

# Interim report January-June

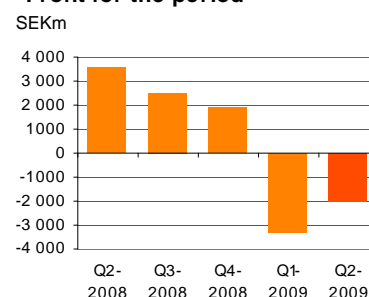
Stockholm, 17 July 2009

## Second quarter 2009

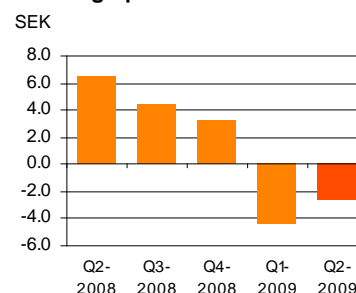
compared with first quarter 2009

- Profit for the period was SEK -2 012m (-3 358)
- Earnings per share were SEK -2.61 (-4.34)
- The return on equity was negative (negative)
- The cost/income ratio was 0.48 (0.49)
- Net interest income decreased by 10 per cent to SEK 5 243m (5 803)
- Profit before impairments and provisions excluding non-recurring items decreased by 24 per cent to SEK 3 989m (5 273)
- Net impairment losses on loans amounted to SEK 6 672m (6 845). Provisions for loan losses amounted to SEK 6 138m (6 552). Net write-offs amounted to SEK 534m (293). The loan loss ratio was 2.10 per cent (2.16)
- The tier 1 capital ratio increased to 11.3 per cent according to the new rules (11.1 per cent on 31 December 2008) and 9.2 per cent (8.4) according to transitional rules. The core tier 1 capital ratio was 9.8 per cent according to the new rules (9.7)

### Profit for the period



### Earnings per share

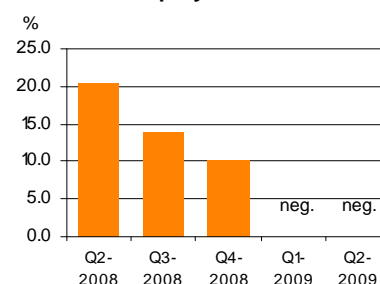


## January-June 2009

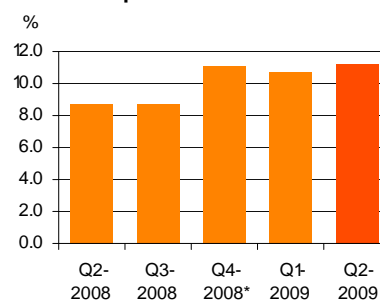
compared with January – June 2008

- Profit for the period was SEK -5 370m (6 504)
- Earnings per share were SEK -6.95 (11.81)
- The return on equity was negative (18.7 per cent)
- The cost/income ratio was 0.48 (0.50)
- Net interest income increased by 5 per cent to SEK 11 046m (10 536)
- Profit before impairments and provisions excluding non-recurring items increased by 13 per cent to SEK 9 262m (8 217)
- Net impairment losses on loans amounted to SEK 13 517m (711). Provisions for loan losses amounted to SEK 12 690m (515). Net write-offs amounted to SEK 827m (196)
- Impairment of intangible assets affected profit by SEK 1 305m (0)

### Return on equity



### Tier 1 capital ratio



\* Including total subscribed capital.

## CEO Comment

The most recent quarter has been marred by continued uncertainty about the future of the economy. The financial system has stabilised to some extent, but the recession is now making itself more visible, and all signs are that the downward trend will continue for some time. The measures that the bank has taken to date have resulted in a strong tier 1 capital ratio, despite that second-quarter profit was adversely affected by significant provisions, and our position of relative strength has improved.

These measures have primarily focused on the following four areas:

### Credit quality – focus on managing and reducing risks

- Credit quality as a whole was in line with our expectations from the first quarter. Estonia and Sweden performed better than expected, while Ukraine, Latvia and Lithuania continued to deteriorate.
- The new, specialised organisations to manage problem loans in the Baltic countries and Ukraine are now up and running. The recruitment of additional personnel is under way, and during the second half of the year a review of all our commitments will be completed.
- In Sweden, proactive measures are being taken to manage future impairment losses on loans. Whenever possible, exposures with low yields or heightened risk are reduced. In addition, a more frequent analysis is being done of industries that are being hard hit by the recession.

### Earnings – adapting to changing conditions

- Net interest income was negatively affected during the quarter by a combination of a higher percentage of non-performing loan customers, low money market rates, lower lending volumes and extended funding maturities. The pricing of the bank's loan portfolio is being modified to reflect a greater likelihood of solvency problems among businesses and individuals due to current economic conditions.
- Capacity adjustments are made due to the slowdown in the markets where we are active in order to meet the bank's needs following the crisis. By the end of the second quarter 2010 we expect to have 3 600 fewer employees compared with year-end 2008. During the first half of 2009 the number of employees was reduced by 862. Capacity adjustments will primarily affect the Baltic countries and our international operations. In Sweden, staff reductions will mainly be achieved through natural retirements.

### Financing and liquidity – our sights are set on independent funding

- During the first half-year liquidity was strengthened significantly and has now reached the desired level.

- Signs of greater risk appetite have been noted in international capital markets. In May Swedbank was able to issue the first covered bond programme since August 2008. The bond was issued without a state guarantee.
- The maturity structure of our funding continues to improve through the issuance of long-term loans with state guarantees. The goal is to ensure that the bank has access to independent funding in the market on competitive terms.

### Capitalisation – active management of risk-weighted assets

- The core tier 1 capital ratio rose to 9.8 per cent (9.7 per cent as of 31 December 2008) despite impairment losses on loans of SEK 13.5bn during the first half-year. This was achieved through active management and control of risk-weighted assets and minor internal restructurings to strengthen our capital.
- We firmly believe that we can keep risk-weighted assets at the current level or reduce them.

During the quarter I also oversaw changes to formalise our management structure and corporate governance and to bolster Group-wide processes. The changes will improve reliability and integrity, create greater transparency and shift decision-making responsibility closer to the customer. At the Group level, we are making this possible through the new Senior Management and the Group Executive Committee. Changes in the corporate governance model have initially affected the areas of risk and compliance. The newly established Asset and Liability Committee (ALCO) handles Group-wide risk management and capital issues.

The current business climate is challenging, and we are taking the necessary measures to adapt to this reality and improve our ability to support customers. In the months ahead we will enhance our business models and more clearly define our business culture. The committed employees I have met throughout the organisation strengthen my conviction that we can better focus on the challenges that face our customers and those we face ourselves.

At the same time we cannot forget that several areas performed well during the first half-year. Swedish Banking saw its credit quality and earnings capacity improve. Swedbank Markets produced its highest profit ever. We have raised our market shares for deposits in Sweden. And our capitalisation has been strengthened despite having to allocate significant provisions. During the current economic slowdown this enables us to face the future at full strength.



Michael Wolf  
President and Chief executive officer

# Table of contents

	Page
<b>Financial overview</b>	<b>4</b>
<b>Overview</b>	<b>5</b>
<b>Second quarter 2009</b>	<b>5</b>
<b>January-June 2009</b>	<b>6</b>
Profit	6
Asset quality	7
Funding and liquidity	9
Capital and capital adequacy	9
Market risk	10
Operational risk	10
Risks and uncertainties	10
Other events	10
Rating	11
Events after 30 June 2009	11
 <b>Business areas</b>	
Swedish Banking	12
Baltic Banking Operations	14
Baltic Banking Operations and Investment	16
International Banking	17
Swedbank Markets	19
Asset Management and Insurance	21
Shared Services and Group Staffs	23
Eliminations	23
 <b>Financial information</b>	
<b>Group</b>	
Income statement	24
Earnings per share	24
Other comprehensive income	24
Income statement, quarterly	25
Earnings per share, quarterly	25
Balance sheet	26
Statement of changes in equity	26
Cash flow statement	27
Notes	27
<b>Parent company</b>	<b>38</b>
<b>Signatures of the Board of Directors and the President</b>	<b>41</b>
<b>Review report</b>	<b>41</b>
<b>Contact information</b>	<b>42</b>

## Financial summary

Income statement SEKm	Q2 2009	Q1 2009	%	Q2 2008	%	Jan-Jun 2009	Jan-Jun 2008	%
Net interest income	5 243	5 803	-10	5 295	-1	11 046	10 536	5
Net commissions	1 970	1 374	43	2 374	-17	3 344	4 554	-27
Net gains and losses on financial items at fair value	710	1 711	-59	1 141	-38	2 421	1 216	99
Other income	1 311	536		623		1 847	1 573	17
<b>Total income</b>	<b>9 234</b>	<b>9 424</b>	<b>-2</b>	<b>9 433</b>	<b>-2</b>	<b>18 658</b>	<b>17 879</b>	<b>4</b>
Staff costs	2 282	2 541	-10	2 453	-7	4 823	5 032	-4
Other expenses	2 129	2 090	2	1 977	8	4 219	3 838	10
<b>Total expenses</b>	<b>4 411</b>	<b>4 631</b>	<b>-5</b>	<b>4 430</b>	<b>0</b>	<b>9 042</b>	<b>8 870</b>	<b>2</b>
<b>Profit before impairments and provisions</b>	<b>4 823</b>	<b>4 793</b>	<b>1</b>	<b>5 003</b>	<b>-4</b>	<b>9 616</b>	<b>9 009</b>	<b>7</b>
Impairment of intangible assets		1 305				1 305		
Impairment losses on loans and other credit risk provisions	6 672	6 845	-3	423		13 517	711	
<b>Operating profit</b>	<b>-1 849</b>	<b>-3 357</b>	<b>-45</b>	<b>4 580</b>		<b>-5 206</b>	<b>8 298</b>	
Tax expense	145	-13		935	-84	132	1 740	-92
Profit for the period	-1 994	-3 344	-40	3 645		-5 338	6 558	
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>-2 012</b>	<b>-3 358</b>	<b>-40</b>	<b>3 604</b>		<b>-5 370</b>	<b>6 504</b>	

Key ratios and data per share	Q2 2009	Q1 2009	Q2 2008	Jan-Jun 2009	Jan-Jun 2008
Return on equity, %	neg.	neg.	20.6	neg.	18.7
Earnings per share, SEK <sup>1)</sup>	-2.61	-4.34	6.54	-6.95	11.81
Cost/income ratio	0.48	0.49	0.47	0.48	0.50
Equity per share, SEK <sup>1)</sup>	104.71	107.05	135.81	104.71	135.81
Capital quotient excluding complement	1.93	1.88	1.58	1.93	1.58
Core tier 1 capital ratio, %, excluding complement	9.8	9.4	7.5	9.8	7.5
Tier 1 capital ratio, %, excluding complement	11.3	10.8	8.8	11.3	8.8
Capital adequacy ratio, %, excluding complement	15.4	15.0	12.6	15.4	12.6
Loan loss ratio, % <sup>2)</sup>	2.10	2.16	0.14	2.13	0.12
Share of impaired loans, net, %	1.42	0.98	0.20	1.42	0.20
Total provision ratio for impaired loans, %	63	64	91	63	91

<sup>1)</sup> The number of shares is specified on page 36.

<sup>2)</sup> Impairment losses on loans and other risk provisions in relation to the lending opening balance (excluding repurchase agreements, credit institutions and Swedish Nat'l Debt Office) as well as loan guarantees.

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

Balance sheet data SEKbn	30 Jun 2009	31 Dec 2008	%	30 Jun 2008	%
Loans to the public	1 276	1 287	-1	1 205	6
Deposits and borrowings from the public	469	508	-8	478	-2
Shareholders' equity	81	86	-6	70	16
Total assets	1 796	1 812	-1	1 671	7
Risk weighted assets, excluding complement	651	697	-7	630	3
Risk weighted assets, transition rules	798	916	-13	819	-3
Risk weighted assets, older rules	1 030	1 051	-2	939	10

## Overview

The global economic crisis affected operations during the period. During the first quarter GDP fell on an annual basis by 6.5 per cent in Sweden, 15 per cent in Estonia, 18 per cent in Latvia, 14 per cent in Lithuania, 20 per cent in Ukraine and 9.5 per cent in Russia. This dramatic development has created problems for a growing number of the bank's loan customers, who started having difficulties in repaying their interest and principal. The negative trend has been most evident in Latvia and Ukraine. At the same time demand for financial services, especially credit, has dropped substantially.

The second quarter, like the first, was characterised by falling market interest rates, sharp yield curves and high volatility in capital markets with major exchange rate fluctuations. Net interest income and net gains and losses on financial items at fair value developed strongly given market conditions. Most notably, the Swedbank Markets business area produced good earnings from customer trading and its own positioning thanks to favourable conditions for fixed income and currency trading. The business area's exceptionally high earnings level during the first half-year is not considered sustainable. In traditional retail banking, low interest rates place negative pressure on net interest income. The gradually extended maturities of Swedbank's funding and its increased liquidity reserves at the same time add further negative pressure to net interest income.

Swedbank has successfully begun a transformation to a bank with lower total assets and fewer employees focused on core customers in its four home markets, Sweden, Estonia, Latvia and Lithuania.

Efforts to create group-wide processes continue. Swedbank Robur (asset management) and Swedbank Markets (capital market products and trading) will comprise all operations within their respective areas in the four home markets as from 1 July. Among staff and support functions, IT, risk management and purchasing were the areas where most progress was made to establish a common organisation for Swedbank's home markets.

## Second quarter 2009

Swedbank reported a loss for the second quarter of SEK 2bn.

Non-recurring items affected profit before tax by SEK 834m, compared with SEK -480m in the previous quarter and SEK 352m in the same quarter last year. Quarterly non-recurring items consisted of capital gains of SEK 374m on branch sales to savings banks as well as SEK 322m from Visa Sweden (share of associate company's profit) in Swedish Banking, SEK -60m to refund excessive fund management fees in Asset Management and Insurance, and SEK 198m for a reversal of provisions for profit-based staff costs in Baltic Banking. The first quarter included a repayment of SEK -480m for fund management fees in Asset Management and Insurance. The second quarter of 2008 included SEK 101m from the sale of shares in MasterCard in Swedish Banking, a capital gain of SEK 66m on the sale of the partly owned card company PKK in Estonia and SEK 185m from a reversal of provisions for profit-based staff costs in Baltic Banking.

Profit before impairments and write-offs as well as non-recurring items decreased by SEK 1.3bn from the previous quarter. The decrease was mainly due to lower results in Swedbank Markets and Group Treasury within Shared Services and Group Staffs.

<b>Profit before impairments, write downs and non-recurring items by business area</b>			
<b>SEKm</b>	<b>Q2 2009</b>	<b>Q1 2009</b>	<b>Q2 2008</b>
Swedish Banking	2 338	2 401	2 113
Baltic Banking	1 034	1 292	1 205
Ukraine	188	202	163
Russia	106	131	76
Other	37	68	88
International Banking	331	401	327
Swedbank Markets	810	1 301	333
Asset Management and Insurance	204	109	321
Shared Services and Group Staffs	-728	-231	352
<b>Total</b>	<b>3 989</b>	<b>5 273</b>	<b>4 651</b>

Income excluding non-recurring items decreased by SEK 1 306m or 13 per cent from the previous quarter. The decrease was mainly due to lower income from treasury, trading and capital market products as well as from lending and deposits.

<b>Income analysis</b>			
<b>Group</b>	<b>Q2 2009</b>	<b>Q1 2009</b>	<b>Q2 2008</b>
<b>SEKm</b>			
Lending	3 355	3 558	3 099
Deposits	1 250	1 402	1 678
Treasury, trading and capital market products	1 673	2 737	2 012
Asset management	863	759	1 004
Payments and cards	815	833	839
Insurance	175	130	101
Associates	141	97	122
Other income	326	388	411
Non-recurring items	636	-480	167
<b>Total income</b>	<b>9 234</b>	<b>9 424</b>	<b>9 433</b>

Lower interest rates, together with lower lending volumes, a higher share of impaired loans and the extended maturity profile of capital market funding, contributed to a decrease in net interest income of SEK 560m or 10 per cent from the previous quarter. The trend towards higher lending margins continued in Swedish Banking, while lower lending margins continued in Baltic Banking, where it takes a long time to pass on higher funding costs to customers and the income-generating portion of the credit portfolio is shrinking. Extended maturities on capital market funding, coupled with increased liquidity reserves, reduced net interest income by approximately SEK 200m from the previous quarter.

Net commission income increased by SEK 176m or 9 per cent from the previous quarter excluding the effect of the refunded fund management fees. The main reason was higher fund management and insurance commissions due to an increase in assets under management after a rise in equity prices.

Net gains and losses on financial items at fair value decreased by SEK 1 001m or 59 per cent from the previous quarter. This was mainly due to exceptionally high profit in Swedbank Markets and positive valuation effects in Group Treasury in the previous quarter. These valuation effects, which arise partly when the prices of different financial instruments do not correlate completely, affected the result negatively during the quarter. Due to the ineffectiveness of the cash flow hedge, profit for the second quarter was reduced by SEK 81m.

Expenses were SEK 220m or 5 per cent lower than the previous quarter, mainly due to a decrease in profit-based staff costs. In Baltic Banking, SEK 198m in profit-based staff costs which will not be utilised was dissolved.

Impairment losses on loans amounted to SEK 6.7bn, of which SEK 4.0bn related to Baltic Banking and SEK 2.0bn to Ukrainian Banking. The loan loss ratio was 2.10 per cent (2.16 previous quarter) for the Group. In Baltic Banking, the loan loss ratio was 7.60 per cent (7.50) and in Ukrainian Banking 49.44 per cent (38.70). Of the impairment losses on loans, SEK 6.2bn was provisions and SEK 0.5bn net write-offs.

Despite the pre-tax loss, the Group's tax expense amounted to SEK 145m. The Swedish operations reported a taxable profit. At the same time a share of the reported losses in Ukraine is not expected to be utilised for tax purposes. In Estonia no deferred tax assets are reported on losses.

## January-June 2009

### Profit

The loss for the first six months of the year amounted to SEK 5.4bn, compared with a profit of SEK 6.5bn in the previous year.

