A case study of Swedbank

Creating an understanding of the company’s Corporate Governance during 2000-2010
Introductory Remark

We want to start of by thanking everybody that helped us during our road towards a completed thesis.

Most of all we want to thank our instructors Bo Enquist and Mikael Johnson who helped us find an interesting field for the thesis and gave us a bit of their knowledge and guidance during this time.

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Abstract

Corporate Governance has become a growing phenomenon after many corporate collapses and scandals all over the world. A company has responsibilities towards its shareholders and other stakeholders and this has become an essential issue in the modern company.

In 2008 there was a financial crisis as well as an international bank crisis that affected Swedbank the most of all Swedish banks. As Swedbank has undergone a critical period during this time a lot has also been happening in their Corporate Governance.

To understand Swedbank’s Corporate Governance we have studied a period of 2000-2010 and noticed two big changes. This made us divide the period in three different phases, which we have analyzed from three different aspects. The aspects are The Ownership Structure, Governance of the Company & Management and Business Culture & Strategies.

The phases are characterized by different chairmen of the board and CEO:s/presidents who influenced Swedbank’s Corporate Governance in different ways during the different phases. Swedbank has gone from being a very shareholder focused company in the first phase to being a shareholder focused company in the second phase only to change back in the third phase after the bank crisis. After the bank crisis they went back to their roots being shareholder focused again.
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1 Introduction

The Introduction consists of the thesis underlying background, objective and delimitation.

1.1 Underlying background

When the financial crisis of 2008 hit the world Corporate Governance was a frequently used word. Good Corporate Governance is supposed to ensure that companies are run in a safe way and protect them from scandals and collapses (Mallin 2010).

Corporate Governance is according to The Organization for Economic Cooperation and Development (2004) “a set of relationships between a company’s management, its board, its shareholders and other stakeholders. Corporate Governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined”.

During the financial crisis of 2008 there was an international bank crisis and the bank that was affected the most in Sweden was Swedbank. In 2009 they went from a profit of 10 billion SEK to an almost as big loss during only 12 months (E24 2010).

During 2009 Michael Wolf the new CEO of Swedbank restructured the bank by changing most of the corporate management, changed the organizational structure and appointed new branch managers. He also established a new management structure partly copied from Handelsbanken, and changed the entire structure for risk management to get through the crisis. Two new share issues have been done in order to survive (Affärsvärlden 2009).

Many questions have been raised how this has been able to happen? Have their Corporate Governance been too weak or have the owners been neglecting their responsibilities?

One part of Corporate Governance is the importance of the owners taking their responsibility in order to prevent scandals from happening. The shareholders are in charge of the company by controlling it through the shareholders meeting. Anything that is decided on the meeting must be followed through as long as they do not break any rules or regulations. The shareholders are also the ones that appoint the board of directors who gives directives to the executive management. The owners (shareholders) can
thereby influence the company in a lot of different ways (The Swedish Corporate Governance Board 2010). It is then interesting to look at the company’s ownership structure in order to understand why this crisis has emerged.

Different ownership structures favour different things, they can either have a shareholder focus or be more stakeholder focused. One way to see if the owners and the company is more stakeholder focused is through their work with Corporate Social Responsibility [CSR].

“CSR can be understood as a voluntary integration of social and environmental concerns into business operations and interactions with stakeholders.” (Enquist et al 2006).

We can also look at the governance and management of the company such as the CEO and chairman. They can favour one of the above approaches and either focus more on the financial aspects of the company or try to take some responsibility for their stakeholders as well.

Another part of the problem lies in the business culture and the company’s strategies. One of the reasons for why Swedbank ended up in the position they did during the bank crisis is said to be due to their reckless expansion in the Baltic area (E24 2010).

It is then interesting to see what kind of steps it was that Swedbank took in order to put themselves in the situation they did. What type of phase/phases did they go through in order to end up in the vulnerable state they did in 2009?

1.2 Objective

The objective with the thesis is to understand, define and explain how Swedbank has incorporated and worked with Corporate Governance.

1.3 Delimitation

In order to delimitate our thesis we have chosen to only look at Swedbank during the years of 2000-2010. We have also delimitated our study by looking at Corporate Governance synoptically and focused on:

- The Ownership Structure,
- The Governance of the Company & Management,
• Business Culture & Strategies

within Swedbank’s Corporate Governance.
2 Swedbank

The second chapter consist of a description of Swedbank as a company.

Swedbank has its roots in the savings bank movement that started in the year 1820 and was then seen as a group of many individual savings banks. Some features for the savings bank movement were to maintain close ties with the local community and the absence of individual profit interest. A big change in the company was made in 1997 when two Swedish banks, Sparbanken and Föreningsbanken, merged and became FöreningsSparbanken. Eight years later in 2005 FöreningsSparbanken acquired the Baltic Hansabank. As an effect of these changes the name Swedbank was established in 2006. The history in the savings bank movement is still shown in the ownership. The savings bank is still one of the biggest owners of Swedbank and the cooperation is a central component in the company especially within the range of shared history and values (Swedbank A 2010).

Mission of Swedbank:

“By understanding and reacting to our customers’ needs, we can offer them the best financial solutions and thereby help them to improve their quality of life. In this way, we can continuously increase our company’s value and serve as a positive force in society” (Swedbank B 2010).

2.1 The organization

The simplified chart of the organization consists of a Board of Directors, Group Executive Committee (president and CEO included) and six business areas (Swedbank C 2010). We have chosen to create a better understanding of some of the business areas in Swedbank to delimitate the area of Corporate Governance.
Board of directors

The Board consists of ten members and the chairman, which since 2010 is Lars Idermark who stepped in after Carl Eric Stålberg (Swedbank C 2010). Lars Idermark is only chairman of the board and is not an employee of Swedbank. Earlier he has been vice CEO for FöreningsSparbanken and also CEO for Kooperativa Förbundet (Swedbank D 2010).

President and CEO

The group executive committee consists of nine members and the president/CEO, which since March 1, 2009 is Michael Wolf (Swedbank C 2010). When Wolf stepped in as President and CEO, GRI reports are included again and reconstruction in the Baltic area is made in 20091.

Retail

Swedish banking division is the biggest of Swedbank's business areas. This division provides banking to both private consumers as well as all types of organizations. In Sweden there are 419 Swedbank back offices and they have approximately 4,5 million customers (Swedbank C 2010). The Swedish banking has its roots in the Savings banks movement that is still shown in Swedbank's actions and values (Swedbank A 2010).

