

# Q4 2017

Year-end report 2017, 6 February 2018

Swedbank 

## Interim report for the fourth quarter 2017

Fourth quarter 2017 compared with third quarter 2017

- Increased mortgage volumes lifted net interest income
- Net commission income benefited from a bullish stock market and PayEx
- FX effects and slow fixed income and currency trading weighed down net gains and losses on financial items
- Restructuring reserve increased costs
- Good credit quality
- Stronger capitalisation
- Proposed dividend per share of SEK 13.00 (13.20)

“To be more competitive and increase customer value, we have decided to accelerate the pace of investment and devote more resources to digitisation and automation of daily banking services”

Birgitte Bonnesen,  
President and CEO

Financial information SEKm	Q4 2017	Q3 2017	%	Full-year 2017	Full-year 2016	%
<b>Total income</b>	<b>10 976</b>	<b>10 418</b>	<b>5</b>	<b>42 438</b>	<b>40 821</b>	<b>4</b>
Net interest income	6 326	6 208	2	24 595	22 850	8
Net commission income	3 291	2 917	13	12 030	11 333	6
Net gains and losses on financial items at fair value <sup>2)</sup>	356	525	-32	1 934	2 231	-13
Other income <sup>1)2)3)</sup>	1 003	768	31	3 879	4 407	-12
<b>Total expenses</b>	<b>4 563</b>	<b>3 883</b>	<b>18</b>	<b>16 415</b>	<b>15 627</b>	<b>5</b>
Profit before impairments	6 413	6 535	-2	26 023	25 194	3
Impairment of intangible and tangible assets	86	107	-20	196	66	
Credit impairments	311	235	32	1 285	1 367	-6
Tax expense	1 277	1 444	-12	5 178	4 209	23
<b>Profit for the period attributable to the shareholders of Swedbank</b>	<b>4 737</b>	<b>4 743</b>	<b>0</b>	<b>19 350</b>	<b>19 539</b>	<b>-1</b>
Earnings per share, SEK, after dilution	4.23	4.24		17.30	17.50	
Return on equity, %	14.4	15.0		15.1	15.8	
C/I ratio	0.42	0.37		0.39	0.38	
Common Equity Tier 1 capital ratio, %	24.6	23.9		24.6	25.0	
Credit impairment ratio, %	0.08	0.06		0.08	0.09	

<sup>1)</sup> One-off income from sale of Hemnet of SEK 680m in first quarter 2017.

<sup>2)</sup> One-off income from VISA of SEK 2 115m in second quarter 2016, of which Net gains and losses on financial items at fair value SEK 457m and Other income SEK 1 658m.

<sup>3)</sup> Other income in the table above includes the items Net insurance, Share of profit or loss of associates, and Other income from the Group income statement

## CEO Comment

In the last quarter of 2017 we continued to introduce solutions that provide greater customer value. The payment service provider we acquired, PayEx, is being integrated and product solutions are being offered to our customers. Our virtual assistant, Nina, is now available in our Internet Bank. Our cooperation with the fintech company Mina Tjänster has led to the launch of a Subscription Helper in our app for private customers, who now get a better overview and can cost efficiently manage their subscriptions.

We have also launched a platform for Open Banking. By inviting fintech companies, developers and other entrepreneurs to test their ideas on the platform, we can capitalise on the opportunities created by the EU's second Payment Services Directive (PSD2) and increase customer value together with third parties at a faster pace than before.

At the end of the year we announced a startup accelerator programme we are hosting in Riga together with the investment company Startup Wise Guys. The aim is to develop a structure for third-party collaborations by generating new ideas with partners that share our passion for creating customer value. The application period is now closed and the programme will start in spring 2018.

### **Our social engagement is deeply rooted**

Sustainability and social engagement are deeply integrated in our business. During the quarter, for example, we issued our first EUR 500 million, 5-year green bond. The proceeds will be used mainly to finance renewable energy projects such as wind power.

We were also recognised by the Fair Finance Guide, where Swedbank topped a ranking of Swedish banks based on the sustainability requirements they place on companies they finance or invest in, as well as how transparently the banks report their sustainability work. One award we received during the quarter that I am especially proud of is Anna's Gender Equality Prize. It reaffirms that we are an inclusive bank and was given to us for our dedicated and long-term commitment, which has led to concrete success in the field of gender equality and diversity.

### **Solid growth in our home markets**

Sweden and the Baltic countries have continued to benefit from positive global economic development, mainly through stronger exports. This is positive for employment, which is increasing in all four of our home markets.

The Swedish housing market was again the focus during the quarter. We welcome the current normalisation, since the trend in recent years is not sustainable. The Swedish economy's solid growth, robust labour market, low interest rate levels and strong household finances provide very good prospects this adjustment. At the same time there is still demand for less expensive housing owing to population growth and the urbanisation trend.

### **Strong financial result**

Profit for the quarter was strong. Mortgage volumes grew in Sweden and the Baltic countries, while corporate lending was stable with a focus on profitability. Commission income strengthened as a result of rising equity prices and because PayEx was included in the result for the entire quarter. Currency and fixed income trading were weaker due to lower customer activity.

Our cost efficiency remains high. Excluding the SEK 300m restructuring reserve reported during the quarter for the reorganisation of our IT and development units, we reached our cost target for the full year of SEK 16.1bn.

Credit quality remains good in all our home markets.

Our capital position was further strengthened in the quarter and our buffer vis-à-vis the Swedish Financial Supervisory Authority's minimum requirements increased. Together with our stable profitability, this enabled the Board of Directors to propose for the sixth consecutive year that 75 per cent of profit for the year be distributed to shareholders. This corresponds to a dividend of SEK 13.00 per share for the financial year 2017.

### **We are picking up the pace**

To be more competitive and increase customer value, we have decided to accelerate the pace of investment and devote more resources to digitisation and automation of our daily banking services. The high level of activity that distinguished last year has continued in 2018. We will strengthen our competence in information and data analysis in order to proactively design individualised solutions for our customers. In the payments area we will utilise the PayEx platform we acquired to further improve our e-commerce offering. Our virtual assistant Nina and robots will be further developed so that they can be used more broadly in our operations, with the aim of further improving process efficiencies and increasing customer value.