Non-recurring items affected profit before tax by SEK 354m, compared with SEK 792m in the previous year. Non-recurring items in 2009 include capital gains of SEK 374m on branch sales, Visa revenue of SEK 322m in Swedish Banking, refunded fund management fees of SEK 540m in Asset Management and Insurance and SEK 198m from a reversal of provisions for profit-based staff costs in Baltic Banking. Non-recurring items in 2008 included capital gains of SEK 440m on branch sales, MasterCard revenue of SEK 101m in Swedish Banking, a capital gain of SEK 66m on PKK and SEK 185m from a reversal of provisions for profit-based staff costs in Baltic Banking.

Profit before impairments and provisions as well as non-recurring items increased by SEK 1.0bn from previous year, mainly due to a record profit for Swedbank Markets, while Group Treasury within Shared Services and Group Staffs reported lower earnings.

Profit before impairments, write downs and non-recurring items by business area		
SEKm	Jan-Jun 2009	Jan-Jun 2008
Swedish Banking	4 739	4 115
Baltic Banking	2 326	2 410
Ukraine	390	253
Russia	237	120
Other	105	123
International Banking	732	496
Swedbank Markets	2 111	618
Asset Management and Insurance	313	533
Shared Services and Group Staffs	-959	45
<b>Total</b>	<b>9 262</b>	<b>8 217</b>

Excluding non-recurring items and exchange rate differences on the translation of subsidiary income to Swedish kronor, the increase in income was 4 per cent.

Higher income from treasury, trading and capital market products, as well as lending, compensated for lower income from deposits and asset management. The increased lending income was generated primarily in Swedish Banking, where volumes and margins both rose. Deposit income was adversely affected by margin pressure, primarily for current accounts, where it was not possible to reduce the interest paid to customers as quickly as the fall in short-term money market rates. Asset management income was adversely affected by lower asset volumes due to a decrease in asset values.

Income analysis		
Group SEKm	Jan-Jun 2009	Jan-Jun 2008
Lending	6 913	6 091
Deposits	2 652	3 430
Treasury, trading and capital market products	4 410	2 863
Asset management	1 622	2 034
Payments and cards	1 648	1 632
Insurance	305	208
Associates	238	238
Other income	714	842
Non-recurring items	156	541
<b>Total income</b>	<b>18 658</b>	<b>17 879</b>

Net interest income increased by 5 per cent. Higher lending margins and increased volumes in the Swedish operations, as well as strong earnings from trading and treasury operations, were the biggest contributors to the increase. Extended maturities on capital market funding, coupled with increased liquidity reserves, reduced net interest income by approximately SEK 1 000m compared with the first half-year 2008.

Net commission income fell by 15 per cent excluding Swedbank Robur's non-recurring cost to refund fund management fees. The decrease was mainly due to lower income from fund and unit-linked insurance savings resulting from lower stock prices. Swedbank Robur's income was charged with SEK 540m in compensation to customers for fund management fees charged since 2004 that were not in compliance with the rules set out for two funds. Payment commissions increased by 1 per cent. Corporate finance commissions decreased by 62 per cent.

Net gains and losses on financial items at fair value increased by SEK 1.2bn, including SEK 1.7bn in Swedbank Markets and SEK 0.3bn in Baltic Banking, while revenue decreased in Group Treasury by SEK 0.6bn. In the same period last year Swedbank reported a positive change in value of SEK 165m in Group Treasury for derivatives now reported as cash flow hedges. Due to the ineffectiveness of the cash flow hedge, profit for the year was reduced by SEK 81m. The prospects for Swedbank Markets' interest and currency trading were favourable, with high volatility, which allowed for improved customer margins and good earnings from position-taking. In the corresponding period last year a change in value of SEK 101m was reported on Swedish Banking's shareholding in MasterCard.

Net gains and losses on financial items at fair value have historically shown considerable volatility on a quarterly basis within Swedbank Mortgage, Swedish Banking, since a large part of its lending and funding is marked to fair value. The impact on income arises partly in connection with large maturing bonds, due to differences in maturity dates between the bonds and lending. These differences are affected by customers' prepayments and bond repurchases. These effects, which are reported as net gains and losses on financial items at fair value, have a reciprocal effect on net interest income. Moreover, differences in interest rate levels with regard to swaps and bonds affect earnings through the valuation of lending and its funding. As of the second quarter hedge accounting is applied to a portion of newly issued bonds, which reduces the volatility of these valuations.

Excluding non-recurring items and exchange rate translation differences of subsidiary costs to Swedish kronor, Group costs were unchanged. Banco Fonder AB, which is consolidated as of the first quarter, affected costs by SEK 38m, including the amortisation of intangible assets attributable to the acquisition. The remaining cost increase was mainly attributable to enhanced credit risk analysis and expanded capacity to manage problem loans, primarily in the Baltic countries. Restructuring work in Ukraine also led to higher costs. Fewer employees and lower profit-based staff costs reduced expenses. Of the decrease in the number of full-time employees of 1 229, Baltic Banking Operations accounted for 1 456.

Wage increases amounted to 2 per cent in Sweden, while wages decreased in Estonia, Latvia, Lithuania and Ukraine. Costs for personnel reductions amounted to slightly over SEK 40m and primarily related to Baltic Banking.

The deteriorating economic outlook in Ukraine necessitated the write-off during the first quarter of remaining intangible assets, primarily goodwill, of SEK 1.3bn attributable to the Ukrainian investment. The write-off does not affect capital adequacy or cash flow.

Impairment losses on loans increased by SEK 12.8bn to SEK 13.5bn (0.7), of which SEK 8.2bn related to Baltic Banking and SEK 3.9bn to Ukrainian Banking. Of the reported impairment losses on loans, SEK 12.7bn was net provisions. Individual provisions, net, amounted to SEK 6.0bn (0.4). Collective provisions amounted to SEK 6.7bn (0.1). Net write-offs amounted to SEK 0.8bn (0.2). The loan loss ratio increased to 2.13 per cent (0.12).

Despite the pre-tax loss, the Group's tax expense amounted to SEK 132m. The Swedish operations reported a taxable profit. At the same time a significant share of the reported losses in Ukraine is not expected to be utilised for tax purposes. In Estonia, no deferred tax assets were reported on losses. The write-off of intangible assets is not tax deductible.

### Asset quality

Lending to the public excluding repurchase agreements (repos) decreased during the first half-year by SEK 10bn or 1 per cent, excluding exchange rate and market valuation effects the decrease was SEK 11bn. Lending amounted to SEK 1 241bn as of 30 June.

Long-term mortgage financing in Sweden through Swedbank Mortgage increased by SEK 34bn or 5 per cent, of which the increase in the market valuation of the outstanding loan portfolio accounted for SEK 0bn and new lending accounted for a net of SEK 34bn. Swedbank Mortgage's loan portfolio of SEK 658bn represented 53 per cent of the Group's total lending. This portfolio has historically had very low impairment losses, which reduces Swedbank's overall risk profile. Swedbank Mortgage's average loan-to-value ratio was approximately 44 per cent. Only 0.1 per cent of the portfolio had a loan-to-value ratio of over 85 per cent.

Lending to real estate management companies accounted for SEK 263bn, of which SEK 205bn was in Sweden. Of the outstanding loan portfolio to real estate management companies in Sweden, condominium associations accounted for SEK 88bn, state and municipally owned real estate companies for SEK 14bn and real estate management companies for SEK 63bn.

Lending in the Baltic countries declined by 9 per cent during the first half-year, while lending in Ukraine declined by 32 per cent excluding exchange rate effects. Lending in the Baltic countries, Russia and Ukraine accounted for 16 per cent (17 per cent as of 31 December 2008), 1 per cent (1) and 1 per cent (1) of the Group's lending, respectively.

The exposure to private equity firms amounted to SEK 15.1bn (15.1), of which 45 per cent related to the healthcare sector. During the period provisions of net SEK 247m were allocated for credits to private equity firms. The exposure to shipping amounted to SEK 19.7bn (20.4), of which dry bulk accounted for 9 per cent. During the quarter no provisions were allocated for shipping credits.

The portfolio of interest-bearing securities amounted to SEK 174bn on 30 June. The portfolio, consisting of around 75 per cent Swedish securities, has a low risk profile with an emphasis on covered bonds and government securities. Liquidity portfolios in Group Treasury and the Baltic countries amounted to approximately SEK 37bn, while Swedbank Market's trading book accounted for the remaining holdings. As of 30 June, 92 per cent of the portfolio was valued at quoted prices and 8 per cent using valuation models based on observable market data.

Total credit risk exposure, including derivatives, interest-bearing securities, guarantees and other commitments, amounted to SEK 1 700bn, a decrease of SEK 22bn or 1 per cent since the start of the year. The decrease mainly related to the Baltic countries and Ukraine.

Impaired loans, gross, increased by SEK 9.7bn during the second quarter, in line with the first quarter (SEK 9.3bn). The increase was especially high in Ukraine and Latvia due to the severe economic downturn and previously extensive credit expansion. Although impaired loans rose at a higher rate in Russia, Swedbank's share of impaired loans remained below the market average. The rate of increase in Estonia showed signs of levelling off. In Sweden, the rate of increase remained low.

<b>Impaired loans, gross by business area SEKm</b>	<b>30 Jun 2009</b>	<b>31 Mar 2009</b>	<b>30 Jun 2008</b>
Swedish Banking	2 553	2 267	1 013
<i>Estonia</i>	4 802	3 702	1 099
<i>Latvia</i>	11 917	7 889	988
<i>Lithuania</i>	5 081	3 031	405
Baltic Banking	21 800	14 622	2 492
<i>Ukraine</i>	4 304	2 373	717
<i>Russia</i>	627	286	125
<i>Other</i>	84	85	15
International Banking	5 015	2 744	857
Swedbank Markets	289	288	30
Shared Services and Group Staffs	0	0	0
<b>Total</b>	<b>29 657</b>	<b>19 921</b>	<b>4 392</b>

Impaired loans in Baltic Banking include SEK 4.1bn to households and SEK 17.7bn to businesses. The share of impaired loans, gross, was 4.4 per cent for households and 15.2 per cent for businesses. The increase in impaired loans in Baltic Banking was mainly in the real estate and transportation sectors, although other sectors contributed as well. The increase in Ukraine and Russia was mainly in the real estate sector.

Impaired loans increased by SEK 19.1bn during the first half of 2009. The increase is expected to continue during the second half of 2009, although in a somewhat slower pace. Most of the increase is likely to be in the corporate portfolio. Impaired loans will rise in the household portfolio as well owing to higher unemployment. Regardless of market, the corporate portfolio has a higher share of impaired loans than the consumer portfolio.

The exposure for the so-called Lehman Brothers loans was USD 1 438m as of 30 June and consisted of 52 borrowers with collateral in 55 properties. Ten of the borrowers had payment problems. None of the properties (collateral for the loans) have yet to be taken over. During the second quarter the loans were classified from a capital adequacy perspective in accordance with Swedbank's internal risk classification system. As a result, risk-weighted assets decreased by SEK 2bn. No provisions were allocated during the second quarter after a new analysis.

The Group's total provisions were SEK 18.8bn on 30 June, of which SEK 9.9bn was individual provisions for identified impaired loans and SEK 8.9bn was collective provisions.

The Group's provision ratio was 63 per cent as of 30 June (60 per cent on 31 December 2008). The provision ratio was 95 per cent (79) in Swedish Banking, 51 per cent (52) in Baltic Banking, 101 per cent (58) in Ukraine and 64 per cent (100) in Russia.

The provision ratio is affected by the rapid increase in impaired loans and uncertainty in the real economy, and thus the value of the bank's collateral. When the inflow of impaired loans slows and repossessed collateral can be valued more easily, the collective provisions are expected to be transferred to individual provisions and the provision ratio will fall below 50 per cent. Over the business cycle the provision ratio is expected to be 30-50 per cent.

The laws governing the repossession of collateral in the Baltic countries are similar to those in other EU member states. The practical work involved in repossessing collateral has been executed satisfactorily in all the Baltic countries. The legal process to repossess collateral in Ukraine is much more unpredictable and cumbersome.

Swedbank works with customers who have difficulty servicing their debt in order to find beneficial solutions for both parties. Whenever possible Swedbank avoids repossessing collateral if financially feasible.

Swedbank's goal is to protect as much of the value of repossessed assets as possible. The bank will therefore retain assets through the downward side of the macroeconomic cycle in cases where it is considered beneficial.

As of 30 June Swedbank had repossessed collateral valued at SEK 224bn, of which Sweden accounted for SEK 196m, Estonia for SEK 0m, Latvia for SEK 26m and Lithuania for SEK 2m. Repossessed assets consist mainly of equities and real estate. Repossessed collateral is expected to increase primarily in the Baltic countries. Moreover, cancelled finance leases in Baltic Banking amounted to SEK 1.1bn, whereof SEK 0.7bn was vehicles.

All of Swedbank's Financial Reconstruction and Recovery (FR&R) teams continued to strengthen both their internal and external expertise during the second quarter. In Baltic Banking, around 200 specialists will be employed in a special unit as of the end of August to manage actual and potential problem credits and repossessed collateral. Specialists are also being hired to manage repossessed properties. In Ukraine, about 40 people are employed in a similar unit. Specific action plans are being drafted for each problem loan. Also, several special purpose vehicles (SPVs) have been established to manage various types of repossessed collateral in the best way possible. A few repossessed properties have been placed thus far in SPVs. A similar structure is being set up in Ukraine.

Impairment losses on loans amounted to SEK 13.5bn in the first half of 2009, consisting largely of provisions of SEK 12.7bn. Net write-offs increased slightly, but remained at a low level. Write-offs are expected to rise going forward due to the prolonged economic crisis.

**Impairment losses on loans and other credit risk provisions by business area Jan-Jun 2009**

SEKm	Individual	Collective	Total
Swedish Banking	658	426	1 084
<i>Estonia</i>	1 088	351	1 439
<i>Latvia</i>	3 082	1 450	4 532
<i>Lithuania</i>	1 016	1 220	2 236
Baltic Banking	5 186	3 021	8 207
<i>Ukraine</i>	857	3 056	3 913
<i>Russia</i>	0	188	188
<i>Other</i>	70	0	70
International Banking	927	3 244	4 171
Swedbank Markets	47	4	51
Shared Services and Group Staffs	8	-4	4
<b>Total</b>	<b>6 826</b>	<b>6 691</b>	<b>13 517</b>

### Funding and liquidity

Since autumn 2008 Swedbank's liquidity situation has gradually improved thanks in large part to the issues as part of the Swedish guarantee programme and utilisation of the Riksbank's repo facilities. The level of liquidity is considered well-suited to the current situation in the capital market.

As of 30 June the total outstanding funding volume issued as part of the Swedish guarantee programme amounted to SEK 306bn, of which SEK 189bn related to bonds issued as part of the bank's long-term funding programme.

Funding from the Riksbank decreased during the first half-year to SEK 166bn from SEK 189bn on 31 December.

**Change in long-term bonds in issue**

**Nominal figures**

**Jan-Jun 2009**

SEKbn	Total
Bonds in issue <sup>1</sup>	190
Of which with state guarantee	128
Expired bonds	66
Repurchased bonds	62
Remaining maturities during H2 2009	25

<sup>1</sup> Excluding issues tied to index-linked bonds

In 2009 a total of SEK 153bn in long-term funding will mature, of which SEK 25bn will mature in the second half of the year. During the first six months of 2009 Swedbank issued long-term bonds for SEK 190bn.

The international credit market gradually improved during the second quarter in terms of both volume and prices. In May Swedbank again began to issue covered bonds in the international market.

State guarantee fees amounted to SEK 766m for the first half year of 2009. Net interest income for the first half year of 2009 also included fees for the Swedish deposit guarantee of SEK 107m, as well as an additional SEK 98m for the deposit guarantee systems in Estonia, Latvia, Lithuania, Russia and Ukraine. A gross expenditure of SEK 150m has been allocated for the Swedish stability fee. Since 50 per cent of the cost of the state funding guarantee may be offset against the stability fee, the net cost was nil.

The Swedish market for covered bonds has continued to function well and Swedbank has issued benchmark bonds over time.

In the second quarter Swedbank's US commercial paper programme was approved for issuance with a state guarantee. This funding is gradually replacing portions of the repos Swedbank issues with the Riksbank.

The continued utilisation of the state guarantee programme and issuance of covered bonds have increased the maturity of Swedbank's capital market funding. As of 30 June, 46 per cent of capital market funding had a maturity of over one year. The corresponding figure on 31 December 2008 was 37 per cent. The average remaining maturity on Swedbank's total funding is 18 months. The extended maturity is primarily attributable to state-guaranteed and covered bonds in issue.

Deposits from the public, excluding repos and the Swedish National Debt Office, decreased during the first half-year by SEK 14bn, excluding exchange rate effects, and amounted to SEK 464bn on 30 June. The decrease was SEK 5bn or 23 per cent in Swedbank Markets, SEK 4bn or 1 per cent in Swedish Banking due to branch sales, SEK 1bn or 1 per cent in the Baltic countries and SEK 2bn or 40 per cent in Ukraine. The market share of deposits from private individuals was unchanged from the beginning of the year: 24 per cent in Sweden, 55 per cent in Estonia, 24 per cent in Latvia and 31 per cent in Lithuania.

The loan/deposit ratio was 267 per cent on 30 June, an increase of 5 percentage points since the turn of the year.

### Capital and capital adequacy

In addition to the loss of SEK 5.4bn recognised through profit and loss, Swedbank's equity was also affected positively by other comprehensive income of SEK 0.1bn mainly from exchange rate differences on the translation of foreign operations. As of 30 June shareholders' equity amounted to SEK 80.9bn.

In the financial companies group, where, pursuant to capital adequacy rules, insurance companies are not consolidated and associated companies are consolidated in accordance with the equity method, tier 1 capital decreased by SEK 3.8bn compared with 31 December 2008 to SEK 73.4bn. Tier 1 capital in the financial companies group was bolstered by a share dividend of SEK 970m from the insurance company Swedbank Försäkring to Swedbank Robur at the same time that the insurance company received a shareholders' contribution of SEK 625m.

