

## Strategy to create value

# Strong market positions and a stable business model offer great potential

Strong customer relationships, coupled with cost effectiveness and thorough risk management – this is Swedbank's strategy and formula to create value.

Despite difficult market conditions in 2008, Swedbank maintained strong profitability. The bank's return on equity was 15.2 percent and profit amounted to SEK 10 887m.

The bank's ability, in spite of the downcast market sentiment, to generate stable earnings reflects a focus on services for private individuals (retail banking) and small and medium-sized companies as well as conservative risk management. The business model has also proven stable in a turbulent financial market.

The bank has a results-oriented culture that seeks to maintain a balanced risk profile. We prioritize limiting risks over maximizing profits. For our employees to be successful, they, too, must take risks, but they must be transparent and correctly priced.

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### Focus on home markets and long-term growth areas

The bank has four home markets – Sweden, Estonia, Latvia and Lithuania – where, through its extensive retail network, it offers customized, easy-to-use financial services at competitive prices. In addition to traditional banking and financial services, Swedbank provides advanced business services, capital market services, asset management and insurance.

In Sweden, its largest market, Swedbank is the retail banking leader in customer deposits, mortgage loans and fund management. Swedbank benefits from economies of scale, which also provide a stable platform for continued profitability.

The bank is a leader in the Baltic countries, where it has significant market shares in consumer lending and deposits and residential mortgage lending. The Baltic operations have developed

strongly in recent years in terms of both growth and profitability, despite a slight slowdown. In 2008, emphasis was shifted from growth to operational efficiency due to the economic slowdown, but also because 2008 marked the beginning of a consolidation stage after a number of years of rapid growth.

An important element in Swedbank's strategy is to cultivate large customer segments and establish long-term relationships and a high market share in all its home markets. Customer relations and efficient distribution of financial services are strategically more important than whether all the services are produced and managed internally. The bank offers its Swedish customers access to certain financial services from outside providers, including mutual funds, insurance and debit and credit cards.

To support operations in its home markets, the bank has expanded to neighbouring markets such as Finland, Norway and Denmark, as well as key financial centres such as the U.S., China, Japan and Luxembourg. Many of these countries are important trading partners for customers in the bank's home markets.

### Well-diversified loan portfolio with low risk

The bank strives to maintain a well-diversified loan portfolio with a low risk profile. Broad-based geographical distribution and the large number of customer relationships in many different segments and industries contribute to a low concentration of risk. All lending is also based on cash flow analyses and against collateral. Business operations are managed locally, as close to customers as possible, which further reduces credit risk.

In Sweden, mortgages are distributed through the wholly-owned subsidiary Swedbank Mortgage and represent about 49 percent of the bank's total lending to the public. As of 31 December 2008, the average loan-to-value ratio in Swedbank Mortgage's loan portfolio was approximately 46 percent.

### "One Swedbank"

The "One Group Change" programme is designed to strengthen co-ordination, improve efficiencies and encourage knowledge to be shared between various parts of the Group. This is to create value by increasing sales as well as cost efficiencies.

