted continuously based on changes in real estate prices. Swedbank does not consider any provisions necessary.

The Lehman exposure has negatively affected the tier 1 capital ratio according to the new rules by 15 bp as of 30 September 2008.

## Swedbank Robur AB acquires Banco Fonder AB

Swedbank Robur is acquiring Banco Fonder AB, with assets under management of just over SEK 8bn. The acquisition is scheduled to close on 20 January 2009, when the purchase price will be 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 231m, is expected to be allocated to intangible assets and deferred tax liabilities.

## Accounting policies

The interim report is 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 RR 32:06 of the Swedish Financial Accounting Standards Council (replaced by the Financial Reporting Council as of 1 April 2007).

The accounting policies applied in the interim 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 IASB (International Accounting Standards Board) 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, that were previously part of the trading category can be reclassified to another category in rare circumstances. The assets' fair value at 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

Since the securities market has been increasingly inactive, valuations have been based on valuation models to a greater extent than previously. However, valuation models are based on observable market data i.e. the prices of financial instruments that are as similar as possible and for which transactions have been completed. These values are then adjusted to best reflect the value of the Group's securities. Adjustments for the relevant credit risk are derived from the derivatives market.



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

The valuation methodology is in accordance with the Group's rules and is reviewed by an independent risk control.

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 tradeable but are deemed financially justified to be held to maturity. The valuation of these holdings, based on available information, resulted in a theoretical value that does not reflect a true value i.e. that does not reflect the amount to which they could be exchanged between knowledgeable, willing parties in an arm's length transaction. In the third quarter, accounting according to the theoretical value would have decreased total income by SEK 610m. In the second quarter, the holdings' equivalent posted change in value was SEK -5m.

As of 30 September, there was no impairment. The carrying amount is affected by changed currency rates and the allocation of discount in accordance with the effective interest method.

SEKm	1 Jul 2008	30 Sep 2008
Book value	7 376	7 662
Nominal value	7 558	7 828
Theoretical value	7 376	7 052

## Rating

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

\* Bank Financial Strength Ratings

After the end of the period S&P lowered Swedbank's long-term rating from A+ to A on 3 October. The reason it stated was the growing recession in the Baltic countries. For the same reason, Moody's on 10 October lowered Swedbank's long-term rating from Aa2/B- to Aa3/C+ and Hansabank's long-term rating from Aa3/C to A1/C-.

## Swedbank's share

SWED A	Sep 30 2008	Dec 31 2007
Share price, SEK	87.75	183.00
No. of shares in issue	515 373 412	515 373 412
Market capitalization, SEKm	45 224	94 313

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

## Events after 30 September 2008

### Nomination Committee for 2009 appointed

The following persons are members of the Nomination Committee:

Torgny Wännström, representing AFA Försäkring (AFA Insurance)

Hans Laufeld, representing Sparbanksstiftelsernas Förvaltningsaktiebolag and the Savings Banks Foundations.

Lennart Ohlstenius, representing the Savings Banks and the Swedish Savings Banks Organisation

Peder Hasslev, representing AMF Pension and AMF Pension Fondförvaltning (Asset Management) AB

Carl Eric Stålborg, Chair of the Board of Directors of Swedbank AB.

The Nomination Committee makes proposals to the AGM regarding the election of Chair of the AGM, the election of Chair of the Board and other board members, remuneration to the board members and the auditors, and submits proposals for principles for selection of a Nomination Committee.

### Market development

Global financial markets have been overwhelmed by events in October, with additional central bank actions, various government rescue packages including higher deposits guarantees, and further, dramatic declines in stock prices. The financial crisis is having increasingly visible effects on the real economy.

For Swedbank, the stock market's fall has a direct negative affect on income in the form of lower asset management commissions and other stock market-related income.

Swedbank Markets has managed the month of October well so far, without any further impact on the value of its trading portfolio.

Swedbank's long-term ratings have been lowered by S&P and Moody's due to worsening economic conditions in the Baltics. The lower ratings do not affect Swedbank Mortgage's covered bonds and are expected to have little impact on the bank's funding expenses in the short term.

The liquidity situation remains stable.

Swedbank has no direct exposure to Icelandic banks but some minor exposures to subsidiaries of Icelandic banks. Swedbank's exposure to one Danish subsidiary of SEK 564m is of little risk. Swedbank has a covered bond of SEK 140m issued by a Norwegian subsidiary and a secured exposure of SEK 17m to a Swedish subsidiary.

### Additional resource for Group Communications and IR

In order to further strengthen the existing communications and IR team, Swedbank has decided to create an additional position on Group level responsible for the overall communications strategy and operations. The function will be held by Thomas Backteman, Partner from the communications consultancy Brunswick Group, who will report directly to Swedbank's President and CEO, Jan Lidén. The role is a six month assignment and Mr Backteman will take up the position with immediate effect.

## Business area report

Jan-Sep 2008 SEKm	Swedish Banking	Baltic Banking	International Banking	Swedbank Markets	Asset Management and Insurance	Shared Services and Group Staffs	Eliminations	Group
Net interest income	8 810	4 433	1 415	1 125	77	89	11	15 960
Net commission income	3 120	1 428	257	797	1 217	0	0	6 819
Net gains and losses on financial items at fair value	69	390	130	152	-4	381	-11	1 107
Share of the profit or loss of associates	309	2		0		65		376
Other income	860	469	38	37	131	2 457	-2 137	1 855
<b>Total income</b>	<b>13 168</b>	<b>6 722</b>	<b>1 840</b>	<b>2 111</b>	<b>1 421</b>	<b>2 992</b>	<b>-2 137</b>	<b>26 117</b>
Staff costs	2 980	1 287	508	558	281	1 191	-3	6 802
Profit-based staff costs	182	61	81	275	26	63		688
IT expenses	651	239	58	165	134	656	-722	1 181
Other expenses	2 796	874	321	346	194	690	-1 412	3 809
Depreciation/amortization	82	291	90	10	24	206	0	703
<b>Total expenses</b>	<b>6 691</b>	<b>2 752</b>	<b>1 058</b>	<b>1 354</b>	<b>659</b>	<b>2 806</b>	<b>-2 137</b>	<b>13 183</b>
<b>Profit before loan losses</b>	<b>6 477</b>	<b>3 970</b>	<b>782</b>	<b>757</b>	<b>762</b>	<b>186</b>		<b>12 934</b>
Loan losses, net	307	823	230	169		-6		1 523
<b>Operating profit</b>	<b>6 170</b>	<b>3 147</b>	<b>552</b>	<b>588</b>	<b>762</b>	<b>192</b>		<b>11 411</b>
Tax expense	1 657	266	165	168	181	-57		2 380
Profit for the period	4 513	2 881	387	420	581	249		9 031
<b>Profit for the period attributable to:</b>								
<b>Shareholders of Swedbank AB</b>	<b>4 503</b>	<b>2 881</b>	<b>387</b>	<b>371</b>	<b>581</b>	<b>249</b>		<b>8 972</b>
Minority interest	10			49				59
Return on allocated equity, %	20.6	17.5	6.1	15.4	35.6	6.4		17.0
C/I ratio before loan losses	0.51	0.41	0.58	0.64	0.46	0.94		0.50
Full-time employees	6 094	8 791	4 366	722	346	1 671		21 990

### 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 will 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. Customers have access to the bank's services through a network of 432 branches and through the 259 branches of the savings banks and partly owned banks. The branch network is complemented by 168 in-store banking locations and cash services at around 1 400 ICA supermarkets. The bank is also accessible through the Telephone Bank and Internet Bank.

The business area 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.

The Customer and Product Offerings unit produces and coordinates offerings for various customer groups and is responsible for the development and launch of new products based on customer needs.

Swedish Banking also includes the jointly owned card company EnterCard, with operations in Sweden, Norway and Denmark.

Of the business area's 6 100 full-time employees, around 4 700 are in retail operations.

## Profit trend

SEKm	Jan-Sep 2008	Jan-Sep 2007	%	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Net interest income	8 810	8 774	0	2 857	2 971	2 982	2 927	2 926
Net commission income	3 120	3 321	-6	1 038	1 057	1 025	1 183	1 130
Net gains and losses on financial items at fair value	69	219	-68	-126	179	16	116	1
Share of the profit or loss of associates	309	279	11	122	97	90	52	118
Other income	860	530	62	127	149	584	277	173
<b>Total income</b>	<b>13 168</b>	<b>13 123</b>	<b>0</b>	<b>4 018</b>	<b>4 453</b>	<b>4 697</b>	<b>4 555</b>	<b>4 348</b>
Staff costs	2 980	2 959	1	983	976	1 021	995	995
Profit-based staff costs	182	241	-24	63	41	78	101	98
IT expenses	651	650	0	212	230	209	242	197
Other expenses	2 796	2 801	0	913	964	919	927	893
Depreciation/amortization	82	70	17	26	28	28	14	25
<b>Total expenses</b>	<b>6 691</b>	<b>6 721</b>	<b>0</b>	<b>2 197</b>	<b>2 239</b>	<b>2 255</b>	<b>2 279</b>	<b>2 208</b>
<b>Profit before loan losses</b>	<b>6 477</b>	<b>6 402</b>	<b>1</b>	<b>1 821</b>	<b>2 214</b>	<b>2 442</b>	<b>2 276</b>	<b>2 140</b>
Loan losses, net	307	-51		127	85	95	122	3
<b>Operating profit</b>	<b>6 170</b>	<b>6 453</b>	<b>-4</b>	<b>1 694</b>	<b>2 129</b>	<b>2 347</b>	<b>2 154</b>	<b>2 137</b>
Tax expense	1 657	1 807	-8	476	525	656	606	598
Profit for the period	4 513	4 646	-3	1 218	1 604	1 691	1 548	1 539
<b>Profit for the period attributable to:</b>								
<b>Shareholders of Swedbank AB</b>	<b>4 503</b>	<b>4 637</b>	<b>-3</b>	<b>1 214</b>	<b>1 601</b>	<b>1 688</b>	<b>1 545</b>	<b>1 536</b>
Minority interest	10	9	11	4	3	3	3	3
Allocated equity	29 159	26 174	11	29 636	28 924	28 918	28 110	26 792
Return on allocated equity, %	20.6	23.6		16.4	22.1	23.3	22.0	22.9
<b>Income items</b>								
Income from external customers	11 902	11 701	2	3 535	4 081	4 286	4 101	3 894
Income from transactions with other business areas	1 266	1 422	-11	483	372	411	454	454
<b>Business volumes, SEK billion</b>								
Lending	926	832	11	926	909	888	867	832
Deposits	322	300	7	322	327	316	317	300
Mutual funds & insurance	203	263	-23	203	218	222	251	263
Other investment volume	26	23	13	26	26	27	25	23
Investments in associates	2	2	0	2	2	2	2	2
Risk-weighted assets, older rules	667	601	11	667	656	643	623	601
Total assets	1 072	910	18	1 072	1 057	1 040	972	910
Total liabilities	1 041	883	18	1 041	1 028	1 010	943	883
Full-time employees	6 094	6 190	-2	6 094	6 054	6 133	6 236	6 190

## Swedish economy slowing more than expected

The global financial crisis and weakening international economic conditions are increasingly affecting the Swedish economy. For the second quarter 2008, calendar-adjusted GDP growth was 0.6 percent, against 2.2 percent in the previous quarter. In addition to weak industrial production growth, weakening domestic demand is also increasingly affecting the private services sector. During the third quarter, the slowdown in Swedish industry worsened, according to Swedbank's Purchasing Managers Index (PMI). Export prospects in the European market have been especially affected. Fewer job openings and more layoffs increasingly indicate that the Swedish labour market will contract further, with rising unemployment as a result. Higher loan expenses, falling asset values and increasing uncertainty about the labour market have led to growing pessimism among households. The rate of inflation in the Swedish economy was 4.4 percent in September, still exceeding the Riksbank's target of 2 percent.

The Riksbank changed the repo rate twice during the third quarter. As a result, the rate averaged 4.54 percent, compared with 3.55 percent in the third quarter of 2007 and 4.25 percent in the second quarter of 2008. On 8 October, the Riksbank decided to cut the repo rate by 50 bp to 4.25 percent and has not ruled out further rate cuts. The Stockholm Stock Exchange's OMXSPI index decreased by 12 percent during the third quarter and since the beginning of the year has fallen by slightly over 30 percent.

## Financial turmoil

The financial crisis escalated during the third quarter. Short-term interbank rates (Stibor) continued to rise. The difference between interbank rates and Swedish Treasury bill rates also increased. During the year, Swedbank raised the rates on its variable-rate loan products on four occasions in addition to when the Riksbank raised the repo rate. The measures by central banks around the world to improve liquidity have not yet managed to calm the markets. The difference in interest rate between treasury bonds and covered mortgage bonds grew during the third quarter. The market for covered mortgage bonds also suffered in functional terms from the major disruptions, causing a growing difference between bid and ask rates.

Given current market conditions, Swedbank Mortgage decided to maintain even higher liquidity, which affected net interest income negatively.

## Service leader

The weekend banking hours introduced at three full-service branches in Sweden's three largest cities is part of a strategy of service leadership. Around 60 large branches already offer late hours Monday to Friday.

A mutual fund programme launched at the beginning of the year makes it easier for bank employees to sell a basic range of funds. The programme started in mid-January with an attention-getting campaign called "Wake up your money." PPM Förvaltning, a new service launched in May, manages premium pension fund investments for customers based on the level of risk they select. In September, slightly over nine thousand customers added this service.

In the first five months after restrictions were lifted on transferring pension savings, Swedbank had six times more customers who chose to transfer their pensions to the bank than from the bank. In Private Banking, extensive product and concept development is

under way to increase volumes and market shares. Marketing to large companies is being strengthened through further investments organizationally and in terms of resources.

During the third quarter, Swedbank launched a webpage called Finances Compass and a voice-activated security token for handicapped customers, in addition to announcing that it would be the first bank to introduce electronic ID for mobile phone users.

