Swedbank

Second quarter 2012

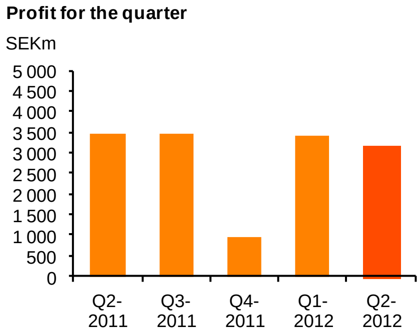
Compared with first quarter 2012

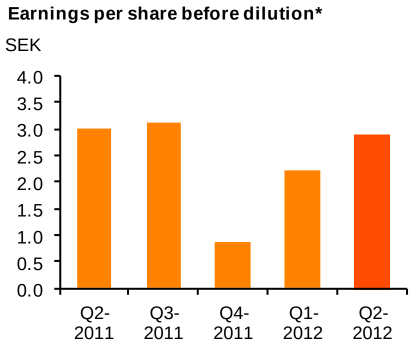
- The result for the quarter amounted to SEK 3 162m (3 425)
- Earnings per share before dilution amounted to SEK 2.88* (2.21) and earnings per share after dilution amounted to SEK 2.87* (2.20)
- The return on equity was 13.0 per cent (14.0)
- The cost/income ratio was 0.48 (0.48)
- Net interest income increased by 1 per cent to SEK 5 252m (5 208)
- Profit before impairments decreased by 3 per cent to SEK 4 646 (4 768)
- Swedbank reported net credit impairments of SEK 300m (172)
- The core Tier 1 capital ratio was 16.6 per cent according to Basel 2 (15.7 per cent on 31 December 2011). The core Tier 1 capital ratio according to Basel 3 was 15.5** per cent (14.7 per cent on 31 December 2011).

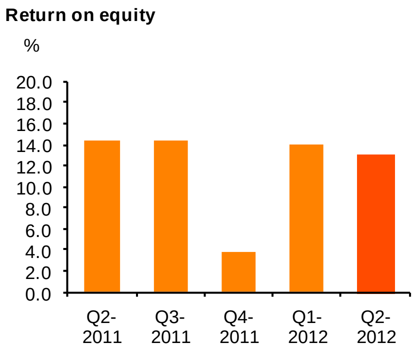
January-June 2012

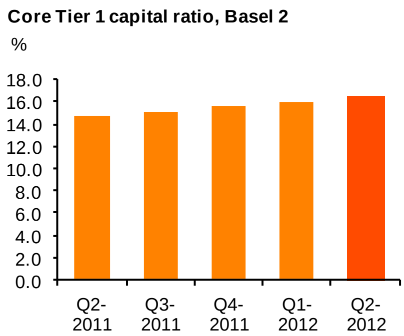
Compared with January-June 2011

- The result for the period amounted to SEK 6 587m (7 304)
- Earnings per share before dilution amounted to SEK 5.09* (5.48) and earnings per share after dilution amounted to SEK 5.07* (5.48)
- The return on equity was 13.5 per cent (15.3)
- The cost/income ratio was 0.48 (0.53)
- Net interest income increased by 14 per cent to SEK 10 460m (9 215)
- Profit before impairments increased by 17 per cent to SEK 9 414m (8 078)
- Swedbank reported net credit impairments of SEK 472m (net recoveries of 1 296)









* When calculating earnings per share, the preference share dividend is deducted from profit in the period the dividend is declared. The calculation of earnings per share is specified on page 41.

** Swedbank's estimate based on current knowledge of future regulation.

CEO Comment

Swedbank continues to report stable results and low relative risks at the same time that we are continuing to work to improve customer satisfaction.

2012 began positively with strengthened confidence in economic development, partly as a result of the ECB's liquidity injection into European banks. Since the end of the first quarter the markets have refocused on sovereign economic challenges and their connection to the banking system. As a result, the outlook deteriorated and interest rates fell. Towards the end of the first half-year additional political initiatives were taken with the aim of stimulating an economic recovery, which this far have had some positive effect. Significant uncertainty concerning economic conditions remains.

Stable result

Swedbank continues to report stable earnings, not least as a result of our work to reduce costs. The margin on new mortgages in Sweden levelled off in late 2011 and has since remained stable. A slight repricing of corporate lending has continued, mainly as a result of the higher capital requirements the authorities announced in late 2011. At the same time lower interest rates, coupled with increased competition, have adversely affected deposit margins. Activity among Swedish corporate customers was high at the beginning of the year before tailing off during the second quarter due to the increased macroeconomic uncertainty. The level of activity in the Baltic countries has been good, partly helped by improved domestic demand. Lending increased slightly in Estonia and Lithuania during the second quarter, while volumes continued to decline in Latvia.

Expenses continued to decrease in line with our stated goal to cut costs by SEK 1bn in 2012 compared with the previous year (excluding variable salary costs). We have begun a review to simplify and reduce the Group's more than 1 100 products and related support systems. This will result in simpler and better offerings for customers, as well as higher efficiency. We have also reviewed the bank's Swedish pension agreements in order to fully transition to defined contribution agreements for all new employees as of 2013. This will eventually reduce the bank's pension risk. Continued focus on effectiveness will be critical to our future competitiveness.

Limited risks and increased transparency

We are convinced that improved transparency raises confidence in the banking system. In recent years we have gradually adapted our reporting to what the market, authorities, the media and credit rating agencies require in terms of transparency. One example is that we publish our mortgage margins on a quarterly basis. This quarter, for the first time, we have broken down the maturities in our balance sheet by currency, to improve the reporting of liquidity risks. We have also presented the results of the annual stress test that Swedish banks submit to the Swedish Financial Supervisory Authority as part of the Internal Capital Adequacy Assessment Process (ICAAP). Also new this year is that we show the losses in the stress test of our Swedish operations by segment. The results of the stress test show that Swedbank is well prepared for an economic slowdown and that the risk level in the Baltic countries has further decreased. Swedbank's relatively low risk level was confirmed in Riksbank's latest stress test, the results of which were announced in the publication "Financial Stability". Even a bank with a low relative risk level has to maintain a competitive earnings capacity and be well-capitalised. This will ensure that Swedbank can handle a significant economic decline.

Thorough stress tests are a critical complement to identify new risks that build up in the banking system and are not captured by traditional risk calculation models, which are based on historical data. Scenario-based stress tests help the banks to identify future risks and develop sustainable business models.

Improved customer satisfaction

Swedbank is pleased to have recently won several awards in our home markets. In Estonia, we were named the most reputable large company for the fifth consecutive year. In Latvia, the bank ranked second in a national business reputation survey and first among all financial companies. We have also been named the most popular employer in Latvia. In Lithuania, Swedbank has won the Responsible Business Award for its work to educate customers and suppliers on sustainable development. In Sweden, the bank ranked first in equity derivatives trading.

Our work to develop digital channels remains a high priority. During the second quarter we launched a new version of our increasingly popular mobile bank. The new version has an improved user interface, which makes transfers between accounts easier. The response has been positive, and today the mobile bank has over 900 000 users. During the quarter we test launched bart, a new mobile card payment service. These services also support the strategy to reduce cash handling by our branches. Within Retail, we have started implementation of a tool that provides direct feedback from customers when they contact the bank. The initial results show strong customer loyalty, which will help us to take measures to improve customer satisfaction.

Outlook

The macroeconomic outlook remains uncertain with a risk of recession in Europe. This makes it difficult to provide accurate earnings guidance. We are therefore planning for a weak scenario and focusing on costs. Our aim is to reduce costs in 2012 by about SEK 1bn, excluding variable staff costs, compared with 2011. Thanks to the strategy we began to implement in 2009 to reduce risks and increase our buffers, Swedbank today can act from a position of strength, which has now also resulted in an increased number of customer queries. We have the necessary resources to help our customers when they are ready to do more business.

Michael Wolf
President and CEO

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More detailed information can be found in Swedbank's fact book, www.swedbank.com/ir, under Financial information and publications.

Financial summary

Income statement SEKm	Q2 2012	Q1 2012	%	Q2 2011	%	Jan-Jun 2012	Jan-Jun 2011	%
Net interest income	5 252	5 208	1	4 714	11	10 460	9 215	14
Net commissions	2 346	2 405	-2	2 412	-3	4 751	4 868	-2
Net gains and losses on financial items at fair value	455	759	-40	511	-11	1 214	766	58
Other income	844	809	4	860	-2	1 653	2 229	-26
Total income	**8 897**	**9 181**	**-3**	**8 497**	**5**	**18 078**	**17 078**	**6**
Staff costs	2 366	2 440	-3	2 390	-1	4 806	4 857	-1
Other expenses	1 885	1 973	-4	2 097	-10	3 858	4 143	-7
Total expenses	**4 251**	**4 413**	**-4**	**4 487**	**-5**	**8 664**	**9 000**	**-4**
Profit before impairments	**4 646**	**4 768**	**-3**	**4 010**	**16**	**9 414**	**8 078**	**17**
Impairment of intangible assets	4					4		
Impairment of tangible assets	125	40		15		165	17	
Credit impairments	300	172	74	-324		472	-1 296	
Operating profit	**4 217**	**4 556**	**-7**	**4 319**	**-2**	**8 773**	**9 357**	**-6**
Tax expense	1 052	1 127	-7	863	22	2 179	2 045	7
Profit for the period from continuing operations	**3 165**	**3 429**	**-8**	**3 456**	**-8**	**6 594**	**7 312**	**-10**
Profit for the period from discontinued operations, after tax								
Profit for the period	3 165	3 429	-8	3 456	-8	6 594	7 312	-10
Profit for the period attributable to the shareholders of Swedbank AB	**3 162**	**3 425**	**-8**	**3 452**	-8	**6 587**	**7 304**	**-10**

Key ratios and data per share	Q2 2012	Q1 2012	Q2 2011	Jan-Jun 2012	Jan-Jun 2011
Return on equity, %	13.0	14.0	14.4	13.5	15.3
Earnings per share before dilution, SEK [1)]	2.88	2.21	3.02	5.09	5.48
Earnings per share after dilution, SEK [1)]	2.87	2.20	3.01	5.07	5.48
Cost/income ratio	0.48	0.48	0.53	0.48	0.53
Equity per share, SEK [1)]	86.92	82.04	82.61	86.92	82.61
Capital quotient, Basel 2	2.42	2.37	2.28	2.42	2.28
Core Tier 1 capital ratio, %, Basel 2	16.6	15.9	14.8	16.6	14.8
Tier 1 capital ratio, %, Basel 2	18.2	17.4	16.1	18.2	16.1
Capital adequacy ratio, %, Basel 2	19.4	18.9	18.2	19.4	18.2
Capital quotient, transition rules	1.52	1.54	1.56	1.52	1.56
Core Tier 1 capital ratio, %, transition rules	10.5	10.4	10.1	10.5	10.1
Tier 1 capital ratio, %, transition rules	11.4	11.3	11.0	11.4	11.0
Capital adequacy ratio, %, transition rules	12.2	12.3	12.5	12.2	12.5
Credit impairment ratio, %	0.09	0.05	-0.09	0.07	-0.19
Share of impaired loans, gross, %	1.53	1.67	2.20	1.53	2.20
Total provision ratio for impaired loans, %	64	65	60	64	60

[1)] When calculating earnings per share the preference share dividend is deducted from profit in the period the dividend is declared. The calculation of earnings per share is specified on page 41.

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

Balance sheet data SEKbn	30 Jun 2012	31 Dec 2011	%	30 Jun 2011	%
Loans to the public	1 228	1 211	1	1 175	5
Deposits and borrowings from the public	560	562	0	529	6
Shareholders' equity	98	98	0	96	3
Total assets	1 834	1 857	-1	1 758	4
Risk weighted assets, Basel 2	485	492	-1	509	-5
Risk weighted assets, transition rules	771	757	2	745	3
Risk weighted assets, Basel 1	986	969	2	955	3

Overview

Market

Despite the financial concerns in Europe, the Swedish economy continued to grow during the first quarter. GDP rose by 0.8 per cent on a seasonally and calendar adjusted basis between the fourth and first quarters, driven by increased consumption and investment. A slight recovery in exports and lower import demand led to a positive contribution to GDP from foreign trade. During the second quarter leading economic indicators such as the purchasing managers index and corporate orders pointed lower, indicating that Sweden has weakened in line with the uncertain global economy.

The Baltic economies continued to grow during the first quarter, driven by increased domestic demand as export growth slowed due to weaker global demand. Unemployment continued to fall at the same time that lower global commodity prices kept inflation in check, thereby strengthening the disposable income of households in the Baltic countries.

The Riksbank kept its repo rate unchanged at 1.5 per cent at its most recent meeting in July. Since December of last year the repo rate has been cut by 0.5 percentage points. It is not unlikely that the Riksbank will cut rates further in 2012, since underlying inflation remains low. The Swedish krona was largely unchanged against the euro during the second quarter, but weakened against the US dollar.

The Stockholm stock exchange (OMXSPI) rose by 3 per cent during the first half-year. The Tallinn stock exchange (OMXT) rose by 17 per cent, the Vilnius stock exchange (OMXV) by 14 per cent and the Riga stock exchange (OMXR) by 1 per cent.

Important events during the quarter

Swedbank's Internal Capital Adequacy Assessment Process (ICAAP) for 2012 was approved by the Swedish Financial Supervisory Authority. The 2012 ICAAP indicates that Swedbank has limited risks and is well capitalised for both future regulatory changes and the effects of a potentially very negative scenario; see also page 8.

Swedbank sold parts of the private portfolio in Ukraine. The sale is in line with the bank's strategy to exit the retail segment in the country; see also page 20.

Second quarter 2012

Compared with first quarter 2012

Result

Profit before impairments fell by 3 per cent to SEK 4 646m (4 768). The decrease was due to lower earnings, mainly from fixed income and currency trading within Large Corporates & Institutions (LC&I). Net interest income improved and expenses decreased.

Profit before impairments by business area SEKm	**Q2 2012**	**Q1 2012**	**Q2 2011**
Retail	2 793	2 781	2 359
Large Corporates & Institutions	779	1 267	518
Baltic Banking	842	836	912
Asset Management	214	183	208
Group Functions & Other	18	-295	14
Total excl FX effects	**4 646**	**4 772**	**4 011**
FX effects		-4	-1
Total	**4 646**	**4 768**	**4 010**

The quarterly result attributable to the shareholders amounted to SEK 3 162m (3 425). Credit impairments amounted to SEK 300m (172). Impairments of tangible assets amounted to SEK 125m (40). Changes in exchange rates, primarily the depreciation of the Swedish krona against the Ukrainian hryvnia, as well as against the euro, Latvian lats and Lithuanian litas, reduced reported income by SEK 14m. The return on equity was 13.0 per cent (14.0). The cost/income ratio was 0.48 (0.48).

Income decreased by 3 per cent to SEK 8 897m (9 181). Net interest income increased slightly, while net gains and losses on financial items at fair value and net commission income decreased.

Net interest income increased by 1 per cent to SEK 5 252m (5 208). The repricing of lending within Retail and LC&I affected net interest income positively. In addition, the cost of state-guaranteed funding decreased during the quarter. LC&I reported lower net interest income from fixed income and currency trading. Within Retail, lower Stibor rates and increased competition affected net interest income on deposits negatively. Lower Euribor rates also had a negative effect on net interest income within Baltic Banking.

Net commission income decreased by 2 per cent to SEK 2 346m (2 405), mainly due to lower income from corporate finance and equity trading. Payment commissions increased on a seasonally adjusted basis.

Net gains and losses on financial items at fair value decreased by 40 per cent to SEK 455m (759), mainly due to weaker earnings from fixed income and currency trading within LC&I.

Expenses decreased by 4 per cent from the previous quarter to SEK 4 251m (4 413). The decrease is in line with Swedbank's aim to reduce costs for the full-year 2012 by SEK 1bn compared with the full-year 2011 (excluding variable remuneration). The decrease was mainly related to lower IT expenses and staff costs.

Expense analysis Group SEKm	Q2 2012	Q1 2012	Q2 2011
Retail	2 345	2 342	2 430
Large Corporates & Institutions	720	717	748
Baltic Banking	588	623	646
Asset Management	169	200	201
Group Functions & Other and Eliminations	429	540	479
Total excl FX effects	**4 251**	**4 422**	**4 504**
FX effects		-9	-17
Total	**4 251**	**4 413**	**4 487**
of which variable pay	189	208	129
of which expenses for compensation to Savings Banks	159	152	142
Total expenses excluding variable compensation	**3 903**	**4 053**	**4 216**

The number of full-time employees decreased during the quarter by 362, to 15 688.

Credit impairments of SEK 300m (172) were posted during the second quarter. The credit impairments are primarily attributable to Ukraine, while Latvia and Estonia reported net recoveries. Tangible asset write-downs rose by SEK 85m to SEK 125m due to property appraisals within Ektornet.

The tax expense amounted to SEK 1 052m (1 127), corresponding to an effective tax rate of 24.9 per cent (24.7). The slightly higher effective tax rate during the second quarter 2012 was due to adjustments in the previous year's tax expense, which were recognised during the second quarter. The effective tax rate in both quarters has been negatively affected by the losses reported in Ukraine during each period, for which no deferred tax assets have been booked.

January-June 2012

Compared with January-June 2011

Result

Profit before impairments increased by 17 per cent to SEK 9 414m (8 078). During the first half-year 2011 Swedbank received one-off revenue of SEK 716m from a settlement with the Lehman Brothers bankruptcy estate. Stronger net interest income and net gains and losses on financial items at fair value as well as lower expenses affected the result positively during the first half-year 2012.