To make our development work more efficient and realise greater value from our investments, we completed a reorganisation of our IT and business development units in the fourth quarter. The new organisation, which primarily transfers IT development resources to the business operations, will strengthen our delivery capacity.

Remaining the market leader in cost efficiency is one of our most important financial goals. The investments we will make in coming years and our ongoing cost efficiencies will ensure that we retain this competitive advantage. Our goal is to keep costs below SEK 17bn in both 2018 and 2019.



Birgitte Bonnesen  
President and CEO

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More detailed information can be found in Swedbank's Fact book, [www.swedbank.com/ir](http://www.swedbank.com/ir), under Financial information and publications.

## Financial overview

Income statement SEKm	Q4	Q3	%	Q4	%	Full-year	Full-year	%
	2017	2017		2016		2017	2016	
Net interest income	6 326	6 208	2	6 000	5	24 595	22 850	8
Net commission income	3 291	2 917	13	3 055	8	12 030	11 333	6
Net gains and losses on financial items at fair value	356	525	-32	285	25	1 934	2 231	-13
Other income <sup>1)</sup>	1 003	768	31	607	65	3 879	4 407	-12
<b>Total income</b>	<b>10 976</b>	<b>10 418</b>	<b>5</b>	<b>9 947</b>	<b>10</b>	<b>42 438</b>	<b>40 821</b>	<b>4</b>
Staff costs	2 697	2 414	12	2 440	11	9 945	9 376	6
Other expenses	1 866	1 469	27	1 717	9	6 470	6 251	4
<b>Total expenses</b>	<b>4 563</b>	<b>3 883</b>	<b>18</b>	<b>4 157</b>	<b>10</b>	<b>16 415</b>	<b>15 627</b>	<b>5</b>
<b>Profit before impairments</b>	<b>6 413</b>	<b>6 535</b>	<b>-2</b>	<b>5 790</b>	<b>11</b>	<b>26 023</b>	<b>25 194</b>	<b>3</b>
Impairment of intangible assets	79	96	-18	35		175	35	
Impairment of tangible assets	7	11	-36	21	-67	21	31	-32
Credit impairments, net	311	235	32	593	-48	1 285	1 367	-6
<b>Operating profit</b>	<b>6 016</b>	<b>6 193</b>	<b>-3</b>	<b>5 141</b>	<b>17</b>	<b>24 542</b>	<b>23 761</b>	<b>3</b>
Tax expense	1 277	1 444	-12	996	28	5 178	4 209	23
Profit for the period	4 739	4 749	0	4 145	14	19 364	19 552	-1
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>4 737</b>	<b>4 743</b>	<b>0</b>	<b>4 142</b>	<b>14</b>	<b>19 350</b>	<b>19 539</b>	<b>-1</b>

<sup>1)</sup> Other income in the table above includes the items Net insurance, Share of profit or loss of associates, and Other income from the Group income statement.

Key ratios and data per share	Q4	Q3	Q4	Full-year	Full-year
	2017	2017	2016	2017	2016
Return on equity, % <sup>1)</sup>	14.4	15.0	13.1	15.1	15.8
Earnings per share before dilution, SEK <sup>2)</sup>	4.25	4.26	3.73	17.38	17.60
Earnings per share after dilution, SEK <sup>2)</sup>	4.23	4.24	3.70	17.30	17.50
C/I ratio	0.42	0.37	0.42	0.39	0.38
Equity per share, SEK <sup>2)</sup>	119.8	115.7	116.6	119.8	116.6
Loan/deposit ratio, %	177	164	186	177	186
Common Equity Tier 1 capital ratio, %	24.6	23.9	25.0	24.6	25.0
Tier 1 capital ratio, %	27.3	26.5	28.7	27.3	28.7
Total capital ratio, %	30.7	30.9	31.8	30.7	31.8
Credit impairment ratio, % <sup>3)</sup>	0.08	0.06	0.15	0.08	0.09
Share of impaired loans, gross, %	0.55	0.55	0.52	0.55	0.52
Total provision ratio for impaired loans, %	45	45	46	45	46
Liquidity coverage ratio (LCR), % <sup>4)</sup>	173	145	156	173	156
Net stable funding ratio (NSFR), %	110	109	108	110	108

<sup>1)</sup> Average shareholders' equity can be found on pages 74-75 in the Fact book.

<sup>2)</sup> The number of shares and calculation of earnings per share are specified on page 46.

<sup>3)</sup> For more information about the credit impairment ratio, see page 43 of the Fact book.

<sup>4)</sup> LCR - calculated in accordance with SFSA's regulations (FFFS 2012:6.).

Definitions of all key ratios can be found in Swedbank's Fact book on page 82.

Balance sheet data SEKbn	31 Dec	31 Dec	%
	2017	2016	
Loans to the public, excluding the Swedish National Debt Office and repurchase agreements	1 502	1 453	3
Deposits and borrowings from the public, excluding the Swedish National Debt Office and repurchase agreements	847	782	8
Shareholders' equity	133	130	3
Total assets	2 213	2 154	3
Risk exposure amount	408	394	4

## Overview

### Market

The global economy strengthened in the last quarter of 2017 and stock markets rose. The OMXS 30 index climbed on average for the quarter, but the trend was negative in absolute terms.

Eurozone GDP continued to grow and unemployment fell to the lowest level in nearly 10 years. Crude oil reached USD 65 a barrel at the end of December 2017, the highest level since 2014. The US central bank, the Federal Reserve, which began to reduce its balance sheet last autumn, raised its benchmark interest rate in December for the third time in 2017. The European Central Bank, ECB, decided on the other hand to keep its benchmark rate unchanged at 0 per cent and reduce its bond buying by an additional EUR 30bn a month. Statements from several ECB board members on the possibility that bond purchases could end in 2018 strengthened the euro against the dollar.

The Swedish economy also continued to grow. Growth was driven by a significant jump in investment, with housing accounting for the biggest gains, at the same time that exports and industrial production broadened in the wake of stronger global conditions. The labour market continued to report robust job growth, with just over 110 000 more people employed in November than a year earlier. Despite widespread labour shortages, wage growth was modest. The inflation rate fell in the fourth quarter. The CPIF (consumer price index at fixed interest rates) was 1.9 per cent in December, compared with the Riksbank's target of 2 per cent. While the Riksbank has become more comfortable with inflation and growth, it is maintaining an expansionary monetary policy and the repo rate stayed unchanged at -0.5 per cent in 2017. The fixed income market was mixed. The 3-month Stockholm Interbank Offered Rate (Stibor) fell on average during the quarter, while the yield on 10-year government bonds rose. The krona weakened in the quarter against both the euro and the dollar.