In May, the fixed rate savings account was relaunched and quickly became a popular savings alternative, doubling the number of accounts and posting a volume increase of 140 percent. Since the beginning of October, the account is covered by the government deposit guarantee. Since the end of September, customers are able to again invest in Swedbank Robur's Treasury bill fund. Both savings products offer customers a secure alternative during the current financial turmoil.

## Satisfied customers

Swedbank strengthened its position in the Swedish Quality Index 2008. In the consumer market, Swedbank consolidated its position as the major bank with the second most satisfied customers through a rating of 70.6 (70.4). In the corporate market, Swedbank climbed to second place among major banks with a rating of 70.6 (70.7).

## Swedbank again named most popular employer

For the second consecutive year, Swedbank was 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.

## Branches sold

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

## Higher lending volumes

Lending increased by SEK 17bn during the quarter, compared with a lending increase of SEK 21bn in the previous quarter and SEK 26bn in the same quarter of the previous year. Total lending volume amounted to SEK 926bn at the end of the quarter, an increase of 11 percent in one year.

Mortgage lending to private customers increased by SEK 9bn during the quarter, compared with SEK 7bn during the previous quarter and SEK 12bn in the same quarter of the previous year. In one year, mortgage lending to private customers has increased by 9 percent to SEK 451bn.

Bank lending to corporate customers increased by SEK 12bn during the quarter, compared with SEK 11bn during the previous quarter and SEK 13bn in the same

quarter of the previous year. In one year, bank lending to corporate customers has increased by 25 percent to SEK 252bn.

### Savings and investment volumes

Savings and investment volumes, excluding holdings in customers' brokerage accounts, decreased by SEK 20bn during the quarter, compared with an increase of SEK 6bn during the previous quarter and with a volume increase of SEK 9bn in the same quarter of the previous year. Total savings and investment volumes amounted to SEK 551bn at the end of the quarter, a decrease of 6 percent in one year.

Of the change in volume during the quarter, mutual fund and insurance volumes accounted for SEK -15bn (SEK -7bn in the third quarter of 2007), deposits for SEK -5bn (15) and index-linked bonds for SEK 0bn (1). The decrease in mutual fund and insurance volumes is due to lower market values, SEK 15bn. Fund withdrawals through Swedish Banking were SEK 0.5bn (2.5) higher than contributions during the quarter.

### Less cash handling and more card use

To reduce the amount of cash in circulation, which is desirable from both a security and cost standpoint, several initiatives have been taken to make card use more attractive, including new pricing for retailers for small purchases. The banking industry, retailers and armoured transport companies have a shared interest in less cash use in society with respect to their employees' work environments.

Swedbank had 3.6 million bank cards in circulation as of 30 September (3.5 on 31 December 2007). During the first three quarters of the year, the number of card purchases increased by 15 percent and the number of card transactions cleared rose 18 percent compared with the same quarter last year.

### Market shares

In August (latest official measurement), the market share for outstanding lending to private customers was 26 percent (26, previous year) and for outstanding lending to corporate customers 22 percent (21). The market share for outstanding residential mortgage lending was 29 percent (30).

The market share for outstanding deposits from private customers was unchanged in August at 26 percent (26). The same applies to corporate deposits, where the market share was 16 percent (16). The market share for net sales of mutual funds was negative (neg.), while the share for outstanding fund investments was 27 percent as of June. The share for the outstanding balance of listed equity-linked bonds was 24 percent (27).

### Profit trend Q3 2008 vs. Q2 2008

**Profit for the period** decreased by SEK 387m or 24 percent to SEK 1 214m. The return on equity was 16.4 percent (22.1). The cost/income ratio was 0.55 (0.50).

**Net interest income** decreased by SEK 114m or 4 percent to SEK 2 857m (2 971). Further increases in deposit and lending volumes raised net interest income by SEK 55m. The lending margin increased by 1 bp to 0.78 percent, which affected net interest income positively by SEK 15m. Increased demand for high-yield savings accounts reduced the interest margin on deposits by 5 bp to 1.34 percent, which affected net interest income negatively by SEK 44m. Other effects were SEK 140m lower than the previous quarter.

**Net commission income** decreased by SEK 19m or 2 percent to SEK 1 038m 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** decreased by SEK 305m to SEK -126m after Swedbank Mortgage's lending and funding including derivatives were marked to fair value and due to the capital gain on shares in MasterCard during the second quarter.

**The share of profit or loss of associates** increased by SEK 25m to SEK 122m primarily due to higher profit in EnterCard and partly owned savings banks.

**Other income** decreased by SEK 22m to SEK 127m.

**Expenses** decreased by SEK 42m or 2 percent to SEK 2 197m.

**Staff costs**, excluding profit-based compensation, increased by SEK 7m to SEK 983m. Profit-based compensation increased by SEK 22m to SEK 63m partly due to lower disbursements to the bonus programme for branch employees in the second quarter than allocated in 2007. The number of full-time positions increased by 40 to 6 094. The increase is due to vacation replacements.

**Other expenses** decreased by SEK 71m or 6 percent to SEK 1 151m mainly due to lower IT-development expenses and seasonal effects.

**Loan losses** amounted to a net of SEK 127m (85).

### Profit trend Q3 2008 vs. Q3 2007

**Profit for the period** decreased by SEK 322m or 21 percent to SEK 1 214m. The return on equity was 16.4 percent (22.9). The cost/income ratio was 0.55 (0.51).

**Income** decreased by SEK 330m or 8 percent to SEK 4 018m.

**Net interest income** decreased by SEK 69m to SEK 2 857m. Further increases in deposit and lending volumes raised net interest income by SEK 321m. The lending margin decreased by 5 bp to 0.78 percent, which affected net interest income negatively by SEK 139m. For deposits, the interest margin improved by 4 bp to 1.34 percent, which affected net interest income positively by SEK 33m. Other effects were SEK 284m lower.

**Net commission income** decreased by SEK 92m or 8 percent to SEK 1 038m mainly due to lower income from mutual fund and unit-linked savings.

**Net gains and losses on financial items at fair value** decreased by SEK 127m to SEK -126m mainly due to a positive change in the value of the shares in MasterCard of SEK 89m in 2007.

**The share of profit or loss of associates** increased by SEK 4m.

**Other income** decreased by SEK 46m.

**Expenses** decreased by SEK 11m to SEK 2 197m.

**Staff costs**, excluding profit-based compensation, decreased by SEK 12m or 1 percent due to a lower number of employees, among other reasons. Profit-based compensation decreased by SEK 35m due to lower allocations to incentive programmes for branch employees. The number of full-time positions decreased by 96 to 6 094. Of the decrease, 52 were due to branch sales.

**Other expenses** increased by SEK 36m.

**Loan losses** amounted to a net of SEK 127m (3).

### **Profit trend Jan-Sep 2008 vs. Jan-Sep 2007**

**Profit for the period** decreased by SEK 134m or 3 percent to SEK 4 503m. Excluding capital gains on the sale of branches and the shares in MasterCard in 2008 and CEK AB in 2007, profit decreased by SEK 423m. The return on equity was 20.6 percent (23.6). The cost/income ratio was 0.51 (0.51).

**Income** increased by SEK 45m to SEK 13 168m. Excluding one-off items, income decreased by SEK 367m.

**Net interest income** increased by SEK 36m to SEK 8 810m. Further increases in deposit and lending volumes raised net interest income by SEK 1 065m. The lending margin decreased by 11 bp to 0.77 percent, which affected net interest income negatively by SEK 753m. For deposits, the interest margin improved by 11 bp to 1.39 percent, which affected net interest income positively by SEK 263m. Other effects were SEK 539m lower.

**Net commission income** decreased by SEK 201m or 6 percent to SEK 3 120m mainly due to lower income from mutual fund and unit-linked savings.

**Net gains and losses on financial items at fair value** decreased by SEK 150m to SEK 69m after Swedbank Mortgage's lending and funding including derivatives were marked to fair value.

**The share of profit or loss of associates** increased by SEK 30m partly due to higher profit from EnterCard.

**Other income** increased by SEK 330m, of which SEK 440m is due to branch sales in 2008 and SEK 40m relates to the capital gain on CEK AB in 2007.

**Expenses** decreased by SEK 30m to SEK 6 691m.

**Staff costs**, excluding profit-based compensation, increased by SEK 21m or 1 percent. Profit-based compensation decreased by SEK 59m due to lower allocations to incentive programmes for branch employees. The number of full-time positions decreased by 96 to 6 094. Of the decrease, 52 were due to branch sales.

**Other expenses** decreased by SEK 8m.

**Loan losses** amounted to a net of SEK 307m (-51).

## 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 the 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 amortization of the surplus values in the lending and deposit portfolios identified at the time of the acquisition in 2005.

Starting from September 2008, Hansabank will change its name to Swedbank in the Baltic region. The full brand migration will take about one year. The legal name of the bank will change in spring 2009.

## Baltic Banking Operations

### Profit trend

SEKm	Jan-Sep 2008	Jan-Sep 2007	%	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Net interest income	4 773	4 079	17	1 667	1 531	1 575	1 588	1 487
Net commission income	1 428	1 377	4	492	478	458	477	475
Net gains and losses on financial items at fair value	390	653	-40	107	205	78	163	213
Share of the profit or loss of associates	2	4	-50	0	0	2	3	2
Other income	469	288	63	140	200	129	141	111
<b>Total income</b>	<b>7 062</b>	<b>6 401</b>	<b>10</b>	<b>2 406</b>	<b>2 414</b>	<b>2 242</b>	<b>2 372</b>	<b>2 288</b>
Staff costs	1 287	1 048	23	397	451	439	427	348
Profit-based staff costs	61	409	-85	86	-108	83	160	163
IT expenses	239	211	13	86	84	69	81	70
Other expenses	874	680	29	301	315	258	343	236
Depreciation/amortization	159	136	17	56	53	50	51	47
<b>Total expenses</b>	<b>2 620</b>	<b>2 484</b>	<b>5</b>	<b>926</b>	<b>795</b>	<b>899</b>	<b>1 062</b>	<b>864</b>
<b>Profit before loan losses</b>	<b>4 442</b>	<b>3 917</b>	<b>13</b>	<b>1 480</b>	<b>1 619</b>	<b>1 343</b>	<b>1 310</b>	<b>1 424</b>
Loan losses, net	823	334		405	245	173	116	153
<b>Operating profit</b>	<b>3 619</b>	<b>3 583</b>	<b>1</b>	<b>1 075</b>	<b>1 374</b>	<b>1 170</b>	<b>1 194</b>	<b>1 271</b>
Tax expense	319	331	-4	109	103	107	124	121
<b>Profit for the period</b>	<b>3 300</b>	<b>3 252</b>	<b>1</b>	<b>966</b>	<b>1 271</b>	<b>1 063</b>	<b>1 070</b>	<b>1 150</b>
Allocated equity	14 717	13 473	9	14 915	14 603	14 633	15 045	14 665
Return on allocated equity, %	29.9	32.2		25.9	34.8	29.1	28.4	31.4
<b>Income items</b>								
Income from external customers	7 062	6 401	10	2 406	2 414	2 242	2 372	2 288
<b>Business volumes, SEK billion</b>								
Lending	200	164	15 *	200	190	182	177	164
Deposits	106	92	8 *	106	105	102	102	92
Mutual funds & insurance	17	18	-6	17	18	17	19	18
Risk-weighted assets, older rules	187	159	18	187	180	173	175	159
Total assets	250	210	19	250	241	231	233	210
Total liabilities	235	197	19	235	226	216	218	197
Full-time employees	8 791	9 112	-4	8 791	9 242	9 206	9 203	9 112

\* Changes reported excl. foreign exchange effects

### Continued change in Baltic economies

Economic conditions have been deteriorating for some time in the rapidly emerging Baltic economies, particularly in Estonia and Latvia. The slowdown is largely due to rapidly growing domestic demand in recent years. Changes in the global economy have accelerated the downturn. The bad news internationally, including from neighbouring economies, coupled with the domestic slowdown, has hurt household and business sentiment, leading to lower spending and investments. Real estate prices have fallen in Estonia and Latvia, while prices in Lithuania have remained stable.

GDP growth in the second quarter was -1.1 percent in Estonia, 0.1 percent in Latvia and 5.2 percent in

Lithuania. GDP growth is expected to continue to slow in all three Baltic countries.

Inflation figures for September were 10.5 percent in Estonia, 14.9 percent in Latvia and 11.0 percent in Lithuania.

During the first nine months of the year, the stock index fell by 37 percent in Estonia, by 36 percent in Latvia and by 38 percent in Lithuania.

Euro rates increased during the third quarter. The 90-day Euribor rate averaged 5.00 percent, compared with 4.86 percent in the second quarter 2008 and 4.49 percent in the third quarter 2007. Domestic interest rates in Estonia were stable, while rates rose slightly in Latvia and Lithuania.

## Major challenges

Declining regional conditions pose challenges for Swedbank as the largest bank. Ensuring continued high quality in the credit portfolio while finding workable solutions together with customers who incur payment problems remains the highest priority. Credit quality has gradually worsened during the year.

Lower credit demand means the sales organization has to adapt to lower volumes. This, coupled with current efforts to increase efficiency in sales and back office processes, necessitates a reduction in the number of employees. Efficiency improvements will also be made in the retail network. The number of employees was reduced by 451 during the third quarter.

Baltic Banking will have relatively limited refinancing needs during the next 15 months. During the fourth quarter 2008, approximately SEK 6bn will have to be refinanced, of which approximately SEK 4bn internally through Group Treasury.

Under current market conditions, no measurable increase in lending is expected. The goal is to finance any increase in lending with local deposits.

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 are 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. At present, IRB is being tested along with the new capital adequacy rules' standard method.

The Baltic supervisory authorities have higher requirements on capital adequacy and cash reserves than many other countries in the EU. In Estonia, the minimum capital adequacy ratio is 10 percent instead of 8 percent, and the risk weight for lending against collateral in residential real estate is 100 percent instead of 50 percent according to older rules. The reserve requirement for deposits that must be placed with the central bank is 15 percent in Estonia and 6 percent in Latvia and Lithuania. This positions Baltic banks to manage economic disruptions relatively well.

According to Estonia's central bank the financial stability of Estonia's banking system is good.

