Interim report Q2 2008

17 July 2008

Jan Lidén
President and CEO

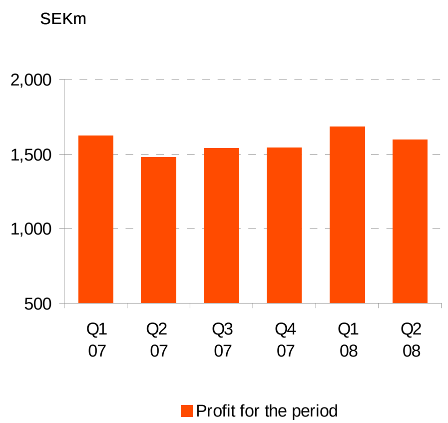
Continued solid results

- Continued solid results in all business areas
  - Net profit for the period Jan-Jun increased by 8 percent to SEK 6 504m (6 022)
- Conversion to covered bonds on 21 April – decreased spreads, increased liquidity and facilitated funding
- New capital adequacy objective for full Basel 2 – Tier 1 capital ratio is to be 8.5-9.0 percent

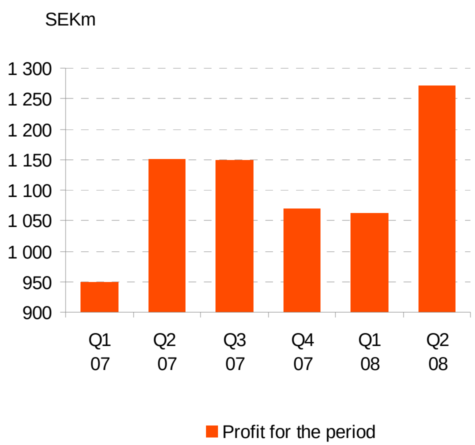
- Credit quality remains good and in line with expectations
- The macro environment in the Baltic states has deteriorated compared with expectations in Q1, affected by a weaker European economy
- Net gains and losses on financial items were positively affected by unrealized valuation effects – valuation volatility expected to decrease as from Q3 2008.

H1 2008 – best half-year so far

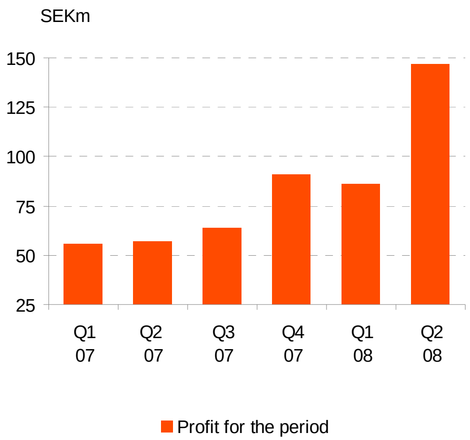
Swedish Banking



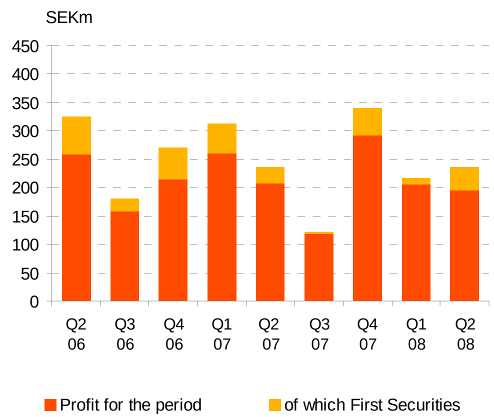
Baltic Banking



International Banking



Swedbank Markets



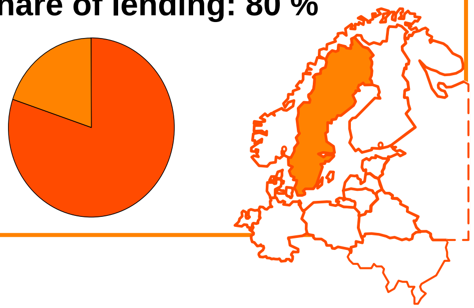
Initiatives in line with our strategy

Sweden

- Structural initiatives – operation and branches
- Channel management
- Corporate market and metropolitan areas
- Private banking, life and pension, environmentally friendly products and services

Stable base

Share of lending: 80 %

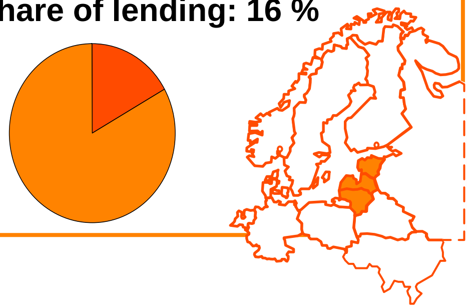


Baltics

- Productivity improvement
- Cross-border capabilities
- IT management and development
- Corporate sector – leverage on pan-Baltic position
- Broaden customer offerings
- Re-branding starting in autumn

Growth and experience

Share of lending: 16 %

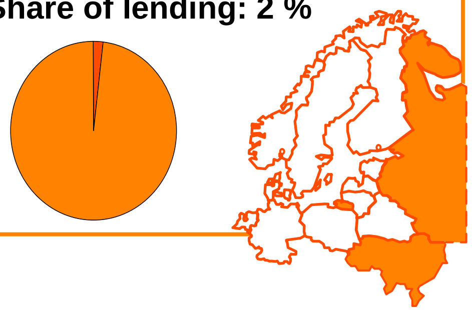


Ukraine and Russia

- Build-up of critical functions and growth management
- Grow distribution network - ATMs, branches and agency network
- Broaden product range
- Re-branding completed
- Capture future growth

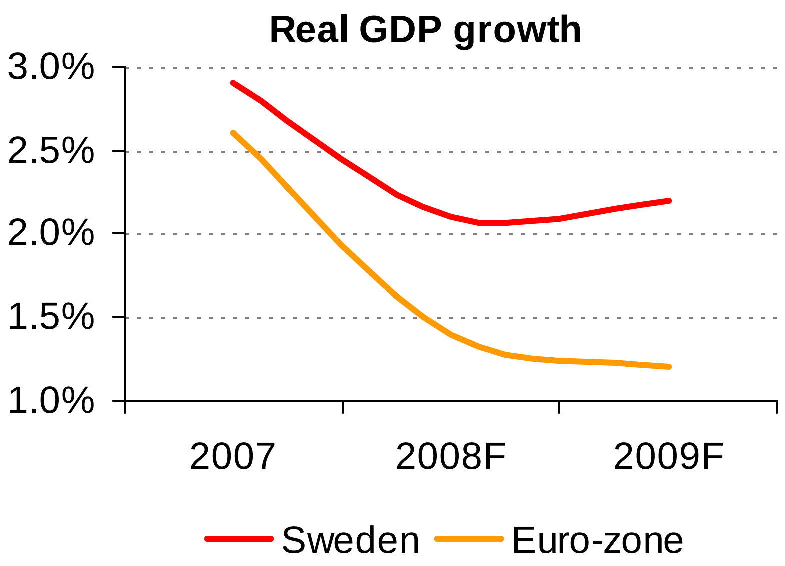
Future growth and profitability

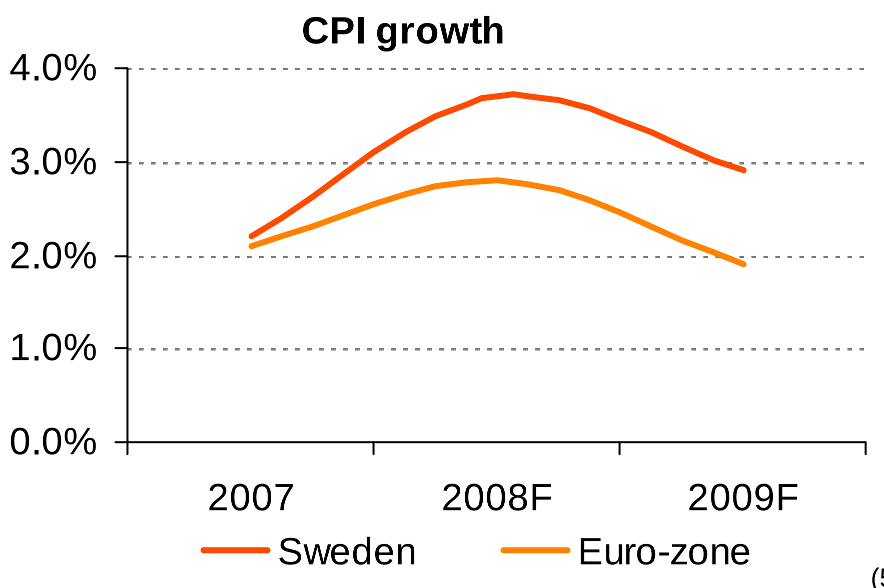
Share of lending: 2 %



A slowing Swedish economy

- The Swedish economy has performed better than the EU average. However, GDP growth, CPI and other indicators show that the Swedish economy will grow more slowly in the next few quarters
- Higher inflation, rising interest rates and weaker disposable income for households are expected to lead to weakening household consumption and credit growth.

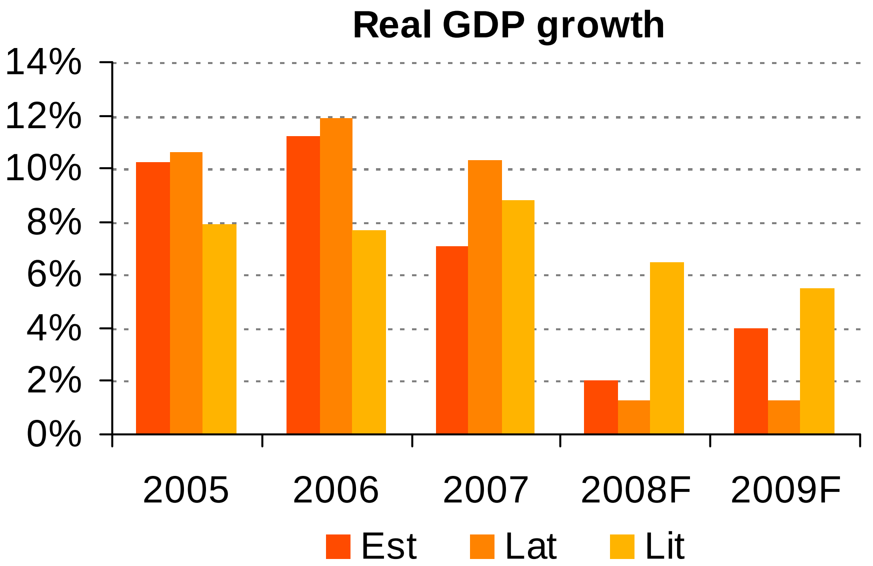


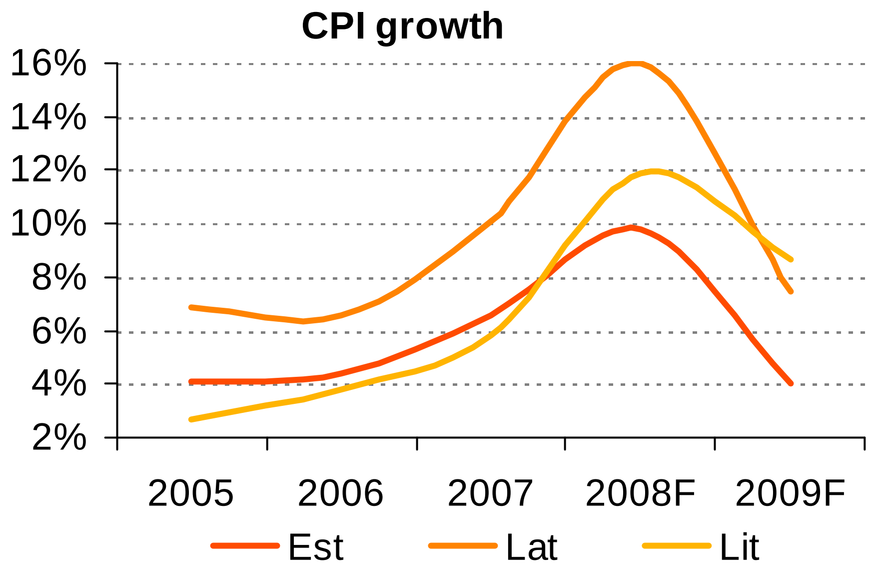


Source: Swedbank, Economic Secretariat

Baltic macro development weaker than expected

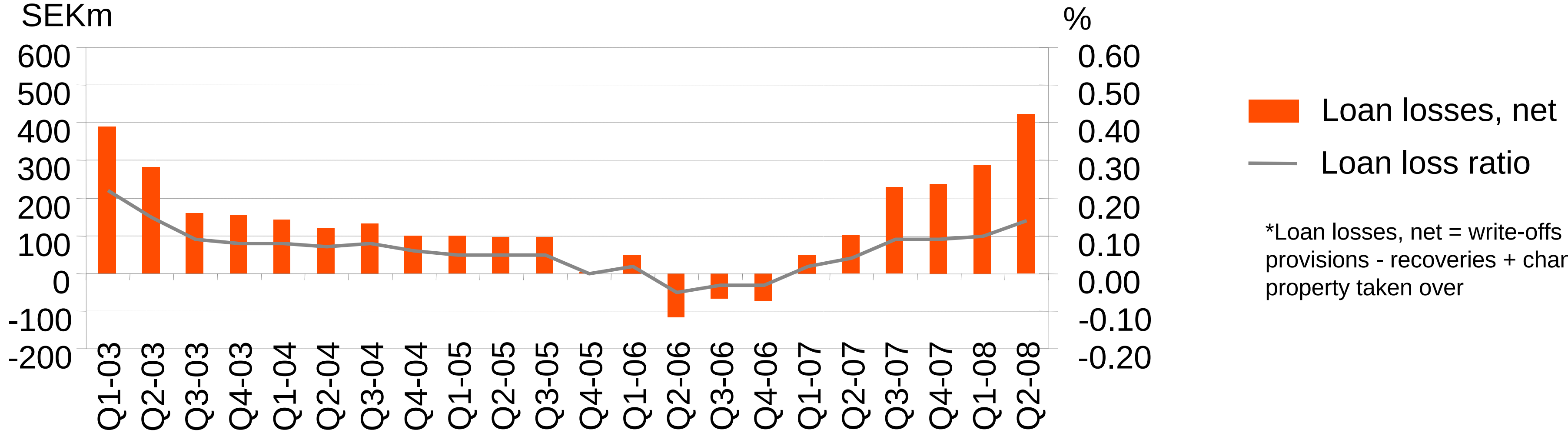
- Economic slowdown in Estonia continues: GDP growth will slow to about 2% in 2008 and recover to 4% in 2009 if global economic developments improve and price growth slows
- In Latvia growth will slow to about 1.3% in 2008 and 2009, the bottom of the cycle is expected to be in winter 2008/2009
- The slowdown in Lithuania is expected to be modest: growth of about 6.5% is expected in 2008 and about 5.5% in 2009
- Export growth remains relatively strong, while weak domestic demand dampens imports. Trade and current account deficits are falling. The CPI has started to show signs of a slowdown, but external risks are high (oil, food).