The tier 1 capital ratio according to the new rules increased to 11.3 per cent as of 30 June compared with 11.1 per cent on 31 December. The core tier 1 capital ratio was 9.8 per cent (9.7). The capital adequacy ratio was 15.4 per cent (15.2).

Hybrid capital accounted for 13 per cent of tier 1 capital, compared with a maximum permissible limit of 30 per cent.

Risk-weighted assets decreased by SEK 46bn or 7 per cent since 31 December to SEK 651bn. The goal is to

gradually further reduce risk-weighted assets. An increased focus on risk-adjusted return on capital (RAROC) and specific targets for risk-weighted assets in internal controls, coupled with lower credit demand, are helping to achieve the goal.

Swedbank's finance company reported according to the internal ratings based (IRB) approach for the first time as of 30 June, due to which risk-weighted volume decreased by SEK 9bn.

The average risk weighting for retail and corporate exposures remained stable in the Swedish and Nordic operations. Swedbank's internal risk classification models use through-the-cycle risk adjusted estimates: probability of default (PD), loss given default (LGD) and exposure at default (EAD).

For further details on capital adequacy, see note 15.

## Market risk

Swedbank measures market risks – those of a structural nature and those that arise in trading operations – with a Value-at-Risk (VaR) model. For a given portfolio, VaR expresses a loss level that statistically is exceeded by a specific probability during a specific time horizon. Swedbank uses a 99 per cent probability and a time horizon of one day. This means that the potential loss for the portfolio statistically will exceed the VaR amount one day out of 100.

The table below shows Swedbank's VaR<sup>\*)</sup> performance during the quarter.

VaR by risk category					
30 Jun 2009				31 Jun 2009	31 Dec 2008
SEKm	Max	Min	Average		
Interest risk	150	96	118	122	123
Currency rate risk	13	2	8	7	6
Stock price risk	32	11	19	21	15
Diversification			-28	-45	-18
<b>Total</b>	<b>141</b>	<b>95</b>	<b>118</b>	<b>105</b>	<b>126</b>

*\*) VaR excluding market risks within Swedbank Ukraine as well as strategic currency rate risks. For Swedbank Ukraine, VaR becomes misleading because of the illiquid and undeveloped financial markets in Ukraine. Regarding the strategic currency rate risks, a VaR-measure based on a time horizon of one day is not relevant.*

For individual risk types, VaR is supplemented with risk measures and limits based on sensitivity to changes in various market prices. Risk-taking is also monitored with stress tests.

An increase in all market interest rates of one percentage point as of 30 June 2009 would have reduced the value of the Group's assets and liabilities, including derivatives, by SEK 1 032m (1 811). This calculation includes the portion of the bank's deposits assigned a duration of between two and three years. The decrease in the value of positions in Swedish kronor would have been SEK 616m (810). Positions in foreign currency would have decreased in value by SEK 416m (1 001). With an interest rate increase of one percentage point, the Group's net gains and losses on financial items at fair value would have increased by SEK 93m (310) of 30 June 2009. Comparative figures refer to 31 December 2008.

## Operational risks

The operational risk level in the Group remained higher than normal during the second quarter due to the turbulence in the financial markets. One specific risk is the reputation risk that can arise during periods of extensive media coverage. Due to the increased risk level, monitoring of the Group's business areas and reporting by those business areas to the Group's central risk control function have been expanded.

## Risks and uncertainties

Swedbank's profit is affected by changes in the marketplace over which it has no control, including changes in interest rates, stock prices and exchange rates.

Swedbank has subsidiaries with operations in countries with currencies other than Swedish kronor. Moreover, in Estonia, Latvia, Lithuania, Russia and Ukraine, a significant share of lending is in euros or US dollars. In the event of a devaluation of the domestic currency in any of these countries, three factors would mainly affect the Group's income statement and balance sheet. First, a gain on financial items at fair value would generally arise due to the impact of changes in exchange rates on the assets and liabilities of the subsidiary. Normally, this would produce an exchange rate gain, since the company has larger assets than liabilities in foreign currencies (euro or dollar). Secondly, a negative translation effect would arise on the parent company's net investment in the subsidiary, since the subsidiary's equity would be less when expressed in Swedish kronor. This negative exchange rate effect would not be reported in the consolidated income statement but would be recognised in Other comprehensive income. Thirdly, it would become more difficult for domestic customers to pay the interest and principal on their loans in foreign currencies, which would become higher in the local currency. This would eventually lead to higher impairment losses on loans in the subsidiary.

Impairment of intangible assets in the Baltic investment remains a possibility. Outstanding Group goodwill totalled SEK 13.1bn. In addition, there were surplus values in the lending portfolio of SEK 0.8bn as well as a client base valued at SEK 0.5bn. Future prospects are difficult to determine, which makes the evaluation of the intangible assets problematic. In connection with the preparation of its January-June accounts, Swedbank conducted a new assessment. Based on the assumption that the Baltic operations will be profitable with a significantly lower asset base and risk-weighted assets following the financial crisis, no impairments have been identified.

The effects of changes in the marketplace on Swedbank's operations are described in more detail in the business area sections. In addition to what is stated in this interim report, a detailed description of risk factors is provided in Swedbank's rights issue prospectus from December 2008. The Group's risks and risk control are also described in detail in Swedbank's annual report and in its annual disclosure on risk management and capital adequacy according to the Basel 2 rules, available on [www.swedbank.com](http://www.swedbank.com).

## Other events

Swedbank entered into agreements on the divestment of four branches to Sparbanken Nord, three branches to Sparbanken Dalsland, two branches to Sparbanken

Rekarne, one branch to Tidaholms Sparbank and one branch to Sparbanken 1826. These sales generated capital gains of SEK 409m. SEK 35m attributable to the sale to Sparbanken 1826 will be reported during the third quarter. The capital gains are taxable.

Swedbank and Sparbanken Syd have signed a new cooperation agreement whereby Sparbanken Syd will continue to offer Swedbank's products and services until 30 April 2010. The agreement also includes an IT cooperation. The previous cooperation between Swedbank and Sparbanken Syd was terminated by Swedbank in June 2008, when the parties disagreed on the contents of the agreement.

Swedbank Robur AB acquired Banco Fonder AB and its assets in the form of customer agreements from Alfred Berg. The acquisition comprises asset management agreements worth around SEK 7bn. The acquisition was completed on 20 January 2009. Banco Fonder has around 128 000 customers and 26 mutual funds. The difference between the purchase price and acquired net assets in the company was allocated to intangible assets. Together with assets and liabilities, the intangible assets amounted to SEK 301m.

Together with other Swedish banks, Swedbank sold its shareholding in Privatgirot AB to Banc Tec, which became the new owner as of 23 June. The capital gain amounted to SEK 2m.

The Visa Sweden Association, which is cooperatively owned by Sweden's Visa card issuers, owns one share in Visa Europe in addition to its Visa licence. In connection with a restructuring of the global Visa organisation and Visa Inc's IPO in the US in 2008, Visa Europe received cash and shares in Visa Inc, which Visa Europe in turn distributed to its shareholders. Based on Visa Sweden's audited annual accounts, Swedbank has now included its ownership interest in the branding association in the consolidated income statement. Swedbank's stake in the association is 39 per cent, which corresponded to a profit of SEK 322m.

Michael Wolf became President and CEO on 1 March. Erkki Raasuke, formerly Head of Baltic Banking, was appointed Group Chief Financial Officer. Göran Bronner, formerly Chief Investment Officer at the Swedish asset management firm Tanglin, was appointed Group Chief Risk Officer. Håkan Berg, formerly Head of Internal Audit, was appointed Head of Baltic Banking. Stefan Carlsson, previously the CEO of

Banque Öhman S.A. in Luxembourg, was appointed Head of Swedbank Markets. Thomas Backteman was appointed Head of Corporate Affairs. Mikael Inglander, formerly Group Chief Financial Officer was appointed Head of One Group Change Programme. Marie Hallander Larsson, previously head of HR at Posten, was appointed Head of Human Resources for the Swedbank Group. Helena Nelson, formerly the general counsel for Skandia, was appointed Head of Group Compliance. Birgitte Bonnesen, previously Head of Global Financial Institutions, was appointed Head of Internal Audit. Jonas Erikson, formerly Head of Strategic Analysis and Mergers & Acquisitions at Swedbank, was appointed Head of Group Treasury.

A new management structure has been introduced with a Group Executive Committee and a Senior Management.

Swedbank's Annual General Meeting 2009 was held in Stockholm on 24 April. The AGM elected four new Board members: Anders Igel, Pia Rudengren, Anders Sundström and Karl-Henrik Sundström. Ulrika Francke, Berith Hägglund-Marcus, Helle Kruse Nielsen and Carl Eric Stålberg were re-elected to the Board, with Carl Eric Stålberg as Chair of the Board. The dividend approved for shareholders was SEK 0.00 per share (9.00), in accordance with the Board's proposal.

## Rating

On 27 February Moody's Investors Service downgraded Swedbank's rating by one notch from Aa3 to A1 with a continued negative outlook and incorporating support from the Swedish state. The primary reason cited was the situation in the Baltic countries. On 27 April Swedbank was placed on a watch list for possible future downgrades. Fitch Ratings downgraded Swedbank's long-term rating on 16 April from A+ to A with a stable outlook. The rating incorporates external support. On 18 June Standard & Poor's Ratings Services affirmed Swedbank's ratings of 'A' long-term and 'A-1' short-term, incorporating external support. The outlook remains negative, mainly due to the uncertain economic situation in the Baltic countries.

## Events after 30 June 2009

There are no important events after the closing day to report.

# Swedish Banking

- Continued positive earnings
- Limited impairment losses on loans
- Preventive efforts to limit the effects of the recession

## Income statement

SEKm	Q2 2009	Q1 2009	%	Q2 2008	%	Jan-Jun 2009	Jan-Jun 2008	%
Net interest income	3 356	3 332	1	2 971	13	6 688	5 953	12
Net commissions	952	920	3	1 057	-10	1 872	2 082	-10
Net gains and losses on financial items at fair value	80	100	-20	179	-55	180	195	-8
Share of profit or loss of associates	462	97		97		559	187	
Other income	539	145		149		684	733	-7
<b>Total income</b>	<b>5 389</b>	<b>4 594</b>	<b>17</b>	<b>4 453</b>	<b>21</b>	<b>9 983</b>	<b>9 150</b>	<b>9</b>
Staff costs	983	997	-1	976	1	1 980	1 997	-1
Profit-based staff costs	26	23	13	41	-37	49	119	-59
Other expenses	1 313	1 139	15	1 194	10	2 452	2 322	6
Depreciation/amortisation	33	34	-3	28	18	67	56	20
<b>Total expenses</b>	<b>2 355</b>	<b>2 193</b>	<b>7</b>	<b>2 239</b>	<b>5</b>	<b>4 548</b>	<b>4 494</b>	<b>1</b>
<b>Profit before impairments and provisions</b>	<b>3 034</b>	<b>2 401</b>	<b>26</b>	<b>2 214</b>	<b>37</b>	<b>5 435</b>	<b>4 656</b>	<b>17</b>
Impairment losses on loans and other credit risk provisions	549	535	3	85		1 084	180	
<b>Operating profit</b>	<b>2 485</b>	<b>1 866</b>	<b>33</b>	<b>2 129</b>	<b>17</b>	<b>4 351</b>	<b>4 476</b>	<b>-3</b>
Tax expense	561	498	13	525	7	1 059	1 181	-10
Profit for the period	1 924	1 368	41	1 604	20	3 292	3 295	0
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>1 923</b>	<b>1 365</b>	<b>41</b>	<b>1 601</b>	<b>20</b>	<b>3 288</b>	<b>3 289</b>	<b>0</b>
Non-controlling interests	1	3	-67	3	-67	4	6	-33
Return on allocated equity, %	29.8	20.6		22.1		25.2	22.7	
Loan loss ratio, %	0.23	0.23		0.04		0.23	0.04	
Total provision ratio for impaired loans, %	95	94		137		95	137	
Share of impaired loans, net, %	0.14	0.15		0.06		0.14	0.06	
Cost/income ratio	0.44	0.48		0.50		0.46	0.49	
Full-time employees	5 836	5 907	-1	6 054	-4	5 836	6 054	-4

## Development January - June

Economic conditions in Sweden remained weak with falling GDP and rising unemployment. The economy is expected to continue to struggle for the remainder of 2009. In 2010 slightly positive growth is anticipated at the same time that higher unemployment could adversely impact the bank's financial results.

Efforts to limit the effects of the recession on Swedbank's balance sheet and income statement continue with an increased focus on capital utilisation and risk-adjusted returns. A conservative, stricter application of the credit policy for household lending, coupled with tighter monitoring of customers with late payments, is helping to limit future impairment losses on loans. To maintain credit quality in the corporate segment, Swedbank regularly conducts credit checks and monitors exposures with a heightened risk. This means closer contact with customers, so that action plans can be adopted when needed. Particular focus is given to the auto industry, real estate management sector and the private equity portfolio. All large exposures and commitments to large companies are periodically reviewed.

A key element of the bank's strategy is to shift responsibility and authority closer to the customer. As

part of this effort, operations will be reorganised into six regions at the same time that the role of the branches is strengthened. The regional heads will receive a clearer business mandate and will become members of the Senior Management.

During the period around ten branches were sold to savings banks. The capital gain amounted to SEK 374m. The total business volume transferred to these savings banks was SEK 13bn, of which SEK 4bn was deposits and slightly over SEK 1bn was bank lending. Around fifty full-time employees were affected.

During the first half-year risk-weighted assets decreased by SEK 14bn to SEK 334bn in Swedish Banking. The branch sales and lower lending to the corporate sector contributed to the decrease. Moreover, the finance company's transition from the standard method to the IRB approach to calculate capital adequacy reduced risk-weighted assets by SEK 9bn.

Despite higher loan loss provisions, profit for the period was unchanged from the previous year. Adjusted for non-recurring items in the form of branch sales (SEK 276m in 2009 and SEK 320m in 2008 after tax) as well as income from Swedbank's ownership interest in the Visa Sweden Association (SEK 322m in 2009) and

MasterCard (SEK 101m in 2008), profit decreased marginally.

Net interest income increased by 12 per cent compared with the previous year. Lower interest rates and tough competition contributed to lower deposit margins. This was offset, however, by improved lending margins and higher lending volumes to mortgage customers, together with positive hedging effects from low-yield deposit accounts. The ongoing re-pricing of risk as a result of the recession has allowed for higher corporate lending margins. The bank's strategy to extend its funding structure will gradually increase funding costs. Further, low deposit margins resulting from interest rate cuts and increased migration to higher-yield accounts will put pressure on net interest income in the remainder of 2009.

Household deposits increased by 3 per cent during the period, while deposits from the corporate sector fell by 6 per cent. Deposit volumes were negatively affected by the sale of branches to the savings banks. The bank's ability to attract deposits from Swedish households was otherwise well in line with its total market share of 24 per cent as of 31 May. The share of deposits from businesses increased in a slowing market.

Total lending rose by 2 per cent during the first half-year. To maintain a balance between funding and lending, new lending is currently focused on two priority customer segments: households and small and medium-sized businesses that do all their banking with Swedbank. Mortgages to private customers increased by about 5 per cent. The market share for new lending to households (by banks and mortgage lenders) was about 31 per cent during the first five months of the year. Swedbank's share of the total market was 28 per cent.

Net commission income decreased by 10 per cent compared with the previous year. Lower market values affected income from mutual fund savings. The

commissions paid to savings banks increased due to a higher volume of brokered mortgages and higher margins. Net fund contributions were positive during the first half-year. In the spring the bank's international payment offering was strengthened through the addition of new and improved services. Sales of property insurance more than doubled compared with the same period last year.

Expenses were in line with the previous year. Changes are being made in the retail structure as part of ongoing efficiency improvements. A new loan processing system which will be put into operation this autumn will further improve efficiency in the application process for mortgages and unsecured loans.

Impairment losses on loans increased during the period from very low levels. Provisions increased partly due to a few large commitments and partly to increased collective provisions as a result of the economic slowdown. Write-offs remained low. Impairment losses on loans are expected to increase during the second half of 2009 due to macroeconomic conditions.

The private equity portfolio in Swedish Banking amounted to SEK 10bn and relates mainly to acquisition financing. Impairment losses on loans amounted to SEK 247m during the period.

Impaired loans, gross, increased modestly during the first half-year. Borrowers were spread out geographically as well as by sector. The increase for auto suppliers and small construction firms was slightly higher than average. The share of impaired loans, gross, was 0.26 per cent (0.22 per cent on 31 December 2008).

Swedbank was ranked as the most popular employer in the financial sector for the third consecutive year.