Profit before impairments by business area SEKm	Jan-Jun 2012	Jan-Jun 2011
Retail	5 574	4 557
Large Corporates & Institutions	2 046	2 117
Baltic Banking	1 674	1 731
Asset Management	397	401
Group Functions & Other	-277	-733
Total excl FX effects	**9 414**	**8 073**
FX effects		5
Total	**9 414**	**8 078**

Profit for the period attributable to the shareholders decreased by 10 per cent to SEK 6 587m (7 304). Credit impairments amounted to SEK 472m (net recoveries of 1 296). Changes in exchange rates, mainly the depreciation of the Swedish krona against the Ukrainian hryvnia, as well as against the euro and the Baltic currencies, reduced income by SEK 42m. The return on equity was 13.5 per cent (15.3). The cost/income ratio was 0.48 (0.53).

Income rose by 6 per cent to SEK 18 078m (17 078). Net interest income increased primarily in Retail and Group Treasury (Group Functions & Other). Net gains and losses on financial items at fair value increased in LC&I. Commission income decreased compared with the previous period.

Net interest income increased by 14 per cent to SEK 10 460m (9 215). The repricing of lending within Retail and LC&I affected net interest income positively. Moreover, the fee for the state-guaranteed funding decreased by SEK 417m due to maturing state-guaranteed funding. Smaller lending portfolios in Baltic Banking as well as in Russia and Ukraine affected net interest income negatively. Lower Euribor rates affected net interest income on deposits negatively within Baltic Banking.

Net commission income was down 2 per cent to SEK 4 751m (4 868). The decrease was mainly the result of lower commission income from asset management and securities trading, while income from corporate finance as well as product and concept sales within Retail rose.

Net gains and losses on financial items at fair value increased by 58 per cent to SEK 1 214m (766). LC&I reported higher net gains and losses on financial items at fair value, mainly due to stronger results within fixed income and currency trading.

Expenses decreased to SEK 8 664m (9 000). Staff costs fell by SEK 173m and consulting costs by SEK 172m. Variable staff costs rose to SEK 397m (275).

Since 1 July 2010 Swedbank pays parts of its variable remuneration in the form of shares. This remuneration is accrued as an expense until the shares are settled. As a result, variable remuneration allocated to employees during the period differs from the recognised amount. During the period recognised variable remuneration was SEK 397m. A more detailed analysis of variable remuneration is provided on page 13 of the fact book[1].

[1] More detailed information can be found in Swedbank's fact book, www.swedbank.com/ir, under Financial information and publications.

Expense analysis Group SEKm	Jan-Jun 2012	Jan-Jun 2011
Retail	4 687	4 845
Large Corporates & Institutions	1 433	1 487
Baltic Banking	1 208	1 298
Asset Management	369	404
Group Functions & Other and Eliminations	967	991
Total excl FX effects	**8 664**	**9 025**
FX effects		-25
Total	**8 664**	**9 000**
of which variable pay	397	275
of which expenses for compensation to Savings Banks	311	271
Total expenses excluding variable compensation	**7 956**	**8 454**

The number of full-time positions decreased in one year by 1 320, including 738 in Ukraine, 291 in Retail and 345 in Baltic Banking.

Credit impairments of SEK 472m were reported for the first half-year (net recoveries of 1 296). The credit impairments are primarily attributable to Ukraine, while the Baltic countries reported net recoveries. During the first half of 2011 net recoveries were reported in Baltic Banking, Russia and Ukraine. Tangible asset write-downs rose by SEK 148m to SEK 165m due to property appraisals within Ektornet.

The tax expense amounted to SEK 2 179m (2 045), corresponding to an effective tax rate of 24.8 per cent (21.9). The effective tax rate for the first half-year 2012 has been negatively affected by the loss reported in Ukraine, for which no deferred tax assets have been booked. The opposite applied in the first half-year 2011, when Ukraine reported a profit without a tax expense by offsetting the profit against previous tax loss carry-forwards. In the medium term the effective tax rate is estimated at 21-23 per cent.

Credit and asset quality

Swedbank's credit and asset quality further improved in the first half-year 2012. The Swedish operations continued to report low credit impairments. The credit portfolio in the Baltic countries is well provisioned for and again generated recoveries, though fewer than before. In Ukraine, credit impairments increased, mainly due to the decision to exit the retail segment, where portions of the retail portfolio were sold during the second quarter. Swedbank believes that the global turbulence in the last year has not yet had a major impact on its balance sheet. The Internal Capital Adequacy Assessment Process (ICAAP) conducted for 2012 showed that Swedbank remains resilient to a significant economic slowdown in Europe.

Swedbank's lending increased by SEK 13bn to SEK 1 179bn during the first half-year 2012. Lending to mortgage customers in Sweden continued to grow during the period, but at a slower rate. The lending portfolios in Latvia, Russia and Ukraine continued to decrease, while the decrease in Estonia and Latvia has levelled off. Lending to private customers stabilised during the period. Corporate lending increased slightly during the second quarter in both countries.

The stable or positive trend in house prices in major Baltic cities continued during the first half-year. The average loan-to-value ratio was 73 per cent in Estonia on 30 June 2012 (75 as of 31 December 2011), 146 per cent in Latvia (149) and 93 per cent in Lithuania (96). Within Baltic Banking the share of the mortgage portfolio exceeding current market value was SEK 6.1bn (6.3). The average loan-to-value ratio in Swedbank Mortgage was 62 per cent (60) on 30 June based on property level (46 per cent by loan level).

Impaired loans decreased by SEK 4.4bn during the first half-year to SEK 20.4bn. The decrease affected every business area except Retail, which reported a marginal increase, and was partly due to a slower inflow of new impaired loans and partly because certain large corporate commitments are no longer impaired. Write-offs also contributed to the decrease. About 80 per cent of the SEK 12.8bn in impaired loans within Baltic Banking relates to problem loans from the crisis years. The total volume of these commitments is gradually declining as the loans are restructured, amortised or written off. The volume of the remaining impaired loans within Baltic Banking has been stable in recent quarters.

During the first half-year loans past due by more than 60 days within Baltic Banking further decreased. Swedbank's corporate customers within Retail and LC&I demonstrated continued resilience, with few customers with loans past due by more than 60 days or with other financial problems. Within the Retail business area, private mortgage loans past due by more than 60 days increased, but remain at low levels.

Credit impairments, net by business area SEKm	Q2 2012	Q1 2012	Q2 2011
Retail	100	24	6
Large Corporates & Institutions	54	14	-20
Baltic Banking	-204	-134	-142
Estonia	-25	-78	136
Latvia	-197	-21	-164
Lithuania	18	-35	-114
Group Functions & Other	350	268	-168
Russia	24	-65	-13
Ukraine	325	333	-156
Other	1		1
Total	**300**	**172**	**-324**

Credit impairments totalled SEK 472m during the first half of 2012 (net recoveries of SEK 1 296m). Credit impairments within Retail remain very low and are mainly related to a few corporate commitments. Recoveries in the Baltic countries and Russia primarily related to a limited number of corporate commitments. In addition, collective provisions for mortgages in Latvia drecreased during the second quarter. In Ukraine, credit impairments increased during the period to SEK 658m. The increase was related to the sale of parts of the private portfolio during the second quarter and to additional collective provisions in the remaining private portfolio.

The value of repossessed assets in the Group decreased by 3 per cent to SEK 6 208m during the first half-year. Ektornet repossessed properties valued at SEK 765m, the majority of which were in Latvia and Lithuania. During the first half-year Ektornet sold assets with a book value of SEK 716m, the majority of which were in Finland and Latvia.

For more information on Ektornet, see page 20.

Assets taken over and cancelled leases by business area SEKm	30 Jun 2012	31 Dec 2011	30 Jun 2011
Retail	11	44	10
Baltic Banking	183	216	367
Estonia	6	9	19
Latvia	116	117	155
Lithuania	61	90	193
Group Functions & Other	6 014	6 115	4 392
Russia	98	10	12
Ukraine	291	286	203
Ektornet	5 625	5 819	4 177
Sweden	368	305	271
Norway		102	117
Finland	322	709	756
Estonia	611	569	561
Latvia	1 845	1 721	1 373
Lithuania	664	448	252
USA	1 430	1 522	619
Ukraine	385	443	228
Total	**6 208**	**6 375**	**4 769**

Swedbank's exposure to counterparties in Greece, Ireland, Italy, Portugal and Spain continued to decrease, largely due to a reduction in derivative exposures related to Italy as well as loans that fell due in Spain. The exposures totalled SEK 458m as of 30 June 2012 (SEK 763m as of 31 December 2011), of which SEK 4m related to Greece.

GIIPS exposure 30 Jun 2012 SEKm	Greece	Ireland	Italy	Portugal	Spain	Total
Bonds	4		105	26	10	**145**
of which soveriegn	4		105	26	10	**145**
of which held to maturity[1]	4		87	26	5	**122**
Loans (money market and certificates)			17	5		**22**
Loans (committed credit facilities)						**0**
Derivatives net[2]		36	7		107	**150**
Other[3]			25		116	**141**
Total	**4**	**36**	**154**	**31**	**233**	**458**

[1] Current market values are approximately SEK 26m below the carrying amounts.
[2] Derivatives at market value taking into account netting and collateral agreements. The derivatives gross value, i.e. market value plus internal add-ons, amount to: Ireland SEK 64m, Italy SEK 414m and Spain SEK 228m. Total SEK 706m.
[3] Includes trade finance and mortgage loans.

Internal capital adequacy assessment 2012

The Internal Capital Adequacy Assessment Process (ICAAP) for 2012 shows that Swedbank has limited risks and is well capitalised for both future regulatory changes and the effects of a potentially very negative scenario, which includes a major recession in Sweden and the Baltic countries that adversely affects the bank.

A number of stress scenarios were evaluated as part of the 2012 ICAAP, from which an extended recession scenario was selected as the main scenario. In this scenario the European debt crisis worsens and countries are limited in their ability to use fiscal stimulus. Several European countries face bank runs, resulting in a liquidity crisis, major credit contraction and drop in house prices. This spreads globally, and consumption and trade weaken. The five-year macro scenario shows significantly negative growth for three consecutive years and high unemployment in Sweden and the Baltic countries throughout the scenario period. Sweden's GDP falls by about 10 per cent over the three years and unemployment rises to 16.5 per cent and stays there. The corresponding GDP decline is about 9 per cent for Estonia, 15 per cent for Latvia and 11 per cent for Lithuania. Unemployment rises to 19 per cent, 21.5 per cent and 20.5 per cent, respectively, for each country. House prices fall by 37 per cent in Sweden and by 26-28 per cent in the Baltic countries during the scenario period. Confidence in politicians and the market is low, leading to a weaker euro and protracted recession where the strong krona prevents Sweden from clawing its way out of the crisis through increased exports. One consequence of the scenario in the Baltic countries is a 30 per cent devaluation in Latvia and Lithuania.

The macro scenario Swedbank uses in its ICAAP is more negative than the stress tests of Swedish banks conducted by the Riksbank and the stress tests of European banks coordinated by the European Banking Authority (EBA). During the five-year scenario period Swedbank's cumulative loss amounts to SEK 16.1bn and net interest income falls by 39 per cent. Total loan impairments amount to SEK 63.6bn, where the LC&I and Retail business areas together account for 74 per cent of the losses.

The effect on Swedbank's capitalisation is divided in this year's ICAAP between the effect of future regulatory changes and scenario effects. Regulatory changes include the upcoming Basel 3/CRD, which will be implemented in 2013, Sweden's expected introduction of new risk weights for mortgages, and the change in the accounting standard on pensions (IAS 19). In the ICAAP, Swedbank's core Tier 1 capital ratio falls to as low as 10.9 per cent, from 15.7 per cent. This includes a regulatory effect of 318bp (Basel 3, IAS 19 and an increase in average risk weights on mortgages to 15 per cent) and a scenario effect of 165bp if Swedbank's executive management fails to take action. If management interventions are included in the stress scenario, core Tier 1 capital ratio would instead fall to a low of 13.1 per cent (including the estimated positive effect from the transition to advanced IRB and the change in the calculation of risk weights for SMEs).

The Baltic countries subsidiaries have demonstrated their resilience in the 2012 ICAAP, even during the years with the highest stress level. This shows that the work done to improve credit quality in the lending portfolios and strengthen the capital base in the Baltic countries subsidiaries in 2009-2011 has yielded results and that the Baltic countries today have a significantly better macroeconomic balance and are more resilient than a few years ago. All the Baltic subsidiaries are deemed to meet future known regulatory requirements over the scenario horizon of five years.

For more information on the ICAAP, see page 75 of the fact book.

Funding and liquidity

Swedbank continued to see strong demand from domestic and international debt investors during the second quarter. There has been an increasing trend among investors to seek out financially strong geographical areas, which has benefited Sweden. The bank issued four public benchmark bonds during the first half-year. This is in addition to issues in the Swedish covered bond market.

Swedbank has entered a phase where its refinancing needs of long-term debt are significantly lower than in recent years. Of the total long-term funding maturing in 2012, which amounted to a nominal SEK 86bn at the beginning of the year, a nominal SEK 17bn remains in the second half-year. The bank estimates the volume of long-term debt it will issue in 2012 at SEK 120bn, compared with SEK 254bn issued in 2011. During the first half-year 2012 Swedbank issued a total of SEK 97bn in long-term debt instruments, of which SEK 41bn in the second quarter. Covered bond issuance during the second quarter amounted to SEK 20bn, while issued senior debt amounted to SEK 19bn.

Due to the composition of its assets, Swedbank has limited structural needs for senior funding. The percentage of senior funding is determined primarily by the bank's liquidity needs and the buffer it wants to maintain in its cover pool in the form of overcollateralisation to manage fluctuations in house prices. The bank intends to increase its presence in the senior financing market in Europe and the US. Swedbank completed three senior benchmark issues in EUR during the first half-year. These issues were also executed to prepare for the future crisis management directive, which will address, among other things, the share of secured funding of the total balance sheet. Secured funding in the form of covered bonds will remain the core of Swedbank's funding strategy, since the Swedish mortgage business is the main source of the bank's financing needs.

The average maturity of all capital market funding arranged through the bank's short- and long-term programmes was 35 months as of 30 June 2012. Long-term funding with an original maturity of over one year had an average maturity of 41 months, of which 42 months for covered bonds and 31 months for senior funding. The average maturity of long-term funding issued during the second quarter was 47 months. The bank's short-term funding is used mainly as a cash management tool.

Issued long-term debt SEKbn	Q2 2012
Covered bonds	20
of which SEK	18
of which EUR	2
Senior unsecured bonds	19
Structured retail bonds (SPAX)	2
Total	**41**

Swedbank's liquidity reserve, which is reported in accordance with the Swedish Bankers' Association's definition, amounted to SEK 214bn on 30 June 2012. In addition to the liquidity reserve, liquid securities in other parts of the Group amounted to SEK 67bn. The liquidity reserve and the Liquidity Coverage Ratio (LCR) will fluctuate over time depending on the maturity structure of the bank's outstanding debt.

Swedbank manages its liquidity so that it can handle long periods of stress in the capital markets when access to new financing would be limited, a so-called survival horizon. At present, the bank would be able to handle a situation with completely shut down capital markets for well over 12 months. This applies to the Group's total liquidity as well as liquidity in USD and EUR.

Ratings

On 24 May 2012 the rating agency Moody's announced the results for Swedish banks as part of its review of European financial institutions. Swedbank and Swedbank Mortgage's ratings were reaffirmed at an unchanged level (A2/P1/C-) with a stable outlook.

On 28 June the rating agency Standard & Poor's reaffirmed Swedbank and Swedbank Mortgage's long- and short-term ratings (A+/A-1) with a stable outlook.

Swedbank's aim is to maintain a credit rating on par with that of the banks with the highest credit ratings in the Nordic region.

For further information on Swedbank's funding and liquidity, see the fact book.

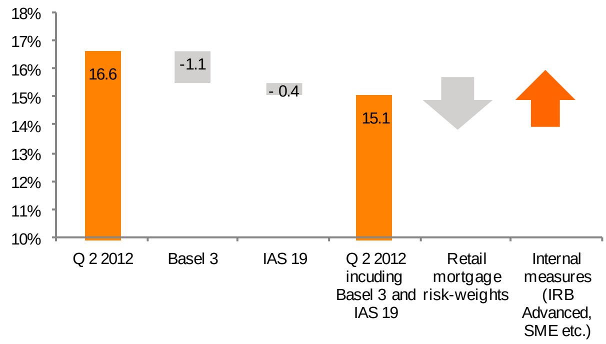
Capital and capital adequacy

The core Tier 1 capital ratio according to Basel 2 strengthened during the first half-year 2012 to 16.6 per cent on 30 June 2012 (15.7 per cent on 31 December 2011).

Core Tier 1 capital increased by SEK 3.4bn from the beginning of the year to SEK 80.7bn. The increase was mainly due to profit for the year (after the anticipated dividend). Tier 2 capital decreased by about SEK 2.5bn, mainly due to the redemption of subordinated loans. The risk weighted amount decreased by SEK 6.9bn or about 1.4 per cent from the beginning of the year to SEK 485.4bn. The risk weighted amount for credit risks decreased by SEK 6.5bn, mainly due to corporate exposures. A model update for exposures to small and medium-sized enterprises (SME) was approved by the Swedish Financial Supervisory Authority during the second quarter, which led to a reduction in the risk-weighted amount of SEK 6.5bn. The risk weighted amounts for market risks and operational risks were practically unchanged during the first half-year.

Risk-weighted assets by business area SEKbn	30 Jun 2012	31 Dec 2011	30 Jun 2011
Retail	220	219	222
Large Corporates & Institutions	127	129	144
Baltic Banking	98	102	108
Estonia	39	41	42
Latvia	33	33	36
Lithuania	26	28	30
Asset Management	3	3	3
Group Functions & Other	37	39	32
Group Business Support	2	1	2
Treasury	16	15	9
Russia	5	6	7
Ukraine	6	9	9
Ektornet	7	7	5
Other	1	1	
Total risk-weighted assets	**485**	**492**	**509**

Estimated impact of new regulations on the core Tier 1 capital ratio



The core Tier 1 capital ratio according to Basel 3 was 15.5 per cent (14.9) according to Swedbank's estimate based on prevailing knowledge of future regulations. Swedbank estimates that the Basel 3 regulations will negatively affect its core Tier 1 capital ratio by 1.1 percentage points when introduced in 2013. EU negotiations on future regulations have been postponed, however, due to which implementation could be delayed. Amendments to the accounting standard for pensions (IAS 19), which are scheduled to enter into effect in 2013, could have a negative effect of about 0.4 percentage points.

