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# Press Release

August 17, 2009

## In order to further strengthen its core franchise Swedbank announces fully underwritten SEK 15 billion rights offering

### Transaction highlights

- The Board of Swedbank has resolved to raise approximately SEK 15 billion through an issue of ordinary shares with pre-emptive rights for existing shareholders (the "Rights Offering").
- A group of existing shareholders including Folksam, 48 independent savings banks and affiliates, The Swedish Export Credit Corporation, four savings banks foundations, AP2 and AP4, AFA Insurance, AMF, SPK and Konsumentföreningen Stockholm, as well as Alecta and Nektar Fund, have entered into undertakings to subscribe for and underwrite in total 46.6% of the Rights Offering.
- BofA Merrill Lynch and Credit Suisse have agreed to underwrite the remaining 53.4% of the shares to be issued in the Rights Offering, subject to customary terms and conditions.
- The Rights Offering is subject to approval at an Extraordinary General Meeting (the "EGM") expected to be held on September 15, 2009.
- Shareholders holding 31.3% of Swedbank's shares outstanding have entered into undertakings to vote in favour of the Rights Offering at the EGM. In addition, shareholders holding 4.7% of Swedbank's shares outstanding have expressed their intention to vote in favour of the Rights Offering at the EGM.
- Pro forma for the Rights Offering, Swedbank's Core Tier 1 ratio as of June 30, 2009 would have increased from 9.8% to 12.1% and the Tier 1 ratio from 11.3% to 13.6% (full Basel 2)<sup>1</sup>.

*"With this capital raising we will strengthen Swedbank's competitive position in our four home markets Sweden, Estonia, Latvia and Lithuania", says Carl Eric Stålberg, Chair of the Board of Swedbank. "The capital will also ensure the implementation of our strategy where we continue our focus on lowering the risk-level in the bank, improving the earnings capacity and managing our capital actively", concludes Carl Eric Stålberg.*

*"We have taken firm actions aimed at reducing the risk level in the bank during the second quarter. As a result, we can now raise additional capital from a position of strength", says Michael Wolf, President and CEO of Swedbank. "With this rights issue we will be able to continue to keep our flexibility to support existing and new high quality clients in our home markets at competitive pricing levels. It will also help to accelerate Swedbank's return to independent long-term financing on fully competitive terms and establish Swedbank as a well capitalised, strong and independent bank", concludes Michael Wolf.*

<sup>1</sup> Pro forma numbers are based on an issue of SEK 15 billion without deduction of issue-related expenses.

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The overall outlook communicated in the recent Q2 report remains unchanged and Swedbank believes it already has a sufficient capital position to withstand the impact of severe macro-economic scenarios, as confirmed by both internal stress tests and the publicly announced Swedish FSA and Riksbank stress tests published in June 2009.

However, Swedbank's Management and Board consider it in the best interest of Swedbank's shareholders to further strengthen the capital base through raising additional Core Tier 1 capital to capitalise on its core franchise in the bank's home markets Sweden, Estonia, Latvia and Lithuania.

More specifically, Swedbank is seeking to achieve the following objectives with the Rights Offering:

- Strengthen Swedbank's ability to further implement its strategy, and create flexibility to continue to support customers in its four home markets on competitive terms, even under potentially adverse market conditions.
- Accelerate Swedbank's return to the non-guaranteed wholesale funding markets on competitive terms and removing over time the reliance on the Swedish Government guarantee.
- Establish Swedbank as a well capitalised, strong and independent bank in control of its future with a continued focus on:
  - Lowering the level of risk in the bank;
  - Improving the earnings capacity through cost reduction measures and risk-adjusted pricing; and
  - Reducing risk-weighted assets.

A conference call for analysts (in English) will be held today at 8:30 a.m. CET. To attend the call please dial +44 203 043 24 36 or +46 8 505 598 53 five minutes prior to the start of the call. To attend the live audio webcast, log on to [www.swedbank.com/ir](http://www.swedbank.com/ir). An audio recording of the conference call will be available on [www.swedbank.com/ir](http://www.swedbank.com/ir).