*Swedish Banking is Swedbank's dominant business area, with responsibility for all Swedish customers except financial institutions. The bank's services are sold through Swedbank's own branch office network, the Telephone Bank and the Internet Bank and through the cooperating savings banks' distribution network.*

# Baltic Banking

- Further increase in impaired loans, primarily in Latvia
- Focus on protecting the balance sheet's assets
- Income under pressure from lower Euribor interest rate and increase in impaired loans
- Cost/income ratio maintained thanks to cost reductions

## Baltic Banking Operations

### Income statement

SEKm	Q2 2009	Q1 2009	%	Q2 2008	%	Jan-Jun 2009	Jan-Jun 2008	%
Net interest income	1 146	1 409	-19	1 531	-25	2 555	3 106	-18
Net commissions	447	456	-2	478	-6	903	936	-4
Net gains and losses on financial items at fair value	253	285	-11	205	23	538	283	90
Share of profit or loss of associates	0	0		0		0	2	
Other income	117	132	-11	200	-42	249	329	-24
<b>Total income</b>	<b>1 963</b>	<b>2 282</b>	<b>-14</b>	<b>2 414</b>	<b>-19</b>	<b>4 245</b>	<b>4 656</b>	<b>-9</b>
Staff costs	416	475	-12	451	-8	891	890	0
Profit-based staff costs	-198	0		-108	83	-198	-25	
Other expenses	378	371	2	399	-5	749	726	3
Depreciation/amortisation	68	72	-6	53	28	140	103	36
<b>Total expenses</b>	<b>664</b>	<b>918</b>	<b>-28</b>	<b>795</b>	<b>-16</b>	<b>1 582</b>	<b>1 694</b>	<b>-7</b>
<b>Profit before impairments and provisions</b>	<b>1 299</b>	<b>1 364</b>	<b>-5</b>	<b>1 619</b>	<b>-20</b>	<b>2 663</b>	<b>2 962</b>	<b>-10</b>
Impairment losses on loans and other credit risk provisions	3 966	4 241	-6	245		8 207	418	
<b>Operating profit</b>	<b>-2 667</b>	<b>-2 877</b>	<b>-7</b>	<b>1 374</b>		<b>-5 544</b>	<b>2 544</b>	
Tax expense	-547	-253		103		-800	210	
Profit for the period	-2 120	-2 624	-19	1 271		-4 744	2 334	
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>-2 120</b>	<b>-2 624</b>	<b>-19</b>	<b>1 271</b>		<b>-4 744</b>	<b>2 334</b>	
Return on allocated equity, %	neg.	neg.		34.8		neg.	31.9	
Loan loss ratio, %	7.60	7.50		0.54		7.36	0.47	
Total provision ratio for impaired loans, %	51	51		78		51	78	
Share of impaired loans, net, %	7.39	4.87		0.91		7.39	0.91	
Cost/income ratio	0.34	0.40		0.33		0.37	0.36	
Full-time employees	7 786	8 075	-4	9 242	-16	7 786	9 242	-16

### Development January - June

The Baltic economies contracted during the first half of 2009. A sharp decline in global trade affected consumer confidence and investment activity, leading to a significant decrease in GDP in all three countries. Key indicators in Estonia and Lithuania showed signs of stabilisation. Inflation pressure has eased and consumer prices have declined in Estonia. On the other hand, unemployment will continue to rise due to anticipated budget cuts and secondary effects in the private sector.

Economic conditions in Latvia have worsened considerably more than in the other Baltic countries. Various parties have expressed concerns about the sustainability of the currency peg. The EU for its part has decided to give Latvia an emergency loan. The Latvian government has made substantial budget cuts to meet the requirements for additional loans.

Due to impairment losses on loans of SEK 8.2bn (0.4), Baltic Banking reported a loss of SEK 4.7bn, against a profit of SEK 2.3m in the same period last year. Of the impairment losses on loans, SEK 4.5bn (0.2) related to Latvia.

Profit before loan losses and write-downs decreased by 10 per cent from the previous year. Measured in local currency and adjusted for non-recurring items in the form of the reversal of bonus provisions (SEK 198m in 2009 and SEK 185m in 2008) and a capital gain of SEK 66m on the sale of the partly-owned card company PKK in 2009, the decrease was 9 per cent.

Income for the period fell by 21 per cent in local currency, mainly due to lower net interest income. Half of the decrease in net interest income was due to a lower Euribor rate, as the bank had more Euribor-linked assets than liabilities. Net interest income was also affected by higher non-performing loans and lower credit volumes. Higher lending margins in the performing portion of the portfolio affected net interest income positively. Pricing levels were reviewed for all sub-portfolios. Measurable effects have been achieved by re-pricing the short-term retail and corporate portfolios. Margins on new lending have increased by 150bp over the past three quarters.

Net commission income fell by 17 per cent in local currency, driven primarily by the low level of activity in global and domestic financial markets. Net gains and

losses on financial items increased by 65 per cent in local currency compared with the first half of 2008 due to positive trends in the financial markets.

Expenses fell by 19 per cent in local currency. Timely actions have resulted in a rapid adjustment in the cost level. Extensive adjustments were made as regards employee reductions and lower total compensation. Current optimisation measures and third-party contract renegotiations will fully impact future periods. To optimise its branch network, Swedbank reduced the number of branches from 276 to 257 during the period. This helped to maintain a cost-income ratio of 0.37. Further improvements in productivity and adjustments to lower business volumes will be made in the months to come. Expenses for the period include slightly over SEK 30m related to the Baltic FR&R unit.

There is a strong focus on bolstering the balance sheet and increasing local funding. Baltic Banking's market share for deposits has remained stable in 2009 at 29 per cent. Around 50 per cent of card transactions in the Baltic countries were executed with Swedbank-issued cards.

During the first half-year deposits increased in local currency by 1 per cent in Lithuania, but decreased by 5 per cent in Latvia. Deposits in Estonia were unchanged in local currency.

Lending volume decreased by 9 per cent during the period, with Latvia accounting for the largest decline. The decrease is a combination of higher provisions and

contracting lending. The rapidly amortising leasing and factoring portfolio experienced the sharpest decline.

As a result of stable deposit volumes and decreased lending, the loan-to-deposit ratio improved from 204 per cent at year-end 2008 to 186 per cent as per 30 June.

Impaired loans, gross, increased to SEK 22bn (SEK 7bn on 31 December 2008). Of the increase of SEK 15bn during the first half-year, SEK 9bn related to Latvia, SEK 4bn to Lithuania and SEK 2bn to Estonia. In Latvia, the increase was mainly in the real estate sector, though also among private individuals. The rate of increase slowed during the second quarter. The share of impaired loans, gross, was 5.40 per cent (2.45) in Estonia, 16.41 per cent (4.08) in Latvia and 8.20 per cent (2.11) in Lithuania. Credit quality in Swedbank's retail portfolio was higher than the market average. The share of overdue mortgage loans in Estonia and Latvia was approximately half that of the total market. Measures to strengthen loan workout teams and upgrade the overdue loan process are a priority, with greater attention being placed on pre-overdue management.

On conversion to Swedish kronor, approximately SEK 675m of the profit deterioration after impairment losses on loans from the previous year was related to a weaker Swedish krona against the Baltic currencies, which are pegged to the euro.

## Baltic Banking, Operations and Investment

### Income statement

SEKm	Q2 2009	Q1 2009	%	Q2 2008	%	Jan-Jun 2009	Jan-Jun 2008	%
Net interest income	1 101	1 358	-19	1 416	-22	2 459	2 877	-15
Net commissions	447	456	-2	478	-6	903	936	-4
Net gains and losses on financial items at fair value	253	285	-11	205	23	538	283	90
Share of profit or loss of associates	0	0		0		0	2	
Other income	117	132	-11	200	-42	249	329	-24
<b>Total income</b>	<b>1 918</b>	<b>2 231</b>	<b>-14</b>	<b>2 299</b>	<b>-17</b>	<b>4 149</b>	<b>4 427</b>	<b>-6</b>
Staff costs	416	475	-12	451	-8	891	890	0
Profit-based staff costs	-198	0		-108	83	-198	-25	
Other expenses	378	371	2	399	-5	749	726	3
Depreciation/amortisation	90	93	-3	101	-11	183	175	5
<b>Total expenses</b>	<b>686</b>	<b>939</b>	<b>-27</b>	<b>843</b>	<b>-19</b>	<b>1 625</b>	<b>1 766</b>	<b>-8</b>
<b>Profit before impairments and provisions</b>	<b>1 232</b>	<b>1 292</b>	<b>-5</b>	<b>1 456</b>	<b>-15</b>	<b>2 524</b>	<b>2 661</b>	<b>-5</b>
Impairment losses on loans and other credit risk provisions	3 966	4 241	-6	245		8 207	418	
<b>Operating profit</b>	<b>-2 734</b>	<b>-2 949</b>	<b>-7</b>	<b>1 211</b>		<b>-5 683</b>	<b>2 243</b>	
Tax expense	-546	-253		85		-799	176	
Profit for the period	-2 188	-2 696	-19	1 126		-4 884	2 067	
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>-2 188</b>	<b>-2 696</b>	<b>-19</b>	<b>1 126</b>		<b>-4 884</b>	<b>2 067</b>	
Return on allocated equity, %	neg.	neg.		20.6		neg.	18.9	
Loan loss ratio, %	7.60	7.50		0.54		7.36	0.47	
Total provision ratio for impaired loans, %	51	51		78		51	78	
Share of impaired loans, net, %	7.39	4.87		0.91		7.39	0.91	
Cost/income ratio	0.36	0.42		0.37		0.39	0.40	
Full-time employees	7 786	8 075	-4	9 242	-16	7 786	9 242	-16

Baltic Banking consists of Baltic Banking Operations and Investment, respectively. Baltic Banking has business operations in Estonia, Latvia and Lithuania. Comments on Baltic Banking in this report refer to business operations, unless otherwise indicated.

In Baltic Banking Investment, the effects of Swedbank's ownership in Swedbank AS is reported, inter alia, as financing costs, Group goodwill and Group amortisation on surplus values in the lending and deposit portfolios identified at the time of acquisition in 2005.

# International Banking

- Large losses in Ukraine, satisfactory development in other markets
- New CEO in place in Ukraine
- Strengthened risk control in all units

## Income statement

SEKm	Q2 2009	Q1 2009	%	Q2 2008	%	Jan-Jun 2009	Jan-Jun 2008	%
Net interest income	626	734	-15	486	29	1 360	893	52
Net commissions	90	89	1	89	1	179	175	2
Net gains and losses on financial items at fair value	22	18	22	114	-81	40	136	-71
Other income	6	5	20	29	-79	11	35	-69
<b>Total income</b>	<b>744</b>	<b>846</b>	<b>-12</b>	<b>718</b>	<b>4</b>	<b>1 590</b>	<b>1 239</b>	<b>28</b>
Staff costs	182	188	-3	163	12	370	325	14
Profit-based staff costs	2	24	-92	35	-94	26	51	-49
Other expenses	199	191	4	164	21	390	310	26
Depreciation/amortisation	30	42	-29	29	3	72	57	26
<b>Total expenses</b>	<b>413</b>	<b>445</b>	<b>-7</b>	<b>391</b>	<b>6</b>	<b>858</b>	<b>743</b>	<b>15</b>
<b>Profit before impairments and provisions</b>	<b>331</b>	<b>401</b>	<b>-17</b>	<b>327</b>	<b>1</b>	<b>732</b>	<b>496</b>	<b>48</b>
Impairment of intangible assets		1 300				1 300		
Impairment losses on loans and other credit risk provisions	2 148	2 023	6	93		4 171	119	
<b>Operating profit</b>	<b>-1 817</b>	<b>-2 922</b>	<b>-38</b>	<b>234</b>		<b>-4 739</b>	<b>377</b>	
Tax expense	68	-420		53	28	-352	89	
Profit for the period	-1 885	-2 502	-25	181		-4 387	288	
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>-1 884</b>	<b>-2 501</b>	<b>-25</b>	<b>181</b>		<b>-4 385</b>	<b>288</b>	
Non-controlling interests	-1	-1	0			-2		
Return on allocated equity, %	neg.	neg.		8.5		neg.	7.2	
Loan loss ratio, %	11.51	10.62		0.81		10.95	0.64	
Total provision ratio for impaired loans, %	97	101		72		97	72	
Share of impaired loans, net, %	3.56	2.21		0.75		3.56	0.75	
Cost/income ratio	0.56	0.53		0.54		0.54	0.60	
Full-time employees*	4 507	4 546	-1	4 198	7	4 507	4 198	7

\*31 Dec 2008 corrected compared to previously reported.

## Development January - June

The loss for the period amounted to SEK 4.4bn and was affected by impairment losses on loans of SEK 3.9bn in Ukraine and the impairment of intangible assets attributable to the Ukrainian investment of SEK 1.3bn.

## Ukrainian Banking

The macroeconomic slowdown in Ukraine continued during the first half of 2009. Industrial production, in particular in the steel industry, continued to decline despite higher global steel prices. Real household income fell and unemployment rose sharply. However the exchange rate stabilised at just below 8 UAH/USD, and inflation fell to under 20 per cent. There is still great uncertainty in the financial sector and with regard to external capital flows. The IMF's board of directors approved the second payment of an emergency loan after having accepted a budget deficit equivalent to 4.5 per cent of GDP for 2009. Additional financial support is therefore expected from both the World Bank and the EBRD.

Lending volumes decreased during the first half-year in lending currencies, and new lending has essentially stopped. Lending to companies amounted to SEK 8.4bn, while consumer lending was SEK 5.0bn. On 31

December 2008 the corresponding figures were SEK 11.6bn and SEK 7.1bn. Risk-weighted assets continued to fall due to the decrease in lending.

A positive net inflow in deposits was reported during the period. In June a large corporation made a sizable withdrawal of its time deposits from the market, as planned, including approximately UAH 800m from Swedbank. This led to a net decrease in deposits in local currency of 7 per cent compared with the same period last year.

The share of impaired loans, gross, amounted to 24.0 per cent on 30 June. The provision ratio in Ukraine was 101 per cent.

The FR & R team in Ukraine has completed its analysis of credit commitments corresponding to 80 per cent of corporate lending. Action plans have been drafted for all credit arrangements where problems have arisen or could arise. Negotiations with the borrowers in question are under way. At the same time an analysis is being made of suitable means to take over collateral. The legal system in Ukraine lacks maturity and the tax system is complex. In addition, the courts are overburdened, which

makes the collateral take-over process challenging and time-consuming.

Expenses continued to decrease, amounting to SEK 292m (322). The number of employees has been reduced during the period. Measures to adapt capacity to the shrinking economy and lower customer demand will be necessary. As a result, the number of branches and employees will be further reduced by around 30 per cent by the end of 2010.

Reiner Müller-Hanke took over as the new CEO of JSC Swedbank on 15 June. The process to merge the two Ukrainian banks continues according to plan and will be completed during the fourth quarter. A special project to strengthen risk control and compliance will be implemented during the second half of the year.

The loss for the period amounted to SEK 3.2m (0.2).

### **Russian Banking**

The slowdown in the Russian economy was surprisingly severe during the first half of 2009. GDP is estimated to have decreased by 9.5 per cent on an annual basis. The slowdown in growth was mainly due to the manufacturing sector, although indicators for retail and investments also point to significant decreases. At the same time the rouble appreciated in value and inflation moderated somewhat as a result of rising oil prices and tighter monetary policy. Falling external demand was further affected by declining real wages and rising unemployment, which diminished households' disposable income. To ease the impact of the recession, a fiscal stimulus package corresponding to upwards of 10 per cent of GDP is planned in 2009.

New lending during the first half-year was very limited, and total lending decreased in lending currencies by 5 per cent. Deposits remained at a low level. The aim is to improve the loan/deposit ratio. Risk-weighted assets decreased slightly in local currency and will not rise for the remainder of the year.

The share of impaired loans, gross, increased during the period to 4.3 per cent from 1.4 per cent at the start of the year. The share of impaired loans is expected to continue to rise in subsequent quarters. The provision ratio in Russia was 64 per cent. Commitments where problems are expected are being analysed in cooperation with the Group's FR&R unit.

No new branches were opened during the period and there are no plans to open any for the rest of the year. To accommodate the shrinking economy and adapt capacity to lower customer demand, the number of employees will be reduced by about 15 per cent during the second half of the year.

### **Nordic branches**

New lending remained limited in the Nordic branches. Lending volume decreased by SEK 5bn compared with 31 December 2008. Total lending was SEK 18.1bn in Norway, SEK 7.8bn in Finland and SEK 3.8bn in Denmark. A large part of lending in Norway is tied to Swedbank Markets' fixed income trading operations. The largest sectors in terms of lending are real estate management with SEK 7.8bn and shipping and off-shore with SEK 5.2bn. Deposits in the Nordic countries increased from a low level by 17 per cent.

A new organisational structure will be implemented during the third quarter and a new head of Nordic operations will be appointed. The aim is to increase synergies between the Nordic countries and build the Nordic customer offering. The number of new cash management customers has increased as a result of co-ordinated Nordic efforts.

### **Luxembourg**

Private Banking operations in Luxembourg reported increased customer activity during the second quarter with a slight improvement in profit.

Swedbank's head of Private Banking, Lars Friberg, was also appointed CEO of Swedbank SA in Luxembourg. The subsidiary bank will be transferred to Swedish Banking as of 1 July.

### **Global Financial Institutions**

Provisions of SEK 67m for two letters of credit issued to a Ukrainian counterparty remain unchanged from the previous quarter.

*International Banking comprises all international business units that are not defined as home markets and independent strategic business areas. These include the banking operations in Ukraine and Russia, the branches in Denmark, Finland, Norway, the US and China, the subsidiary in Luxembourg and the representative offices in Japan, Ukraine and Spain. Moreover, International Banking is responsible for the Swedbank Group's overall relations with banks and financial institutions. A management unit with staff functions is also included in the business area.*

*The effects of the investment in OJSC Swedbank in Ukraine at Group level are reported as a separate business distinct from Ukrainian Banking Operations. Ukrainian Banking Investment is included in the business area.*

*Comments on Ukrainian Banking and Russian Banking in this report refer to business operations, unless otherwise indicated.*

## Swedbank Markets

- Record profit
- Solid earnings in fixed income and currency trading
- Positive earnings growth in equity operations

### Income statement

SEKm	Q2 2009	Q1 2009	%	Q2 2008	%	Jan-Jun 2009	Jan-Jun 2008	%
Net interest income	313	543	-42	431	-27	856	682	26
Net commissions	183	110	66	318	-42	293	513	-43
Net gains and losses on financial items at fair value	877	1 221	-28	118		2 098	362	
Share of profit or loss of associates	0	0		0		0		
Other income	13	19	-32	9	44	32	17	88
<b>Total income</b>	<b>1 386</b>	<b>1 893</b>	<b>-27</b>	<b>876</b>	<b>58</b>	<b>3 279</b>	<b>1 574</b>	
Staff costs	199	217	-8	178	12	416	364	14
Profit-based staff costs	150	144	4	191	-21	294	242	21
Other expenses	221	225	-2	170	30	446	343	30
Depreciation/amortisation	6	6	0	4	50	12	7	71
<b>Total expenses</b>	<b>576</b>	<b>592</b>	<b>-3</b>	<b>543</b>	<b>6</b>	<b>1 168</b>	<b>956</b>	<b>22</b>
<b>Profit before impairments and provisions</b>	<b>810</b>	<b>1 301</b>	<b>-38</b>	<b>333</b>		<b>2 111</b>	<b>618</b>	
Impairment of intangible assets		5				5		
Impairment losses on loans and other credit risk provisions	1	50	-98	0		51	0	
<b>Operating profit</b>	<b>809</b>	<b>1 246</b>	<b>-35</b>	<b>333</b>		<b>2 055</b>	<b>618</b>	
Tax expense	214	327	-35	94		541	174	
Profit for the period	595	919	-35	239		1 514	444	
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>577</b>	<b>907</b>	<b>-36</b>	<b>201</b>		<b>1 484</b>	<b>396</b>	
Non-controlling interests	18	12	50	38	-53	30	48	-38
Return on allocated equity, %	44.3	75.9		24.4		59.1	25.4	
Loan loss ratio, %	0.01	0.66				0.34		
Total provision ratio for impaired loans, %	130	136		139		130	139	
Share of impaired loans, net, %	0.04	0.03		-0.01		0.04	-0.01	
Cost/income ratio	0.42	0.31		0.62		0.36	0.61	
Full-time employees	749	748	0	698	7	749	698	7

### Development January - June

The situation in the financial markets eased during the second quarter, which was reflected in rising treasury rates and equity prices as well as lower credit spreads. An increased risk appetite among market players was the result of a rebound in a number of confidence indicators, while real macro data began to stabilise, though at historically low levels. Markets have also reacted positively to the extensive confidence-building and stimulus measures by central banks and governments.