Swedish supervisory authorities are conducting a review of risk weights for mortgage lending. The Swedish Financial Supervisory Authority had previously announced that a proposal on increased risk weights would be presented before the summer, but the timetable for the project has now been revised. The outcome of the review is uncertain, but an increase in Swedbank's average risk weight for mortgage lending to a level of 10-15 per cent would reduce the core Tier 1 capital ratio by 1.0 – 1.9 percentage points. Swedbank believes that its work to increase capital efficiency would partly offset the negative effect of the higher risk weights on mortgage lending. Swedbank is working to introduce an advanced internal risk classification model (IRBA) to measure credit risks for corporate exposures. An application to use IRBA is expected to be submitted to the Swedish Financial Supervisory Authority in late 2012. Approval is expected in the second half of 2013 at the earliest.

In early June the EU Commission published a draft of its crisis management directive, which is intended to serve as a coordinated regulation for the arrangements and actions to be taken when a bank faces financial problems. One of the aims is to avoid taxpayer-financed bank rescues and shift more responsibility to shareholders and debt investors. Although the EU hopes to implement the directive in member states by 2015, there is still great uncertainty regarding both the timing and the regulation's concrete format.

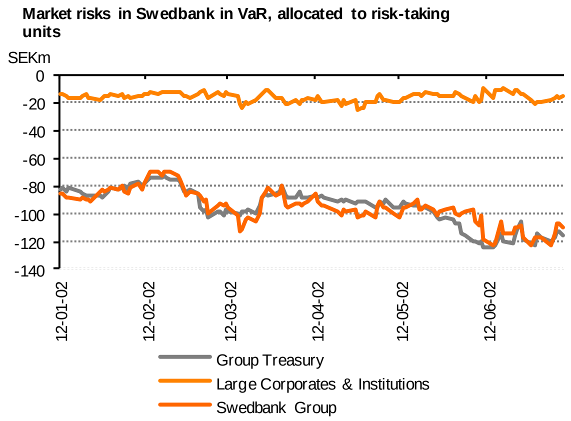
Market risk

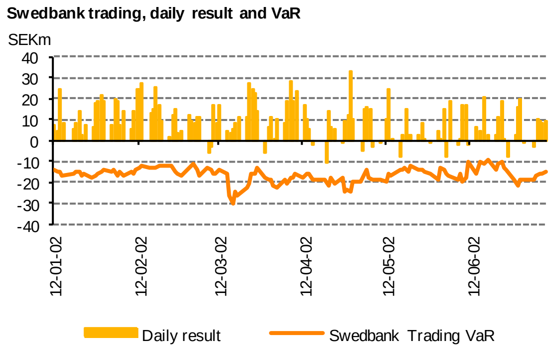
Swedbank measures market risks – those of a structural nature and those that arise in trading operations – with a Value-at-Risk (VaR) model. For each portfolio, VaR expresses a loss level that statistically will be exceeded by a specific probability during a set time horizon. Swedbank uses a 99 per cent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

The table below shows Swedbank's VaR*) performance during the year.

VaR by risk category					
	Jan-Jun 2012 (2011)			30 Jun	31 Dec
SEKm	Max	Min	Average	2012	2011
Interest risk	131 (186)	92 (83)	111 (129)	119	91
Currency rate risk	14 (29)	3 (3)	7 (8)	9	7
Stock price risk	14 (11)	4 (2)	7 (6)	5	5
Diversification			-22 (-18)	-23	-19
Total	**123 (175)**	**85 (83)**	**103 (126)**	**110**	**84**

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





For individual risk types, VaR is supplemented with risk measurements 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 2012 would have reduced the value of the Group's assets and liabilities, including derivatives, by SEK 327m, compared with a decrease of SEK 987m as of 31 December 2011. 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 432m (-656), while positions in foreign currency would have increased in value by SEK 105m (-332).

With an interest rate increase of one percentage point, the Group's net gains and losses on financial items at fair value would have decreased by SEK 225m as of 30 June 2012, compared with a decrease of SEK 434m as of 31 December 2011.

Operational risks

The operational risk level remains elevated. Work to modernise, consolidate and improve efficiency in the bank's IT infrastructure is continuing according to plan. An important part of this work is to move secondary computer centres, which was completed by mid-year. Together with other measures in the area, this is expected to lead to a reduced risk level during the second half-year.

Other events

Swedbank's Annual General Meeting for 2012 decided to reduce the share capital through the cancellation of shares. The reduction was registered by the Swedish Companies Registration Office and the shares were cancelled in May 2012. At the same time a bonus issue was implemented to restore the share capital. After the bonus issue the share capital amounts to SEK 24 904 125 884 and the par value per share is SEK 22.

Events after 30 June 2012

No significant events have occured since 30 June 2012.

Retail

- Continued positive income trend
- Efficiency improvements produce lower costs
- Development of mobile services

Income statement

SEKm	Q2 2012	Q1 2012	%	Q2 2011	%	Jan-Jun 2012	Jan-Jun 2011	%
Net interest income	3 404	3 407	0	3 012	13	6 811	5 930	15
Net commissions	1 248	1 261	-1	1 294	-4	2 509	2 608	-4
Net gains and losses on financial items at fair value	55	50	10	56	-2	105	99	6
Share of profit or loss of associates	209	202	3	224	-7	411	394	4
Other income	222	203	9	203	9	425	371	15
Total income	**5 138**	**5 123**	**0**	**4 789**	**7**	**10 261**	**9 402**	**9**
Staff costs	871	892	-2	902	-3	1 763	1 844	-4
Variable staff costs	34	42	-19	33	3	76	55	38
Other expenses	1 416	1 385	2	1 472	-4	2 801	2 901	-3
Depreciation/amortisation	24	23	4	23	4	47	45	4
Total expenses	**2 345**	**2 342**	**0**	**2 430**	**-3**	**4 687**	**4 845**	**-3**
Profit before impairments	**2 793**	**2 781**	**0**	**2 359**	**18**	**5 574**	**4 557**	**22**
Credit impairments	100	24		6		124	11	
Operating profit	**2 693**	**2 757**	**-2**	**2 353**	**14**	**5 450**	**4 546**	**20**
Tax expense	696	708	-2	515	35	1 404	1 091	29
Profit for the period	1 997	2 049	-3	1 838	9	4 046	3 455	17
Profit for the period attributable to the shareholders of Swedbank AB	**1 994**	**2 045**	**-2**	**1 835**	**9**	**4 039**	**3 448**	**17**
Non-controlling interests	3	4	-25	3	0	7	7	0
Return on allocated equity, %	24.6	26.5		30.8		25.5	29.6	
Credit impairment ratio, %	0.04	0.01		0.00		0.03	0.00	
Total provision ratio for impaired loans, %	79	90		93		79	93	
Share of impaired loans, gross, %	0.19	0.18		0.17		0.19	0.17	
Cost/income ratio	0.46	0.46		0.51		0.46	0.52	
Full-time employees	4 829	4 920	-2	5 120	-6	4 829	5 120	-6

Development January-June

Lending growth in the Swedish economy continued to slow during the first five months despite a rise in business investment. Households have also become more cautious in taking on more debt partly because of economic uncertainty. At the same time unemployment has levelled off. During the second quarter future confidence among businesses and households fell, signalling that domestic demand is expected to grow at a slower pace than in the previous quarter.

Profit for the period increased by 17 per cent year-on-year to SEK 4 039m (3 448), mainly due to improved net interest income and lower expenses.

Net interest income rose by 15 per cent during the first half-year compared with the same period in 2011. The repricing of mortgages and corporate credits affected net interest income positively. Lower interest rates, coupled with increased competition, affected deposit margins negatively with respect to both transaction accounts and savings accounts. During the second quarter the repricing of the corporate portfolio continued as a result of the higher capital adequacy requirements, while mortgage margins were stable.

Household deposits rose by 2 per cent during the first half-year. The biggest increase was in June as a result of tax refunds. The highly competitive volumes in fixed rate accounts decreased during the period. Savings growth mainly took place among premium and private banking customers as well as accounts with more individualised terms. Swedbank's share of household deposits was 22 per cent (23 per cent as of 31 December 2011).

The outflow from corporate deposit accounts reversed course during the first quarter and deposits rose by 1 per cent during the second quarter. Since the beginning of the year corporate deposits have fallen by 2 per cent. Swedbank defended its market share in an overall market with lower deposits. Swedbank's share for corporate deposits was 16 per cent (16).

House prices climbed during the second quarter by 2 per cent for single-family homes and 1 per cent for tenant owned apartments. Over a 12-month period single-family home prices have fallen by 2 per cent, while tenant owned apartment prices have risen by 3 per cent. The market for household mortgages continued to slow during the second quarter to an annual rate of 5 per cent, against 7 per cent at mid-year 2011. Swedbank's share of household mortgage growth was 16 per cent during January-May, while its share of the total market was 26 per cent (26 per cent as of 31 December 2011). Swedbank's mortgage volume in the private market, including housing cooperatives, increased by 3 per cent during the first half-year.

Corporate lending decreased by 1 per cent during the first half-year after a slowdown during the second quarter. The bank's market share was 17 per cent (17 per cent as of 31 December 2011).

Risk-weighted assets amounted to SEK 220bn, an increase of 0.5 per cent since the beginning of the year. The increase is mainly due to a higher risk-weighted amount for operational risk as a result of a change in the calculation model. A transition to a new risk model for medium-sized companies during the second quarter reduced risk-weighted assets by SEK 6.5bn.

Net commission income decreased by 4 per cent year-on-year. Income from product and concept sales increased, while the weak stockmarket last autumn adversely affected net commission income due to a lower opening balance of assets under management and lower income from securities trading. In addition, shorter maturities on structured products produced lower earnings.

Swedbank is working to strengthen relationships with its customers, including through more distinctive offerings linked to regular personal advice. In total, 17 per cent of private customers now take advantage of a service concept, as do 25 per cent of customers in the small business, non-profit, forestry and agriculture segments. Customers who have selected a service concept use more of the bank's products and services and report higher satisfaction. To better capture customer opinions and suggestions, a new tool was implemented which provides direct feedback when customers contact the bank. The initial results suggest strong customer loyalty and a good opportunity for the bank to access suggestions how to raise satisfaction even further.

Providing mobile services that make it fast and easy for customers to do their banking is an important part of the bank’s strategy. Increased use of digital channels such as the mobile bank is reducing the need for cash and freeing up time at branches for qualified advice. Since the beginning of the year mobile banking usage has increased by 26 per cent, and the number of users at Swedbank and the Savings Banks now exceeds 900 000. One fourth of the bank’s digital customer contacts are now made directly by mobile phone. An improved mobile banking service was launched during the quarter and a new mobile card payment service, Bart, is currently being tested. The development of the mobile payment service Swish, which facilitates money transfers between private customers, is continuing in collaboration with the other major Swedish banks. A launch is planned this autumn.

Expenses decreased by 3 per cent year-on-year. During the period 116 branches were rebranded as advisory branches, which do not handle cash. This means that nearly two thirds of the branches no longer handle cash. Through efficiency improvements to internal processes and continued work with generation and competence change, the number of employees was reduced by 117 during the first half-year. Expenses were also affected positively by lower use of outside services and consultants. The cost/income ratio was 0.46 (0.52).

Insurance-related income for the period amounted to SEK 719m (688), of which SEK 493m (510) consisted of net commission income. The increase was primarily due to an improved risk result, where the claims trend has been favourable. The main reason for the improvement is lower morbidity. Assets under management amounted to SEK 100bn, an increase of SEK 5bn since the beginning of the year. Of the assets under management, SEK 88.5bn relates to unit linked and variable universal life insurance. For more information, see page 36 of the fact book.

Credit quality remained good. During the second quarter a few commitments adversely affected credit impairment, but the level of credit impairments remained low. The share of credit impairments was 0.19 per cent (0.19).

During the period 5 branches were merged into larger units as part of the ongoing review of the retail network.

***Retail,** Swedbank’s dominant business area, is responsible for all Swedish customers except for large corporates and financial institutions. Banking services are sold through Swedbank’s own branch network, the Telephone Bank, the Internet Bank and the savings banks’ distribution network. The business area also includes a number of subsidiaries as well as the retail operations in Denmark, Norway and Finland.*

Large Corporates & Institutions

- Renewed concerns and turbulence in the financial markets
- Uncertain market conditions limited earnings from customer activities and proprietary risk management
- Stable business activity and income trend within Large Corporates

Income statement

SEKm	Q2 2012	Q1 2012	%	Q2 2011	%	Jan-Jun 2012	Jan-Jun 2011	%
Net interest income	825	887	-7	884	-7	1 712	1 707	0
Net commissions	346	434	-20	334	4	780	754	3
Net gains and losses on financial items at fair value	316	648	-51	20		964	386	
Share of profit or loss of associates		6				6	1	
Other income	12	5		9	33	17	736	-98
Total income	**1 499**	**1 980**	**-24**	**1 247**	**20**	**3 479**	**3 584**	**-3**
Staff costs	281	294	-4	300	-6	575	613	-6
Variable staff costs	118	106	11	50		224	133	68
Other expenses	311	303	3	375	-17	614	709	-13
Depreciation/amortisation	10	10	0	10	0	20	19	5
Total expenses	**720**	**713**	**1**	**735**	**-2**	**1 433**	**1 474**	**-3**
Profit before impairments	**779**	**1 267**	**-39**	**512**	**52**	**2 046**	**2 110**	**-3**
Impairment of intangible assets	4					4		
Credit impairments	54	14		-20		68	-125	
Operating profit	**721**	**1 253**	**-42**	**532**	**36**	**1 974**	**2 235**	**-12**
Tax expense	245	430	-43	140	75	675	757	-11
Profit for the period	476	823	-42	392	21	1 299	1 478	-12
Profit for the period attributable to the shareholders of Swedbank AB	**476**	**823**	**-42**	**392**	**21**	**1 299**	**1 478**	**-12**
Return on allocated equity, %	9.8	19.1		10.2		14.2	18.7	
Credit impairment ratio, %	0.09	0.02		-0.03		0.06	-0.08	
Total provision ratio for impaired loans, %	155	135		123		155	123	
Share of impaired loans, gross, %	0.12	0.12		0.19		0.12	0.19	
Cost/income ratio	0.48	0.36		0.59		0.41	0.41	
Full-time employees	1 017	1 038	-2	1 063	-4	1 017	1 063	-4

Development January-June
The second quarter saw renewed concerns and turbulence in the financial markets. The political situation in Greece created uncertainty in connection with the government crisis and new elections, resulting in a lower risk appetite. During the quarter the yields on long-term Swedish government bonds reached a record low level and leading European and US stock indices noted significant declines.

Profit for the period amounted to SEK 1 299 m (1 478), a decrease of 12 per cent compared with the same period in 2011. The first quarter 2011 included one-off revenue of SEK 716m (SEK 316m after tax) from the settlement with the Lehman Brothers bankruptcy estate. Excluding the impact of the Lehman settlement, profit increased by 12 per cent, mainly due to the positive income trend within Large Corporates.

Net interest income was in line with the same period in 2011. Net interest income for Large Corporates amounted to SEK 1 318m, an increase of 50 per cent year-on-year. The repricing of loans, partly as a result of stricter requirements from regulatory authorities on capital adequacy and liquidity, contributed to higher lending margins.

Total income within fixed income and currency trading increased year-on-year. The income was distributed such that net interest income decreased, which neutralised the gains within Large Corporates, while net gains and losses on financial items at fair value rose compared with the same period in 2011.

Net interest income fell by 7 per cent compared with the previous quarter, mainly due to lower net interest income in fixed income and currency trading. The trend for Large Corporates remained positive and business activity was stable. A number of deals were completed as a result of acquisition activity by customers, contributing to a higher lending volume. The lending margin rose slightly from the previous quarter.

Lending increased by SEK 5bn from the beginning of the year to SEK 139bn, while deposits rose by SEK 3bn to SEK 65bn.

Net commission income rose by 3 per cent year-on-year, mainly due to income growth within corporate finance. Compared with the previous quarter, net commission income fell by 20 per cent. Activity and business flows within equity trading and the Norwegian corporate finance operations were lower during the second quarter, which adversely affected income.

Net gains and losses on financial items at fair value increased by 150 per cent compared with the same period of 2011, mainly due to higher income from fixed income and currency trading. Compared with the previous quarter, net gains and losses on financial items at fair value fell by 51 per cent. Uncertain market conditions during the quarter entailed a lower risk appetite within fixed income and currency trading, and risks were maintained at a low level. Customer activity also had a negative effect and as a whole, earnings in the area were limited compared with the previous quarter. A significantly lower turnover and activity in the equity markets contributed to lower earnings in equity trading and created more difficult conditions for proprietary risk taking.

Due to the continued drop in long-term Swedish bond yields during the second quarter, customers in a number of sectors remained interested in extending fixed interest terms. Bond issuance activity continued to develop positively, and Swedbank's total market share for SEK issues was 21 per cent, which made it the market leader. Business activity within the Norwegian high yield market remained good, and Swedbank was involved during the quarter in the majority of transactions in the market, including Aker Solutions, Songa Offshore and Teekay LNG Partners.

Total expenses decreased by 3 per cent year-on-year, but increased by 1 per cent compared with the previous quarter. Excluding variable staff costs, total expenses fell by 10 per cent compared with the same period in 2011. The cost review launched during the second half of 2011 has helped to establish a lower cost level, primarily in terms of staff and IT costs.

Risk-weighted assets have decreased by approximately SEK 2bn since the beginning of the year to SEK 127bn. The change was mainly due to a lower risk-weighted amount for operational risk as a result of a modified calculation model.