1 Appendix 1
**Baltic Banking**

The Baltic division is located in Estonia, Lithuania and Latvia. The division provides banking to private and corporate customers. In the Baltic area there are 278 back offices and they have approximately 5.4 million customers. Swedbank has leading positions in the Baltic market with the biggest position in Estonia. (Swedbank C 2010). In 2005 Swedbank purchased Hansabank and in 2008 the Baltic area changed all banks with the name Hansabank into Swedbank (Swedbank E 2010).
3 Method

The third chapter explains the approach taken during the execution of the study.

3.1 Approach

The first thing you do when starting a study is to choose an approach and a method for it. When the objective is set a method that can fulfil the objective in the best way is chosen (Björklund & Paulsson 2003). Having our objective in mind we have chosen to use a descriptive case study since we are about to conduct an empirical research on one company in its natural context and describe it (Lundahl & Skärvad 1999). We are thereby also using a qualitative method since we are looking at the objective from Swedbank’s perspective and are studying the objective in its natural surroundings and are also trying to interpret and understand it from a human perspective (Alvesson & Sköldberg 2008).

We have chosen the case of Swedbank, which is a critical case because of the unique history and the roots they have. There are only a few companies with a similar history and Swedbank is the only bank in Sweden with this past. Going through a financial crisis and also having a lot happening internally in the company this makes Swedbank the only company for us to study in this particular case. A critical case is characterized by an interpretative approach combined with an interest in the critical questioning of the realized social reality. To understand the realized social reality the phenomena must be understood in a historical context (Alvesson & Sköldberg 2008). This is why we are basing our empirical data on the Annual Reports of Swedbank from years 2000-2009 to get a historical overview. By doing so we are also conducting a longitudinal study, a study of a longer period of time with a qualitative content analysis of sources and documents and an interest in mapping Swedbank’s changes/transformation during this time interval (Bryman 2004).

We then analyse this secondary data, which gives us a picture of the actions taken in the company during these years. Secondary data is used in qualitative methods when analyzing annual reports. To use secondary data is common amongst critical case research with an empirical problem (Alvesson & Sköldberg 2008).
The key to a qualified methodological view is that all research work is driven by an interpreter (Alvesson & Sköldberg 2008). In this case we are the interpreters and the research object is Swedbank. In the interpretative approach you want to find and understand the purpose or the intentions behind different actions taken through interpreting them (Hovi & Rasch 1998).

In a qualitative method there are four different stages. Stage one is the way the information is collected that the empirical data is based on. Stage two is a selection of unities that are analyzed in stage three. In stage four the reflection over the result takes place. When studying a special group during several years the study becomes descriptive of this group, which in this study are Swedbank and the three aspects (Jacobsen 2002). By analyzing annual reports and reflecting different years with each other gives us a picture of Swedbank during the years.

When starting the study we screened our theory and chose a range of references that fitted our problem. In order to not get a wrong picture of the phenomenon the study should not only look at one part in a matter of references, because the study has to give a right picture of the references and the matters the theories strive to show us (Holme & Solvang 2006). We have then chosen to look at different areas like Corporate Governance, CSR, and management etcetera to be able to give a bigger perspective to the problem. Also including different references with different views in each area will show a wider range in the discussion. Using 15 articles and other literature we find it as a good base for our analyze. By only using a selection of information it is easy to generalize a phenomena and not taking the whole truth in consideration (Jacobsen 2002). To avoid this we have used all of the Annual Reports between 2000-2009.

After reading all the theory the focus was put on Swedbank and creating an understanding of the organization. A lot of information is taken from their Annual Reports, but also different articles written in daily papers and their homepage. It is important to use reliable sources so the study can be credible (Jacobsen 2002). A generalization will not be made statistically but analytically through the interaction between the thesis objective, theory and empirical data (Lundahl & Skärved 1999).

When using the historical approach we are looking at the past, it is important to reflect that the past no longer exists and that the information that we gather
about the past is just a trace of it and are fragile and less certain or ambiguous. This is a problem when we have to interpret our empirical data in a correct way and not distort the information (Alvesson & Sköldberg 2008). Since the empirical data we collected was not contradicting itself or was ambiguous in any way we believe that we have interpreted the data in a correct way. We also believe that the data gives us a correct picture of the past and is not distorted since Swedbank has been following a sound auditing procedure when they produced the data and the reports have been reviewed by the company’s auditor.
4 Theory


4.1 Corporate Governance

Corporate Governance has grown rapidly due to corporate collapses and financial scandals, especially since the collapse of Enron. The scandals have made a lot of investors suffer and made them lose confidence in the market. Investors are thereby more careful when they invest today and sound Corporate Governance helps corporations to regain the investor’s confidence and make the investors invest in them again (Davies & Schlitzer 2008: Van den Berghe 2002).

Corporate Governance is according to The Organization for Economic Cooperation and Development (2004) “a set of relationships between a company’s management, its board, its shareholders and other stakeholders. Corporate Governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined”. There are other definitions of Corporate Governance and the biggest difference between them is the perspective; some definitions are more shareholder focused while others take a broader perspective and include the stakeholders as well (Davies & Schlitzer 2008).

It is important to know that there is no one single Corporate Governance system that is the ultimate system (Cadbury 2000). Corporate Governance systems are shaped different in different countries to work as good as possible with their cultures, laws, financial systems and ownership structures. The systems are also individually shaped for every single company in order to work as good as possible on their particular situation and market (Davies & Schlitzer 2008).

4.1.1 Corporate Governance in Sweden

Corporate Governance is important in Sweden, which can be seen in the country’s culture, which is influenced by low power distance, collectivism, cooperative traits and the norm of equality (Lubatkin et al 2005). We can also see this in the incorporation of Corporate Governance since it is both
incorporated in the law as well as in self-regulations. Sweden’s Corporate Governance system consists primarily of the Companies Act, the Stock Exchange's rules and the Swedish Corporate Governance Code (Lekvall 2009).

The Swedish Code in itself is very shareholder focused. The Code aims to make sure that companies are run in a sound and efficient way “on the behalf of their shareholders” and to improve the investors’ confidence in Swedish companies. The Code works as most other Codes on a ‘comply or explain’ basis, which mean that if the company deviate from the Code they need to explain why they have done so (The Swedish Corporate Governance Board 2010).

In Sweden most listed companies are “dominated by one or a few major shareholders” and they are expected to take a long-term responsibility in the company and exercise active ownership (Lekvall 2009: The Swedish Corporate Governance Board 2010).

The board of director is appointed by the shareholders to run the company on their behalf. They are responsible for both the organization and the management of the company. “The board is obliged to follow any specific directives passed by the shareholders’ meeting, providing these do not contravene the Swedish Companies Act or the company’s articles of association” (The Swedish Corporate Governance Board 2010).