## Business volumes

Lending increased by SEK 10bn during the third quarter to SEK 200bn, compared with SEK 8bn in the previous quarter and SEK 11bn in the same quarter of the previous year. However, of the quarterly increase in lending, SEK 6bn was an exchange rate effect from the translation to Swedish kronor. In the last 12 months, the increase was 15 percent measured in euros. The rate of increase gradually decreased during the last year and is expected to continue to decrease.

In one year, lending increased by 14 percent in Estonia to SEK 80bn, by 15 percent in Latvia to SEK 64bn and by 17 percent in Lithuania to SEK 56bn. Lending to private customers increased in the last 12-month period by 16 percent to SEK 87bn, while corporate lending increased by 14 percent to SEK 113bn.

In one year, deposits increased by 8 percent to SEK 106bn. In Estonia, deposits increased in one year by 14 percent to SEK 48bn, in Latvia by 1 percent to SEK 23bn and in Lithuania by 8 percent to SEK 35bn.

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

## Market shares

The market share for outstanding corporate lending was 44 percent (44 as of 31 December 2007) in Estonia, 26 percent (26) in Latvia and 24 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 27 percent (29) in Lithuania.

The market share for outstanding deposits was 54 percent (53) in Estonia, 17 percent (17) in Latvia and 29 percent (30) in Lithuania.

## Profit trend Q3 2008 vs. Q2 2008

**Profit for the period** amounted to SEK 966m (1 271). The return on equity was 25.9 percent (34.8) and the cost/income ratio was 0.38 (0.33).

**Income** decreased by SEK 8m to SEK 2 406m (2 414) mainly due to lower net gains and losses on financial items at fair value and a capital gain of SEK 66m in the second quarter.

**Net interest income** increased by SEK 136m or nearly 9 percent to SEK 1 667m. Further increases in deposit and lending volumes raised net interest income by SEK 25m. The lending margin decreased by 4 bp to 2.06 percent, which reduced net interest income by SEK 19m. Margins were stable in corporate and mortgage lending, but decreased slightly for other bank lending and factoring. For deposits, the interest margin increased by 32 bp to 2.32 percent, raising net interest income by SEK 83m. High local money market rates, combined with a decrease in deposit guarantee costs in Estonia of SEK 42m, explain a large part of the increase. Other effects increased net interest income by SEK 47m.

**Net commission income** increased by SEK 14m or 3 percent to SEK 492m (478) primarily due to higher payment commissions, while stock market-related income continued to decline.

**Net gains and losses on financial items at fair value** decreased by SEK 98m to SEK 107m. The third quarter was affected by weak earnings in stock trading as well as the negative change in the value of assets in the insurance operations.

**Other income** decreased by SEK 60m or 30 percent to SEK 140m mainly due to a capital gain on the sale of shares in the Estonian card processor Pankade Kaardikeskus (PKK) in the second quarter. The third quarter includes the sale of properties in Estonia and Lithuania with a gain of SEK 12m.

**Expenses** increased by SEK 131m or 16 percent to SEK 926m. The second quarter includes a reversal of SEK 185m in provisions for profit-based staff costs owing to lower provision requirements. Excluding this reversal, expenses decreased by SEK 54m or 7 percent. Lower staff costs are largely a result of this decrease.

The number of full-time positions decreased by 451 to 8 791, of which 264 in Estonia, 89 in Latvia and 98 in Lithuania. The number of permanent employees decreased by 236.

**Loan losses** amounted to SEK 405m (245). The loan loss ratio increased to 0.85 percent (0.54). The share of impaired loans increased to 1.45 percent (0.91). The increase was mainly due to private customers and real estate management companies in Latvia and Estonia. The increase is in line with



expectations and the previously stated loan loss ratio of 0.70 percent for the full year 2008.

### Profit trend Q3 2008 vs. Q3 2007

**Profit for the period** decreased by SEK 184m or 16 percent to SEK 966m (1 150). The return on equity was 25.9 percent (31.4) and the cost/income ratio was 0.38 (0.38).

**Income** increased by SEK 118m or 5 percent to SEK 2 406m (2 288) mainly due to higher net interest income.

**Net interest income** increased by SEK 180m or 12 percent to SEK 1 667m. Further increases in deposit and lending volumes raised net interest income by SEK 227m. The lending margin decreased by 19 bp to 2.06 percent, which reduced net interest income by SEK 96m. Higher funding costs that could not be fully passed on to lending customers explain the margin change. In terms of deposits, the interest margin decreased by 19 bp to 2.32 percent, which reduced net interest income by SEK 52m. Falling local money market rates, combined with higher price competition for deposits, explain the margin pressure particularly in Latvia. Other effects increased net interest income by SEK 101m.

**Net commission income** increased by SEK 17m or 4 percent to SEK 492m.

**Net gains and losses on financial items at fair value** decreased by SEK 106m to SEK 107m partly due to a negative change in the value of insurance assets.

**Other income** increased by SEK 29m to SEK 140m, mainly due to a capital gain of SEK 12m in connection with property sales in Estonia and Lithuania.

**Expenses** increased by SEK 62m or 7 percent to SEK 926m.

**Staff costs**, excluding profit-based compensation, increased by SEK 49m or 14 percent mainly due to higher wages. Profit-based compensation decreased by SEK 77m mainly due to lower profit levels in 2008.

**Other expenses** increased by SEK 90m or 25 percent mainly due to higher expenses for premises and expenses for organizational changes.

The number of full-time positions decreased by 321 to 8 791, of which 145 in Estonia and 245 in Lithuania, while the number increased by 69 in Latvia.

**Loan losses** amounted to SEK 405m, an increase of SEK 252m. The loan loss ratio was 0.85 percent (0.40). The share of impaired loans increased to 1.45 percent (0.34). The increase was mainly due to private customers and real estate management companies in Latvia and Estonia.

### Profit trend Jan-Sep 2008 vs. Jan-Sep 2007

**Profit for the period** rose by SEK 48m or 1 percent to SEK 3 300m (3 252). The return on equity was 29.9 percent (32.2) and the cost/income ratio was 0.37 (0.39).

**Income** increased by SEK 661m or 10 percent to SEK 7 062m (6 401) mainly due to higher net interest income.

**Net interest income** increased by SEK 694m or 17 percent to SEK 4 773m. Further increases in deposit and lending volumes raised net interest income by SEK 841m. The lending margin decreased by 14 bp to 2.14 percent, which reduced net interest income by SEK 265m. Higher funding costs that could not be fully passed on to lending customers explain the margin change. In terms of deposits, the interest margin decreased by 12 bp to 2.20 percent, which reduced net interest income by SEK 137m. Falling local money

market rates, combined with higher price competition for deposits, explain the margin pressure particularly in Latvia. Other effects increased net interest income by SEK 255m.

**Net commission income** increased by SEK 51m SEK 1 428m primarily due to higher payment and card commissions.

**Net gains and losses on financial items at fair value** decreased by SEK 263m to SEK 390m due to slower customer activity, lower trading income and the negative change in the value of assets in the insurance operations.

**Other income** increased by SEK 181m to SEK 469m mainly due to a capital gain of SEK 66m on the sale of the partly owned card company PKK. The insurance net increased by SEK 82m.

**Expenses** increased by SEK 136m or 5 percent to SEK 2 620m.

**Staff costs**, excluding profit-based compensation, increased by SEK 239m or 23 percent due to higher wages. Profit-based compensation decreased by SEK 348m.

**Other expenses** increased by SEK 245m or 24 percent mainly due to higher expenses for premises and IT as well as expenses for organizational changes.

The number of full-time positions decreased by 321 to 8 791, of which 145 in Estonia and 245 in Lithuania, while the number increased by 69 in Latvia.

During the last year, 22 branches (10 in Estonia, 3 in Latvia and 9 in Lithuania) were closed to optimize the branch network. The number of branches in the Baltic region totalled 278.

**Loan losses** amounted to SEK 823m, an increase of SEK 489m. The loan loss ratio was 0.62 percent (0.35).

### Estonia

Estonia is the dominant unit in Baltic Banking with approximately half the business area's profit. Estonia accounts for 40 percent (40) of lending and 46 percent (43) 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.

Non-life insurance has become a popular product. During the first nine months of the year, a market share of 16 percent was achieved.

The quarter profit decreased by SEK 30m from the second quarter. The second quarter included a capital gain on the sale of the shares in PKK. Profit for the nine-month period decreased by SEK 142m to SEK 1 501m. The return on equity for the third quarter was 32.3 percent (35.4, previous quarter) and the cost/income ratio was 0.37 (0.38). The share of impaired loans was 1.25 percent (0.97).

### Latvia

Latvia is the second largest unit in Baltic Banking, accounting for 32 percent (32) of lending and 22 percent (25) of deposits.

For the fourth consecutive year, Hansabank was named 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.

The quarter profit decreased by SEK 50m from the second quarter and by SEK 145m from the third quarter 2007 to SEK 194m. Despite a lower cost increase, profit

declined due to lower income and higher loan losses. The return on equity for the third quarter was 17.7 percent (22.7, previous quarter) and the cost/income ratio was 0.42 (0.44). The share of impaired loans was 2.25 percent (1.20).

### **Lithuania**

Lithuania accounts for 28 percent (28) of lending and 32 percent (34) of deposits in the business area.

The quarter profit decreased by SEK 6m from the second quarter and was in line with the third quarter 2007. The quarterly return on equity was 24.0 percent (23.6, previous quarter) and the cost/income ratio was 0.39 (0.47). The share of impaired loans was 0.82 percent (0.48).

### **Exchange rate effects**

The local currencies in Estonia, Latvia and Lithuania are pegged to the euro. The Swedish krona weakened against the euro by 3 percent during the third quarter 2008.

The exchange rate effect of the translation to SEK positively affected profit for the period by SEK 71m or 2 percent for January-September compared with 2007.

### **Popular employer**

According to TNS Global's latest survey, Hansabank was ranked as the most popular employer, regardless of industry, in both Estonia and Latvia.

## Baltic Banking, Operations and Investment

### Profit trend

SEKm	Jan-Sep 2008	Jan-Sep 2007	%	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Net interest income	4 433	3 775	17	1 556	1 416	1 461	1 473	1 382
Net commission income	1 428	1 377	4	492	478	458	477	475
Net gains and losses on financial items at fair value	390	653	-40	107	205	78	163	213
Share of the profit or loss of associates	2	4	-50	0	0	2	3	2
Other income	469	288	63	140	200	129	141	111
<b>Total income</b>	<b>6 722</b>	<b>6 097</b>	<b>10</b>	<b>2 295</b>	<b>2 299</b>	<b>2 128</b>	<b>2 257</b>	<b>2 183</b>
Staff costs	1 287	1 048	23	397	451	439	427	348
Profit-based staff costs	61	409	-85	86	-108	83	160	163
IT expenses	239	211	13	86	84	69	81	70
Other expenses	874	680	29	301	315	258	343	236
Depreciation/amortization	291	208	40	116	101	74	74	71
<b>Total expenses</b>	<b>2 752</b>	<b>2 556</b>	<b>8</b>	<b>986</b>	<b>843</b>	<b>923</b>	<b>1 085</b>	<b>888</b>
<b>Profit before loan losses</b>	<b>3 970</b>	<b>3 541</b>	<b>12</b>	<b>1 309</b>	<b>1 456</b>	<b>1 205</b>	<b>1 172</b>	<b>1 295</b>
Loan losses, net	823	334		405	245	173	116	153
<b>Operating profit</b>	<b>3 147</b>	<b>3 207</b>	<b>-2</b>	<b>904</b>	<b>1 211</b>	<b>1 032</b>	<b>1 056</b>	<b>1 142</b>
Tax expense	266	298	-11	90	85	91	106	108
<b>Profit for the period</b>	<b>2 881</b>	<b>2 909</b>	<b>-1</b>	<b>814</b>	<b>1 126</b>	<b>941</b>	<b>950</b>	<b>1 034</b>
Allocated equity	21 980	20 748	6	22 160	21 873	21 907	22 312	21 936
Return on allocated equity, %	17.5	18.7		14.7	20.6	17.2	17.0	18.9
<b>Income items</b>								
Income from external customers	6 722	6 097	10	2 295	2 299	2 128	2 257	2 183
<b>Business volumes, SEK billion</b>								
Lending	201	165	15 *	201	191	183	178	165
Deposits	106	92	8 *	106	105	102	102	92
Mutual funds & insurance	17	18	-6	17	18	17	19	18
Risk-weighted assets, older rules	188	160	18	188	181	174	176	160
Total assets	263	223	18	263	254	244	246	223
Total liabilities	241	202	19	241	232	222	224	202
Full-time employees	8 791	9 112	-4	8 791	9 242	9 206	9 203	9 112

\* 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. This currently includes 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 houses responsibility 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 for Ukraine and Russia to develop into geographical home markets in the Group.

The main purpose of the other international units is to support Swedbank's operations in its geographical home markets. The international branches in the U.S. and China, as well as customer responsibility for financial institutions and banks, were transferred in the third quarter from Swedbank Markets. Historical periods have been restated. The transferred operations include 91 employees, SEK 6,2bn in lending volumes and SEK 2,7bn in deposit volumes.

The effects of the investment in OJSC Swedbank in Ukraine at Group level in the form of goodwill, amortization 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.