During the first half-year Swedbank participated in AB Volvo's two bond issues in SEK. During the second quarter Swedbank alone was selected to issue subordinated loans for Landshypotek.

In TNS SIFO Prospera's first ranking of firms active in equity derivatives trading in Sweden, Swedbank came first.

Large Corporates & Institutions *is responsible for large corporates, financial institutions and banks as well as for trading and capital market products. Operations are carried out by the parent bank in Sweden, branches in Norway, Denmark, Finland, the US and China, and through the trading and capital market operations in subsidiary banks in Estonia, Latvia and Lithuania.*

Baltic Banking

- Lower Euribor rates keep net interest income under pressure
- Increased customer activity
- Stable lending volumes during the second quarter

Income statement

SEKm	Q2 2012	Q1 2012	%	Q2 2011	%	Jan-Jun 2012	Jan-Jun 2011	%
Net interest income	870	912	-5	1 017	-14	1 782	2 014	-12
Net commissions	378	371	2	365	4	749	682	10
Net gains and losses on financial items at fair value	74	63	17	61	21	137	116	18
Other income	108	106	2	123	-12	214	225	-5
Total income	**1 430**	**1 452**	**-2**	**1 566**	**-9**	**2 882**	**3 037**	**-5**
Staff costs	184	188	-2	197	-7	372	396	-6
Variable staff costs	14	20	-30	13	8	34	18	89
Other expenses	359	379	-5	408	-12	738	822	-10
Depreciation/amortisation	31	33	-6	31	0	64	64	0
Total expenses	**588**	**620**	**-5**	**649**	**-9**	**1 208**	**1 300**	**-7**
Profit before impairments	**842**	**832**	**1**	**917**	**-8**	**1 674**	**1 737**	**-4**
Impairment of tangible assets	4	-2		20	-80	2	25	-92
Credit impairments	-204	-134	52	-142	44	-338	-524	-35
Operating profit	**1 042**	**968**	**8**	**1 039**	**0**	**2 010**	**2 236**	**-10**
Tax expense	96	77	25	125	-23	173	251	-31
Profit for the period	946	891	6	914	4	1 837	1 985	-7
Profit for the period attributable to the shareholders of Swedbank AB	**946**	**891**	**6**	**914**	**4**	**1 837**	**1 985**	**-7**
Return on allocated equity, %	14.8	14.5		13.5		14.7	13.6	
Credit impairment ratio, %	-0.69	-0.45		-0.44		-0.57	-0.80	
Total provision ratio for impaired loans, %	56	56		55		56	55	
Share of impaired loans, gross, %	10.43	11.64		15.34		10.43	15.34	
Cost/income ratio	0.41	0.43		0.41		0.42	0.43	
Full-time employees	4 103	4 109	0	4 448	-8	4 103	4 448	-8

Development January-June

Economic growth remains strong in the Baltic countries. During the first quarter 2012, GDP grew by 3.6 per cent in Estonia, 6.9 per cent in Latvia and 3.9 per cent in Lithuania compared with the previous year. In Estonia, growth was driven mainly by domestic demand, while in Latvia and Lithuania the main drivers were investment, exports and household spending. Export-driven sectors are being affected by turbulence in the eurozone, which is reflected in lower export growth. Domestic consumption has not been affected to date.

Profit amounted to SEK 1 837m for the first half-year, against SEK 1 985m in the same period a year earlier. The decrease was mainly due to lower net interest income and lower net recoveries.

Net interest income fell by 11 per cent in local currency compared with the first half-year 2011. Lower market rates and continued lending portfolio amortisation had a negative impact on net interest income, while increased deposit volumes had a positive impact. The pressure on net interest income continued during the second quarter as a result of the lower market rates.

Lending volumes have decreased by 2 per cent in local currency since the beginning of the year. During the second quarter volumes were unchanged, suggesting that the decline has slowed in the Baltic countries.

Corporate lending and consumer credit increased in Estonia and Lithuania, while the loan portfolio in Latvia continued to decrease slightly during the second quarter. Swedbank's market share in lending was 28 per cent as of 31 May (27 per cent as of 31 December 2011).

Deposits have increased by 4 per cent in local currency since the beginning of the year, with deposits from private customers rising by 5 per cent and corporate deposits by 4 per cent. Swedbank's market share for deposits was 29 per cent as of 31 May (29 per cent as of 31 December 2011). The loan-to-deposit ratio was 115 per cent (122 per cent as of 31 December 2011).

Net commission income increased by 10 per cent in local currency compared with the same period a year earlier. The increase was mainly due to higher commission income from payment services, which reflects increased customer activity owing to improved macroeconomic conditions in the Baltic countries. The number of active customers has grown by 170 000 in one year to nearly 2.5 million.

Expenses decreased by 7 per cent in local currency from the previous year, mainly due to lower IT, consulting, marketing and travel expenses. Fixed staff costs were lower due to a reduction in the number of full-time employees in order to increase cost efficiencies. In late June there were 345 fewer employees than a year earlier. The retail network has also been optimised to reflect customer preferences as they gradually shift to more efficient electronic channels. In total, 20 branches have been closed in the last year, now leaving 196.

The cost/income ratio improved to 0.42 (0.43) as a result of efficiency gains.

Net recoveries amounted to SEK 338m, compared with SEK 524m for the first half-year 2011. Recoveries were generated in the corporate portfolios in all three countries, while the mortgage portfolio in Lithuania generated additional impairments. In addition, collective provisions for mortgages in Latvia decreased during the second quarter. Impaired loans, gross, continued to decline during the first half-year and amounted to SEK 13bn (SEK 16bn on 31 December 2011). The improvement in credit quality was mainly due to ratings upgrades and increased collateral values. In addition write-offs have contributed to lower impaired loans. Credit quality is also improving due to the gradual increase in new lending.

Risk-weighted assets have decreased by SEK 4bn since the beginning of the year to SEK 98bn. Risk-weighted assets have stabilised or decreased in most lending portfolios, mainly due to improved ratings.

The result for the Baltic insurance units amounted to SEK 223m for the first half-year 2012, an increase of 33 per cent year-on-year. Assets under management amounted to SEK 3.3bn (3.5).

In the second quarter, Swedbank in Latvia acquired parts of Hipoteku Bank's lending- and deposit portfolios. The lending portfolio volumes totalled SEK 1.8bn and the deposit portfolio volumes were SEK 3.6bn. The portfolios will be gradually transferred during the third and fourth quarters.

Swedbank has received several awards in recently published surveys. In Estonia, it was named the most reputable large company for the fifth consecutive year. In Latvia, the bank ranked second in a national business reputation survey and first among all financial companies. Swedbank has also been named the most popular employer in Latvia. In Lithuania, Swedbank received a Responsible Business Award for its work to educate customers and suppliers on sustainable development.

Baltic Banking *has business operations in Estonia, Latvia and Lithuania. The bank's services are sold through Swedbank's own branch network, the Telephone Bank and the Internet Bank.*

Asset Management

- Concerns in the financial market affected fund flows
- Fund consolidations according to plan
- Launch of publicly listed funds

Income statement

SEKm	Q2 2012	Q1 2012	%	Q2 2011	%	Jan-Jun 2012	Jan-Jun 2011	%
Net interest income	4	4	0	4	0	8	4	100
Net commissions	379	374	1	403	-6	753	806	-7
Net gains and losses on financial items at fair value	-1	5				4	-5	
Other income	1			2	-50	1		
Total income	**383**	**383**	**0**	**409**	**-6**	**766**	**805**	**-5**
Staff costs	85	93	-9	93	-9	178	184	-3
Variable staff costs	4	11	-64	13	-69	15	27	-44
Other expenses	68	84	-19	83	-18	152	169	-10
Depreciation/amortisation	12	12	0	12	0	24	24	0
Total expenses	**169**	**200**	**-16**	**201**	**-16**	**369**	**404**	**-9**
Profit before impairments	**214**	**183**	**17**	**208**	**3**	**397**	**401**	**-1**
Operating profit	**214**	**183**	**17**	**208**	**3**	**397**	**401**	**-1**
Tax expense	55	46	20	54	2	101	102	-1
Profit for the period	159	137	16	154	3	296	299	-1
Profit for the period attributable to the shareholders of Swedbank AB	**159**	**137**	**16**	**154**	**3**	**296**	**299**	**-1**
Return on allocated equity, %	36.3	31.2		32.2		33.8	29.6	
Cost/income ratio	0.44	0.52		0.49		0.48	0.50	
Full-time employees	270	271	0	277	-3	270	277	-3
Fund assets under management, SEKbn	463	474	-2	475	-3	463	475	-3
Discretionary assets under mangement, SEKbn	275	274	0	263	5	275	263	5
Total assets under mangement, SEKbn	738	748	-1	738	0	738	738	0

Development January-June
Volatility in the financial markets decreased during the first quarter of 2012 before rising substantially during the second quarter in pace with the growing financial concerns in Europe. During the period the total net inflow to Swedish funds was SEK 12bn. The inflow to equity funds was initially positive, but gradually fell at the end of the period. At the same time the inflow to fixed income funds increased at the end of the period.

The total gross inflow to Swedbank Robur's funds was SEK 58bn, while the net flow was SEK -2bn. Mixed funds had the biggest inflow at slightly over SEK 3bn.

Total assets under management at the end of the period amounted to SEK 463bn, compared with SEK 446bn at the beginning of the year. Swedbank's market share measured as assets under management was 23.4 per cent (23.3) and its share of net fund contributions was approximately 5 per cent.

The consolidation of similar of near-similar funds is continuing according to plan, the biggest of which was the merger of five public savings funds into Allemansfond Komplett in April. During the period a total of 10 funds were merged. Three ETFs (electronically traded funds) were launched during the period as well.

Profit amounted to SEK 296m, which is 1 per cent lower than the same period in 2011.

Commission income decreased by 7 per cent compared with the same period in the previous year. The change is largely due to weak market conditions during the second half of 2011. Although the equity markets recovered during the first quarter, average assets under management were lower than the same period in 2011. Income from institutional asset management excluding Swedbank Robur's funds amounted to SEK 70m (58).

Expenses decreased by 9 per cent compared with the previous year. Efficiency improvements have reduced costs, mainly due to the lower number of employees and fewer purchases of outside consulting services. VAT recoveries during the second quarter reduced expenses by SEK 11m.

Marianne Nilsson was named acting CEO of Swedbank Robur.

During the second quarter Swedbank Robur received first prize in the "Profit for Non Profit Award" in the category "Charity Funds" for its Humanfonden at the Leading European Charity Fund Provider awards in Paris. The award ceremony was arranged by the firm Axylia Conseil in collaboration with Morningstar.

***Asset Management** comprises the Swedbank Robur Group and its operations in fund management, institutional and discretionary asset management. Asset Management is represented in Swedbank's four home markets.*

Group Functions & Other

Income statement

SEKm	Q2 2012	Q1 2012	%	Q2 2011	%	Jan-Jun 2012	Jan-Jun 2011	%
Net interest income	150	-1		-211		149	-436	
Net commissions	-24	-46	48	2		-70	-7	
Net gains and losses on financial items at fair value	11	-7		374	-97	4	170	-98
Share of profit or loss of associates								
Other income	557	507	10	438	27	1 064	866	23
Total income	**694**	**453**	**53**	**603**	**15**	**1 147**	**593**	**93**
Staff costs	756	765	-1	769	-2	1 521	1 545	-2
Variable staff costs	19	29	-34	20	-5	48	42	14
Other expenses	-247	-198	-25	-346	29	-445	-561	21
Depreciation/amortisation	148	152	-3	146	1	300	294	2
Total expenses	**676**	**748**	**-10**	**589**	**15**	**1 424**	**1 320**	**8**
Profit before impairments	**18**	**-295**		**14**	**29**	**-277**	**-727**	**62**
Impairment of tangible assets	121	42		-5		163	-8	
Credit impairments	350	268	31	-168		618	-658	
Operating profit	**-453**	**-605**	**25**	**187**		**-1 058**	**-61**	
Tax expense	-40	-134	70	29		-174	-156	-12
Profit for the period from continuing operations	**-413**	**-471**	**12**	**158**		**-884**	**95**	
Profit for the period from discontinued operations, after tax								
Profit for the period	-413	-471	12	158		-884	95	
Profit for the period attributable to the shareholders of Swedbank AB	**-413**	**-471**	**12**	**157**		**-884**	**94**	
Non-controlling interests				1			1	
Full-time employees	5 469	5 712	-4	6 100	-10	5 469	6 100	-10

Development January-June
Group Functions & Other comprises the bank's group functions (including Group Business Support), the banking operations in Russia and Ukraine, and Ektornet.

Income for Group Functions & Other consists of net interest income, which mainly comes from Group Treasury, the banking operations in Russia and Ukraine, and net gains and losses on financial items at fair value from Group Treasury. Other income mainly consists of revenue from the Savings Banks as well as sales revenue from Ektornet. Income amounted to SEK 1 147m (593). The expenses are mainly attributable to Group Business Support.

Expenses for Group Functions & Other rose by 8 per cent compared with the previous year to SEK 1 424m (1 320). Excluding the net of services purchased and sold internally, expenses fell by 5 per cent or SEK 195m. The decrease was mainly due to consulting costs, which were reduced by SEK 114m, a reduction in IT expenses of SEK 49m and lower staff costs, mainly owing to the lower number of employees in Ukraine.

Group Business Support
Group Business Support (GBS) comprises the Group's business support units. GBS also provides services to the Savings Banks.

In GBS's model, revenue from Swedbank's customers is posted by each business area and GBS receives compensation to cover its expenses. External revenue for GBS largely comes from the Savings Banks, primarily for IT services.

GBS was established in 2011 and currently consists of around 3 000 employees in Group IT, Group Products and Group Shared Services in Sweden, Estonia, Latvia and Lithuania.

GBS's strategy is to improve the bank's productivity by reducing complexity, cutting lead times, capitalising on economies of scale and better utilising available competence. In 2012 the focus is on reducing the number of products, concentrating the range of internal services, shortening wait times for the bank's customers, concentrating operations within GBS by consolidating them in fewer locations, and increasing the use of outsourcing.

Total expenses (excluding internally sold services) amounted to SEK 2 222m for the first half-year 2012 (2 306). The decrease was mainly due to lower costs for consultants and temporary staffing.

Group IT manages all of Swedbank's IT operations. One of the major projects currently under way within Group IT is the establishment and upgrade of computer centres in Sweden and the Baltic countries in order to reduce risks, create a uniform infrastructure and increase capacity. During the second quarter the first phase of the Swedish portion of the project was completed with the opening of a new computer centre. The cost savings within Group IT pertain to a temporary reduction in IT development in 2012 as well as a more long-term reduction in expenses to manage the Group's IT systems. Expenses (excluding internally sold services) decreased to SEK 1 312m (1 366) during the first half-year 2012, mainly due to lower consulting costs. Group IT had 1 318 employees, of whom around 60 per cent were in Sweden and 40 per cent in the Baltic countries.

Group Products (GP) manages the product units for large parts of Swedbank in order to effectively supply the business units with the products they need. As an element in GBS's strategy, international payment operations were consolidated in Latvia during the first half of 2012. Group Products had 984 employees and total expenses (excluding internally sold services) of SEK 997m (1 083) during the first half of 2012. The decrease was mainly due to lower costs for consultants and temporary staffing.

Group Shared Services (GSS) assists Swedbank's business units with retail, property, physical security, HR administration, purchasing and training services. GSS had 606 employees and total expenses (excluding internally sold services) of SEK 207m (206) during the period.

Group Treasury
Group Treasury is responsible for the bank's funding, liquidity and capital planning, including internal control and pricing.

The Group's equity is allocated to each business area on the basis of capital adequacy rules and how much capital will be utilised according to the bank's Internal Capital Adequacy Assessment Process (ICAAP).

Funding and liquidity are priced in an internal pricing system, where the most important parameters for setting internal rates are maturity, interest fixing periods, currency and the need for liquidity reserves. Swedbank is engaged in 2012 in a project to fine-tune control of internal rate setting.

Group Treasury's result over time shall be nearly nil, with the exception of earnings that may arise in debt and liquidity management within the given risk mandate. The fee paid to the Swedish National Debt Office for the state guaranteed funding is charged against Group Treasury. Risk hedging by Group Treasury is generally achieved with financial instruments. The volatility in results between quarters is largely due to accounting-based fluctuations in these hedges, though also to other types of accrual effects e.g. the allocation of liquidity costs to the business areas.

Net interest income for the first half-year amounted to SEK 18m, compared with SEK -686m for the same period in 2011. Of the change of SEK 704m, SEK 417m is due to lower fees for the state guaranteed funding. The rest is due to a better result within liquidity management and because the bank's funding costs are more accurately reflected in the internal rate setting for the business areas.

Net gains and losses on financial items at fair value amounted to SEK 16m during the first half-year 2012, compared with SEK 51m in the same period in 2011. Positive and negative valuation effects largely neutralised each other during the period.

Russia and Ukraine
The process of exiting the retail operations in Russia and Ukraine is progressing according to plan. During the second quarter portions of the private portfolio in Ukraine were sold and the transfer of the previously divested Russian private portfolio was completed.

The result in Russia amounted to SEK 43m (213) for the first half-year. Net interest income amounted to SEK 114m, a decrease of 30 per cent compared with the same period in 2011, mainly due to amortisations of the performing part of the loan portfolio and the sale of the private portfolio. Since the beginning of the year the Russian loan portfolio has decreased by 10 per cent in local currency.

Total expenses in Russia decreased by SEK 52m compared with the same period in 2011 due to the continued focus on costs. The number of full-time positions in Russia has been reduced since the beginning of the year from 174 to 136.

Credit quality was stable. Net recoveries of SEK 41m were the result of continued restructurings of impaired loans. This was offset to some extent by a stronger US dollar. Impaired loans have decreased by 53 per cent since the beginning of the year.