A press conference (in Swedish) will be held today at 10:00 a.m. CET at Swedbank's headquarters in Stockholm, Brunkebergstorg 8. To attend the live audio webcast, log on to [www.swedbank.com/ir](http://www.swedbank.com/ir), or dial +44 203 043 24 36 or +46 8 505 598 53. An audio recording of the press conference will be available on [www.swedbank.com/ir](http://www.swedbank.com/ir).

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## Appendix

### Background and rationale for the Rights Offering

The Nordic, Baltic and European economies along with the rest of the world have experienced an extraordinarily sharp slow-down in economic activity over the recent period. In Sweden, GDP has contracted by 6.2% over the last twelve months with industrial orders down 21.3%. In the Baltic countries, GDP has on average contracted 19.5% over the same period.

Despite this difficult banking environment, the majority of Swedbank's operations are still demonstrating robust profitability. In Swedish Banking, representing 77% of net lending to the public as of June 30, 2009 and 57% of the profit before impairments and provisions during the first six months of 2009, credit quality has shown a high level of resilience as interest rates and default rates remain at relatively modest levels. This resilience is underpinned by the quality of Swedbank's Swedish portfolio with household mortgages representing 40% of the Group's net lending to the public as of June 30, 2009. With the availability of bank capital still considered to be relatively scarce, Swedish companies have focused on strengthening their relationships with a smaller number of key banks with strong capital positions. As a result of this process, the Nordic banks have strengthened their position as the primary providers of financing to Swedish companies as international banks have withdrawn from the market. Swedbank is currently seeing margin increases and an increasing number of attractive business opportunities from high quality Swedish companies.

The share of impaired loans has increased in the Baltic countries (10.3% as of June 30, 2009, compared to 3.0% as of December 31, 2008) and visibility is still low in terms of expected impairment losses through the current downturn in the credit cycle. In response, Swedbank has shifted its focus to strengthened comprehensive risk management processes through organisational changes and a substantially greater commitment of resources to the oversight of non-performing asset pools. As part of this effort extra resources have been set aside, including local work-out units in the home markets, that have long-standing experience of the asset classes that Swedbank has exposure to. The bank is well positioned to manage its credit portfolio in order to minimise the negative impairment impact on its profits while assisting the Baltic customers with any necessary restructuring. Over the longer term Swedbank is committed to the region and continues to regard the three Baltic countries as home markets.

Ukraine is currently under severe economic stress and visibility on asset quality is low. Swedbank's primary focus in Ukraine is to protect its franchise value by focusing on risk management and selectively decreasing its exposure in the country.

Recently, the economic debate has increasingly focused on potential recovery scenarios. Under such scenarios, bank capital is equally important both as a cushion for the unexpected and as a pre-requisite to defend and build franchise value. This is particularly so in a fundamentally changed banking market characterised by higher margins where increasing value is being placed on banking relationships.

The overall outlook communicated in the recent Q2 report remains unchanged and Swedbank believes it already has a sufficient capital position to withstand the impact of severe macro-

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economic scenarios, as confirmed by both internal stress tests and the publicly announced Swedish FSA and Riksbank stress tests published in June 2009.

However, Swedbank's Management and Board consider it is in the best interest of Swedbank's shareholders to further strengthen the capital base through raising additional Core Tier 1 capital to capitalise on its core franchise in the bank's home markets Sweden, Estonia, Latvia and Lithuania.