4.1.2 Corporate Governance in Sweden and the Baltic Area

Sweden has been influenced a lot from the Sarbanes-Oxley act, the UK models and the EU to mention few of Corporate Governance codes. The Corporate Governance Codes are very concentrated in the favour of shareholders and the UK “comply and explain” model is essential (Aktiespararna 2001). As in several other countries the “comply and explain” rule is used. Sweden being included in the continental Europe and the Baltic area being positioned in the Eastern Europe means that there are some differences (Mallin 2010).

In Central and Eastern Europe a privatization process has affected Corporate Governance. There are three different privatization processes. The one with the most successful results, for example used in Estonian companies, where the majority control is often sold to outside investors, foreign investors in particular (Mallin 2010). In the Estonian code the minority shareholders and their rights are considered to a high standard. Poor consideration to minority
shareholders combined to an insider ownership and control makes the company unattractive to foreign investors and minority shareholders. In Estonia good and right Corporate Governance is very important to be able to attract more foreign investors (Tallinn Stock Exchange & Financial Supervision Authority 2005).

4.2 Agency Theory

Corporate Governance is important when two things inside the company exist, an agency problem and a contract that cannot deal with the agency problem (Hart 1995).

The Agency Theory identifies the agency-principal relationship where one party the owners (principal) delegates the work to another party, the directors (agents). The problem occurs when the agents have different interests than the principals and thereby the agents do not act or only partially act on the behalf of the principal. There can be different dimensions to this problem because of opportunism, self-interest, moral hazard and in precise and uncertain information. With other words the problem lies in the separation of ownership and control (Fama 1980).

It is said that the Agency Theory has been the problem in many of the corporate scandals that have happened recently. They have showed that shareholders have not had sufficient control of the management of the companies and that the alignment of interest has not been sufficient enough between managers and shareholders (Heath 2009).

What is interesting is that Lubatkin et al. (2005) believe that the agency problem in Sweden is far less than the problem in USA because of Sweden’s culture. Other reasons for why they think the agency problem is less accurate in Sweden are because of the agents (executives) “high level of job security”, the fact that they cannot gain a lot financially because of the high taxes. They also only get small bonuses, which are dependent on the firm's performance and the fact that managers’ self-interest is intertwined with the business interest. They do not claim that Swedes never act in their own self-interest but they believe that if they do so they will “typically fail and pay a high price for violating their society’s egalitarian and collectivist norms” (Lubatkin et al 2005).
4.3 CSR

To improve Corporate Governance companies can incorporate Corporate Social Responsibility [CSR] in order to be more transparent and to take a bigger responsibility for their stakeholders (Kurihama 2007). CSR stands for “the social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time” (Carroll 1979). “CSR can [also] be understood as a voluntary integration of social and environmental concerns into business operations and interactions with stakeholders.” (Enquist et al 2006).

Companies today are paying more attention to CSR and are issuing social responsibility reports. The problems with the reports are that there is no consensus on how they should be designed, what information should be included and the procedures around them (Enquist et al 2006). One type of report is the Global Reporting Initiative [GRI] report.

GRI is today the dominant initiative when it comes to CSR reports and it takes the economic, environment and social performance aspects into account (Borglund et al 2009; GRI 2010).

The question about CSR has been if companies are incorporating it because they want to be seen as good or if they really are good companies. What most corporate scandals have had in common is the lack of ethics within the company (Roberts 2001). According to Roberts (2001) this is based on the fact that all relations have a foundation in the form of self-interest and that individuals have a need to be seen as successful by others. This creates an endless competition between the employees at the expense of ethics. It creates the ethics of narcissus where corporations only concern is being seen as ethical, which is a long way from actually “being responsible” (Roberts 2001). Roberts (2001) also points out that he believes that the new ethical approach that a lot of corporations uses today only feeds this competition and are a new way to measure their success and not a way to actually be responsible.

According to Enquist et al. (2006) research of Swedbank they contradict Roberts by saying that Swedbank actually is taking their responsibility by incorporating CSR.

4.4 The Governance of the Company & Management

The board of directors in the corporation is the agent of the company that is
supposed to govern the company and safeguard the owner’s interest. They in turn are in charge of the management of the corporation who will execute the work and lead the employees within the corporation (The Swedish Corporate Governance Board 2010).

Most managers have a drive to achieve which is a ”source of strength in business, both for individual managers and for the organization they lead”. Their drive to achieve ”fuels growth and help the companies sustain performance over the long term” (Spreier et al 2006).

The trick is to let the drive to achieve stay on a healthy level. Whenever you step over the line of having a healthy drive to achieve and start to become an overachiever it can have the opposite effect and instead damage the organization. Overachievers tend to shift their focus to task and goals, sales numbers and profits which in the short term can be successful but over time this behavior can actually damage the performance instead of increasing it (Spreier et al 2006).

Overachievers also tend to cheat, cut corners and withhold information in order to meet their goals which can demolish trust both inside as well as outside the company (Spreier et al 2006).

When governing a company the managers create a dominant logic, which consists of mental maps of their experiences in the core business. “A dominant general logic is defined as the way in which managers conceptualize the business and make critical resource allocation decisions”. It helps the managers with problem solving when they are faced with difficulties inside the business (Prahalad & Bettis 1986).

Diversified corporations that are strategically similar can use the same dominant logic while diversified corporations with strategic variety need to develop multiple dominant logics to survive. It is when the dominant logic is applied inappropriately that the companies experience difficulties and poor performance (Prahalad & Bettis 1986).

It is important to know when the company needs to add or change a dominant logic. It is easier to add a dominant logic to the company since you retain the old information and only add new information to it. In order to change the dominant logic an unlearning process need to take place before the company can learn the new one (Prahalad & Bettis 1986).
4.5 Stakeholder Theory

Corporate Governance helps the company to gain the investors trust as well as helps the company with the agency problem and prevents a scandal or collapse from happening. Corporate Governance does not only take the shareholders into account they also account for the company’s stakeholders in order to work as efficient as possible (OECD 2004). The company’s stakeholders are both groups and individuals that affect the company’s wellbeing such as the employees, the providers of credit, the suppliers, the customers, the local community and the government (Jensen 2002).

The main idea to stakeholder theory is that “organization’s success is dependent on how well it manages the relationship with key groups such as customers, employees, suppliers, communities, financiers and other that can affect the realization of its purpose”. Companies should identify their key groups and try to balance their interests and support them (Freeman & Phillips 2002).

When using the stakeholder perspective the company is less focused on the shareholder value and more focused on stakeholder value and these values might not align. The problem occurs when they don’t align since the company is then not run on the behalf of the shareholders and is then less able to be competitive in surviving on the market (Jensen 2002).