## Profit trend

SEKm	Jan-Sep 2008	Jan-Sep 2007	%	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Net interest income	1 415	799	77	522	486	407	351	422
Net commission income	257	223	15	82	89	86	81	82
Net gains and losses on financial items at fair value	130	57		-6	114	22	30	42
Other income	38	13		3	29	6	10	9
<b>Total income</b>	<b>1 840</b>	<b>1 092</b>	<b>68</b>	<b>601</b>	<b>718</b>	<b>521</b>	<b>472</b>	<b>555</b>
Staff costs	508	271	87	183	163	162	138	140
Profit-based staff costs	81	25		30	35	16	35	9
IT expenses	58	42	38	20	14	24	24	16
Other expenses	321	225	43	49	150	122	75	123
Depreciation/amortization	90	36		33	29	28	30	30
<b>Total expenses</b>	<b>1 058</b>	<b>599</b>	<b>77</b>	<b>315</b>	<b>391</b>	<b>352</b>	<b>302</b>	<b>318</b>
<b>Profit before loan losses</b>	<b>782</b>	<b>493</b>	<b>59</b>	<b>286</b>	<b>327</b>	<b>169</b>	<b>170</b>	<b>237</b>
Loan losses, net	230	109		111	93	26	61	80
<b>Operating profit</b>	<b>552</b>	<b>384</b>	<b>44</b>	<b>175</b>	<b>234</b>	<b>143</b>	<b>109</b>	<b>157</b>
Tax expense	165	104	59	76	53	36	13	41
<b>Profit for the period</b>	<b>387</b>	<b>280</b>	<b>38</b>	<b>99</b>	<b>181</b>	<b>107</b>	<b>96</b>	<b>116</b>
Allocated equity	8 480	3 892		9 635	8 267	7 539	7 020	6 686
Return on allocated equity, %	6.1	9.6		4.1	8.8	5.7	5.5	6.9
<b>Income items</b>								
Income from external customers	1 833	1 089	68	598	715	520	469	553
Income from transactions with other business areas	7	3		3	3	1	3	2
<b>Business volumes, SEK billion</b>								
Lending	69	34		69	55	46	41	34
Deposits	12	11	9	12	12	12	14	11
Mutual funds & insurance	1	2	-50	1	1	2	2	2
Risk-weighted assets, older rules	73	42	74	73	59	52	48	42
Total assets	110	64	72	110	96	77	73	64
Total liabilities	101	57	77	101	89	69	66	57
Full-time employees	4 366	3 839	14	4 366	4 198	4 059	4 045	3 839

The changed situation in the global economy as well as political developments in Russia and Ukraine affect Swedbank's market conditions. Swedbank has taken measures to mitigate the risks and to reduce the growth rate in International Banking.

## Ukrainian Banking

The Ukraine economy has been distinguished by high GDP growth and high inflation. Growth and inflation are

expected to decline going forward. In August, GDP growth was 7.1 percent compared with the same period a year earlier. The inflation rate was 26 percent in August.

OJSC Swedbank and its subsidiary CJSC Swedbank Invest were acquired in July 2007. The Ukrainian banking market is rapidly growing, and Swedbank's aim is to take advantage of long-term growth opportunities.

The legal units in Ukraine changed their name to Swedbank in late 2007. The launch of the Swedbank brand is under way. During the third quarter, the priorities were the expansion and reorganization of the branch network, the creation of an attractive corporate offering, employee recruitment and training, and improvements to computer systems.

The process continues to more closely integrate the subsidiary CJSC Swedbank Invest, which primarily targets large companies and high net worth individuals, with OJSC Swedbank. Integration work is 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.

Profit for the third quarter amounted to SEK 110m for Ukrainian Banking Operations. Profit for the second quarter amounted to SEK 52m. For the third quarter 2007 profit amounted to SEK 54m. The return on equity for the first three quarters was 15.9 percent and the cost/income ratio was 0.48.

Lending amounted to SEK 18bn as of 30 September. Measured in local currency, this represents an increase of 95 percent in one year.

The market share for total bank lending was 2 percent.

Deposits amounted to SEK 5bn. Measured in local currency, deposits increased by 10 percent in the last 12 months.

As of 30 September, there were 3 548 full-time employees, compared with 3 301 a year earlier. The number of branches was 197, a net increase of 7 since 30 June. In connection with the expansion and reorganization of the branch network, old, inefficient branches were closed or renovated.

The number of bank cards in circulation increased during the quarter by 11 percent to slightly over 410 000.

### **Russian Banking**

The Russian economy and banking market continue to grow at a rapid rate. GDP growth was 7.9 percent during the first eight months of the year. Inflation was 15 percent.

Swedbank has offered banking and leasing services in Moscow, St. Petersburg and Kaliningrad since 2005. The focus in the initial years has been on corporate customers.

During the third quarter the first branches for private customers were opened, one in Kaliningrad and two in Moscow. As a result, there are a total of six branches: three in Moscow, two in Kaliningrad and one in St. Petersburg. Another branch will open in St. Petersburg in October, and two new branches are planned in Moscow. In addition, Russian Banking includes a leasing business.

Profit for the third quarter amounted to SEK 106m, compared with SEK 43m for the second quarter and SEK 40m for the third quarter 2007. Third-quarter profit includes recovered VAT of SEK 83m. With that, the entire VAT reserve is recovered.

Lending amounted to SEK 12bn, an increase in local currency of 48 percent in one year.

The return on equity for the first three quarters was 17.7 percent (17.3) and the cost/income ratio was 0.37 (0.55). The number of full-time positions increased to 576 (325).

### **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 there is focus on 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 among Öresund commuters is estimated at 30 percent. The branches have entered into an alliance with FDB, Denmark's largest consumer cooperative, to provide ethical 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 32bn at the end of the third quarter, an increase of SEK 21bn in one year. The number of full-time positions was 88, an increase of 31 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 32 employees.

### **Luxembourg**

Swedbank's private banking operations in Luxembourg have been affected by the situation in the financial markets, which has made clients more cautious. Assets under management amounted to SEK 2.4bn at the end of the quarter (3.6). The number of full-time positions was 62 (59).

### **Global Financial Institutions**

Operations comprise overall responsibility for the Group's relations with international banks and financial institutions. This responsibility includes coordination 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.

### **Profit trend Q3 2008 vs. Q2 2008**

**Profit for the period** decreased by SEK 82m or 45 percent to SEK 99m. The return on equity was 4.1 percent (8.8). The cost/income ratio was 0.52 (0.54).

Ukrainian Banking Operations accounted for SEK 110m (52) of the profit. Russian Banking accounted for

SEK 106m (43). Ukrainian Banking Investment negatively affected profit by SEK 119m (+24). Other international operations reported a quarter profit of SEK 2m (62).

**Income** decreased by SEK 117m or 16 percent to SEK 601m (718). Income for Ukrainian Banking Operations increased by SEK 80m or 24 percent to SEK 419m (339) due to higher business volumes. For Russian Banking, income increased by SEK 30m or 19 percent to SEK 187m (157). Income for Ukrainian Banking Investment decreased by SEK 141m to SEK -120m (21) because the liability for the supplemental payment in USD rose in SEK since the Swedish krona weakened against the dollar more in relative terms than against the hryvnia. Income from other international operations decreased by SEK 86m or 43 percent to SEK 115m (201) partly due to lower income from business with financial institutions.

**Expenses** decreased by SEK 76m or 19 percent to SEK 315m (391). Expenses in Ukrainian Banking Operations decreased by SEK 5m or 3 percent to SEK 180m (185). In Russian Banking, expenses decreased by SEK 69m or 85 percent to SEK 12m (81) due to a VAT recovery that previously had to be booked to the leasing operations. Expenses for amortization in the consolidated accounts of surplus values in Ukrainian Banking Investment amounted to SEK 14m (12). Expenses for other international operations decreased by SEK 4m or 4 percent to SEK 109m (113).

**Loan losses** increased by SEK 18m to SEK 111m (93). In Ukrainian Banking Operations, loan losses decreased by SEK 25m to SEK 54m (79) mainly due to a continued review of principles for provisions. Loan losses in Russian Banking increased by SEK 39m to SEK 53m (14) mainly due to a specific customer.

### **Profit trend Q3 2008 vs.Q3 2007**

**Profit for the period** decreased by SEK 17m to SEK 99m (116). The return on equity was 4.1 percent (6.9). The cost/income ratio was 0.52 (0.57).

**Income** increased by SEK 46m to SEK 601m (555). For Ukrainian Banking Operations, income increased by SEK 146m to SEK 419m (273). For Russian Banking, income increased by SEK 68m or 57 percent to SEK 187m (119). Income for Ukrainian Banking Investment was SEK -120m (-33). Income from other international operations decreased by SEK 81m or 41 percent to SEK 115m (196) partly due to lower income from business with institutional customers.

**Expenses** decreased by SEK 3m to SEK 315m (318). Expenses in Ukrainian Banking Operations increased by SEK 61m to SEK 180m (119). In Russian Banking, expenses decreased by SEK 65m to SEK 12m (77) due to a VAT recovery. Expenses for amortization in the consolidated accounts of surplus values in Ukrainian Banking Investment decreased by SEK 1m to SEK 14m (15). Expenses for other international operations increased by SEK 2m to SEK 109m (107).

**Loan losses** increased by SEK 31m to SEK 111m (80). In the third quarter 2007, net recoveries were reported in Russian Banking.

### **Profit trend Jan-Sep 2008 vs. Jan-Sep 2007**

**Profit for the period** increased by SEK 107m to SEK 387m (280). The return on equity was 6.1 percent (9.6). The cost/income ratio was 0.58 (0.55).

**Income** increased by SEK 748m to SEK 1 840m (1 092). Ukrainian Banking Operations, which was not included in the Group in the first half of 2007, contributed income of SEK 1 038m (273). For Russian Banking, income increased by SEK 98m or 26 percent to SEK 469m (371). Ukrainian Banking Investment affected income by SEK -139m (-33). Income from other international operations decreased by SEK 9m or 2 percent to SEK 472m (481).

**Expenses** increased by SEK 459m to SEK 1 058m (599). Expenses in Ukrainian Banking Operations, which were not included in the Group during the first two quarters of 2007, amounted to SEK 502m (119). In Russian Banking, expenses decreased by SEK 29m or 14 percent to SEK 174m (203). Expenses for amortization in the consolidated accounts of surplus values in Ukrainian Banking Investment amounted to SEK 39m (15). Expenses for other international operations increased by SEK 81m to SEK 343m (262).

**Loan losses** increased by SEK 121m to SEK 230m (109) largely due to the acquired Ukrainian operations. The increase is otherwise related to recoveries in 2007 and a single loss provision in Russian Banking in 2008.

## Swedbank Markets

Swedbank Markets comprises capital market products 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 in cooperation with First Securities through the Oslo branch as well. Project and Corporate Finance also has operations in Tallinn, Riga, Vilnius and through the subsidiary ZAO Swedbank Markets in Moscow and St. Petersburg. The branches in the U.S. and China, along with customer responsibility for financial institutions and banks, were transferred during this quarter to International Banking. Historical periods have been

repeated. The transferred operations include 91 employees, SEK 6,2bn in lending volumes and SEK 2,7bn in deposit volumes.

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	Jan-Sep 2008	Jan-Sep 2007	%	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Net interest income	1 125	679	66	443	431	251	500	58
Net commission income	797	936	-15	284	318	195	397	249
Net gains and losses on financial items at fair value	152	586	-74	-210	118	244	137	167
Share of the profit or loss of associates		6					-4	2
Other income	37	21	76	20	9	8	14	6
<b>Total income</b>	<b>2 111</b>	<b>2 228</b>	<b>-5</b>	<b>537</b>	<b>876</b>	<b>698</b>	<b>1 044</b>	<b>482</b>
Staff costs	558	460	21	194	178	186	175	166
Profit-based staff costs	275	382	-28	33	191	51	158	44
IT expenses	165	169	-2	54	51	60	58	53
Other expenses	346	313	11	114	119	113	135	111
Depreciation/amortization	10	8	25	3	4	3	4	3
<b>Total expenses</b>	<b>1 354</b>	<b>1 332</b>	<b>2</b>	<b>398</b>	<b>543</b>	<b>413</b>	<b>530</b>	<b>377</b>
<b>Profit before loan losses</b>	<b>757</b>	<b>896</b>	<b>-16</b>	<b>139</b>	<b>333</b>	<b>285</b>	<b>514</b>	<b>105</b>
Loan losses, net	169	0		169	0	0	0	0
<b>Operating profit</b>	<b>588</b>	<b>896</b>	<b>-34</b>	<b>-30</b>	<b>333</b>	<b>285</b>	<b>514</b>	<b>105</b>
Tax expense	168	250	-33	-6	94	80	130	29
Profit for the period	420	646	-35	-24	239	205	384	76
<b>Profit for the period attributable to:</b>								
<b>Shareholders of Swedbank AB</b>	<b>371</b>	<b>567</b>	<b>-35</b>	<b>-25</b>	<b>201</b>	<b>195</b>	<b>335</b>	<b>69</b>
Minority interest	49	79	-38	1	38	10	49	7
Allocated equity	3 220	3 365	-4	3 432	3 289	2 939	3 421	3 395
Return on allocated equity, %	15.4	22.5		neg.	24.4	26.5	39.2	8.1
<b>Income items</b>								
Income from external customers	1 921	2 002	-4	474	815	632	978	406
Income from transactions with other business areas	190	226	-16	63	61	66	66	76
<b>Business volumes, SEK billion</b>								
Lending	22	12	83	22	14	14	17	12
Deposits	17	27	-37	17	22	22	17	27
Mutual funds & insurance	0	2		0	1	1	1	2
Other investment volume	32	29	10	32	33	33	30	29
Risk-weighted assets, older rules	42	40	5	42	36	38	40	40
Total assets	536	424	26	536	484	517	420	424
Total liabilities	533	421	27	533	481	515	417	421
Full-time employees	722	626	15	722	698	679	659	626

## Market conditions

The third quarter was again affected by high volatility in equity, fixed income and currency trading. The financial crisis tightened its grip on the market and spread to the real economy. Expectations regarding central bank actions swung wildly, which evident in interest rates during the third quarter.

The stock market has experienced high volatility, due to which risk premiums in the market remained very high. An impending recession also began to affect the market, and concerns on how it will affect corporate profits also added pressure.

## 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.

Currency trading continued to develop well during the third quarter. The combination of continued growth in customer trading, successful analysis and good risk management led to very good earnings and rising market shares.

Developments in the credit market during the third quarter were very negative with a much higher interest differential between government bonds and other bonds. This affected the value of bond holdings, and the revaluation affected during the period was SEK -217m. The negative sentiment also affected the total number of issues floated. However, Swedbank retained its leading position with a market share of slightly over 25 percent.