The result in Ukraine amounted to SEK -648m (524) for the first half-year. Net interest income was SEK 118m, a decrease of 23 per cent compared with the same period in 2011, mainly due to amortisations in the performing part of the loan portfolio and the sale of SEK 1.5bn of the private portfolio. Since the beginning of the year the Ukrainian loan portfolio has decreased by 38 per cent in local currency.

Total expenses in Ukraine amounted to SEK 128m, a decrease of SEK 36m compared with the same period in 2011 due to a continued cost focus. The number of full-time positions in Ukraine has been reduced since the beginning of the year from 1 037 to 672.

Impaired loans amounted to SEK 658m for the first half-year. Impaired loans of SEK 325m during the second quarter were mainly due to the sale of portions of the private portfolio as well as increased portfolio provisions in the remainder of the private portfolio. Impaired loans in Ukraine decreased by 9 percent since the beginning of the year.

Ektornet
Ektornet manages and develops Swedbank's repossessed assets to recover as much value as possible.

The value of repossessed assets decreased during the period to SEK 5 625m.

Assets taken over SEKm	30 Jun 2012	31 dec 2011
Sweden	364	305
Norway		102
Finland	322	709
Estonia	576	569
Latvia	1 845	1 721
Lithuania	664	448
USA	1 419	1 415
Ukraine	385	443
Total properties	**5 575**	**5 712**
Shares	50	107
Total	**5 625**	**5 819**

During the second quarter properties were acquired for SEK 241m, at the same time the properties with a book value of SEK 282m were sold with an aggregate capital gain of SEK 53m. Sales during the quarter included the Norwegian holdings and a hotel property in Riga, Latvia. Property values were written down by SEK 121m.

The operations continued to have negative cash flow. The result for the first half-year amounted to SEK -206m (27).

The takeover phase is expected to continue in 2012, primarily in Latvia, though at a slower pace. At the same time sales work is intensifying. This means that other revenue, including sales gains, will increase and that impairment losses on tangible assets (properties) may increase. As a whole, the volume of repossessed assets is expected to decrease during the year. It is estimated at present that there are surplus values in the property portfolio.

Eliminations

Income statement

SEKm	Q2 2012	Q1 2012	%	Q2 2011	%	Jan-Jun 2012	Jan-Jun 2011	%
Net interest income	-1	-1	0	8		-2	-4	50
Net commissions	19	11	73	14	36	30	25	20
Net gains and losses on financial items at fair value								
Other income	-265	-220	-20	-139	-91	-485	-364	-33
Total income	**-247**	**-210**	**-18**	**-117**		**-457**	**-343**	**-33**
Staff costs								
Variable staff costs								
Other expenses	-247	-210	-18	-117		-457	-343	-33
Depreciation/amortisation								
Total expenses	**-247**	**-210**	**-18**	**-117**		**-457**	**-343**	**-33**

Group eliminations mainly consist of eliminations of internal transactions between Group Functions and the other business areas.

Group Functions & Other *comprise, in addition to the Group Functions, Russia, Ukraine and Ektornet. The Group Functions operate across the business areas and serve as strategic and administrative support for them. The Group Functions are Group Business Support, Accounting & Finance (including Group Treasury), Risk (including Compliance). Corporate Affairs (communication, strategic marketing and community affairs), HR and Legal. The Group Executive Committee and Internal Audit are also included in Group Functions.*

Financial information - contents

More detailed information can be found in Swedbank’s fact book, www.swedbank/se/ir, under Financial information and publications.

Income statement, condensed

Group SEKm	Q2 2012	Q1 2012	%	Q2 2011	%	Jan-Jun 2012	Jan-Jun 2011	%
Interest income	13 558	14 121	-4	13 184	3	27 679	25 259	10
Interest expenses	-8 306	-8 913	-7	-8 470	-2	-17 219	-16 044	7
Net interest income (note 5)	**5 252**	**5 208**	**1**	**4 714**	**11**	**10 460**	**9 215**	**14**
Commission income	3 170	3 156	0	3 173	0	6 326	6 368	-1
Commission expenses	-824	-751	10	-761	8	-1 575	-1 500	5
Net commissions (note 6)	**2 346**	**2 405**	**-2**	**2 412**	**-3**	**4 751**	**4 868**	**-2**
Net gains and losses on financial items at fair value (note 7)	455	759	-40	511	-11	1 214	766	58
Insurance premiums	499	429	16	389	28	928	756	23
Insurance provisions	-336	-271	24	-228	47	-607	-481	26
Net insurance	**163**	**158**	**3**	**161**	**1**	**321**	**275**	**17**
Share of profit or loss of associates	209	208	0	224	-7	417	395	6
Other income	472	443	7	475	-1	915	1 559	-41
Total income	**8 897**	**9 181**	**-3**	**8 497**	**5**	**18 078**	**17 078**	**6**
Staff costs	2 366	2 440	-3	2 390	-1	4 806	4 857	-1
Other expenses (note 8)	1 660	1 743	-5	1 875	-11	3 403	3 697	-8
Depreciation/amortisation	225	230	-2	222	1	455	446	2
Total expenses	**4 251**	**4 413**	**-4**	**4 487**	**-5**	**8 664**	**9 000**	**-4**
Profit before impairments	**4 646**	**4 768**	**-3**	**4 010**	**16**	**9 414**	**8 078**	**17**
Impairment of intangible assets (note 14)	4					4		
Impairment of tangible assets	125	40		15		165	17	
Credit impairments (note 9)	300	172	74	-324		472	-1 296	
Operating profit	**4 217**	**4 556**	**-7**	**4 319**	**-2**	**8 773**	**9 357**	**-6**
Tax expense	1 052	1 127	-7	863	22	2 179	2 045	7
Profit for the period from continuing operations	**3 165**	**3 429**	**-8**	**3 456**	**-8**	**6 594**	**7 312**	**-10**
Profit for the period from discontinued operations, after tax								
Profit for the period	3 165	3 429	-8	3 456	-8	6 594	7 312	-10
Profit for the period attributable to the shareholders of Swedbank AB	**3 162**	**3 425**	**-8**	**3 452**	**-8**	**6 587**	**7 304**	**-10**
Profit for the period from continuing operations	3 162	3 425	-8	3 452	-8	6 587	7 304	-10
Profit for the period from discontinued operations								
Non-controlling interests	3	4	-25	4	-25	7	8	-13
Profit for the period from continuing operations	3	4	-25	4	-25	7	8	-13
Profit for the period from discontinued operations								
Earnings per share, total operations, SEK[1]	2.88	2.21		3.02		5.09	5.48	
after dilution[1]	2.87	2.20		3.01		5.07	5.48	
Earnings per share, continued operations, SEK[1]	2.88	2.21				5.09		
after dilution[1]	2.87	2.20				5.07		
Earnings per share, discontinued operations, SEK[1]								
after dilution[1]								
Equity per share, SEK	86.92	82.04		82.61		86.92	82.61	
Return on equity, %	13.0	14.0		14.4		13.5	15.3	
Credit impairment ratio, %	0.09	0.05		-0.09		0.07	-0.19	

1) When calculating earnings per share the preference share dividend is deducted from profit in the period the dividend is declared. The calculation of earnings per share is specified on page 41.

Statement of comprehensive income, condensed

Group SEKm	Q2 2012	Q1 2012	%	Q2 2011	%	Jan-Jun 2012	Jan-Jun 2011	%
Profit for the period reported via income statement	**3 165**	**3 429**	**-8**	**3 456**	**-8**	**6 594**	**7 312**	**-10**
Exchange differences, foreign operations								
Gains/losses arising during the period	-344	-273	-26	692		-617	498	
Reclassification adjustments to income statement, net gains and losses on financial items at fair value		-1				-1		
Hedging of net investments in foreign operations:								
Gains/losses arising during the period	313	140		-479		453	-408	
Cash flow hedges:								
Gains/losses arising during the period	-32	-429	93	-26	-23	-461	-290	-59
Reclassification adjustments to income statement, net interest income	48	73	-34	88	-45	121	189	-36
Share of other comprehensive income of associates	-1	18		25		17	22	-23
Income tax relating to components of other comprehensive income	-88	57		108		-31	132	
Other comprehensive income for the period, net of tax	**-104**	**-415**	**75**	**408**		**-519**	**143**	
Total comprehensive income for the period	**3 061**	**3 014**	**2**	**3 864**	**-21**	**6 075**	**7 455**	**-19**
Total comprehensive income attributable to the shareholders of Swedbank AB	**3 058**	**3 010**	**2**	**3 859**	**-21**	**6 068**	**7 446**	**-19**
Non-controlling interests	3	4	-25	5	-40	7	9	-22

Balance sheet, condensed

Group SEKm	30 Jun 2012	31 Dec 2011	%	30 Jun 2011	%
Assets					
Cash and balance with central banks	132 028	164 307	-20	11 954	
Loans to credit institutions (note 10)	94 083	97 195	-3	202 527	-54
Loans to the public (note 10)	1 228 494	1 211 454	1	1 174 938	5
Interest-bearing securities	131 525	138 311	-5	148 436	-11
Financial assets for which customers bear the investment risk	101 273	95 747	6	104 255	-3
Shares and participating interests	1 684	2 015	-16	2 878	-41
Investments in associates	3 400	3 111	9	3 019	13
Derivatives (note 18)	98 070	103 726	-5	60 371	62
Intangible fixed assets (note 14)	13 621	13 799	-1	15 980	-15
Investment properties	3 249	3 910	-17	2 781	17
Tangible assets	5 097	4 383	16	3 958	29
Current tax assets	1 447	2 083	-31	1 682	-14
Deferred tax assets	770	872	-12	1 023	-25
Other assets	11 207	7 531	49	15 579	-28
Prepaid expenses and accrued income	7 877	8 371	-6	8 136	-3
Group of assets classified as held for sale	245	250	-2		
Total assets	**1 834 070**	**1 857 065**	**-1**	**1 757 517**	**4**
Liabilities and equity					
Amounts owed to credit institutions (note 15)	128 657	139 598	-8	130 175	-1
Deposits and borrowings from the public (note 16)	559 955	561 696	0	528 992	6
Debt securities in issue (note 17)	786 460	781 458	1	757 203	4
Financial liabilities for which customers bear the investment risk	101 837	96 449	6	104 499	-3
Derivatives (note 18)	90 179	90 484	0	60 901	48
Current tax liabilities	1 176	472		572	
Deferred tax liabilities	2 951	3 183	-7	1 857	59
Short positions, securities	17 272	30 603	-44	28 342	-39
Other liabilities	12 254	13 059	-6	15 770	-22
Accrued expenses and prepaid income	14 088	18 612	-24	8 206	72
Provisions	3 579	3 690	-3	4 131	-13
Subordinated liabilities	17 023	19 531	-13	20 811	-18
Liabilities directly associated with group of assets classified as held for sale	95	97	-2		
Equity	98 544	98 133	0	96 058	3
of which non-controlling interests	155	140	11	135	15
of which equity attributable to shareholders of Swedbank AB	98 389	97 993	0	95 923	3
Total liabilities and equity	**1 834 070**	**1 857 065**	**-1**	**1 757 517**	**4**

Statement of changes in equity, condensed

Group SEKm	Shareholders' equity							Non-controlling interests	Total equity
	Share capital	Other contri-buted equity*	Exchange differences, subsidiaries and associates	Hedging of net investments in foreign operations	Cash flow hedges	Retained earnings	Total		
Opening balance 1 January 2011	**24 351**	**17 152**	**-2 102**	**-144**	**-44**	**55 684**	**94 897**	**138**	**95 035**
Dividends						-2 995	-2 995	-12	-3 007
New share issue	32						32		32
Reversal of VAT costs incurred on rights issue 2009		35					35		35
Repurchased shares						-3 580	-3 580		-3 580
Share based payments to employees						92	92		92
Associates' acquisition of shares in Swedbank AB						-4	-4		-4
Total comprehensive income for the period			516	-302	-72	7 304	7 446	9	7 455
Closing balance 30 June 2011	**24 383**	**17 187**	**-1 586**	**-446**	**-116**	**56 501**	**95 923**	**135**	**96 058**
Opening balance 1 January 2011	**24 351**	**17 152**	**-2 102**	**-144**	**-44**	**55 684**	**94 897**	**138**	**95 035**
Dividends						-2 995	-2 995	-15	-3 010
New share issue	32						32		32
Reversal of VAT costs incurred on rights issue 2009		35					35		35
Repurchased shares						-6 180	-6 180		-6 180
Share based payments to employees						159	159		159
Associates' acquisition of shares in Swedbank AB						-4	-4		-4
Business combinations								2	2
Total comprehensive income for the period			-287	280	312	11 744	12 049	15	12 064
Closing balance 31 December 2011	**24 383**	**17 187**	**-2 389**	**136**	**268**	**58 408**	**97 993**	**140**	**98 133**
Opening balance 1 January 2012	**24 383**	**17 187**	**-2 389**	**136**	**268**	**58 408**	**97 993**	**140**	**98 133**
Dividends						-5 825	-5 825	-6	-5 831
Decrease in share capital	-611					611			
Bonus issue	1 132					-1 132			
Share based payments to employees						158	158		158
Associates' acquisition of shares in Swedbank AB						-6	-6		-6
Changes in ownership interest in subsidiary						1	1		1
Business disposals								-2	-2
Contribution								16	16
Total comprehensive income for the period			-602	333	-250	6 587	6 068	7	6 075
Closing balance 30 June 2012	**24 904**	**17 187**	**-2 991**	**469**	**18**	**58 802**	**98 389**	**155**	**98 544**

In connection with the rights issue in 2009 an assessment was made on the VAT Swedbank AB would have to pay on the transaction costs. This assessment has been changed in the second quarter 2011 based on a new tax case ruling. The VAT provision decreased by SEK 35m. The amount includes increased income tax of SEK 12m.

*Other contributed equity consists mainly of share premiums.

Cash flow statement, condensed

Group SEKm	Jan-Jun 2012	Full-year 2011	Jan-Jun 2011
Operating activities			
Operating profit	8 773	15 423	9 357
Profit for the period from discontinued operations		4	
Adjustments for non-cash items in operating activities	-6 195	-17	-10 010
Taxes paid	-2 112	-2 456	-1 651
Increase/decrease in loans to credit institutions	2 666	69 012	-35 853
Increase/decrease in loans to the public	-19 219	-23 100	14 304
Increase/decrease in holdings of securities for trading	4 894	-467	-13 205
Increase/decrease in deposits and borrowings from the public including retail bonds	-86	28 222	-6 840
Increase/decrease in amounts owed to credit institutions	-10 220	3 448	-7 186
Increase/decrease in other assets	5 648	-32 139	-3 229
Increase/decrease in other liabilities	-12 097	22 655	-3 821
Cash flow from operating activities	**-27 948**	**80 585**	**-58 134**
Investing activities			
Business combinations		-2	
Business disposals	2	6	
Acquisitions of and contributions to associates	-30	-50	
Acquisitions of other fixed assets and strategic financial assets	-323	-4 396	-254
Disposals/maturity of other fixed assets and strategic financial assets	1 576	4 544	474
Cash flow from investing activities	**1 225**	**102**	**220**
Financing activities			
Issuance of interest-bearing securities	96 440	253 855	153 171
Redemption of interest-bearing securities	-91 879	-237 487	-124 504
Issuance of commercial paper etc.	248 299	319 621	137 019
Redemption of commercial paper etc.	-252 503	-260 254	-106 487
Dividends paid	-5 831	-3 010	-3 007
Changes in ownership interest in subsidiary	1		
Contribution	16		
New share issue		32	32
Repurchased shares		-6 184	-3 584
Cash flow from financing activities	**-5 457**	**66 573**	**52 640**
Cash flow for the period	**-32 180**	**147 260**	**-5 274**
Cash and cash equivalents at the beginning of the period	**164 307**	**17 109**	**17 109**
Cash flow for the period	-32 180	147 260	-5 274
Exchange rate differences on cash and cash equivalents	-99	-62	119
Cash and cash equivalents at end of the period	**132 028**	**164 307**	**11 954**

Note 1 Accounting policies

The interim report has been prepared in accordance with IAS 34, Interim Financial Reporting.

Consistent with prior periods, the Parent Company has prepared its accounts in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies, the directives of the Swedish Financial Supervisory Authority and recommendation RFR 2 of the Financial Reporting Council.

The accounting policies applied in the interim report conform to the accounting policies applied in the preparation of the consolidated financial statements and the annual report for 2011 with the exceptions below.

The savings banks are compensated for sales to their customers of Swedbank's products and services. In mid-2011 a new agreement entered into force which governs this compensation. Presentation of the compensation in the income statement has been adjusted as of 2012 based on the new agreement, to better illustrate its meaning. Comparative figures have been restated; see table below. The change affects interest income, commission expenses and expenses, but not the result in its entirety.

The operating segments were changed in 2012 to coincide with the organisational changes implemented in Swedbank's business area organisation.

Responsibility for the retail operations of the Nordic branches has been transferred from Large Corporates & Institutions to Retail. Responsibility for coordinating the life insurance operations in Sweden and the Baltic countries and for the Baltic P&C insurance operations has been transferred from Retail and Baltic Banking to Group Functions & Other. Furthermore, a number of product and staff functions have been transferred from Retail, Large Corporates & Institutions, Baltic Banking and Asset Management to Group Functions & Other.

Russia, Ukraine and Ektornet are no longer reported as separate segments and instead are included in Group Functions & Other. Comparative figures have been restated.

New or revised IFRS and IFRIC interpretations have not had a significant effect on the financial position, results or disclosures pertaining to the Group or parent company.

Reporting of compensation to savings banks	New reporting		Previous reporting	
Group SEKm	Q2 2011	Jan-Jun 2011	Q2 2011	Jan-Jun 2011
Interest income from the public	11 687	22 489	11 713	22 541
Interest income	13 184	25 259	13 210	25 311
Net interest income	4 714	9 215	4 740	9 267
Other commission expenses	57	105	225	428
Commission expenses	761	1 500	929	1 823
Net commission income	2 412	4 868	2 244	4 545
Other purchased services	346	658	204	387
Other expenses	1 875	3 697	1 733	3 426
Total expenses	4 487	9 000	4 345	8 729

Note 2 Critical accounting estimates

The Group uses various estimates and assumptions about the future to determine the value of certain assets and liabilities. The most important assumptions in terms of amount are made with regard to provisions for impairments and impairment testing of goodwill.