4.6 Strategies

The leaders of the company create strategies for achieving the company’s goals and vision. To create a strategy you can either use an emergent strategy or a deliberate strategy (Mintzberg 1987).

An emergent strategy is one that is formed during action while a deliberate strategy is planned and formulated in advance away from the action. The best strategy is thus a combination of both of the above strategies, some parts need to be planned in advance to create a structure and some parts needs to emerge during action to be as effective as possible (Mintzberg 1987).

4.7 Reflections of the chapter

To understand a company like Swedbank it is important to understand some areas theoretically to be able to analyze the company. First of all Corporate Governance is important to reflect upon in the company’s different business areas. In this case we have to understand the Swedish Corporate Governance
as well as the Baltic one. To understand how some decisions are made in all the areas and why actions are taken, the underlying theories for the ownership structure is a must. Is the company only acting in favour of the shareholders or are there other stakeholders taken in consideration?

In Swedbank’s case a lot of different CEO: s and chairmen has stepped in and out during 2000-2010 and there for different styles of governing a company during this time should be a fact. To get a picture of different governing styles we had to include some theory of this. When Corporate Governance in one country is hard work for the ones governing the company it has to be even harder to manage having control of business areas in several countries. To make it in different countries different strategies often has to be used. To create an understanding in all of these areas we have collected a lot of theories and reflected them to get a broad view of different aspects written.
5 Empirical data and Analysis

The fifth chapter consist of our empirical data collected from Swedbank’s Annual Reports 2000-2009 and of an analysis of this data.

When looking at Swedbank and the changes the company has undergone during the period of 2000-2010 we have found that there are three different phases\(^1\). We have chosen to call the first phase the pre-Stålberg era and it took place during the years 2000-2002. The second phase is called the Stålberg era and the third phase the post Stålberg era with Michael Wolf as and President and CEO. Each of the three phases are divided into three categories, The Ownership structure, Governance of the Company & Management and Business Culture & Strategies.

5.1 The pre-Stålberg era 2000-2002

This phase is before Carl Eric Stålberg stepped in as the chairman of the board. In the end of this phase we can see the first change of actions in the period 2000-2010 that we study.

2000

- Birgitta Johansson-Hedberg steps in as President and CEO.
- GRI is introduced in their CSR-report.

2001

- The terrorist attacks in USA on September 11\(^{th}\) created instability around the world.
- Sustainability and environment stands in focus.
- Growth in the Baltic area.
- FöreningsSparbanken’s office in Nässjö was the first bank office in Scandinavia to be ISO 14001 certified.
- They received Malmö’s diversity and integration prize for their culture and ethnic diversity in their office in Rosengård, Malmö.

2002

\(^1\) Appendix 1
• This was the last year for Birgitta Johansson-Hedberg as President and CEO. She put a big focus on relationships, environment and other ‘soft’ aspects in the company.

• This was also the last year for Göran Collert as chairman. He was appointed as chairman in 1995.

• They still had an extensive CSR-report but did not perform it according to GRI standards.

• They acquired and integrated Lithuania Daughter Company into Hansa LTB.

5.1.1 The Ownership structure

Swedbank has its roots in the savings bank movement that started in the year 1820 and was then seen as a group of many individual savings banks (Swedbank A 2010). This has given an impact on the ownership structure and it is shown remarkably during the years 2000-2002. Sparbanksstiftelsen is the biggest owner in the years looked upon and during these years Sparbanksstiftelsen was increasing their shares and owned around twenty percent. By having such a big share the second biggest owner is not even near as big of an owner. The individual savings banks have owned around seven percent during these years. In year 2000 AP fonder was the third biggest owner with four point four percent in, then still called FöreningsSparbanken, but in 2001 and 2002 Alecta took their place.3

In Sweden most listed companies are “dominated by one or a few major shareholders” and they are expected to take a long-term responsibility in the company and exercise active ownership (Lekvall 2009: The Swedish Corporate Governance Board 2010). When having such a strong bond and understanding between FöreningsSparbanken and the two biggest owners it is especially important for the other owners to take their responsibility in a situation like this so that they can confirm that their needs and requirements are also fulfilled.

By having the history that Swedbank has with the different savings banks, the focus on a good collaboration and communication is seen in this phase. The two biggest owners in this time is connected to the history of the company and gives an impact in the matter of interest in the owners and a continuing

3 Appendix 2
work in keeping the old ways of thinking and acting. While the bank changed their name and started to work with in new areas the ownership stayed the same and the savings banks still was a big part of the company.

5.1.2 Governance of the Company & Management

The Corporate Governance systems are individually shaped for every single company in order to work as good as possible on their particular situation and market (Cadbury 2000). By studying the company we can notice a difference in Corporate Governance in Swedbank and different areas in focus in different years.

Swedbank complies with the Swedish code of Corporate Governance, which is done in the years in question. The Swedish Code in itself is very shareholder focused. The Code aims to make sure that companies are run in a sound and efficient way “on the behalf of their shareholders” and to improve the investors’ confidence in Swedish companies (The Swedish Corporate Governance Board 2010). The Swedish code is based on the UK “comply or explain” model and is the ground for Swedish companies (Aktiespararna 2001). This is only one part of the Corporate Governance work that Swedbank is doing. The Code is a good and sound way of ensuring that companies has a focus on shareholders but there are other actions made in these years to improve the Corporate Governance in the company.

The board of directors in the corporation is the agent of the company that is supposed to govern the company and safeguard the owner’s interest (Carli & Eagle 2007). In Swedbank’s case the board of directors have the responsibility to take the big decisions but the CEO have to do the operational work, which means that this person also has a lot to say in the matter of Corporate Governance. We can see a difference of areas in focus by comparing the different managers.

In 2000 Birgitta Johansson-Hedberg stepped in as the president and CEO of Swedbank and the Chairman of the Board was Göran Collert. As studying Swedbank we discovered that during the years 2000-2002 Johansson-Hedberg worked a lot with the Corporate Governance issues in the company and that her way of acting was very different in comparison to the managers in the future.

To improve Corporate Governance companies can incorporate Corporate Social Responsibility [CSR] in order to be more transparent and to take a
bigger responsibility for their stakeholders (Kurihama 2007). Johansson-Hedberg put a lot of effort in these issues while sitting as president and CEO. During the years we can see that the Annual Reports is focused on a lot of issues and actions in terms of customers, employees, the environment and other CSR aspects.

One thing that is noticed is that during year 2000, when Johansson-Hedberg stepped in as president and CEO, Swedbank introduced GRI in their CSR-report. GRI is today the dominant initiative when it comes to CSR reports and it takes the economic, environment and social performance aspects into account (Borglund et al 2009: GRI 2010).

