

### **Profit for the period increased by 12 percent compared with first three quarters 2006**

- Profit for the period increased by 12 percent to SEK 8,888m (7,967)
- Earnings per share increased to SEK 17.25 (15.46)
- The return on equity was 19.0 percent (19.2)
- The cost/income ratio improved to 0.51 (0.52)
- Net interest income increased by 19 percent to SEK 13,898m (11,674)
- Operating profit increased by 11 percent to SEK 11,476m (10,376)
- Loan losses amounted to SEK 381m (-133)
- The tier 1 capital ratio amounted to 6.2 percent according to the new rules (6.5 percent on December 31, 2006 according to the old rules)

### **Profit level for third quarter compared with second quarter 2007**

- Profit for the period decreased by 8 percent to SEK 2,866m (3,112)
- Earnings per share amounted to SEK 5.57 (6.03)
- The return on equity was 18.1 percent (19.9)
- The cost/income ratio was 0.51 (0.50)
- Net interest income increased by 5 percent to SEK 4,806m (4,591)
- Operating profit decreased by 8 percent to SEK 3,669m (4,000)
- Loan losses amounted to SEK 230m (102).

### **The CEO comments on the third quarter**

Swedbank's business development remains strong. We are constantly gaining new customers, and volumes are increasing among those we already have, not least in Sweden. During the recent crisis in the international financial market Swedbank, with its low-risk profile, has stood strong and been only marginally affected. In the short term the level of activity has decreased in some parts of Swedbank Markets. The effects have otherwise been limited to a short-term impact on the valuation of certain assets and liabilities as well as an increase in the price of risk in the international credit market

During the last quarter we have seen, as expected, that the economy in Estonia is slowing, and several indications that Latvia is headed in the same direction. Swedbank expects the gradual slowdown to continue and that the imbalances that exist will eventually subside. In the long term prosperity in the Baltic economies will continue to approach the EU average.

The initial stage of the integration of TAS-Kommerzbank in Ukraine has been positive.

## Financial summary for the group

SEKm	Q3 2007	Q2 2007	%	Q3 2006	%	Jan-Sep 2007	Jan-Sep 2006	%	Full-year 2006
Net interest income	4,806	4,591	5	4,139	16	13,898	11,674	19	15,977
Net commission income	2,503	2,552	-2	2,109	19	7,344	6,560	12	8,869
Net gains and losses on financial items at fair value	196	579	-66	513	-62	1,305	1,830	-29	2,738
Other income	526	504	4	403	31	1,503	1,221	23	1,613
<b>Total income</b>	<b>8,031</b>	<b>8,226</b>	<b>-2</b>	<b>7,164</b>	<b>12</b>	<b>24,050</b>	<b>21,285</b>	<b>13</b>	<b>29,197</b>
Staff costs	-2,412	-2,425	-1	-2,073	16	-7,159	-6,380	12	-8,560
Other expenses	-1,720	-1,699	1	-1,417	21	-5,034	-4,662	8	-6,579
<b>Total expenses</b>	<b>-4,132</b>	<b>-4,124</b>	<b>0</b>	<b>-3,490</b>	<b>18</b>	<b>-12,193</b>	<b>-11,042</b>	<b>10</b>	<b>-15,139</b>
<b>Profit before loan losses</b>	<b>3,899</b>	<b>4,102</b>	<b>-5</b>	<b>3,674</b>	<b>6</b>	<b>11,857</b>	<b>10,243</b>	<b>16</b>	<b>14,058</b>
Loan losses, net	-230	-102		67		-381	133		205
<b>Operating profit</b>	<b>3,669</b>	<b>4,000</b>	<b>-8</b>	<b>3,741</b>	<b>-2</b>	<b>11,476</b>	<b>10,376</b>	<b>11</b>	<b>14,263</b>
Tax expense	-793	-856	-7	-806	-2	-2,500	-2,283	10	-3,211
Profit for the period	2,876	3,144	-9	2,935	-2	8,976	8,093	11	11,052
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>2,866</b>	<b>3,112</b>	<b>-8</b>	<b>2,911</b>	<b>-2</b>	<b>8,888</b>	<b>7,967</b>	<b>12</b>	<b>10,880</b>

Key ratios	Q3 2007	Q2 2007	Q3 2006	Jan-Sep 2007	Jan-Sep 2006	Full-year 2006
Return on equity, %	18.1	19.9	20.8	19.0	19.2	19.3
Earnings per share, SEK <sup>1)</sup>	5.57	6.03	5.65	17.25	15.46	21.11
C/I ratio before loan losses	0.51	0.50	0.49	0.51	0.52	0.52
Equity per share, SEK <sup>1)</sup>	124.89	120.23	111.86	124.89	111.86	116.37
Tier 1 capital ratio, %	6.2	6.7	6.5	6.2	6.5	6.5
Capital adequacy ratio, %	9.4	10.0	10.1	9.4	10.1	9.8
Loan loss ratio, net, %	0.09	0.04	-0.03	0.06	-0.02	-0.02
Share of impaired loans, %	0.14	0.08	0.09	0.14	0.09	0.07
Total provision ratio for impaired loans, %	138	185	187	138	187	195

1) The number of shares is specified on page 38.

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

Balance sheet data SEKbn	Sep 30 2007	Dec 31 2006	%	Sep 30 2006	%
Loans to the public	1,092	946	15	941	16
Deposits and borrowings from the public	444	400	11	390	14
Shareholders' equity	64	60	7	58	12
Total assets	1,575	1,353	16	1,341	17
Risk weighted assets, old principles	848	727	17	700	21
Risk weighted assets, new principles	564				
Risk weighted assets, transition principles	784				

## Group profit trend, Q3 2007 vs. Q2 2007

### Lower profit

- Profit for the period decreased by 8 percent to SEK 2,866m (3,112)
- Earnings per share amounted to SEK 5.57 (6.03)
- The return on equity was 18.1 percent (19.9)
- Operating profit decreased by 8 percent to SEK 3,669m (4,000)
- Income decreased by 2 percent to SEK 8,031m (8,226)
- Net interest income increased by 5 percent to SEK 4,806m (4,591)
- Net commission income amounted to SEK 2,503m (2,552)
- Net gains and losses on financial items at fair value decreased to SEK 196m (579)
- Expenses were largely unchanged at SEK 4,132m (4,124)
- The cost/income ratio was 0.51 (0.50)
- Loan losses amounted to SEK 230m (102)
- The effective tax rate was 22 percent (21).

### Improved net interest income

**Income** decreased by 2 percent to SEK 8,031m (8,226). TAS-Kommerzbank, which is included in the group as of this quarter, reported income of SEK 273m.

Net interest income developed positively, while net gains and losses on financial items at fair value decreased due to turbulence in the financial markets during the third quarter.

**Net interest income** increased by 5 percent to SEK 4,806m (4,591). Net interest income from the lending portfolio increased by SEK 158m despite continued margin pressure. Net interest income from savings operations increased by SEK 130m due to both volume increases and higher interest margins. Net interest income from other operations decreased by SEK 73m.

**Net commission income** decreased marginally to SEK 2,503m (2,552). Payment commissions increased by SEK 71m through higher transaction volumes. On the other hand, income from Corporate Finance, mainly First Securities, decreased by SEK 156m.

**Net gains and losses on financial items at fair value** decreased to SEK 196m (579) due to turbulence in the financial markets during the third quarter.

**Net insurance** increased to SEK 99m (91).

The **share of the profit or loss in associates** increased to SEK 140m (95) in part through higher profit from EnterCard and Swedbank Sjuhärad.

**Other income** decreased to SEK 287m (318). Income in the second quarter includes a capital gain of slightly over SEK 40m through the sale of shares in CEK AB.

### Stable expenses

Group **expenses** increased marginally to SEK 4,132m (4,124). Of the increase, additional expenses in TAS-Kommerzbank amounted to SEK 119m and amortization

of identified surplus values in TAS at the group level amounted to SEK 15m.

**Staff costs** decreased by 4 percent to SEK 2,412m (2,425) through lower profit-based costs for Swedbank Markets, including First Securities.

**Other general administrative expenses** increased slightly to SEK 1,720m (1,699).

### Loan losses

**Loan losses** amounted to a net of SEK 230m (102). Loan losses in TAS-Kommerzbank amounted to SEK 80m. Credit quality in the group remains strong. Loan losses and claims are specified in Notes 3 and 4.

### Tax rate

Profit before tax amounted to SEK 3,669m (4,000) and the **tax expense** was SEK 793m (856), giving an effective tax rate of 22 percent (21). The lower tax rate in the second quarter is mainly due to the settlement of tax from previous years.

## Group profit trend, Q3 2007 vs. Q3 2006

### Marginally lower quarterly profit

- Profit for the period decreased marginally to SEK 2,866m (2,911)
- Earnings per share amounted to SEK 5.57 (5.65)
- The return on equity was 18.1 percent (20.8)
- Operating profit amounted to SEK 3,669m (3,741)
- Income increased by 12 percent to SEK 8,031m (7,164)
- Net interest income increased by 16 percent to SEK 4,806m (4,139)
- Net commission income increased by 19 percent to SEK 2,503m (2,109)
- Net gains and losses on financial items at fair value decreased to SEK 196m (513)
- Expenses increased by 18 percent to SEK 4,132m (3,490)
- The cost/income ratio was 0.51 (0.49)
- Loan losses amounted to SEK 230m (-67)
- The effective tax rate was unchanged at 22 percent.

### Income increased

**Income** increased by 12 percent to SEK 8,031m (7,164) mainly through higher net interest and net commission income.

**Net interest income** increased by 16 percent to SEK 4,806m (4,139). Net interest income from the lending portfolio increased by SEK 376m despite continued margin pressure. Net interest income from savings operations increased by SEK 585m due to both volume increases and higher interest margins. Net interest income from other operations decreased by SEK 294m.

**Net commission income** increased by 19 percent to SEK 2,503m (2,109). Asset management commissions increased by SEK 218m, while payment commissions increased by SEK 127m.

**Net gains and losses on financial items at fair value** amounted to SEK 196m (513). The result for the third quarter of this year was affected negatively by turbulence in the financial markets.

**Net insurance** increased to SEK 99m (67).

The **share of the profit or loss in associates** increased to SEK 140m (53). The increase is mainly due to profit improvements by partly owned banks and EnterCard.

**Other income** increased to SEK 287m (283).

## Expenses increased

**Expenses** increased by SEK 642m or 18 percent to SEK 4,132m (3,490). The expense increase was mainly due to the growing Baltic and international operations, including the acquisition of TAS-Kommerzbank. The Folksam agreement and the acquisition of Söderhamns Sparbank also contributed to the increase in expenses.

**Staff costs** increased by SEK 339m or 16 percent to SEK 2,412m (2,073). Contractual wage increases and the fast-growing operations outside Sweden were the main reasons.

**Other general administrative expenses** increased by SEK 303m or 21 percent to SEK 1,720m (1,417). Costs for premises, computers and armored transports increased, as did depreciation/amortization.

## Loan losses

**Loan losses** amounted to a net of SEK 230m (-67).

## Unchanged tax rate

Profit before tax amounted to SEK 3,669m (3,741) and the **tax expense** was SEK 793m (806), corresponding to an unchanged tax rate of 22 percent.

## Group profit trend, Jan–Sep 2007 vs. Jan–Sep 2006

### Profit for the period increased 12 percent

- Profit for the period increased by 12 percent to SEK 8,888m (7,967)
- Earnings per share increased to SEK 17.25 (15.46)
- The return on equity was 19.0 percent (19.2)
- Operating profit increased by 11 percent to SEK 11,476m (10,376)
- Income increased by 13 percent to SEK 24,050m (21,285)
- Net interest income increased by 19 percent to SEK 13,898m (11,674)
- Net commission income increased by 12 percent to SEK 7,344m (6,560)
- Net gains and losses on financial items at fair value amounted to SEK 1,305m (1,830)
- Expenses increased by 10 percent to SEK 12,193m (11,042)
- The cost/income ratio improved to 0.51 (0.52)
- Loan losses amounted to SEK 381m (-133)

- The effective tax rate was unchanged at 22 percent.

## Income increased

**Income** increased by 13 percent to SEK 24,050m (21,285) mainly through higher net interest and net commission income.

**Net interest income** increased by 19 percent to SEK 13,898m (11,674). Net interest income from the lending portfolio increased by SEK 910m through a volume increase and despite continued margin pressure. Net interest income from savings operations increased by SEK 1,703m due to both volume increases and higher interest margins. Net interest income from other operations decreased by SEK 389m.

**Net commission income** increased by 12 percent to SEK 7,344m (6,560). This is mainly due to higher income from asset management and payment processing.

**Net gains and losses on financial items at fair value** amounted to SEK 1,305m (1,830). Income in 2006 was positively affected by the appreciation in the value of Norwegian primary capital certificates and the shareholding in SpareBank 1 Gruppen.

**Net insurance** increased to SEK 269m (184) mainly through an improved product range and higher sales by the Swedish and Baltic operations.

The **share of the profit or loss in associates** increased to SEK 354m (248) mainly through profit improvements from partly owned banks, EnterCard and VPC.

**Other income** increased by 12 percent to SEK 880m (789) in part through the sale of CEK AB.

## Controlled increase in expenses

**Expenses** increased by SEK 1,151m or 10 percent to SEK 12,193m (11,042). Staff costs increased by SEK 779m and other general administrative expenses by SEK 372m.

**Staff costs** increased by SEK 779m or 12 percent to SEK 7,159m (6,380). Profit-based compensation accounted for SEK 131m of the increase. Rapid growth in the Baltics, wage increases, the acquisitions of TAS-Kommerzbank and Söderhamns Sparbank, and the Folksam agreement all contributed to the increase in staff costs.

**Other general administrative expenses** increased by SEK 372m or 8 percent to SEK 5,034m (4,662). Computer and armored transport costs, together with changes in the group structure, accounted for the larger part of the increase.

## Loan losses

**Loan losses** amounted to a net of SEK 381m (-133).

## **Unchanged tax rate**

Profit before tax amounted to SEK 11,476m (10,376) and the **tax expense** was SEK 2,500m (2,283), corresponding to a tax rate of 22 percent (22).

## **Interest rate risk**

An increase in all market interest rates of one percentage point as of September 30, 2007 would have reduced the value of the group's assets and liabilities, including derivatives, by SEK 1,409m (1,623). This calculation includes the portion of the bank's deposits that have been assigned a duration of between 2 and 3 years. The decrease in the value of positions in Swedish kronor would have been SEK 999m (1,608). Positions in foreign currency would have decreased in value by SEK 410m (15).

An interest rate increase of one percentage point would have increased the group's net gain and losses on items at fair value by SEK 88m (-207) as of September 30, 2007.

Comparative figures refer to December 31, 2006.

## **Risks and uncertainties**

Swedbank's earnings are strongly affected by the global fluctuations that the company has no control over. Changes in interest rates, stock prices and exchange rates are among the factors affecting the group's profit. At the same time Swedbank maintains a low-risk profile through a well-diversified credit portfolio and low financial and operational risks.

During the third quarter the impact of the crisis in the global financial market was evident. Turbulence in the U.S. subprime market negatively affected earnings during the quarter even though Swedbank is neither directly nor indirectly materially involved in the market. Moreover, signs of overheating in the Baltic economies created concerns among investors and other stakeholders, which also affected Swedbank, though it did not have a negative effect on earnings during the period. The effects on Swedbank's operations of market changes 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 2006. No significant changes have taken place with regard to the distribution of risks compared with what is stated in the annual report.

## **New capital adequacy rules – Basel II**

On February 1, 2007 new rules apply in Sweden for capital adequacy and exposures, Basel II. According to the new rules, the capital requirement will be more closely linked to the institution's risk profile. In addition to the capital requirement for credit risks and market risks, a capital requirement is introduced for operational risks as well. Due to the scope of these changes, they are being implemented gradually over a three-year period through 2009. For Swedbank the capital requirement gradually decreases, since the new capital adequacy rules better reflect the low risk in the credit portfolio. The full effect of the lower capital requirement will not be achieved until 2010.

The capital adequacy ratio, which is calculated for the financial companies group, was 9.4 percent as of September 30, 2007 according to the new rules (9.8 as of December 31, 2006 according to the old rules), of

which the tier 1 capital ratio was 6.2 percent (6.5 as of December 31, 2006 according to the old rules). The capital base in relation to capital requirement including supplement was 1.17 (1.22 December 31, 2006). The tier 1 capital ratio includes profit for the period after deducting the estimated dividend.