Provisions for impairments

For loans that have been identified as impaired as well as portfolios of loans with similar credit terms affected by a loss event, assumptions are made as to when in the future the cash flows will be received as well as their size. Provisions for impairments are made for the difference between the present value of these projected cash flows and the claims' carrying amount. Decisions are therefore based on various estimates and executive management's judgments about current market conditions. Portfolio provisions are based on loss estimates made in accordance with capital adequacy rules.

The Group's provisions in the Baltic operations decreased during 2012 from SEK 8 819m to SEK 7 123m. Provisions in the Ukrainian operations decreased from SEK 3 856m to SEK 3 620m. The changes were based on the losses that executive management judged as most likely against the backdrop of the current economic outlook within the range of reasonable assumptions.

Impairment testing of goodwill

When goodwill is tested for impairment, future cash flows are estimated for the cash-generating unit that the goodwill refers to and has been allocated to. As far as possible, the assumptions that are used, or part of those assumptions, are based on outside sources. Nevertheless, the calculation largely depends on the executive management's own assumptions. The assumptions are made based on indefinite ownership of the asset.

The Group's goodwill amounted to SEK 11 622m as of 30 June 2012, of which SEK 8 903m related to the investment in the Baltic operations. On the balance sheet date there were no indications of a need for impairment testing.

Note 3 Changes in the Group structure

Internal structural changes

On 1 January the assets and liabilities of the Norwegian subsidiary First Securities AS were sold to Swedbank AB's Norwegian branch. During the second quarter, the banking operation in the Luxembourgian subsidiary Swedbank S.A. was transferred to Swedbank AB's Luxembourgian branch. The changes does not affect the Group in its entirety or the reporting of the operating segments.

Note 4 Operating segments (business areas)

Jan-Jun 2012 SEKm	Retail	Large Corporates & Institutions	Baltic Banking	Asset Management	Group Functions & Other	Eliminations	Group
Income statement							
Net interest income	6 811	1 712	1 782	8	149	-2	10 460
Net commissions	2 509	780	749	753	-70	30	4 751
Net gains and losses on financial items at fair value	105	964	137	4	4		1 214
Share of profit or loss of associates	411	6					417
Other income	425	17	214	1	1 064	-485	1 236
Total income	**10 261**	**3 479**	**2 882**	**766**	**1 147**	**-457**	**18 078**
Staff costs	1 763	575	372	178	1 521		4 409
Variable staff costs	76	224	34	15	48		397
Other expenses	2 801	614	738	152	-445	-457	3 403
Depreciation/amortisation	47	20	64	24	300		455
Total expenses	**4 687**	**1 433**	**1 208**	**369**	**1 424**	**-457**	**8 664**
Profit before impairments	**5 574**	**2 046**	**1 674**	**397**	**-277**		**9 414**
Impairment of intangible assets		4					4
Impairment of tangible assets			2		163		165
Credit impairments	124	68	-338		618		472
Operating profit	**5 450**	**1 974**	**2 010**	**397**	**-1 058**		**8 773**
Tax expense	1 404	675	173	101	-174		2 179
Profit for the period from continuing operations	4 046	1 299	1 837	296	-884		6 594
Profit for the period from discontinued operations, after tax							
Profit for the period	4 046	1 299	1 837	296	-884		6 594
Profit for the period attributable to the shareholders of Swedbank AB	**4 039**	**1 299**	**1 837**	**296**	**-884**		**6 587**
Non-controlling interests	7						7
Balance sheet, SEKbn							
Cash and balances with central banks	2	7	2		121		132
Loans to credit institutions	29	269		2	194	-400	94
Loans to the public	914	184	115		16	-1	1 228
Bonds and other interest-bearing securities		59	2		81	-10	132
Financial assets for which customers bear inv. risk	99		2				101
Investments in associates	2				1		3
Derivatives		113			33	-48	98
Total tangible and intangible assests	3	1	10	1	7		22
Other assets	9	13	2	1	655	-656	24
Total assets	**1 058**	**646**	**133**	**4**	**1 108**	**-1 115**	**1 834**
Amounts owed to credit institutions	70	209			245	-395	129
Deposits and borrowings from the public	370	80	100		16	-6	560
Debt securities in issue		19	1		780	-14	786
Financial liabilities for which customers bear inv. risk	100		2				102
Derivatives		112			26	-48	90
Other liabilities	484	206	5	2	7	-652	52
Subordinated liabilities					17		17
Total liabilities	**1 024**	**626**	**108**	**2**	**1 091**	**-1 115**	**1 736**
Allocated equity	34	20	25	2	17		98
Total liabilities and equity	**1 058**	**646**	**133**	**4**	**1 108**	**-1 115**	**1 834**
Key figures							
Return on allocated equity, %	25.5	14.2	14.7	33.8	-8.3		13.5
Loan/deposit ratio, %	247	214	115		110		216
Credit impairment ratio, %	0.03	0.06	-0.57		5.24		0.07
Share of impaired loans, gross, %	0.19	0.12	10.43		17.23		1.53
Cost/income ratio	0.46	0.41	0.42	0.48	1.24		0.48
Risk-weighted assets, SEKbn	220	127	98	3	37		485
Full-time employees	4 829	1 017	4 103	270	5 469		15 688

Jan-Jun 2011 SEKm	Retail	Large Corporates & Institutions	Baltic Banking	Asset Management	Group Functions & Other	Eliminations	Group
Income statement							
Net interest income	5 930	1 707	2 014	4	-436	-4	9 215
Net commissions	2 608	754	682	806	-7	25	4 868
Net gains and losses on financial items at fair value	99	386	116	-5	170		766
Share of profit or loss of associates	394	1					395
Other income	371	736	225		866	-364	1 834
Total income	**9 402**	**3 584**	**3 037**	**805**	**593**	**-343**	**17 078**
Staff costs	1 844	613	396	184	1 545		4 582
Variable staff costs	55	133	18	27	42		275
Other expenses	2 901	709	822	169	-561	-343	3 697
Depreciation/amortisation	45	19	64	24	294		446
Total expenses	**4 845**	**1 474**	**1 300**	**404**	**1 320**	**-343**	**9 000**
Profit before impairments	**4 557**	**2 110**	**1 737**	**401**	**-727**		**8 078**
Impairment of intangible assets							
Impairment of tangible assets			25		-8		17
Credit impairments	11	-125	-524		-658		-1 296
Operating profit	**4 546**	**2 235**	**2 236**	**401**	**-61**		**9 357**
Tax expense	1 091	757	251	102	-156		2 045
Profit for the period from continuing operations	3 455	1 478	1 985	299	95		7 312
Profit for the period from discontinued operations, after tax							
Profit for the period	3 455	1 478	1 985	299	95		7 312
Profit for the period attributable to the shareholders of Swedbank AB	**3 448**	**1 478**	**1 985**	**299**	**94**		**7 304**
Non-controlling interests	7				1		8
Balance sheet, SEKbn							
Cash and balances with central banks	2	1	2		7		12
Loans to credit institutions	31	310		2	332	-472	203
Loans to the public	886	149	125		16	-1	1 175
Bonds and other interest-bearing securities		70	2		89	-13	148
Financial assets for which customers bear inv. risk	102		2				104
Investments in associates	1				2		3
Derivatives		68			17	-25	60
Total tangible and intangible assests	3	1	12	1	6		23
Other assets	9	10	3	1	655	-648	30
Total assets	**1 034**	**609**	**146**	**4**	**1 124**	**-1 159**	**1 758**
Amounts owed to credit institutions	76	242			286	-474	130
Deposits and borrowings from the public	351	64	95		26	-7	529
Debt securities in issue		19	1		758	-21	757
Financial liabilities for which customers bear inv. risk	102		2				104
Derivatives		66			20	-25	61
Other liabilities	471	195	18	2	6	-632	60
Subordinated liabilities	9	7	5				21
Total liabilities	**1 009**	**593**	**121**	**2**	**1 096**	**-1 159**	**1 662**
Allocated equity	25	16	25	2	28		96
Total liabilities and equity	**1 034**	**609**	**146**	**4**	**1 124**	**-1 159**	**1 758**
Key figures							
Return on allocated equity, %	29.6	18.7	13.6	29.6	0.7		15.3
Loan/deposit ratio, %	253	224	142		61		221
Credit impairment ratio, %	0.00	-0.08	-0.80		-8.71		-0.19
Share of impaired loans, gross, %	0.17	0.19	15.34		6.96		2.20
Cost/income ratio	0.52	0.41	0.43	0.50	2.23		0.53
Risk-weighted assets, SEKbn	222	144	108	3	32		509
Full-time employees	5 120	1 063	4 448	277	6 100		17 008

Operating segments accounting policies

The operating segment reporting is based on Swedbank's accounting policies, organisation and management accounts. Market-based transfer prices are applied between operating segments, while all expenses within Group Business Support and other Group Functions are transfer priced at cost to the operating segments. Executive management expenses are not distributed. The net of services purchased and sold internally is recognised as other expenses in the income statements of the operating segments. Cross-border transfer pricing is applied according to OECD transfer pricing guidelines.

The Group's equity attributable to shareholders is allocated to each operating segment based on capital adequacy rules and estimated capital requirements based on the bank's Internal Capital Adequacy Assessment Process (ICAAP).

Return on equity for the operating segments is based on operating profit less estimated tax and non-controlling interests in relation to average allocated equity.

During the first quarter 2012 the assumptions for the internal capital allocation were changed due to expected changes in capital adequacy requirements. This change means that more capital is allocated to all business areas, which affects net interest income positively for all business areas and negatively for Group Treasury. A further SEK 17bn has been allocated to the business areas from Treasury compared with the fourth quarter 2011.

Note 5 Net interest income

Group SEKm	Q2 2012	Q1 2012	%	Q2 2011	%	Jan-Jun 2012	Jan-Jun 2011	%
Interest income								
Loans to credit institutions	283	335	-16	489	-42	618	836	-26
Loans to the public	12 239	12 619	-3	11 687	5	24 858	22 489	11
Interest-bearing securities	825	749	10	1 015	-19	1 574	1 634	-4
Derivatives	85	256	-67	-53		341	192	78
Other	126	162	-22	46		288	108	
Total interest income	**13 558**	**14 121**	**-4**	**13 184**	**3**	**27 679**	**25 259**	**10**
Interest expenses								
Amounts owed to credit institutions	-278	-321	-13	-360	-23	-599	-630	-5
Deposits and borrowings from the public	-1 900	-2 044	-7	-1 853	3	-3 944	-3 335	18
of which deposit guarantee fees	-135	-134	1	-140	-4	-269	-248	8
Debt securities in issue	-5 547	-5 689	-2	-5 778	-4	-11 236	-10 984	2
of which commissions for government guaranteed funding	-88	-133	-34	-293	-70	-221	-638	-65
Subordinated liabilities	-279	-276	1	-292	-4	-555	-609	-9
Derivatives	-130	-418	-69	-168	-23	-548	-197	
Other	-172	-165	4	-19		-337	-289	17
of which government stabilisation fund fee	-144	-144	0	-132	9	-288	-253	14
Total interest expenses	**-8 306**	**-8 913**	**-7**	**-8 470**	**-2**	**-17 219**	**-16 044**	**7**
Net interest income	**5 252**	**5 208**	**1**	**4 714**	**11**	**10 460**	**9 215**	**14**
Net interest margin	**1.14**	**1.12**		**1.08**		**1.13**	**1.07**	

Note 6 Net commissions

Group SEKm	Q2 2012	Q1 2012	%	Q2 2011	%	Jan-Jun 2012	Jan-Jun 2011	%
Commission income								
Payment processing	1 387	1 284	8	1 371	1	2 671	2 639	1
Asset management	941	951	-1	1 020	-8	1 892	2 052	-8
Life insurance	110	112	-2	134	-18	222	265	-16
Brokerage	76	113	-33	117	-35	189	269	-30
Other securities	26	48	-46	24	8	74	61	21
Corporate finance	78	111	-30	77	1	189	126	50
Lending	179	168	7	105	70	347	319	9
Guarantees	46	53	-13	49	-6	99	103	-4
Deposits	20	21	-5	16	25	41	36	14
Real estate brokerage	43	33	30	48	-10	76	83	-8
Non-life insurance	15	17	-12	6		32	13	
Other commission income	249	245	2	206	21	494	402	23
Total commission income	**3 170**	**3 156**	**0**	**3 173**	**0**	**6 326**	**6 368**	**-1**
Commission expenses								
Payment processing	-614	-553	11	-546	12	-1 167	-1 089	7
Asset management	-36	-27	33	-32	13	-63	-59	7
Life insurance	-44	-39	13	-56	-21	-83	-112	-26
Brokerage				-5			-5	
Other securities	-72	-65	11	-47	53	-137	-96	43
Lending and guarantees	-12	-13	-8	-18	-33	-25	-34	-26
Other commission expenses	-46	-54	-15	-57	-19	-100	-105	-5
Total commission expenses	**-824**	**-751**	**10**	**-761**	**8**	**-1 575**	**-1 500**	**5**
Total net commissions	**2 346**	**2 405**	**-2**	**2 412**	**-3**	**4 751**	**4 868**	**-2**

Note 7 Net gains and losses on financial items at fair value

Group SEKm	Q2 2012	Q1 2012	%	Q2 2011	%	Jan-Jun 2012	Jan-Jun 2011	%
Valuation category, fair value through profit or loss								
Shares and related derivatives	136	-26		147	-7	110	241	-54
of which dividend	157	94	67	119	32	251	135	86
Interest-bearing securities and related derivatives	-512	-1 020	50	4 262		-1 532	3 935	
Loans	310	-826		1 320	-77	-516	-541	5
Financial liabilities	-41	2 253		-5 500	99	2 212	-3 567	
Other financial instruments	-2	1		3		-1	15	
Total fair value through profit or loss	**-109**	**382**		**232**		**273**	**83**	
Hedge accounting								
Inefficiency in hedge accounting at fair value	183	-30		69		153	96	59
of which hedging instruments	3 136	-1 242		3 782	-17	1 894	-1 388	
of which hedged items	-2 953	1 212		-3 713	20	-1 741	1 484	
Ineffective part in hedging of net investments in foreign operations	57	-4				53		
Total hedge accounting	**240**	**-34**		**69**		**206**	**96**	
Loan receivables at amortised cost	**26**	**21**	**24**	**-9**		**47**		
Financial liabilities valued at amortised cost	**3**	**3**	**0**	**-13**		**6**	**-39**	
Change in exchange rates	**295**	**387**	**-24**	**232**	**27**	**682**	**626**	**9**
Total net gains and losses on financial items at fair value	**455**	**759**	**-40**	**511**	**-11**	**1 214**	**766**	**58**
Distribution by business purpose								
Financial instruments for trading related business	**489**	**507**	**-4**	**247**	**98**	**996**	**742**	**34**
Financial instruments intended to be held to contractual maturity	**-34**	**252**		**264**		**218**	**24**	
Total	**455**	**759**	**-40**	**511**	**-11**	**1 214**	**766**	**58**

Note 8 Other expenses

Group SEKm	Q2 2012	Q1 2012	%	Q2 2011	%	Jan-Jun 2012	Jan-Jun 2011	%
Premises and rents	314	331	-5	335	-6	645	674	-4
IT expenses	380	438	-13	402	-5	818	801	2
Telecommunications and postage	53	64	-17	52	2	117	128	-9
Advertising, PR and marketing	87	69	26	106	-18	156	178	-12
Consultants	70	75	-7	166	-58	145	317	-54
Compensation to Savings Banks	159	152	5	142	12	311	271	15
Other purchased services	167	141	18	204	-18	308	387	-20
Security transport and alarm systems	102	101	1	113	-10	203	221	-8
Supplies	33	39	-15	47	-30	72	102	-29
Travel	47	45	4	64	-27	92	123	-25
Entertainment	12	13	-8	23	-48	25	44	-43
Repair/maintenance of inventories	37	41	-10	57	-35	78	104	-25
Other expenses	199	234	-15	164	21	433	347	25
Total other expenses	**1 660**	**1 743**	**-5**	**1 875**	**-11**	**3 403**	**3 697**	**-8**

Note 9 Credit impairments

Group SEKm	Q2 2012	Q1 2012	%	Q2 2011	%	Jan-Jun 2012	Jan-Jun 2011	%
Provision for loans individually assessed as impaired								
Provisions	229	349	-34	383	-40	578	859	-33
Reversal of previous provisions	-328	-317	3	-830	-60	-645	-1 754	-63
Provision for homogenous groups of impaired loans, net	-11	-65	-83	184		-76	69	
Total	**-110**	**-33**		**-263**	**-58**	**-143**	**-826**	**-83**
Portfolio provisions for loans individually assessed as not impaired	**78**	**64**	**22**	**-36**		**142**	**-643**	
Write-offs								
Established losses	1 855	1 010	84	1 102	68	2 865	1 933	48
Utilisation of previous provisions	-1 453	-746	95	-846	72	-2 199	-1 400	57
Recoveries	-86	-129	-33	-137	-37	-215	-202	6
Total	**316**	**135**		**119**		**451**	**331**	**36**
Credit impairments for contingent liabilities and other credit risk exposures	**16**	**6**		**-144**		**22**	**-158**	
Credit impairments	**300**	**172**	**74**	**-324**		**472**	**-1 296**	
Credit impairment ratio, %	0.09	0.05		-0.09		0.07	-0.19	

Note 10 Loans

Group	30 Jun 2012			31 Dec 2011		30 Jun 2011	
SEKm	Loans before provisions	Provisions	Loans after provisions Carrying amount	Loans after provisions Carrying amount	%	Loans after provisions Carrying amount	%
Loans to credit institutions							
Banks	64 848	65	64 783	63 686	2	144 041	-55
Repurchase agreements, banks	10 537		10 537	6 856	54	39 748	-73
Other credit institutions	1 135		1 135	1 052	8	555	
Repurchase agreements, other credit institutions	17 628		17 628	25 601	-31	18 183	-3
Loans to credit institutions	**94 148**	**65**	**94 083**	**97 195**	**-3**	**202 527**	**-54**
Loans to the public							
Private customers	753 472	4 084	749 388	737 650	2	732 881	2
Private, mortgage	635 978	2 724	633 254	628 823	1	621 791	2
Housing cooperatives	79 966	94	79 872	71 467	12	71 979	11
Private,other	37 528	1 266	36 262	37 360	-3	39 111	-7
Corporate customers	438 441	8 842	429 599	428 631	0	413 926	4
Agriculture, forestry, fishing	64 590	327	64 263	62 223	3	60 849	6
Manufacturing	46 191	1 704	44 487	29 745	50	29 797	49
Public sector and utilities	18 209	65	18 144	14 942	21	14 478	25
Construction	16 083	779	15 304	13 191	16	12 645	21
Retail	30 060	1 348	28 712	23 567	22	23 997	20
Transportation	14 635	203	14 432	11 689	23	11 819	22
Shipping and offshore	23 797	326	23 471	23 291	1	16 693	41
Hotels and restaurants	6 674	126	6 548	6 412	2	6 716	-3
Information and communications	2 316	58	2 258	2 412	-6	2 288	-1
Finance and insurance	19 418	95	19 323	16 662	16	16 392	18
Property management	159 613	2 612	157 001	144 664	9	139 329	13
Professional services	11 778	437	11 341	30 343	-63	32 363	-65
Other corporate lending	25 077	762	24 315	49 490	-51	46 560	-48
Loans to the public excluding the Swedish National Debt Office and repurchase agreements	**1 191 913**	**12 926**	**1 178 987**	**1 166 281**	**1**	**1 146 807**	**3**
Swedish National Debt Office	6 483		6 483	2 776		1 445	
Repurchase agreements, Swedish National Debt Office	289		289	13 834	-98	7 722	-96
Repurchase agreements, public	42 735		42 735	28 563	50	18 964	
Loans to the public	**1 241 420**	**12 926**	**1 228 494**	**1 211 454**	**1**	**1 174 938**	**5**
Loans to the public and credit institutions	**1 335 568**	**12 991**	**1 322 577**	**1 308 649**	**1**	**1 377 465**	**-4**

Classification of housing cooperatives has been changed from corporate customers to private customers.