5.1.3 Business culture & Strategy

While Swedbank in the beginning only had their home market to consider, the situation today is a bit different. A country’s culture is of course influencing the way a company is managed and different countries have different Corporate Governance codes. Corporate Governance is important in Sweden, which can be seen in the country’s culture and is influenced by low power distance, collectivism, cooperative traits and the norm of equality (Lubatkin et al 2005).

During the years 2000-2002 a big focus was on making the bank more accessible and a big part of this was the Internet and telephone services. As a focus on the environment and other CSR aspects were important in Sweden a new market in the Baltic area was discovered where the development was not nearly as far as in Sweden. The growth in that area made it interesting for Swedbank to expand and take over some market. The Corporate Governance Code and other cultural aspects was something that is very different in Sweden and the Baltic area. In Central and Eastern Europe a privatization process has affected Corporate Governance. There are three different privatization processes (Mallin 2010). In Estonian companies for example the majority control is often sold to outside investors, foreign investors in particular (Tallinn Stock Exchange & Financial Supervision Authority 2005). This means that the Baltic companies often have a stakeholder view in comparison to the Swedish code and companies who put effort and focus on only shareholders. The fact that the Baltic area was an interesting investment was one thing, but did FöreningsSparbanken reflect enough on the differences? In FöreningsSparbanken case it was the Board that made the decisions for the
Baltic area and it was up to them to see the risks there. During 2000-2002 they selves made the risk management in each foreign subsidiary company and Swedbank did not affect that.

The fact that Swedbank started to expand and that collaboration abroad was taken place created a need for different strategies in different areas and countries. Swedbank already had a certain dominant logic in Sweden but the need for new strategies and dominant logic was clear. Diversified corporations that are strategically similar can use the same dominant logic while diversified corporations with strategic variety need to develop multiple dominant logics to survive. It is when the dominant logic is applied inappropriately that the companies experience difficulties and poor performance (Prahalad & Bettis 1986). All though the branch was the same in all of the countries, different cultures and Corporate Governance Codes where critical to reflect upon, a dominant logic in Sweden was not going to work in a totally different culture. While it was normal in the Baltic area to have young corporate managers with little experience the Swedish corporation had to make sure that they did not lose their own profile when adapting to a new environment.

5.2 The Stålberg Era (2003-2008)

This phase in characterized by Stålberg and his time as the chairman of the Swedbank board. In the end of this phase we can see the second change in the studied period 2000-2010.

2003

- Carl Eric Stålberg steps in as Chairman
- Jan Lidén steps in as President and CEO.
- Swedbank is the first noted Nordic bank with ISO 14001 certification.
- The sustainability report is integrated in the Annual Report and it not as extensive as previous years.
- Their return on equity was the highest among the Scandinavian banks.
- They were awarded as the best working place in Sweden
- They looked at more financial aspects and goals in their annual report

4 Appendix 3
2004

- Good financial results.
- Big focus on financial results in the Annual report.
- Good Corporate Governance as a main goal, but no information about actions towards it.
- They agreed about an acquisition of Kvest Bank in Moscow.

2005

- Big focus on financial results in the Annual Report.
- They became sole owners of their Subsidiary Company Hansabank in the Baltic.
- Bank of the year in Sweden.
- One of the biggest companies on the Stockholm stock exchange.

2006

- FöreningsSparbanken changed their name to Swedbank.
- Good financial results and a focus on them in the Annual Report.
- Bank of the year in Sweden and in Estonia.
- Growing economy in the Baltic area.

2007

- Swedbank starts collaboration with Folksam in different areas.
- Still have a expansion strategy.
- The highest profits ever in Swedbank.
- They acquisitioned TAS-Kommerzbank in Ukraine.
- Got elected to the Bank of the Year in Estonia.

2008

- Swedbank starts to comply with UN´s ten principles in their CSR work.
• Started to change the name Hansabank in the Baltic to Swedbank.

5.2.1 The Ownership Structure

During the Stålberg era the ownership structure was almost consistent, with Sparbanksstiftelsen as the biggest owner. While the bank changed their name and started to work in new areas the ownership stayed the same and the savings banks still was a big part of the company. This means that the change that occurred during the Stålberg era thereby did not come from a change in the ownership structure. The owners had a long history with the bank and knew it well.

The question is if the change was brought by cooperation between the agents (directors) and the principals (owners) or if it had to do with the long history that the principals had with the bank and that they trusted the agents of the company too much and thereby didn’t take their responsibility. Since the agency problem has a tendency to be less of a problem in Sweden the first statement seems more likely (Lubatkin et al. 2005).

What did change was that they in 2007 (the end of the era) started to collaborate with Folksam in different areas.

5.2.2 The Governance of the Company & Management

The Stålberg era started when Carl Eric Stålberg stepped in as chairman and Jan Lidén as President and CEO in 2003. When studying this period (2003-2008) of Swedbank’s history we discovered a big change from the former leadership. Instead of focusing on Corporate Governance and especially CSR as Hedberg did, Stålberg and Lidén switched the focus to more financial aspects. An interesting fact is that after Johansson-Hedberg no longer was President and CEO, Swedbank no longer had GRI in their CSR-report for many years. It was not until the last year of the Stålberg era (2008) that we could see that they started to work with CSR again by starting to comply with UN’s ten principles of Global Compact.

One of the big changes from the former phase in to this new phase was the rapid expansion they made in especially the Baltic area. During the expansion in the Baltic they kept the Swedish domestic part of the Group separate from the international part with its own risk structure. The board of directors for the Group established the risk structure for the bank in Sweden while the risk structure in the Baltic area was established by the subsidiary companies board.
of directors and was following their countries standards and not the Swedish standard. Since Sweden is included in the continental Europe and the Baltic area positioned in the Eastern Europe this means that there are some differences in their Corporate Governance as well as their risk structure standards (Mallin 2010).

FöreningsSparbanken did do one attempt to improve the risk control in 2004 by forming a new risk group that was responsible for analysis, monitoring and the controlling all of the Group’s risks. They also tried to improve their risk rating system both in Sweden and in the Baltic.

In 2007 they observed that Hansabank in the Baltic had a higher risk than the rest of the Group due to money laundry.

In 2008 when the international financial crisis hit the world Swedbank reported that they had a low risk but that the risk was higher than it has been before especially in the Baltic. The higher risk in the Baltic was due to the risk that borrowers were not able to repay their loans.