A specification of capital adequacy and a summary of the new rules are provided on page 28.

## **Lending**

The Group's lending to the public, excluding repurchase agreements (repos), increased during the period by 13 percent to SEK 1,043bn (919) on September 30. The year-to-year increase in lending is 17 percent.

A specification of lending is provided on page 33.

The share of impaired loans was 0.14 percent (0.09) as of September 30. The increase is among others due to the acquisition of TAS-Kommerzbank.

## **Savings and investments**

Customers' total savings and investments in Swedbank increased by 31 percent to SEK 1,098bn (841) during the period. The year-to-year increase in savings is 37 percent. The high rate of increase is mainly due to the cooperation agreement between Swedbank Robur and Folksam, whereby Swedbank Robur as of the second quarter 2007 manages Folksam's insurance and fund portfolios, which amounted to SEK 177bn as of September 30.

Customers' deposits, excluding repurchase agreements (repos), have increased by 14 percent or SEK 53bn since the beginning of the year to SEK 430bn (377). Since September 30, 2006 deposits have increased by 17 percent.

A specification of savings and investments is provided on page 33.

## **Acquisition of TAS-Kommerzbank**

On July 9 Swedbank acquired all the shares in the Ukrainian bank TAS-Kommerzbank JSCB. TAS-Kommerzbank in turn owns the Ukrainian bank TAS-Investbank CJSC.

The acquisition was settled in cash. Moreover, an additional payment of up to USD 250m may be payable in three years subject to TAS's profit and financial performance, and was valued on the acquisition date at USD 125m.

The following acquisition analysis has been prepared as of the acquisition date. The initial figures are preliminary and may be updated within 12 months.

Recognised in the group at the time of acquisition, SEKm	Jul 9 2007
Assets	9,360
Liabilities	8,448
<b>The subsidiary's net asset</b>	<b>912</b>
Intangible fixed asset, customer base	243
Related deferred tax	-61
<b>Total</b>	<b>1,094</b>
Cash	4,606
Cost contingent on future events, currently assessed to	840
Transaction cost	63
<b>Cost</b>	<b>5,509</b>
Goodwill	4,415
Basis adjustment due to cash flow hedge	157
<b>Total goodwill</b>	<b>4,572</b>

Acquired customer relationships have been valued at SEK 243m by estimating the present value of future results from acquired business volumes to the extent Swedbank feels it has sufficient control over them. These relationships have an estimated remaining life of 7.5 years, with a corresponding amortization schedule. TAS is active in a highly expansive banking market driven by economic growth and with opportunities to gain market share. The reported goodwill item therefore represents the acquisition of an organization that can capitalize on the growth opportunities that exist and are predicted in the Ukrainian banking market. The fair value of the TAS trademark is insignificant and therefore has not been reported separately from goodwill.

In the business area report TAS is included in International Banking.

### Ownership changes in Russia

During the quarter Swedbank's Board of Directors decided to transfer ownership of the Russian bank OAO Swedbank and the leasing company OOO Hansa Leasing from Hansabank in Estonia to Swedbank AB. The transfers, which will be made at market value, require the approval of Russian authorities.

The Russian operations are included as of this quarter in the International Banking business area.

### Accounting policies

The interim report has been 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 April 1, 2007).

The accounting principles applied in the interim report are the same as those applied in the preparation of the annual report for 2006, apart from that interest income and expenses related to trading assets and liabilities are now recognized in net interest income in the consolidated income statement. Previously they were recognized in net gains and losses on items at fair value in the consolidated income statement.

Comparative figures for 2006 and 2005 have been restated.

As of 2007 certain financial transactions are made to hedge the exposure to variations in future cash flows owing to changes in interest rates and exchange rates. They are recognized as cash flow hedges, which means that the effective part of the change in the value of hedging instruments is recognized directly in shareholders' equity. When a projected cash flow leads to the recognition of a non-financial item, the gains and losses that arise on the hedging instrument are deducted from shareholders' equity and included in the acquisition value of the hedged item.

The group uses the option to irreversibly value separate portfolios of lending and deposits at fair value, since they, together with derivatives, essentially eliminate the portfolio's aggregate interest rate risk. As of 2007 the parent company has also chosen to use the valuation option. Comparative figures have been restated, due to which the opening shareholders' equity balance for 2006 has been adjusted.

### Rating

Sep, 2007	S&P		Moody's			Fitch	
	Short	Long	Short	Long	BFSR *	Short	Long
Swedbank	A-1	A+	P-1	Aa1	B	F1	A+
Swedbank Hypotek	A-1		P-1	Aa1		F1+	AA-
Hansabank			P-1	Aa2	C+	F1	A

\* Bank Financial Strength Ratings

### Swedbank's share

SWED A	Sep 30 2007	Dec 31 2006
Share price, SEK	215.50	248.50
No. of shares in issue	515,373,412	515,373,412
Market capitalization, SEKm	111,063	128,070

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

### Events after September 30, 2007

#### **Nomination Committee for 2008 appointed**

The following persons are the members of the Nomination Committee:

Annika Andersson - representing Fjärde AP-fonden (Fourth Swedish National Pension Fund)

Lorentz Andersson - representing Sparbanksstiftelsernas Förvaltningsaktiebolag och Sparbanksstiftelser (Savings Banks Foundations)

Ulf Christoffersson - representing the Savings Banks and The Swedish Savings Banks Organisation

Sarah McPhee - representing AMF Pension and AMF Pension Fondförvaltning (Asset Management) AB

Carl Eric Stålberg - Chair of the Board of Directors of Swedbank.

The Nomination Committee is to make proposals to the 2008 AGM regarding the election of Chair of the AGM, the election of Chair of the Board and other board members as well as remuneration to the board members and auditors.

## Business area report

Jan-Sep 2007 SEKm	Swedish Banking	Baltic Banking	Swedbank Markets	Asset Management and Insurance	International Banking	Shared Services and Group Staff	Eliminations	Group
Net interest income	8,774	3,775	839	62	639	-191	0	13,898
Net commission income	3,321	1,377	1,018	1,453	141	34	0	7,344
Net gains and losses on financial items at fair value	219	653	591	3	52	-215	2	1,305
Share of the profit or loss in associates	279	4	6			65	0	354
Other income	530	288	26	160	8	2,306	-2,169	1,149
<b>Total income</b>	<b>13,123</b>	<b>6,097</b>	<b>2,480</b>	<b>1,678</b>	<b>840</b>	<b>1,999</b>	<b>-2,167</b>	<b>24,050</b>
Staff costs	-2,959	-1,048	-505	-254	-226	-1,049	18	-6,023
Profit-based staff costs	-241	-409	-383	-33	-24	-46	0	-1,136
IT expenses	-650	-211	-178	-111	-33	-539	679	-1,043
Other expenses	-2,801	-680	-357	-257	-181	-672	1,470	-3,478
Depreciation/amortization	-70	-208	-9	-3	-35	-188	0	-513
<b>Total expenses</b>	<b>-6,721</b>	<b>-2,556</b>	<b>-1,432</b>	<b>-658</b>	<b>-499</b>	<b>-2,494</b>	<b>2,167</b>	<b>-12,193</b>
<b>Profit before loan losses</b>	<b>6,402</b>	<b>3,541</b>	<b>1,048</b>	<b>1,020</b>	<b>341</b>	<b>-495</b>		<b>11,857</b>
Loan losses, net	51	-334	-8		-101	11		-381
<b>Operating profit</b>	<b>6,453</b>	<b>3,207</b>	<b>1,040</b>	<b>1,020</b>	<b>240</b>	<b>-484</b>		<b>11,476</b>
Tax expense	-1,807	-310	-291	-251	-63	222		-2,500
Profit for the period	4,646	2,897	749	769	177	-262		8,976
<b>Profit for the period attributable to:</b>								
<b>Shareholders of Swedbank AB</b>	<b>4,637</b>	<b>2,897</b>	<b>670</b>	<b>769</b>	<b>177</b>	<b>-262</b>		<b>8,888</b>
Minority interest	9		79					88
Return on allocated equity, %	23.6	18.6	21.5	59.8	7.6	neg.		18.1
C/l ratio before loan losses	0.51	0.42	0.58	0.39	0.59	1.25		0.51
Full-time employees	6,190	9,112	718	327	3,747	1,656		21,750

### Changes in the business areas

Swedbank has modified its business area structure as of the third quarter. The biggest change is the addition of a new business area, International Banking, where the growing international operations outside Swedbank's home markets, Sweden, Estonia, Latvia and Lithuania, are now reported. International Banking includes operations in Ukraine, Russia, Finland, Denmark, Luxembourg and parts of the operations in Norway. Also included are the representative offices in Japan and Ukraine as well as a management staff. The effects of Swedbank's ownership and acquisition of TAS-Kommerzbank on the consolidated accounts are commented upon separately from the Ukrainian bank's business operations.

Following this change Baltic Banking includes the operations in Estonia, Latvia and Lithuania. The business operations of Baltic Banking are still separated in the business area report from the effects on the consolidated accounts of Swedbank's ownership and acquisition of Hansabank. This facilitates a clearer

analysis of the performance of the Baltic business operations. Comments on Baltic Banking in this report refer to the business operations, unless otherwise indicated.

Comparative figures have been restated.

### Business area accounting policies

The business area report is based on Swedbank's accounting policies, organization and internal accounts.

Market-based compensation is applied between business areas, while all expenses for IT, other shared services and group staff are transferred at full cost-based internal prices to the business areas. Executive management expenses are not distributed.

The group's equity allocated to shareholders is distributed to each business area based on capital adequacy rules and estimated capital requirements.

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, comprising a network of 465 branches organized in 42 business areas in five regions. The cooperation with the savings and partly owned banks adds another 264 branches. The branch network is complemented by 172 in-store banking locations, while the agreement with ICA Banken allows customers to withdraw cash at 1,400 ICA supermarkets. The bank branches or special business units within the regions have responsibility for all Swedish customers, with the exception of financial institutions. Of the business area's 6,200 full-time employees, around 4,900 are placed in the five regions.

The business area also comprises the Telephone bank and Internet bank as well as the subsidiaries Swedbank Mortgage, Swedbank Finans and 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.

## Profit trend

SEKm	Jan-Sep 2007	Jan-Sep 2006	%	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006
Net interest income	8,774	8,525	3	2,926	2,905	2,943	2,943	2,933
Net commission income	3,321	3,073	8	1,130	1,115	1,076	1,101	993
Net gains and losses on financial items at fair value	219	268	-18	1	86	132	140	12
Share of the profit or loss of associates	279	206	35	118	69	92	24	41
Other income	530	482	10	173	224	133	185	188
<b>Total income</b>	<b>13,123</b>	<b>12,554</b>	<b>5</b>	<b>4,348</b>	<b>4,399</b>	<b>4,376</b>	<b>4,393</b>	<b>4,167</b>
Staff costs	-2,959	-2,838	4	-995	-1,003	-961	-1,009	-935
Profit-based staff costs	-241	-188	28	-98	-81	-62	11	-60
IT expenses	-650	-612	6	-197	-235	-218	-218	-194
Other expenses	-2,801	-2,661	5	-893	-990	-918	-1,058	-843
Depreciation/amortization	-70	-72	-3	-25	-21	-24	-53	-23
<b>Total expenses</b>	<b>-6,721</b>	<b>-6,371</b>	<b>5</b>	<b>-2,208</b>	<b>-2,330</b>	<b>-2,183</b>	<b>-2,327</b>	<b>-2,055</b>
<b>Profit before loan losses</b>	<b>6,402</b>	<b>6,183</b>	<b>4</b>	<b>2,140</b>	<b>2,069</b>	<b>2,193</b>	<b>2,066</b>	<b>2,112</b>
Loan losses, net	51	341	-85	-3	-13	67	158	144
<b>Operating profit</b>	<b>6,453</b>	<b>6,524</b>	<b>-1</b>	<b>2,137</b>	<b>2,056</b>	<b>2,260</b>	<b>2,224</b>	<b>2,256</b>
Tax expense	-1,807	-1,827	-1	-598	-576	-633	-609	-632
Profit for the period	4,646	4,697	-1	1,539	1,480	1,627	1,615	1,624
<b>Profit for the period attributable to:</b>								
<b>Shareholders of Swedbank AB</b>	<b>4,637</b>	<b>4,693</b>	<b>-1</b>	<b>1,536</b>	<b>1,477</b>	<b>1,624</b>	<b>1,621</b>	<b>1,623</b>
Minority interest	9	4		3	3	3	-6	1
Allocated equity	26,174	27,770	-6	26,792	26,257	25,473	29,770	29,304
Return on allocated equity, %	23.6	22.5		22.9	22.5	25.5	21.8	22.2
<b>Income items</b>								
Income from external customers	11,701	11,180	5	3,894	3,902	3,905	3,858	3,791
Income from transactions with other segments	1,422	1,374	3	454	497	471	535	376
<b>Business volumes, SEK billion</b>								
Lending	832	746	12	832	806	781	762	746
Deposits	300	260	15	300	285	275	267	260
Mutual funds & insurance	263	244	8	263	270	264	255	244
Other investment volume	23	17	35	23	22	22	19	17
Investments in associates	2	2	0	2	2	2	2	2
Risk-weighted volume, old principles	601	523	15	601	575	556	536	523
Total assets	910	823	11	910	895	925	840	823
Total liabilities	883	794	11	883	869	900	809	794
Full-time employees	6,190	6,227	-1	6,190	6,226	6,272	6,239	6,227



## Swedish economy remains strong

The Swedish economy performed strongly during the first nine months of the year. Construction, IT and certain industrial areas had difficulty recruiting qualified labor to meet higher demand. Disposable household income grew partly thanks to tax cuts at the beginning of the year. Jobs have quickly increased, and consumer optimism is high. Real estate prices have continued to rise. A slight decline was reported in September, however.

To date this year the Riksbank has raised the repo rate on three occasions by a total of 75 bp. At the end of the quarter the repo rate was 3.75 percent. On average the repo rate was 3.31 during the first three quarters of 2007, compared with 2.04 percent in the same period of 2006. For the third quarter alone the repo rate averaged 3.56 percent, against 3.26 percent in the second quarter and 2.32 percent in the third quarter 2006.

Stockholmsbörsen's OMX S Index increased by 4.6 percent during the first nine months. During the third quarter the index fell 4.5 percent.

## Turbulent financial market during third quarter

Turbulence in the global financial markets during the third quarter related to the U.S. subprime crisis affected the Swedish market as well, leading to lower stock prices and higher volatility.

For Swedbank, like other banks, funding costs rose during the third quarter due to uncertainty in international financial markets. For Swedish Banking, the biggest impact was on Swedbank Mortgage, which finances its operations chiefly through the capital market. More expensive funding costs are not yet fully reflected in higher mortgage rates for customers.

Prices fluctuated greatly for various types of listed securities and financial instruments during the quarter. For Swedbank Mortgage, whose lending, funding and derivatives is largely marked to market according to the so-called fair value option, this affected the reporting of net gains and losses on financial items at fair value, since the market quotes that serve as the basis of these valuations swung in different directions.

## Organizational changes and acquisitions

As part of the continued commitment to private banking and asset management services in Swedish Banking, responsibility for local trading desks with around 50 brokers was transferred from Swedbank Markets to Swedish Banking at year-end 2006. Comparative figures have been restated so that the trading desks are included in Swedish Banking in 2006 as well.

Söderhamns Sparbank, previously 40-percent owned, became a wholly owned subsidiary as of March 2007. Söderhamns Sparbank had two branches and 27 employees. Söderhamns Sparbank, now part of the northern region, was merged with Swedbank during the third quarter.

## High level of activity

On a seasonal basis the third quarter has a slightly lower level of activity than the other quarters due to summer vacations. The exception is card payments, since many of the bank's customers use their cards more while on vacation and many foreign tourists visit Sweden during the summer and pay by card.

In general, the year has been characterized by a high level of activity and further increase in business volumes. The change to the new Swedbank name and goal to be a service leader by being accessible,

uncomplicated and proactive have been received positively by the customers.

## More satisfied business customers

In the Swedish Quality Index's annual survey, customer satisfaction among Swedbank's business customers rose by no less than 2.3 percentage points to 70.7. This placed Swedbank third among the four major banks.

