



Q&A interim report jan-sept 2009

How can the results be summarized?

The quarterly results are affected by continued effects from the economic downturn. In many of the markets where Swedbank operates, the economic downturn is deep, primarily in Ukraine and the Baltic countries, which leads to payment difficulties among the bank's customers. The quarterly loss is primarily explained by continued large provisions for future loan losses, due to an increased number of impaired loans, primarily in Ukraine, Latvia and Lithuania. Compared to the second quarter, the bank also takes a higher tax charge in the third quarter. Despite the loss in the quarter, we are on the right track in our work to strengthen the bank. Our rights offering of SEK15.1bn combined with other measures implemented during the year to strengthen the control of the bank's operations puts us in a stronger position today to meet the effects from the economic downturn than we were at the beginning of the year.

When will we see a turn around?

That will to a large extent be dependent on the macro economic development, which we can't impact. But we do everything we can within the areas that we can impact, such as improving credit quality, strengthening the earnings generation, and securing financing and liquidity, to prepare for good future profitability. With our rights offering we get the financial muscles to fully implement our strategy and support our customers, both in order to create business opportunities after an economic rebound, and to continue to offer competitive terms even if economic conditions worsen. This quarter puts an end to the first phase on our road to recovery of our business. During the last two quarters we have made the prudent long-term decisions needed to position the bank for the future. Swedbank today stands stronger than at the beginning of the year. The large oversubscription in our rights offering clearly shows our shareholders support for the bank. The additional capital together with other measures implemented during the quarter gives us the financial muscles to implement our strategy and stand behind our customers. Despite the quarterly loss, we're on the right track to strengthen the bank.

When will you become fully independent from the state guarantee for your financing?

We've said that our long-term goal is to get out of the state guarantee, and with the rights offering and our stronger financial position, we will be able to enhance that process. However, the credit markets react more slowly to changes than the stock market so you have to give it some time before the changes come through.

Aren't Swedish customers paying for the Eastern European business through increasing margins?

We continue to offer highly competitive terms to our customers. However, as all banks, we have to adapt to the prevailing conditions with a substantially higher risk level, which also needs to be reflected in our business model. We are working closely with our customers to reach a pricing level which in a correct way reflects the business risk and to ensure that we are responsible in our lending.

Will you exit Latvia?

We remain fully committed to our operations in Latvia just as to our operations in Estonia and Lithuania. They are part of our home markets. We are deeply engaged in finding a sustainable solution for all parties in the countries and have no other intention than to stay long-term. What we

have said is that we would need to reconsider the extent of our mortgage business in Latvia in case the Latvian mortgage proposal would come through since it would make it substantially more difficult for us and all other banks to lend money to mortgages, other than to a very limited extent, which completely changes the business conditions on the Latvian financial market. The proposal would, were it to come through, violate core principles in European judicial tradition both in what concerns changing laws retroactively and taking away the individual responsibility in regards to agreements entered into by the individual. This would have negative implications for any future foreign investment in Latvia, which would affect the whole Latvian society and delay the country's economic recovery, something which even the Latvian central bank has put forward.

What's your view on an eventual devaluation in Latvia?

We're convinced that both the Latvian government, the central bank, EU and the IMF will continue to make those decisions that are necessary to restore stability in the Latvian economy. We as a bank do not have, and shouldn't have, any opinions on that process. That's the politicians' area of responsibility.

In the internal stress tests that the bank conducts, a controlled devaluation is part as a component that the bank has preparedness to handle.

How do you treat customers in the Baltic countries who can't pay back their loans?

We have everything to gain from working together with our customers to solve the situation and taking over a collateral is never a first hand choice or an automatic solution. If the customer is viewed as having a long-term cash flow, we can among other things offer the customer a temporary grace period in terms of amortisation, or decrease the interest payment for a period of time, or restructure the loan.

What will happen to the bank in Ukraine?

We have lowered our ambitions in Ukraine as we no longer consider it likely that the country will return to the levels of long-term growth that we had previously anticipated. We will evaluate what is most strategic for the investment whilst continuing to support our customers. At the moment, we view it as best to protect the value of our investment and to support our customers. We have sufficient capital to sustain the operations and we will continue to defend and grow deposits whilst reducing risk-weighted assets.