Market conditions also worsened substantially in traditional fixed income trading in government and mortgage bonds. A lack of liquidity at times and dramatic shifts in the pricing of mortgage bonds resulted in major challenges in managing business for customers as well as the Group's own holdings. Together with other market players, Swedbank has tried to actively support a functioning market in all the products it trades. As a result, the Swedish market is still functioning well from an international comparison. In terms of profit, trading in government and mortgage bonds developed weakly during the third quarter mainly due to highly volatile market conditions. Swedbank's market share increased during the period.

On the whole, day-to-day operations in fixed income and foreign exchange trading continued to develop well. Profit was affected negatively, however, by widespread risk aversion in the credit market, which led to a major revaluation of the credit bond portfolio during the third quarter.

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

Swedbank's market shares remained stable. Its share of trading on the Stockholm Stock Exchange was 4.1 percent during the third quarter.

The number of customers using the basic Internet brokerage facility increased by 4.3 percent compared with the second quarter.

**Structured products** mainly consist of various forms of equity linked bonds called SPAX. Sales during the third quarter were weaker than expected at SEK 1.1bn, a decrease of slightly over 60 percent compared with the previous quarter and slightly over 70 percent compared with the same quarter of the previous year. Although negative market sentiment led to lower sales, market shares were retained. Swedbank remains the largest issuer in the Swedish market with a market share of approximately 24 percent of outstanding volume.

**Project and Corporate Finance** offers qualified advice to businesses in the debt and equity markets. Financial results for the third quarter were at a higher level than the previous quarter and same quarter of the previous year. Business activity and the number of transactions under mandate remained high. On the other hand, transaction risk increased significantly.

**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. It was another successful quarter for Custody with a number of new customers.

**First Securities** is one of Norway's leading brokerages active in equity, fixed income and currency trading and corporate finance. Despite continued risky markets during the quarter, fixed income trading operations continued to report positive results. Other operating areas were distinguished by great uncertainty and volatility as well as slowing activity.

## Profit trend Q3 2008 vs. Q2 2008

**Profit for the period** was SEK -25m, compared with SEK 201m in the previous quarter. Loan losses during the quarter amounted to SEK 169m (0). During the quarter, revaluations in the credit bond portfolio affected profit by a net of SEK -217m. Underlying profit generation in the rest of the trading portfolio was good, with the largest profit increase in foreign exchange and money market trading.

The return on equity was negative (24.4). The cost/income ratio was 0.74 (0.62).

**Income** decreased by SEK 339m, of which the revaluation of the credit bond portfolio accounted for SEK -217m. Income in First Securities decreased by SEK 188m or 60 percent.

**Expenses** decreased by SEK 145m or 27 percent to SEK 398m. The cost decrease is attributable to lower profit-based staff costs.

## Profit trend Q3 2008 vs. Q3 2007

**Profit for the period** decreased by SEK 94m to SEK -25m. Loan losses during the quarter amounted to SEK 169m (0). Revaluations in the credit bond portfolio were charged against profit for the period in the amount of SEK -217m, compared with a charge of SEK -60m in the same period last year.

The return on equity was negative (8.1). The cost/income ratio was 0.74 (0.78).

**Income** increased by SEK 55m or 11 percent to SEK 537m, of which First Securities decreased by SEK 9m or 7 percent.

**Expenses** increased by SEK 21m or 6 percent to SEK 398m. The decrease in profit-based compensation was SEK 11m.

## Profit trend Jan-Sep 2008 vs. Jan-Sep 2007

**Profit for the period** decreased by SEK 196m or 35 percent to SEK 371m. The return on equity was 15.4 percent (22.5). The cost/income ratio was 0.64 (0.60).

**Income** decreased by SEK 117m or 5 percent to SEK 2 111m. Revaluations in the credit bond portfolio affected income by SEK -404m (-60). Income in First Securities decreased by SEK 104m or 15 percent.

**Expenses** increased by SEK 22m or 2 percent to SEK 1 354m. Profit-based staff costs decreased by SEK 107m to SEK 275m.



## 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 and individual pension savings.

### Profit trend

SEKm	Jan-Sep 2008	Jan-Sep 2007	%	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Net interest income	77	62	24	25	27	25	21	19
Net commission income	1 217	1 453	-16	369	432	416	415	543
Net gains and losses on financial items at fair value	-4	3		-14	25	-15	-1	1
Other income	131	160	-18	49	43	39	70	55
<b>Total income</b>	<b>1 421</b>	<b>1 678</b>	<b>-15</b>	<b>429</b>	<b>527</b>	<b>465</b>	<b>505</b>	<b>618</b>
Staff costs	281	254	11	87	93	101	92	97
Profit-based staff costs	26	33	-21	12	5	9	46	12
IT expenses	134	111	21	41	36	57	37	36
Other expenses	194	257	-25	52	63	79	54	89
Depreciation/amortization	24	3		8	9	7	1	2
<b>Total expenses</b>	<b>659</b>	<b>658</b>	<b>0</b>	<b>200</b>	<b>206</b>	<b>253</b>	<b>230</b>	<b>236</b>
<b>Profit before loan losses</b>	<b>762</b>	<b>1 020</b>	<b>-25</b>	<b>229</b>	<b>321</b>	<b>212</b>	<b>275</b>	<b>382</b>
<b>Operating profit</b>	<b>762</b>	<b>1 020</b>	<b>-25</b>	<b>229</b>	<b>321</b>	<b>212</b>	<b>275</b>	<b>382</b>
Tax expense	181	251	-28	51	77	53	69	94
<b>Profit for the period</b>	<b>581</b>	<b>769</b>	<b>-24</b>	<b>178</b>	<b>244</b>	<b>159</b>	<b>206</b>	<b>288</b>
Allocated equity	2 175	1 715	27	2 177	2 182	2 166	1 703	1 707
Return on allocated equity, %	35.6	59.8		32.7	44.7	29.4	48.4	67.5
<b>Income items</b>								
Income from external customers	2 712	3 294	-18	828	953	931	1 011	1 150
Income from transactions with other business areas	-1 291	-1 616	-20	-399	-426	-466	-506	-532
<b>Business volumes, SEK billion</b>								
Mutual funds & insurance	350	415	-16	350	374	385	401	415
Other investment volume	220	202	9	220	220	224	205	202
Risk-weighted assets, older rules	0	0		0	1	0	0	0
Total assets	65	78	-17	65	71	70	75	78
Total liabilities	63	76	-17	63	68	68	74	76
Full-time employees	346	327	6	346	346	341	332	327

### Fund savings, volumes and flows

Contributions to Swedbank Robur's own mutual funds and those it markets amounted to SEK 58.3bn (72.9) during the first three months of the year, while withdrawals amounted to SEK 65.8bn (80.8). Thus, the net outflow from Swedbank Robur's own and brokered funds was SEK 7.4bn, against SEK 7.8bn during the same period in the previous year. Of net flow, SEK -0.5bn (-0.1) was from premium pension savings and SEK 2.5bn (2.0) 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 350bn as of 30 September 2008 including Folksam Fond (SEK 401bn on 31 December 2007 excluding Folksam Fond). The change is due to a decrease in the value of fund assets of SEK 71.6bn mainly from falling stock prices during the year.

SEKbn	Sep 30 2008	Dec 31 2007	Sep 30 2007
<b>Funds assets under management</b>	350	401	415
<i>of which:</i>			
<i>Swedish equities, %</i>	26.8	30.0	34.1
<i>foreign equities, %</i>	36.6	38.5	38.1
<i>interest-bearing securities, %</i>	36.7	31.5	27.8
Number of customers (thousands)	2 754	2 778	2 780
<b>Unit-linked insurance</b>			
Assets under management	57.8	68.7	71.4
<i>of which in Swedbank Robur's funds</i>	55.7	66.9	69.9
Number of policies (thousands)	959	896	886
<b>Discretionary asset management</b>			
Assets under management	257	246	244
<i>of which in Swedbank Robur's funds</i>	38	41	42

### Unit-linked insurance

Sales (premiums paid) of unit-linked insurance in the first three quarters of 2008 amounted to SEK 8.4bn (7.4). Swedbank Insurance's assets under management amounted to SEK 57.8bn (68.7) on 30 September. Swedbank Insurance had 959 000 (886 000) policies as of 30 September, in addition to around 1 million group life insurance policies.

### Institutional asset management

In institutional asset management, SEK 257bn (246) in assets were under management, including SEK 38bn 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 negative (neg.) during the first three quarters of 2008. Its market share for assets under management in the fund market was 27 percent on 30 June 2008, compared with 25 percent on 31 December 2007. The increase is due to the acquisition of Folksam Fond.

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

In private pension savings, Swedbank Insurance was one of the largest players in the Swedish market during the first half year 2008 with a market share for premium payments of 11.7 percent (12.4). In the corporate pension market, its share was 6.4 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 stock market.

Morningstar's average rating on Swedbank Robur's funds as of 30 September was 3.40 (3.42 as of 31 December 2007). Swedbank Robur ranks number one in a comparison of 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 as of 20 January 2009, a fund management company with 26 funds and assets of SEK 8bn.

### Profit trend Q3 2008 vs. Q2 2008

**Profit for the period** decreased by SEK 66m or 27 percent to SEK 178m. The cost/income ratio was 0.47 (0.39).

**Income** decreased by SEK 98m or 19 percent to SEK 429m mainly due to lower net commission income.

**Expenses** decreased by SEK 6m or 3 percent mainly due to lower consulting costs and temporary staff.

### Profit trend Q3 2008 vs. Q3 2007

**Profit for the period** decreased by SEK 110m or 38 percent. The cost/income ratio was 0.47 (0.38).

**Income** decreased by SEK 189m or 31 percent mainly due to lower net commission income resulting from lower fund volumes.

**Expenses** decreased by SEK 36m or 15 percent due to lower staff, consulting and postage.

### Profit trend Jan-Sep 2008 vs. Jan-Sep 2007

**Profit for the period** decreased by SEK 188m or 24 percent. The cost/income ratio was 0.46 (0.39).

**Income** decreased by SEK 257m or 15 percent to SEK 1 421m mainly due to lower net commission income resulting from lower fund volumes.

**Expenses** remained at the same level as the previous year.

## Shared Services and 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	Jan-Sep 2008	Jan-Sep 2007	%	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Net interest income	89	-191		22	-48	115	-5	-3
Net commission income	0	34		0	0	0	-17	24
Net gains and losses on financial items at fair value	381	-215		139	512	-270	-31	-228
Share of the profit or loss of associates	65	65	0	16	25	24	19	18
Other income	2 457	2 306	7	861	790	806	784	731
<b>Total income</b>	<b>2 992</b>	<b>1 999</b>	<b>50</b>	<b>1 038</b>	<b>1 279</b>	<b>675</b>	<b>750</b>	<b>542</b>
Staff costs	1 191	1 049	14	382	407	402	312	339
Profit-based staff costs	63	46	37	11	21	31	22	11
IT expenses	656	539	22	220	229	207	213	170
Other expenses	690	672	3	211	204	275	193	221
Depreciation/amortization	206	188	10	73	66	67	69	61
<b>Total expenses</b>	<b>2 806</b>	<b>2 494</b>	<b>13</b>	<b>897</b>	<b>927</b>	<b>982</b>	<b>809</b>	<b>802</b>
<b>Profit before loan losses</b>	<b>186</b>	<b>-495</b>		<b>141</b>	<b>352</b>	<b>-307</b>	<b>-59</b>	<b>-260</b>
Loan losses, net	-6	-11	45	0	0	-6	-61	-6
<b>Operating profit</b>	<b>192</b>	<b>-484</b>		<b>141</b>	<b>352</b>	<b>-301</b>	<b>2</b>	<b>-254</b>
Tax expense	-57	-210	73	-47	101	-111	26	-77
<b>Profit for the period</b>	<b>249</b>	<b>-274</b>		<b>188</b>	<b>251</b>	<b>-190</b>	<b>-24</b>	<b>-177</b>
Allocated equity	5 171	6 509	-21	4 637	5 110	5 766	4 321	3 197
Return on allocated equity, %	6.4	neg.		16.2	19.6	neg.	neg.	neg.
<b>Income items</b>								
Income from external customers	746	-101		247	557	-58	28	-120
Income from transactions with other business areas	2 246	2 100	7	791	722	733	722	662
<b>Business volumes, SEK billion</b>								
Risk-weighted assets, older rules	9	5	80	9	6	5	5	5
Total assets	274	242	13	274	253	243	246	242
Total liabilities	268	238	13	268	247	237	240	238
Full-time employees	1 671	1 656	1	1 671	1 677	1 658	1 673	1 656

### 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. During the third quarter, the key measurement for accessibility in IT systems exceeded the established target.

Swedbank has signed a cooperation agreement with Logica to open a Group Development Centre (GDC) in Bangalore, India. This gives Swedbank further opportunities to reduce IT development expenses. The first IT development projects have been 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 coordinates all Group purchases.

Shared Services continued to improve the efficiency of the bank's processes using structured methodologies. The work has accelerated in 2008 and is being done in cooperation with all business areas. A number of shared projects were also being 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 the 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 were previously reinsured by SPS have been taken over by Sparia.

### **Profit trend Q3 2008 vs. Q2 2008**

**Profit for the period** amounted to SEK 188m (251). The profit decrease was primarily due to lower income from Group Treasury.

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** decreased by SEK 241m or 19 percent to SEK 1 038m (1 279). Income from Group Treasury including the internal bank decreased by SEK 263m, of which SEK 419m was due to the market valuation of derivatives tied to financing of euro lending in the Baltics. A capital gain of SEK 95m from the sale of SPS Reinsurance is included as well.

**Expenses** decreased by SEK 30m or 3 percent to SEK 897m (927).

### **Profit trend Q3 2008 vs. Q3 2007**

**Profit for the period** amounted to SEK 188m (-177).

**Income** increased by SEK 496m or 92 percent to SEK 1 038m (542). Income from Group Treasury including the internal bank increased by SEK 498m, of which SEK 89m was due to the market valuation of derivatives tied to the financing of euro lending in the Baltics. A capital gain of SEK 95m from the sale of SPS Reinsurance is included as well.

**Expenses** increased by SEK 95m or 12 percent to SEK 897m (802), of which SEK 28m was due to higher pension costs and SEK 15m to an increase in other staff costs. IT expenses increased partly due to international expansion and integration.