For the first time since 2001 satisfaction among Swedbank's retail customers decreased slightly. Still, with a figure of 70.4 Swedbank remains in second place among the major banks.

## Higher lending volumes

Lending increased by SEK 26bn during the quarter, an increase of SEK 70bn or 9 percent since the beginning of the year. Total lending volume amounted to SEK 832bn as of September 30, 2007, an increase of 12 percent in one year.

Mortgage lending to retail customers increased by SEK 12bn during the quarter, a gain of SEK 34bn or 9 percent since the beginning of the year. In one year mortgage lending to private individuals has increased by 12 percent to SEK 413bn.

Bank lending to corporate customers increased by SEK 13bn during the quarter, a gain of SEK 27bn or 15 percent since the beginning of the year. In one year bank lending to corporate customers has increased by 18 percent to SEK 202bn.

## Higher savings and investment volumes

Savings and investment volumes, excluding holdings in customers' brokerage accounts, increased by SEK 9bn during the quarter, a gain of SEK 45bn or 8 percent in 2007. Total savings and investment volume amounted to SEK 586bn at the end of the period, an increase of 12 percent in one year.

Of the volume increase during the period, household deposits accounted for SEK 11bn, corporate lending for SEK 4bn, mutual fund and insurance volumes for SEK -7bn and index-linked bonds for SEK 1bn. For funds sold by Swedish Banking, withdrawals exceeded contributions by SEK 3bn during the period.

## Increased payment volumes

Swedbank had 3.5 million (3.4) bank cards in issue as of September 30, 2007. During the period the number of card purchases increased by 18 percent and the number of card transactions cleared rose 19 percent year-to-year.

## Market shares

The market share for new household mortgage lending increased to 33 percent (31) during the period. The corresponding market share for outstanding mortgages was 31 percent (31). The share for bank lending to corporate customers was 18 percent (19) and to households 15 percent (15).

The market share for outstanding household deposits was unchanged at 26 percent (26). For corporate customers, the market share for outstanding deposits was 15 percent (15). The market share for net mutual fund sales was negative (neg.), while the market share for outstanding fund assets was 25 percent (26). The market share for listed equity-linked bonds decreased to 25 percent (30). Swedbank's market share for new household savings sold through its own sales organization in Sweden was 17 percent (17).

## Equity

Average allocated equity was SEK 26,174m for the first nine months of the year, compared with SEK 27,770m for the same period of 2006. Lower capital allocation in 2007 is due to the lower capital requirement in the new internal risk classification methods. Capital requirements are significantly lower for household exposures according to the IRB method.

### Profit trend Q3 vs. Q2 2007

Profit for the period increased by SEK 59m or 4 percent to SEK 1,536m. The return on equity was 22.9 percent (22.5). The cost/income ratio was 0.51 (0.53).

Income decreased by SEK 51m or 1 percent to SEK 4,348m.

Net interest income amounted to SEK 2,926m (2,905). Further increases in deposit and lending volumes raised net interest income by SEK 98m. The lending margin decreased by 4 bp to 0.83 percent, which reduced net interest income by SEK 87m. In terms of deposits, the interest margin improved by 1 bp to 1.30 percent mainly due to a higher repo rate, which positively affected net interest income by SEK 4m. Other effects were SEK 6m higher than the previous quarter.

Net commission income increased by SEK 15m or 1 percent to SEK 1,130m mainly due to higher income from payment commissions.

Net gains and losses on financial items at fair value decreased by SEK 85m to SEK 1m mainly due to the valuation of lending, funding and derivatives to fair value by Swedbank Mortgage. A change of the value of the holding of shares in MasterCard had a positive effect on income by SEK 89m.

The share of profit or loss in associates increased by SEK 49m to SEK 118m. Higher profit from EnterCard and partly owned banks was the reason.

Other income decreased by 51m to SEK 173m partly due to income from the sale of CEK AB in Q2.

Expenses decreased by SEK 122m or 5 percent to SEK 2,208m.

Staff costs excluding profit-based compensation decreased by SEK 8m or 1 percent. Profit-based compensation increased by SEK 17m to SEK 98m.

Other expenses decreased by SEK 131m or 10 percent to SEK 1,115m partly due to lower marketing costs and other seasonal effects.

Loan losses amounted to a net of SEK 3m (13).

The number of full-time positions decreased by 36 to 6,190.

### Profit trend Q3 2007 vs. Q3 2006

Profit for the period decreased by 87m or 5 percent to SEK 1,536m. The return on equity was 22.9 percent (22.2). The cost/income ratio was 0.51 (0.49).

Income increased by SEK 181m or 4 percent to SEK 4,348m.

Net interest income decreased by SEK 7m to SEK 2,926m. Further increases in deposit and lending volumes raised net interest income by SEK 309m. The lending margin decreased by 13 bp to 0.83 percent, which reduced net interest income by SEK 270m. In terms of deposits, the interest margin improved by 23 bp to 1.30 percent mainly due to a higher repo rate, which positively affected net interest income by SEK 170m. Other effects were SEK 216m lower.

Net commission income increased by SEK 137m or 14 percent to SEK 1,130m mainly due to higher income

from payment commissions as well as fund and insurance operations.

Net gains and losses on financial items at fair value decreased by SEK 11m to SEK 1m.

The share of profit or loss in associates increased by SEK 77m. The increase is due to higher profits from EnterCard and partly owned banks.

Other income decreased by SEK 15m.

Expenses increased by SEK 153m or 7 percent to SEK 2,208m.

Staff costs excluding profit-based compensation increased by SEK 60m or 6 percent mainly due to contractual wage increases and higher training costs. Profit-based compensation increased by SEK 38m.

Other expenses increased by SEK 55m or 5 percent due to increased business volumes and increased costs for cash handling, card processing and marketing.

Loan losses amounted to SEK 3m (-144).

The number of full-time positions decreased by 37 to 6,190.

### Profit trend Jan-Sep 2007 vs. Jan-Sep 2006

Profit for the period decreased by SEK 56m to SEK 4,637m. The return on equity was 23.6 percent (22.5). The cost/income ratio was 0.51 (0.51).

Income increased by SEK 569m or 5 percent to SEK 13,123m.

Net interest income increased by SEK 249m or 3 percent to SEK 8,774m. Further increases in deposit and lending volumes raised net interest income by SEK 965m. The lending margin decreased by 13 bp to 0.83 percent, which reduced net interest income by SEK 828m. In terms of deposits, the interest margin improved by 23 bp to 1.30 percent mainly due to a higher repo rate, which positively affected net interest income by SEK 562m. Other effects were SEK 450m lower.

Net commission income increased by SEK 248m or 8 percent to SEK 3,321m mainly due to higher income from payment commissions as well as fund and insurance operations.

Net gains and losses on financial items at fair value decreased by SEK 49m to SEK 219m mainly due to the valuation of lending, funding and derivatives to fair value by Swedbank Mortgage.

The share of profit or loss in associates increased by SEK 73m to SEK 279m. Partly owned banks and EnterCard reported profit improvements.

Other income increased by SEK 48m to SEK 530m mainly due to income from the sale of CEK AB.

Expenses increased by SEK 350m or 5 percent to SEK 6,721m.

Staff costs excluding profit-based compensation increased by SEK 121m or 4 percent mainly due to contractual wage increases. Profit-based compensation increased by SEK 53m.

Other expenses increased by SEK 176m or 5 percent to SEK 3,521m partly due to higher costs for computers, marketing and guarding.

Recoveries exceeded loan losses by a net of SEK -51m (-341).

The number of full-time positions decreased by 37 to 6,190.

### Sweden's most popular banking employer

This year's Company Barometer, a survey presented by Universum Communication, ranked Swedbank as the most popular bank to work for. In total, Swedbank is the fourth most popular employer in Sweden among business students.

Swedbank came in second place among all companies and first place among banks when business students ranked popular employers, according to the European Student Barometer 2007, a survey by the German company Trendence.

## Baltic Banking

Baltic Banking Operations are defined as the subsidiary group Hansabank excluding Russian Banking. An adjustment is also made for slightly lower equity 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.

Reported in the Baltic Banking investment are the effects of Swedbank's ownership of Hansabank in the form of group goodwill, the deduction of the minority interest in profit and shareholders' equity during the periods the company was not wholly owned as well as consolidated amortization of the surplus values in the lending and deposit portfolios identified at the time of the acquisition in 2005.

## Baltic Banking Operations

### Profit trend

SEKm	Jan-Sep 2007	Jan-Sep 2006	%	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006
Net interest income	4,079	2,650	54	1,487	1,377	1,215	1,126	990
Net commission income	1,377	1,100	25	475	478	424	417	375
Net gains and losses on financial items at fair value	653	387	69	213	235	205	216	174
Share of the profit or loss of associates	4	4	0	2	1	1	2	2
Other income	288	189	52	111	107	70	79	70
<b>Total income</b>	<b>6,401</b>	<b>4,330</b>	<b>48</b>	<b>2,288</b>	<b>2,198</b>	<b>1,915</b>	<b>1,840</b>	<b>1,611</b>
Staff costs	-1,048	-807	30	-348	-364	-336	-320	-266
Profit-based staff costs	-409	-254	61	-163	-131	-115	-130	-100
IT expenses	-211	-160	32	-70	-77	-64	-64	-53
Other expenses	-680	-544	25	-236	-233	-211	-254	-182
Depreciation/amortization	-136	-120	13	-47	-46	-43	-43	-43
<b>Total expenses</b>	<b>-2,484</b>	<b>-1,885</b>	<b>32</b>	<b>-864</b>	<b>-851</b>	<b>-769</b>	<b>-811</b>	<b>-644</b>
<b>Profit before loan losses</b>	<b>3,917</b>	<b>2,445</b>	<b>60</b>	<b>1,424</b>	<b>1,347</b>	<b>1,146</b>	<b>1,029</b>	<b>967</b>
Loan losses, net	-334	-196	70	-153	-74	-107	-74	-68
<b>Operating profit</b>	<b>3,583</b>	<b>2,249</b>	<b>59</b>	<b>1,271</b>	<b>1,273</b>	<b>1,039</b>	<b>955</b>	<b>899</b>
Tax expense	-331	-174	90	-121	-121	-89	-77	-73
Profit for the period	3,252	2,075	57	1,150	1,152	950	878	826
<b>Profit for the period attributable to:</b>								
<b>Shareholders of Swedbank AB</b>	<b>3,252</b>	<b>2,075</b>	<b>57</b>	<b>1,150</b>	<b>1,152</b>	<b>950</b>	<b>878</b>	<b>826</b>
Minority interest		0					0	0
Allocated equity	13,473	8,831	53	14,665	13,612	12,142	10,931	9,789
Return on allocated equity, %	32.2	31.3		31.4	33.9	31.3	32.1	33.8
<b>Income items</b>								
Income from external customers	6,401	4,330	48	2,288	2,198	1,915	1,840	1,611
<b>Business volumes, SEK billion</b>								
Lending	164	115	43	164	153	143	127	115
Deposits	92	77	19	92	92	89	84	77
Mutual funds & insurance	18	11	64	18	17	15	13	11
Risk-weighted volume, old principles	159	115	38	159	154	138	125	115
Total assets	210	149	41	210	202	183	168	149
Total liabilities	197	136	45	197	188	171	156	136
Full-time employees	9,112	7,998	14	9,112	9,156	8,610	8,209	7,998

### Macroeconomic development

The rapidly emerging Baltic economies showed signs of overheating in early 2007. A labor shortage and rising wages have impacted production costs and the competitiveness of domestic products. Rapid price increases, particularly in the construction and real estate sectors, have led to higher inflation.

Latvia's GDP growth remained very high in the second quarter at 11 percent, while growth in Estonia slowed to 8 percent. In Lithuania, GDP growth was

unchanged at 8 percent. GDP statistics for the third quarter are not yet available.

In September inflation, expressed as the change in the consumer price index over 12 months, was 7.1 percent in Lithuania, 7.2 percent in Estonia and 11.4 percent in Latvia.

A slowdown in lending growth is apparent as a result of the inflation-fighting measures that have been taken. A slight decline in real estate prices has also been noted.

The consensus is that economic development will remain positive in the Baltics, but with slightly lower growth.

Interest rates have risen. The 90-day Euribor averaged 4.49 percent in the third quarter, against 4.07 percent in the second quarter and 3.22 percent in the third quarter 2006. In Latvia domestic interest rates rose substantially in the first quarter in connection with devaluation rumors, and the 90-day Rigibor then averaged 5.21 percent. During the second quarter the average was 9.16 percent and in the third quarter 8.51 percent. This compares with 4.78 percent in the corresponding quarter a year earlier.

### Business volumes

Lending increased by SEK 11bn during the third quarter to SEK 164bn. On an annual basis the increase was 43 percent. The rate of increase measured in euro has gradually decreased from 60 percent on an annual basis in September 2006 to 55 percent in March 2007 and 49 percent in June 2007. The rate is expected to continue to decrease.

In one year lending has increased by 31 percent in Estonia to SEK 66bn, by 50 percent in Latvia to SEK 52bn and by 50 percent in Lithuania to SEK 46bn. Lending to retail customers has increased in one year by 49 percent to SEK 64bn, while corporate lending has increased by 37 percent to SEK 93bn.

Deposits were unchanged during the quarter at SEK 92bn. In Estonia deposits have increased in one year by 16 percent to SEK 40bn, in Latvia by 15 percent to SEK 21bn and in Lithuania by 28 percent to SEK 31bn.

A total of 3.3 million cards were in issue, an increase of 10 percent since September 30 last year.

### Market shares

The market share for outstanding bank lending was largely unchanged at 45 percent (46) in Estonia, 27 percent (27) in Latvia and 21 percent (21) in Lithuania. The market share for outstanding retail mortgages was 49 percent (50) in Estonia, 28 percent (28) in Latvia and 28 percent (29) in Lithuania.

The market share for outstanding household deposits was 62 percent (63) in Estonia, 29 percent (30) in Latvia and 39 percent (38) in Lithuania.

### Profit trend Q3 vs. Q2 2007

Profit for the period amounted to SEK 1,150m (1,152). The return on equity was 31.4 percent (33.9). The cost/income ratio was 0.38 (0.39).

Income increased by SEK 90m 4 percent to SEK 2,288m (2,198) mainly through higher net interest income.

Net interest income increased by SEK 110m or 8 percent to SEK 1,487m. Further increases in deposit and lending volumes raised net interest income by SEK 88m. The lending margin decreased by 7 bp to 2.25 percent, which reduced net interest income by SEK 28m. In terms of deposits, the interest margin improved by 2 bp to 2.48 percent, which positively affected net interest income by SEK 5m. Other effects positively affected net interest income by SEK 45m.

Expenses increased by SEK 13m or 2 percent to SEK 864m mainly due to increased profit-based staff costs.

The number of full-time positions decreased by 44 to 9,112, of which by 111 in Estonia and 13 in Latvia, though in Lithuania the number increased by 80.

Loan losses amounted to SEK 153m (74). The quality of the credit portfolio remains high. The loan loss level was 0.40 percent (0.21).

### Profit trend Q3 2007 vs. Q3 2006

Profit for the period increased by SEK 324m or 39 percent to SEK 1,150m (826). The return on equity was 31.4 percent (33.8) and the cost/income ratio improved to 0.38 (0.40).

Income increased by SEK 677m or 42 percent to SEK 2,288m (1,611) mainly through higher net interest income.

Net interest income increased by SEK 497m or 50 percent to SEK 1,487m. Further increases in deposit and lending volumes raised net interest income by SEK 369m. The lending margin decreased by 7 bp to 2.25 percent, which reduced net interest income by SEK 27m. In terms of deposits, the interest margin improved by 84 bp to 2.48 percent mainly due to a higher discount rate, which positively affected net interest income by SEK 197m. In other parts of operations net interest income decreased by SEK 42m.

Net commission income increased by SEK 100m to SEK 475m mainly due to higher card and payment commissions. Brokerage and lending commissions also increased.

Net gains and losses on financial items at fair value increased by SEK 39m to SEK 213m mainly due to higher trading income.

Other income increased by SEK 41m to SEK 111m in part due to capital gains on the sale of a property in Estonia as well as shares in an insurance brokerage company in Lithuania.

Expenses increased by SEK 220m or 34 percent to SEK 864m.

Staff costs excluding profit-based compensation increased by 31 percent to SEK 348m due to increases in the number of employees and wages. Profit-based compensation increased by SEK 63m or 63 percent to SEK 163m.