Note 11 Impaired loans etc.

Group SEKm	30 Jun 2012	31 Dec 2011	%	30 Jun 2011	%
Impaired loans, gross	20 394	24 805	-18	30 669	-34
Provisions for individually assessed impaired loans	7 761	9 246	-16	11 979	-35
Provision for homogenous groups of impaired loans	3 190	3 575	-11	3 973	-20
Impaired loans, net	**9 443**	**11 984**	**-21**	**14 717**	**-36**
of which private customers	4 191	4 896	-14	5 715	-27
of which corporate customers	5 252	7 088	-26	9 002	-42
Portfolio provisions for loans individually assessed as not impaired	2 040	2 435	-16	2 436	-16
Share of impaired loans, gross, %	1.53	1.87		2.20	
Share of impaired loans, net, %	0.71	0.92		1.07	
Provision ratio for impaired loans, %	54	52		52	
Total provision ratio for impaired loans, % *	64	62		60	
Past due loans that are not impaired	**6 806**	**6 884**	**-1**	**5 018**	**36**
of which past due 5-30 days	4 153	4 510	-8	3 302	26
of which past due 31-60 days	1 645	1 637	0	1 132	45
of which past due 61 days or more	1 008	737	37	584	73

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

Note 12 Assets taken over for protection of claims and cancelled leases

Group SEKm	30 Jun 2012	31 Dec 2011	%	30 Jun 2011	%
Buildings and land	6 028	6 067	-1	4 332	39
Shares and participating interests	50	107	-53	137	-64
Other property taken over	20	54	-63	28	-29
Total assets taken over for protection of claims	**6 098**	**6 228**	**-2**	**4 497**	**36**
Cancelled leases	110	147	-25	271	-59
Total assets taken over for protection of claims and cancelled leases	**6 208**	**6 375**	**-3**	**4 769**	**30**
of which acquired by Ektornet	5 625	5 819	-3	4 177	35

Note 13 Credit exposures

Group SEKm	30 Jun 2012	31 Dec 2011	%	30 Jun 2011	%
Assets					
Cash and balances with central banks	132 028	164 307	-20	11 954	
Interest-bearing securities	131 525	138 311	-5	148 436	-11
Loans to credit institutions	94 083	97 195	-3	202 527	-54
Loans to the public	1 228 494	1 211 454	1	1 174 938	5
Derivatives	98 070	103 726	-5	60 371	62
Other financial assets	17 414	14 357	21	21 255	-18
Total assets	**1 701 614**	**1 729 350**	**-2**	**1 619 481**	**5**
Contingent liabilities and commitments					
Loan guarantees	40 737	24 251	68	22 563	81
Loan commitments	181 987	185 959	-2	189 699	-4
Total contingent liabilities and commitments	**222 724**	**210 210**	**6**	**212 262**	**5**
Total credit exposure	**1 924 338**	**1 939 560**	**-1**	**1 831 743**	**5**

Note 14 Intangible assets

Group SEKm	30 Jun 2012	31 Dec 2011	%	30 Jun 2011	%
With indefinite useful life					
Goodwill	11 622	11 762	-1	13 933	-17
Total	**11 622**	**11 762**	**-1**	**13 933**	**-17**
With finite useful life					
Customer base	936	992	-6	1 053	-11
Other	1 063	1 045	2	994	7
Total	**1 999**	**2 037**	**-2**	**2 047**	**-2**
Total intangible assets	**13 621**	**13 799**	**-1**	**15 980**	**-15**

Goodwill	Jan-Jun 2012	Full-year 2011	Jan-Jun 2011
Cost			
Opening balance	**15 996**	**16 026**	**16 026**
Translation differences	-128	-30	350
Closing balance	**15 868**	**15 996**	**16 376**
Accumulated amortisation and impairments			
Opening balance	**-4 234**	**-2 293**	**-2 293**
Impairments		-1 930	
Translation differences	-12	-11	-150
Closing balance	**-4 246**	**-4 234**	**-2 443**
Carrying amount	**11 622**	**11 762**	**13 933**

Impairment testing of intangible assets

Goodwill and other intangible assets are tested for impairment annually or when there are indications that the recoverable amount of the assets is lower than their 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 calculating them at present value with a discount rate. Estimated cash flows and discount rates are derived from external sources whenever possible and appropriate, but must in large part be determined based on the executive management's own assumptions. The executive management also determines whether there is any need for a new test during the year.

The test as of year-end 2011 led to goodwill impairment of SEK 1 913m related to the Latvian operations and SEK 17m in the Norwegian operations.

Estimated future cash flows are affected by the level of equity required in the cash-generating unit for continuing operations. Since capital adequacy requirements were raised in 2011, impairment tests were updated accordingly. The increase was the main driver behind a write-down of the investment in the Latvian operations.

No indications have been identified in 2012 that would necessitate new impairment testing of goodwill.

Note 15 Amounts owed to credit institutions

Group SEKm	30 Jun 2012	31 Dec 2011	%	30 Jun 2011	%
Amounts owed to credit institutions					
Central banks	631	3 665	-83	3 525	-82
Banks	108 629	109 559	-1	104 171	4
Other credit institutions	2 894	3 789	-24	3 580	-19
Repurchase agreements - banks	8 106	17 174	-53	11 758	-31
Repurchase agreements - other credit institutions	8 397	5 411	55	7 141	18
Amounts owed to credit institutions	**128 657**	**139 598**	**-8**	**130 175**	**-1**

Note 16 Deposits from the public

Group SEKm	30 Jun 2012	31 Dec 2011	%	30 Jun 2011	%
Deposits from the public					
Private customers	324 164	319 123	2	309 788	5
Corporate customers	220 898	228 254	-3	209 569	5
Deposits from the public excluding the Swedish National Debt Office and repurchase agreements	**545 062**	**547 377**	**0**	**519 357**	**5**
Swedish National Debt Office	2	1	100	2	0
Repurchase agreements - Swedish National Debt Office		12 163		2 685	
Repurchase agreements - public	14 891	2 155		6 948	
Deposits and borrowings from the public	**559 955**	**561 696**	**0**	**528 992**	**6**

Note 17 Debt securities in issue

Group SEKm	30 Jun 2012	31 Dec 2011	%	30 Jun 2011	%
Other commercial paper	121 861	122 970	-1	94 907	28
Covered bonds	530 304	525 892	1	488 046	9
Government guaranteed bonds	38 111	75 568	-50	119 832	-68
Other interest-bearing bonds	77 766	39 440	97	35 298	
Structured retail bonds	18 418	17 588	5	19 120	-4
Total debt securities in issue	**786 460**	**781 458**	**1**	**757 203**	**4**

Turnover during the period	Jan-Jun 2012	Full-year 2011	%	Jan-Jun 2011	%
Opening balance	**781 458**	**686 517**	**14**	**686 517**	**14**
Issued	345 897	573 476		377 060	
Repurchased	-30 666	-110 790		-42 286	
Repaid	-312 564	-378 875		-265 982	
Change in market value	1 035	11 663		3 789	
Changes in exchange rates	1 300	-533		-1 895	
Closing balance	**786 460**	**781 458**	**1**	**757 203**	**4**

Note 18 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	Nominal amount 30 Jun 2012 Remaining contractual maturity < 1 yr.	1-5 yrs.	> 5 yrs.	Nominal amount 30 Jun 2012	Nominal amount 31 Dec 2011	Positive fair value 30 Jun 2012	Positive fair value 31 Dec 2011	Negative fair value 30 Jun 2012	Negative fair value 31 Dec 2011
Derivatives in hedge accounting	66 141	289 417	44 073	399 631	399 101	18 334	19 026	19	2
Derivatives in cash flow hedges	12 356	13 197	9 364	34 917	38 554			4 723	3 949
Derivatives in hedges of net investment in foreign operations	1 864			1 864		107		0	
Other derivatives	8 981 144	3 769 269	665 573	13 415 986	12 652 187	82 171	88 012	87 979	89 845
Netting agreements						-2 542	-3 312	-2 542	-3 312
Total	**9 061 505**	**4 071 883**	**719 010**	**13 852 398**	**13 089 842**	**98 070**	**103 726**	**90 179**	**90 484**
of which cleared	3 450 682	730 743		4 181 425	3 038 232	2 707	3 587	3 078	3 838

Note 19 Financial instruments carried at fair value

Group 30 Jun 2012 SEKm	Instruments with quoted market prices in active markets (Level 1)	Valuation techniques using observable market data (Level 2)	Valuation techniques using non-observable market data (Level 3)	Total
Determination of fair value from quoted market prices or valuation techniques				
Assets				
Treasury bills and other bills eligible for refinancing with central banks	22 036	247		22 283
Loans to credit institutions	207	28 165		28 372
Loans to the public	922	502 762		503 684
Bonds and other interest-bearing securities	77 664	28 756	334	106 754
Financial assets for which the customers bear the investment risk	101 273			101 273
Shares and participating interests	1 177	94	15	1 286
Derivatives	187	97 883		98 070
Total	**203 466**	**657 907**	**349**	**861 722**
Liabilities				
Amounts owed to credit institutions		17 289		17 289
Deposits and borrowings from the public		43 010		43 010
Debt securities in issue	53 826	36 460		90 286
Financial liabilities for which the customers bear the investment risk		101 837		101 837
Derivatives	562	89 617		90 179
Short positions, securities	17 272			17 272
Total	**71 660**	**288 213**	**0**	**359 873**

The table above contains financial instruments measured at fair value as of 30 June 2012 by valuation level. Level 1 contains financial instruments where fair value is determined on the basis of quoted market prices on an active market. Level 2 contains financial instruments where fair value is determined on the basis of valuation models based on observable market data. Level 3 contains financial instruments where fair value is determined on the basis of valuation models based primarily on observable market data, but in this case also using internal estimates. Level 3 principally contains corporate bonds. For corporate bonds where there is no observable quoted price for the current credit spread, a reasonable assumption is used, such as a comparison with similar counterparties where there is an observable quoted credit spread price.

Group 31 Dec 2011 SEKm	Instruments with quoted market prices in active markets (Level 1)	Valuation techniques using observable market data (Level 2)	Valuation techniques using non-observable market data (Level 3)	Total
Determination of fair value from quoted market prices or valuation techniques				
Assets				
Treasury bills and other bills eligible for refinancing with central banks	24 402	209		24 611
Loans to credit institutions	160	32 309		32 469
Loans to the public		508 682		508 682
Bonds and other interest-bearing securities	80 606	28 762	390	109 758
Financial assets for which the customers bear the investment risk	95 747			95 747
Shares and participating interests	1 768	112	71	1 951
Derivatives	337	103 389		103 726
Total	**203 020**	**673 463**	**461**	**876 944**
Liabilities				
Amounts owed to credit institutions		22 585		22 585
Deposits and borrowings from the public		50 402		50 402
Debt securities in issue	79 709	32 813		112 522
Financial liabilities for which the customers bear the investment risk		96 449		96 449
Derivatives	619	89 865		90 484
Short positions, securities	30 603			30 603
Total	**110 931**	**292 114**	**0**	**403 045**

Note 20 Pledged collateral

Group SEKm	30 Jun 2012	31 Dec 2011	%	30 Jun 2011	%
Loan receivables	689 965	673 410	2	655 716	5
Financial assets pledged for policyholders	100 295	94 971	6	102 992	-3
Other assets pledged	64 501	67 313	-4	52 854	22
Pledged collateral	**854 761**	**835 694**	**2**	**811 562**	**5**

Note 21 Capital adequacy

Swedbank financial companies group SEKm	30 Jun 2012	31 Dec 2011	% or pp	30 Jun 2011	% or pp
Shareholders' equity according to the Group's balance sheet	98 389	97 993	0	95 923	3
Non-controlling interests	155	140	11	135	15
Anticipated dividend	-3 294	-5 825	43	-3 652	10
Deconsolidation of insurance companies	-2 336	-1 980	-18	-1 579	-48
Associated companies consolidated according to purchase method	1 970	1 742	13	1 500	31
Unrealised value changes in financial liabilities due to changes in own creditworthiness	43	-23		-2	
Cash flow hedges	-19	-268	93	116	
Goodwill	-11 064	-11 085	0	-13 375	17
Deferred tax assets	-720	-843	15	-1 016	29
Intangible assets	-1 701	-1 767	4	-1 788	5
Net provisions for reported IRB credit exposures	-724	-748	3	-754	4
Shares deducted from Tier 1 capital	-34	-34	-1	-45	24
Total core Tier 1 capital	**80 665**	**77 302**	**4**	**75 463**	**7**
Tier 1 capital contributions	7 551	7 553	0	6 776	11
of which undated Tier 1 instruments that must be converted in a critical situation	0				
of which Undated Tier 1 instruments without incentives to redeem	535	535	0	536	0
of which Fixed-term Tier 1 instruments or undated Tier 1 instruments with incentives to redeem	7 016	7 018	0	6 240	12
Total Tier 1 capital	**88 216**	**84 855**	**4**	**82 239**	**7**
Undated subordinated loans	1 211	1 616	-25	1 481	-18
Fixed-term subordinated loans	8 289	10 389	-20	12 846	-35
Net provisions for reported IRB credit exposures	-724	-748	3	-754	4
Shares deducted from Tier 2 capital	-34	-34	-1	-45	24
Total Tier 2 capital	**8 742**	**11 223**	**-22**	**13 528**	**-35**
Deduction of shares in insurance companies	-2 898	-2 905	0	-2 907	0
Total capital base	**94 060**	**93 173**	**1**	**92 860**	**1**
Risk-weighted assets	**485 387**	**492 337**	**-1**	**509 326**	**-5**
Capital requirement for credit risks, standardised approach	2 286	2 427	-6	2 549	-10
Capital requirement for credit risks, IRB	30 468	30 850	-1	32 126	-5
Capital requirement for settlement risks	1	1	0	2	-50
Capital requirement for market risks	1 750	1 750	0	1 711	2
of which risks in the trading book outside VaR	516	455	13	620	-17
of which currency risks outside VaR	739	766	-4	796	-7
of which risks where VaR models are applied	495	529	-6	295	68
Capital requirement for operational risks	4 326	4 359	-1	4 359	-1
Capital requirement	**38 831**	**39 387**	**-1**	**40 747**	**-5**
Complement during transition period	22 854	21 154	8	18 843	21
Capital requirement including complement	**61 685**	**60 541**	**2**	**59 590**	**4**
Capital quotient, Basel 2	2.42	2.37	0.06	2.28	0.14
Core Tier 1 capital ratio, %, Basel 2	16.6	15.7	0.9	14.8	1.8
Tier 1 capital ratio, %, Basel 2	18.2	17.2	0.9	16.1	2.0
Total capital adequacy ratio, %, Basel 2	19.4	18.9	0.5	18.2	1.1
Capital quotient, transition rules	1.52	1.54	-0.01	1.56	-0.03
Core Tier 1 capital ratio, %, transition rules	10.5	10.2	0.2	10.1	0.3
Tier 1 capital ratio, %, transition rules	11.4	11.2	0.2	11.0	0.4
Total capital adequacy ratio, %, transition rules	12.2	12.3	-0.1	12.5	-0.3

The Internal Ratings-Based approach (IRB) is applied to the Swedish parts of Swedbank financial companies group, 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. The IRB approach is also applied to the majority of Swedbank's exposure classes in the Baltic countries.