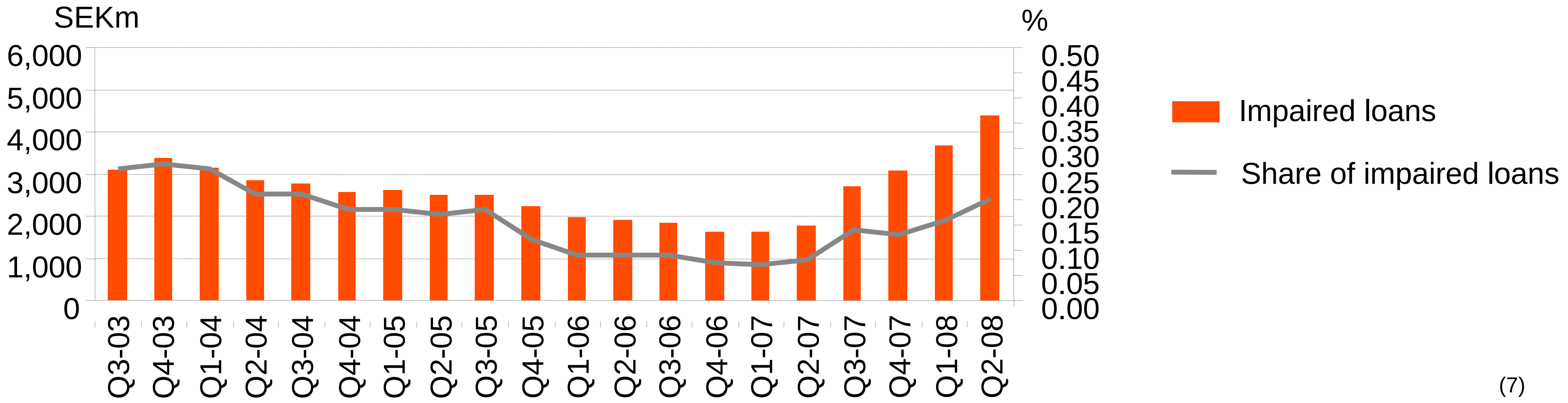


Source: Hansabank Markets

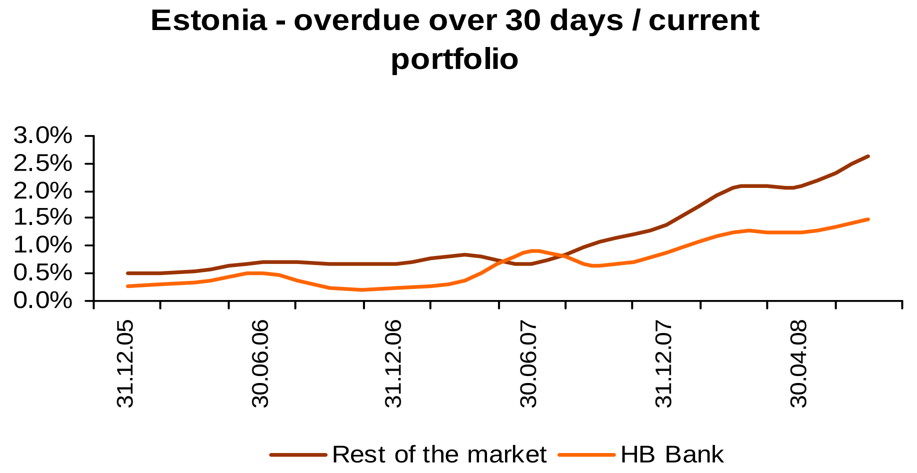
Credit quality, Group

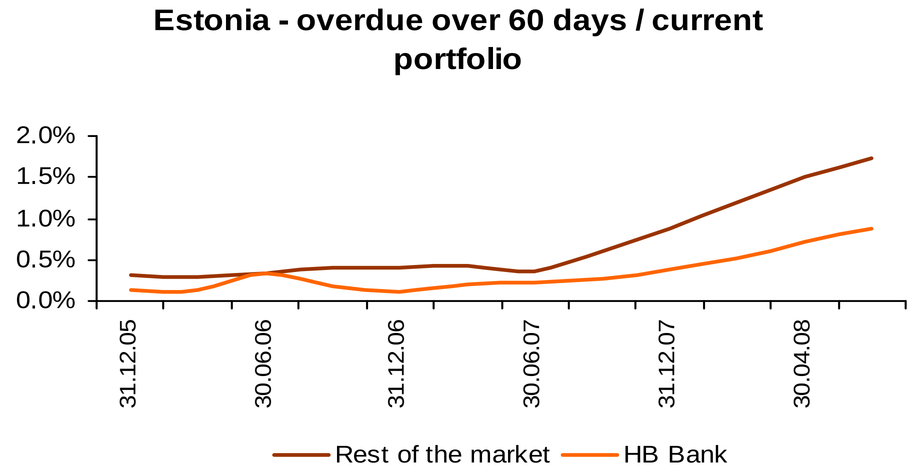


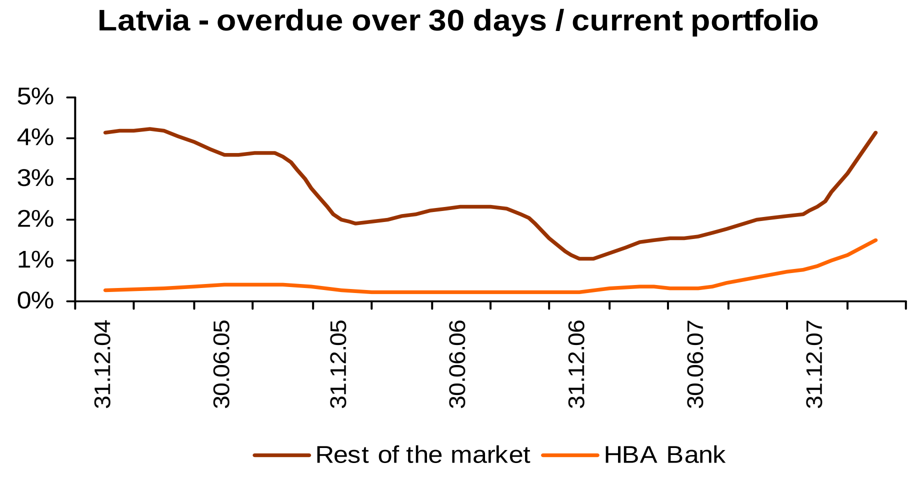
*Loan losses, net = write-offs + provisions - recoveries + change in property taken over

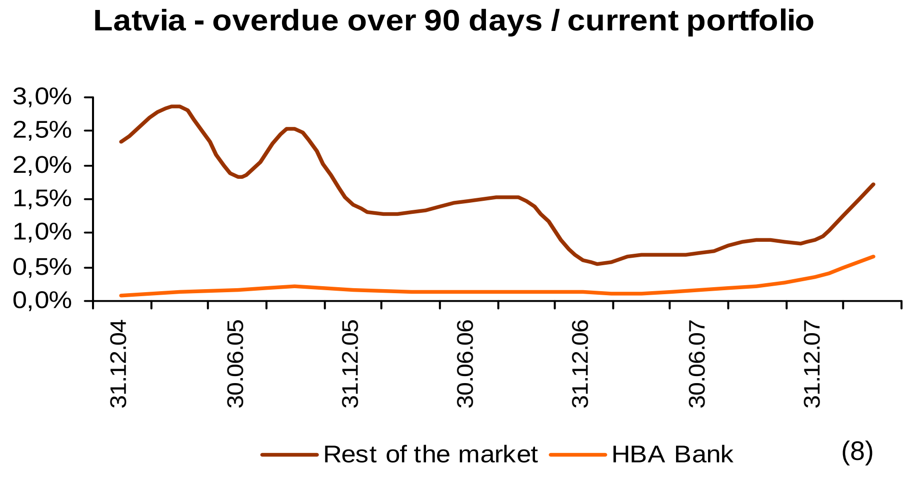


Baltic banking overdues vs market









Source: Swedbank, Bank of Estonia, and Financial and Capital Market Commission (Latvia)

Credit quality, Baltic Banking

Loan loss ratio, net*

	Q4 07	Q1 08	Q2 08	H1 08
Estonia	0.58%	0.38%	0.55%	0.48%
Latvia	0.63%	0.53%	0.73%	0.64%
Lithuania	0.10%	0.25%	0.30%	0.28%
Group level provision adjustment	*-0.18%*			
Baltic Banking	**0.28%**	**0.39%**	**0.54%**	**0.47%**

*Loan loss ratio, net = (changes in provisions + net write-offs) / credit portfolio at the beginning of the period

Overdue ratio (more than 60 days)*

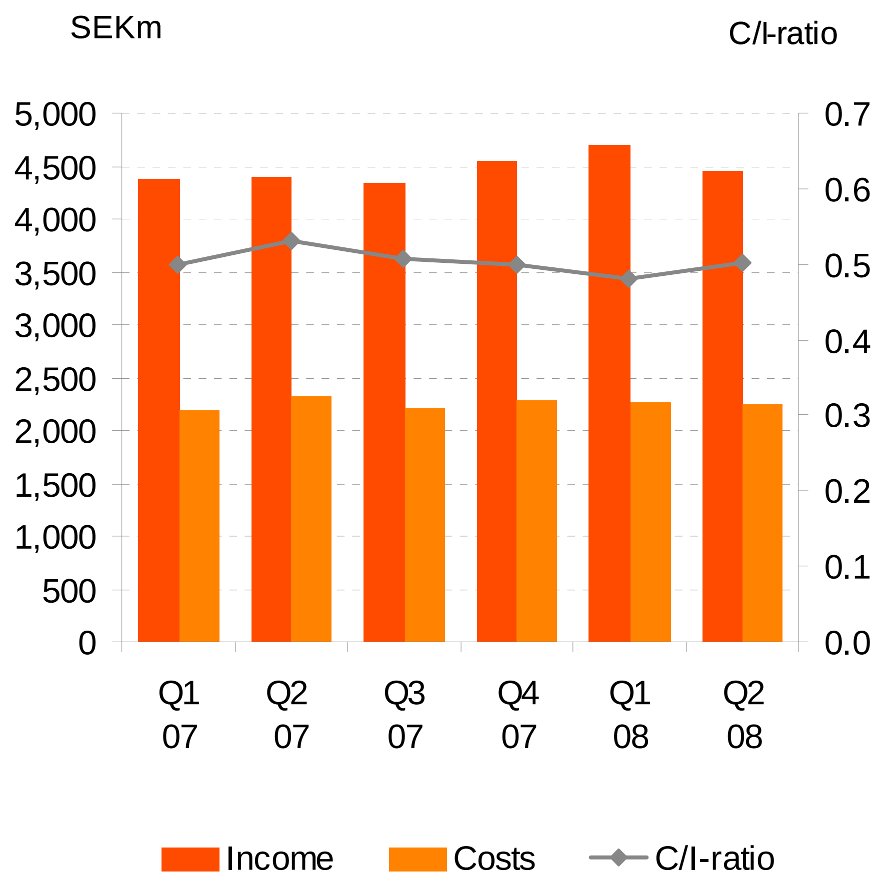
	Q4 07	Q1 08	Q2 08
Corporate	0.65%	0.79%	1.24%
Private	0.75%	0.92%	1.11%
Baltic Banking	**0.71%**	**0.86%**	**1.20%**

*Overdue ratio (more than 60 days) = volume of loans more than 60 days overdue /12 month-old credit portfolio

Accounting and valuation effects

Accounting and valuation effects, SEKm	Q2 2008	Q1 2008	Q4 2007
Swedbank Markets	0	– 187	– 40
Group Treasury, intra-group lending	419	– 253	20
Swedbank Mortgage	29	– 22	66
Group Treasury, liquidity portfolio	– 4	53	– 5

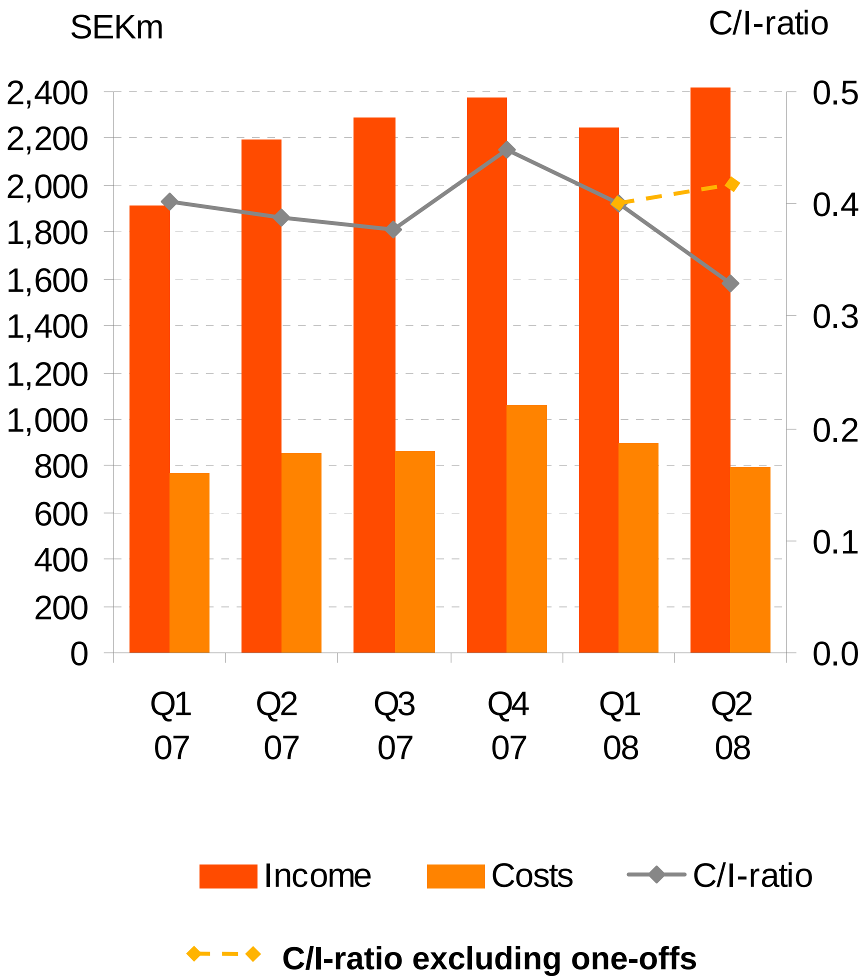
Swedish Banking



- Continued strong corporate lending growth
- Mortgage lending growth has started to decline
- Overall stable lending margins
  - Back book mortgage margin stabilizing. New lending shows increasing margin
  - Corporate margins are increasing slowly
- Deposit margins decreased as a result of mix effects
- Continued increase in card volumes
- Capital gain of SEK 101m from sale of MasterCard shares
- Continued strong credit quality
  - Stable low LTV ratio at 43% in Swedbank Mortgage
  - Only 1.5% of the lending in Swedbank Mortgage has a LTV ratio over 75%.