Other expenses increased by SEK 75m or 27 percent mainly due to increased business volumes.

The number of full-time positions increased by 1,114 to 9,112, of which by 315 in Estonia, 345 in Latvia and 454 in Lithuania.

Loan losses amounted to SEK 153m, an increase of SEK 85m. The loan loss level was 0.40 percent (0.27).

### Profit trend Jan-Sep 2007 vs. Jan-Sep 2006

Profit for the period increased by SEK 1,177m or 57 percent to SEK 3,252m (2,075). The return on equity improved to 32.2 percent (31.3) and the cost/income ratio to 0.39 (0.44).

Income increased by SEK 2,071m or 48 percent to SEK 6,401m (4,330).

Net interest income increased by SEK 1,429m or 54 percent to SEK 4,079m. Further increases in deposit and lending volumes raised net interest income by SEK 1,092m. The lending margin decreased by 8 bp to 2.28 percent, which reduced net interest income by SEK 91m. In terms of deposits, the interest margin improved by 84 bp to 2.30 percent mainly due to a higher discount rate, which positively affected net interest income by SEK 567m. Other effects reduced net interest income by SEK 139m.

Net commission income increased by SEK 277m or 25 percent to SEK 1,377m mainly due to higher card and payment commissions. Brokerage and lending commissions also increased.

Net gains and losses on financial items at fair value increased by SEK 266m or 69 percent to SEK 653m mainly due to higher trading income.

Other income increased by SEK 99m or 52 percent to SEK 288m, in part due to increased net insurance income and capital gains on the sale of a property in Estonia as well as shares in an insurance brokerage company in Lithuania.

Expenses increased by SEK 599m or 32 percent to SEK 2,484m (1,885).

Staff costs excluding profit-based compensation increased by SEK 241m or 30 percent to SEK 1,048m due to increases in the number of employees and wages. Profit-based compensation increased by SEK 155m or 61 percent to SEK 409m.

Other expenses increased by SEK 203m or 25 percent to SEK 1,027m mainly through an increase in other administrative expenses.

The number of full-time positions increased by 1,114 to 9,112, of which by 315 in Estonia, 345 in Latvia and 454 in Lithuania.

In the last 12 months 9 new branches have been opened (Estonia – 2 to 96, Latvia + 3 to 76, Lithuania + 8 to 128).

Loan losses amounted to SEK 334m, an increase of SEK 138m. The loan loss level was 0.35 percent (0.31).

### **Estonia**

Estonia is the dominant unit in Baltic Banking with approximately half the business area's profit. Estonia accounts for 40 percent (43) of lending and 43 percent (44) of deposits in the business area.

Profit for the period increased by SEK 3m from the second quarter and by SEK 115m from the third quarter 2006 to SEK 566m. The return on equity for the period January – September was 39.7 percent (40.0) and the cost/income ratio was 0.36 (0.39).

### **Latvia**

Latvia is the second largest unit in Baltic Banking, accounting for 32 percent (31) of lending and 23 percent (24) of deposits.

For the third consecutive year Hansabank was named the most respected company in Latvia and the country's strongest brand.

The situation in the Latvian economy has positively affected income and profit, particularly in the second quarter.

Profit for the period decreased by SEK 13m from the second quarter and increased by SEK 105m from the third quarter 2006 to SEK 339m. The return on equity for the period January - September was 32.9 percent (35.0) and the cost/income ratio was 0.38 (0.43).

### **Lithuania**

Lithuania accounts for 28 percent (26) of lending and 34 percent (32) of deposits in the business area.

Profit for the period increased by SEK 10m from the second quarter and by SEK 114m from the third quarter 2006 to SEK 270m. The return on equity for the period January - September was 31.7 percent (26.3) and the cost/income ratio was 0.44 (0.52).

### **Exchange rate effects**

The local currencies in Estonia, Latvia and Lithuania are pegged to the euro. The Swedish krona appreciated against the euro by 0,6 percent during the third quarter. During the first three quarters the krona weakened by 1,7 percent. In 12 months the krona's exchange rate has appreciated against the euro by 0,9 percent.

The exchange rate effect of the translation to SEK negatively affected profit for the period by SEK 26m or 1 percent compared with the corresponding period of 2006.

## Baltic Banking, Operations and Investment

### Profit trend

SEKm	Jan-Sep 2007	Jan-Sep 2006	%	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006
Net interest income	3,775	2,308	64	1,382	1,282	1,111	1,023	886
Net commission income	1,377	1,100	25	475	478	424	417	375
Net gains and losses on financial items at fair value	653	387	69	213	235	205	216	174
Share of the profit or loss of associates	4	4	0	2	1	1	2	2
Other income	288	189	52	111	107	70	79	70
<b>Total income</b>	<b>6,097</b>	<b>3,988</b>	<b>53</b>	<b>2,183</b>	<b>2,103</b>	<b>1,811</b>	<b>1,737</b>	<b>1,507</b>
Staff costs	-1,048	-807	30	-348	-364	-336	-320	-266
Profit-based staff costs	-409	-254	61	-163	-131	-115	-130	-100
IT expenses	-211	-160	32	-70	-77	-64	-64	-53
Other expenses	-680	-544	25	-236	-233	-211	-254	-182
Depreciation/amortization	-208	-196	6	-71	-69	-68	-68	-67
<b>Total expenses</b>	<b>-2,556</b>	<b>-1,961</b>	<b>30</b>	<b>-888</b>	<b>-874</b>	<b>-794</b>	<b>-836</b>	<b>-668</b>
<b>Profit before loan losses</b>	<b>3,541</b>	<b>2,027</b>	<b>75</b>	<b>1,295</b>	<b>1,229</b>	<b>1,017</b>	<b>901</b>	<b>839</b>
Loan losses, net	-334	-196	70	-153	-74	-107	-74	-68
<b>Operating profit</b>	<b>3,207</b>	<b>1,831</b>	<b>75</b>	<b>1,142</b>	<b>1,155</b>	<b>910</b>	<b>827</b>	<b>771</b>
Tax expense	-310	-148		-114	-113	-83	-68	-64
Profit for the period	2,897	1,683	72	1,028	1,042	827	759	707
<b>Profit for the period attributable to:</b>								
<b>Shareholders of Swedbank AB</b>	<b>2,897</b>	<b>1,683</b>	<b>72</b>	<b>1,028</b>	<b>1,042</b>	<b>827</b>	<b>759</b>	<b>707</b>
Minority interest		0					0	0
Allocated equity	20,748	16,129	29	21,936	20,885	19,423	18,221	17,091
Return on allocated equity, %	18.6	13.9		18.7	20.0	17.0	16.7	16.5
<b>Income items</b>								
Income from external customers	6,097	3,988	53	2,183	2,103	1,811	1,737	1,507
<b>Business volumes, SEK billion</b>								
Lending	165	116	42	165	154	144	128	116
Deposits	92	77	19	92	92	89	84	77
Mutual funds & insurance	18	11	64	18	17	15	13	11
Risk-weighted volume, old principles	160	116	38	160	155	139	126	116
Total assets	223	161	39	223	214	196	180	161
Total liabilities	202	141	43	202	193	177	161	141
Full-time employees	9,112	7,998	14	9,112	9,156	8,610	8,209	7,998

## Swedbank Markets

Swedbank Markets comprises capital market products and various types of project and corporate finance. It also has responsibility for financial institutions. In addition to operations in Sweden, the business area includes the subsidiaries First Securities in Norway and Swedbank First Securities LLC in New York, parts of the operations of the Norwegian branch and the branches in New York and Shanghai.

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 a continuous stream of analyses of about 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 partly owned banks, and through the Internet bank and Telephone bank.

## Profit trend

SEKm	Jan-Sep 2007	Jan-Sep 2006	%	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006
Net interest income	839	586	43	145	295	399	254	263
Net commission income	1,018	1,128	-10	273	381	364	341	319
Net gains and losses on financial items at fair value	591	810	-27	170	188	233	351	109
Share of the profit or loss of associates	6	0		2	-1	5	0	0
Other income	26	30	-13	8	8	10	11	9
<b>Total income</b>	<b>2,480</b>	<b>2,554</b>	<b>-3</b>	<b>598</b>	<b>871</b>	<b>1,011</b>	<b>957</b>	<b>700</b>
Staff costs	-505	-439	15	-181	-157	-167	-176	-151
Profit-based staff costs	-383	-476	-20	-44	-161	-178	-169	-109
IT expenses	-178	-169	5	-56	-61	-61	-63	-58
Other expenses	-357	-313	14	-131	-118	-108	-125	-102
Depreciation/amortization	-9	-9	0	-4	-2	-3	-2	-3
<b>Total expenses</b>	<b>-1,432</b>	<b>-1,406</b>	<b>2</b>	<b>-416</b>	<b>-499</b>	<b>-517</b>	<b>-535</b>	<b>-423</b>
<b>Profit before loan losses</b>	<b>1,048</b>	<b>1,148</b>	<b>-9</b>	<b>182</b>	<b>372</b>	<b>494</b>	<b>422</b>	<b>277</b>
Loan losses, net	-8	8		-5	-3	0	3	4
<b>Operating profit</b>	<b>1,040</b>	<b>1,156</b>	<b>-10</b>	<b>177</b>	<b>369</b>	<b>494</b>	<b>425</b>	<b>281</b>
Tax expense	-291	-323	-10	-49	-104	-138	-100	-78
Profit for the period	749	833	-10	128	265	356	325	203
<b>Profit for the period attributable to:</b>								
<b>Shareholders of Swedbank AB</b>	<b>670</b>	<b>713</b>	<b>-6</b>	<b>121</b>	<b>236</b>	<b>313</b>	<b>271</b>	<b>181</b>
Minority interest	79	120	-34	7	29	43	54	22
Allocated equity	4,147	3,633	14	4,205	4,301	3,935	3,493	3,507
Return on allocated equity, %	21.5	26.2		11.5	21.9	31.8	31.0	20.6
<b>Income items</b>								
Income from external customers	2,254	2,416	-7	522	798	934	905	646
Income from transactions with other segments	226	138	64	76	73	77	52	54
<b>Business volumes, SEK billion</b>								
Lending	18	18	0	18	21	20	16	18
Deposits	27	25	8	27	28	30	22	25
Mutual funds & insurance	2	1	100	2	2	1	1	1
Other investment volume	29	21	38	29	27	25	23	21
Risk-weighted volume, old principles	51	45	13	51	48	54	45	45
Total assets	448	344	30	448	378	400	320	344
Total liabilities	444	341	30	444	374	396	316	341
Full-time employees	718	667	8	718	712	691	668	667

## Market conditions

During the third quarter equity, fixed income and foreign exchange trading was overshadowed by the problems with subprime mortgages in the U.S., which has primarily affected activity and liquidity in the fixed income market. The impact has been great and has led to a change in the price of credit risk as well as generally higher financing costs for all players. As a result, the value of Swedbank Markets' holding of credit bonds has been reduced by approximately SEK 60m.

## Business volumes

Market shares for Swedbank Markets' operating areas remained stable and for several areas rose to a higher level than 2006.

**Fixed income and currency trading**, the largest product area, is responsible for all customer-related fixed income and foreign exchange transactions in Sweden. The product range consists of everything from simple investment solutions to structured investment or



financing solutions in foreign currency designed for specific customer needs.

Turnover in the Swedish foreign exchange market continued to rise as more companies do business abroad. Swedbank offers a broad range of services to effectively minimize currency risks, and during the latest quarter saw steadily rising demand. Trading through Swedbank's Internet trading platform, FX Trade, continues to increase. Over 40 percent of trades are made using this platform, a gain of 10 percent since the beginning of the year.

Turbulence in the credit market, rooted in uncertainty about valuations and complex structured credit bonds, has also affected the traditional credit market for companies and financial institutions. Activity during the third quarter is usually limited, and was even more so due to the events already mentioned; few transactions were executed. Swedbank has retained a leading position, however, with a market share of 28 percent as of September.

Internationally fixed income markets for euro and dollars experienced at times problems with pricing and liquidity. The Swedish fixed income market has performed better. The system of market makers, where Swedbank plays a significant role for all products, has proven to work well despite outside disruptions. Investors in Swedish commercial paper and bonds have had access to an efficient second-hand market despite international turbulence for similar products. This has been especially evident in the market for mortgage bonds. Market shares for mortgage and government bonds have greatly improved year-to-year.

In addition to responsibility for institutional equity trading, Swedbank Markets' **equity operations** play an important role in providing business support to Swedbank's branch network.

Swedbank's market shares have remained stable. Its share of trading on the Stockholm Stock Exchange was approximately 4 percent. Its market share for trading in warrants has increased from 9.4 percent as of September 2006 to 12.8 percent this year.

During the third quarter online securities trades continued to increase. The number of customers has climbed 78 percent this year. Swedbank's share of online equity trades is growing substantially and for the third quarter it was 58 percent, against 45 percent at year-end 2006.

**Structured products** mainly consist of various forms of equity linked bonds, SPAX. At the end of the third quarter Swedbank was the leader in the Swedish market with 24.8 percent of outstanding volume. During the third quarter sales of structured products increased from SEK 2.1bn last year to SEK 3.8bn. Sales during the first nine months of 2007 totaled SEK 3.4bn, or 38 percent higher than the previous year.

**Project and Corporate Finance** offers qualified advice to businesses on the debt and equity markets. The positive income trend in the Swedish part of the operations continued during the third quarter, and the level of activity remained high. Normalization of credit terms for acquisition financing has led to higher activity in the area.

During the period a corporate finance unit for the Nordic and Baltic regions launched its operations, which are carried out by units in Sweden, Estonia, Latvia and Lithuania under the Swedbank brand.

**Group transaction services** consist of custody, global payment and trade finance operations. During the

third quarter custody had continued success in raising its volumes despite a turbulent market.

Custody launched a new service during the quarter that greatly strengthens its customer offering. Through a cooperation with JP Morgan Worldwide Securities, Swedbank can combine its expertise in local markets with JP Morgan's sophisticated products and competence in securities.

Business volumes for Trade Finance have developed well.

**First Securities** is one of Norway's leading brokerages. Equity market-related operations have developed very well. The third quarter usually sees slower activity in corporate finance. Due to the difficult market conditions, fixed income trading in Norway has been less successful to date this year.

#### **Profit trend Q3 2007 vs. Q2 2007**

Profit for the period decreased by SEK 115m or 49 percent to SEK 121m. The return on equity was 11.5 percent (21.9) and the cost/income ratio was 0.70 (0.57). The largest decreases in profit were in First Securities and in fixed income and foreign currency trading.

Income decreased by SEK 273m or 31 percent to SEK 598m, of which income in Norway's First Securities decreased by SEK 102m or 44 percent. The market value of Swedbank Markets' holding of credit bonds was reduced due to the international credit crisis by SEK 60m.

Expenses decreased by SEK 83m or 17 percent to SEK 416m. Profit-based costs decreased by SEK 117m.

#### **Profit trend Q3 2007 vs. Q3 2006**

Profit for the period decreased by SEK 60m or 33 percent to SEK 121m. The return on equity was 11.5 percent (20.6) and the cost/income ratio was 0.70 (0.60).

Income decreased by SEK 102m or 15 percent to SEK 598m. First Securities' income decreased by SEK 73m or 36 percent.

Expenses decreased marginally to SEK 416m (423). Profit-based staff costs decreased by SEK 65m.

#### **Profit trend Jan–Sep 2007 vs. Jan–Sep 2006**

Profit for the period decreased by SEK 43m or 6 percent to SEK 670m. The return on equity was 21.5 percent (26.2) and the cost/income ratio was 0.58 (0.55).

Income decreased by SEK 74m or 3 percent to SEK 2,480m. First Securities' income decreased by SEK 183m.

Expenses increased by SEK 26m or 2 percent to SEK 1,432m. Contractual wages increases and the new offices in Shanghai and New York contributed to the increase, while profit-based costs decreased.