### **Profit trend Jan-Sep 2008 vs. Jan-Sep 2007**

**Profit for the period** amounted to SEK 249m (-274).

**Income** increased by SEK 993m or 50 percent to SEK 2 992m (1 999). Income from Group Treasury including the internal bank increased by SEK 960m, of which SEK 163m was due to the market valuation of derivatives tied to the financing of euro lending in the Baltics. A capital gain of SEK 95m from the sale of SPS Reinsurance is included as well.

**Expenses** increased by SEK 312m or 13 percent to SEK 2 806m (2 494), of which SEK 86m was due to higher pension costs and SEK 24m to a higher allocation approved for the Kopparmyntet profit-sharing scheme in 2007 than had been allocated in the annual accounts. Contractual wage increases also contributed to higher expenses. IT expenses increased partly due to international expansion and integration.

## Eliminations

SEKm	Jan-Sep 2008	Jan-Sep 2007	%	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Net interest income	11	0		-1	12	0	-8	2
Net commission income	0	0		0	0	0	0	0
Net gains and losses on financial items at fair value	-11	2		1	-12	0	-28	0
Other income	-2 137	-2 169	1	-680	-719	-738	-673	-699
<b>Total income</b>	<b>-2 137</b>	<b>-2 167</b>	<b>1</b>	<b>-680</b>	<b>-719</b>	<b>-738</b>	<b>-709</b>	<b>-697</b>
Staff costs	-3	-18	-83	-3	0	0	-28	-10
IT expenses	-722	-679	-6	-219	-248	-255	-230	-201
Other expenses	-1 412	-1 470	4	-458	-471	-483	-451	-486
Depreciation/amortization	0	0		0	0	0	0	0
<b>Total expenses</b>	<b>-2 137</b>	<b>-2 167</b>	<b>1</b>	<b>-680</b>	<b>-719</b>	<b>-738</b>	<b>-709</b>	<b>-697</b>
<b>Business volumes, SEK billion</b>								
Mutual funds & insurance	-203	-265	-23	-203	-219	-224	-253	-265
Other investment volume	-25	-22	14	-25	-25	-26	-24	-22
Total assets	-624	-364	71	-624	-544	-495	-424	-364
Total liabilities	-624	-364	71	-624	-544	-495	-424	-364

## **List of financial information**

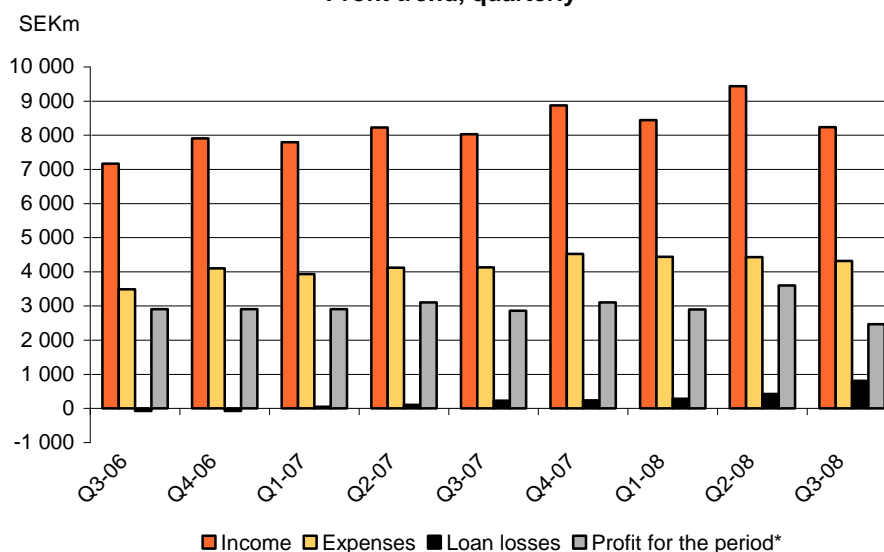
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## Income statement, Group

SEKm	Q3 2008	Q2 2008	%	Q3 2007	%	Jan-Sep 2008	Jan-Sep 2007	%	Full-year 2007
<i>Interest income</i>	19 906	19 295	3	17 219	16	58 674	47 941	22	67 087
<i>Interest expenses</i>	-14 482	-14 000	3	-12 413	17	-42 714	-34 043	25	-47 930
<b>Net interest income</b>	<b>5 424</b>	<b>5 295</b>	<b>2</b>	<b>4 806</b>	<b>13</b>	<b>15 960</b>	<b>13 898</b>	<b>15</b>	<b>19 157</b>
<i>Commission income</i>	3 088	3 231	-4	3 238	-5	9 317	9 541	-2	12 939
<i>Commission expenses</i>	-823	-857	-4	-735	12	-2 498	-2 197	14	-3 059
<b>Net commission income (Note 1)</b>	<b>2 265</b>	<b>2 374</b>	<b>-5</b>	<b>2 503</b>	<b>-10</b>	<b>6 819</b>	<b>7 344</b>	<b>-7</b>	<b>9 880</b>
Net gains and losses on financial items at fair value (Note 2)	-109	1 141		196		1 107	1 305	-15	1 691
<i>Insurance premiums</i>	366	501	-27	437	-16	1 164	1 344	-13	1 711
<i>Insurance provisions</i>	-261	-400	-35	-338	-23	-851	-1 075	-21	-1 163
<b>Net insurance</b>	<b>105</b>	<b>101</b>	<b>4</b>	<b>99</b>	<b>6</b>	<b>313</b>	<b>269</b>	<b>16</b>	<b>548</b>
Share of the profit or loss of associates	138	122	13	140	-1	376	354	6	424
Other income	415	400	4	287	45	1 542	880	75	1 224
<b>Total income</b>	<b>8 238</b>	<b>9 433</b>	<b>-13</b>	<b>8 031</b>	<b>3</b>	<b>26 117</b>	<b>24 050</b>	<b>9</b>	<b>32 924</b>
Staff costs	2 223	2 268	-2	2 075	7	6 802	6 023	13	8 134
Profit-based staff costs	235	185	27	337	-30	688	1 136	-39	1 658
Other general administrative expenses	1 596	1 740	-8	1 528	4	4 990	4 521	10	6 222
<b>Total general administrative expenses</b>	<b>4 054</b>	<b>4 193</b>	<b>-3</b>	<b>3 940</b>	<b>3</b>	<b>12 480</b>	<b>11 680</b>	<b>7</b>	<b>16 014</b>
Depreciation/amortization and impairments of tangible and intangible fixed assets	259	237	9	192	35	703	513	37	705
<b>Total expenses</b>	<b>4 313</b>	<b>4 430</b>	<b>-3</b>	<b>4 132</b>	<b>4</b>	<b>13 183</b>	<b>12 193</b>	<b>8</b>	<b>16 719</b>
<b>Profit before loan losses</b>	<b>3 925</b>	<b>5 003</b>	<b>-22</b>	<b>3 899</b>	<b>1</b>	<b>12 934</b>	<b>11 857</b>	<b>9</b>	<b>16 205</b>
Loan losses, net (Note 3)	812	423	92	230		1 523	381		619
<b>Operating profit</b>	<b>3 113</b>	<b>4 580</b>	<b>-32</b>	<b>3 669</b>	<b>-15</b>	<b>11 411</b>	<b>11 476</b>	<b>-1</b>	<b>15 586</b>
Tax expense	640	935	-32	793	-19	2 380	2 500	-5	3 450
Profit for the period	2 473	3 645	-32	2 876	-14	9 031	8 976	1	12 136
<b>Profit for the period attributable to:</b>									
<b>Shareholders of Swedbank AB</b>	<b>2 468</b>	<b>3 604</b>	<b>-32</b>	<b>2 866</b>	<b>-14</b>	<b>8 972</b>	<b>8 888</b>	<b>1</b>	<b>11 996</b>
Minority interest	5	41	-88	10	-50	59	88	-33	140
Earnings per share before and after dilution, SEK	4.79	6.99		5.57		17.41	17.25		23.28

See page 43 for number of shares.

### Profit trend, quarterly



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

## Quarterly income statement

Group SEKm	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006
Net interest income	5 424	5 295	5 241	5 259	4 806	4 591	4 501	4 303
Net commission income	2 265	2 374	2 180	2 536	2 503	2 552	2 289	2 309
Net gains and losses on financial items at fair value	-109	1 141	75	386	196	579	530	908
Net insurance	105	101	107	279	99	91	79	80
Share of the profit or loss of associates	138	122	116	70	140	95	119	-26
Other income	415	400	727	344	287	318	275	338
<b>Total income</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>	<b>7 912</b>
Staff costs	2 223	2 268	2 311	2 111	2 075	2 016	1 932	1 878
Profit-based staff costs	235	185	268	522	337	409	390	302
Other general administrative expenses	1 596	1 740	1 654	1 701	1 528	1 539	1 454	1 724
<b>Total general administrative expenses</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>	<b>3 904</b>
Depreciation/amortization and impairments of tangible and intangible fixed assets	259	237	207	192	192	160	161	193
<b>Total expenses</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>4 097</b>
<b>Profit before loan losses</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>	<b>3 815</b>
Loan losses, net	812	423	288	238	230	102	49	-72
<b>Operating profit</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>	<b>3 887</b>
Tax expense	640	935	805	950	793	856	851	928
Profit for the period	2 473	3 645	2 913	3 160	2 876	3 144	2 956	2 959
<b>Profit for the period attributable to:</b>								
<b>Shareholders of Swedbank AB</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>2 913</b>
Minority interest	5	41	13	52	10	32	46	46
Earnings per share before and after dilution, SEK	4.79	6.99	5.63	6.03	5.57	6.03	5.65	5.65

See page 43 for number of shares.

## 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 through 2009. According to these floor rules, any reduction in the capital requirement is limited by the new rules during the transition period. The rules stated 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 is applied in the Swedish business, including the branch offices 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 30 September is shown according to the Basel 2 rules, with comparable figures according to older rules.

As of 30 September 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			
	Sep 30 2008	Sep 30 2008	Dec 31 2007	Sep 30 2007
Tier 1 capital	57 792		50 920	48 258
Tier 2 capital	27 764		27 458	27 298
Settlements, equities, etc.	-1 951		-1 922	-1 875
<b>Total capital base</b>	<b>83 606</b>		<b>76 456</b>	<b>73 681</b>
<b>Risk-weighted assets</b>	<b>666 612</b>	<b>978 806</b>	<b>600 238</b>	<b>563 852</b>
Capital requirement for credit risks, standardised approach	19 293	75 706	19 364	17 542
Capital requirement for credit risks, IRB	28 541		24 737	23 839
Capital requirement for settlement risks	7	7	7	12
Capital requirement for market risks	1 600	2 591	1 242	1 046
<i>of which risks in the trading book outside VaR</i>	799	1 791	891	765
<i>of which currency risks outside VaR</i>	9	9	0	1
<i>of which risks where VaR models are applied</i>	791	791	351	280
Capital requirement for operational risks	3 888		2 669	2 669
<b>Capital requirement</b>	<b>53 329</b>	<b>78 305</b>	<b>48 019</b>	<b>45 108</b>
Complement during transition period	14 463		17 770	17 629
<b>Capital requirement including complement</b>	<b>67 792</b>		<b>65 789</b>	<b>62 737</b>
Capital quotient excluding complement	1.57		1.59	1.63
Tier 1 capital ratio, %, excluding complement	8.7		8.5	8.6
Total capital adequacy ratio, %, excluding complement	12.5		12.7	13.1
Capital quotient, transition rules	1.23		1.16	1.17
Tier 1 capital ratio, %, transition rules	6.8		6.2	6.2
Total capital adequacy ratio, %, transition rules	9.9		9.3	9.4

### 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 caution, 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 capital requirement for the portion of the portfolio that is now calculated according to IRB has decreased by 49 percent, from SEK 56 413m to SEK 28 541m. The large part of the decrease is in the household portfolio, where the capital requirement is generally decreasing. In the corporate portfolio, the effect is mixed. The capital requirement is increasing significantly for certain credits and at the same time decreasing significantly for others. On the portfolio level, the capital requirement is also falling in the corporate segment, though less than in the household segment.

### Capital requirements for credit risks according to IRB

The capital requirement for the part of the portfolio calculated according to IRB has increased by 20 percent to SEK 28 541m. The large part of the change is in the corporate portfolio, where the capital requirement increases by 22 percent to SEK 19 895m. The capital requirement for exposures to institutions decreased by 9 percent to SEK 1 797m, while the corresponding change for household exposures is an increase of 11 percent to SEK 5 622m. The capital requirement for securitization amounted to SEK 116m.

Credit risks, IRB Sep 30, 2008 SEKm	Exposure after credit risk protection	Average risk weight	Capital requirement
<b>Total credit risks, IRB</b>	<b>1 121 345</b>	<b>32%</b>	<b>28 541</b>
<i>of which institutional exposures</i>	79 634	28%	1 797
<i>of which corporate exposures</i>	331 228	75%	19 895
<i>of which retail exposures</i>	689 355	10%	5 622
<i>of which securitization</i>	7 259	20%	116
<i>of which other non credit-obligation asset exposures</i>	13 869	100%	1 110

## Capital requirement for credit risks according to standard method

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 standard method in the new rules. These companies include the subsidiaries in the Baltics, Russia and Ukraine as well as the Swedish finance company.

## Market risks

Swedbank has obtained permission from the Swedish FSA to calculate the capital requirement for general interest rate risk in the trading book of Swedbank AB and the Hansabank Group with its own Value at Risk model. The permission also covers general and specific share price risks in Swedbank AB as well as currency risks in Swedbank AB and the Hansabank Group.

The capital requirement for other market risks therefore relates to specific interest rate risks in Swedbank AB and the Hansabank Group, share price risks in the Hansabank Group, market risks in other companies. Counterparty risks in the trading book were previously reported as market risks, but are now reported as credit risks according to the new capital adequacy rules.