The risks that appeared in the Baltic area when the economy started to go from a time of prosperity to a recession could have something to do with the companies’ dominant logic. The dominant logic that worked with their core business did not seem to work when they rapidly expended the business in the Baltic area. This is not that odd since the market condition in the Baltic is different from the Swedish market conditions. The Baltic area belongs to Eastern Europe and Sweden to Central Europe which means that there Corporate Governance structures have been affected in different ways and hence therefore are different (Mallin 2010). These differences indicate a strategic variety and the Group thereby needs multiple dominant logics in order to survive if they do not change their conditions (Prahalad & Bettis 1986).

In 2008 the international financial crisis hit Swedbank and the company experienced some difficulties. When looking at the management of the company during this period we can see as said before that they went from being responsible managers with focus on CSR in the previous period into managers who were very goal fixated. This could be a warning sign of the management going from being achievers to overachievers. This applies especially to Lidén and Stålberg since they where the new managers who switched the company’s focus.
Overachievers tend to shift their focus to task and goals, sales numbers and profits which in the short term can be successful but over time this behaviour can actually damage the performance instead of increasing it (Spreier et al 2006). We can see a tendency of this behaviour during this period both because of their financial focus but also because they were very successful in the short term but when the financial crisis hit, it damaged the company.

Overachievers also tend to cheat, cut corners and withhold information in order to meet their goals which can demolish trust both inside as well as outside the company (Spreier et al 2006). In Swedbank’s case we can see that the rapid expansion in the Baltic area could count in the category above. In order to improve their financial results they rapidly expanded their organization in the Baltic without taken enough responsibility for it. The risk management in the Baltic is an example of this and that is why the company had so many difficulties in the Baltic region during the crisis.

5.2.3 Business Culture & Strategies

During this era until 2008 as said before the bank was characterized by financial aspects and their financial goals at the expense of their CSR work. This reflects the shareholder vs. stakeholder perspective. In the previous phase the bank had a stakeholder perspective when they actively worked with the CSR. In this second phase they took a step from the stakeholder perspective and putted more focus on the shareholder perspective and the financial aspects of the company instead.

Their focus on their financial goals paid off during this time of prosperity and the bank had good financial results and was rewarded as the best workplace and bank of the year in different countries.

In 2006 FöreningsSparbanken changed their name to Swedbank with the ambition to be the leading bank in service.

One part of their strategies to achieve their financial goals was their rapidly expansion in the Baltic area. In 2005 they became sole owners of Hansabank in the Baltic and in 2008 they changed the banks name from Hansabank to Swedbank. They then looked as a unit and as a part of the Group but they still had a different structure and business culture in the Baltic than in Sweden.

Strategies can be either emergent or deliberate and in the case of the rapidly expansion in the Baltic area the strategy seemed to be deliberate and come
from the board of directors and not from the employees at the branch office level. The best strategy is the one that combines the emergent strategy with the deliberate strategy which in this case might have been a less rapidly expansion in the Baltic area (Mintzberg 1987).

In 2007 Swedbank started to collaborate with Folksam in different areas, which influenced the company.

In 2008 the international financial crisis hit Swedbank and they experienced some difficulties especially in the Baltic area.

5.3 Post Stålberg Era with Michael Wolf (2009-)

This phase is characterized by Michael Wolf and the fact that he stepped in as president and CEO in Swedbank. The phase is seen as 2009 and forward, and a lot of the actions are taken in the present.

2009

• Michael Wolf steps in as President and CEO.
• Four new directors of the board were elected.
• Financial Reconstruction and Restructuring units are strengthened in the Baltic countries.
• Another new share issue was realized of 15.1 billion SEK.
• A loss of 10511 MSEK in 2009.
• GRI reports are made again.
• 31 December 2009, Folksam Försäkring becomes Swedbank’s largest shareholder.

2010

• Lars Idermark replaces Carl-Erik Stålberg as the chairman of the board.
• Swedbank continues to work with reducing their risks.

5.3.1 The Ownership Structure

Due to the new shares issues and a loan that went bad, Folksam stepped in as the biggest owner in 2009 while the former biggest owner
Sparbanksstiftelserna stepped down to be the 6: th biggest owner. We can see that this change in ownership structure did have an impact on the company and that this change ended the Stålberg era.

It looks like the new owners (principals) took their responsibility and demanded changes in the bank in order to save the bank from more failures and to create a better bank.

5.3.2 The Governance of the Company & Management

The Stålberg era ended in 2009 when Michael Wolf stepped in as President and CEO and four new directors of the board were elected. When studying this new phase (2009-) we discovered yet again a big change in the leadership. From having a big financial focus during the Stålberg era the bank went back to their roots and more or less the way Johansson- Hedberg governed the company during the first phase. They started to enhance their CSR work and started to take more responsibility for their actions instead of only focusing on profits. They thereby widened their Corporate Governance work.

One of the big changes during this third phase is the way the company tries to look at the Group as one unit that needs to work under the same conditions and not as separate segments as before.

During 2009 Swedbank changed their management structure and moved the decision making closer to the bank customers. The change in management level and the decentralization was concentrated to the Swedish branch office operations in 2009 but is going to include the Baltic banking in 2010.

They also doubled the mobility of managers and specialists within the bank and more of their employees have acquired international expertise by working across national borders. This means that major changes have been made during 2009 in the management structure in order to improve the banks effectiveness and more are on its way during 2010.

Another important event was the replacement of Stålberg as chairman of the board in 2010. Idermark former employee of Kooperativa Förbundet [KF] stepped in as chairman instead of him. KF has its values in member ownership, rethinking, caring about people and the environment, influence and honesty. By having these values as a base may be seen in Idermark's way of leading Swedbank from now forward.
When it comes to the banks risk structure there have been a financial reconstruction in the Baltic countries in 2009 and Swedbank will continue to work with reducing their risks and strengthening their risk management.

They have also been working proactively with security to raise the level of protection and their ability to handle unusual events and their crisis group has practiced emergency management. The Board have established a united definition of operational risk that applies to the entire Group and based on that definition a standardizes risk structure was created in which human risk, process risk, IT & system risk and external risk have been divided and exemplified in subcategories.

Another example of uniting the Group as one unit was the integration of Swedbank's local staffs functions. They also made a Corporate Co-ordination of all risk management units, IT, communications, HR and compliance during the year.

They moved trading and capital market operations in the Baltic States to Swedbank Markets in Sweden in order to improve quality and possibly also to get economies of scale In addition to this is Swedbank's fund department collected in an organization by Robur AB took over the Group's fund management activities in Estonia, Latvia and Lithuania.

All of the above statements are way to stabilize their risk in the Baltic and foreign offices. To stabilize the risk they have integrated all of the international parts of the Group into the Group and tried to unite them as one unit.