The housing supply in Sweden increased, and at the end of the year prices of both tenant-owner rights and single-family homes began to fall. For the country as a whole, prices fell 2.5 per cent in December 2017 compared with December 2016. The decline was especially evident for tenant owner rights, where prices were down 6.5 per cent, while single-family home prices noted a marginal increase. Consumer confidence continued to rise, however, as did retail sales. Household lending, which slowed somewhat in the first half of 2017, turned slightly higher in the second half-year to an annual rate of 7.0 per cent in December for the market as a whole. Mortgage lending grew 7.2 per cent at an annual rate in December.

The Baltic economies continued to report robust growth. The highest growth rate was in Latvia, where GDP rose 5.8 per cent in the third quarter compared with 2016, followed by Estonia (4.2 per cent) and Lithuania (3.1 per cent). Latvia's high growth was driven by a big investment increase in the transport equipment sector. Growth in the three countries broadened from being mostly domestically driven to also include stronger exports in the wake of improved global economic conditions. Investment strengthened thanks to increased flows from the EU's structural funds and

higher capacity utilisation in the private sector. Consumer spending is supported from higher wages and falling unemployment, although the rising inflation rate is cutting into real wage growth. The inflation rate rose due to stronger domestic demand, rising wages, tax hikes and higher global commodity prices. In December the inflation rate was 3.9 per cent in Lithuania, 3.4 per cent in Estonia and 2.2 per cent in Latvia.

### Important to note

The Board of Directors has proposed a dividend of SEK 13.00 (13.20) per share for the financial year 2017. This corresponds to a dividend payout ratio of 75 per cent. The proposed record day for the dividend is 26 March 2018. The last day for trading in Swedbank's shares with the right to the dividend is 22 March. If the Annual General Meeting accepts the Board of Directors' proposal, the dividend is expected to be paid out by Euroclear on 29 March. Swedbank's Annual General Meeting will be held on Thursday 22 March 2018 at 11am at Cirkus, Djurgårdsslätten 43-45, Stockholm. Further information on Swedbank's Annual General Meeting, will be available at [www.swedbank.com](http://www.swedbank.com) under the heading Investor relations/annual general meeting.

To streamline IT development and more quickly respond to changing customer preferences, Swedbank is making organisational changes. IT and business development resources will work more closely together. As a result, a restructuring reserve of SEK 300m was allocated, which was expensed in the fourth quarter.

Swedbank's goal, in order to stay competitive long-term and increase customer value, is to be the market leader in cost efficiency. Since Swedbank intends to further strengthen its customer offering through digitisation and automation of day-to-day banking services, the level of investment is expected to grow in the next few years. The target is to keep costs below SEK 17bn in both 2018 and 2019.

Swedbank will apply the new reporting standard IFRS 9 Financial Instruments for the financial year 2018. IFRS 9 replaces IAS 39 and contains among other things new rules on the classification and measurement of financial instruments. Swedbank's view is that the application of IFRS 9 will reduce own equity by SEK 2,1bn and have a negative effect on the Common Equity Tier 1 capital ratio of 0.06 percentage points. For more information on IFRS 9, see Note 1 Accounting policies on page 26.

The interim report contains alternative performance measures that Swedbank considers valuable information for the reader, since they are used by the executive management for internal governance and performance measurement as well as for comparisons between reporting periods. Further information on the alternative performance measures used in the interim report can be found on page 58.

## Group development

### Result fourth quarter 2017 compared with third quarter 2017

Swedbank reported profit of SEK 4 737m in the fourth quarter 2017, compared with SEK 4 743m in the previous quarter. Higher net interest and commission income positively affected income but was offset by higher expenses due to the restructuring reserve allocated due to changes in Swedbank's IT organisation. FX changes positively affected profit by SEK 27m as the Swedish krona weakened on average against the euro and the US dollar during the quarter.

The return on equity was 14.4 per cent (15.0) and the cost/income ratio was 0.42 (0.37).

Income increased to SEK 10 976m (10 418) mainly due to higher net interest and commission income, but other income contributed as well. PayEx positively affected income by SEK 86m.

Net interest income rose 2 per cent to SEK 6 326m (6 208) mainly due to increased lending volumes and positive FX effects. The margin in the Swedish mortgage portfolio was stable.

Net commission income rose 13 per cent to SEK 3 291m (2 917). Higher asset management income due to rising equity prices and annual performance based fees accounted for most of the increase. Net commission income from securities trading contributed to the increase as well. PayEx contributed to the increase in commission income of SEK 70m. Card commissions were somewhat lower since the previous quarter was positively affected by increased travel in the summer months.

Net gains and losses on financial items at fair value decreased to SEK 356m (525). Within Large Corporates & Institutions net gains and losses on financial items fell due to negative valuation adjustments (CVA) in the derivative portfolio and because the third quarter was positively affected by FX effects. Fixed income and FX trading was slow at the beginning of the quarter but benefited from increased volatility at the end of the year. The result for Group Treasury was positive due to positive valuation effects from currency swaps. Net gains and losses on financial items were also negatively affected by SEK 85m when FX effects from Ektornet's net investment in foreign operations were reclassified to profit or loss from other comprehensive income after the investments were ended.

Other income increased to SEK 1 003m (768). The main reasons were higher net insurance due to lower provisions within the life insurance business and a higher result for Entercard.

Expenses amounted to SEK 4 563m (3 883). Staff costs increased to SEK 2 697m (2 414) as a restructuring reserve of SEK 300m was established during the quarter due to changes in the IT organisation. Other expenses were seasonally higher, partly due to increased expenses for travel and marketing. PayEx contributed to the increase in total expenses of SEK 125m.

Credit impairments amounted to SEK 311m (235) mainly due to provisions for individual commitments

within Swedish Banking. Credit impairments fell within Large Corporates & Institutions while Baltic Banking reported net recoveries.

Impairment of intangible assets amounted to SEK 79m (96), a large part of which relates to impairments associated with earlier acquisitions of fund and deposit volumes. Impairment of tangible assets amounted to SEK 7m (11).