## Operating risk

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

## Income statement, Parent Company

SEKm	Q3			Q2			Q3			Jan-Sep			Jan-Sep			Full-year		
	2008	2008	%	2007	2007	%	2008	2008	%	2007	2007	%	2008	2008	%	2007	2007	%
<i>Interest income</i>	12 085	10 738	13	9 707	24	34 120	27 264	25	38 449									
<i>Interest expenses</i>	-9 950	-8 641	15	-7 976	25	-27 717	-21 759	27	-30 866									
<b>Net interest income</b>	<b>2 135</b>	<b>2 097</b>	<b>2</b>	<b>1 731</b>	<b>23</b>	<b>6 403</b>	<b>5 505</b>	<b>16</b>	<b>7 583</b>									
Dividends received	0	83		-15		230	664	-65	5 400									
<i>Commission income</i>	1 410	1 370	3	1 428	-1	4 152	4 234	-2	5 651									
<i>Commission expenses</i>	-293	-318	-8	-122		-884	-528	67	-733									
<b>Net commission income (Note 1)</b>	<b>1 117</b>	<b>1 052</b>	<b>6</b>	<b>1 306</b>	<b>-14</b>	<b>3 268</b>	<b>3 706</b>	<b>-12</b>	<b>4 918</b>									
Net gains and losses on financial items at fair value (Note 2)	3	773	-100	65	-95	769	218		363									
Other income	290	298	-3	276	5	1 320	886	49	1 195									
<b>Total income</b>	<b>3 545</b>	<b>4 303</b>	<b>-18</b>	<b>3 363</b>	<b>5</b>	<b>11 990</b>	<b>10 979</b>	<b>9</b>	<b>19 459</b>									
General administrative expenses																		
- Staff costs	1 576	1 628	-3	1 590	-1	4 862	4 748	2	6 361									
- Other expenses	999	1 087	-8	978	2	3 128	2 928	7	3 981									
<b>Total general administrative expenses</b>	<b>2 575</b>	<b>2 715</b>	<b>-5</b>	<b>2 568</b>	<b>0</b>	<b>7 990</b>	<b>7 676</b>	<b>4</b>	<b>10 342</b>									
Depreciation/amortization and impairments of tangible and intangible fixed assets	101	99	2	103	-2	298	291	2	390									
Other operating expenses	17	17	0	18	-6	64	78	-18	93									
<b>Total expenses</b>	<b>2 693</b>	<b>2 831</b>	<b>-5</b>	<b>2 689</b>	<b>0</b>	<b>8 352</b>	<b>8 045</b>	<b>4</b>	<b>10 825</b>									
<b>Profit before loan losses</b>	<b>852</b>	<b>1 472</b>	<b>-42</b>	<b>674</b>	<b>26</b>	<b>3 638</b>	<b>2 934</b>	<b>24</b>	<b>8 634</b>									
Loan losses, net (Note 3)	299	96		17		493	20		79									
Impairment of financial fixed assets	0	0		0		0	0		7									
<b>Operating profit</b>	<b>553</b>	<b>1 376</b>	<b>-60</b>	<b>657</b>	<b>-16</b>	<b>3 145</b>	<b>2 914</b>	<b>8</b>	<b>8 548</b>									
Appropriations	0	0		0		0	0		-1 935									
Tax expense	129	347	-63	198	-35	759	686	11	1 746									
<b>Profit for the period</b>	<b>424</b>	<b>1 029</b>	<b>-59</b>	<b>459</b>	<b>-8</b>	<b>2 386</b>	<b>2 228</b>	<b>7</b>	<b>4 867</b>									

## Balance sheet

SEKm	Group			Parent company		
	Sep 30 2008	Dec 31 2007	Sep 30 2007	Sep 30 2008	Dec 31 2007	Sep 30 2007
<b>Assets</b>						
Loans to credit institutions	117 973	174 014	208 216	359 241	386 240	403 367
Loans to the public	1 254 879	1 135 287	1 091 947	430 620	362 213	348 427
Interest-bearing securities	100 213	115 492	89 482	236 483	134 452	105 509
Shares and participating interests	64 324	77 618	82 425	49 467	47 765	49 853
- for which customers bear the investment risk	57 669	69 324	71 902			
Derivatives	75 601	36 984	38 242	75 737	33 227	35 469
Other assets	83 329	68 589	64 525	34 962	33 664	20 112
<b>Total assets</b>	<b>1 696 319</b>	<b>1 607 984</b>	<b>1 574 837</b>	<b>1 186 510</b>	<b>997 561</b>	<b>962 737</b>
<b>Liabilities and equity</b>						
Amounts owed to credit institutions	208 328	163 785	152 191	301 296	230 802	195 756
Deposits and borrowings from the public	506 741	458 375	444 462	394 591	348 557	346 979
Debt securities in issue, etc	635 135	673 116	659 533	244 791	229 381	230 262
Financial liabilities for which customers bear the investment risk	58 187	69 819	72 373			
Derivatives	55 996	36 267	46 983	65 655	34 392	40 617
Other liabilities and provisions	118 035	98 563	92 899	100 585	75 355	72 341
Subordinated liabilities	40 642	39 736	41 785	39 955	36 975	39 251
Untaxed reserves				5 164	5 164	3 229
Equity	73 255	68 323	64 611	34 473	36 935	34 302
- <i>Minority interest</i>	238	315	245			
- <i>Equity attributable to shareholders of Swedbank AB</i>	73 017	68 008	64 366	34 473	36 935	34 302
<b>Total liabilities and equity</b>	<b>1 696 319</b>	<b>1 607 984</b>	<b>1 574 837</b>	<b>1 186 510</b>	<b>997 561</b>	<b>962 737</b>
Assets pledged for own liabilities				98 451	81 214	95 784
Other assets pledged				38 893	32 083	14 809
Contingent liabilities				33 533	25 346	26 624
Commitments				162 037	149 084	151 590

## Cash flow statement

SEKm	Group			Parent company		
	Jan-Sep 2008	Jan-Sep 2007	Full-year 2007	Jan-Sep 2008	Jan-Sep 2007	Full-year 2007
<b>Cash and cash equivalents at beginning of period *)</b>	<b>100 763</b>	<b>83 032</b>	<b>83 032</b>	<b>109 826</b>	<b>76 779</b>	<b>76 779</b>
Operating activities	-64 235	-33 400	-75 085	13 373	-18 899	-30 328
Investing activities	-224	-6 457	-6 203	-3 990	-6 081	-6 880
Financing activities	-23 922	84 361	97 626	32 445	71 016	70 253
<b>Cash flow for the period</b>	<b>-88 381</b>	<b>44 504</b>	<b>16 338</b>	<b>41 828</b>	<b>46 036</b>	<b>33 045</b>
Exchange rate differences on cash and cash equivalents	823	413	1 099			
Cash and cash equivalents in acquired entities		294	294		2	2
<b>Cash and cash equivalents at end of period *)</b>	<b>13 205</b>	<b>128 243</b>	<b>100 763</b>	<b>151 654</b>	<b>122 817</b>	<b>109 826</b>
*) of which, securities pledged for OMX						
- at beginning of period	8 086	4 384	4 384	8 086	4 384	4 384
- at end of period	1 905	4 093	8 086	1 905	4 093	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 during the period was as follows:

Issued (sold)	SEK 182bn (141)
Redeemed (bought)	SEK -220bn (-135)

## Statement of changes in equity, Group

SEKm	Minority interest	Shareholders' equity		Total equity	
		Capital contributions	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>	<b>60 277</b>
Translation difference of subsidiaries and associates	16		-31	-31	-15
Hedging of net investments in foreign operations:					
-Gains/losses recognized directly in equity			-206	-206	-206
-Related deferred tax			58	58	58
Cash flow hedges:					
-Gains/losses recognized directly in equity			-222	-222	-222
-Related deferred tax			44	44	44
-Transferred to initial carrying amount of hedged item			157	157	157
-Related deferred tax			-44	-44	-44
<b>Net income for the period recognized directly in equity</b>	<b>16</b>		<b>-244</b>	<b>-244</b>	<b>-228</b>
Profit for the period reported via income statement	88		8 888	8 888	8 976
<b>Total profit for the period</b>	<b>104</b>		<b>8 644</b>	<b>8 644</b>	<b>8 748</b>
Dividend	-172		-4 252	-4 252	-4 424
Minority interest in newly started business	10				10
<b>Closing balance September 30, 2007</b>	<b>245</b>	<b>14 891</b>	<b>49 475</b>	<b>64 366</b>	<b>64 611</b>
<b>Opening balance January 1, 2007</b>	<b>303</b>	<b>14 891</b>	<b>45 083</b>	<b>59 974</b>	<b>60 277</b>
Translation difference of subsidiaries and associates	16		860	860	876
Hedging of net investments in foreign operations:					
-Gains/losses recognized directly in equity			-716	-716	-716
-Related deferred tax			211	211	211
Cash flow hedges:					
-Gains/losses recognized directly in equity			-40	-40	-40
-Related deferred tax			44	44	44
-Transferred to initial carrying amount of hedged item			157	157	157
-Related deferred tax			-44	-44	-44
-Transferred to Income statement, Net interest income			-182	-182	-182
<b>Net income for the period recognized directly in equity</b>	<b>16</b>		<b>290</b>	<b>290</b>	<b>306</b>
Profit for the period reported via income statement	140		11 996	11 996	12 136
<b>Total profit for the period</b>	<b>156</b>		<b>12 286</b>	<b>12 286</b>	<b>12 442</b>
New share issue	18				18
Dividend	-172		-4 252	-4 252	-4 424
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>68 323</b>
<b>Opening balance January 1, 2008</b>	<b>315</b>	<b>14 891</b>	<b>53 117</b>	<b>68 008</b>	<b>68 323</b>
Translation difference of subsidiaries and associates	-3		1 438	1 438	1 435
Hedging of net investments in foreign operation:					
-Gains/losses recognized directly in equity			-782	-782	-782
-Related deferred tax			219	219	219
Cash flow hedges:					
-Gains/losses recognized directly in equity			-269	-269	-269
-Related deferred tax			81	81	81
-Transferred to Income statement, Net interest income			-11	-11	-11
<b>Net income for the period recognized directly in equity</b>	<b>-3</b>		<b>676</b>	<b>676</b>	<b>673</b>
Profit for the period reported via income statement	59		8 972	8 972	9 031
<b>Total profit for the period</b>	<b>56</b>		<b>9 648</b>	<b>9 648</b>	<b>9 704</b>
Dividend	-133		-4 639	-4 639	-4 772
<b>Closing balance September 30, 2008</b>	<b>238</b>	<b>14 891</b>	<b>58 126</b>	<b>73 017</b>	<b>73 255</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
<b>Net income for the period recognized directly in equity</b>		<b>11</b>	<b>11</b>
Profit for the period		2 228	2 228
<b>Total profit for the period</b>		<b>2 239</b>	<b>2 239</b>
Dividend		-4 252	-4 252
<b>Closing balance September 30, 2007</b>	<b>17 312</b>	<b>16 990</b>	<b>34 302</b>
<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 profit 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		-249	-249
-Related deferred tax		81	81
-Transferred to Income statement, Net interest income		-40	-40
Group contributions paid		-1	-1
<b>Net income for the period recognized directly in equity</b>		<b>-209</b>	<b>-209</b>
Profit for the period		2 386	2 386
<b>Total profit for the period</b>		<b>2 177</b>	<b>2 177</b>
Dividend		-4 639	-4 639
<b>Closing balance September 30, 2008</b>	<b>17 312</b>	<b>17 161</b>	<b>34 473</b>

## Lending, Group

SEKbn	Sep 30 2008	Dec 31 2007	%	Sep 30 2007	%
Private customers	598.3	559.5	7	538.8	11
<i>of which Swedbank Mortgage AB</i>	451.2	426.4	6	413.2	9
Real estate management	250.9	217.9	15	207.8	21
Retail, hotels, restaurants	45.8	42.5	8	40.2	14
Construction	18.9	16.3	16	15.6	21
Manufacturing	49.5	37.1	33	35.0	41
Transportation	23.9	21.8	10	20.2	18
Forestry and agriculture	53.3	49.9	7	49.0	9
Other service businesses *		51.2		44.9	
Other corporate lending	146.4	90.0	63	76.7	91
Municipalities **	21.8	16.8	30	14.8	47
Lehman Brothers	9.4				
<b>Total lending to the public, excl. repos</b>	<b>1 218.2</b>	<b>1 103.0</b>	<b>10</b>	<b>1 043.0</b>	<b>17</b>
<i>of which Baltic Banking Operations</i>	200.2	177.1	9 ***	163.5	15 ***
Credit institutions	59.7	83.4	-28	93.3	-36
The Swedish National Debt Office	0.0	0.0		0.0	
Repurchase agreements (Repos)	95.0	122.9	-23	163.9	-42
<i>of which to the public</i>	36.7	32.3	14	49.0	-25
<i>of which to credit institutions</i>	58.3	90.6	-36	114.9	-49
<b>Total lending</b>	<b>1 372.9</b>	<b>1 309.3</b>	<b>5</b>	<b>1 300.2</b>	<b>6</b>