One way of looking at this is to see a change in their conditions abroad in order to survive. They are trying to go from a strategic variety that needs multiple dominant logics which they don’t possess to be a diversified company that are strategically similar and only be in need of the core dominant logic that they do possess (Prahalad & Bettis 1986).

5.3.3 Business Culture & Strategies

With everything that has happened, Swedbank decided in 2009 to go back to their roots and their core values and heritage. In 2009 Swedbank goes back to their roots and declares that they have been part of the local community and worked closely with their customers for over two centuries. They also declared that they still today are pursuing to be a bank for the many people and businesses that are actively pursuing sustainable development of society and
environment. They want to be a bank for everyone and be committed to individuals, businesses as well as the society. They have thereby gone back to their old business culture. They want to be an inclusive banking, and have a culture that requires a clear justification for rejecting someone as a customer.

By going back to their roots and not only focusing on the financial aspects of the company they thereby went from a shareholder perspective in the second phase to again put more emphasize on the stakeholder perspective. One example of this is the reintroduction of the GRI report in 2009.

During 2009 they again started to focus on the sustainability report and to take their responsibility as a company. They also received recognition for their sustainable development from several quarters. They were named to be the most responsible company in Estonia by the magazine Äeripäev and received the first prize in the Socially Responsible Award in Lithuania.

A problem that could occur when using the stakeholder perspective is that the company by being more focused on the stakeholder value may not be run on the behalf of the shareholders. The problem thereby occurs when the stakeholder value and the shareholder value are not aligning (Jensen 2002). In Swedbank’s case we don’t believe that this will be an issue since the company is governed by the board of directors who are chosen by the shareholders to run the company on their behalf.

Another reason why we don’t believe this will be a problem is that Swedbank’s biggest owner Folksam Försäkring is very stakeholder focused company since they are owned by their customers and not by shareholders. There is thereby an alignment in the shareholder value and the stakeholder value.

We can thereby also partly contradict Roberts (2001) statement that Swedbank only want to be seen as ethical and not actually “being responsible” and agree with Enquist et al. (2006) because of the fact that Folksam Försäkring are the biggest owners. Swedbank’s CSR work seems to be legitimate but they need to put some more work in to it in order to be seen as “being responsible”, but we believe that they are on to a good start.

A change that has been made during the year is the change in the management in the Baltic area in order to create a united Group. This means that the business culture in the Baltic area has changed and they are trying to incorporate a united business culture for the entire Group.
It’s not only in the Baltic area the management has changed but also in Sweden in order to create a corporate culture that promotes each person's strengths and ambitions and that lets the individual to grow. They want to offer a good working environment with an open and including business environment and to be an example of equality and diversity. Those are all nice things to strive for and if they succeed the bank will probably benefit greatly.

In 2009 Swedbank incorporated their policies on health and safety, equality and diversity throughout the Group.

As said above Swedbank has changed their management structure in 2009 and moved the decision making closer to the bank customers. This shows that their strategies have gone from being deliberate strategies to incorporate more emergent strategies that is develop in collaboration with the customers and their needs. As said before the best strategy is the one that combines the deliberate strategy with the emergent strategy which seems to be exactly what Swedbank is trying to do in this third phase.
6 Reflections and Conclusions

The last chapter consists of our final reflections and conclusion.

The objective with the thesis has been to understand, define and explain how Swedbank has incorporated and worked with Corporate Governance. We have looked at Swedbank’s Corporate Governance synoptically during 2000-2010 and focused on three different aspects within this area. We have found three different phases during the time interval and two changes in-between them. The three aspects are reflected upon below:

- The Ownership Structure.

The ownership structure is not the reason for the first change that occurred in Swedbank in 2002 and why the company started to focus on more financial aspects since the ownership structure more or less stayed the same during this phase. The change rather came from a change in the management structure. If the change occurred while the owners knew about it or if the owners had stopped taken their responsibility the way they should have we cannot say with the information that was given us.

The ownership structure seem though to be one of the reasons for the second change that occurred in 2009 and why the company went back to their roots. Folksam Försäkring stepped in as the biggest owner in 2009 and they have a big focus on the stakeholder perspective since they are owned by their customers. This was though not the only reason for why the change occurred. The financial crisis and the new change in the management structure did have an impact as well.

- The Governance of the Company & Management.

During the first change the management structure altered when Johansson-Hedberg left the company and Lidén stepped in instead as president and CEO and Stålberg as chairman. This change was the reason for why the first change in Swedbank occurred, they switch the company from being very stakeholder friendly to be a very financial driven company. They went from being managers who achieved things to overachievers who damaged the company.

The second change was also brought partly by a new management structure since Wolf stepped in as president and CEO and Idermark as Chairman. They were the reason for why the company went back to their roots and started to
be more stakeholder friendly again together with the change in the ownership structure.

When it comes to the company’s Corporate Governance structure they went from a good broad structure that included both shareholders as well as stakeholders to a less good structure that was only focused on the shareholders during the first change, since they got more focused on their financial results and less on their stakeholders. The reason for why the shareholder approach of Corporate Governance in Swedbank’s case was not so successful was because of the lack of good risk management that was brought by the first change in the Baltic area. This change worsened their Corporate Governance structure and made them take more risks.

During the second change they improved their Corporate Governance structure by reducing their risk both internationally as nationally and went back to taking more responsibility for their stakeholders. They improved their CSR work and started to report according to the GRI standards.

• Business Culture & Strategies.

While looking at their business culture and strategies the first change brought a rapid expansion in the Baltic area in order to gain financial results. The first change thereby brought a change in the company’s strategies to improve their financial results and the expansions were an example of this. This expansion made the company divide in two half where they had one business culture in Sweden and another in the Baltic area.

During the second change the company tried to incorporate the Baltic area into the Swedish and make the company to one unit with the same culture and strategies. This change is still occurring.

All of the aspects above are a part of Corporate Governance. In our point of view Corporate Governance in the year 2010 is so much more than just satisfying a company’s shareholders. It is about being a responsible company towards all stakeholders and having responsible shareholders. Swedbank has managed to keep up a good reputation all though in our opinion they had a decline in their Corporate Governance during the Stålberg phase that made the company vulnerable when the financial crisis hit the world. We can see actions taken in order to improve the company in both Sweden and the Baltic area an action to unite the company and reduce the risks in order to get an even better Corporate Governance structure.
We believe that if Swedbank stays on the track and continues to work with their roots in mind they will have a bright future.
7 Bibliography


Appendix 1 – Important events in Swedbank’s past

The facts for the appendix are taken from Swedbank’s Annual Reports from 2000-2009.