Swedbank

Baltic Banking Operations

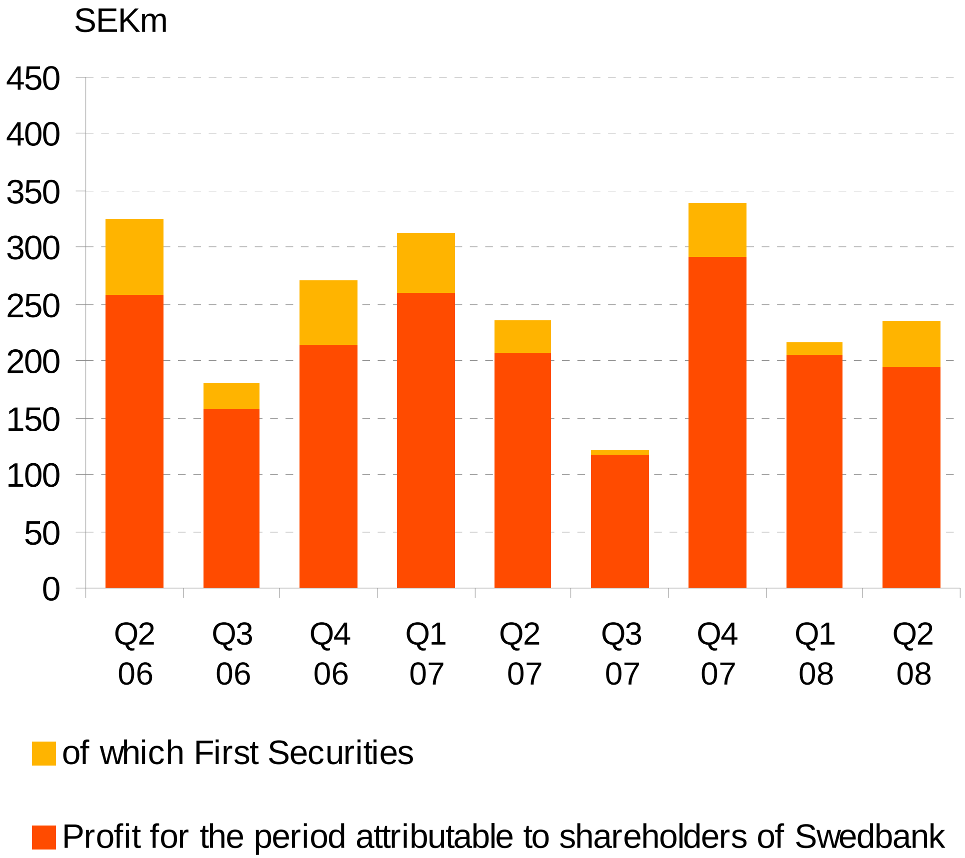


- Strong and stable income
- Lending margins decreased as a result of higher funding costs
- Deposit margins affected negatively by decreasing local interest rates and increased competition
- Capital gain of SEK 66m from the sale of PKK
- Profit based staff costs have been reduced by SEK 185m owing to lower provision requirements.

International Banking

- Annika Wijkström new head of International Banking
- Strong net interest income development
- Continued strong economic growth in Ukraine and Russia but with high inflation
- Ukrainian Banking operations
  - Continued high lending growth
  - Higher costs due to operational excellence projects and profit-based staff costs
- Russian Banking
  - Ownership transferred from Hansabank to Swedbank
  - Raimo Valo new CEO
  - Recovered tax on lease assets of SEK 19m
- Strong lending growth in the Nordic branches.

Swedbank Markets

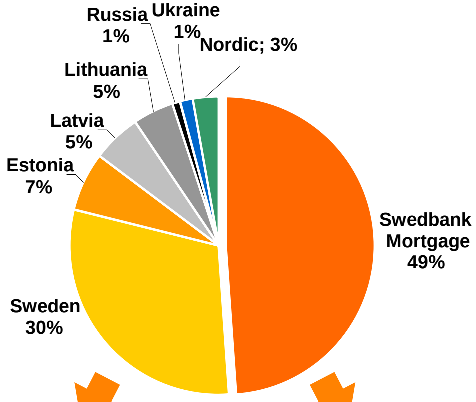


- Magnus Geeber new head of Swedbank Markets
- Good development in fixed income and FX trading despite difficult conditions at times
- Stable market share in equity trading and structured products but lower market activity
- Increased activity in Project and Corporate Finance compared with Q1
- Good performance in First Securities after a slow start to the year.

Swedbank lending and funding

Lending to the public, SEK 1,169bn

Swedbank Group, excl. Swedbank Mortgage SEK 596bn

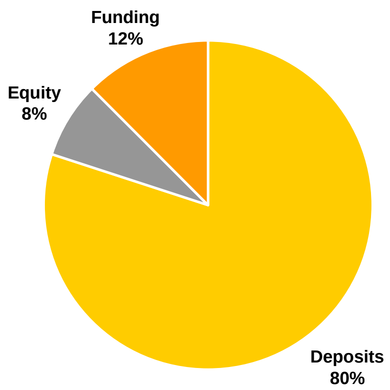


Swedbank Mortgage SEK 573bn
- Exclusively Swedish mortgage lending

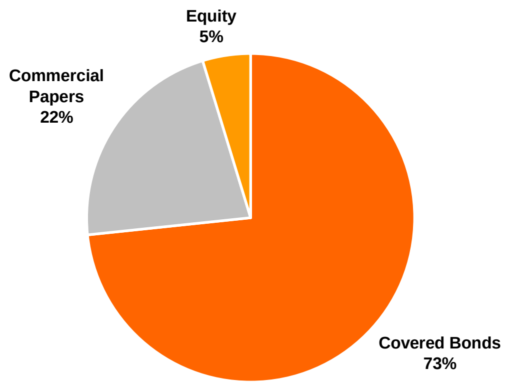
Distribution of Net Funding Need

Swedbank Treasury (excluding Mortgage)

- Large deposits
- Liquidity reserves
- Net lender in the interbank market
- Liquidity limits – conservative view



Swedbank Mortgage



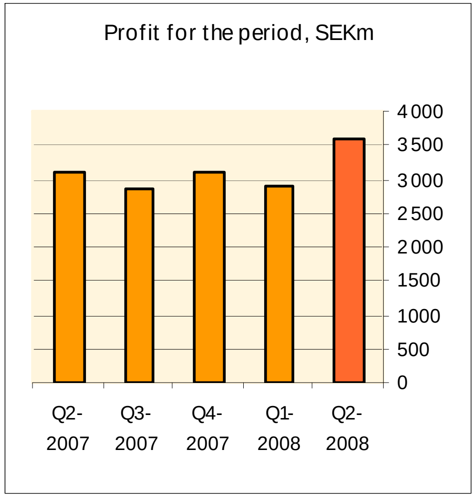
Swedbank Mortgage constitutes a larger part of Swedbank Group's balance sheet than other financial institutions

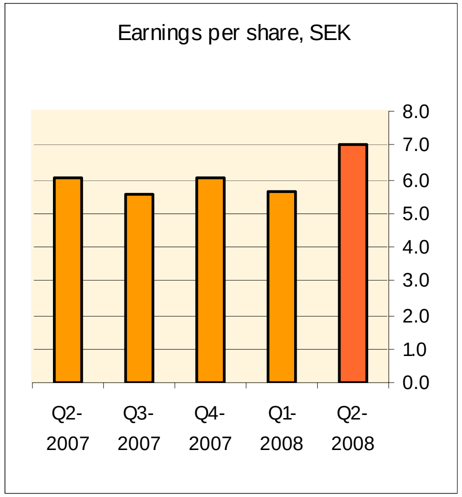
Swedbank

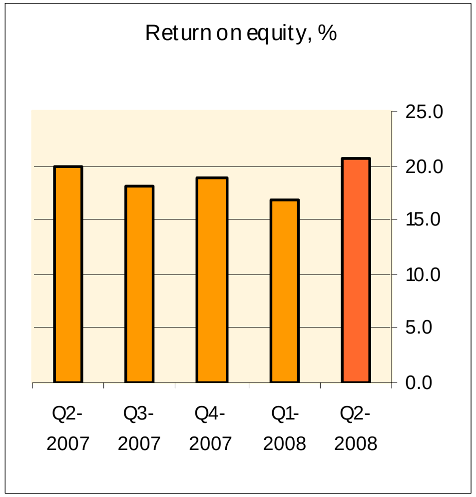
New capital adequacy target – mid-term

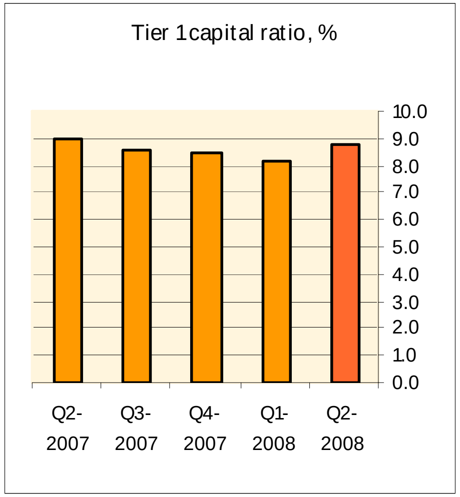
- New target:
  The capital ratios will at least meet the level that at any given time is considered appropriate to maintain sustainable financial stability and develop operations. Considering full effect of Basel 2, the Tier 1 capital ratio is to be 8.5-9.0%.
- Swedbank is currently well capitalized given the current risk profile and the risk development under an adverse scenario
- Swedbank is currently capitalized in line with European peers in full Basel 2
- In relative terms Swedbank has a low risk business model with a predominance of Swedish mortgage business and low counterparty risks, which indicates a lower than average Tier 1 capital ratio. Growing presence in Eastern Europe indicates higher Tier 1 capital ratio

Group results
Mikael Inglander
CFO


Profit for the period, SEKm
4 000
3 500
3 000
2 500
2 000
1500
1000
500
0
Q2-2007
Q3-2007
Q4-2007
Q1-2008
Q2-2008


Earnings per share, SEK
8.0
7.0
6.0
5.0
4.0
3.0
2.0
1.0
0.0
Q2-2007
Q3-2007
Q4-2007
Q1-2008
Q2-2008

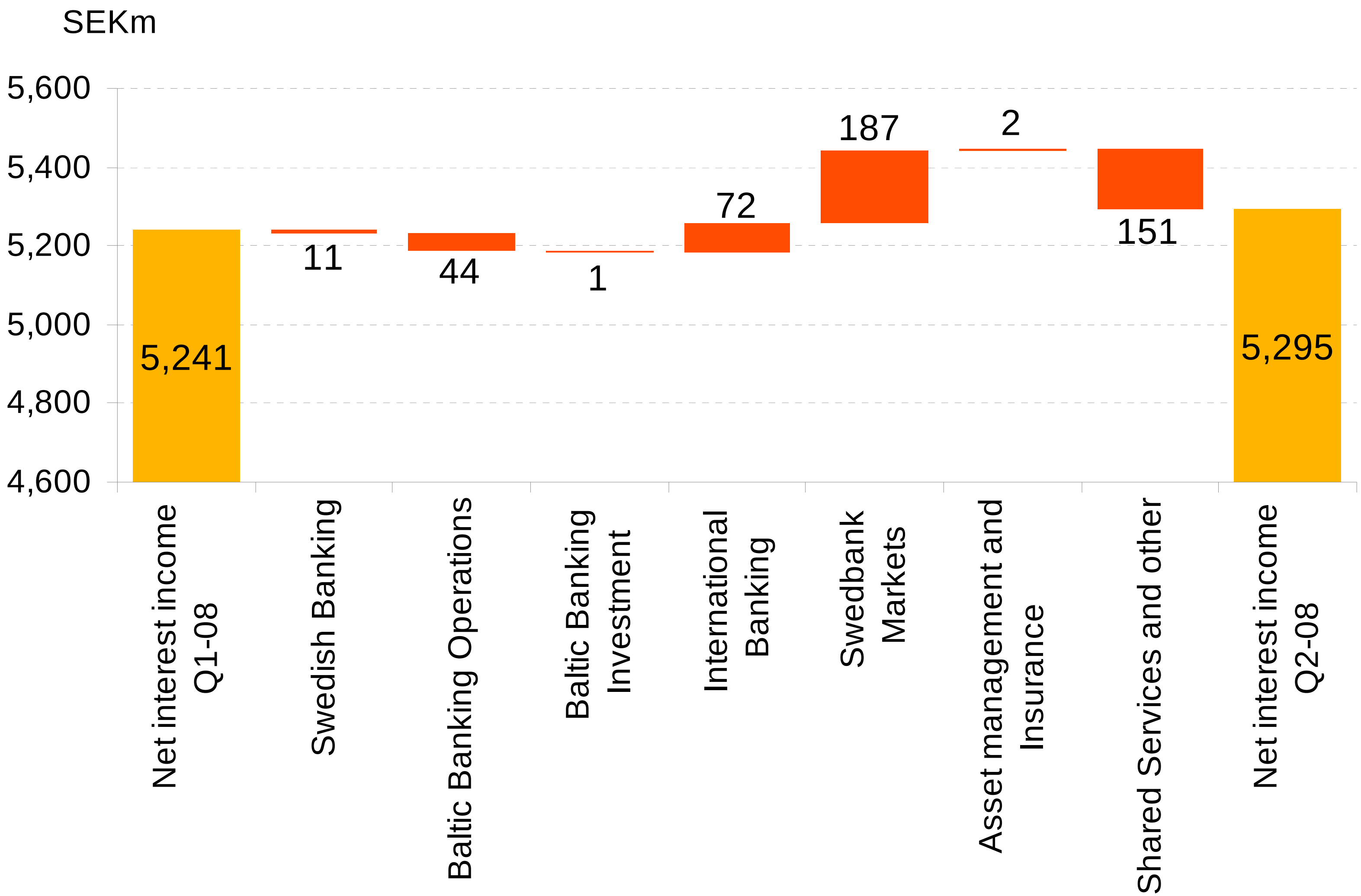

Return on equity, %
25.0
20.0
15.0
10.0
5.0
0.0
Q2-2007
Q3-2007
Q4-2007
Q1-2008
Q2-2008


Tier 1 capital ratio, %
10.0
9.0
8.0
7.0
6.0
5.0
4.0
3.0
2.0
1.0
0.0
Q2-2007
Q3-2007
Q4-2007
Q1-2008
Q2-2008

Income statement, Group

SEKm	Q2 2008	Q1 2008	%	Q2 2007	%
Net interest income	5,295	5,241	1	4,591	15
Net commission income	2,374	2,180	9	2,552	– 7
Net gains/losses on financial items at fair value	1,141	75		579	97
Other income	623	950	– 34	504	24
Total income	**9,433**	**8,446**	**12**	**8,226**	**15**
Staff costs	2,268	2,311	– 2	2,016	13
Profit-based staff costs	185	268	– 31	409	– 55
Other expenses	1,977	1,861	6	1,699	16
Total expenses	**4,430**	**4,440**	**– 0**	**4,124**	**7**
Profit before loan losses	5,003	4,006	25	4,102	22
Loan losses, net	423	288	47	102	
Operating profit	**4,580**	**3,718**	**23**	**4,000**	**15**
Tax	935	805	16	856	9
Profit for the period	3,645	2,913	25	3,144	16
Attributable to shareholders of Swedbank	**3,604**	**2,900**	**24**	**3,112**	**16**

Net interest income Q2-08 (Q1-08)



Swedish Banking, change in net interest income

SEKm	Q2 2008 vs Q1 2008	Q2 2008 vs Q2 2007
Net interest income Q1 2008	*2,982*	
Net interest income Q2 2007		*2,905*
Changes:		
Higher lending volumes	54	227
Unchanged lending margins		
Decreased lending margins		– 244
Higher deposit volumes	34	140
Decreased deposit margins	– 44	
Higher deposit margins		79
Other changes	– 55	– 136
Total change	**– 11**	**66**
Net interest income Q2 2008	*2,971*	*2,971*

Baltic Banking, change in net interest income

SEKm	Q2 2008 vs Q1 2008	Q2 2008 vs Q2 2007
Net interest income Q1 2008	*1,575*	
Net interest income Q2 2007		*1,377*
Changes:		
Higher lending volumes	33	214
Decreased lending margins	-92	-108
FX-effects, lending	-5	11
Higher deposit volumes	14	78
Decreased deposit margins	-76	-127
FX-effects, deposits	-3	8
Other changes	85	78
Total change	**– 44**	**154**
Net interest income Q2 2008	*1,531*	*1,531*

Net commission income, Group

SEKm	Q2 2008	Q1 2008	%	Q2 2007	%
Payments	839	793	6	743	13
Lending	199	136	46	178	12
Brokerage	188	213	– 12	242	– 22
Asset management	945	950	– 1	1,126	– 16
Insurance	71	68	5	80	– 11
Corporate finance	177	19		172	3
Other	– 45	1		11	
Total net commissions	**2,374**	**2,180**	9	**2,552**	– 7

Expenses

SEKm	Q2 2008	Q1 2008	%	Q2 2007	%
Swedish Banking	2,239	2,255	– 1	2,330	– 4
Baltic Banking	795	899	– 12	851	– 7
International Banking	349	309	13	113	
of which Ukrainian Banking	*197*	*150*	31		
Swedbank Markets	585	456	28	499	17
Asset Management & Insurance	206	253	– 19	239	– 14
Other	256	268	– 4	92	
Total expenses	**4,430**	**4,440**	**– 0**	**4,124**	**7**
of which staff costs in:					
Swedish Banking	1,017	1,099	– 7	1,084	– 6
Baltic Banking	343*	522	– 34	495	– 31
International Banking	177	157	13	64	
Swedbank Markets	390	258	51	318	23
Asset Management & Insurance	98	110	– 11	102	– 4

* Baltic Banking profit based staff costs have been reduced by SEK 185m owing to lower provision requirements.