The period was characterised by strong earnings. Profit amounted to SEK 1 484m. Fixed income and currency trading produced especially strong results thanks to successful analysis and positioning, as well as favourable credit spreads. As a result, a larger-than-normal share of income was generated from trading. In Stockholm, approximately one third of the income was from customer trading and two thirds from Swedbank Markets' own trading. Customer trading also posted solid margins. During the second quarter foreign banks increased their activity, primarily in online currency trading. Competition is generally expected to intensify during the second half-year with margins shrinking slightly. The prospects of a further increase in profit are

bright. The earnings rate is expected to decline in the third quarter, however, due to an overall, seasonally related slowdown in activity.

The recovery in global equity markets during the second quarter was also evident on Nordic exchanges, and laid a foundation for earnings growth in Swedbank Markets' equity operations. The turnaround has been rapid, so a slight slowdown in equity trading can be expected during the third quarter pending further evidence of a global economic rebound and due to the normal, seasonally related slowdown in activity. Swedbank Markets' market share on the Stockholm stock exchange was 5.3 per cent for the period (4.2) and 5.8 per cent for June.

Corporate finance income was weak during the first six months on a year-on-year basis. The Swedish market has been volatile and experienced a shortage of financing, because of which many projects have been delayed or cancelled. The number of business projects increased during the second quarter compared with the previous quarter, which is expected to lead to higher revenues in the third quarter.

Sales of structured products gradually increased during the period, but remained lower than the same period of

2008. Swedbank ranks second in the market with a market share of 22.6 per cent in terms of outstanding volume.

Market conditions for First Securities gradually improved during the period, which led to increased activity and more earnings opportunities.

Expenses increased by SEK 212m year-on-year. Provisions for variable compensation rose by SEK 52m. Other increases were for staff costs, system operations and IT development, as well as to manage the loans and collateral taken over from Lehman Brothers.

Of the period's provisions for impairment losses on loans, SEK 41m relates to shipping operations during the first quarter.

The exposure to the collateralised loans taken over from Lehman Brothers amounted to USD 1 438m. No provisions are anticipated for these loans.

During the period risk-weighted assets decreased by SEK 13bn compared with the previous year and totalled SEK 43bn. The decrease was mainly due to lower lending to financial institutions.

As of the third quarter Swedbank Markets will include the Group's trading and capital market operations in Estonia, Latvia and Lithuania.

Stefan Carlsson was appointed Head of Swedbank Markets as of 1 September. Stefan Carlsson comes from Banque Öhman S.A in Luxembourg, where he was a partner and managing director. Magnus Gagner Geeber, the current head of Swedbank Markets, was appointed regional head for Greater Stockholm.

*Swedbank Markets comprises capital market products and services and various types of project and corporate finance. In addition to operations in Sweden, the business area includes the subsidiaries First Securities in Norway and Swedbank First Securities LLC in New York. Fixed income trading is conducted by the New York branch and through the Oslo branch in cooperation with First Securities. Project and Corporate Finance also has operations in Tallinn, Riga, Vilnius and through the subsidiary ZAO Swedbank Markets in Moscow and St. Petersburg.*

## Asset Management and Insurance

- Swedbank Robur voted the best fund management company in the Nordic region by Lipper for the third year running
- Banco Fonder consolidated
- Increasing market shares in mutual funds and insurance

### Income statement

SEKm	Q2 2009	Q1 2009	%	Q2 2008	%	Jan-Jun 2009	Jan-Jun 2008	%
Net interest income	-4	-1		27		-5	52	
Net commissions	298	-201		432	-31	97	848	-89
Net gains and losses on financial items at fair value	4	3	33	25	-84	7	10	-30
Other income	95	70	36	43		165	82	
<b>Total income</b>	<b>393</b>	<b>-129</b>		<b>527</b>	<b>-25</b>	<b>264</b>	<b>992</b>	<b>-73</b>
Staff costs	104	100	4	93	12	204	194	5
Profit-based staff costs	10	8	25	5	100	18	14	29
Other expenses	121	122	-1	99	22	243	235	3
Depreciation/amortisation	14	12	17	9	56	26	16	63
<b>Total expenses</b>	<b>249</b>	<b>242</b>	<b>3</b>	<b>206</b>	<b>21</b>	<b>491</b>	<b>459</b>	<b>7</b>
<b>Profit before impairments and provisions</b>	<b>144</b>	<b>-371</b>		<b>321</b>	<b>-55</b>	<b>-227</b>	<b>533</b>	
<b>Operating profit</b>	<b>144</b>	<b>-371</b>		<b>321</b>	<b>-55</b>	<b>-227</b>	<b>533</b>	
Tax expense	28	-101		77	-64	-73	130	
Profit for the period	116	-270		244	-52	-154	403	
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>116</b>	<b>-270</b>		<b>244</b>	<b>-52</b>	<b>-154</b>	<b>403</b>	
Return on allocated equity, %	14.4	neg.		44.7		neg.	37.1	
Cost/income ratio	0.63	-1.88		0.39		1.86	0.46	
Full-time employees	384	376	2	346	11	384	346	11

#### Development January - June

The financial markets stabilised during the period. Stock prices recovered during the second quarter after falling at the beginning of the year. In spite of this, earnings were lower than in the corresponding period last year due to a decrease in assets under management.

Customer interest in fund products increased compared with the corresponding period last year, which was reflected in a positive net fund inflow. Customers showed a greater risk appetite. Equity and mixed funds reported net inflows during the period, while fixed income funds noted a net outflow.

Swedbank Robur had a net inflow of SEK 7 121m to its funds during the period, compared with a net outflow of SEK 7 147m last year. Swedbank Robur's market share was 17.8 per cent.

The Swedish mutual fund market improved, reporting a net inflow of SEK 40.1bn, compared with an outflow of SEK 28.3bn in the previous year.

Swedbank Robur acquired Banco Fonder AB during the period. The acquisition comprises fund management and asset management agreements valued at approximately SEK 7bn. Banco Fonder has around 128 000 customers and 26 different funds. The integration of Banco Fonder is expected to be completed by year-end. Following the acquisition, Swedbank Robur's market share of total assets under management on the fund market was 28 per cent (31 March 2009).

A new fund launched during the period, Swedbank Robur Corporate Bond Fund, invests in corporate bonds.

In the insurance area, premium income rose to SEK 9.4bn from SEK 7.4bn in the same period of 2008, mainly due to increased sales of endowment insurance and higher premium income from pension agreements. Of the total number of transfers in SAF/LO pensions, 52 percent were made to Swedbank Insurance and its new, traditional product. The market share as of 31 March (moving 12 months) was 7.4 per cent (6.6).

In institutional asset management, the net inflow from new and existing customers totalled SEK 11.8bn during the period (SEK 6.9bn, excluding SEK 47bn from KP Pension & Försäkring).

The majority of customers who were charged incorrect fees for the Russia and Mix funds have now been compensated. Compensation expenses amounted to SEK 540m, gross, which was charged against profit for the period. The expense was higher than previously estimated due to the funds' appreciation. A review was conducted of internal controls, following which new managers were recruited to head the Compliance and Risk Control functions.

Banco Fonder affected expenses by SEK 38m including amortisation of intangible assets attributable to the acquisition.

During the period Lipper named Swedbank Robur the best fund manager in the Nordic region for the third consecutive year.

and Lithuania in the third quarter, after which the Group's asset management resources will be consolidated in a single organisation.

Swedbank Robur plans to acquire the Swedbank Group's fund management companies in Estonia, Latvia

SEKbn	30 Jun 2009	31 Dec 2008	%	30 Jun 2008	%
<b>Funds assets under management</b>	374	326	15	374	0
<i>of which:</i>					
<i>Swedish equities, %</i>	28.9	25.4	14	29.3	-1
<i>foreign equities, %</i>	33.9	33.0	3	37.9	-10
<i>interest-bearing securities, %</i>	37.2	41.7	-11	32.8	13
Number of customers (thousands)	2 747	2 748	0	2 771	-1
<b>Unit-linked insurance</b>					
Assets under management	65.9	52.2	26	62.7	5
<i>of which in Swedbank Robur's funds</i>	61.1	50.2	22	60.5	1
Number of policies (thousands)	1 009	964	5	955	6
<b>Discretionary asset management</b>					
Assets under management	276	264	4	253	9
<i>of which in Swedbank Robur's funds</i>	51	45	14	33	54

*Asset Management and Insurance comprises the Swedbank Robur Group and its operations in fund management, institutional and discretionary asset management, insurance as well as individual pension savings.*

## Shared Services and Group Staffs

### Income statement

SEKm	Q2 2009	Q1 2009	%	Q2 2008	%	Jan-Jun 2009	Jan-Jun 2008	%
Net interest income	-199	-115	73	-48		-314	67	
Net commissions				0				
Net gains and losses on financial items at fair value	-479	36		512		-443	242	
Share of profit or loss of associates	1	0		25	-96	1	49	-98
Other income	831	769	8	766	8	1 600	1 514	6
<b>Total income</b>	<b>154</b>	<b>690</b>	<b>-78</b>	<b>1 255</b>	<b>-88</b>	<b>844</b>	<b>1 872</b>	<b>-55</b>
Staff costs	405	358	13	407	0	763	809	-6
Profit-based staff costs	3	7	-57	21	-86	10	52	-81
Other expenses	413	491	-16	409	1	904	833	9
Depreciation/amortisation	61	65	-6	66	-8	126	133	-5
<b>Total expenses</b>	<b>882</b>	<b>921</b>	<b>-4</b>	<b>903</b>	<b>-2</b>	<b>1 803</b>	<b>1 827</b>	<b>-1</b>
<b>Profit before impairments and provisions</b>	<b>-728</b>	<b>-231</b>		<b>352</b>		<b>-959</b>	<b>45</b>	
Impairment losses on loans and other credit risk provisions	8	-4		0		4	-6	
<b>Operating profit</b>	<b>-736</b>	<b>-227</b>		<b>352</b>		<b>-963</b>	<b>51</b>	
Tax expense	-180	-64		101		-244	-10	
Profit for the period	-556	-163		251		-719	61	
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>-556</b>	<b>-163</b>		<b>251</b>		<b>-719</b>	<b>61</b>	
Full-time employees	1 724	1 704	1	1 677	3	1 724	1 677	3

The business area includes the Shared Service units, comprising IT and other service functions, Group Executive Management and Group Staffs, including Group Treasury, and the Group's own insurance company, Sparia.

### Eliminations

SEKm	Q2 2009	Q1 2009	%	Q2 2008	%	Jan-Jun 2009	Jan-Jun 2008	%
Net interest income	50	-48		12		2	12	-83
Net commissions	0	0		0		0	0	
Net gains and losses on financial items at fair value	-47	48		-12		1	-12	
Other income	-753	-701	7	-695	8	-1 454	-1 375	6
<b>Total income</b>	<b>-750</b>	<b>-701</b>	<b>7</b>	<b>-695</b>	<b>8</b>	<b>-1 451</b>	<b>-1 375</b>	<b>6</b>
Staff costs	0	0		0		0	0	
Profit-based staff costs	0	0		0		0	0	
Other expenses	-750	-701	7	-695	8	-1 451	-1 375	6
<b>Total expenses</b>	<b>-750</b>	<b>-701</b>	<b>7</b>	<b>-695</b>	<b>8</b>	<b>-1 451</b>	<b>-1 375</b>	<b>6</b>

## Income statement

Group SEKm	Q2 2009	Q1 2009	%	Q2 2008	%	Jan-Jun 2009	Jan-Jun 2008	%
Interest income	13 911	17 082	-19	19 295	-28	30 993	38 768	-20
Interest expenses	-8 668	-11 279	-23	-14 000	-38	-19 947	-28 232	-29
<b>Net interest income</b>	<b>5 243</b>	<b>5 803</b>	<b>-10</b>	<b>5 295</b>	<b>-1</b>	<b>11 046</b>	<b>10 536</b>	<b>5</b>
Commission income	2 892	2 242	29	3 231	-10	5 134	6 229	-18
Commission expenses	-922	-868	6	-857	8	-1 790	-1 675	7
<b>Net commissions (note 3)</b>	<b>1 970</b>	<b>1 374</b>	<b>43</b>	<b>2 374</b>	<b>-17</b>	<b>3 344</b>	<b>4 554</b>	<b>-27</b>
Net gains and losses on financial items at fair value (note 4)	710	1 711	-59	1 141	-38	2 421	1 216	99
Insurance premiums	433	384	13	501	-14	817	798	2
Insurance provisions	-258	-254	2	-400	-36	-512	-590	-13
<b>Net insurance</b>	<b>175</b>	<b>130</b>	<b>35</b>	<b>101</b>	<b>73</b>	<b>305</b>	<b>208</b>	<b>47</b>
Share of profit or loss of associates	463	97		122		560	238	
Other income	673	309		400	68	982	1 127	-13
<b>Total income</b>	<b>9 234</b>	<b>9 424</b>	<b>-2</b>	<b>9 433</b>	<b>-2</b>	<b>18 658</b>	<b>17 879</b>	<b>4</b>
Staff costs	2 282	2 541	-10	2 453	-7	4 823	5 032	-4
Other expenses	1 895	1 838	3	1 740	9	3 733	3 394	10
Depreciation/amortisation	234	252	-7	237	-1	486	444	9
<b>Total expenses</b>	<b>4 411</b>	<b>4 631</b>	<b>-5</b>	<b>4 430</b>	<b>0</b>	<b>9 042</b>	<b>8 870</b>	<b>2</b>
<b>Profit before impairments and provisions</b>	<b>4 823</b>	<b>4 793</b>	<b>1</b>	<b>5 003</b>	<b>-4</b>	<b>9 616</b>	<b>9 009</b>	<b>7</b>
Impairment of intangible assets (note 5)		1 305				1 305		
Impairment losses on loans and other credit risk provisions (note 6)	6 672	6 845	-3	423		13 517	711	
<b>Operating profit</b>	<b>-1 849</b>	<b>-3 357</b>	<b>-45</b>	<b>4 580</b>		<b>-5 206</b>	<b>8 298</b>	
Tax expense	145	-13		935	-84	132	1 740	-92
Profit for the period	-1 994	-3 344	-40	3 645		-5 338	6 558	
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>-2 012</b>	<b>-3 358</b>	<b>-40</b>	<b>3 604</b>		<b>-5 370</b>	<b>6 504</b>	
Non-controlling interests	18	14	29	41	-56	32	54	-41

## Earnings per share

Group SEK	Q2 2009	Q1 2009	Q2 2008	Jan-Jun 2009	Jan-Jun 2008
Earnings per share before and after dilution	-2.61	-4.34	6.54	-6.95	11.81
See page 36 for number of shares.					