As of 30 June 2012 the Swedbank financial companies group included the Swedbank Group, the EnterCard Group, Sparbanken Rekarne AB, Färs och Frosta Sparbank AB, Swedbank Sjuhärad AB, Vimmerby Sparbank AB, Bankernas Depå AB and Bankomat AB. The insurance companies are included in the Group but not in the financial companies group under the capital adequacy rules.

Swedbank financial companies group Credit risks, IRB SEKm	Exposure after credit risk protection 30 Jun 2012	31 Dec 2011	%	Average risk weighting, % 30 Jun 2012	31 Dec 2011	Capital requirement 30 Jun 2012	31 Dec 2011	%
Institutional exposures	129 924	131 337	-1	14	13	1 440	1 357	6
of which repurchase agreements	1 368	805	70	7	6	8	4	93
of which other lending	128 556	130 532	-2	14	13	1 432	1 353	6
Corporate exposures	424 234	413 739	3	61	64	20 691	21 232	-3
of which repurchase agreements	88	41		8	14	1		25
of which other lending	424 146	413 698	3	61	64	20 690	21 232	-3
Retail exposures	869 186	855 675	2	10	10	7 147	6 983	2
of which repurchase agreements	4	1		51				
of which mortgage lending	789 933	777 816	2	7	7	4 590	4 447	3
of which other lending	79 249	77 858	2	40	41	2 557	2 536	1
Securitisation	1 248	1 598	-22	11	11	11	15	-23
Exposures without counterparties	17 391	17 726	-2	85	89	1 179	1 263	-7
Total credit risks, IRB	**1 441 983**	**1 420 075**	**2**	**26**	**27**	**30 468**	**30 850**	**-1**

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 Financial Supervisory Authority'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.

Capital requirements 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 was largely unchanged compared with the beginning of the year. The average risk-weight for retail exposures was 10 per cent, of which 39 per cent was in the Baltic portfolios and 8 per cent in other portfolios. The risk weight for corporate exposures was 61 per cent, of which 102 per cent was in the Baltic portfolios and 55 per cent for other portfolios. For institutional exposures, the average risk-weight was 36 per cent in the Baltic portfolios and 13 per cent in other portfolios, in total 14 per cent.

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 Financial Supervisory Authority.

The parent company has received such approval and uses 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 approval also comprises the Baltic operations, Swedbank Estonia AS, Swedbank Latvia AS and Swedbank Lithuania AB for general interest rate risks in the trading book and currency risks throughout operations. Exchange rate risks outside the trading book, i.e., in other operations, are excluded in the internal VaR model and estimated according to the standardised approach, as per the Group's internal approach to managing these strategic exchange rate risks.

Operational risk

Swedbank calculates operational risk using the standardised approach. The Swedish Financial Supervisory Authority has stated that Swedbank meets the qualitative requirements to apply this method.

Transition rules

The transition rules, which state that the capital requirement may not fall below 80 per cent of the requirement according to the Basel 1 rules, have been prolonged and their expiry date is not yet decided.

An update to the Swedish capital adequacy rules at the beginning of the year affects, among other things, how preference shares are included in Tier 1 capital. The preference shares Swedbank issued in 2008 are included in core Tier 1 capital amounting to SEK 8.7bn, corresponding to 1.8 percentage points of the core Tier 1 capital ratio as of 30 June 2012. Since the rule change does not alter the view of the loss-absorbing capacity of the preference shares, Swedbank will continue to include them in its reporting of core Tier 1 capital. Swedbank's preference shares will be converted to common shares no later than the first half of 2013.

Note 22 Risks and uncertainties

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

Swedbank has subsidiaries with operations in countries with currencies other than Swedish kronor. Moreover, in Latvia, Lithuania, Russia and Ukraine, a significant share of lending is in foreign currency i.e. euros or US dollars. In the event of a devaluation of the domestic currency in any of these countries, three main factors would 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 is recognised in other comprehensive income, not the consolidated income statement. Thirdly, it would be more difficult for domestic customers to pay the interest and principal on their loans in foreign currency, which would become higher in the local currency. This would eventually lead to higher impairment losses in the subsidiary.

In addition to what is stated in this interim report, detailed descriptions are provided in Swedbank's 2011 annual report and in the annual disclosure on risk management and capital adequacy according to the Basel 2 rules, available on www.swedbank.com.

Note 23 Related-party transactions

During the period normal business transactions were executed between companies in the Group, including other related companies such as associates. Significant associates include the partly owned savings banks. Färs & Frosta Sparbank AB holds 4 030 000 shares in Swedbank AB. The Group's share of these shares has reduced equity in the consolidated statements by SEK 68m.

Other significant relations are with Swedbank's pension funds and Sparinstitutens Pensionskassa SPK, which safeguard employees' post-employment benefits. These related parties use Swedbank for customary banking services.

Note 24 Swedbank's share

	30 Jun 2012	31 Dec 2011	%	30 Jun 2011	%
SWED A					
Share price, SEK	108.60	89.15	22	106.30	2
Number of outstanding ordinary shares	909 016 963	907 421 303	0	922 018 080	-1
Market capitalisation, SEKm	**98 719**	**80 897**	**22**	**98 011**	**1**
SWED PREF					
Share price, SEK	107.90	89.15	21	105.80	2
Number of outstanding preference shares	188 779 759	190 434 519	-1	204 668 968	-8
Market capitalisation, SEKm	**20 369**	**16 977**	**20**	**21 654**	**-6**
SWED C					
Share price, SEK					
Number of outstanding shares	0	0		0	
Market capitalisation, SEKm	**0**	**0**		**0**	
Total market capitalisation, SEKm	**119 088**	**97 874**	**22**	**119 665**	**0**

Repurchased shares have been taken into consideration when calculating the market capitalisation.

Swedbank's share, ticker symbol SWED A and the preference share, ticker symbol SWED PREF, are listed on the OMX Nordic Exchange and traded in the Large cap segment.

Number of outstanding shares	30 Jun 2012	31 Dec 2011	30 Jun 2011
Issued shares			
SWED A	942 616 963	965 190 117	952 325 992
SWED PREF	189 388 759	194 400 060	207 264 185
SWED C	0	1 500 000	1 500 000
Repurchased shares			
SWED A	-33 000 000	-57 168 814	-29 707 912
SWED PREF	0	-3 415 641	-2 045 317
SWED C	0	-1 500 000	-1 500 000
Swedbank's share of associates' holding of shares			
SWED A	-600 000	-600 000	-600 000
SWED PREF	-609 000	-549 900	-549 900
Number of outstanding shares on the closing day	**1 097 796 722**	**1 097 855 822**	**1 126 687 048**

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 into ordinary shares as soon as possible after the Annual General Meeting 2013, however, if applicable, not earlier than the day after the record day for the right to receive the dividend, as resolved at the said Annual General Meeting. Preference shares carry the same voting rights as ordinary shares. During the year 1 595 660 preference shares have been converted to ordinary shares.
Swedbank’s share capital decreased by SEK 610 773 555 in May 2012, through cancellation of own shares equivalent to 24 168 814 ordinary shares, 3 415 641 preference shares and 1 500 000 C shares.

Earnings per share	Q2 2012	Q1 2012	Q2 2011	Jan-Jun 2012	Jan-Jun 2011
Average number of shares					
Average number of shares before dilution	1 097 796 722	1 097 836 122	1 144 082 842	1 097 816 422	1 151 238 754
Weighted average number of shares for dilutive potential ordinary shares resulting from share-based compensation programme	3 626 454	2 526 221	924 941	3 325 491	451 489
Average number of shares after dilution	1 101 423 176	1 100 362 343	1 145 007 783	1 101 141 913	1 151 690 244
Profit, SEKm					
Profit for the period attributable to shareholders of Swedbank	3 162	3 425	3 452	6 587	7 304
Preference dividends on non-cumulative preference shares declared in respect of the period		1 004		1 004	995
Earnings for the purpose of calculating earnings per share	3 162	2 421	3 452	5 583	6 309
Earnings per share, SEK					
Earnings per share before dilution	2.88	2.21	3.02	5.09	5.48
Earnings per share after dilution	2.87	2.20	3.01	5.07	5.48

When calculating earnings per share the preference share dividend is deducted from profit in the period the dividend is declared.

Swedbank AB

Income statement, condensed

Parent company SEKm	Q2 2012	Q1 2012	%	Q2 2011	%	Jan-Jun 2012	Jan-Jun 2011	%
Interest income	6 276	6 654	-6	6 460	-3	12 930	12 597	3
Interest expenses	-3 629	-3 980	-9	-4 000	-9	-7 609	-7 906	-4
Net interest income	**2 647**	**2 674**	**-1**	**2 460**	**8**	**5 321**	**4 691**	**13**
Dividends received *	190	114	67	2 388	-92	304	2 404	-87
Commission income	1 519	1 595	-5	1 402	8	3 114	2 956	5
Commission expenses	-315	-308	2	-400	-21	-623	-707	-12
Net commissions	**1 204**	**1 287**	**-6**	**1 002**	**20**	**2 491**	**2 249**	**11**
Net gains and losses on financial items at fair value	544	1 336	-59	45		1 880	1 058	78
Other income	322	290	11	332	-3	612	1 339	-54
Total income	**4 907**	**5 701**	**-14**	**6 227**	**-21**	**10 608**	**11 741**	**-10**
Staff costs	1 786	1 829	-2	1 687	6	3 615	3 366	7
Other expenses	1 023	1 084	-6	1 171	-13	2 107	2 287	-8
Depreciation/amortisation	146	146	0	81	80	292	161	81
Total expenses	**2 955**	**3 059**	**-3**	**2 939**	**1**	**6 014**	**5 814**	**3**
Profit before impairments	**1 952**	**2 642**	**-26**	**3 288**	**-41**	**4 594**	**5 927**	**-22**
Impairment of financial fixed assets	356	19				375	-223	
Credit impairments	134	18		-61		152	-182	
Operating profit	**1 462**	**2 605**	**-44**	**3 349**	**-56**	**4 067**	**6 332**	**-36**
Appropriations	29	29	0			58		
Tax expense	551	640	-14	311	77	1 191	1 207	-1
Profit for the period	**882**	**1 936**	**-54**	**3 038**	**-71**	**2 818**	**5 125**	**-45**

* During the second quarter of 2011 the Estonian subsidiary Swedbank AS approved a one-off distribution to the parent company of profits originally attributable to the operations in Latvia and Lithuania, and which were taxed there. Such a distribution is not subject to any further taxation.

Statement of comprehensive income, condensed

Parent company SEKm	Q2 2012	Q1 2012	%	Q2 2011	%	Jan-Jun 2012	Jan-Jun 2011	%
Profit for the period reported via income statement	**882**	**1 936**	**-54**	**3 038**	**-71**	**2 818**	**5 125**	**-45**
Cash flow hedges:								
Gains/losses arising during the period	-10	-23	57	-39	74	-33	-4	
Reclassification adjustments to income statement, net interest income	49	72	-32	88	-44	121	189	-36
Income tax relating to components of other comprehensive income	-10	-13	23	-12	17	-23	-48	52
Other comprehensive income for the period, net of tax	**29**	**36**	**-19**	**37**	**-22**	**65**	**137**	**-53**
Total comprehensive income for the period	**911**	**1 972**	**-54**	**3 075**	**-70**	**2 883**	**5 262**	**-45**

Balance sheet, condensed

Parent company SEKm	30 Jun 2012	31 Dec 2011	%	30 Jun 2011	%
Assets					
Cash and balance with central banks	125 207	154 392	-19	3 660	
Loans to credit institutions	326 967	325 896	0	480 322	-32
Loans to the public	349 927	342 394	2	311 276	12
Interest-bearing securities	131 779	136 530	-3	146 243	-10
Shares and participating interests	60 708	60 711	0	52 186	16
Derivatives	116 898	119 320	-2	73 041	60
Other assets	18 962	15 935	19	17 483	8
Total assets	**1 130 448**	**1 155 178**	**-2**	**1 084 211**	**4**
Liabilities and equity					
Amounts owed to credit institutions	192 757	200 430	-4	183 423	5
Deposits and borrowings from the public	460 261	459 720	0	431 769	7
Debt securities in issue	251 639	251 764	0	267 397	-6
Derivatives	111 262	111 752	0	66 812	67
Other liabilities and provisions	34 424	46 256	-26	48 324	-29
Subordinated liabilities	17 408	19 833	-12	21 076	-17
Untaxed reserves	2 730	2 672	2	805	
Equity	59 967	62 751	-4	64 605	-7
Total liabilities and equity	**1 130 448**	**1 155 178**	**-2**	**1 084 211**	**4**
Pledged collateral	64 452	74 479	-13	61 789	4
Other assets pledged	1 993	3 249	-39	1 911	4
Contingent liabilities	574 986	560 835	3	528 570	9
Commitments	163 436	161 709	1	163 125	0

Statement of changes in equity, condensed

Parent company SEKm	Share capital	Share premium reserve	Statutory reserve	Cash flow hedges	Retained earnings	Total
Opening balance 1 January 2011	**24 351**	**13 083**	**6 489**	**-306**	**22 142**	**65 759**
Dividend					-2 995	-2 995
New share issue	32					32
Reversal of VAT costs incurred on rights issue 2009		35				35
Repurchased shares					-3 580	-3 580
Share based payments to employees					92	92
Total comprehensive income for the period				137	5 125	5 262
Closing balance 30 June 2011	**24 383**	**13 118**	**6 489**	**-169**	**20 784**	**64 605**
Opening balance 1 January 2011	**24 351**	**13 083**	**6 489**	**-306**	**22 142**	**65 759**
Dividend					-2 995	-2 995
New share issue	32					32
Reversal of VAT costs incurred on rights issue 2009		35				35
Repurchased shares					-6 180	-6 180
Share based payments to employees					159	159
Total comprehensive income for the period				183	5 758	5 941
Closing balance 31 December 2011	**24 383**	**13 118**	**6 489**	**-123**	**18 884**	**62 751**
Opening balance 1 January 2012	**24 383**	**13 118**	**6 489**	**-123**	**18 884**	**62 751**
Dividend					-5 825	-5 825
Decrease share capital	-611				611	
Bonus issue	1 132		-521		-611	
Share based payments to employees					158	158
Total comprehensive income for the period				65	2 818	2 883
Closing balance 30 June 2012	**24 904**	**13 118**	**5 968**	**-58**	**16 035**	**59 967**

In connection to the rights issue in 2009 an assessment was made on the VAT Swedbank AB would have to pay on the transaction costs. This assessment was changed in the second quarter 2011 based on a new tax case ruling. The VAT provision decreased by SEK 35m. The amount includes increased income tax of SEK 12m.

Cash flow statement, condensed

Parent company SEKm	Jan-Jun 2012	Full-year 2011	Jan-Jun 2011
Cash flow from operating activities	-24 938	181 337	2 712
Cash flow from investing activities	2 916	6 111	13 021
Cash flow from financing activities	-7 163	-37 758	-16 773
Cash flow for the period	**-29 185**	**149 690**	**-1 040**
Cash and cash equivalents at beginning of period	154 392	4 702	4 702
Cash flow for the period	-29 185	149 690	-1 040
Cash and cash equivalents at end of period	**125 207**	**154 392**	**3 662**

Capital adequacy

Parent company SEKm	30 Jun 2012	31 Dec 2011	% or pp	30 Jun 2011	% or pp
Core Tier 1 capital	56 204	57 521	-2	59 803	-6
Tier 1 capital contribution	7 551	7 553	0	6 776	11
Total Tier 1 capital	**63 755**	**65 074**	**-2**	**66 579**	**-4**
Tier 2 capital	9 186	11 572	-21	13 406	-31
Settlements, equities, etc.	-2 904	-2 902	0	-2 902	0
Total capital base	**70 037**	**73 744**	**-5**	**77 083**	**-9**
Risk-weighted assets	**346 525**	**365 013**	**-5**	**377 207**	**-8**
Capital requirement	**27 722**	**29 201**	**-5**	**30 177**	**-8**
Capital requirement including complement	**27 722**	**29 201**	**-5**	**30 177**	**-8**
Capital quotient*	2.53	2.53	0.00	2.55	-0.03
Core Tier 1 capital ratio, %*	16.2	15.8	0.5	15.9	0.4
Tier 1 capital ratio, %*	18.4	17.8	0.6	17.7	0.7
Total capital adequacy ratio, %*	20.2	20.2	0.0	20.4	-0.2

* Key ratios refer to both transition rules and Basel 2.

Signatures of the Board of Directors and the President

The Board of Directors and the President certify that the interim report for January-June 2012 provides a fair and accurate overview of the operations, financial position and results of the parent company and the Group and describes the significant risks and uncertainties faced by the parent company and the companies in the Group.

Stockholm, 17 July 2012

Lars Idermark Chair	Anders Sundström Deputy Chair

Olav Fjell Board Member	Ulrika Francke Board Member	Göran Hedman Board Member
Anders Igel Board Member	Pia Rudengren Board Member	Charlotte Strömberg Board Member
Karl-Henrik Sundström Board Member	Siv Svensson Board Member	Kristina Janson Board Member Employee Representative
Jimmy Johnsson Board Member Employee Representative	Michael Wolf President	

Review report

Introduction

We have reviewed the interim report for Swedbank AB (publ) for the period 1 January to 30 June 2012. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. 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 company's auditors. A review consists of making inquiries, primarily with 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 ISA 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 the Group is not, in all material aspects, in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies and as regards the parent company in accordance the Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm, 17 July 2012

Deloitte AB

Svante Forsberg
Authorised Public Accountant

Publication of financial information

The Group's financial reports can be found on www.swedbank.com/ir or www.swedbank.com

Swedbank will publish financial results on the following dates in 2012:

Interim report for the third quarter 2012 on 23 October 2012

Swedbank will publish financial results on the following dates in 2013:

Year-end report for 2012 on 30 January 2013
Interim report for the first quarter 2013 on 23 April 2013
Interim report for the second quarter 2013 on 17 July 2013
Interim report for the third quarter 2013 on 22 October 2013

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Information on Swedbank's strategy, values and shares is also available on www.swedbank.com

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