Business areas

Q2 08 vs Q2 07 SEKm	Swedish Banking Q2 08	%	Baltic Banking Q2 08	%	International Banking Q2 08	%	Swedbank Markets Q2 08	%	Asset Mgmt Q2 08	%
Net interest income	2,971	2	1,531	11	441		476	61	27	13
Net commission income	1,057	-5	478	0	55	38	352	– 8	432	– 15
Other income	425	12	405	18	132		138	– 29	68	33
Total income	**4,453**	**1**	**2,414**	**10**	**628**		**966**	**11**	**527**	**– 10**
Staff costs	1,017	– 6	343	– 31	177		390	23	98	– 4
Other expenses	1,222	– 2	452	27	172		198	8	108	– 21
Total expenses	**2,239**	**– 4**	**795**	**– 7**	**349**		**585**	**17**	**206**	**– 14**
Profit before loan losses	2,214	7	1,619	20	279		381	2	321	– 7
Loan losses	85		245		93		0		0	
Operating profit	**2,129**	**4**	**1,374**	**8**	**186**		**381**	**3**	**321**	**-7**
Net shareholders' profit	**1,601**	**8**	**1,272**	**10**	**147**		**235**	**0**	**244**	**– 6**
Return on allocated equity, %	22.1		34.8		7.8		23.3		44.7	

Swedbank

Key figures

	Jan-Jun 2008	Jan-Jun 2007
Return on equity, %	18.7	19.5
Earnings per share, SEK	12.62	11.68
Equity per share, SEK	135.81	120.23
C/I ratio before loan losses	0.50	0.50
Loan loss ratio, net, %	0.12	0.03
Share of impaired loans, %	0.20	0.08
Tier 1 capital ratio, new rules, %	8.8	9.0
Tier 1 capital ratio, transition rules, %	6.7	6.7
Capital adequacy ratio, new rules, %	12.6	13.4

Continued solid results

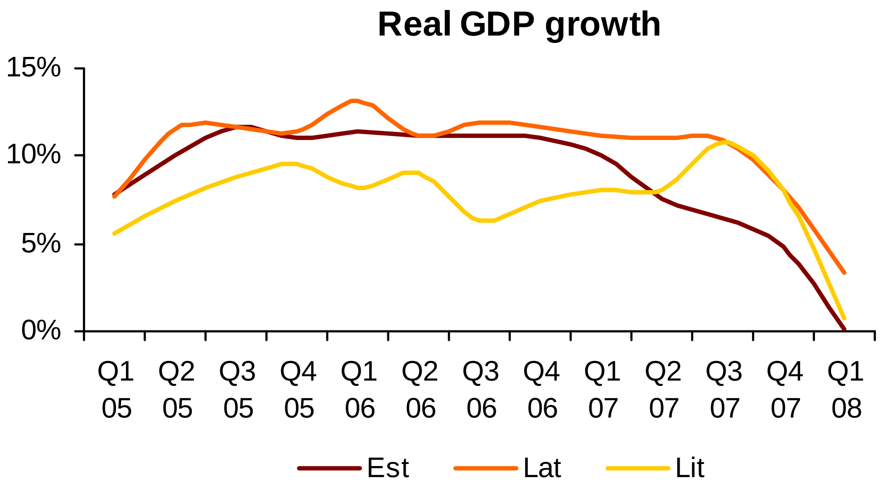
- Continued solid results in all business areas
  - Net profit for the period Jan-Jun increased by 8 percent to SEK 6 504m (6 022)
- Conversion to covered bonds on 21 April – decreased spreads, increased liquidity and facilitated funding
- New capital adequacy objective for full Basel 2 – Tier 1 capital ratio is to be 8.5-9.0 percent
- Credit quality remains good and in line with expectations
- The macro environment in the Baltic states has deteriorated compared with expectations in Q1, affected by a weaker European economy
- Net gains and losses on financial items were positively affected by unrealized valuation effects – valuation volatility expected to decrease as from Q3 2008.

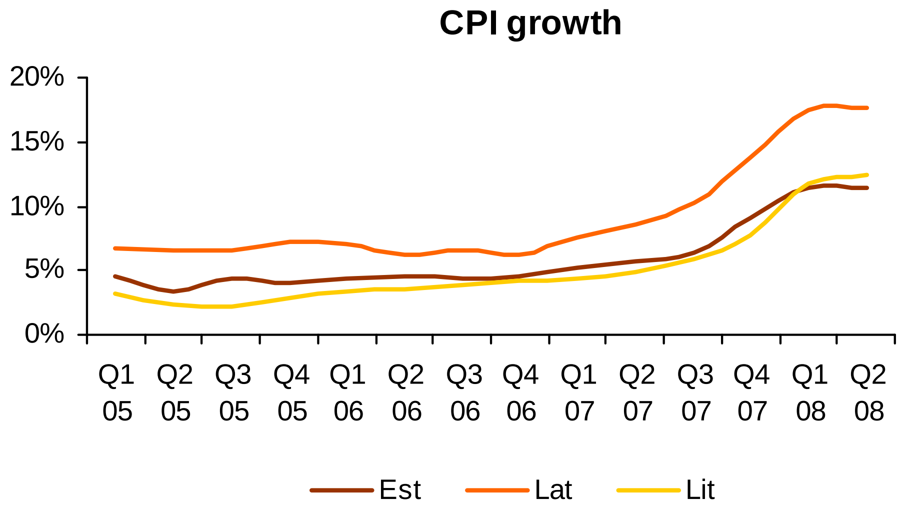
Appendix

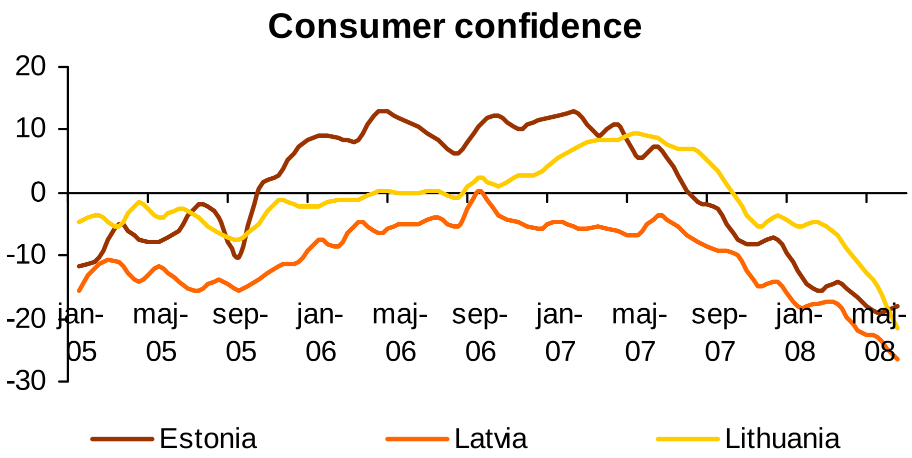
Exposure FAQ

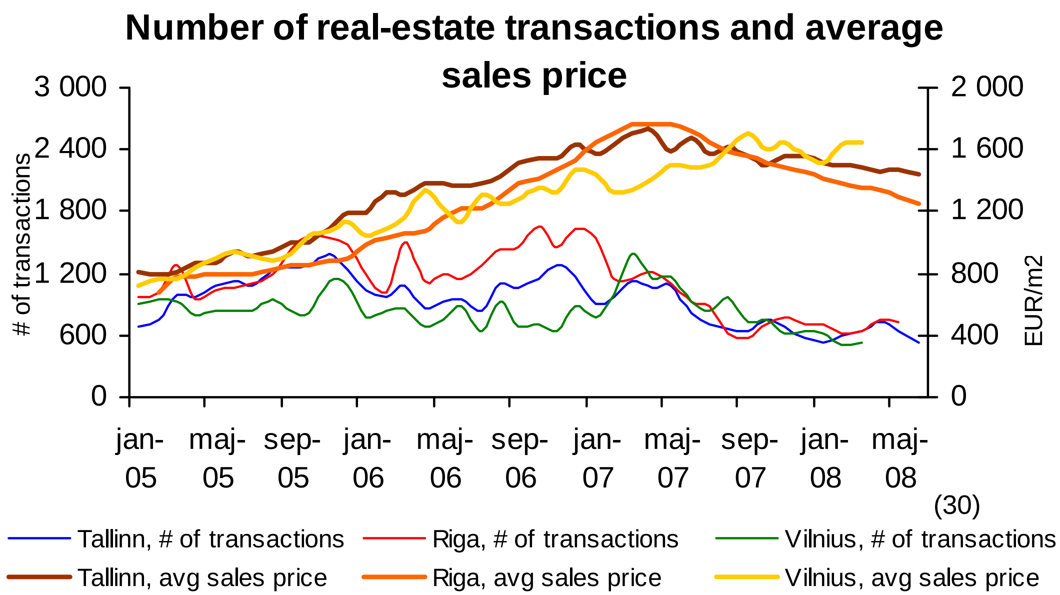
- No direct US Sub-Prime exposure
  - Minimal indirect exposure through investments of EUR 23.4m in bonds issued by US mortgage institutions who, in their turn, have exposures towards US sub-prime
- Total exposure to structured credits is minimal
  - Total commitments towards conduits or SIVs is EUR 127m
    - The exposure has originated when reshaping an existing loan in order to gain better collateral, lower risk and higher margin
  - Negligible exposure to CDOs
    - Swedbank holds a very small CDO trading stock for client trades in CDOs which we have issued ourselves with mainly large Caps as underlying risk
    - Total holdings were EUR 21m at end Q2
  - Exposure to Mortgage Backed Securities is about EUR 648m
    - European Aaa and mainly residential (RMBS)
    - Held for EUR liquidity purposes and client trading
- Hedge fund exposure is about EUR 150m, all collateralized
- Exposure towards private equity firms and their target companies is about EUR 1 375m in total
  - Nordic related LBOs
- In total, the above mentioned exposures represent less than 1.5% of total assets