## Statement of comprehensive income

Group SEKm	Q2 2009	Q1 2009	%	Q2 2008	%	Jan-Jun 2009	Jan-Jun 2008	%
<b>Profit for the period reported via income statement</b>	<b>-1 994</b>	<b>-3 344</b>	<b>-40</b>	<b>3 645</b>		<b>-5 338</b>	<b>6 558</b>	
Exchange differences, foreign operations	-123	70		907		-53	175	
Hedging of net investments in foreign operations:								
-Gains/losses arising during the period	100	9		-245		109	-68	
Cash flow hedges:								
-Gains/losses arising during the period	-8	-515	-98	-35	-77	-523	-36	
-Reclassification adjustments to income statement, net interest income	212	204	4	14		416	28	
-Reclassification adjustments to income statement, net gains and losses on financial items at fair value	81					81		
Share of other comprehensive income of associates	-29	42		6		13	-1	
Income tax relating to components of other comprehensive income	-35	87		69		52	19	
<b>Other comprehensive income for the period, net of tax</b>	<b>198</b>	<b>-103</b>		<b>716</b>	<b>-72</b>	<b>95</b>	<b>117</b>	<b>-19</b>
<b>Total comprehensive income for the period</b>	<b>-1 796</b>	<b>-3 447</b>	<b>-48</b>	<b>4 361</b>		<b>-5 243</b>	<b>6 675</b>	
<b>Total comprehensive income attributable to the shareholders of Swedbank AB</b>	<b>-1 812</b>	<b>-3 472</b>	<b>-48</b>	<b>4 318</b>		<b>-5 284</b>	<b>6 623</b>	
Non-controlling interests	16	25	-36	43	-63	41	52	-21

## Income statement, quarterly

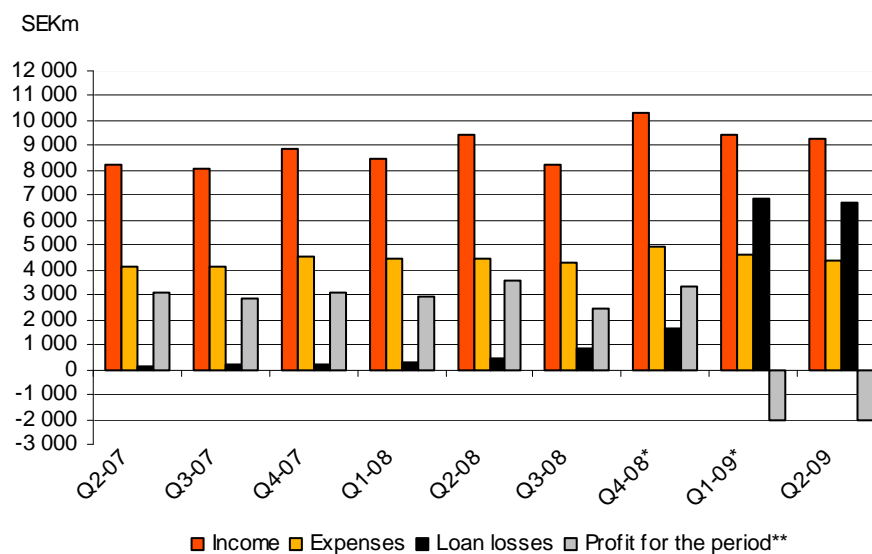
Group SEKm	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Net interest income	5 243	5 803	5 742	5 424	5 295	5 241	5 259	4 806
Net commissions	1 970	1 374	2 011	2 265	2 374	2 180	2 536	2 503
Net gains and losses on financial items at fair value	710	1 711	1 244	-109	1 141	75	386	196
Net insurance	175	130	139	105	101	107	279	99
Share of profit or loss of associates	463	97	136	138	122	116	70	140
Other income	673	309	1 074	415	400	727	344	287
<b>Total income</b>	<b>9 234</b>	<b>9 424</b>	<b>10 346</b>	<b>8 238</b>	<b>9 433</b>	<b>8 446</b>	<b>8 874</b>	<b>8 031</b>
Staff costs	2 282	2 541	2 602	2 458	2 453	2 579	2 633	2 412
Other expenses	1 895	1 838	2 004	1 596	1 740	1 654	1 701	1 528
Depreciation/amortisation	234	252	296	259	237	207	192	192
<b>Total expenses</b>	<b>4 411</b>	<b>4 631</b>	<b>4 902</b>	<b>4 313</b>	<b>4 430</b>	<b>4 440</b>	<b>4 526</b>	<b>4 132</b>
<b>Profit before impairments and provisions</b>	<b>4 823</b>	<b>4 793</b>	<b>5 444</b>	<b>3 925</b>	<b>5 003</b>	<b>4 006</b>	<b>4 348</b>	<b>3 899</b>
Impairment of intangible assets		1 305	1 403					
Impairment losses on loans and other credit risk provisions	6 672	6 845	1 633	812	423	288	238	230
<b>Operating profit</b>	<b>-1 849</b>	<b>-3 357</b>	<b>2 408</b>	<b>3 113</b>	<b>4 580</b>	<b>3 718</b>	<b>4 110</b>	<b>3 669</b>
Tax expense	145	-13	500	640	935	805	950	793
Profit for the period	-1 994	-3 344	1 908	2 473	3 645	2 913	3 160	2 876
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>-2 012</b>	<b>-3 358</b>	<b>1 915</b>	<b>2 468</b>	<b>3 604</b>	<b>2 900</b>	<b>3 108</b>	<b>2 866</b>
Non-controlling interests	18	14	-7	5	41	13	52	10

## Earnings per share, quarterly

Group SEK	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Earnings per share before and after dilution	-2.61	-4.34	3.26	4.48	6.54	5.26	5.64	5.20

See page 36 for number of shares.

### Profit trend, quarterly



\* Excluding impairment of intangible assets, SEK 1 305m in Q1 2009 and SEK 1 403m in Q4 2008.

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

## Balance sheet

Group SEKm	30 Jun 2009	31 Dec 2008	%	30 Jun 2008	%
<b>Assets</b>					
Loans to credit institutions (note 9)	122 605	128 536	-5	188 633	-35
Loans to the public (note 9)	1 275 996	1 287 424	-1	1 204 888	6
Interest-bearing securities	174 048	133 694	30	92 234	89
Shares and participating interests	71 757	60 182	19	68 724	4
- for which customers bear the investment risk	64 799	51 638	25	62 942	3
Derivatives (note 11)	89 986	128 055	-30	51 374	75
Other assets	61 797	73 799	-16	65 075	-5
<b>Total assets</b>	<b>1 796 189</b>	<b>1 811 690</b>	<b>-1</b>	<b>1 670 928</b>	<b>7</b>
<b>Liabilities and equity</b>					
Amounts owed to credit institutions (note 10)	304 654	316 730	-4	154 628	97
Deposits and borrowings from the public (note 10)	469 336	508 456	-8	477 682	-2
Debt securities in issue, etc	663 721	593 365	12	679 839	-2
Financial liabilities for which customers bear the investment risk	65 775	52 074	26	63 524	4
Derivatives (note 11)	82 948	116 720	-29	50 665	64
Other liabilities and provisions	85 660	93 128	-8	134 659	-36
Subordinated liabilities	42 918	44 755	-4	39 705	8
Equity	81 177	86 462	-6	70 226	16
- Non-controlling interests	231	232	0	234	-1
- Equity attributable to shareholders of Swedbank AB	80 946	86 230	-6	69 992	16
<b>Total liabilities and equity</b>	<b>1 796 189</b>	<b>1 811 690</b>	<b>-1</b>	<b>1 670 928</b>	<b>7</b>

## Statement of changes in equity

Group SEKm	Shareholders' equity					Non-controlling interests		Total equity
	Share capital	Other contributed equity	Non registered shares	Exchange differences, foreign operations	Hedging of net investments in foreign operations	Cash flow hedges	Retained earnings	Total
<b>Opening balance 1 January, 2008</b>	<b>10 823</b>	<b>4 068</b>		<b>520</b>	<b>-365</b>	<b>-65</b>	<b>53 027</b>	<b>68 008</b>
Dividends							-4 639	-4 639
Total comprehensive income for the period				176	-49	-8	6 504	6 623
<b>Closing balance 30 June, 2008</b>	<b>10 823</b>	<b>4 068</b>		<b>696</b>	<b>-414</b>	<b>-73</b>	<b>54 892</b>	<b>69 992</b>
<b>Opening balance 1 January, 2008</b>	<b>10 823</b>	<b>4 068</b>		<b>520</b>	<b>-365</b>	<b>-65</b>	<b>53 027</b>	<b>68 008</b>
Dividends							-4 639	-4 639
New share issue	4 095	5 265	3 010					12 370
Expenses in connection with new share issue		-394						-394
Non-controlling interests acquired during the year								6
Total comprehensive income for the period				3 431	-2 540	-893	10 887	10 885
<b>Closing balance 31 December, 2008</b>	<b>14 918</b>	<b>8 939</b>	<b>3 010</b>	<b>3 951</b>	<b>-2 905</b>	<b>-958</b>	<b>59 275</b>	<b>86 230</b>
<b>Opening balance 1 January, 2009</b>	<b>14 918</b>	<b>8 939</b>	<b>3 010</b>	<b>3 951</b>	<b>-2 905</b>	<b>-958</b>	<b>59 275</b>	<b>86 230</b>
Dividends								-45
Registration of shares	1 316	1 694	-3 010					0
Shareholders' contribution								3
Total comprehensive income for the period				-31	147	-30	-5 370	-5 284
<b>Closing balance 30 June, 2009</b>	<b>16 234</b>	<b>10 633</b>	<b>0</b>	<b>3 920</b>	<b>-2 758</b>	<b>-988</b>	<b>53 905</b>	<b>80 946</b>

## Cash flow statement

Group SEKm	Jan-Jun 2009	Jan-Jun 2008	Full-year 2008
Cash flow from operating activities	-27 654	-13 353	46 953
Cash flow from investing activities	-444	-1 846	372
Cash flow from financing activities	80 485	1 408	-94 292
<b>Cash flow for the period</b>	<b>52 387</b>	<b>-13 791</b>	<b>-46 967</b>
Cash and cash equivalents at beginning of period	57 707	100 763	100 763
Cash flow for the period	52 387	-13 791	-46 967
Exchange differences on cash and cash equivalents	-288	53	3 911
<b>Cash and cash equivalents at end of period</b>	<b>109 806</b>	<b>87 025</b>	<b>57 707</b>

## Note 1 Accounting policies

The interim report has been prepared in accordance with IAS 34.

As previously, the Parent Company has prepared its accounts in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies, the directives of the Financial Supervisory Authority and recommendation RFR 2.2 of the Financial Reporting Council. The accounting principles applied in the interim report are the same as those applied in the preparation of the Annual Report for 2008, with the exception of accounting principles related to the new standard below and the revised standard below.

### IFRS 8 Operating Segments

The Group has adopted IFRS 8 *Operating Segments* to its business area reporting, as of 1 January 2009. Under the standard previously applied, IAS 14 *Segment Reporting*, two sets of segments (business and geographical) were identified using a model based on risks and rewards. Under IFRS 8, the segment information is presented from the perspective of the company management and business segments are identified on the basis of the internal reporting to the company's chief operating decision maker. The Group has identified its President as the chief operating decision maker and the internal reporting used by the President to monitor operations and take decisions on the allocation of resources forms the basis for the business area information presented.

Swedbank's business area reporting under IAS 14 was based on the Group's organisation and internal reporting, and hence only minor differences were identified in conjunction with the transition to IFRS 8. The differences consisted of new information requirements per business area and in the fact that the business area referred to in IFRS as Other business segments correspond to the International Banking business area.

The implementation of this standard has had no impact on the reported result or financial position of the Group.

### IAS 1 (revised) Presentation of Financial Statements

The revised standard entails, amongst other things, a more inclusive Income Statement referred to as a Statement of Comprehensive Income. This includes, in addition to the traditional Income statement, the profit/loss items previously reported directly in equity (not transactions with the equity holders), such as translation differences in conjunction with the currency translation of foreign operations' results. Companies may however choose to present either a Statement of Comprehensive Income, with sub-totals, or in the form of a traditional Income Statement followed by a presentation of the profit/loss items previously reported directly in equity (other comprehensive income). Swedbank has chosen the latter alternative of a traditional Income Statement and a separate presentation entitled "Other Comprehensive Income".

Amendments to IAS 1 also offers the opportunity to use new designations for the financial reports – an opportunity not taken by Swedbank.

The revised standard has had no impact on the reported result or financial position of the Group.

## Note 2 Business area reporting

Jan-Jun 2009 SEKm	Swedish Banking	Baltic Banking	Inter- national Banking	Swedbank Markets	Asset Management and Insurance	Shared Services and Group Staffs	Eliminations	Group
Net interest income	6 688	2 459	1360	856	-5	-314	2	11046
Net commissions	1872	903	179	293	97		0	3 344
Net gains and losses on financial items at fair value	180	538	40	2 098	7	-443	1	2 421
Share of profit or loss of associates	559	0		0		1		560
Other income	684	249	11	32	165	1600	-1454	1287
<b>Total income</b>	<b>9 983</b>	<b>4 149</b>	<b>1 590</b>	<b>3 279</b>	<b>264</b>	<b>844</b>	<b>-1 451</b>	<b>18 658</b>
Staff costs	1980	891	370	416	204	763	0	4 624
Profit-based staff costs	49	-198	26	294	18	10	0	199
Other expenses	2 452	749	390	446	243	904	-1451	3 733
Depreciation/amortisation	67	183	72	12	26	126		486
<b>Total expenses</b>	<b>4 548</b>	<b>1 625</b>	<b>858</b>	<b>1 168</b>	<b>491</b>	<b>1 803</b>	<b>-1 451</b>	<b>9 042</b>
<b>Profit before impairments and provisions</b>	<b>5 435</b>	<b>2 524</b>	<b>732</b>	<b>2 111</b>	<b>-227</b>	<b>-959</b>		<b>9 616</b>
Impairment of intangible assets			1300	5				1305
Impairment losses on loans and other credit risk provisions	1084	8 207	4 171	51		4		13 517
<b>Operating profit</b>	<b>4 351</b>	<b>-5 683</b>	<b>-4 739</b>	<b>2 055</b>	<b>-227</b>	<b>-963</b>		<b>-5 206</b>
Tax expense	1059	-799	-352	541	-73	-244		132
Profit for the period	3 292	-4 884	-4 387	1514	-154	-719		-5 338
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>3 288</b>	<b>-4 884</b>	<b>-4 385</b>	<b>1 484</b>	<b>-154</b>	<b>-719</b>		<b>-5 370</b>
Non-controlling interests	4		-2	30				32
Return on allocated equity, %	25.2	neg.	neg.	59.1	neg.	neg.		neg.
Loan loss ratio, %	0.23	7.36	10.95	0.34				2.10
Total provision ratio for impaired loans, %	95	51	97	130				63
Share of impaired loans, net, %	0.14	7.39	3.56	0.04				142
Cost/income ratio	0.46	0.39	0.54	0.36	186	2.14		0.48
Full-time employees	5 836	7 786	4 507	749	384	1724		20 986

## Business area accounting policies

The business area reporting is based on Swedbank's accounting policies, organisation and management accounts. Market-based transfer prices are applied between business areas, while all expenses for IT, other shared services and Group staffs are transfer priced at full cost. Executive management expenses are not distributed. Cross-border transfer pricing is applied

according to OECD transfer pricing guidelines. The Group's equity attributable to shareholders is allocated to each business area based on capital adequacy rules and estimated capital requirements. The new Basel 2 rules are used. Return on equity for the business areas is based on operating profit less estimated tax and minority interests in relation to average allocated equity.

## Note 3 Net commissions

Group SEKm	Q2 2009	Q1 2009	%	Q2 2008	%	Jan-Jun 2009	Jan-Jun 2008	%
<b>Commission income</b>								
Payment processing	1 363	1 289	6	1 305	4	2 652	2 564	3
Lending	153	130	18	199	-23	283	335	-16
Brokerage	151	134	13	201	-25	285	419	-32
Asset management	738	212		933	-21	950	1 895	-50
Other securities	26	50	-48	20	30	76	48	58
Other	461	427	8	573	-20	888	968	-8
<b>Total</b>	<b>2 892</b>	<b>2 242</b>	<b>29</b>	<b>3 231</b>	<b>-10</b>	<b>5 134</b>	<b>6 229</b>	<b>-18</b>
<b>Commission expenses</b>								
Payment processing	-548	-456	20	-466	18	-1 004	-932	8
Securities	-59	-150	-61	-143	-59	-209	-260	-20
Other	-315	-262	20	-248	27	-577	-483	19
<b>Total</b>	<b>-922</b>	<b>-868</b>	<b>6</b>	<b>-857</b>	<b>8</b>	<b>-1 790</b>	<b>-1 675</b>	<b>7</b>
<b>Total net commissions</b>	<b>1 970</b>	<b>1 374</b>	<b>43</b>	<b>2 374</b>	<b>-17</b>	<b>3 344</b>	<b>4 554</b>	<b>-27</b>

## Note 4 Net gains and losses on financial items at fair value

Group SEKm	Q2 2009	Q1 2009	%	Q2 2008	%	Jan-Jun 2009	Jan-Jun 2008	%
<b>Trading, derivatives and fair value option</b>								
Shares/participating interests	451	141		238	89	592	190	
- of which change in value	309	131		218	42	440	160	
- of which dividend	142	10		20		152	30	
Interest-bearing instruments	133	1 218	-89	312	-57	1 351	56	
- of which change in value of open interest-bearing position, Swedbank Mortgage	6	26	-77	29	-79	32	7	
- of which other change in value	127	1 192	-89	283	-55	1 319	49	
Other financial instruments	-104	127		31		23	104	-78
<b>Total</b>	<b>480</b>	<b>1 486</b>	<b>-68</b>	<b>581</b>	<b>-17</b>	<b>1 966</b>	<b>350</b>	
<b>Hedge accounting ineffectiveness</b>								
Cash flow hedge	-81					-81		
Net investments in foreign operations	30	-28		65	-54	3	65	-95
Fair value hedge	12	-6		32	-63	5	24	-79
<b>Total</b>	<b>-39</b>	<b>-34</b>	<b>15</b>	<b>97</b>		<b>-73</b>	<b>89</b>	
<b>Interest income compensation, claims valued at amortised cost</b>	<b>39</b>	<b>28</b>	<b>39</b>	<b>2</b>		<b>67</b>	<b>5</b>	
<b>Changes in exchange rates</b>	<b>230</b>	<b>231</b>	<b>0</b>	<b>461</b>	<b>-50</b>	<b>461</b>	<b>772</b>	<b>-40</b>
<b>Total net gains and losses on financial items at fair value</b>	<b>710</b>	<b>1 711</b>	<b>-59</b>	<b>1 141</b>	<b>-38</b>	<b>2 421</b>	<b>1 216</b>	<b>99</b>

## Note 5 Impairment of intangible assets

Goodwill and other intangible assets are tested for impairment when there are indications that the recoverable amount is lower than the carrying amount. The recoverable amount is the higher of fair value less costs to sell and value in use. Swedbank calculates value in use by estimating an asset's future cash flows and calculates these at present value with a discount rate.

Due to the significant downturn in the Ukrainian economy during the first quarter, a new impairment test was performed with regard to the investment in Ukrainian Banking Operations.

The impairment test resulted in the write-off of the remaining intangible assets, mainly goodwill, of SEK 1.3bn.

The economy also deteriorated in the Baltic countries during the first half of 2009. A new impairment test was performed as of 30 June based on the new financial plans for 2009 and the following two years as well as an updated discount rate. The new financial plans replaced the additional risk premium of 15 percentage points used in the impairment test as of 31 March 2009. The same assumptions were otherwise used as per 31 December 2008. No impairments were identified as per 30 June.