## 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 2007	Jan-Sep 2006	%	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006
Net interest income	62	23		19	24	19	10	10
Net commission income	1,453	1,206	20	543	511	399	395	416
Net gains and losses on financial items at fair value	3	0		1	1	1	2	2
Other income	160	133	20	55	50	55	59	48
<b>Total income</b>	<b>1,678</b>	<b>1,362</b>	<b>23</b>	<b>618</b>	<b>586</b>	<b>474</b>	<b>466</b>	<b>476</b>
Staff costs	-254	-195	30	-97	-87	-70	-66	-64
Profit-based staff costs	-33	-35	-6	-12	-15	-6	-6	-12
IT expenses	-111	-81	37	-36	-43	-32	-38	-32
Other expenses	-257	-180	43	-89	-94	-74	-74	-56
Depreciation/amortization	-3	-2	50	-2	0	-1	0	-1
<b>Total expenses</b>	<b>-658</b>	<b>-493</b>	<b>33</b>	<b>-236</b>	<b>-239</b>	<b>-183</b>	<b>-184</b>	<b>-165</b>
<b>Profit before loan losses</b>	<b>1,020</b>	<b>869</b>	<b>17</b>	<b>382</b>	<b>347</b>	<b>291</b>	<b>282</b>	<b>311</b>
Loan losses, net	0	0		0	0	0	0	0
<b>Operating profit</b>	<b>1,020</b>	<b>869</b>	<b>17</b>	<b>382</b>	<b>347</b>	<b>291</b>	<b>282</b>	<b>311</b>
Tax expense	-251	-204	23	-94	-88	-69	-70	-74
<b>Profit for the period</b>	<b>769</b>	<b>665</b>	<b>16</b>	<b>288</b>	<b>259</b>	<b>222</b>	<b>212</b>	<b>237</b>
Allocated equity	1,715	1,671	3	1,707	1,703	1,735	1,671	1,671
Return on allocated equity, %	59.8	53.1		67.5	60.8	51.2	50.7	56.7
<b>Income items</b>								
Income from external customers	3,294	2,843	16	1,150	1,139	1,005	988	941
Income from transactions with other segments	-1,616	-1,481	9	-532	-553	-531	-522	-465
<b>Business volumes, SEK billion</b>								
Mutual funds & insurance	415	377	10	415	429	415	398	377
Other investment volume	202	25		202	212	22	26	25
Risk-weighted volume, old principles	0	0		0	0	1	1	0
Total assets	78	67	16	78	80	77	71	67
Total liabilities	76	65	17	76	78	75	69	65
Full-time employees	327	269	22	327	327	275	281	269

### Fund savings, volumes and flows

Contributions to Swedbank Robur's own mutual funds and those it markets amounted to SEK 72.9bn (70.7) during the first three quarters of 2007, while withdrawals amounted to SEK 80.7bn (70.6). Thus, the net outflow from Swedbank Robur's own and brokered funds during the first three quarters was SEK 7.8bn, against a net inflow of SEK 0.1bn during the corresponding period of 2006. In the previous year, however, PPM was included in net contributions in the first three quarters. Of net contributions, SEK -0.1bn (4.7) was from premium pension investments and SEK 1.5bn (2.3) from unit-linked insurance in Swedbank Insurance.

Swedbank Robur's assets under management amounted to SEK 415bn as of September 30, 2007 (SEK 398bn as of December 31, 2006). The change is due to appreciation in the value of fund assets of SEK 24.5bn mainly from rising stock prices during the year. The institutional asset management operations managed SEK 244bn (63), of which SEK 42bn (37) was invested in Swedbank Robur funds.

SEKbn	Sep 30 2007	Dec 31 2006	Sep 30 2006
<b>Assets under management</b>	415	398	377
<i>of which:</i>			
<i>Swedish equities, %</i>	34.1	33.3	31.7
<i>foreign equities, %</i>	38.1	37.7	37.4
<i>interest-bearing securities, %</i>	27.8	29.0	30.9
Number of customers (thousands)	2,780	2,779	2,749
<b>Unit-linked insurance</b>			
Assets under management	71.4	64.8	61.2
<i>of which in Swedbank Robur's funds</i>	69.9	63.5	60.2
Number of policies (thousands)	886	821	819
<b>Discretionary asset management</b>			
Assets under management	244	63	59
<i>of which in Swedbank Robur's funds</i>	42	37	34

### Unit-linked insurance

Sales (premiums paid) of unit-linked insurance during the first three quarters of 2007 amounted to SEK 8.2bn (8.4). Swedbank Insurance's assets under management amounted to SEK 71.4bn (64.8) as of September 30. Swedbank Insurance had 886,000 (819,000) policies as of September 30, in addition to around 1 million group life insurance policies

### Market shares

Swedbank Robur's share of net mutual fund contributions was negative (neg.) during the first three quarters of 2007. Its market share for assets under management in the fund market was 25 percent (26) as of June 30, 2007.

The market share for new unit linked insurance policies was 11 percent (11) as of June 30, 2007.

For Swedish retail customers' pension savings Swedbank Insurance was one of the largest actors on the Swedish market during the first half year of 2007 with a market share of 12 percent (13). In the corporate pension market its share was 5 percent (6).

### Fund management results

The majority of Swedbank Robur's funds generated a positive return during the period. Swedish equity funds increased in value by between 7 and 8 percent, while the appreciation for "Alleman" (public savings) funds was 7.5 percent. Balanced funds increased between 2 and 6 percent, while Swedish fixed income funds depreciated between 0.4 and 2.3 percent.

The Small Cap Europe and Realinvest funds had the highest returns relative to their indexes. Among equity funds, 91 percent outperformed their comparative indexes. Among balanced funds, 62 percent outperformed their indexes, as did none of fixed income funds and all of index funds.

Morningstar's average rating on Swedbank Robur's funds as of September 30 was 3.44 (3.22).

### Cooperation agreement with Folksam

During the first half year an agreement was signed with Folksam, as a result of which Swedbank Robur manages insurance and fund portfolios for Folksam with an aggregate value of SEK 177bn as of September 30. It also means that Swedbank Robur will acquire Folksam Fond AB, a fund management company with 22 funds and SEK 28bn in assets under management. A

joint venture to administer insurance business has been established as well.

### Other important events

During the period eleven new funds were launched: Protect 90, a fund with a guaranteed return; BRICT, a fund focused on emerging markets; Momentum, a fund that invests in strongly performing markets; three index funds for the institutional market, Stella Sweden and Stella Europe, which are more regionally focused funds that invest in a limited number of equities; Lux China, a China fund denominated in euro, and Action and Solid, two equity funds designed for private banking customers.

Swedbank Insurance was selected as one of five providers of unit linked insurance in an ITP procurement. Swedbank Robur has entered into agreements with Nordnet, Avanza and Skandiabanken to distribute Swedbank Robur's funds.

### Profit trend Q3 2007 vs. Q2 2007

Profit for the period increased by SEK 29m or 11 percent to SEK 288m. The cost/income ratio improved to 0.38 (0.41). Income increased by SEK 32m or 5 percent to SEK 618m mainly due to the Folksam agreement, which affected income in the third quarter by SEK 65m (14).

Expenses decreased slightly to SEK 236m (239). The Folksam agreement led to a cost increase of SEK 42m during the third quarter (36).

### Profit trend Q3 2007 vs. Q3 2006

Profit for the period increased by SEK 51m or 22 percent. The cost/income ratio was 0.38 (0.35). Income increased by SEK 142m or 30 percent mainly due to a higher asset volume, including volumes from Folksam. Expenses increased by SEK 71m or 43 percent mainly due to the Folksam agreement and expansion in the pension and insurance area.

### Profit trend Jan–Sep 2007 vs. Jan–Sep 2006

Profit for the period increased by SEK 104m or 16 percent. The cost/income ratio was 0.39 (0.36). Income increased by SEK 316m or 23 percent to SEK 1,678m mainly due to a higher asset volume. Expenses increased by SEK 165m or 33 percent to SEK 658m mainly due to the Folksam agreement and expansion in the pension and insurance area. The number of full-time positions increased by 58 to 327, 43 of whom were the result of the cooperation with Folksam.

## International Banking

International Banking comprises Swedbank's growing international operations outside its home markets of Sweden, Estonia, Latvia and Lithuania. The objective is that at least Ukraine and Russia will develop into geographical home markets for the group.

Aside from operations in Ukraine and Russia, the business area consists of operations in Luxembourg, Finland, Denmark and Norway as well as the representative offices in Japan and Ukraine. Their main purpose is to support Swedbank's operations in its geographical home markets.

The effects of the investment in TAS-Kommerzbank in Ukraine at the 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 according to the same principles as in Baltic Banking, i.e. as a separate business distinct from Ukrainian Banking Operations. Ukrainian Banking Investment is included in the business area.

A management function with responsibility for strategic issues is also included in the business area.

## Profit trend

SEKm	Jan-Sep 2007	Jan-Sep 2006	%	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006
Net interest income	639	322	98	335	162	142	134	121
Net commission income	141	79	78	58	40	43	37	28
Net gains and losses on financial items at fair value	52	27	93	39	6	7	11	16
Other income	8	4	100	7	1	0	3	-8
<b>Total income</b>	<b>840</b>	<b>432</b>	<b>94</b>	<b>439</b>	<b>209</b>	<b>192</b>	<b>185</b>	<b>157</b>
Staff costs	-226	-109		-125	-54	-47	-42	-37
Profit-based staff costs	-24	-14	71	-9	-10	-5	-7	-5
IT expenses	-33	-20	65	-13	-10	-10	-12	-5
Other expenses	-181	-276	-34	-103	-36	-42	-63	-35
Depreciation/amortization	-35	-6		-29	-3	-3	-2	-2
<b>Total expenses</b>	<b>-499</b>	<b>-425</b>	<b>17</b>	<b>-279</b>	<b>-113</b>	<b>-107</b>	<b>-126</b>	<b>-84</b>
<b>Profit before loan losses</b>	<b>341</b>	<b>7</b>		<b>160</b>	<b>96</b>	<b>85</b>	<b>59</b>	<b>73</b>
Loan losses, net	-101	-21		-75	-13	-13	-10	-13
<b>Operating profit</b>	<b>240</b>	<b>-14</b>		<b>85</b>	<b>83</b>	<b>72</b>	<b>49</b>	<b>60</b>
Tax expense	-63	-37	70	-21	-26	-16	1	-12
Profit for the period	177	-51		64	57	56	50	48
<b>Profit for the period attributable to:</b>								
<b>Shareholders of Swedbank AB</b>	<b>177</b>	<b>-53</b>		<b>64</b>	<b>57</b>	<b>56</b>	<b>52</b>	<b>47</b>
Minority interest		2					-2	1
Allocated equity	3,110	1,031		5,876	1,756	1,698	1,147	1,223
Return on allocated equity, %	7.6	neg.		4.4	13.0	13.2	18.1	15.4
<b>Income items</b>								
Income from external customers	837	429	95	437	209	191	184	161
Income from transactions with other segments	3	3	0	2	0	1	1	-4
<b>Business volumes, SEK billion</b>								
Lending	28	11		28	19	16	13	11
Risk-weighted volume, old principles	31	14		31	22	20	15	14
Total assets	40	16		40	24	23	18	16
Total liabilities	34	16		34	23	21	18	16
Full-time employees	3,747	286		3,747	419	365	332	286

## Russian Banking

The Russian operations comprise retail banking at three branches, Moscow, St. Petersburg and Kaliningrad, leasing services and trade finance.

The Russian bank changed its name during the year from OAO Hansabank to OAO Swedbank.

A decision was made in the third quarter to transfer ownership of the bank OAO Swedbank and the leasing company OOO Hansa Leasing from Hansabank in Estonia to Swedbank in Sweden. The transfers, which will be made at market value, require the approval of Russian authorities.

The restrictions from the Russian central bank that limited Swedbank's operations in Russia during a three-month period were lifted in early September.

Against the backdrop of the government's actions, the previously announced retail banking expansion in Russia through the opening of new branches has been delayed.

Profit for the third quarter amounted to SEK 40m, against SEK 28m for the second quarter and SEK 31m for the third quarter of 2006. Profit for the period January – September amounted to SEK 113m (-58). Profit for

2006 was charged with a provision of SEK 150m for a VAT dispute in the leasing operations.

Lending amounted to SEK 8bn at the end of the quarter, an increase of 29 percent in one year.

The return on equity for the period January – September was 17.3 percent (neg.) and the cost/income ratio was 0.55 (1.01). The number of full-time positions increased to 325 (192).

### Ukrainian Banking

In early July Swedbank finalized its acquisition of the Ukrainian bank TAS-Kommerzbank (TAS). TAS has 164,000 retail customers and 17,000 corporate customers.

The purchase price amounted to USD 735m, including an equity contribution of USD 50m. An additional payment of up to USD 250m is payable in three years, subject to the financial performance of the bank.

The acquisition of TAS is in line with Swedbank's strategy to expand its operations in Eastern Europe, where it is the market leader in the Baltic countries and has developing operations in Russia. A strong growth outlook, coupled with low penetration for financial services, offers Swedbank the opportunity to establish and develop a meaningful profit contributor.

Profit for the third quarter amounted to SEK 54m for Ukrainian Banking Operations. The return on equity was 17.3 percent and the cost/income ratio was 0.44.

Lending amounted to SEK 9bn. Measured in local currency, lending has increased by 92 percent in the last 12 months.

Deposits amounted to SEK 5bn. Measured in local currency, deposits have increased by 23 percent in the last 12 months.

In the last year the number of full-time positions has increased by 1,195 to 3,301. The number of branches as of September 30 was 191.

The market share for total bank lending was 2 percent.

### Nordic branches

Swedbank's branch office in Norway was established in 1998. The money and capital market operations as well as business with financial institutions 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. As of 2007 greater attention is also being paid to the retail market, which is being cultivated together with EnterCard and First Securities.

Swedbank's branch office in Denmark was established in spring 2005. In autumn 2006 a second branch was opened. The plan is to establish a third branch in 2007. The branches target both retail and corporate customers. The market share among Öresund commuters is estimated at 30 percent.

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 11bn as of September 30, 2007, an increase of SEK 6bn in one year. The increase was primarily in Norway. The number of full-time positions was 54, an increase of 22 in one year.

### Luxembourg

Swedbank's private banking operations in Luxembourg has grown in scope in recent years. Assets under management amounted to SEK 3.6bn as of September 30, 2007. The number of full-time positions was 59 (52).

### Other operations

A decision has been made to open a new representative office in Poland.

### Profit trend Q3 2007 vs. Q2 2007

Profit for the period increased by SEK 7m or 12 percent to SEK 64m (57). The return on equity was 4.4 percent (13.0). The cost/income ratio was 0.64 (0.54).

Ukrainian Banking Operations accounted for SEK 54m (0) of the profit. Russian Banking accounted for SEK 40m (28). Ukrainian Banking Investment negatively affected profit by SEK 37m (0).

Income increased by SEK 230m to SEK 439m. Ukrainian Banking Operations, which was not included in the group in the previous quarter, contributed income of SEK 273m. For Russian Banking income decreased slightly to SEK 119m (132) due to the restrictions on operations. Ukrainian Banking Investment negatively affected income by SEK 33m. Income for the Nordic branches increased by SEK 2m.

Expenses increased by SEK 166m to SEK 279m. Ukrainian Banking Operations, which was not included in the group in the previous quarter, contributed expenses of SEK 119m. For Russian Banking expenses increased to SEK 77m (75). Expenses for amortization in the consolidated accounts of surplus values in Ukrainian Banking Investment amounted to SEK 15m.

Loan losses increased from SEK 13m to SEK 75m through the new Ukrainian operations.

### Profit trend Q3 2007 vs. Q3 2006

Profit for the period increased by SEK 17m or 36 percent to SEK 64m (47). The return on equity was 4.4 percent (15.4). The cost/income ratio was 0.64 (0.54).

Income increased by SEK 282m to SEK 439m. Ukrainian Banking Operations, which was not included in the group previously, contributed income of SEK 273m. For Russian Banking income increased by SEK 16m or 16 percent to SEK 119m. Ukrainian Banking Investment negatively affected income by SEK 33m. Income for the Nordic branches increased by SEK 17m.

Expenses increased by SEK 195m to SEK 279m. Ukrainian Banking Operations, which was not included in the group previously, contributed expenses of SEK 119m. For Russian Banking expenses increased by SEK 23m to SEK 77m (54). Expenses for amortization in the consolidated accounts of surplus values in Ukrainian Banking Investment amounted to SEK 15m.

Loan losses increased from SEK 13m to SEK 75m through the new Ukrainian operations.

### Profit trend Jan–Sep 2007 vs. Jan–Sep 2006

Profit for the period increased by SEK 230m to SEK 177m (-53). The return on equity was 7.6 percent (neg.). The cost/income ratio was 0.59 (0.98).