Main Baltic macro indicators

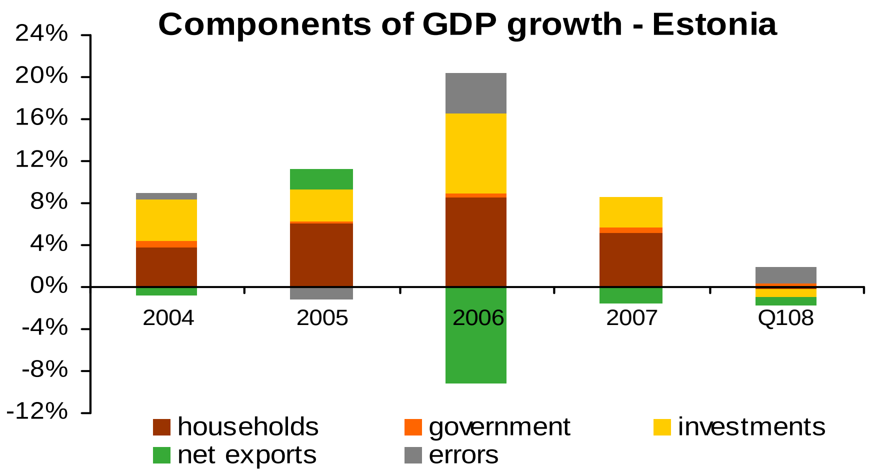


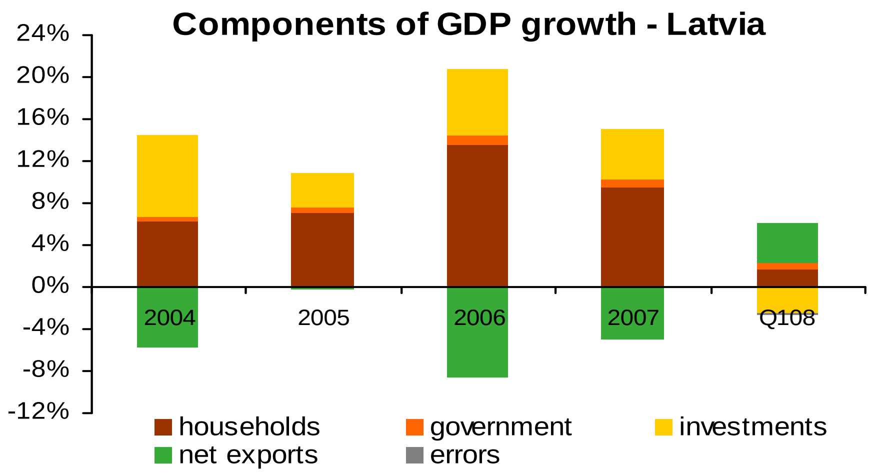


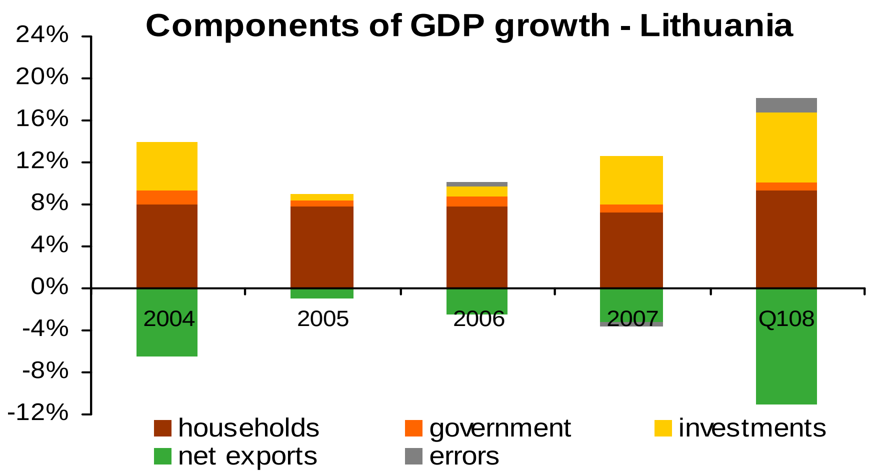




GDP growth components

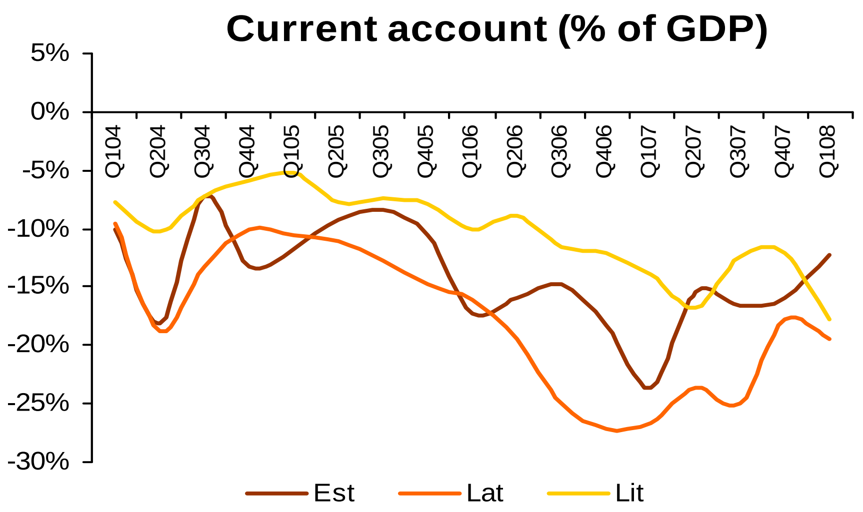


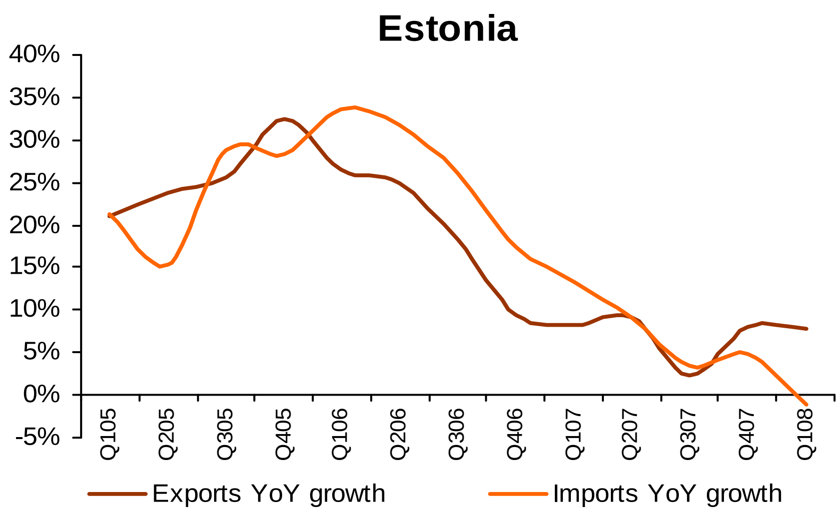


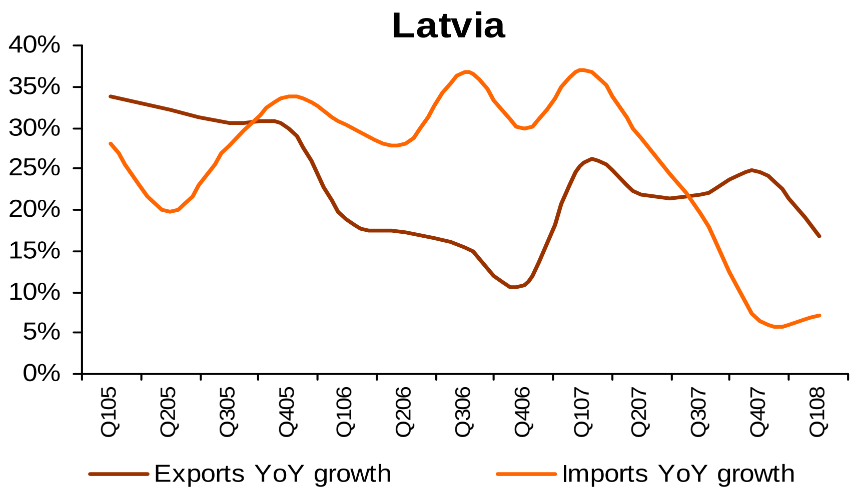


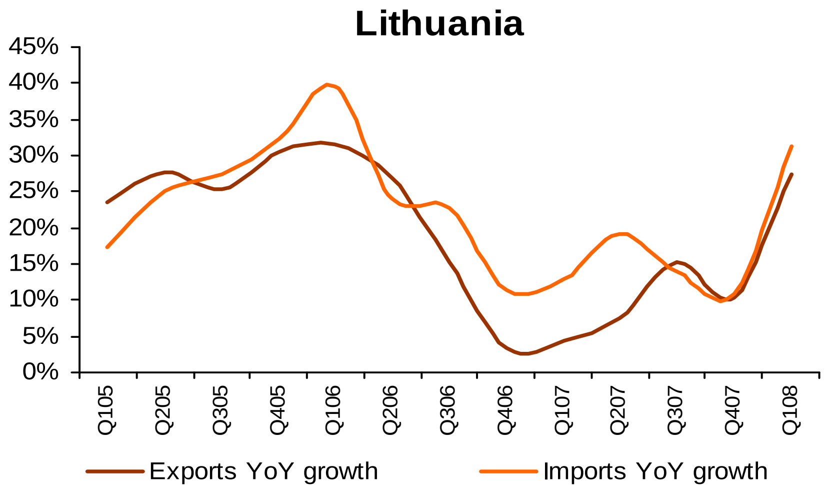
* Please note that Q1 08 data for GDP growth components are initial figures that can change as new information becomes available