## Note 6 Impairment losses on loans and other credit risk provisions

Group SEKm	Q2 2009	Q1 2009	%	Q2 2008	%	Jan-Jun 2009	Jan-Jun 2008	%
<i>Provisions:</i>								
Collective provisions, net *	2 520	4 171	-40	31		6 691	68	
Individual provisions	3 729	2 549	46	274		6 278	555	
Reversal of individual provisions no longer required	-117	-178	-34	-30		-295	-97	
Provisions for contingent liabilities, net	6	10	-40	4	50	16	-11	
<b>Provisions, net</b>	<b>6 138</b>	<b>6 552</b>	<b>-6</b>	<b>279</b>		<b>12 690</b>	<b>515</b>	
<i>Write-offs:</i>								
Write-offs, total	642	385	67	360	78	1 027	486	
Reversal of individual provisions utilised for write-offs	-62	-65	-5	-181	-66	-127	-231	-45
<b>Write-offs not previously provided for</b>	<b>580</b>	<b>320</b>	<b>81</b>	<b>179</b>		<b>900</b>	<b>255</b>	
Recovered from previous write-offs	-46	-27	70	-36	28	-73	-59	24
<b>Write-offs, net</b>	<b>534</b>	<b>293</b>	<b>82</b>	<b>143</b>		<b>827</b>	<b>196</b>	
<b>Impairment losses on loans and other credit risk provisions</b>	<b>6 672</b>	<b>6 845</b>	<b>-3</b>	<b>422</b>		<b>13 517</b>	<b>711</b>	

\* In Q1 2009, SEK 3.7bn relates to additional provisions as a result of the deteriorated macroeconomic situation and the rapid increase of impaired loans.

## Note 7 Credit risks

Group SEKm	30 Jun 2009	31 Dec 2008	%	30 Jun 2008	%
<b>Provisions</b>					
Provisions for individually assessed loans	9 864	3 181		1 583	
Provisions for collectively assessed loans	8 914	3 193		2 406	
<b>Total</b>	<b>18 778</b>	<b>6 374</b>		<b>3 989</b>	
<b>Impaired loans</b>					
Gross	29 657	10 578		4 392	
Provisions for individually assessed loans	9 864	3 181		1 583	
<b>Carrying amount</b>	<b>19 793</b>	<b>7 397</b>		<b>2 809</b>	
Share of impaired loans, gross, %	2.09	0.74		0.31	
Share of impaired loans, net, %	1.42	0.52		0.20	
Total provision ratio for impaired loans, % *	63	60		91	
Provision ratio for individually identified impaired loans, %	33	30		36	
Loans past due more than 60 days, which are not impaired	308	255	21	97	

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

Group Sector/Industry 30 Jun, 2009 SEKm	Carrying amount before provisions	Provisions for individually assessed loans	Provisions for collectively assessed loans	Carrying amount of loans after provisions	Carrying amount of impaired loans
Private customers	648 339	2 096	2 011	644 232	4 464
Real estate management	266 673	3 255	647	262 771	6 323
Retail, hotels, restaurants	45 550	1 057	903	43 590	2 054
Construction	17 022	615	625	15 782	1 336
Manufacturing	50 209	916	967	48 326	1 720
Transportation	25 109	423	259	24 427	1 637
Forestry and agriculture	56 381	193	108	56 080	427
Other corporate lending	142 130	1 185	3 394	137 551	1 832
Municipalities, excl. municipal companies	7 767			7 767	
<b>Lending</b>	<b>1 259 180</b>	<b>9 740</b>	<b>8 914</b>	<b>1 240 526</b>	<b>19 793</b>
Credit institutions incl. Swedish Nat'l Debt Office	108 236	66		108 170	0
Repurchase agreements - credit institutions incl. Swedish Nat'l Debt Office	28 835			28 835	
Repurchase agreements - public	21 070			21 070	
<b>Total lending to credit institutions and the public</b>	<b>1 417 321</b>	<b>9 806</b>	<b>8 914</b>	<b>1 398 601</b>	<b>19 793</b>

## Note 8 Property taken over to protect claims

Group SEKm	30 Jun 2009	31 Dec 2008	%	30 Jun 2008	%
- Buildings and land	33	2		0	
- Shares and participating interests	189	190	-1	95	99
- Other	2	2	0	2	0
<b>Total</b>	<b>224</b>	<b>194</b>	<b>15</b>	<b>97</b>	

Moreover, cancelled finance leases in Baltic Banking amounted to SEK 1.1bn as of 30 June 2009, whereof SEK 0.7bn was vehicles.

## Note 9 Loans

Group SEKbn	30 Jun 2009	31 Dec 2008	%	30 Jun 2008	%
Private customers	644	628	3	583	10
<i>of which Swedbank Mortgage AB</i>	<i>496</i>	<i>472</i>	<i>5</i>	<i>442</i>	<i>12</i>
Real estate management	263	264	0	244	8
Retail, hotels, restaurants	44	50	-12	45	-2
Construction	16	19	-16	18	-11
Manufacturing	48	54	-11	43	12
Transportation	24	28	-14	23	4
Forestry and agriculture	56	56	0	52	8
Other corporate lending	138	143	-3	138	0
Municipalities, excluding municipal companies	8	9	-11	23	-65
<b>Total lending to the public, excluding repos</b>	<b>1 241</b>	<b>1 251</b>	<b>-1</b>	<b>1 169</b>	<b>6</b>
<i>of which Baltic Banking Operations</i>	<i>197</i>	<i>218</i>	<i>-9 *</i>	<i>190</i>	<i>-10 *</i>
Credit institutions including the Swedish Nat'l Debt Office	108	92	17	78	38
Repurchase agreements (Repos)	50	73	-32	147	-66
<i>of which to the public</i>	<i>21</i>	<i>14</i>	<i>50</i>	<i>20</i>	<i>5</i>
<i>of which to credit institutions including the Swedish Nat'l Debt Office</i>	<i>29</i>	<i>59</i>	<i>-51</i>	<i>127</i>	<i>-77</i>
<b>Total loans</b>	<b>1 399</b>	<b>1 416</b>	<b>-1</b>	<b>1 394</b>	<b>0</b>

\* Changes reported excluding foreign exchange effects.

## Note 10 Savings and investments

Group SEKbn	30 Jun 2009	31 Dec 2008	%	30 Jun 2008	%
<b>Deposits from the public</b>					
Household deposits	280	278	1	282	-1
Other deposits from the public	184	199	-8	184	0
<b>Total deposits from the public, excluding repos</b>	<b>464</b>	<b>477</b>	<b>-3</b>	<b>466</b>	<b>0</b>
<i>of which Baltic Banking Operations</i>	<i>106</i>	<i>108</i>	<i>-1 *</i>	<i>105</i>	<i>-12 *</i>
Credit institutions including the Swedish Nat'l Debt Office	299	318	-6	120	
Repurchase agreements (Repos)	11	30	-63	46	-76
<b>Total deposits</b>	<b>774</b>	<b>825</b>	<b>-6</b>	<b>632</b>	<b>22</b>
Discretionary asset management **	224	219	2	220	2
Funds assets under management	393	343	15	393	0
Unit-linked insurance	66	52	27	63	5
Of which unit-linked insurance in own companies	-61	-50	22	-61	0
Retail bonds, interest-bearing	3	3	0	3	0
Retail bonds, equity linked	29	30	-3	33	-12
<b>Total savings and investments</b>	<b>1 428</b>	<b>1 422</b>	<b>0</b>	<b>1 283</b>	<b>11</b>

\* Changes reported excluding foreign exchange translation differences.

\*\* Excluding investments in Sw edbank Robur's funds.

## Note 11 Derivatives

The Group trades derivatives in the normal course of business and to hedge certain positions

with regard to the value of equities, interest rates and currencies.

Group SEKm	Interest related		Currency related		Equity related, etc.		Total	
	30 Jun 2009	31 Dec 2008	30 Jun 2009	31 Dec 2008	30 Jun 2009	31 Dec 2008	30 Jun 2009	31 Dec 2008
Derivatives with positive carrying amount	73 288	83 876	19 045	49 481	3 340	4 215	95 673	137 571
Derivatives with negative carrying amount	67 857	79 026	19 764	46 152	1 013	1 058	88 635	126 236
Nominal amount	7 779 604	8 733 108	991 688	963 477	86 159	81 372	8 857 451	9 777 957

Derivatives with a value of SEK 5 687m (4 472) have, as a consequence of netting agreements, been recorded net in the balance sheet.

## Note 12 Turnover of own debt instruments

The Swedbank Group issues and repurchases its own debt instruments. This turnover is part of the bank's securities operations and a component in the financing of its operations.

The turnover of interest-bearing securities, bonds and commercial paper during 2009 was as follows (comparative figures relates to Jan-Jun 2008):

Issued (sold)	SEK 200bn (20)
Redeemed (bought)	SEK -147bn (-139)

## Note 13 Financial instruments carried at fair value

Group 30 jun 2009 SEKbn	Quoted market price	Valuation models based on observable market data	Total
<b>Assets</b>			
Treasury bills and other bills eligible for refinancing with central banks, etc.	87	0	87
Loans to credit institutions		23	23
Loans to the public		556	556
Bonds and other interest-bearing securities	62	13	75
Shares and participating interests	4	0	4
Fund assets for which customers bear the investment risk	65		65
Derivatives	0	90	90
<b>Total</b>	<b>218</b>	<b>682</b>	<b>900</b>
<b>Liabilities</b>			
Amounts owed to credit institutions		9	9
Deposits and borrowings from the public		29	29
Debt securities in issue, etc.	146	358	504
Financial liabilities for which customers bear the investment risk		66	66
Derivatives	0	83	83
<b>Total</b>	<b>146</b>	<b>545</b>	<b>691</b>

## Note 14 Assets pledged for own liabilities, contingent liabilities and commitments

Group SEKm	30 Jun 2009	31 Dec 2008	%	30 Jun 2008	%
Assets pledged for own liabilities	716 335	696 938	3	651 750	10
- Loans pledged for securities in issue	597 236	567 363	5	462 891	29
- Fund units pledged for policyholders	66 161	52 904	25	63 042	5
- Other assets pledged for own liabilities	52 938	76 671	-31	125 817	-58
Contingent liabilities	38 743	43 860	-12	38 362	1
- Loan guarantees	14 330	16 825	-15	12 668	13
- Other guarantees	21 565	22 864	-6	21 710	-1
- Accepted and endorsed notes	215	234	-8	278	-23
- Letters of credit granted but not utilised	2 098	3 138	-33	2 882	-27
- Other contingent liabilities	535	799	-33	824	-35
Commitments	187 308	199 643	-6	206 078	-9
- Loans granted but not paid	132 410	131 361	1	139 936	-5
- Overdraft facilities granted but not utilised	54 898	68 282	-20	66 142	-17

## Note 15 Capital adequacy

Swedbank financial companies Group SEKm	30 Jun 2009	31 Dec 2008	% or pp	30 Jun 2008	% or pp
Shareholders' equity according to the Group's balance sheet	80 946	86 230	-6	69 992	16
On the closing day non-paid capital		-3 010			
Anticipated dividend				-2 319	
Deconsolidation of insurance companies	-767	-1 540	50	-1 645	53
Associated companies consolidated according to purchase method	1 624	1 735	-6	1 749	-7
<b>Shareholders' equity financial companies Group</b>	<b>81 803</b>	<b>83 415</b>	<b>-2</b>	<b>67 777</b>	<b>21</b>
Goodwill	-15 286	-16 515	7	-17 931	15
Intangible assets	-2 490	-2 188	-14	-2 237	-11
Net provisions for reported IRB credit exposures	-1 046	-1 197	13	-1 037	-1
Cash flow hedges	988	959	3	487	
Shareholdings deducted from tier 1 capital	-25	-28	11	-25	0
<b>Total core tier 1 capital</b>	<b>63 944</b>	<b>64 446</b>	<b>-1</b>	<b>47 034</b>	<b>36</b>
Tier 1 capital contribution with step up	9 184	9 174	0	7 706	19
Tier 1 capital contribution without step up	535	535	0	536	0
Shares in insurance companies	-313				
<b>Total tier 1 capital</b>	<b>73 350</b>	<b>74 155</b>	<b>-1</b>	<b>55 276</b>	<b>33</b>
Undated subordinated loans	4 499	4 843	-7	3 591	25
Fixed-term subordinated loans	27 047	28 241	-4	27 511	-2
Deduction remaining duration	-1 234	-1 085	-14	-3 964	69
Net provisions for reported IRB credit exposures	-1 046	-1 197	13	-1 037	-1
Shareholdings deducted from tier 2 capital	-25	-28	11	-25	0
Shares in insurance companies	-313				
<b>Total tier 2 capital</b>	<b>28 928</b>	<b>30 774</b>	<b>-6</b>	<b>26 076</b>	<b>11</b>
Shares in insurance companies	-1 984	-1 986	0	-1 923	-3
<b>Total capital base</b>	<b>100 294</b>	<b>102 943</b>	<b>-3</b>	<b>79 429</b>	<b>26</b>
<b>Risk-weighted assets</b>	<b>650 793</b>	<b>696 505</b>	<b>-7</b>	<b>629 965</b>	<b>3</b>
Capital requirement for credit risks, standardised approach	4 394	20 528	-79	17 956	-76
Capital requirement for credit risks, IRB	41 357	28 908	43	27 319	51
Capital requirement for settlement risks	0	1		10	
Capital requirement for market risks	2 068	2 396	-14	1 224	69
<i>of which risks in the trading book outside VaR</i>	<i>555</i>	<i>1 015</i>	<i>-45</i>	<i>702</i>	<i>-21</i>
<i>of which currency risks outside VaR</i>	<i>1 018</i>	<i>591</i>	<i>72</i>	<i>1</i>	
<i>of which risks where VaR models are applied</i>	<i>495</i>	<i>790</i>	<i>-37</i>	<i>520</i>	<i>-5</i>
Capital requirement for operational risks	4 244	3 888	9	3 888	9
<b>Capital requirement</b>	<b>52 063</b>	<b>55 720</b>	<b>-7</b>	<b>50 397</b>	<b>3</b>
Complement during transition period	11 748	17 569	-33	15 119	-22
<b>Capital requirement including complement</b>	<b>63 811</b>	<b>73 289</b>	<b>-13</b>	<b>65 516</b>	<b>-3</b>
Capital quotient excluding complement <sup>1)</sup>	1.93	1.90	0.02	1.58	0.35
Core tier 1 capital ratio, %, excluding complement <sup>1)</sup>	9.8	9.7	0.1	7.5	2.4
Tier 1 capital ratio, %, excluding complement <sup>1)</sup>	11.3	11.1	0.2	8.8	2.5
Total capital adequacy ratio, %, excluding complement <sup>1)</sup>	15.4	15.2	0.2	12.6	2.8
Capital quotient, transition rules <sup>1)</sup>	1.57	1.45	0.13	1.21	0.36
Core tier 1 capital ratio, %, transition rules <sup>1)</sup>	8.0	7.4	0.7	5.7	2.3
Tier 1 capital ratio, %, transition rules <sup>1)</sup>	9.2	8.4	0.8	6.7	2.4
Total capital adequacy ratio, %, transition rules <sup>1)</sup>	12.6	11.6	1.0	9.7	2.9

<sup>1)</sup> Including total subscribed capital 2008-12-31. SEK 3bn w as subscribed but not paid capital at the end of 2008.

Excluding this capital the capital quotient w as 1.85 (1.40 according to transition rules)

The core tier 1 capital ratio w as 9.3 (7.0)

The tier 1 capital ratio w as 10.6 (8.1)

The capital adequacy ratio w as 14.8 (11.2)

The Internal Ratings-Based Approach (IRB) is being successively rolled out in the Swedbank financial companies Group. As per the second quarter of 2009 the method is applied to the Swedish business operations, including the branch offices in New York and Oslo, but excluding EnterCard and certain exposure classes such as the Swedish state and Swedish municipalities, where the method is considered less suitable. Swedbank Finans has received authorisation

from the Financial Supervisory Authority to use the IRB approach as of the second quarter of 2009. The IRK approach is also applied to the majority of exposure classes within Baltic Banking.

As of 30 June 2009 Swedbank financial companies Group included the Swedbank Group, the EnterCard Group, Eskilstuna Rekarne Sparbank AB, Färs och Frosta Sparbank AB, Swedbank Sjuhärad AB,

Swedbank financial companies Group Credit risks, IRB SEKm	Exposure after credit risk protection			Average risk weighting, %		Capital requirement		
	30 Jun	31 Dec		30 Jun	31 Dec	30 Jun	31 Dec	
	2009	2008	%	2009	2008	2009	2008	%
Institutional exposures	73 189	64 049	14	26	26	1 516	1 339	13
Corporate exposures	473 489	348 142	36	82	73	30 921	20 257	53
Retail exposures	832 898	695 841	20	12	10	7 827	5 402	45
Securitisation	7 359	7 762	-5	12	12	69	73	-6
Other non credit-obligation asset exposures	41 217	53 761	-23	31	43	1 024	1 837	-44
<b>Total credit risks, IRB</b>	<b>1 428 152</b>	<b>1 169 555</b>	<b>22</b>	<b>36</b>	<b>31</b>	<b>41 357</b>	<b>28 908</b>	<b>43</b>

## Capital base

A deduction was made from the capital base for the difference between expected losses and provisions in the accounts for the part of the portfolio calculated according to IRB. These expected losses are estimated in accordance with legislative and regulatory requirements and using information drawn from Swedbank's internal risk classification system. The calculations are based on the prudence concept, so that risks are overestimated rather than underestimated. The Swedish FSA's interpretation of legislation and regulations has, furthermore, built additional safety margins into the risk classification system. As a result, expected losses calculated in accordance with the new capital adequacy rules exceed Swedbank's best estimate of loss levels and required provisions.

As a part of the work doing the capital structure more efficient, Swedbank Försäkring has given a share dividend to Swedbank Robur of SEK 970m. At the same time, the insurance company received a shareholders' contribution of SEK 625m. The contribution to the insurance company is deducted to 50 per cent from the tier 1 capital and to 50 per cent from the tier 2 capital.