2000

• Birgitta Johansson-Hedberg steps in as President and CEO.
• GRI is introduced in their CSR-report.
• New internet-services are offered.

2001

• The terrorist attacks in USA on September 11th created instability around the world.
• In 2001 the focus was on making the bank more accessible by branches, Internet and telephone. Sustainability and environment stands in focus also.
• A suggestion of a merger between Swedbank and SEB was both suggested and revoked.
• Growth in the Baltic area.
• Swedbank acquisitioned another 7.5% in FI-Holding (Denmark) to a total of 67% ownership.
• FöreningsSparbanken´s office in Nässjö was the first bank office in Scandinavia to be ISO 14001 certified.
• FöreningsSparbanken was elected the best bank in Sweden according to Dow Jones Sustainability Index.
• They received Malmö’s diversity and integration prize for their culture and ethnic diversity in their office in Rosengård, Malmö.

2002

• This was the last year for Birgitta Johansson-Hedberg as President and CEO. She put a big focus on relationships, environment and other ‘soft’ aspects in the company.
• This was also the last year for Göran Collert as chairman. Ha was appointed as chairman in 1995.

• They still had an extensive CSR-report but did not perform it according to GRI standards.

• Swedbank acquisitioned 33.3% of stocks in First Security, Norwegian Real Estate Company.

• They acquired and integrated Lithuania Daughter Company into Hansa LTB.

• They also acquired HSB Bank with mostly home savings accounts and mortgage loans.

2003

• Carl Eric Stålberg steps in as Chairman.

• Jan Lidén steps in as President and CEO.

• Swedbank is the first noted Nordic bank with ISO 14001 certification.

• The sustainability report is integrated in the Annual Report and it not as extensive as previous years.

• Their return on equity was the highest among the Scandinavian banks.

• They were awarded as the best working place in Sweden.

• They looked at more financial aspects and goals in their annual report.

2004

• Good financial results.

• Big focus on financial results in the Annual report.

• Good Corporate Governance as a main goal, but no information about actions towards it.

• Corporate bank of the year.

• They sold their shares in FI- Holdings (Denmark).

• They agreed about an acquisition of Kvest Bank in Moscow.
• They establish an office in Copenhagen Denmark.
• They reduced their ownership in Norway (SpareBank 1 Gruppen) and Finland (Aktia).
• They raised the dividends to 6.5 SEK per share.

2005
• Big focus on financial results in the Annual Report.
• They became sole owners of their Subsidiary Company Hansabank in the Baltic.
• They establish new offices in Copenhagen, Helsinki, Moscow and Marbella.
• Bank of the year in Sweden.
• One of the biggest companies on the Stockholm stock exchange.

2006
• FöreningsSparbanken changed their name to Swedbank.
• Good financial results and a focus on them in the Annual Report.
• Bank of the year in Sweden and in Estonia.
• Growing economy in the Baltic area.
• First Securities opened up in New York for stock trading.
• The board of directors wanted to raise the dividends to 8.25 SEK per share but got voted down to 7.5 SEK per share.

2007
• Swedbank starts collaboration with Folksam in different areas.
• Still have a expansion strategy.
• The highest profits ever in Swedbank.
• They acquisitioned TAS-Kommerzbank in Ukraine.
• Got elected to the Bank of the Year in Estonia.
2008

- Swedbank starts to comply with UN´s ten principles in their CSR work.
- Started to change the name Hansabank in the Baltic to Swedbank.
- Hansa Net Bank was chosen to be the best internet bank in the east- and central Europe by Global Finance.
- They started a new share issue of 12.4 billion SEK but it wasn’t realized until January 2009.

2009

- Michael Wolf steps in as President and CEO.
- Four new directors of the board were elected.
- Financial Reconstruction and Restructuring units are strengthened in the Baltic countries.
- Another new share issue was realized of 15.1 billion SEK.
- Swedbank Robur acquisitioned Banco Fonder.
- A loss of 10511 MSEK in 2009.
- GRI reports are made again.
- 31 December 2009, Folksam Försäkring becomes Swedbank’s largest shareholder.

2010

- Lars Idermark replaces Carl-Erik Stålberg as the chairman of the board.
- Swedbank continues to work with reducing their risks.
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Appendix 2 - Ownership structure

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Appendix 3 - Risk structure

2000 Foreign subsidiary companies risk structures are decided by each company’s board members and not by FöreningsSparbanken. FöreningsSparbanken has their own risk structure and have established a special unit to follow up, monitor and report risks within the group. The board of directors is ultimately responsible for the group’s financial risk management.

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2004 A new risk control group was formed to take responsibility for analysis, monitoring and control of all the Group's risks. Risk rating systems developed further both in Sweden and in the Baltic through Hansabank group.

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2005 During the year of 2005 Swedbank has made major changes in the Group’s internal systems for classification of customer & counterparties and their exposures with respect to the credit risk. All of the Swedish group's exposures, with few exceptions, are subject to the system. In the Baltic area most of the company's portfolio risk is classified while there are ongoing implementations of other parts.

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2006 Swedbank have released a more extensive risk report. Foreign subsidiary companies risk structures are decided by each company’s board members and not by Swedbank. Swedbank has their own risk structure and have established a special unit to follow up, monitor and report risks within the group. The board of directors is ultimately responsible for the group’s financial risk management. The local bank managers and the foreign subsidiaries boards are responsible for the local follow up. There is an extern risk control group.

2007 The risk report is as extensive as the previous year. Swedbank grades Hansabank to have a greater level of risk due to money laundry.

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2008 A resection has hit a lot of countries during the year and Swedbank tries to create a worst scene scenario to work with. They believe that they have a low risk but that there could be a risk for some borrowers not being able to
pay back their loans. The risk is higher in the Baltic, Ukraine and Russia than in Sweden but the risk in Sweden have been raised as well.

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2009 During the year Swedbank have work towards strengthening the bank’s risk management and risk control. A new position as group-wide risk manager was established with particular focus on integrated risk approach and to ensure that risk management addressed fully in the strategic and operational issues. In addition, reorganization has taken place in order to clarify the governance locally. Restructuring processes are taking place within the bank to lower their risk. The Baltic area, Ukraine and Russia have been exposed to higher risks and action plans have been formed to reduce these risks.

Swedbank has been working proactively with security to raise the level of protection and their ability to handle unusual events. Their crisis group has practiced emergency management. The Board have established a definition of operational risk and based on that definition a standardizes risk structure was created in which human risk, process risk, IT & system risk and external risk have been divided and exemplified in subcategories.

Swedbank’s risk level is higher than normal due to the international financial crisis. The Swedbank group tries to prevent further risks by working together and cooperate with each other more than before.

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