More specifically, Swedbank is seeking to achieve the following objectives with the Rights Offering:

- **Strengthen Swedbank's ability to implement its strategy, and create flexibility to continue to support customers in its four home markets on competitive terms, even under potentially adverse market conditions.** Swedbank will be able to continue to support existing and new high quality clients at competitive pricing levels, even under potentially adverse market conditions that could require the bank to deploy capital to other areas. It also provides the flexibility for management to proactively pursue such value added opportunities as may arise during the implementation of the bank's strategy.
- **Accelerate Swedbank's return to the non-guaranteed wholesale funding markets on competitive terms and removing over time the reliance on the Government guarantee.** Following the financial turmoil and the diminishing access to wholesale funding markets, Swedbank began utilising the Swedish Government guarantee funding programme in November 2008, to secure market funding. The Rights Offering aims to provide credit rating agencies and debt investors with additional support and comfort and reduce Swedbank's overall wholesale market funding costs.
- **Establish Swedbank as a well capitalised, strong and independent bank in control of its future with a continued focus on:**
  - *Lowering the level of risk in the bank.* Manage higher risk exposures appropriately and continue to support customers on competitive terms;
  - *Improving the earnings capacity through cost reduction measures and risk-adjusted pricing.* To retain and improve its earnings capacity, Swedbank has announced significant cost reduction measures including decreasing staffing levels by 3,600 employees by the second quarter of 2010, representing 17% of the staff. Meanwhile, ongoing re-pricing of current portfolios to reflect current risk levels should benefit the bank's interest income, and consequently earnings; and
  - *Reducing risk-weighted assets.* The ambition is to further reduce risk-weighted assets over the near term, in order to improve the quality, strength and profitability of the balance sheet.

### Impact on capital ratios from the Rights Offering<sup>2</sup>

The Rights Offering would on a pro forma basis have strengthened Swedbank's Core Tier 1 ratio to 12.1%, from 9.8% as of June 30, 2009. The Tier 1 ratio would have increased to 13.6%, from 11.3% as of June 30, 2009 and the Total capital adequacy ratio to 17.7%, compared to 15.4% as of June 30, 2009 – all numbers based on fully implemented Basel 2 rules. Under transitional Basel 2 rules, pro forma Core Tier 1 ratio would have been 9.9%, compared to 8.0% as of June 30, 2009, the Tier

<sup>2</sup> Pro forma numbers are based on an issue of SEK 15 billion without deduction of issue-related expenses.

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1 ratio would have been 11.1%, compared to 9.2% as of June 30, 2009 and the Total capital adequacy ratio 14.5%, compared to 12.6% as of June 30, 2009.

### Terms for the Rights Offering

The Board has resolved to pursue a fully underwritten issue of ordinary shares with preferential rights for all existing shareholders (both ordinary shareholders and preference shareholders), which will raise gross proceeds of approximately SEK 15 billion before deduction of issue-related expenses. The Board's resolution on the Rights Offering is subject to approval and amendments to the Articles of Association at an EGM expected to be held on September 15, 2009. The increase of the share capital, the number of ordinary shares to be issued and the subscription price to be paid for the new shares in the Rights Offering is expected to be announced by the Board at the latest on September 14, 2009.

A group of existing shareholders including Folksam, 48 independent savings banks and affiliates, The Swedish Export Credit Corporation, four savings banks foundations, AP2 and AP4, AFA Insurance, AMF, SPK and Konsumentföreningen Stockholm have agreed to exercise subscription rights representing 27.8% of the Rights Offering. In addition, existing shareholders have agreed to underwrite an additional 11.8% of the Rights Offering.

Further, Alecta and Nektar Fund have entered into undertakings to underwrite 7.0% of the Rights Offering.

BofA Merrill Lynch and Credit Suisse have agreed to underwrite the remaining 53.4% of the shares to be issued in the Rights Offering, subject to customary terms and conditions.

Shareholders holding 31.3% of Swedbank's shares outstanding have entered into undertakings to vote in favour of the Rights Offering at the EGM. In addition, shareholders holding 4.7% of Swedbank's shares outstanding have expressed their intention to vote in favour of the Rights Offering at the EGM.

The new ordinary shares will rank *pari passu* in all respects with the existing ordinary shares, including the right to all future dividends and other distributions declared, made or paid after the date of allotment and issue of the new ordinary shares.