Baltic current account deficit

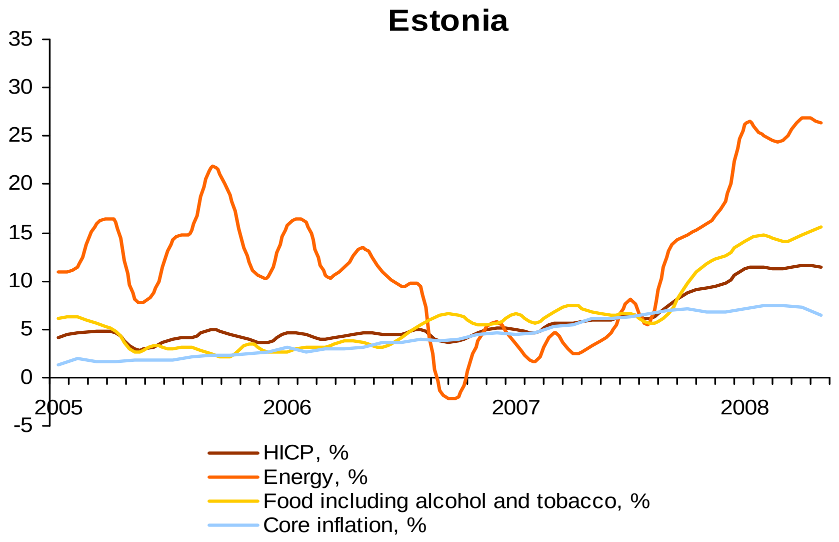


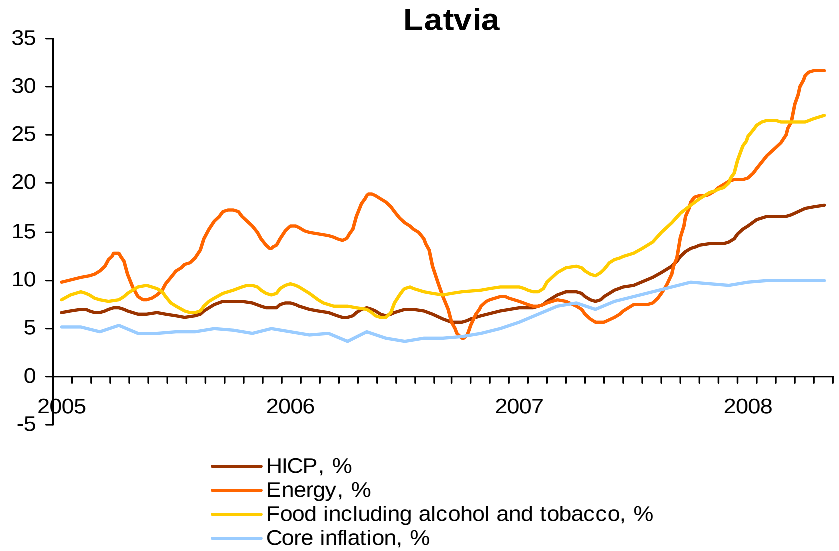


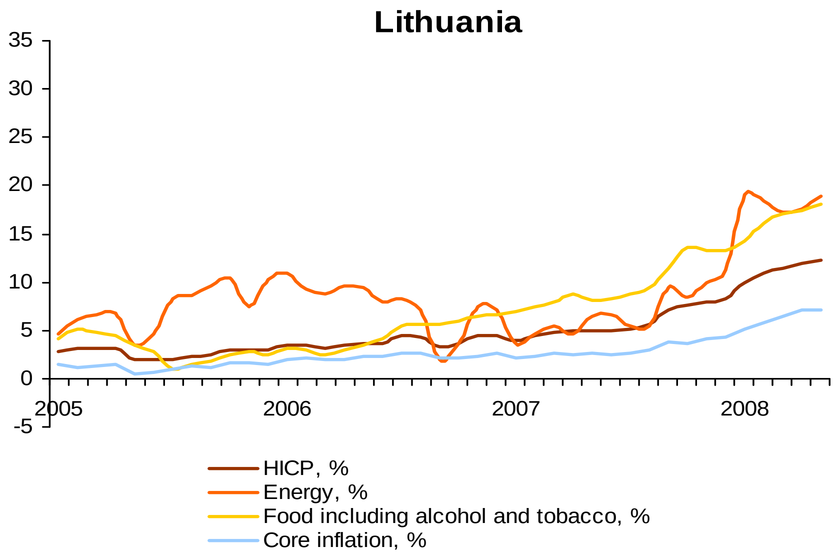




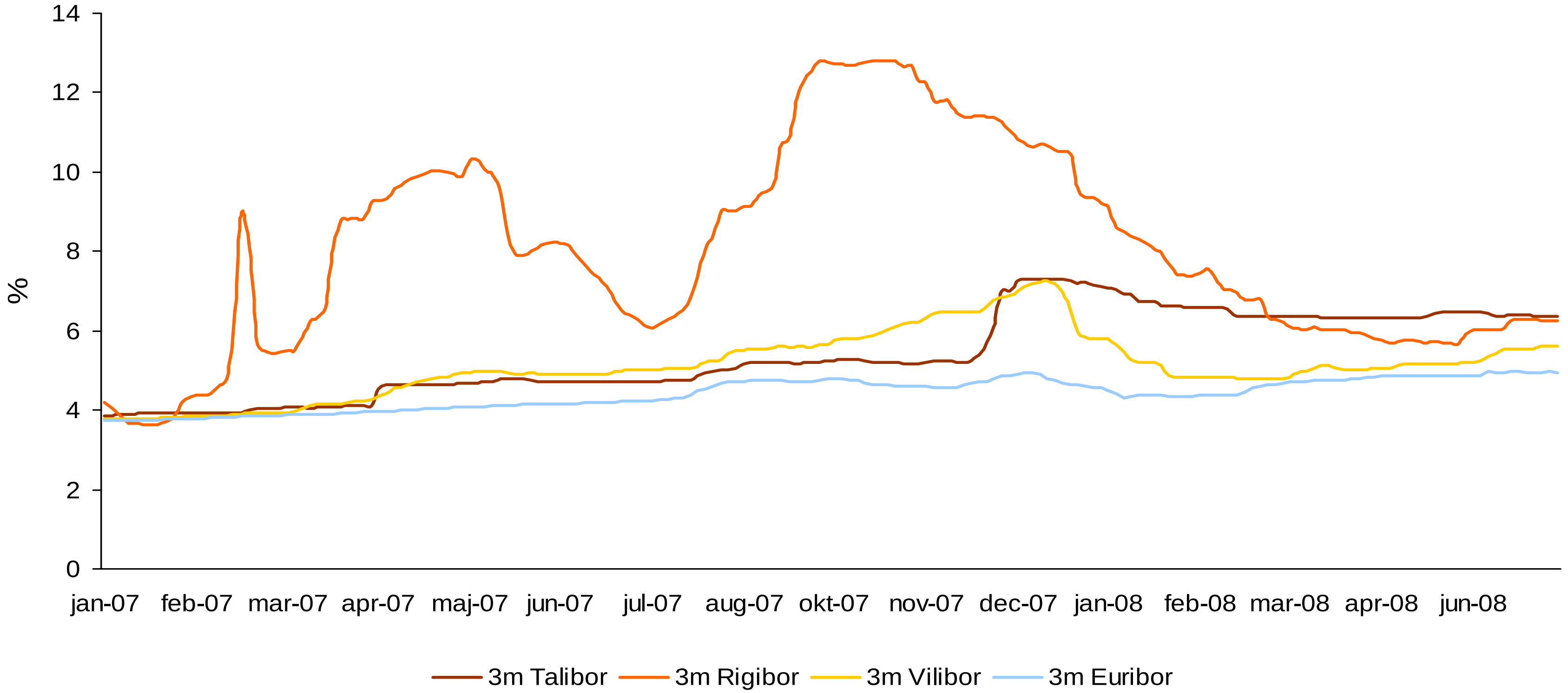
Baltic consumer price index



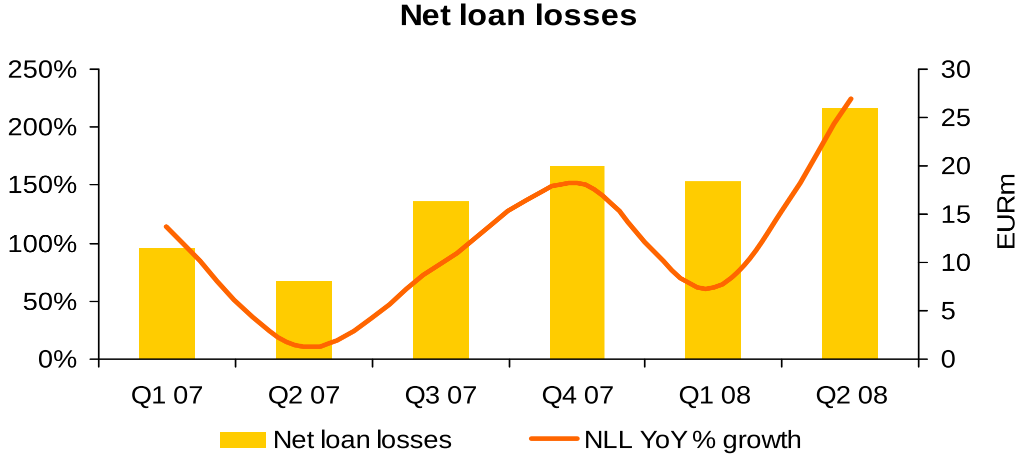




Talibor, Rigibor, Vilibor, Euribor



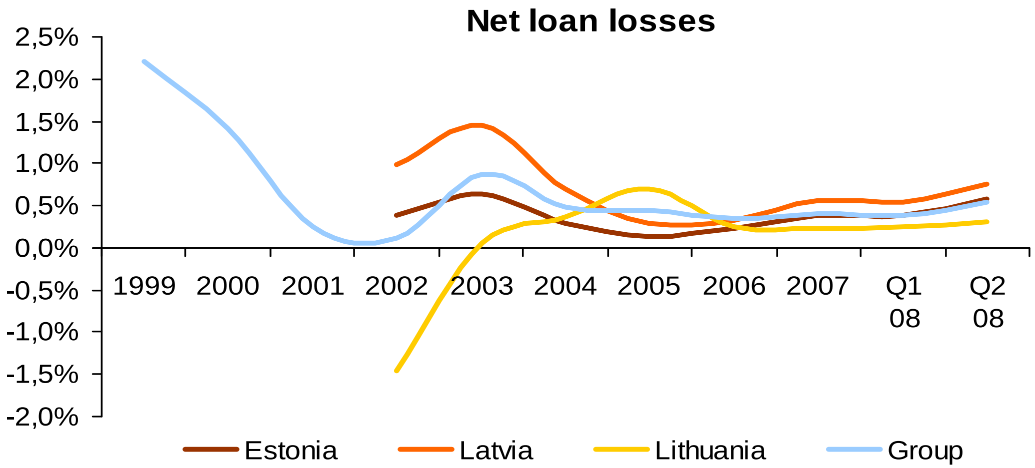
Asset quality and provisioning costs



Net loan losses by country

	Q2 08	Q1 08	2007
Estonia	0.58%	0.38%	0.39%
Latvia	0.75%	0.54%	0.56%
Lithuania	0.31%	0.25%	0.23%
Group	**0.55%**	**0.39%**	**0.40%**

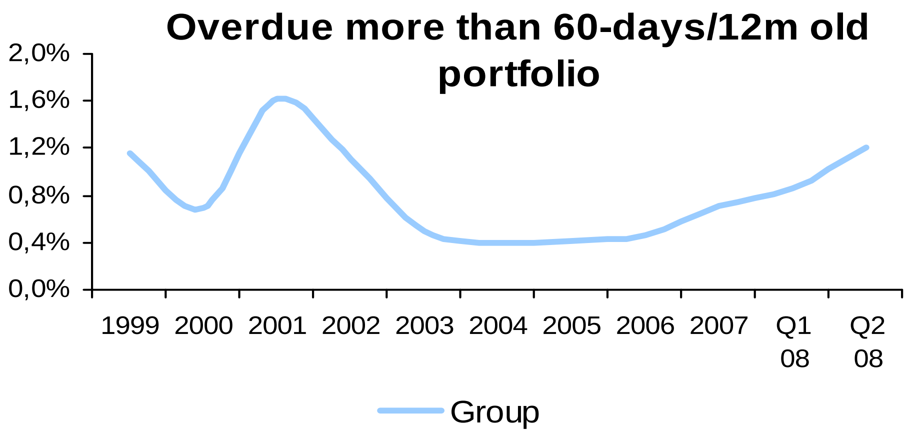
Net loan losses = (changes in general and special provisions + net write offs) / credit portfolio at the beginning of the year

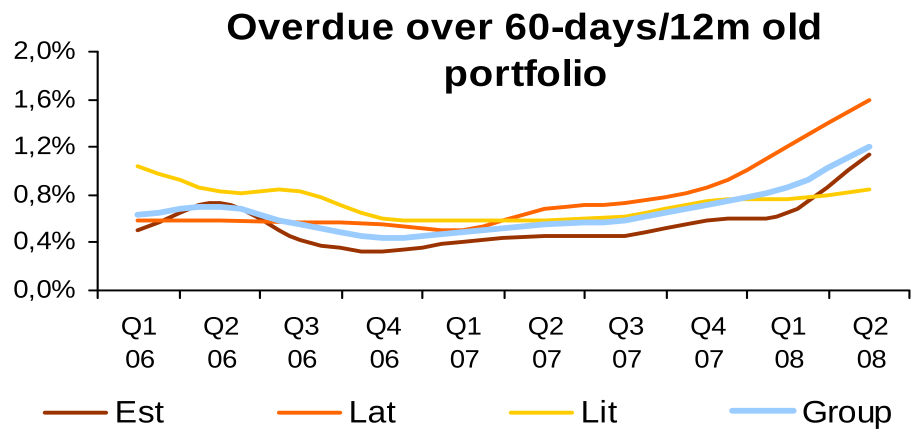


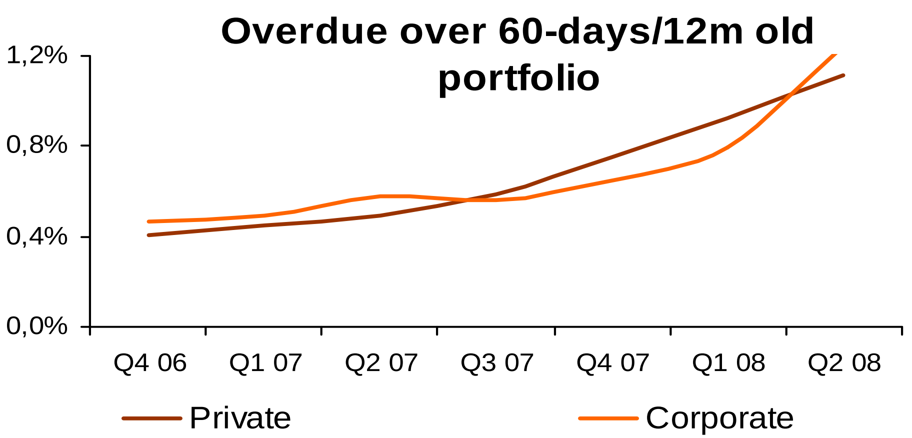
Net loan losses

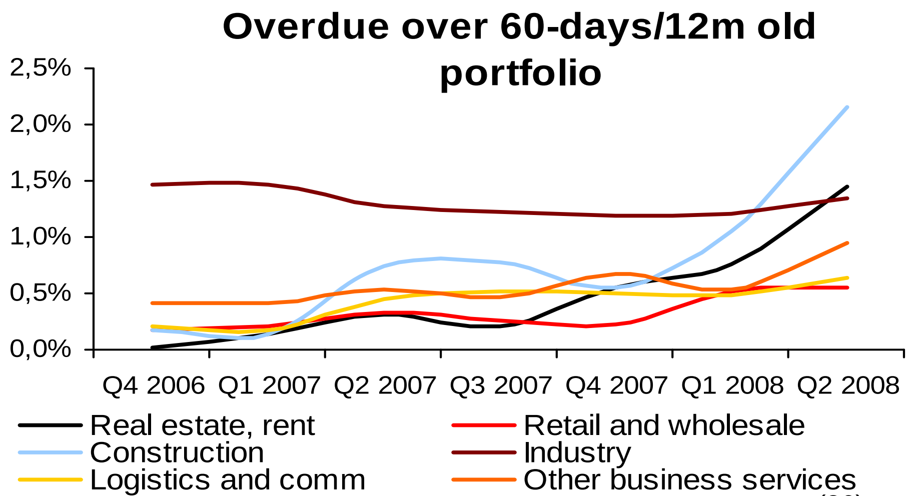
	Q2 08	Q1 08	2007
Corporate	0.71%	0.43%	0.42%
incl real estate	*0.98%*	*0.86%*	*0.57%*
incl industry	*0.83%*	*0.09%*	*0.31%*
Private	0.32%	0.32%	0.33%
incl home loans	*0.06%*	*0.16%*	*N/A*
Group	**0.55%**	**0.39%**	**0.40%**

Asset quality – overdue more than 60 days

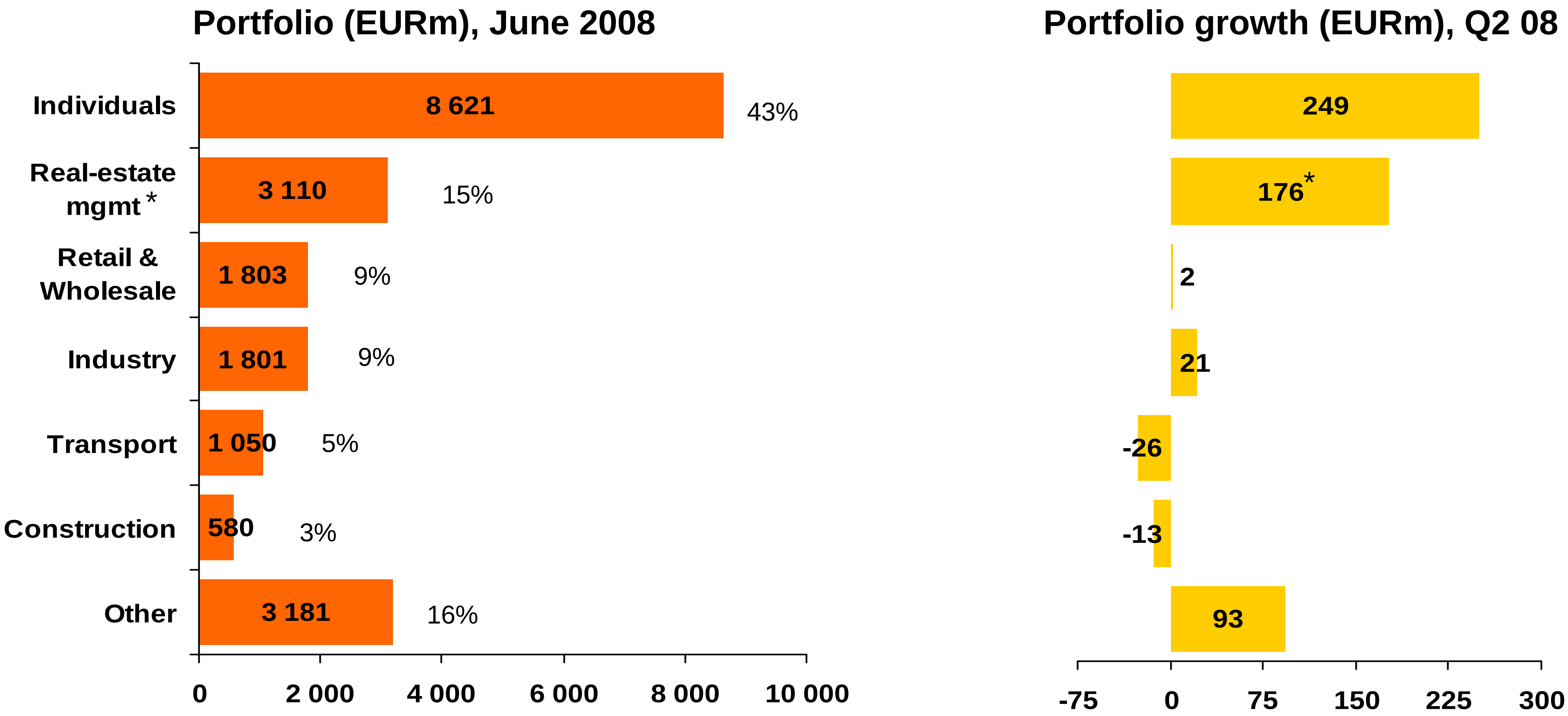








Baltic Banking lending by sectors

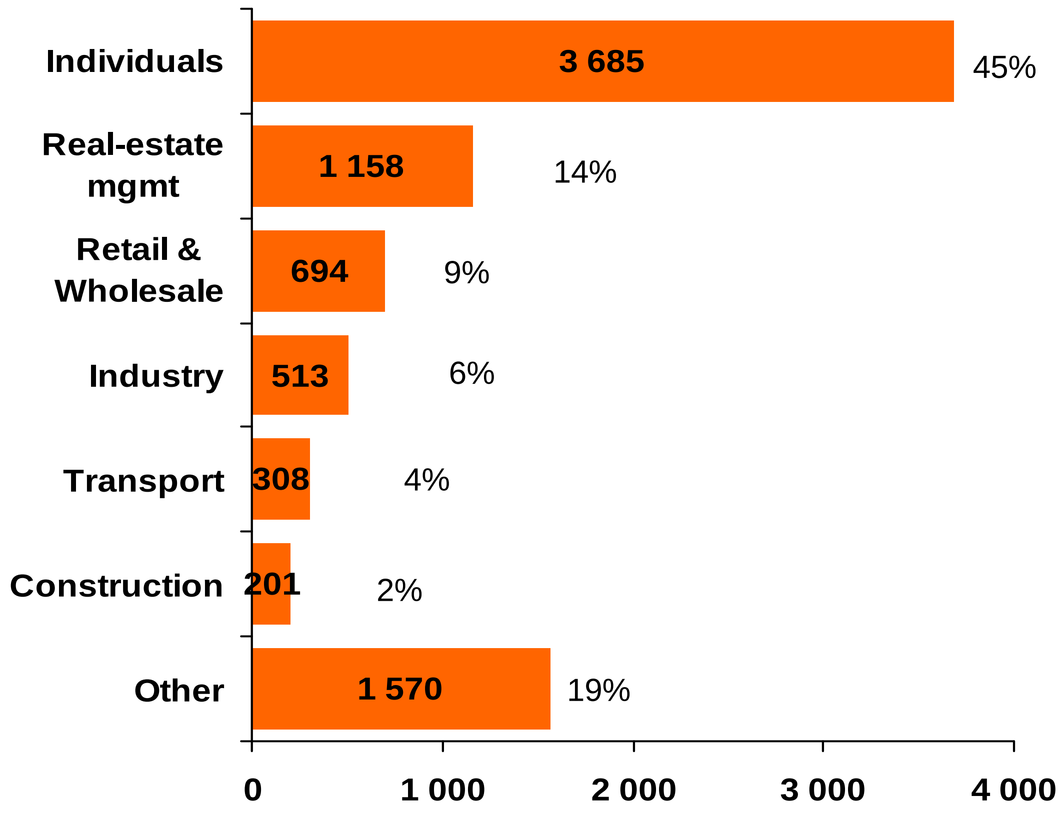


xx% - share of portfolio

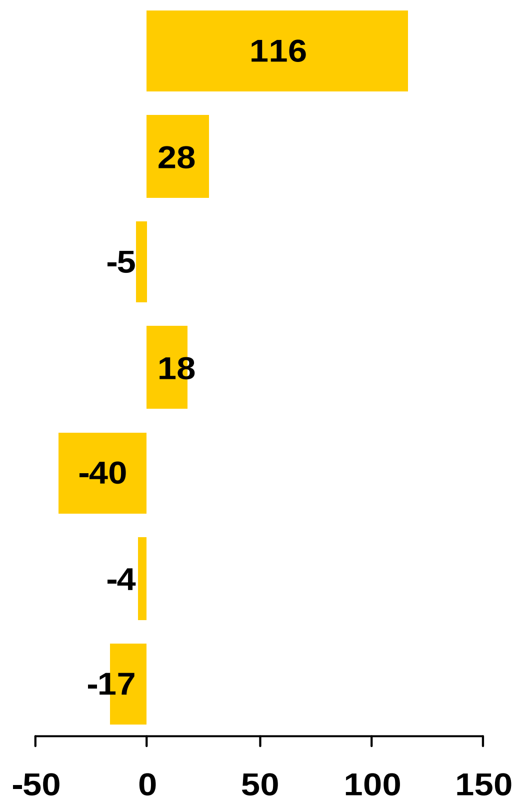
*Real estate management related portfolio growth includes refinancing of existing loan from Sweden to Latvian business unit (Nordic real estate group with significant Latvian investments)