The tax expense amounted to SEK 1 277m (1 444), corresponding to an effective tax rate of 21.2 per cent (23.3). The difference in the effective tax rate between quarters is largely because the third quarter was affected by an increased tax expense owing to the change in dividend policy in Estonia, calculated on the cumulative result until the end of September 2017. The corresponding tax expense calculation for the fourth quarter is based on the result for the period October-December 2017. The Group's effective tax rate is estimated at 21-23 per cent in the medium term.

### Result full-year 2017 compared with full-year 2016

Profit decreased to SEK 19 350m, compared with SEK 19 539m in the equivalent period in 2016, mainly because the 2016 result was positively affected by a gain of SEK 2 115m on the sale of Visa Europe.

The table below shows profit excluding the gains on the sales of Hemnet in 2017 and Visa in 2016. Adjusted for this one-off income, profit rose, mainly thanks to stronger net interest and commission income. FX changes increased profit by SEK 68m.

The return on equity was 15.1 per cent (15.8) and the cost/income ratio was 0.39 (0.38). Excluding one-off income, the return on equity was 14.6 per cent (14.3).

Income statement, SEKm	Full-year 2017	Full-year 2017 excl. income Hemnet	Full-year 2016	Full-year 2016 excl. income VISA
Net interest income	24 595	24 595	22 850	22 850
Net commission income	12 030	12 030	11 333	11 333
Net gains and losses on financial items at fair value	1 934	1 934	2 231	1 774
of which VISA			457	
Share of profit or loss of associates	971	971	2 467	809
of which VISA			1 658	
Other income <sup>1)</sup>	2 908	2 228	1 940	1 940
of which Hemnet	680			
<b>Total income</b>	<b>42 438</b>	<b>41 758</b>	<b>40 821</b>	<b>38 706</b>
<b>Total expenses</b>	<b>16 415</b>	<b>16 415</b>	<b>15 627</b>	<b>15 627</b>
Impairments	1 481	1 481	1 433	1 433
<b>Operating profit</b>	<b>24 542</b>	<b>23 862</b>	<b>23 761</b>	<b>21 646</b>
Tax expense	5 178	5 178	4 209	4 209
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>19 350</b>	<b>18 670</b>	<b>19 539</b>	<b>17 424</b>
Return on equity	15.1	14.6	15.8	14.3
Cost/Income ratio	0.39	0.39	0.38	0.40

<sup>1)</sup> Other income in the table above includes the items Net insurance and Other income from the Group income statement.

Income increased 4 per cent to SEK 42 438m (40 821). Excluding one-off items income rose 8 per cent.

FX changes raised income by SEK 152m.

Net interest income rose 8 per cent to SEK 24 595m (22 850). The increase was mainly due to higher lending volumes and margins on Swedish mortgages. The increase in the resolution fund fee of SEK 559m had a negative effect on net interest income.

Net commission income rose 6 per cent to SEK 12 030m (11 333) mainly due to increased asset management income as a result of a bullish stock market. Increased card income also contributed positively, while lower commissions from corporate finance and securities trading had a negative effect. The acquisition of PayEx positively affected net commission income by SEK 143m.

Net gains and losses on financial items at fair value fell to SEK 1 934m (2 231) mainly because of the positive effect of the Visa Europe sale on Group Treasury's result in 2016.

Other income decreased to SEK 3 879m (4 407) mainly due to the income from the Visa sale in the same period in 2016.

Expenses rose to SEK 16 415m (15 627) mainly due to increased staff costs. A restructuring reserve of SEK 300m was established during the year due to changes in the IT organisation. PayEx added SEK 194m to expenses. FX effects raised expenses by SEK 64m.

Credit impairments fell to SEK 1 285m (1 367) due to lower provisions for oil related commitments within Large Corporates & Institutions. Credit impairments increased in Swedish Banking due to provisions for a number of individual commitments while Baltic Banking reported net recoveries.

The tax expense amounted to SEK 5 178m (4 209), corresponding to an effective tax rate of 21.1 per cent (17.7). The effective tax rate for 2017 was affected by the tax-exempt capital gain on the Hemnet sale, the elimination of the interest deduction on subordinated liabilities in 2017, and the new dividend policy in Estonia. The equivalent period in 2016 was affected by Swedbank's membership in Visa, which generated tax-exempt income from the sale of shares in Visa Europe. The Group's effective tax rate is estimated at 21-23 per cent in the medium term.

## Volume trend by product area

Swedbank's main business is organised in two product areas: Group Lending & Payments and Group Savings.

### Lending

Total lending to the public, excluding repos and lending to the Swedish National Debt Office, rose SEK 14bn to SEK 1 502bn (1 488) compared with the third quarter. Compared with 31 December 2016 the increase was SEK 49bn, corresponding to growth of 3 per cent.

Lending to mortgage customers within Swedish Banking increased SEK 13bn to SEK 760bn (747) compared with 30 September. The total market share was 24 per cent (25 per cent as of 31 December 2016). In Baltic Banking mortgage volume grew 3 per cent in local currency to the equivalent of SEK 69bn.

Other private lending, including to tenant-owner associations, fell SEK 1bn in the quarter.

<b>Loans to the public excl. the Swedish National Debt Office and repurchase agreements, SEKbn</b>	<b>31 Dec 2017</b>	<b>30 Sep 2017</b>	<b>31 Dec 2016</b>
Loans, private mortgage	829	813	783
of which Swedish Banking	760	747	719
of which Baltic Banking	69	66	64
of which Large Corporates & Inst.			
Loans, private other incl tenant-owner associations	152	153	149
of which Swedish Banking	138	139	138
of which Baltic Banking	13	13	11
of which Large Corporates & Inst.	1	1	
Loans, corporate <sup>1)</sup>	521	522	521
of which Swedish Banking	252	252	278
of which Baltic Banking	67	67	65
of which Large Corporates & Inst.	202	203	178
<b>Total</b>	<b>1 502</b>	<b>1 488</b>	<b>1 453</b>

<sup>1)</sup> A number of larger corporate clients were moved from Swedish Banking to Large Corporates & Institutions during Q1 2017. Business volumes of SEK 30bn were moved between the business segments. No restatement of historical comparative figures has been made.