Of the profit increase, SEK 53m came from Ukrainian Banking, SEK 171m from Russian Banking, which in the previous year was affected by a provision of SEK 150m for a VAT dispute in the leasing operations, and SEK 29m from the Nordic branches.

## Shared Services and Group Staff

The business area includes IT and other service functions; Treasury; Group Executive Management; group staff; and the group's own insurance company, Sparia.

During the second quarter 2007 the primary capital certificates in the Norwegian savings bank Nord-Norge were sold. In 2006 the shareholding in

SpareBank 1 Gruppen and the primary capital certificates in the Norwegian savings banks Midt-Norge and Rogaland were sold. Consequently there are no remaining interests in Norwegian banks. The effects on profit in previous periods of these holdings are reported in this business area.

## Profit trend

SEKm	Jan-Sep 2007	Jan-Sep 2006	%	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006
Net interest income	-191	-86		-3	-83	-105	-55	-71
Net commission income	34	-26		24	27	-17	17	-22
Net gains and losses on financial items at fair value	-215	334		-228	69	-56	189	196
Share of the profit or loss of associates	65	38	71	18	26	21	-52	10
Other income	2,306	2,316	0	731	755	820	786	737
<b>Total income</b>	<b>1,999</b>	<b>2,576</b>	<b>-22</b>	<b>542</b>	<b>794</b>	<b>663</b>	<b>885</b>	<b>850</b>
Staff costs	-1,049	-999	5	-339	-353	-357	-281	-329
Profit-based staff costs	-46	-38	21	-11	-11	-24	-1	-15
IT expenses	-539	-579	-7	-170	-172	-197	-195	-154
Other expenses	-672	-770	-13	-221	-204	-247	-255	-231
Depreciation/amortization	-188	-181	4	-61	-65	-62	-68	-59
<b>Total expenses</b>	<b>-2,494</b>	<b>-2,567</b>	<b>-3</b>	<b>-802</b>	<b>-805</b>	<b>-887</b>	<b>-800</b>	<b>-788</b>
<b>Profit before loan losses</b>	<b>-495</b>	<b>9</b>		<b>-260</b>	<b>-11</b>	<b>-224</b>	<b>85</b>	<b>62</b>
Loan losses, net	11	1		6	1	4	-5	0
<b>Operating profit</b>	<b>-484</b>	<b>10</b>		<b>-254</b>	<b>-10</b>	<b>-220</b>	<b>80</b>	<b>62</b>
Tax expense	222	256	-13	83	51	88	-82	54
<b>Profit for the period</b>	<b>-262</b>	<b>266</b>		<b>-171</b>	<b>41</b>	<b>-132</b>	<b>-2</b>	<b>116</b>
Allocated equity	6,509	5,216	25	3,197	6,953	9,377	4,768	4,118
Return on allocated equity, %	neg.	6.8		neg.	2.4	neg.	neg.	11.3
<b>Income items</b>								
Income from external customers	408	679	-40	-41	281	168	349	278
Income from transactions with other segments	1,591	1,897	-16	583	513	495	536	572
<b>Business volumes, SEK billion</b>								
Lending	0	0		0	0	0	0	0
Risk-weighted volume, old principles	5	3	67	5	4	4	4	3
Total assets	242	245	-1	242	244	266	229	245
Total liabilities	238	241	-1	238	236	255	225	241
Full-time employees	1,656	1,664	0	1,656	1,670	1,668	1,670	1,664

## Shared Services

Shared Services comprises slightly over 1,300 full-time positions and is responsible for IT, back office for the branch network and other shared support functions in Sweden.

According to international benchmarking by the polling company Compass, Swedbank's IT operations are among the most cost-effective in the industry. Despite 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.

The purchasing process previously introduced in Sweden was implemented in the Baltic countries during the report period. Since the start of the year Swedbank therefore uses uniform routines and coordinates all group purchases.

Shared Services is continuing to improve the efficiency of the bank's processes using structured methodologies. The work is being done in cooperation with Swedish Banking, Baltic Banking and Swedbank Markets. A number of shared projects are also being conducted with the Baltic operations in the areas of IT operations, management and development in order to further improve efficiencies.

## Group staff

The main duties of the group staffs during the period included preparations for, and implementation of, the integration of TAS-Kommerzbank in Ukraine, implementation of the new capital adequacy rules and work with the anti money laundering directive.

**Profit trend Q3 2007 vs. Q2 2007**

Profit for the period amounted to SEK -171m (41). The decrease was mainly due to lower income from Group Treasury including the internal bank.

The large part of the business area's income is from services sold internally by Shared Services and Group Staff to other business areas, primarily Swedish Banking.

Income decreased by SEK 252m or 32 percent to SEK 542m (794).

Income from Group Treasury including the internal bank decreased by SEK 174m. While net interest income improved by SEK 92m mainly through distributions from profit-sharing loans, net gains and losses on financial items at fair value decreased by SEK 266m mainly due to valuation effects caused by turbulence in the financial market. Income from the holdings in Norwegian savings banks, which have since been sold, decreased by SEK 32m.

The share of profit in associates decreased by SEK 8m due to lower profit from VPC.

Expenses were stable at SEK 802m (805).

**Profit trend Q3 2007 vs. Q3 2006**

Profit for the period decreased by SEK 287m to SEK -171m (116). The decrease was mainly due to lower income from Group Treasury including the internal bank.

Income decreased by SEK 308m or 36 percent to SEK 542m (850).

Income from Group Treasury including the internal bank decreased by SEK 351m. While net interest

income improved by SEK 86m mainly through distributions from profit-sharing loans, net gains and losses on financial items at fair value decreased by SEK 438m. The holdings in Norwegian savings banks, which have since been sold, reduced the value by SEK 12m in 2006. The share of profit in associates increased by SEK 8m due to improved profit from VPC.

Expenses increased by SEK 14m or 2 percent to SEK 802m (788).

**Profit trend Jan–Sep 2007 vs. Jan–Sep 2006**

Profit for the period decreased by SEK 528m to SEK -262m (266). The decrease was mainly due to lower income from Group Treasury including the internal bank as well as a significant increase in 2006 in the value of the holdings in Norwegian savings banks and SpareBank 1 Gruppen, which have since been sold.

Income decreased by SEK 577m or 22 percent to SEK 1,999m (2,576).

Income from Group Treasury including the internal bank decreased by SEK 383m. Net interest income decreased by SEK 51m and net gains and losses on financial items at fair value decreased by SEK 331m. Income from the holding in Norwegian savings banks and SpareBank 1 Gruppen decreased by SEK 218m.

The share of profit in associates increased by SEK 27m due to improved profit from VPC.

Expenses decreased by SEK 73m or 3 percent to SEK 2,494m (2,567).

## Eliminations

SEKm	Jan-Sep 2007	Jan-Sep 2006	%	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006
Net interest income	0	-4		2	6	-8	-6	-3
Net commission income	0	0		0	0	0	1	0
Net gains and losses on financial items at fair value	2	4	-50	0	-6	8	-1	4
Share of the profit or loss of associates	0	0		0	0	0	0	0
Other income	-2,169	-2,181	-1	-699	-736	-734	-705	-694
<b>Total income</b>	<b>-2,167</b>	<b>-2,181</b>	<b>-1</b>	<b>-697</b>	<b>-736</b>	<b>-734</b>	<b>-711</b>	<b>-693</b>
Staff costs	18	12	50	10	2	6	16	10
Profit-based staff costs	0	0		0	0	0	0	0
IT expenses	679	722	-6	201	236	242	232	204
Other expenses	1,470	1,447	2	486	498	486	463	479
Depreciation/amortization	0	0		0	0	0	0	0
<b>Total expenses</b>	<b>2,167</b>	<b>2,181</b>	<b>-1</b>	<b>697</b>	<b>736</b>	<b>734</b>	<b>711</b>	<b>693</b>
<b>Income items</b>								
Income from external customers	-541	-250		-114	-206	-221	-109	-160
Income from transactions with other segments	-1,626	-1,931	-16	-583	-530	-513	-602	-533
<b>Business volumes, SEK billion</b>								
Mutual funds & insurance	-265	-246	8	-265	-273	-266	-256	-246
Other investment volume	-22	-16	38	-22	-21	-20	-18	-16
Total assets	-364	-315	16	-364	-340	-404	-305	-315
Total liabilities	-364	-315	16	-364	-340	-404	-305	-315



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## Income statement, group

SEKm	Q3 2007	Q2 2007	%	Q3 2006	%	Jan-Sep 2007	Jan-Sep 2006	%	Full-year 2006
<i>Interest income</i>	17,219	15,971	8	12,161	42	47,941	33,776	42	47,165
<i>Interest expenses</i>	-12,413	-11,380	9	-8,022	55	-34,043	-22,102	54	-31,188
<b>Net interest income</b>	<b>4,806</b>	<b>4,591</b>	<b>5</b>	<b>4,139</b>	<b>16</b>	<b>13,898</b>	<b>11,674</b>	<b>19</b>	<b>15,977</b>
<i>Commission income</i>	3,238	3,305	-2	2,758	17	9,541	8,488	12	11,465
<i>Commission expenses</i>	-735	-753	-2	-649	13	-2,197	-1,928	14	-2,596
<b>Net commission income (Note 1)</b>	<b>2,503</b>	<b>2,552</b>	<b>-2</b>	<b>2,109</b>	<b>19</b>	<b>7,344</b>	<b>6,560</b>	<b>12</b>	<b>8,869</b>
Net gains and losses on financial items at fair value (Note 2)	196	579	-66	513	-62	1,305	1,830	-29	2,738
<i>Insurance premiums</i>	437	538	-19	284	54	1,344	936	44	1,353
<i>Insurance provisions</i>	-338	-447	-24	-217	56	-1,075	-752	43	-1,089
<b>Net insurance</b>	<b>99</b>	<b>91</b>	<b>9</b>	<b>67</b>	<b>48</b>	<b>269</b>	<b>184</b>	<b>46</b>	<b>264</b>
Share of the profit or loss of associates	140	95	47	53		354	248	43	222
Other income	287	318	-10	283	1	880	789	12	1,127
<b>Total income</b>	<b>8,031</b>	<b>8,226</b>	<b>-2</b>	<b>7,164</b>	<b>12</b>	<b>24,050</b>	<b>21,285</b>	<b>13</b>	<b>29,197</b>
Staff costs	-2,075	-2,016	3	-1,772	17	-6,023	-5,375	12	-7,253
Profit-based staff costs	-337	-409	-18	-301	12	-1,136	-1,005	13	-1,307
Other general administrative expenses	-1,528	-1,539	-1	-1,262	21	-4,521	-4,196	8	-5,920
<b>Total general administrative expenses</b>	<b>-3,940</b>	<b>-3,964</b>	<b>-1</b>	<b>-3,335</b>	<b>18</b>	<b>-11,680</b>	<b>-10,576</b>	<b>10</b>	<b>-14,480</b>
Depreciation/amortization and impairments of tangible and intangible fixed assets	-192	-160	20	-155	24	-513	-466	10	-659
<b>Total expenses</b>	<b>-4,132</b>	<b>-4,124</b>	<b>0</b>	<b>-3,490</b>	<b>18</b>	<b>-12,193</b>	<b>-11,042</b>	<b>10</b>	<b>-15,139</b>
<b>Profit before loan losses</b>	<b>3,899</b>	<b>4,102</b>	<b>-5</b>	<b>3,674</b>	<b>6</b>	<b>11,857</b>	<b>10,243</b>	<b>16</b>	<b>14,058</b>
Loan losses, net (Note 3)	-230	-102		67		-381	133		205
<b>Operating profit</b>	<b>3,669</b>	<b>4,000</b>	<b>-8</b>	<b>3,741</b>	<b>-2</b>	<b>11,476</b>	<b>10,376</b>	<b>11</b>	<b>14,263</b>
Tax expense	-793	-856	-7	-806	-2	-2,500	-2,283	10	-3,211
Profit for the period	2,876	3,144	-9	2,935	-2	8,976	8,093	11	11,052
<b>Profit for the period attributable to:</b>									
<b>Shareholders of Swedbank AB</b>	<b>2,866</b>	<b>3,112</b>	<b>-8</b>	<b>2,911</b>	<b>-2</b>	<b>8,888</b>	<b>7,967</b>	<b>12</b>	<b>10,880</b>
Minority interest	10	32	-69	24	-58	88	126	-30	172
Earnings per share, SEK	5.57	6.03		5.65		17.25	15.46		21.11

See page 38 for number of shares.

## Quarterly income statement

Group SEKm	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005
Net interest income	4,806	4,591	4,501	4,303	4,139	4,029	3,506	3,953
Net commission income	2,503	2,552	2,289	2,309	2,109	2,353	2,098	1,896
Net gains and losses on financial items at fair value	196	579	530	908	513	786	531	765
Net insurance	99	91	79	80	67	100	17	67
Share of the profit or loss of associates	140	95	119	-26	53	58	137	48
Other income	287	318	275	338	283	252	254	268
<b>Total income</b>	<b>8,031</b>	<b>8,226</b>	<b>7,793</b>	<b>7,912</b>	<b>7,164</b>	<b>7,578</b>	<b>6,543</b>	<b>6,997</b>
Staff costs	-2,075	-2,016	-1,932	-1,878	-1,772	-1,791	-1,812	-1,731
Profit-based staff costs	-337	-409	-390	-302	-301	-412	-292	-378
Other general administrative expenses	-1,528	-1,539	-1,454	-1,724	-1,262	-1,543	-1,391	-1,447
<b>Total general administrative expenses</b>	<b>-3,940</b>	<b>-3,964</b>	<b>-3,776</b>	<b>-3,904</b>	<b>-3,335</b>	<b>-3,746</b>	<b>-3,495</b>	<b>-3,556</b>
Depreciation/amortization and impairments of tangible and intangible fixed assets	-192	-160	-161	-193	-155	-156	-155	-161
<b>Total expenses</b>	<b>-4,132</b>	<b>-4,124</b>	<b>-3,937</b>	<b>-4,097</b>	<b>-3,490</b>	<b>-3,902</b>	<b>-3,650</b>	<b>-3,717</b>
<b>Profit before loan losses</b>	<b>3,899</b>	<b>4,102</b>	<b>3,856</b>	<b>3,815</b>	<b>3,674</b>	<b>3,676</b>	<b>2,893</b>	<b>3,280</b>
Loan losses, net	-230	-102	-49	72	67	116	-50	-1
<b>Operating profit</b>	<b>3,669</b>	<b>4,000</b>	<b>3,807</b>	<b>3,887</b>	<b>3,741</b>	<b>3,792</b>	<b>2,843</b>	<b>3,279</b>
Tax expense	-793	-856	-851	-928	-806	-938	-539	-675
Profit for the period	2,876	3,144	2,956	2,959	2,935	2,854	2,304	2,604
<b>Profit for the period attributable to:</b>								
<b>Shareholders of Swedbank AB</b>	<b>2,866</b>	<b>3,112</b>	<b>2,910</b>	<b>2,913</b>	<b>2,911</b>	<b>2,786</b>	<b>2,270</b>	<b>2,570</b>
Minority interest	10	32	46	46	24	68	34	34

## Capital adequacy

### **New capital adequacy rules ("Basel II")**

On February 1, 2007 Sweden introduced new capital adequacy rules, Basel II. The rules are based on the so-called Basel Accord and are being introduced throughout the EU according to the provisions of the EU's Banking Directive and Capital Requirements Directive. According to the new rules, the capital requirement will be more closely linked to the institute's risk profile. One of the changes is that the minimum capital adequacy requirement for credit risks may now be based on Swedbank's internal risk measurement according to the Internal Ratings-Based Approach ("IRB"), contingent on the permission of the Financial Supervisory Authority. Another important change is that a capital adequacy requirement for operational risks has been added to the existing capital adequacy requirement for credit risks and market risks.

The transition to 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 state that the minimum capital requirement in 2007 may 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 will be lowered to 90 percent and in 2009 to 80 percent of the capital requirement calculated according to the older rules.

### **Swedbank has obtained permission from the Swedish FSA to apply IRB**

The method will be rolled out in the Swedbank financial companies group during a three-year period. 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 in the following page, Swedbank's capital adequacy as of September 30 is shown according to the new rules, with comparable and historical figures according to older rules.