Estonian lending by sectors

Portfolio (EURm), June 2008

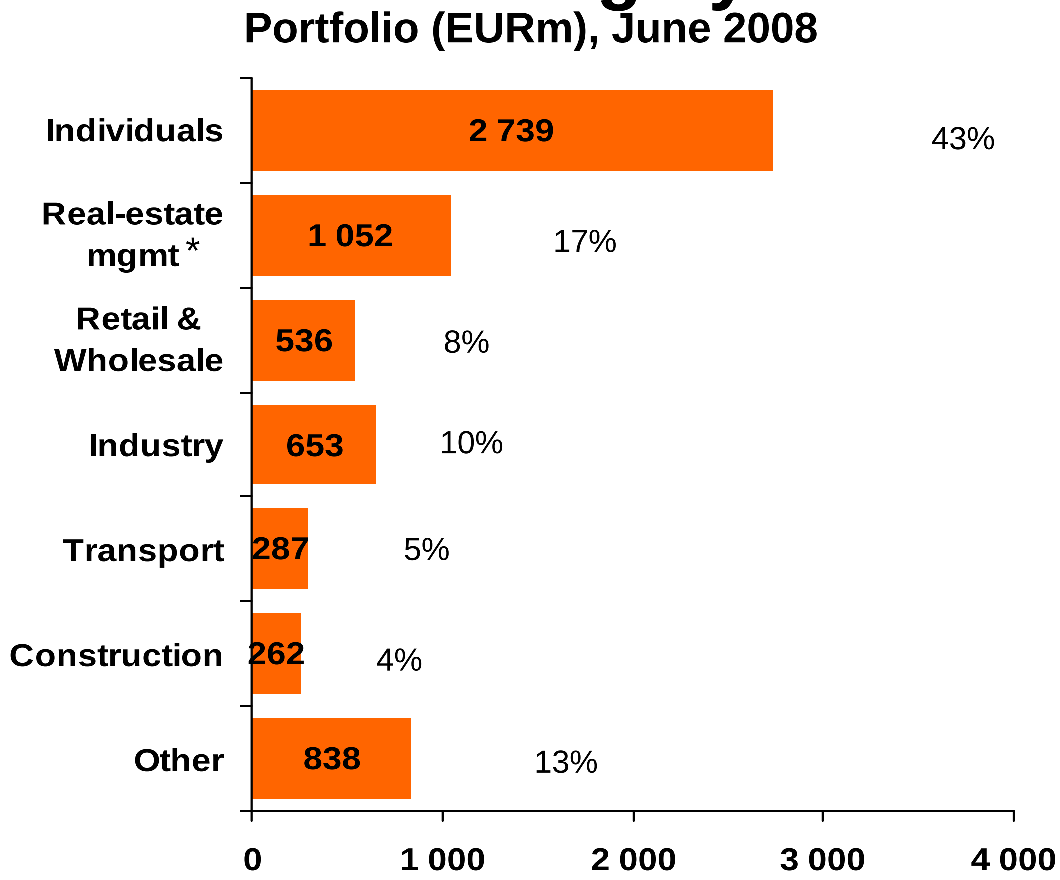


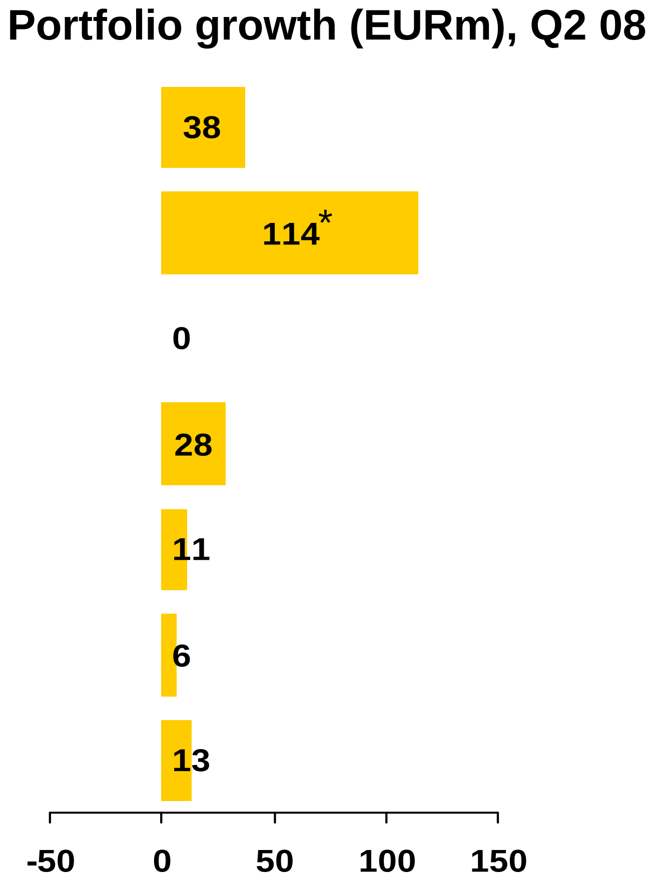
Portfolio growth (EURm), Q2 08



xx% - share of portfolio

Latvian lending by sectors

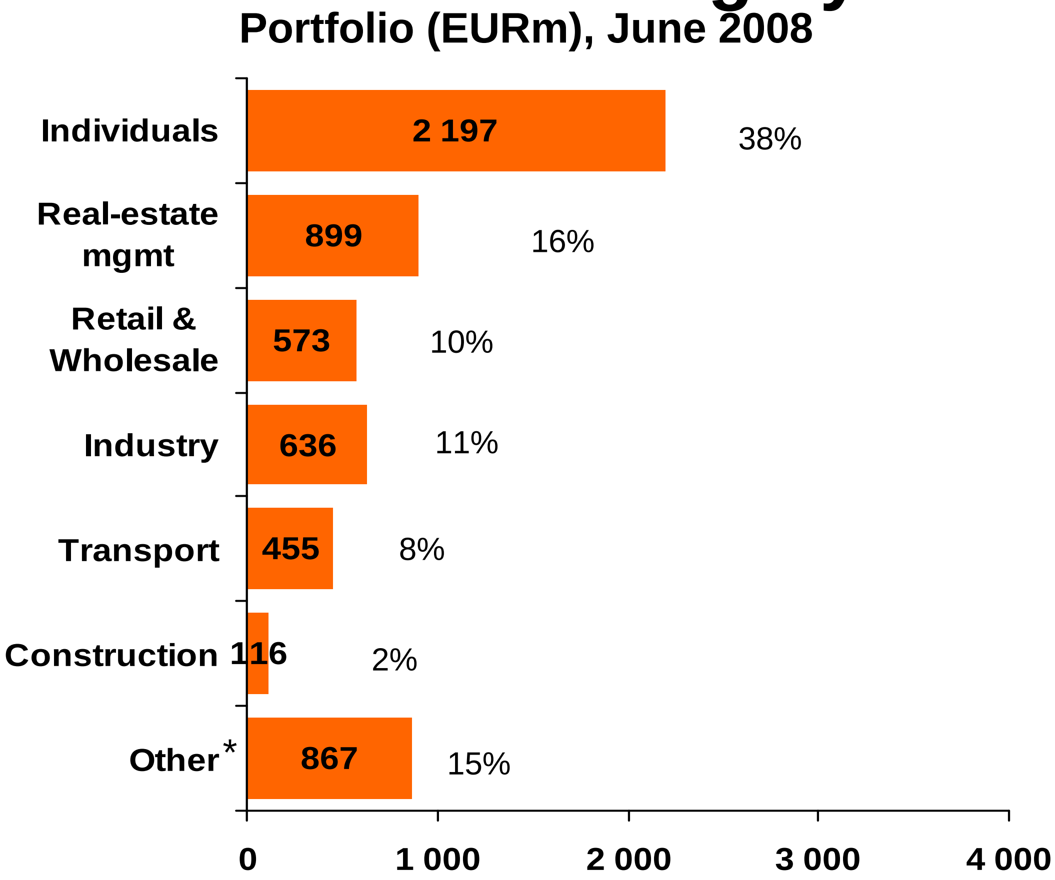


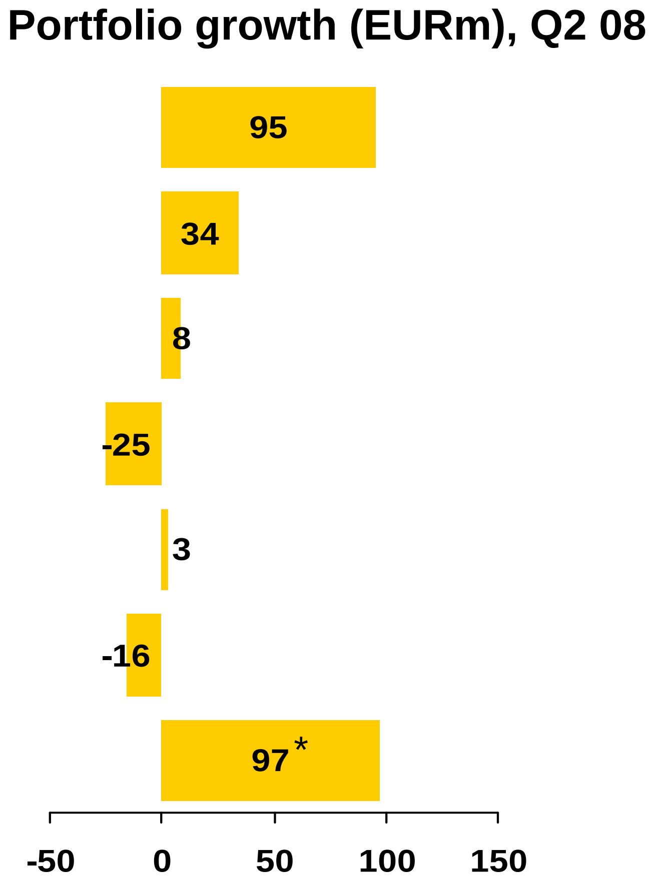


xx% - share of portfolio

*Real estate management related portfolio growth includes refinancing of existing loan from Sweden to Latvian business unit (Nordic real estate group with significant Latvian investments)

Lithuanian lending by sectors





xx% - share of portfolio

* Other - largest increase in Energy, gas and water supply sector

Mortgages

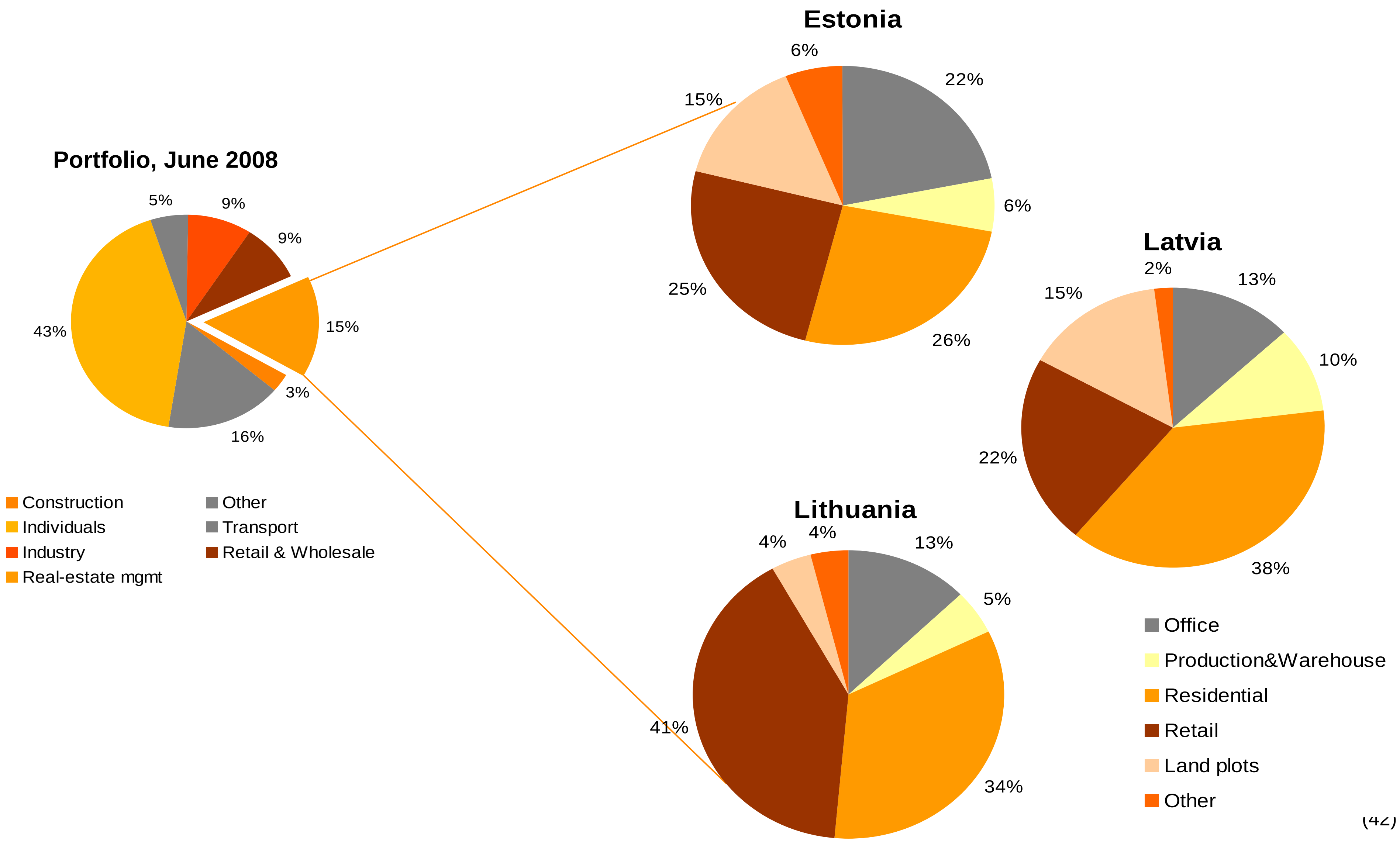
Swedbank

- Standard mortgage product allows issue of new loans with maximum LTV of 85% and loan-service ratio below 50%.
- Mortgage portfolio LTV ratios have remained solid at 59% in Estonia, 74% in Latvia and 61% in Lithuania.
- Quality of existing portfolio and each new customer/transaction are evaluated using automated scoring tools.
- Decision making process, product conditions, and pricing are adjusted based on creditworthiness of the clients.
- Sub-prime mortgage lending is not practiced in Baltics