Swedish consumer loan volume amounted to SEK 30bn (31), corresponding to a market share of about 9 per cent. Consumer loans include unsecured loans as well as loans secured by a car or a boat. The Baltic consumer loan portfolio grew 1 per cent in the quarter in local currency to the equivalent of SEK 7.9bn.

Corporate lending fell SEK 1bn in the quarter to SEK 521bn. Corporate lending was stable within Swedish Banking and Baltic Banking, but fell SEK 1bn within Large Corporates & Institutions. In Sweden the market share was 17 per cent as of 31 December 2017 (19 per cent as of 31 December 2016).

For more information on lending, see page 36 of the Fact book.

### Payments

The total number of Swedbank cards in issue at the end of the quarter was 8.0 million, unchanged compared with the end of the third quarter. Compared with the fourth quarter 2016 the number of cards in issue rose 1 per cent.

In Sweden the number of cards in issue was 4.2 million at the end of the fourth quarter. Compared with the equivalent period in 2016, corporate card issuance rose 1 per cent and household card issuance rose 2 per cent. The increase in the number of household cards is largely driven by the growing number of young people who sign up for cards. The bank's many small business customers offer further growth potential in the corporate card issuance business. In the Baltic countries the number of cards in issue was 3.8 million.

<b>Number of cards</b>	<b>31 Dec 2017</b>	<b>30 Sep 2017</b>	<b>31 Dec 2016</b>
Issued cards, million	8.0	8.0	8.0
of which Sweden	4.2	4.2	4.2
of which Baltic countries	3.8	3.8	3.8

A total of 323 million purchases were made in Sweden with Swedbank cards in the fourth quarter, an increase of 7 per cent compared with the fourth quarter 2016. In the Baltic countries there were 126 million Swedbank card purchases, an increase of 12 per cent.

The number of acquired card transactions also increased year-on-year. In the Nordic countries the

number of Swedbank acquired card transactions was 655 million in the fourth quarter, up 11 per cent from the fourth quarter 2016. In the Baltic countries the corresponding figures were 92 million and 10 per cent.

The share of retail payments made by card for the market as a whole exceeds 85 per cent in Sweden and 50 per cent in Estonia, while in Latvia and Lithuania the figures are slightly lower but rapidly rising. Swedbank is working actively to increase card payments in stores by encouraging more retailers to accept cards and advising customers to pay by card. The number of payments by Swedbank-issued card is increasing in all our home markets.

To make it easier for customers to pay for small purchases by card, Swedbank offers contactless cards. The Baltic launch was in 2016. In Sweden contactless functionality is being added to all replacement cards and newly issued cards as of 2017. At the same time payment terminals in stores are being upgraded to accept contactless cards. In the Baltic countries more than 50 per cent of terminals support contactless payments. In Sweden the corresponding figure is currently over 40 per cent, but the number of contactless terminals is expected to grow quickly and reach more than 50 per cent of stores in 2018.

The number of domestic payments rose 13 per cent in Sweden and 5 per cent in the Baltic countries compared with the fourth quarter 2016. Swedbank's market share of payments through the Bankgiro system was 36 per cent. The number of international payments rose 8 per cent in Sweden and 19 per cent in the Baltic countries compared with the fourth quarter 2016.

The acquisition of the payment service provider PayEx was finalised in mid-August after the deal was approved by regulatory authorities. The acquisition complements Swedbank's payment and financing services, primarily through PayEx's PSP service and solutions for invoicing and instalment payments. It also creates opportunities to continue developing attractive long-term payment services for retailers and their customers.

Work was started last autumn to facilitate the sale of PayEx's services through Swedbank's distribution channels. In November the PayEx One e-commerce solution was launched in Swedbank for all segments. PayEx Butikskonto, an instalment payment product for retailers, was introduced in December with sales to retailers slated to begin in January. Further launches are scheduled in 2018.

### Savings

Total deposits within the business segments – Swedish Banking, Baltic Banking and Large Corporates & Institutions – rose SEK 18bn to SEK 838bn (820) compared with the end of the third quarter. Total deposits from the public, including volumes attributable to Group Treasury within Group Functions & Other, decreased SEK 63bn in the quarter to SEK 847bn (910).

<b>Deposits from the public excl. the Swedish National Debt Office and repurchase agreements, SEKbn</b>	<b>31 Dec 2017</b>	<b>30 Sep 2017</b>	<b>31 Dec 2016</b>
Deposits, private	473	467	442
of w hich Sw edish Banking	362	363	343
of w hich Baltic Banking	111	104	99
Deposits, corporate	374	443	340
of w hich Sw edish Banking	163	156	153
of w hich Baltic Banking	74	68	71
of w hich Large Corporates & Inst.	128	129	116
of w hich Group Functions & Other	9	90	
<b>Total</b>	<b>847</b>	<b>910</b>	<b>782</b>

Swedbank's deposits from private customers rose SEK 6bn in the quarter to SEK 473bn (467). The inflow was within Baltic Banking.

Corporate deposits in the business segments rose SEK 12bn in the quarter. Deposits rose SEK 7bn in Swedish Banking and SEK 6bn in Baltic Banking. In Large Corporates & Institutions corporate deposits fell SEK 1bn. Deposits within Group Treasury fell SEK 81bn largely due to lower volumes from US money market funds.

Market shares in Sweden were stable in the quarter. The market share for household deposits was 21 per cent as of 31 December (21 per cent as of 31 December 2016) and for corporate deposits was 20 per cent (20). For more information on deposits, see page 37 of the Fact book.

<b>Asset management, SEKbn</b>	<b>31 Dec 2017</b>	<b>30 Sep 2017</b>	<b>31 Dec 2016</b>
<b>Total Asset Management</b>	<b>1 259</b>	<b>1 237</b>	<b>1 177</b>
<b>Assets under management</b>	<b>876</b>	<b>853</b>	<b>794</b>
Assets under management, Robur	871	848	789
of w hich Sw eden	829	809	755
of w hich Baltic countries	43	40	35
of w hich Norw ay			
of w hich eliminations	-1	-1	-1
Assets under management, Other, Baltic countries	5	5	5
<b>Discretionary asset management</b>	<b>383</b>	<b>384</b>	<b>383</b>

Assets under management by Swedbank Robur rose during the period to SEK 871bn (848) as of 31 December, of which SEK 829bn (809) related to the Swedish fund business. The increase was mainly due to higher asset values, but positive net flows contributed as well. Fund assets under management by Swedbank Robur's Baltic business amounted to SEK 43bn (40) with positive net flows and rising asset values both contributing to the increase.