Swedbank financial companies group	According to			
	Sep 30	Sep 30	Dec 31	Sep 30
SEKm	2007	2007	2006	2006
Primary capital	48,258	49,057	47,497	45,301
Supplementary capital	27,298	28,171	26,067	27,486
Less shares, etc.	-1,875	-2,106	-2,634	-2,276
<b>Capital base</b>	<b>73,681</b>	<b>75,122</b>	<b>70,930</b>	<b>70,511</b>
<b>Risk-weighted assets</b>	<b>563,852</b>	<b>847,868</b>	<b>726,712</b>	<b>700,038</b>
Capital requirement for credit risks, older rules	17,542	66,174	56,657	54,509
Capital requirement for credit risks, IRB	23,839			
Capital requirement for settlement risks	12	12	5	7
Capital requirement for market risks	1,046	1,643	1,475	1,487
<i>whereof risks in the trading book outside VaR</i>	765	1,362	1,277	1,165
<i>whereof currency risks outside VaR</i>	1	1		141
<i>whereof risks where VaR models are applied</i>	280	280	198	181
Capital requirement for operational risks	2,669			
<b>Capital requirement</b>	<b>45,108</b>	<b>67,829</b>	<b>58,137</b>	<b>56,003</b>
Supplement during transition period	17,629			
<b>Capital requirement including supplement</b>	<b>62,737</b>			
Tier 1 capital ratio, % excluding supplement	8.6	5.8	6.5	6.5
Capital adequacy ratio, % excluding supplement	13.1	8.9	9.8	10.1
Capital base in relation to capital requirement excluding supplement	1.63	1.11	1.22	1.26
Tier 1 capital ratio, % including supplement	6.2			
Capital adequacy ratio, % including supplement	9.4			
Capital base in relation to capital requirement including supplement	1.17			

As of September 30, 2007 the Swedbank financial companies group included the Swedbank group, EnterCard Holding AB, Eskilstuna Rekarne Sparbank AB, Färs och Frosta Sparbank AB, Swedbank Sjuhärad AB, Bergslagens Sparbank AB, Vimmerby Sparbank AB and Bankernas Depå AB. The group's insurance companies are not included according to the capital adequacy rules for financial companies groups.

### Capital base

As indicated in the table above, tier 1 capital and the capital base are lower when calculated according to the new capital adequacy rules. This is primarily because of a deduction from the capital base for the amount by which the expected loss exceeds the provisions in the accounts for the part of the portfolio calculated according to IRB. Half of this deduction is in tier 1 capital.

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 prudence, 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.

### Capital requirement for credit risks according to older rules

In 2007 the 2006 capital adequacy rules are applied to exposures where IRB is not applied.

### Capital requirements for credit risks according to IRB

As indicated in the table above, the capital requirement for the part of the portfolio now calculated according to IRB decreased by 51 percent, from SEK 48,632m to SEK 23,839m. The principal decrease is in the household portfolio, where the capital requirement generally decreases. In the corporate portfolio the effect is mixed. The capital requirement increases significantly for certain credits at the same time it decreases significantly for others. At portfolio level the capital requirement also decreases in the corporate segment, albeit less than in the household segment. Since the first report on the capital requirement for credit risks according to IRB as of March 31, 2007 the methods have been refined, as a result of which the capital requirement has further decreased.

Credit risks, IRB Sep 30, 2007 SEKm	Exposure after credit risk protection	Average risk weight	Capital requirement
<b>Total credit risks, IRB</b>	<b>1,224,728</b>	<b>24%</b>	<b>23,839</b>
<i>whereof institutional exposures</i>	275,289	9%	1,980
<i>whereof corporate exposures</i>	275,583	74%	16,361
<i>whereof retail exposures</i>	637,112	10%	5,071
<i>whereof equity exposures</i>	0	0%	0
<i>whereof other non credit-obligation asset exposures</i>	36,744	15%	427

## 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 risk in Swedbank AB as well as currency risk in Swedbank AB and the Hansabank group.

The capital requirement for other market risks therefore relates to specific interest rate risk, share price risk in the Hansabank group, market risks in First Securities' trading book and currency exposures outside Swedbank AB and the Hansabank group. Counterparty risks in the trading book were previously reported as market risks, but are now reported as credit risk according to the new capital adequacy rules.

## Operational 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 2007	Q2 2007	%	Q3 2007	%	Jan-Sep 2007	Jan-Sep 2006	%	Full-year 2006
<i>Interest income</i>	9,707	9,243	5	6,484	50	27,264	17,643	55	24,972
<i>Interest expenses</i>	-7,976	-7,393	8	-4,663	71	-21,759	-12,373	76	-17,885
<b>Net interest income</b>	<b>1,731</b>	<b>1,850</b>	<b>-6</b>	<b>1,821</b>	<b>-5</b>	<b>5,505</b>	<b>5,270</b>	<b>4</b>	<b>7,087</b>
Dividends received	-15	426		17		664	498	33	1,836
<i>Commission income</i>	1,428	1,414	1	1,521	-6	4,234	4,699	-10	6,202
<i>Commission expenses</i>	-122	-159	-23	-382	-68	-528	-1,096	-52	-1,404
<b>Net commission income (Note 1)</b>	<b>1,306</b>	<b>1,255</b>	<b>4</b>	<b>1,139</b>	<b>15</b>	<b>3,706</b>	<b>3,603</b>	<b>3</b>	<b>4,798</b>
Net gains and losses on financial items at fair value (Note 2)	65	40	63	366	-82	218	923	-76	1,546
Other income	276	340	-19	237	16	886	696	27	1,047
<b>Total income</b>	<b>3,363</b>	<b>3,911</b>	<b>-14</b>	<b>3,580</b>	<b>-6</b>	<b>10,979</b>	<b>10,990</b>	<b>0</b>	<b>16,314</b>
General administrative expenses									
- Staff costs	-1,586	-1,606	-1	-1,496	6	-4,736	-4,529	5	-5,954
- Other expenses	-996	-1,016	-2	-880	13	-3,006	-2,906	3	-4,090
<b>Total general administrative expenses</b>	<b>-2,582</b>	<b>-2,622</b>	<b>-2</b>	<b>-2,376</b>	<b>9</b>	<b>-7,742</b>	<b>-7,435</b>	<b>4</b>	<b>-10,044</b>
Depreciation/amortization and impairments of tangible and intangible fixed assets	-70	-65	8	-66	6	-199	-203	-2	-268
Amortization of goodwill	-33	-29	14	-30	10	-92	-89	3	-119
<b>Total expenses</b>	<b>-2,685</b>	<b>-2,716</b>	<b>-1</b>	<b>-2,472</b>	<b>9</b>	<b>-8,033</b>	<b>-7,727</b>	<b>4</b>	<b>-10,431</b>
<b>Profit before loan losses</b>	<b>678</b>	<b>1,195</b>	<b>-43</b>	<b>1,108</b>	<b>-39</b>	<b>2,946</b>	<b>3,263</b>	<b>-10</b>	<b>5,883</b>
Loan losses, net (Note 3)	-17	-45	-62	139		-20	351		479
Impairment of financial fixed assets									-4
<b>Operating profit</b>	<b>661</b>	<b>1,150</b>	<b>-43</b>	<b>1,247</b>	<b>-47</b>	<b>2,926</b>	<b>3,614</b>	<b>-19</b>	<b>6,358</b>
Appropriations	-4	-4	0	11		-12	3		138
Tax expense	-198	-225	-12	-290	-32	-686	-722	-5	-1,461
<b>Profit for the period</b>	<b>459</b>	<b>921</b>	<b>-50</b>	<b>968</b>	<b>-53</b>	<b>2,228</b>	<b>2,895</b>	<b>-23</b>	<b>5,035</b>

## Balance sheet

SEKm	Group			Parent company		
	Sep 30 2007	Dec 31 2006	Sep 30 2006	Sep 30 2007	Dec 31 2006	Sep 30 2006
<b>Assets</b>						
Loans to credit institutions	208,216	161,097	158,945	403,367	322,643	313,081
Loans to the public	1,091,947	946,319	941,452	348,427	273,669	289,707
Interest-bearing securities	89,482	99,600	97,716	105,509	105,960	103,024
Shares and participating interests	82,425	72,589	66,819	49,853	42,733	40,536
- for which customers bear the investment risk	71,902	65,008	61,386			
Derivatives	38,242	23,864	24,319	35,469	22,934	20,265
Other assets	64,525	49,520	52,164	20,112	14,692	19,870
<b>Total assets</b>	<b>1,574,837</b>	<b>1,352,989</b>	<b>1,341,415</b>	<b>962,737</b>	<b>782,631</b>	<b>786,483</b>
<b>Liabilities and equity</b>						
Amounts owed to credit institutions	152,191	130,642	123,638	195,756	174,727	174,841
Deposits and borrowings from the public	444,462	400,035	390,269	346,979	315,490	312,361
Debt securities in issue, etc	659,533	561,208	582,050	230,262	145,581	157,785
Financial liabilities for which customers bear the investment risk	72,373	65,289	61,582			
Derivatives	46,983	31,607	24,206	40,617	25,144	20,592
Other liabilities and provisions	92,899	69,506	65,399	72,341	50,008	49,473
Subordinated liabilities	41,785	34,425	36,240	39,251	32,140	33,874
Untaxed reserves				3,229	3,226	3,358
Equity	64,611	60,277	58,031	34,302	36,315	34,199
- Minority	245	303	382			
- Shareholders	64,366	59,974	57,649	34,302	36,315	34,199
<b>Total liabilities and equity</b>	<b>1,574,837</b>	<b>1,352,989</b>	<b>1,341,415</b>	<b>962,737</b>	<b>782,631</b>	<b>786,483</b>
Assets pledged for own liabilities				95,784	91,792	88,907
Other assets pledged				14,809	11,817	14,802
Contingent liabilities				26,624	39,991	39,614
Commitments				151,590	106,489	98,428

## Cash flow statement

SEKm	Group			Parent company		
	Jan-Sep 2007	Jan-Sep 2006	Full-year 2006	Jan-Sep 2007	Jan-Sep 2006	Full-year 2006
<b>Cash and cash equivalents at beginning of period *)</b>	<b>83,032</b>	<b>89,514</b>	<b>89,514</b>	<b>76,779</b>	<b>96,074</b>	<b>96,074</b>
Operating activities	-33,400	-42,371	-58,747	-18,899	-26,584	-58,955
Investing activities	-6,457	852	1,076	-6,081	1,378	1,264
Financing activities	84,361	58,451	52,074	71,016	36,043	38,396
<b>Cash flow for the period</b>	<b>44,504</b>	<b>16,932</b>	<b>-5,597</b>	<b>46,036</b>	<b>10,837</b>	<b>-19,295</b>
Exchange rate differences on cash and cash equivalents	413	-230	-885			
Cash and cash equivalents in acquired entities	294			2		
<b>Cash and cash equivalents at end of period *)</b>	<b>128,243</b>	<b>106,216</b>	<b>83,032</b>	<b>122,817</b>	<b>106,911</b>	<b>76,779</b>
*) of which, securities pledged for OMX						
- at beginning of period	4,384	2,729	2,729	4,384	2,729	2,729
- at end of period	4,093	3,307	4,384	4,093	3,307	4,384

## Turnover of own debt instruments

The Swedbank group issues and repurchases its own debt instruments. This turnover is intended for the group'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 141bn (186)  
Redeemed (bought) SEK -135bn (-158)

## Statement of changes in equity, group

SEKm	Minority interest	Shareholders' equity		Total	Total equity
		Capital contributions	Other equity		
<b>Opening balance January 1, 2006</b>	<b>232</b>	<b>14,674</b>	<b>38,963</b>	<b>53,637</b>	<b>53,869</b>
Currency translation from foreign operations	-4		11	11	7
Related deferred tax			-101	-101	-101
<b>Net income for the period recognized directly in equity</b>	<b>-4</b>	<b>0</b>	<b>-90</b>	<b>-90</b>	<b>-94</b>
Profit for the period reported via income statement	126		7,967	7,967	8,093
<b>Total profit for the period</b>	<b>122</b>	<b>0</b>	<b>7,877</b>	<b>7,877</b>	<b>7,999</b>
New share issue	20				20
Dividend	-107		-3,865	-3,865	-3,972
Sold to minority	116				116
Acquisition from minority	-1				-1
<b>Closing balance September 30, 2006</b>	<b>382</b>	<b>14,674</b>	<b>42,975</b>	<b>57,649</b>	<b>58,031</b>
<b>Opening balance January 1, 2006</b>	<b>232</b>	<b>14,674</b>	<b>38,963</b>	<b>53,637</b>	<b>53,869</b>
Currency translation of foreign operations	-11		-541	-541	-552
Related deferred tax			-137	-137	-137
<b>Net income for the period recognized directly in equity</b>	<b>-11</b>	<b>0</b>	<b>-678</b>	<b>-678</b>	<b>-689</b>
Profit for the period reported via income statement	172		10,880	10,880	11,052
<b>Total profit for the period</b>	<b>161</b>	<b>0</b>	<b>10,202</b>	<b>10,202</b>	<b>10,363</b>
New share issue	20				20
Dividend	-107		-3,865	-3,865	-3,972
Decrease share capital		-299	299		
Bonus issue		516	-516		
Acquisition from minority	-3				-3
<b>Closing balance December 31, 2006</b>	<b>303</b>	<b>14,891</b>	<b>45,083</b>	<b>59,974</b>	<b>60,277</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>
Cash flow hedges:					
-Gains/losses taken to 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
Currency translation of foreign operations	16		-237	-237	-221
Related deferred tax			58	58	58
<b>Net income for the period recognized directly in equity</b>	<b>16</b>	<b>0</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>0</b>	<b>8,644</b>	<b>8,644</b>	<b>8,748</b>
Dividend	-172		-4,252	-4,252	-4,424
New minority interest on acquisitions of subsidiaries	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>

## Statement of changes in equity, parent company

SEKm	Restricted equity	Non-restricted equity	Total equity
<b>Closing balance December 31, 2005</b>	<b>17,312</b>	<b>17,702</b>	<b>35,014</b>
Change in accounting policy relating to FFFS 2006:16		155	155
<b>Adjusted opening balance January 1, 2006</b>	<b>17,312</b>	<b>17,857</b>	<b>35,169</b>
Dividend		-3,865	-3,865
Reduction of the share capital	-299	299	
Stock dividend	299	-299	
Profit for the period		2,895	2,895
<b>Closing balance September 30, 2007</b>	<b>17,312</b>	<b>16,887</b>	<b>34,199</b>
<b>Closing balance December 31, 2005</b>	<b>17,312</b>	<b>17,702</b>	<b>35,014</b>
Change in accounting policy relating to FFFS 2006:16		155	155
<b>Adjusted opening balance January 1, 2006</b>	<b>17,312</b>	<b>17,857</b>	<b>35,169</b>
Dividend		-3,865	-3,865
Reduction of the share capital	-299	299	
Stock dividend	299	-299	
Group contribution net		-24	-24
Profit for the period		5,035	5,035
<b>Closing balance December 31, 2006</b>	<b>17,312</b>	<b>19,003</b>	<b>36,315</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 taken to equity		-157	-157
-Related deferred tax		44	44
-Transferred to initial carrying amount of hedged item		157	157
-Related deferred tax		-44	-44
Merger profit, 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>



## Lending, group

SEKbn	Sep 30 2007	Dec 31 2006	%	Sep 30 2006	%
Private individuals	538.8	479.9	12	462.6	17
<i>of which Swedbank Mortgage AB</i>	413.2	379.2	9	368.2	12
Real estate management	207.8	190.9	9	178.9	15
Retail, hotels, restaurants	40.2	34.1	18	33.1	22
Construction	15.6	12.9	21	12.6	23
Manufacturing	35.0	30.1	16	29.2	20
Transportation	20.2	16.5	22	15.9	27
Forestry and agriculture	49.0	45.3	8	44.9	9
Other service businesses	44.9	36.5	23	34.8	29
Other business lending	76.7	58.8	30	64.9	18
Municipalities	14.8	13.9	6	13.8	7
<b>Total lending to the public, excl. repos</b>	<b>1,043.0</b>	<b>918.9</b>	<b>13</b>	<b>890.7</b>	<b>17</b>
<i>of which Baltic Banking Operations</i>	163.5	126.9	27	115.2	43
Credit institutions incl. Nat'l Debt Office	93.3	78.4	19	73.1	28
Repurchase agreements (repos)	163.9	110.1	49	136.6	20
<b>Total lending</b>	<b>1,300.2</b>	<b>1,107.4</b>	<b>17</b>	<b>1,100.4</b>	<b>18</b>