30 June 2008	Estonia	Latvia	Lithuania
Average portfolio LTV	59%	74%	61%
Average maturity	21y	23y	22y

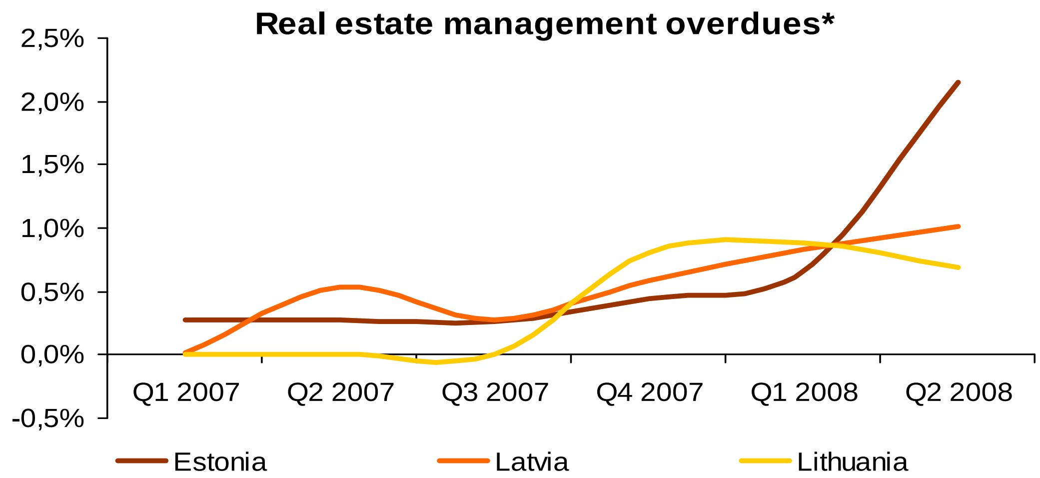
Group lending by sectors – real estate

Swedbank



Real estate portfolio

- As indicated by internal stress-tests and portfolio analyses, real estate and in particular **residential real estate development** is the most sensitive sector in Baltic Banking portfolio. ‘Sensitivity’ has started to appear in overdue and default figures of corporate portfolio.

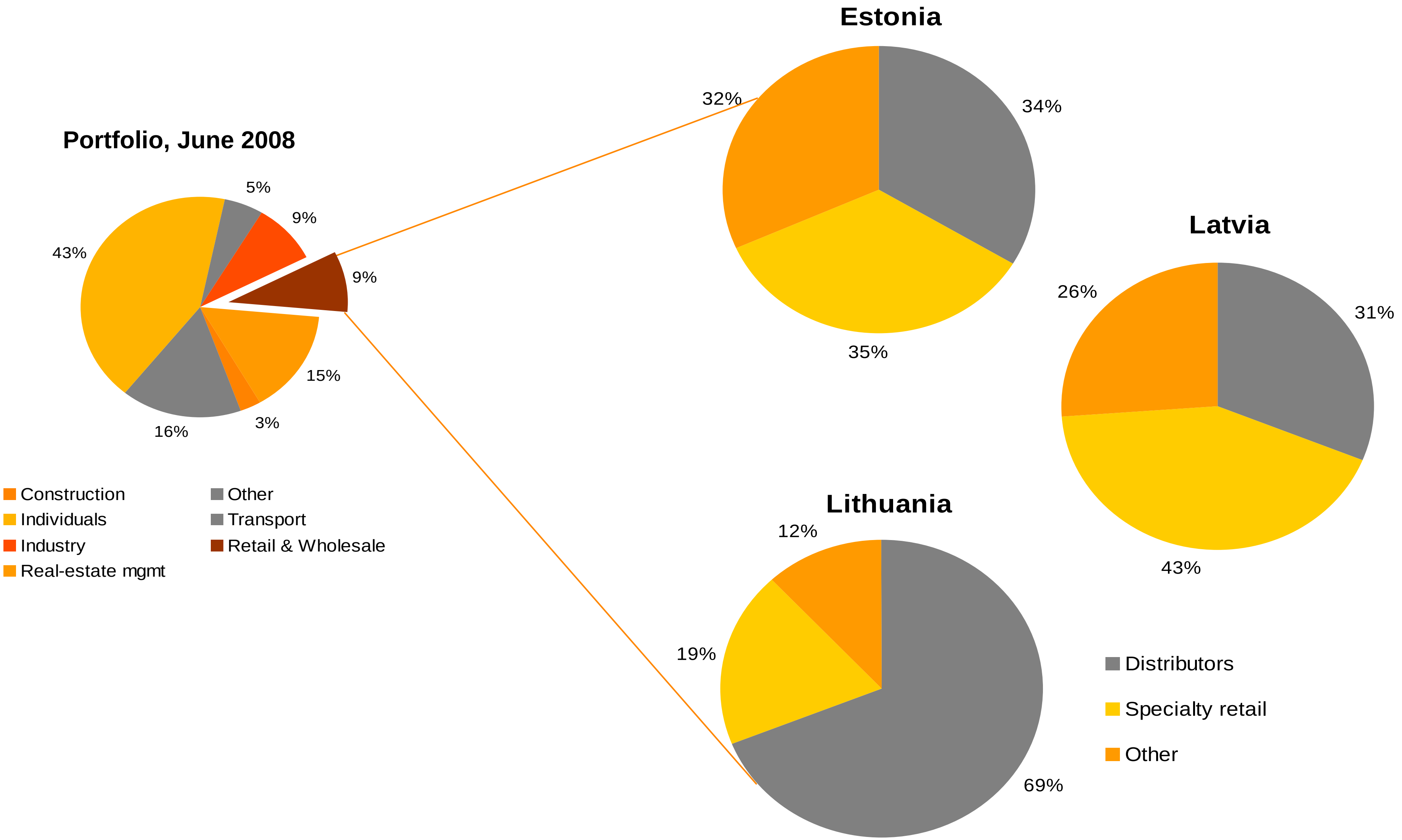


* Overdues over 60 days / 12 months old portfolio

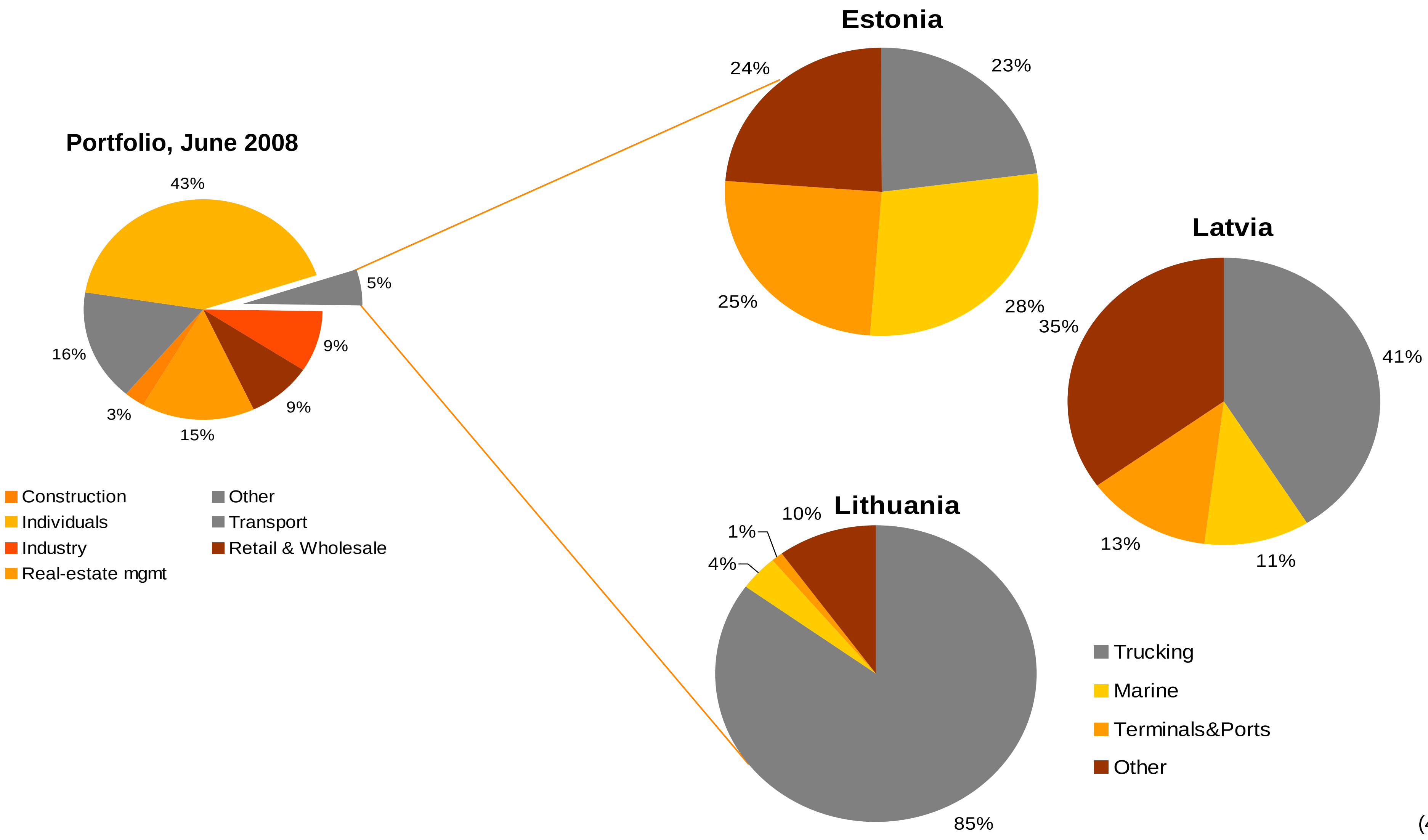
- Around 2/3 from total Real Estate portfolio are cash flow generating properties with good tenant mix. Properties under development process (1/3 from portfolio) are currently affected the most by decreasing prices and liquidity in the market. Hansabank has always strictly restrained from financing speculative type of properties.

- Additional defaults in the residential real estate development sector are expected in the second half of 2008, but no major surprises are expected due to previously implemented portfolio limitations and individual level monitoring. Restructuring capacity has been put in place.

Group lending by sectors – retail & wholesale



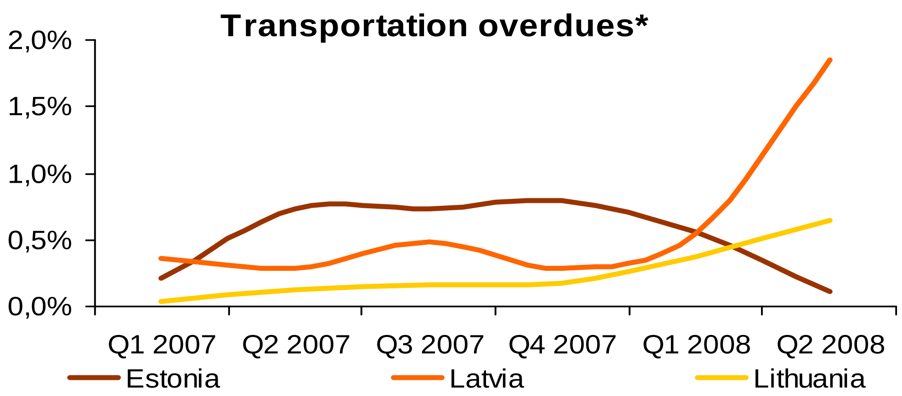
Group lending by sectors – transport



Sectors under close watch

Transportation

Trucking companies are facing problems due to increasing fuel prices and lagging freight rates. This global problem has started to be reflected in Baltic Banking provisions (especially in SME segments) since the beginning of the year.



* Overdues over 60 days / 12 months old portfolio

Retail & wholesale

Trade volume growth rates slowed down and started to decrease in Estonia and Latvia in Q2 2008 (still growing in Lithuania). There is no substantial impact on portfolio quality yet, but deterioration is expected along with a decrease in consumption.

Wood processing

Raw material price increases coupled with downward pressure on sales prices are having a negative impact on Baltic wood processing industry. Current portfolio quality is around average with only few problem cases observed. Additional problems may occur after export duties are imposed on Russian round wood as there is dependence on imported round wood in Estonia.

Collateral breakdown

- Hansabank's loan portfolio is adequately secured.
- Private mortgage portfolio is fully covered by family houses and apartments (as a rule owner occupied).
- Full asset pledge, including tangible assets and current assets, is the most common case for the Corporate portfolio. Collateral position enhancement with owner guarantees and additional collateral is used for more risky customers and SME segments.
- The share of unsecured loans is insignificant (used for top ratings in corporate segment and consumer products in private segment).

Baltic Collateral (EUR m)

	Q2 08	%	2007	%
State	270	1%	273	1%
Private real-estate	7,172	35%	6,660	33%
Corporate real-estate	7,927	38%	7,960	39%
Guarantees	316	2%	668	3%
Other collateral*	3,810	18%	3,621	18%
Unsecured	1,172	6%	985	5%
Unsecured corporate	*852*	*4%*	*706*	4%
Unsecured private	*320*	*2%*	*279*	1%
Total	**20,667**	**100%**	**20,167**	**100%**

*Other collateral is deposits, customer payments, vehicles, etc

Regular process of outstanding loan review

- Portfolio quality improvement measures were introduced at the end of 2006
- Real estate sector growth is under control, with regular scrutiny of existing portfolio
- Strengthened risk units
  - Increased number of people dealing with problem loans
  - Strengthened workout team
  - Improved quality and increased frequency of portfolio quality reporting
- Targets set for new origination quality

- Regular loan review process includes
  - Overall portfolio stress test once a year
  - Portfolio review twice a year
  - Quarterly “watch list” report
  - IRB portfolio scoring once a month

- On the individual loan basis:
  - Client rating review minimum once a year
    - Rating classes 5 and higher are subject to more frequent assessment
  - Quarterly financials/covenants assessment
  - For SME/SSE and private portfolio weekly overdue report (with client names identified)

Credit quality management process

1. Proactive management of watch list clients
   - Private clients - communication on step-by-step actions to take before falling into overdues. Development of standard proactive solutions to ensure serviceability of the credit
   - Corporate clients - proactive communication, frequent client meetings and positive attitude to find solutions
2. Overdue management - concentrates on time horizon from occurrence of distress situation (either through late payment or on the basis of client information) to moving credit over to restructuring or workout phase. The primary focuses in overdue management are:
   - Process design for fast and prudent management of overdues, clear process ownership
   - Prudent tactics to handle overdue payments. Constant re-evaluation of the tactics on their effectiveness and adequacy
   - Clearly set timing and channels for client contacts
   - Build capacity to work with distressed clients including adequate training of employees
   - Internal target setting and incentives to reach targets
   - Timely reporting and follow up on activities taken
3. Distressed debt restructuring
   - Defined tactics of restructuring. Solutions to ensure client serviceability of the debt
   - Extended capacity to work with distressed clients
   - Effective solutions for collected collaterals handling