The Swedish fund market experienced large PPM inflows in the fourth quarter, which contributed to an increase of SEK 44.4bn (8.6) in the inflow. In total, SEK 22.1bn went to equity funds, SEK 9.6bn to fixed income funds, SEK 9.8bn to mixed funds and SEK 2.8bn to hedge funds and other funds.

The net inflow within Swedbank Robur's Swedish fund business improved during the period from Swedish Banking and the savings banks, including insurance, to SEK 1.9bn (-0.7). Third-party business amounted to SEK 0.9bn (-0.4). As in the rest of the market, PPM inflows sharply increased to SEK 4.4bn (-0.2).

Institutional clients accounted for a negative net flow of SEK -6.6bn (-0.4) due to a reallocation of capital by a



single investor. As a whole this produced a net flow for Swedbank Robur of SEK 0.5bn for the last quarter of the year (-1.7).

The net flow for equity funds was positive at SEK 5.2bn, while fixed income funds were negative at SEK -4.6bn. Mixed funds were slightly negative at SEK -0.1bn

The net flow in the Baltic countries stayed positive in the fourth quarter at SEK 1.1bn (1.0).

By assets under management, Swedbank Robur is the largest player in the Swedish and Baltic fund markets. In Sweden its market share was 21 per cent as of 31 December. The market share was 42 per cent in Estonia and Latvia and 37 per cent in Lithuania.

<b>Assets under management, life insurance</b> <b>SEKbn</b>	<b>31 Dec 2017</b>	<b>30 Sep 2017</b>	<b>31 Dec 2016</b>
Sw eden	177	173	157
of w hich collective occupational pensions	80	78	69
of w hich endow ment insurance	64	64	60
of w hich occupational pensions	23	21	19
of w hich other	10	9	9
Baltic countries	5	5	5

Life insurance assets under management in Sweden rose 2 per cent in the quarter to SEK 177bn (173). In the Baltic countries assets under management rose 3 per cent in local currency to SEK 5bn.

## Credit and asset quality

Swedbank's credit portfolio is well-balanced with a low risk. In the fourth quarter credit impairments amounted to SEK 311m (SEK 235m in the third quarter) and mainly related to provisions for expected credit impairments for a limited number of commitments within Swedish Banking. The credit impairment ratio was 0.08 per cent (0.06). For the full-year 2017 credit impairments amounted to SEK 1 285m, corresponding to a credit impairment ratio of 0.08 per cent (0.09). The share of impaired loans (gross) was 0.55 per cent as of 31 December 2017 (0.55 as of 30 September) of total lending. The total provision ratio for impaired loans was 45 per cent (45). For more information on asset quality, see pages 39-45 of the Fact book.

<b>Credit impairments, net by business segment</b> <b>SEKbn</b>	<b>Q4 2017</b>	<b>Q3 2017</b>	<b>Q4 2016</b>
Sw edish Banking	264	66	-44
Baltic Banking	-12	-26	-15
Estonia	-15	-16	20
Latvia	8	-4	-2
Lithuania	-5	-6	-33
Large Corporates & Institutions	59	195	652
<b>Total</b>	<b>311</b>	<b>235</b>	<b>593</b>

House prices in Sweden fell last autumn after a long period of rising prices and growing supply. In many larger cities there is still a housing shortage, but uncertainty as to whether prices will continue to decline has made some buyers hesitant. A normalisation of prices is beneficial for the market and should eventually lead to a more stable and predictable price trend.

Housing development projects represent a limited share of Swedbank's total credit portfolio. Loans to property developers set strict requirements on the number of

apartments sold and the finances of new tenant-owner associations. A large share of Swedbank's lending to the segment is to large, well-established companies with which Swedbank has a long-term relationship.

Swedbank's Swedish mortgages rose 2 per cent in the quarter. For the full-year 2017 the Swedish mortgage portfolio grew 6 per cent. The average loan-to-value ratio of Swedbank's mortgages was 54 per cent (53) in Sweden, 48 per cent (48) in Estonia, 79 per cent (83) in Latvia and 64 per cent (67) in Lithuania, based on property level. For new lending in the quarter the loan-to-value ratio was 68 per cent in Sweden, 69 per cent in Estonia, 75 per cent in Latvia and 75 per cent in Lithuania. Amortisations in the Swedish mortgage portfolio amounted to about SEK 13bn in the last 12-month period. For more information, see pages 46-47 of the Fact book.

## Operational risks

Losses related to operational risks remained low in the fourth quarter. No incidents occurred that significantly affected our customers.

## Funding and liquidity

Funding needs were slightly larger during the year due to higher long-term funding maturities in 2017 than in 2016. During the year Swedbank issued SEK 181bn in long-term debt, of which SEK 20bn related to issues in the fourth quarter. Covered bond issues accounted for the majority, with SEK 132bn.

Total issuance volume for 2018 is expected to be lower than in 2017. Maturities for the full-year 2018 amount nominally to SEK 111bn from the beginning of the year. Issuance plans are based on future long-term funding maturities and are mainly affected by changes in deposit volumes and lending growth, and are therefore adjusted over the course of the year.

Outstanding short-term funding, commercial paper and Certificates of Deposit, included in debt securities in issue amounted to SEK 150bn as of 31 December (SEK 188bn as of 30 September). At the same time, cash and balance with central banks amounted to SEK 208bn (336). The liquidity reserve amounted to SEK 349bn (535) as of 31 December.

The Group's liquidity coverage ratio (LCR) was 173 per cent (145), and for USD and EUR was 362 and 374 per cent respectively. The net stable funding ratio (NSFR) was 110 per cent (109). For more information on funding and liquidity, see notes 15-17, and pages 35-36 and pages 56-72 of the Fact book.

## Ratings

On 24 November S&P affirmed Swedbank's ratings of AA- and A-1+. At the same time it revised its outlook to stable, from negative. The stable outlook reflects S&P's view that Swedbank will maintain resilient earnings and capital. S&P also anticipates that Swedbank will build considerable buffers in the coming years to meet the National Debt Office's minimum requirement for own funds and eligible liabilities (MREL).

