

On Results of Third Pillar Pension Plans in 2009

The influence of the situation in the financial market on the investment results of our pension plans

Congratulations on the results in 2009 of the pension plan opted for by you!

Thank you for your confidence in the experience of the managers of Swedbank's pension plans and their consistent strategy that has reaped good annual results for our customers.

- **Swedbank pension plan Stability+25.** The return of this plan's investment portfolio was 15.0%. The portfolio's return reflects the rapid increase in stock and corporate bond prices in 2009 and the high interest rates. The operating result of this pension plan was LVL 286 thousand.
- **Swedbank pension plan Dynamics+60.** The return of this plan's investment portfolio was 22.6%. The portfolio's return reflects the rapid increase in stock and corporate bond prices in 2009. The operating result of this pension plan was LVL 1.2 million.
- **Swedbank pension plan Dynamics+100.** The return of this plan's investment portfolio was 34.0%. The portfolio's return reflects the rapid increase in stock prices in 2009. The operating result of this pension plan was LVL 514 thousand.
- **Swedbank pension plan Dynamic+USD.** The return of this plan's investment portfolio was 20.3%. This plan's portfolio return reflects the rapid increase in stock and corporate bond prices in 2009. The operating result of this pension plan was LVL 68 thousand.

Ups and downs in financial markets in recent years

In 2009, we saw surging stock prices that followed the market crash and bull market period in the second half of 2008. Stock prices hit the bottom in March 2009, and started their way upward as soon as the first signs that the economy was stabilizing appeared. As major governments implemented economy stimulation programmes to increase lending and spending and lowered central bank interest rates, the confidence in the markets grew that these measures would bring results and that the global economic recession would come to an end in 2009. Among the regions where our plan's assets are invested, the highest return was seen in emerging stock markets: in Russia the yield reached 135%, in Latin America it was 98%, and in Asia (except Japan and India) it was 64%. In Europe, stock prices grew by 32%. The lowest growth was seen in the Japanese market, by just 3%. The return of euro zone government bonds was 4%, while the return of the corporate bonds index hit a record-high level of 16%.

Swedbank's investment strategy: end-result oriented

While most investors and pension funds were selling stocks in fear of a global financial crisis, we seized the opportunity to buy stocks at cheaper prices despite the falling market. Stock markets began recovering sooner than so many analysts had been forecasting; as stock prices grew, also the value of pension plans' investments shot up.

When explaining our customers the investment strategy of Swedbank pension plans, we have always stressed that "stocks are more volatile, but their yield is much higher in the long-run". In developing the strategy for our pension plans, our specialists based it on an analysis of historical data and financial theories. The year 2009 showed us that this strategy works in practice, and the results came even earlier than we had predicted. Only one year was needed for our pension plans to recover from the lowest fall in stock prices in last 70 years.

Swedbank pension funds are managed daily by Swedbank Robur, a Swedbank Group company, which has been in this market since 1967; Lipper, an international analysts company, has awarded it the title of the best investment company in the Nordic region for the third successive year.

Stock markets will be volatile in future as well, but the strategy of Swedbank will remain the same – to grow our customers' capital as high as possible till the day when they retire.

Forecasts for 2010

According to Swedbank analysts, developments in the financial market in 2010 will largely depend on the ability of developed economies to recover from the recession. Sovereign debts are coming in focus, and there is a risk that governments will begin competing in boosting inflation; for inflation reduces the value of money and, consequently, also the value of debts. Interest rate hikes will put additional burden on companies; consequently, it is possible that the rise in corporate profits will not be as rapid as expected, and this fact will affect stock prices negatively. However, the cost cut measures and debt restructurings carried out by companies last year may bring about positive influence on corporate profits to counterbalance the negative effects. Since Swedbank's third pillar pension plans invest in corporate stocks, it may result in positive development of yields of our pension plans.

Sincerely,
Your Swedbank Open-end Pension Fund

Swedbank is the first pension fund in Latvia to publish the structure of its 3rd pillar pension investments structure quarterly, starting from April this year. The same information is available on Swedbank 2nd pillar pension plans every month. You can conveniently find and monitor this information on www.swedbank.lv.

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You can receive information on the pension plans offered by Swedbank: Stability+25, Dynamics+60, Dynamics+100 and Dynamics+(USD), and their investment policies at the office of Swedbank Atklātais Pensiju Fonds AS and Swedbank branches and on our website www.swedbank.lv.