The notice of the EGM is expected to be published on August 18, 2009 and the EGM is expected to be held on September 15, 2009. The Board's resolution and other information relating to the Rights Offering will be made available on Swedbank's website ([www.swedbank.com](http://www.swedbank.com)), not later than two weeks prior to the EGM. In order to facilitate the Rights Offering, the Board has resolved to make additional proposals to the EGM on potential amendments to the Articles of Association, potential transfer of funds to the share capital from other shareholders' equity and potential reduction of the share capital.

### Indicative timetable for the Rights Offering

Events are expected to take place on or around indicated dates. All dates refer to 2009.

September 14	Announcement of terms; The increase of the share capital, the number of ordinary shares to be issued and the subscription price to be paid for the new ordinary shares in the Rights Offering.
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September 15	EGM to decide on the resolution of the Board of Swedbank regarding the Rights Offering and amendments to the Articles of Association etc.
September 16	First day of trading excluding the right to participate in the Rights Offering.
September 18	Record day for participating in the Rights Offering.
September 18	Prospectus published.
September 22	Trading in subscription rights.
– October 1	
September 22	Subscription period.
– October 6	
October 13	Announcement of the outcome of the Rights Offering.

The subscription rights will be traded on NASDAQ OMX Stockholm.

BofA Merrill Lynch and Credit Suisse will act as Joint Global Co-ordinators and Bookrunners for the Rights Offering. Swedbank Markets will act as Joint Global Co-ordinator and Co-Bookrunner.

Lenner & Partners is acting as financial advisor, Gernandt & Danielsson and Clifford Chance are acting as legal advisors and Brunswick as communications advisor to Swedbank in connection with the capital increase.

Swedbank estimates the total fees for the transaction to be approximately 3% of gross proceeds.

The information provided in this press release is such that Swedbank is required to disclose pursuant to the Swedish Financial Instruments Trading Act (1991:980) and/or the Swedish Securities Markets Act (2007:528). The information was submitted for publication at 07:00 a.m. CET on August 17, 2009.

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*This press release is not an offer for subscription for shares in Swedbank. A prospectus relating to the Rights Offering referred to in this press release and the subsequent listing of the ordinary shares at NASDAQ OMX Stockholm will be prepared and filed with the Swedish Financial Supervisory Authority. After approval and registration of the prospectus by the Swedish Financial Supervisory Authority, the prospectus will be published and made available on inter alia Swedbank's website.*

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Swedbank's vision is to be the leading financial institution in the markets where we are present. Swedbank has 9.4 million retail customers and 600,000 corporate customers with 419 branches in Sweden, 278 branches in the Baltic countries and another 215 branches in Ukraine. The group is also present in Copenhagen, Helsinki, Kaliningrad, Luxembourg, Moscow, New York, Oslo, Shanghai, St. Petersburg and Tokyo. As of December 2008 the group had total assets of SEK 1,812 billion and approximately 21,000 employees. For more information about Swedbank, please visit [www.swedbank.com](http://www.swedbank.com).

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*Swedbank has not authorized any offer to the public of Shares or Rights in any Member State of the European Economic Area other than Sweden and any other jurisdiction into which the offering of shares or rights will be passported. With respect to each Member State of the European Economic Area other than Sweden (and any other jurisdiction into which the offering of Shares or Rights will be passported) and which has implemented the Prospectus Directive (each, a "Relevant Member State"), no action has been undertaken to date to make an offer to the public of shares or rights requiring a publication of a prospectus in any Relevant Member State. As a result, the shares or rights may only be offered in Relevant Member States:*

*(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;*

*(b) to any legal entity meeting two or more of the following criteria: (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR 43 million and (3) an annual net turnover of more than EUR 50 million, as shown in its last annual or consolidated accounts; or*

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*(c) in any other circumstances, not requiring Swedbank to publish a prospectus as provide under Article 3(2) of the Prospectus Directive.*

*For the purposes hereof, the expression an "offer to the public of Shares or Rights" in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Shares and Rights to be offered so as to enable an investor to decide to purchase any securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.*