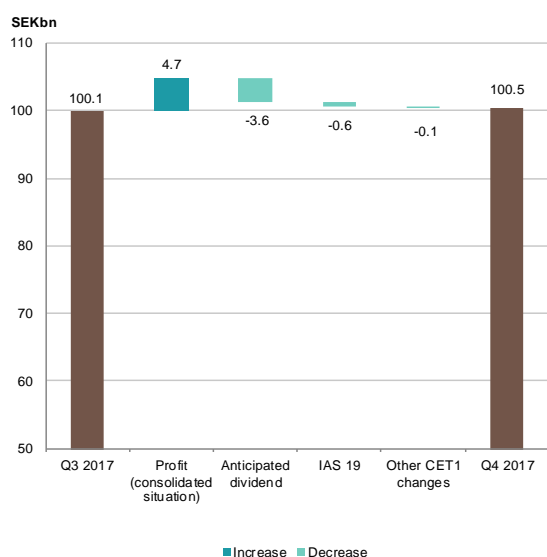
## Capital and capital adequacy

### Capital ratio

The Common Equity Tier 1 capital ratio was 24.6 per cent on 31 December (23.9 per cent as of 30 September 2017). Common Equity Tier 1 capital increased SEK 0.4bn in the quarter to SEK 100.5bn. Profit, after deducting the proposed dividend, positively affected Common Equity Tier 1 capital by SEK 1.1bn. The revaluation of the estimated pension liability according to IAS 19 reduced Tier 1 capital by approximately SEK 0.6bn mainly due to a lower discount rate and higher inflation expectations.

During the quarter Swedbank repurchased Tier 2 capital instruments (T2) with a nominal value of about SEK 5.2bn on each call date. Swedbank had previously issued Tier 2 capital instruments to ensure that it meets the capital requirements imposed by supervisory authorities.

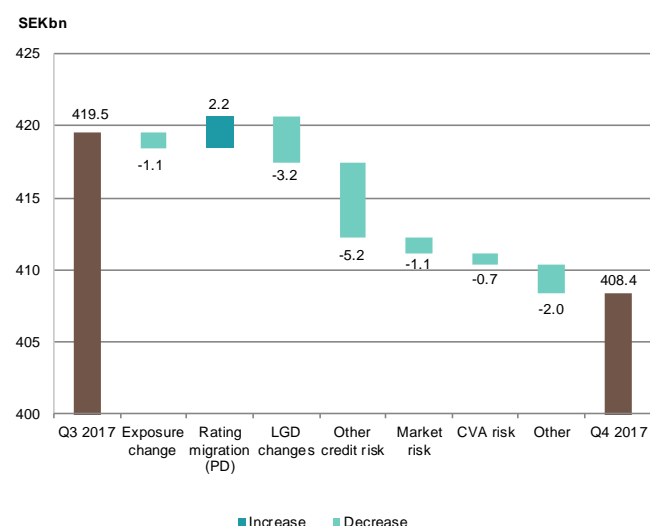
### Change in Common Equity Tier 1 capital 2017, Swedbank consolidated situation



Swedbank's leverage ratio as of 31 December 2017 was 5.2 per cent (4.7). The ratio increased because total assets were lower and Tier 1 capital was higher at the end of the fourth quarter 2017 compared with the end of the third quarter 2017.

The risk exposure amount (REA) fell SEK 11.1bn in the fourth quarter to SEK 408.4bn (419.5bn as of 30 September 2017).

### Change in REA 2017, Swedbank consolidated situation



REA for credit risk fell by SEK 7.3bn mainly driven by a decrease in other credit risk and increased collateral values, which had a positive effect on Loss Given Default (LGD). REA for other credit risk decreased by a total of SEK 5.2bn, mainly due to lower REA for defaulted exposures. Increased collateral reduced REA for credit risk by SEK 3.2bn. Lower exposures reduced REA by SEK 1.1bn.

Swedbank received a cash distribution from Visa Sweden during the quarter. Since the right to these funds had previously been risk weighted by 250 per cent, REA decreased SEK 3.4bn as a result. This was largely offset by increased exposures in the business segments. Negative PD (probability of default) migrations increased REA for credit risk by SEK 2.2bn.

REA for market risks and credit valuation adjustments (CVA risk) decreased SEK 1.1bn and SEK 0.7bn respectively due to lower exposures. REA for operational risks was unchanged in the quarter.

### Capital requirement

Swedbank's total Common Equity Tier 1 capital requirement, as a percentage of REA, increased in the quarter to 21.9 per cent, compared with the reported Common Equity Tier 1 capital ratio of 24.6 per cent as of 31 December 2017. The requirement rose because the capital requirement with respect to the risk weight floor for mortgages in Pillar 2 increased, as REA decreased. The requirement for interest rate risk in the banking book also increased because REA decreased. The total requirement takes into account Swedbank's Common Equity Tier 1 capital requirement for individual Pillar 2 risks of 1.7 per cent as well as all announced increases in the countercyclical buffer values.

### Future capital regulations

In November 2016 the EU Commission proposed changes to the EU's rules for banks. The proposal covers a number of areas, including the framework for a minimum requirement for own funds and eligible liabilities (MREL). The proposal also introduces a new category of debt that banks can use to fulfil MREL.

The Resolution Act enables the Swedish National Debt Office (SNDO) to write down a bank's liabilities in a crisis in order to absorb losses or convert the debt to equity. On 20 December 2017 the SNDO published MREL requirements for 2018 for the ten banks in

Sweden that are considered systemically critical. The SNDO's view at the time was that Swedbank meets the MREL requirement by a wide margin. Expressed as a percentage of risk-weighted assets, Swedbank has an MREL requirement of 34.8 per cent. As a percentage of total liabilities and the capital base, the requirement amounts to 7.3 per cent.

As of 2022, banks' eligible liabilities must be subordinated to the liabilities that are exempt from write-down or conversion. To make it easier for Swedish banks to issue debt instruments that meet this requirement, Sweden has to amend its Right of Priority Act in 2018.

In December the Basel Committee presented a proposal to finalise Basel III, the aim of which is to harmonise capital requirements for banks and strengthen the global financial system. It includes a package of reforms for various types of risks, including changes in the standardised approach for credit risk. The package also introduces an REA floor at the aggregate level amounting to 72.5 per cent of REA calculated according to the standardised approach.