\* As of Jan 1 2008 the sector has been dissolved

\*\* Not including municipal companies

\*\*\* Changes reported excl. foreign exchange effects

## Savings and investments, Group

SEKbn	Sep 30 2008	Dec 31 2007	%	Sep 30 2007	%
<b>Deposits from the public</b>					
Households	280.3	274.3	2	261.7	7
Other deposits from the public	176.3	175.2	1	168.5	5
<b>Total deposits from the public</b>	<b>456.6</b>	<b>449.5</b>	<b>2</b>	<b>430.2</b>	<b>6</b>
<i>of which Baltic Banking Operations</i>	105.5	102.2	-2 *	91.8	8 *
Discretionary asset management **	219.4	204.7	7	202.2	9
Funds assets under management	368.4	421.3	-13	434.6	-15
Unit-linked insurance	57.8	68.6	-16	71.4	-19
Of which unit-linked insurance in own companies	-55.7	-66.9	-17	-69.9	-20
Retail bonds, interest-bearing	1.2	1.1	9	1.1	9
Retail bonds, equity linked	32.2	30.1	7	28.4	13
<b>Total savings and investments</b>	<b>1 079.9</b>	<b>1 108.4</b>	<b>-3</b>	<b>1 098.0</b>	<b>-2</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>Q3 2008</b>	<b>Q2 2008</b>	<b>Q3 2007</b>	<b>Jan-Sep 2008</b>	<b>Jan-Sep 2007</b>	<b>Full-year 2007</b>
<b>Commission income</b>						
Payment processing	1 384	1 305	1 220	3 948	3 396	4 612
Lending	194	199	183	529	509	671
Brokerage	171	201	243	590	774	1 064
Asset management	864	933	1 133	2 759	3 231	4 226
Other securities	53	20	18	101	57	104
Other	422	573	441	1 390	1 574	2 262
<b>Total</b>	<b>3 088</b>	<b>3 231</b>	<b>3 238</b>	<b>9 317</b>	<b>9 541</b>	<b>12 939</b>
<b>Commission expenses</b>						
Payment processing	-485	-466	-406	-1 417	-1 176	-1 592
Securities	-112	-143	-109	-372	-318	-446
Other	-226	-248	-220	-709	-703	-1 021
<b>Total</b>	<b>-823</b>	<b>-857</b>	<b>-735</b>	<b>-2 498</b>	<b>-2 197</b>	<b>-3 059</b>
<b>Total net commission income</b>	<b>2 265</b>	<b>2 374</b>	<b>2 503</b>	<b>6 819</b>	<b>7 344</b>	<b>9 880</b>
<b>Parent company SEKm</b>	<b>Q3 2008</b>	<b>Q2 2008</b>	<b>Q3 2007</b>	<b>Jan-Sep 2008</b>	<b>Jan-Sep 2007</b>	<b>Full-year 2007</b>
<b>Commission income</b>						
Payment processing	572	535	491	1 661	1 416	1 876
Lending	115	104	111	281	277	361
Brokerage	60	87	101	236	330	445
Asset management	364	366	453	1 128	1 380	1 815
Other securities	48	18	16	92	51	97
Other	251	260	256	754	780	1 057
<b>Total</b>	<b>1 410</b>	<b>1 370</b>	<b>1 428</b>	<b>4 152</b>	<b>4 234</b>	<b>5 651</b>
<b>Commission expenses</b>						
Payment processing	-158	-142	-81	-453	-308	-403
Securities	-111	-151	-41	-357	-127	-174
Other	-24	-25	0	-74	-93	-156
<b>Total</b>	<b>-293</b>	<b>-318</b>	<b>-122</b>	<b>-884</b>	<b>-528</b>	<b>-733</b>
<b>Total net commission income</b>	<b>1 117</b>	<b>1 052</b>	<b>1 306</b>	<b>3 268</b>	<b>3 706</b>	<b>4 918</b>

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

Group SEKm	Q3 2008	Q2 2008	Q3 2007	Jan-Sep 2008	Jan-Sep 2007	Full-year 2007
<b>Trading, derivatives and fair value option</b>						
Shares/participating interests	-113	238	189	77	759	875
- of which change in value	-117	218	191	43	404	518
- of which dividend	4	20	-2	34	355	357
Interest-bearing instruments	-686	409	-243	-541	-361	-540
- of which change in value of open interest-bearing position, Swedbank Mortgage	-172	29	-129	-165	5	71
- of which other change in value	-514	380	-114	-376	-366	-611
Other financial instruments	-1	31	85	103	-2	60
- of which change in value	-1	31	85	103	-2	60
<b>Total</b>	<b>-800</b>	<b>678</b>	<b>31</b>	<b>-361</b>	<b>396</b>	<b>395</b>
<b>Interest income compensation, claims valued at cost</b>						
	<b>2</b>	<b>2</b>	<b>3</b>	<b>7</b>	<b>14</b>	<b>15</b>
<b>Changes in exchange rates</b>	<b>689</b>	<b>461</b>	<b>162</b>	<b>1 461</b>	<b>895</b>	<b>1 281</b>
<b>Total net gains and losses on financial items at fair value</b>	<b>-109</b>	<b>1 141</b>	<b>196</b>	<b>1 107</b>	<b>1 305</b>	<b>1 691</b>
Parent company SEKm	Q3 2008	Q2 2008	Q3 2007	Jan-Sep 2008	Jan-Sep 2007	Full-year 2007
<b>Trading, derivatives and fair value option</b>						
Shares/participating interests	13	224	205	338	233	423
- of which change in value	13	224	205	338	233	423
Interest-bearing instruments	-457	327	-116	-374	-387	-652
- of which other change in value	-457	327	-116	-374	-387	-652
<b>Total</b>	<b>-444</b>	<b>551</b>	<b>89</b>	<b>-36</b>	<b>-154</b>	<b>-229</b>
<b>Changes in exchange rates</b>	<b>449</b>	<b>223</b>	<b>-24</b>	<b>808</b>	<b>372</b>	<b>592</b>
<b>Total net gains and losses on financial items at fair value</b>	<b>5</b>	<b>774</b>	<b>65</b>	<b>772</b>	<b>218</b>	<b>363</b>



### Note 3. Loan losses, net

Group SEKm	Q3 2008	Q2 2008	Q3 2007	Jan-Sep 2008	Jan-Sep 2007	Full-year 2007
<i>Loans assessed individually</i>						
The period's write-off for established loan losses	114	320	45	532	205	575
Reversal of previous provisions for anticipated loan losses reported in the period's accounts as established losses	-34	-181	-21	-265	-132	-236
The period's provisions for anticipated loan losses	509	251	116	1 006	266	453
Recoveries from previous years' established loan losses	-11	-28	-15	-56	-93	-178
Recovered provisions no longer necessary for anticipated loan losses	-72	-30	-21	-169	-113	-126
<b>Net expense for the period</b>	<b>506</b>	<b>332</b>	<b>104</b>	<b>1 048</b>	<b>133</b>	<b>488</b>
<i>Collective provisions for loans assessed individually</i>						
<b>Allocations/withdrawals from collective provisions</b>	<b>232</b>	<b>31</b>	<b>73</b>	<b>300</b>	<b>137</b>	<b>-39</b>
<i>Collectively valued homogeneous groups of loans with limited value and similar credit risk</i>						
The period's write-off for established loan losses	40	40	20	108	57	85
Recoveries from previous years' established loan losses	-12	-8	-4	-26	-18	-23
Allocations to/withdrawals from loan loss reserve	44	24	17	102	48	73
<b>The period's net expense for collectively valued homogenous claims</b>	<b>72</b>	<b>56</b>	<b>33</b>	<b>184</b>	<b>87</b>	<b>135</b>
<i>Contingent liabilities</i>						
<b>The period's net expense for discharged guarantees and other contingent liabilities</b>	<b>2</b>	<b>4</b>	<b>20</b>	<b>-9</b>	<b>24</b>	<b>35</b>
<b>The period's net loan loss expense</b>	<b>812</b>	<b>423</b>	<b>230</b>	<b>1 523</b>	<b>381</b>	<b>619</b>

Parent company SEKm	Q3 2008	Q2 2008	Q3 2007	Jan-Sep 2008	Jan-Sep 2007	Full-year 2007
<i>Loans assessed individually</i>						
The period's write-off for established loan losses	53	284	21	407	147	399
Reversal of previous provisions for anticipated loan losses reported in the period's accounts as established losses	-2	-160	-8	-191	-98	-140
The period's provisions for anticipated loan losses	239	-5	49	325	89	193
Recoveries from previous years' established loan losses	-3	-13	-5	-20	-27	-96
Recovered provisions no longer necessary for anticipated loan losses	-3	-11	-10	-43	-64	-72
<b>Net expense for the period</b>	<b>284</b>	<b>95</b>	<b>47</b>	<b>478</b>	<b>47</b>	<b>284</b>
<i>Collective provisions for loans assessed individually</i>						
<b>Allocations/withdrawals from collective provisions</b>	<b>-23</b>	<b>-3</b>	<b>-64</b>	<b>-52</b>	<b>-99</b>	<b>-299</b>
<i>Collectively valued homogeneous groups of loans with limited value and similar credit risk</i>						
The period's write-off for established loan losses	16	17	11	43	30	45
Recoveries from previous years' established loan losses	0	0	0	0	0	0
Allocations to/withdrawals from loan loss reserve	16	1	4	29	15	17
<b>The period's net expense for collectively valued homogenous claims</b>	<b>32</b>	<b>18</b>	<b>15</b>	<b>72</b>	<b>45</b>	<b>62</b>
<i>Contingent liabilities</i>						
<b>The period's net expense for discharged guarantees and other contingent liabilities</b>	<b>6</b>	<b>-14</b>	<b>19</b>	<b>-5</b>	<b>27</b>	<b>32</b>
<b>The period's net loan loss expense</b>	<b>299</b>	<b>96</b>	<b>17</b>	<b>493</b>	<b>20</b>	<b>79</b>

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

SEKm	Group			Parent company		
	Sep 30 2008	Dec 31 2007	Sep 30 2007	Sep 30 2008	Dec 31 2007	Sep 30 2007
Book value (before recognized provisions)	1 377 587	1 312 992	1 303 913	791 351	749 880	753 362
Specific provisions for individually assessed claims	-1 882	-1 145	-727	-494	-407	-350
Provisions for collectively valued homogeneous groups of claims with limited value and similar credit risk	-270	-187	-164	-112	-84	-82
Collective provisions for individually assessed claims	-2 583	-2 359	-2 859	-884	-936	-1 136
<b>Total provisions</b>	<b>-4 735</b>	<b>-3 691</b>	<b>-3 750</b>	<b>-1 490</b>	<b>-1 427</b>	<b>-1 568</b>
<b>Book value</b>	<b>1 372 852</b>	<b>1 309 301</b>	<b>1 300 163</b>	<b>789 861</b>	<b>748 453</b>	<b>751 794</b>
Book value of impaired loans	4 380	1 740	1 819	458	303	564
<b>Property taken over to protect claims:</b>						
- Buildings and land	0	0	0	0	0	0
- Shares and participating interests	92	28	40	87	21	35
- Other	2	2	2	0	0	0
<b>Total</b>	<b>94</b>	<b>30</b>	<b>42</b>	<b>87</b>	<b>21</b>	<b>35</b>
Share of impaired loans, %	0.32	0.13	0.14	0.06	0.04	0.08
Total provision ratio for impaired loans, % *	73	120	138	140	180	158
Provision ratio for individually identified impaired loans, %	33	43	33	57	62	43

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

## Credit risks

Group Sector/Industry Sep 30, 2008 SEKm	Book value before provisions	Specific provisions for individually assessed claims	Collective provisions for individually assessed claims	Provisions for collectively assessed homogeneous groups	Book value of loans after provisions	Book value of impaired loans
Private customers	599 356	673	162	270	598 251	1 116
Real estate management	251 510	309	277		250 924	1 347
Retail, hotels, restaurants	46 330	229	338		45 763	242
Construction	19 188	148	96		18 944	316
Manufacturing	50 137	211	411		49 515	374
Transportation	24 126	41	157		23 928	186
Forestry and agriculture	53 472	63	82		53 327	129
Other corporate lending	147 499	309	790		146 400	670
Municipalities, excl. municipal corporates	21 787				21 787	
Lehman Brothers	9 523	169			9 354	
<b>Lending</b>	<b>1 222 928</b>	<b>2 152</b>	<b>2 313</b>	<b>270</b>	<b>1 218 193</b>	<b>4 380</b>
Credit institutions incl. Nat'l Debt Office	59 725				59 725	
Repurchase agreements - credit institutions incl. Nat'l Debt Office	64 876				64 876	
Repurchase agreements - public	30 058				30 058	
<b>Total lending to credit institutions and the public</b>	<b>1 377 587</b>	<b>2 152</b>	<b>2 313</b>	<b>270</b>	<b>1 372 852</b>	<b>4 380</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.	
	Sep 30 2008	Sep 30 2007	Sep 30 2008	Sep 30 2007	Sep 30 2008	Sep 30 2007
Derivatives with positive book values	27 727	18 893	45 991	14 984	4 159	6 310
Derivatives with negative book values	27 690	20 879	27 657	22 284	2 925	5 765
Nominal amount	10 276 836	7 323 149	1 194 587	1 094 368	108 024	87 371

Derivatives with a value of SEK 2 276m (1 945) have, as a consequence of netting agreements, been recognized net in the balance sheet.

## Number of shares in issue

Number of shares in issue	Q3 2008	Q2 2008	Q3 2007	Full-year 2007
Average number of shares outstanding before and after dilution	515 373 412	515 373 412	515 373 412	515 373 412
Number of shares outstanding before and after dilution	515 373 412	515 373 412	515 373 412	515 373 412

Number of shares in issue	Sep 30 2008	Jun 30 2008	Sep 30 2007
Average number of shares outstanding before and after dilution	515 373 412	515 373 412	515 373 412
Number of shares outstanding before and after dilution	515 373 412	515 373 412	515 373 412

## Number of employees

Number of employees	Sep 30 2008	Dec 31 2007	Sep 30 2007
Swedish Banking	6 094	6 236	6 190
Baltic Banking	8 791	9 203	9 112
<i>Estonia</i>	3 082	3 246	3 227
<i>Latvia</i>	2 570	2 577	2 501
<i>Lithuania</i>	3 139	3 380	3 384
International Banking	4 366	4 045	3 839
<i>Ukraine</i>	3 548	3 433	3 301
<i>Russia</i>	576	386	325
<i>Branches and Luxembourg</i>	182	156	147
<i>Other</i>	60	70	66
Swedbank Markets	722	659	626
Asset Management and Insurance	346	332	327
Shared Services & Group Staffs	1 671	1 673	1 656
<b>Total</b>	<b>21 990</b>	<b>22 148</b>	<b>21 750</b>

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

The Board of Directors and the President certify that the interim report for the period 1 January to 30 September 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, 22 October 2008

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 interim report for Swedbank AB (publ) for the period 1 January to 30 September 2008. The Board of Directors and the CEO 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, 22 October 2008

Deloitte AB  
Jan Palmqvist  
Authorized 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:

The year-end report for 2008 is scheduled to be published on 12 February 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:**

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