## Savings and investments, group

SEKbn	Sep 30 2007	Dec 31 2006	%	Sep 30 2006	%
<b>Deposits from the public</b>					
Households	261.7	223.4	17	222.4	18
Other deposits from the public	168.5	153.3	10	143.9	17
<b>Total deposits from the public</b>	<b>430.2</b>	<b>376.7</b>	<b>14</b>	<b>366.3</b>	<b>17</b>
<i>of which Baltic Banking Operations</i>	91.8	83.7	10	76.8	20
Discretionary asset management *	202.2	25.8		24.9	
Fund assets under management	434.6	412.5	5	389.4	12
Unit-linked insurance	71.4	64.8	10	61.2	17
Of which unit-linked insurance in own companies	-69.9	-63.5	10	-60.2	16
Retail bonds, interest-bearing	1.1	1.1	0	1.1	0
Retail bonds, equity linked	28.4	23.3	22	20.6	38
<b>Total savings and investments</b>	<b>1,098.0</b>	<b>840.7</b>	<b>31</b>	<b>803.3</b>	<b>37</b>

\* excluding investments in Swedbank Robur's funds

## Notes

### Note 1. Net commission income

<b>Group SEKm</b>	<b>Q3 2007</b>	<b>Q2 2007</b>	<b>Q3 2006</b>	<b>Jan-Sep 2007</b>	<b>Jan-Sep 2006</b>	<b>Full-year 2006</b>
<b>Commission income</b>						
Payment processing	1,220	1,143	1,037	3,396	2,942	4,010
Lending	183	178	149	509	467	605
Brokerage	243	242	211	774	763	989
Asset management	1,133	1,126	915	3,231	2,766	3,719
Other securities	18	15	19	57	76	119
Other	441	601	427	1,574	1,474	2,023
<b>Total</b>	<b>3,238</b>	<b>3,305</b>	<b>2,758</b>	<b>9,541</b>	<b>8,488</b>	<b>11,465</b>
<b>Commission expenses</b>						
Payment processing	-406	-400	-350	-1,176	-1,014	-1,376
Securities	-73	-73	-59	-216	-175	-240
Other	-256	-280	-240	-805	-739	-980
<b>Total</b>	<b>-735</b>	<b>-753</b>	<b>-649</b>	<b>-2,197</b>	<b>-1,928</b>	<b>-2,596</b>
<b>Total net commission income</b>	<b>2,503</b>	<b>2,552</b>	<b>2,109</b>	<b>7,344</b>	<b>6,560</b>	<b>8,869</b>
<b>Parent company SEKm</b>	<b>Q3 2007</b>	<b>Q2 2007</b>	<b>Q3 2006</b>	<b>Jan-Sep 2007</b>	<b>Jan-Sep 2006</b>	<b>Full-year 2006</b>
<b>Commission income</b>						
Payment processing	491	474	716	1,416	2,058	2,591
Lending	111	86	84	277	275	346
Brokerage	101	103	74	330	335	460
Asset management	453	475	404	1,380	1,275	1,726
Other securities	16	12	14	51	67	100
Other	256	264	229	780	689	979
<b>Total</b>	<b>1,428</b>	<b>1,414</b>	<b>1,521</b>	<b>4,234</b>	<b>4,699</b>	<b>6,202</b>
<b>Commission expenses</b>						
Payment processing	-81	-106	-275	-308	-817	-991
Securities	-41	-42	-39	-127	-114	-154
Other	0	-11	-68	-93	-165	-259
<b>Total</b>	<b>-122</b>	<b>-159</b>	<b>-382</b>	<b>-528</b>	<b>-1,096</b>	<b>-1,404</b>
<b>Total net commission income</b>	<b>1,306</b>	<b>1,255</b>	<b>1,139</b>	<b>3,706</b>	<b>3,603</b>	<b>4,798</b>

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

<b>Group SEKm</b>	<b>Q3 2007</b>	<b>Q2 2007</b>	<b>Q3 2006</b>	<b>Jan-Sep 2007</b>	<b>Jan-Sep 2006</b>	<b>Full-year 2006</b>
<b>Trading, derivatives and fair value option</b>						
Shares/participating interests	189	345	248	759	842	1,241
- of which change in value	191	20	242	404	542	935
- of which dividend	-2	325	6	355	300	306
Interest-bearing instruments	-243	-68	251	-361	669	733
- of which change in value of open interest-bearing position, Swedbank Mortgage	-129	44	-34	5	130	145
- of which other change in value	-114	-112	285	-366	539	588
Other financial instruments	85	-36	-30	-2	-7	-74
- of which change in value	85	-36	-30	-2	-7	-74
<b>Total</b>	<b>31</b>	<b>241</b>	<b>469</b>	<b>396</b>	<b>1,504</b>	<b>1,900</b>
<b>Interest income compensation, claims valued at cost</b>						
	<b>3</b>	<b>5</b>	<b>9</b>	<b>14</b>	<b>44</b>	<b>51</b>
<b>Changes in exchange rates</b>						
	<b>162</b>	<b>333</b>	<b>35</b>	<b>895</b>	<b>282</b>	<b>787</b>
<b>Total net gains and losses on financial items at fair value</b>	<b>196</b>	<b>579</b>	<b>513</b>	<b>1,305</b>	<b>1,830</b>	<b>2,738</b>
<b>Parent company SEKm</b>	<b>Q3 2007</b>	<b>Q2 2007</b>	<b>Q3 2006</b>	<b>Jan-Sep 2007</b>	<b>Jan-Sep 2006</b>	<b>Full-year 2006</b>
<b>Capital gains/losses</b>						
Shares/participating interests	68	-168	163	-296	670	1,082
Interest-bearing securities	107	39	76	193	327	652
<b>Total</b>	<b>175</b>	<b>-129</b>	<b>239</b>	<b>-103</b>	<b>997</b>	<b>1,734</b>
<b>Unrealized changes in value</b>						
Shares/participating interests	136	112	-1	529	-215	-392
Interest-bearing securities	-222	-168	440	-580	497	347
Other financial instruments			-218		-274	-397
<b>Total</b>	<b>-86</b>	<b>-56</b>	<b>221</b>	<b>-51</b>	<b>8</b>	<b>-442</b>
<b>Changes in exchange rates</b>						
	<b>-24</b>	<b>225</b>	<b>-94</b>	<b>372</b>	<b>-82</b>	<b>254</b>
<b>Total net gains and losses on financial items at fair value</b>	<b>65</b>	<b>40</b>	<b>366</b>	<b>218</b>	<b>923</b>	<b>1,546</b>

### Note 3. Loan losses, net, and change in the value of property taken over

Group SEKm	Q3 2007	Q2 2007	Q3 2006	Jan-Sep 2007	Jan-Sep 2006	Full-year 2006
<i>Loans assessed individually</i>						
The period's write-off for established loan losses	-45	-102	-92	-205	-330	-493
Reversal of previous provisions for anticipated loan losses reported in the period's accounts as established losses	21	72	30	132	163	207
The period's provisions for anticipated loan losses	-116	-44	-7	-266	-167	-222
Recoveries from previous years' established loan losses	15	55	33	93	194	225
Recovered provisions no longer necessary for anticipated loan losses	21	31	60	113	169	264
<b>Net expense for the period</b>	<b>-104</b>	<b>12</b>	<b>24</b>	<b>-133</b>	<b>29</b>	<b>-19</b>
<i>Collective provisions for loans assessed individually</i>						
<b>Allocations/withdrawals from collective provisions</b>	<b>-73</b>	<b>-71</b>	<b>71</b>	<b>-137</b>	<b>189</b>	<b>319</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	-20	-21	-13	-57	-46	-61
Recoveries from previous years' established loan losses	4	7	3	18	7	9
Allocations to/withdrawals from loan loss reserve	-17	-18	-12	-48	-18	-17
<b>The period's net expense for collectively valued homogenous claims</b>	<b>-33</b>	<b>-32</b>	<b>-22</b>	<b>-87</b>	<b>-57</b>	<b>-69</b>
<i>Contingent liabilities</i>						
<b>The period's net expense for discharged guarantees and other contingent liabilities</b>	<b>-14</b>	<b>-7</b>	<b>-2</b>	<b>-27</b>	<b>-7</b>	<b>-5</b>
<b>The period's net loan loss expense</b>	<b>-224</b>	<b>-98</b>	<b>71</b>	<b>-384</b>	<b>154</b>	<b>226</b>
<b>Change in the value of property taken over</b>	<b>-6</b>	<b>-4</b>	<b>-4</b>	<b>3</b>	<b>-21</b>	<b>-21</b>
<b>Total loan losses, net and change in value of property taken over</b>	<b>-230</b>	<b>-102</b>	<b>67</b>	<b>-381</b>	<b>133</b>	<b>205</b>
Parent company SEKm	Q3 2007	Q2 2007	Q3 2006	Jan-Sep 2007	Jan-Sep 2006	Full-year 2006
<i>Loans assessed individually</i>						
The period's write-off for established loan losses	-21	-85	-83	-147	-278	-398
Reversal of previous provisions for anticipated loan losses reported in the period's accounts as established losses	8	60	24	98	134	171
The period's provisions for anticipated loan losses	-49	-16	3	-89	-74	-118
Recoveries from previous years' established loan losses	5	17	13	27	112	124
Recovered provisions no longer necessary for anticipated loan losses	10	19	52	64	109	148
<b>Net expense for the period</b>	<b>-47</b>	<b>-5</b>	<b>9</b>	<b>-47</b>	<b>3</b>	<b>-73</b>
<i>Collective provisions for loans assessed individually</i>						
<b>Allocations/withdrawals from collective provisions</b>	<b>64</b>	<b>-15</b>	<b>145</b>	<b>99</b>	<b>401</b>	<b>590</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	-11	-11	-9	-30	-33	-43
Recoveries from previous years' established loan losses	0	0	0	0	0	0
Allocations to/withdrawals from loan loss reserve	-4	-6	-2	-15	-2	7
<b>The period's net expense for collectively valued homogenous claims</b>	<b>-15</b>	<b>-17</b>	<b>-11</b>	<b>-45</b>	<b>-35</b>	<b>-36</b>
<i>Contingent liabilities</i>						
<b>The period's net expense for discharged guarantees and other contingent liabilities</b>	<b>-13</b>	<b>-4</b>	<b>0</b>	<b>-30</b>	<b>3</b>	<b>20</b>
<b>The period's net loan loss expense</b>	<b>-11</b>	<b>-41</b>	<b>143</b>	<b>-23</b>	<b>372</b>	<b>501</b>
<b>Change in the value of property taken over</b>	<b>-6</b>	<b>-4</b>	<b>-4</b>	<b>3</b>	<b>-21</b>	<b>-22</b>
<b>Total loan losses, net and change in value of property taken over</b>	<b>-17</b>	<b>-45</b>	<b>139</b>	<b>-20</b>	<b>351</b>	<b>479</b>

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

SEKm	Group			Parent company		
	Sep 30 2007	Dec 31 2006	Sep 30 2006	Sep 30 2007	Dec 31 2006	Sep 30 2006
Book value (before recognized provisions)	1,303,913	1,110,595	1,103,825	753,362	598,037	604,743
Specific provisions for individually assessed claims	-727	-681	-719	-350	-423	-456
Provisions for collectively valued homogeneous groups of claims with limited value and similar credit risk	-164	-124	-160	-82	-67	-75
Collective provisions for individually assessed claims	-2,859	-2,374	-2,549	-1,136	-1,235	-1,424
<b>Total provisions</b>	<b>-3,750</b>	<b>-3,179</b>	<b>-3,428</b>	<b>-1,568</b>	<b>-1,725</b>	<b>-1,955</b>
<b>Book value</b>	<b>1,300,163</b>	<b>1,107,416</b>	<b>1,100,397</b>	<b>751,794</b>	<b>596,312</b>	<b>602,788</b>
Book value of impaired loans	1,819	825	954	564	323	427
<b>Property taken over to protect claims:</b>						
- Buildings and land	0	1	1	0	0	0
- Shares and participating interests	40	40	40	35	36	36
- Other	2	2	2	0	0	0
<b>Total</b>	<b>42</b>	<b>43</b>	<b>43</b>	<b>35</b>	<b>36</b>	<b>36</b>
Impaired loans as % of total lending	0.14	0.07	0.09	0.08	0.05	0.07
Total provision ratio for impaired loans, % *	138	195	187	158	212	204
Provision ratio for individually identified impaired loans, %	33	50	48	43	60	55

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

## Credit risks

Group Sector/branch Sep 30, 2007 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 individuals	539,296	49	279	164	538,804	288
Real estate management	208,107	99	230		207,778	164
Retail, hotels, restaurants	40,741	83	391		40,267	122
Construction	15,705	45	70		15,590	46
Manufacturing	35,513	134	387		34,992	152
Transportation	20,330	21	96		20,213	91
Forestry and agriculture	49,067	25	66		48,976	80
Other service businesses	45,064	17	171		44,876	63
Other corporate lending	78,096	246	1,168		76,682	776
Municipalities, excl. municipal corporates	14,773				14,773	
<b>Lending</b>	<b>1,046,692</b>	<b>719</b>	<b>2,858</b>	<b>164</b>	<b>1,042,951</b>	<b>1,782</b>
Credit institutions incl. Nat'l Debt Office	93,315	8	1		93,306	37
Repurchase agreements - credit institutions incl. Nat'l Debt Office	126,411				126,411	
Repurchase agreements - public	37,495				37,495	
<b>Total lending to credit institutions and the public</b>	<b>1,303,913</b>	<b>727</b>	<b>2,859</b>	<b>164</b>	<b>1,300,163</b>	<b>1,819</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 foreign currencies.

<b>Group</b>			
<b>Sep 30, 2007</b>			
<b>SEKm</b>	<b>Interest related</b>	<b>Currency related</b>	<b>Equity related, etc.</b>
Derivatives with positive book values	18,893	14,984	6,310
Derivatives with negative book values	20,880	22,284	5,765
Nominal amount	7,323,149	1,094,368	87,371

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

## Number of shares in issue

<b>Number of shares in issue</b>	<b>Q3</b>	<b>Q2</b>	<b>Q3</b>	<b>Full-year</b>
	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
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

<b>Number of shares in issue</b>	<b>Sep 30</b>	<b>Dec 31</b>	<b>Sep 30</b>
	<b>2007</b>	<b>2007</b>	<b>2006</b>
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

<b>Number of full-time employees</b>	<b>Sep 30</b>	<b>Dec 31</b>	<b>Sep 30</b>
	<b>2007</b>	<b>2006</b>	<b>2006</b>
Swedish Banking	6,190	6,239	6,227
Baltic Banking	9,112	8,209	7,998
<i>Estonia</i>	3,227	2,941	2,912
<i>Latvia</i>	2,501	2,241	2,156
<i>Lithuania</i>	3,384	3,027	2,930
Swedbank Markets	718	668	667
Asset Management and Insurance	327	281	269
International Banking	3,747	332	286
<i>Ukraine</i>	3,301		
<i>Russia</i>	325	233	192
<i>Nordic branches and Luxemburg</i>	113	90	84
<i>Other</i>	8	9	10
Shared Services & Group Staff	1,656	1,670	1,664
<b>Total</b>	<b>21,750</b>	<b>17,399</b>	<b>17,111</b>

## **The signatures of the Board of Directors and the President**

The Board of Directors and the President assure that the interim report for the period January 1 to September 30, 2007 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, October 24, 2007

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

Anders Nyblom  
Board Member

Caroline Sundewall  
Board Member

Gith Bengtsson  
Board Member  
Employee Representative

Monica Hellström  
Board Member  
Employee Representative

Jan Lidén  
President

## **Review report**

### **Introduction**

We have reviewed the interim report for the period January 1, 2007 to September 30, 2007 for Swedbank AB (publ). The Board of Directors and the CEO are responsible for the preparation and presentation of this interim financial information 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 financial information 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 accompanying interim financial information 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, October 24, 2007

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>.

Swedbank will announce results on the following dates in 2008:

Year-end report for 2007, February 14

Interim report first quarter 2008, April 24

Interim report second quarter 2008, July 17

Interim report third quarter 2008, October 23.

## **Annual General Meeting 2008**

The Annual General Meeting will be held in Stockholm on April 25, 2008.

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