## Capital requirement for credit risks according to the standardised approach

Associated companies with the exception of the partly owned banks, a few minor subsidiaries and the subsidiaries in Russia and Ukraine use the standardised approach to calculate credit risks.

## Capital requirements for credit risks according to IRB

The capital adequacy requirement for the portion of the portfolio calculated according to IRB has increased by 43 per cent since the start of the year. The change is primarily due to the transition to the IRB-method from the standardised method in Baltic Banking and in Swedbank Finance, as a result of which a corresponding decrease in the requirement arose. The average risk weighting in the additional IRB-portfolios are significantly higher than for the previously reported Swedish IRB portfolios. For the Baltic portfolios, the average risk weighting was 71 per cent. For Swedbank Finans' portfolios the average risk weighting was 59 per cent and 29 per cent for other portfolios. For the Baltic retail exposures, the average risk weighting was 30 per cent, for Swedbank Finans' portfolios 19 per cent and 9 per cent for other portfolios.

## Market risks

Under current regulations, capital adequacy for market risks can be based either on a standardised approach or on an internal Value at Risk model, which requires the approval of the Swedish FSA. In 2004, the parent company received permission from the Swedish FSA to use its own internal VaR model for general interest rate risks, general and specific share price risks in the trading book, and currency risks throughout its operations. The capital adequacy requirement reporting has been conducted in accordance with this approach since the beginning of 2005. In 2006 the approval was extended to include Baltic Banking, Swedbank AS, for general interest rate risks in the trading book and currency risks throughout the operations. This approval was amended at the end of 2008 after a decision by the Swedish FSA, such that currency risks outside the trading book, i.e. in the rest of the operations, are excluded from the internal VaR model. The capital requirement for currency risks elsewhere in the operations is instead calculated using the standardised approach prescribed in the capital adequacy regulations. The change in the approach used was primarily made in order to exclude strategic currency risks for which a VaR model is an inappropriate calculation method – an approach that now also coincides with the Group's internal view and handling of these risks. The amendment has resulted in a reduced capital requirement for market risks than under the old model. The capital requirement for other market risks thus refers to specific interest rate risks in Swedbank AB and Swedbank AS, to share price risks in Swedbank AS, and to market risks in other companies. Counterparty risks in the trading book are reported as credit risks in accordance with the new regulations.

## Operational risk

Swedbank has chosen to use the standardised approach to calculate operational risk. The Swedish FSA has stated that Swedbank meets the qualitative requirements to apply this method.

## Transition rules

The new capital adequacy rules are being introduced gradually over a three-year period. The full effect of the new rules will not be achieved until 2010. According to the transition rules, the capital adequacy requirement may amount to 80 per cent of the requirement according to the older rules in 2009. In 2008 the corresponding figure was 90 per cent and in 2007 it was 95 per cent.

## Note 16 Number of employees

Group Number of employees	30 Jun 2009	31 Dec 2008	%	30 Jun 2008	%
Swedish Banking	5 836	5 999	-3	6 054	-4
Baltic Banking	7 786	8 327	-6	9 242	-16
<i>Estonia</i>	2 800	2 950	-5	3 346	-16
<i>Latvia</i>	2 179	2 342	-7	2 659	-18
<i>Lithuania</i>	2 807	3 035	-8	3 237	-13
International Banking	4 507	4 743	-5	4 107	10
<i>Ukraine*</i>	3 623	3 870	-6	3 481	4
<i>Russia</i>	639	631	1	474	35
<i>Nordic branches and Luxembourg</i>	140	143	-2	143	-2
<i>Other</i>	105	99	6	9	
Swedbank Markets	749	736	2	789	-5
Asset Management and Insurance	384	349	10	346	11
Shared Services & Group Staffs	1 724	1 694	2	1 677	3
<b>Total</b>	<b>20 986</b>	<b>21 848</b>	<b>-4</b>	<b>22 215</b>	<b>-6</b>

\*31 Dec 2008 corrected compared to previously reported.

## Note 17 Swedbank's share

SWED A and SWED PREF	30 Jun 2009	31 Dec 2008	%	30 Jun 2008	%
<b>SWED A</b>					
Share price, SEK	44.90	44.40	1	116.50	-61
No. of ordinary shares in issue	515 373 412	515 373 412	0	515 373 412	0
Market capitalisation, SEKm	23 140	22 883	1	60 041	-61
<b>SWED PREF</b>					
Share price, SEK	44.30	44.40	0		
No. of subscribed preference shares in issue	257 686 706	194 985 456	32		
Market capitalisation, SEKm	11 416	8 657	32		
<b>Total market capitalisation, SEKm</b>	<b>34 556</b>	<b>31 540</b>	<b>10</b>	<b>60 041</b>	<b>-42</b>

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

The preference share has the ticker symbol SWED PREF and is traded in the Large cap segment.

Average number of shares in issue	Q2 2009	Q1 2008	Q2 2008	Jan-Jun 2009	Jan-Jun 2008
Average number of shares in issue before and after dilution	773 060 118	773 060 118	550 863 197	773 060 118	550 863 197

In relation to the rights issue a bonus element was identified, which means that the average number of shares in issue has been retroactively restated.

Number of shares in issue on the closing day	30 Jun 2009	31 Dec 2008	30 Jun 2008
Ordinary shares	515 373 412	515 373 412	515 373 412
Subscribed and paid preference shares	257 686 706	194 985 456	
Subscribed but not paid preference shares	0	62 701 250	
<b>Total number of shares in issue on the closing day</b>	<b>773 060 118</b>	<b>773 060 118</b>	<b>515 373 412</b>

In February and August of each year, starting in August 2009, holders of preference shares may request to convert their preference shares to ordinary shares. The request must pertain to the shareholder's entire holding. If the shareholder previously has not requested a

conversion, all their outstanding preference shares will be converted to ordinary shares in the month immediately after the month in which the Annual General Meeting is held in 2013. Preference shares carry the same voting rights as ordinary shares.

## Note 18 Ratings

Jun 2009	Swedbank		Swedbank Mortgage		Covered bonds	Swedbank AS	
Standard & Poor's							
Short	A-1	N	A-1				
Long	A	N	AAA				
Moody's							
Short	P-1	N**	P-1	N**	P-2 N**		
Long	A1	N**	A1	N**	Aaa	Baa2 N**	
Fitch							
Short	F1		F1	S			
Long	A		A+	S			

\*\* On credit watch for possible downgrade, since 27 April 2009.

P=positive outlook, S=stable outlook, N=negative outlook

On 16 April, Fitch lowered Swedbank's long-term rating to A but changed the outlook from negative to stable. Fitch based the lowered rating on the economic performance of the Baltic countries and Ukraine and Swedbank's exposure in these countries.

On 18 June Standard & Poor's Ratings Services affirmed Swedbank's ratings of 'A' long-term and 'A-1' short-term, incorporating external support. The outlook remains negative, mainly due to the uncertain economic situation in the Baltic countries.

## Note 19 Exchange rates

	30 Jun 2009	31 Dec 2008	30 Jun 2008
SEK/EUR, average rate	10.876	9.627	9.403
SEK/EUR, closing day rate	10.863	10.935	9.478
SEK/EEK, average rate	0.695	0.615	0.601
SEK/EEK, closing day rate	0.694	0.699	0.606
SEK/UAH, average rate	1.022	1.255	1.244
SEK/UAH, closing day rate	0.998	1.006	1.315
SEK/RUB, average rate	0.247	0.264	0.256
SEK/RUB, closing day rate	0.248	0.263	0.256
SEK/USD, average rate	8.084	6.572	6.123
SEK/USD, closing day rate	7.747	7.720	6.006
UAH/USD, closing day rate	7.765	7.800	4.533
RUB/USD, closing day rate	31.165	30.525	23.444

As from 2009 the average rate is calculated as the average of the previous month's closing day rate and

the actual month's closing day rate for each month in the period.

# Swedbank AB

## Income statement

Parent company SEKm	Q2 2009	Q1 2009	%	Q2 2008	%	Jan-Jun 2009	Jan-Jun 2008	%
<i>Interest income</i>	7 556	10 187	-26	10 738	-30	17 743	22 035	-19
<i>Interest expenses</i>	-5 313	-7 392	-28	-8 641	-39	-12 705	-17 767	-28
<b>Net interest income</b>	<b>2 243</b>	<b>2 795</b>	<b>-20</b>	<b>2 097</b>	<b>7</b>	<b>5 038</b>	<b>4 268</b>	<b>18</b>
Dividends received	236	10		82		246	229	7
<i>Commission income</i>	1 342	1 291	4	1 370	-2	2 633	2 742	-4
<i>Commission expenses</i>	-422	-394	7	-318	33	-816	-591	38
<b>Net commissions</b>	<b>920</b>	<b>897</b>	<b>3</b>	<b>1 052</b>	<b>-13</b>	<b>1 817</b>	<b>2 151</b>	<b>-16</b>
Net gains and losses on financial items at fair value	-370	1 294		774		924	767	20
Other income	724	282		298		1 006	1 030	-2
<b>Total income</b>	<b>3 753</b>	<b>5 278</b>	<b>-29</b>	<b>4 303</b>	<b>-13</b>	<b>9 031</b>	<b>8 445</b>	<b>7</b>
Staff costs	1 655	1 631	1	1 628	2	3 286	3 286	0
Other expenses	1 210	1 179	3	1 104	10	2 389	2 176	10
Depreciation/amortisation	92	92	0	99	-7	184	197	-7
<b>Total expenses</b>	<b>2 957</b>	<b>2 902</b>	<b>2</b>	<b>2 831</b>	<b>4</b>	<b>5 859</b>	<b>5 659</b>	<b>4</b>
<b>Profit before impairments and provisions</b>	<b>796</b>	<b>2 376</b>	<b>-66</b>	<b>1 472</b>	<b>-46</b>	<b>3 172</b>	<b>2 786</b>	<b>14</b>
Impairment of financial fixed assets	2 710	1 382	96			4 092		
Impairment losses on loans and other credit risk provisions	557	642	-13	96		1 199	194	
<b>Operating profit</b>	<b>-2 471</b>	<b>352</b>		<b>1 376</b>		<b>-2 119</b>	<b>2 592</b>	
Appropriations								
Tax expense	47	344	-86	347	-86	391	630	-38
<b>Profit for the period</b>	<b>-2 518</b>	<b>8</b>		<b>1 029</b>		<b>-2 510</b>	<b>1 962</b>	

## Balance sheet

Parent company SEKm	30 Jun 2009	31 Dec 2008	%	30 Jun 2008	%
<b>Assets</b>					
Loans to credit institutions	607 415	522 327	16	399 363	52
Loans to the public	380 950	397 515	-4	401 248	-5
Interest-bearing securities	286 552	261 666	10	192 646	49
Shares and participating interests	42 172	48 777	-14	47 728	-12
Derivatives	96 281	133 982	-28	54 666	76
Other assets	25 122	37 553	-33	28 773	-13
<b>Total assets</b>	<b>1 438 492</b>	<b>1 401 820</b>	<b>3</b>	<b>1 124 424</b>	<b>28</b>
<b>Liabilities and equity</b>					
Amounts owed to credit institutions	438 111	425 284	3	231 402	89
Deposits and borrowings from the public	357 688	393 079	-9	367 255	-3
Debt securities in issue, etc	381 973	278 051	37	276 016	38
Derivatives	98 104	136 639	-28	55 080	78
Other liabilities and provisions	73 825	79 011	-7	116 134	-36
Subordinated liabilities	41 253	42 677	-3	39 115	5
Untaxed reserves	5 855	5 855	0	5 164	13
Equity	41 683	41 224	1	34 258	22
<b>Total liabilities and equity</b>	<b>1 438 492</b>	<b>1 401 820</b>	<b>3</b>	<b>1 124 424</b>	<b>28</b>
Assets pledged for own liabilities	249 135	304 160	-18	79 466	
Other assets pledged	2 744	3 350	-18	31 392	-91
Contingent liabilities	32 658	36 862	-11	31 086	5
Commitments	148 513	157 325	-6	166 333	-11

## Statement of changes in equity

Parent company SEKm	Restricted equity	Non-restricted equity	Total equity
<b>Opening balance 1 January, 2008</b>	<b>17 312</b>	<b>19 623</b>	<b>36 935</b>
Profit for the period		1 962	1 962
<b>Total net income for the period</b>		<b>1 962</b>	<b>1 962</b>
Dividend		-4 639	-4 639
<b>Closing balance 30 June, 2008</b>	<b>17 312</b>	<b>16 946</b>	<b>34 258</b>
<b>Opening balance 1 January, 2008</b>	<b>17 312</b>	<b>19 623</b>	<b>36 935</b>
Cash flow hedges:			
-Gains/losses arising during the period		-1 365	-1 365
-Reclassification adjustments to income statement, net interest income		103	103
-Related deferred tax		332	332
Group contributions paid		-589	-589
Related tax on group contributions paid		165	165
<b>Net income for the period recognised directly in equity</b>		<b>-1 354</b>	<b>-1 354</b>
Profit for the period		1 316	1 316
<b>Total net income for the period</b>		<b>-38</b>	<b>-38</b>
Dividend		-4 639	-4 639
New share issue	4 095	5 265	9 360
Expenses in connection with new share issue		-394	-394
<b>Closing balance 31 December, 2008</b>	<b>21 407</b>	<b>19 817</b>	<b>41 224</b>
<b>Opening balance 1 January, 2009</b>	<b>21 407</b>	<b>19 817</b>	<b>41 224</b>
Cash flow hedges:			
-Gains/losses arising during the period		-523	-523
-Reclassification adjustments to income statement, net interest income		389	389
-Reclassification adjustments to income statement, net gains and losses on financial items at fair value		81	81
-Related deferred tax		14	14
Group contributions paid		-2	-2
<b>Net income for the period recognised directly in equity</b>		<b>-41</b>	<b>-41</b>
Profit for the period		-2 510	-2 510
<b>Total net income for the period</b>		<b>-2 551</b>	<b>-2 551</b>
New share issue	1 316	1 694	3 010
<b>Closing balance 30 June, 2009</b>	<b>22 723</b>	<b>18 960</b>	<b>41 683</b>

## Cash flow statement

Parent company SEKm	Jan-Jun 2009	Jan-Jun 2008	Full-year 2008
Cash flow from operating activities	10 275	-10 418	78 912
Cash flow from investing activities	13 651	-67 781	-61 895
Cash flow from financing activities	108 348	43 613	60 275
<b>Cash flow for the period</b>	<b>132 274</b>	<b>-34 586</b>	<b>77 292</b>
Cash and cash equivalents at beginning of period	187 118	109 826	109 826
Cash flow for the period	132 274	-34 586	77 292
<b>Cash and cash equivalents at end of period</b>	<b>319 392</b>	<b>75 240</b>	<b>187 118</b>

## Capital adequacy

Parent company SEKm	30 Jun 2009	31 Dec 2008	% or pp	30 Jun 2008	% or pp
Core tier 1 capital	44 196	43 870	1	33 523	32
Tier 1 capital contribution	8 336	8 277	1	6 050	38
<b>Total tier 1 capital</b>	<b>52 532</b>	<b>52 147</b>	<b>1</b>	<b>39 573</b>	<b>33</b>
Tier 2 capital	30 611	31 882	-4	25 163	22
Settlements, equities, etc.	-555	-555	0	-555	0
<b>Total capital base</b>	<b>82 588</b>	<b>83 474</b>	<b>-1</b>	<b>64 181</b>	<b>29</b>
<b>Risk-weighted assets</b>	<b>492 516</b>	<b>539 724</b>	<b>-9</b>	<b>454 948</b>	<b>8</b>
<b>Capital requirement</b>	<b>39 401</b>	<b>43 178</b>	<b>-9</b>	<b>36 396</b>	<b>8</b>
<b>Capital requirement including complement</b>	<b>39 401</b>	<b>43 178</b>	<b>-9</b>	<b>36 396</b>	<b>8</b>
Capital quotient*	2.10	1.93	0.16	1.76	0.33
Core tier 1 capital ratio, %*	9.0	8.1	0.8	7.4	1.6
Tier 1 capital ratio, %*	10.7	9.7	1.0	8.7	2.0
Total capital adequacy ratio, %*	16.8	15.5	1.3	14.1	2.7

\* Key ratios refers to both transition rules and excluding complement.

## Signatures of the Board of Directors and the President

The Board of Directors and the President certify that the interim report for the second quarter 2009 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, 16 July 2009

Carl Eric Stålberg  
Chair

Anders Sundström  
Deputy Chair

Ulrika Francke  
Board Member

Berith Hägglund-Marcus  
Board Member

Anders Igel  
Board Member

Helle Kruse Nielsen  
Board Member

Pia Rudengren  
Board Member

Karl-Henrik Sundström  
Board Member

Monica Hellström  
Board Member  
Employee Representative

Kristina Janson  
Board Member  
Employee Representative

Michael Wolf  
President

## Review report

### Introduction

We have reviewed the interim report for Swedbank AB (publ) for the second quarter 2009. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and IAS 34. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of review

We conducted our review in accordance with the Standard on Review Engagements SÖG 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing in Sweden RS and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report for Swedbank AB (publ) is not, in all material aspects, in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and IAS 34.

Stockholm, 16 July 2009

Deloitte AB

Jan Palmqvist  
Authorised Public Accountant

## Publication of financial information

The Group's financial reports can be found on <http://www.swedbank.se/ir> or [www.swedbank.com](http://www.swedbank.com).

Swedbank will publish financial results on the following dates in 2009:  
Interim report for the third quarter on 20 October

### For further information, please contact:

Michael Wolf  
President and CEO  
Telephone +46 8 585 926 66

Erkki Raasuke  
CFO  
Telephone +46 8 585 913 76

Johannes Rudbeck  
Head of Investor Relations  
Telephone +46 8 585 933 22,  
+46 70 582 56 56

Thomas Backteman  
Head of Corporate Affairs  
Telephone +46 8 585 933 66  
+46 70 831 11 66



### Swedbank AB (publ)

Registration no. 502017-7753  
Brunkebergstorg 8  
SE-105 34 Stockholm, Sweden  
Telephone +46 8 585 900 00  
[www.swedbank.com](http://www.swedbank.com)