Until the new rules are fully implemented, it remains uncertain exactly how Swedbank will be affected. With its robust profitability and strong capitalisation, however, Swedbank is well positioned to meet future changes in capital requirements.

#### Other events

On 25 October the Board of Directors of Swedbank AB decided to cease guaranteeing future debt instruments

issued by Swedbank Mortgage AB since this is no longer necessary from a rating perspective. The decision has no effect on the rating of Swedbank Mortgage AB (rated Aa3/AA-) or its issued debt instruments. The mortgage company is operationally fully integrated with the bank, partly through an agreement that gives the mortgage company access to the liquidity it needs to fulfil its payments obligations and regulatory liquidity requirements. The decision only affects debt instruments issued after 8 November 2017. According to the guarantee conditions, the guarantee will remain in effect with respect to debt instruments already in issue until they have been repaid.

On 30 October Swedbank issued its inaugural EUR 500m, 5-year green bond. The proceeds will be used to finance sustainable real estate and renewable energy investments that reduce carbon usage in society. Swedbank intends to be a regular issuer in the green bond market.

On 6 November Swedbank launched Open Banking to capitalise on opportunities created by the EU's second Payment Services Directive (PSD2). The intent of PSD2 is to encourage payment services innovation and improve online payment protection.

#### Events after 31 December 2017

No major events have occurred since 31 December 2017.

## Swedish Banking

- Continued robust growth in mortgage lending strengthened net interest income
- Net commission income benefited from higher asset management income
- Credit impairments associated with a few individual commitments

### Income statement

SEKm	Q4 2017	Q3 2017	%	Q4 2016	%	Full-year 2017	Full-year 2016	%
Net interest income	3 861	3 812	1	3 657	6	15 103	13 969	8
Net commission income	1 952	1 859	5	1 786	9	7 448	6 932	7
Net gains and losses on financial items at fair value	108	88	23	58	86	398	306	30
Share of profit or loss of associates	300	217	38	143		869	815	7
Other income <sup>4)</sup>	217	138	57	167	30	1 311	583	
<b>Total income</b>	<b>6 438</b>	<b>6 114</b>	<b>5</b>	<b>5 811</b>	<b>11</b>	<b>25 129</b>	<b>22 605</b>	<b>11</b>
Staff costs	771	781	-1	730	6	3 136	3 106	1
Variable staff costs	3	38	-92	34	-91	103	136	-24
Other expenses	1 518	1 368	11	1 427	6	5 622	5 523	2
Depreciation/amortisation	17	17	0	22	-23	67	97	-31
<b>Total expenses</b>	<b>2 309</b>	<b>2 204</b>	<b>5</b>	<b>2 213</b>	<b>4</b>	<b>8 928</b>	<b>8 862</b>	<b>1</b>
<b>Profit before impairments</b>	<b>4 129</b>	<b>3 910</b>	<b>6</b>	<b>3 598</b>	<b>15</b>	<b>16 201</b>	<b>13 743</b>	<b>18</b>
Impairment of intangible assets	80					80		
Credit impairments	264	66		-44		413	-51	
<b>Operating profit</b>	<b>3 785</b>	<b>3 844</b>	<b>-2</b>	<b>3 642</b>	<b>4</b>	<b>15 708</b>	<b>13 794</b>	<b>14</b>
Tax expense	764	814	-6	752	2	3 160	2 959	7
Profit for the period	3 021	3 030	0	2 890	5	12 548	10 835	16
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>3 019</b>	<b>3 024</b>	<b>0</b>	<b>2 887</b>	<b>5</b>	<b>12 534</b>	<b>10 822</b>	<b>16</b>
Non-controlling interests	2	6	-67	3	-33	14	13	8
Return on allocated equity, % <sup>1)</sup>	21.2	21.6		21.6		22.4	20.5	
Loan/deposit ratio, %	219	219		229		219	229	
Credit impairment ratio, % <sup>2)</sup>	0.09	0.02		-0.02		0.04	0.00	
Cost/income ratio	0.36	0.36		0.38		0.36	0.39	
Loans, SEKbn <sup>3)</sup>	1 150	1 138	1	1 135	1	1 150	1 135	1
Deposits, SEKbn <sup>3)</sup>	525	519	1	496	6	525	496	6
Full-time employees	3 980	3 997	0	4 090	-3	3 980	4 090	-3

1) For information about average allocated equity see page 16 of the Fact book.

2) For more information about the credit impairment ratio see page 42 of the Fact book.

3) Excluding the Swedish National Debt Office and repurchase agreements.

4) Other income in the table above includes the items Net insurance and Other income from the Group income statement.

## Result

### Fourth quarter 2017 compared with third quarter 2017

Swedish Banking reported profit of SEK 3 019m, in line with the previous quarter (3 024). Increased income was offset by higher expenses and credit impairments as well as a write-down of intangible assets.

Net interest income rose 1 per cent to SEK 3 861m (3 812). Increased lending volumes positively affected net interest income. Residential mortgage volume amounted to SEK 760bn at the end of the quarter, an increase of SEK 13bn. The margin in the mortgage portfolio was stable. Corporate lending was stable at SEK 252bn (252). Slightly higher margins contributed positively. Household deposit volume fell SEK 1bn in the quarter. Corporate deposits within Swedish Banking rose SEK 6bn in the quarter.

Deposit margins were stable.

Net commission income increased 5 per cent to SEK 1 952m (1 859) mainly due to increased income from fund management and securities trading. PayEx positively affected net commission income by SEK 31m. Card commissions were lower because the third quarter is a seasonally strong quarter.

Other income increased mainly as a result of higher income from Entercard and higher net insurance from the life insurance business.

Total expenses rose 5 per cent. PayEx added SEK 58m to expenses. Staff costs decreased slightly while property maintenance and marketing costs increased.

Amortisation of intangible assets associated with previously acquired fund and deposit volumes amounted to SEK 80m (0).

Credit impairments of SEK 264m (66) were posted in the quarter. The increase is due to provisions for a few individual commitments.

### Full-year 2017 compared with full-year 2016

Profit for the year rose by 16 per cent to SEK 12 534m (10 822) mainly due to improved net interest income as a result of higher lending margins and lending volumes. Increased commission income from asset management and income from the sale of Hemnet contributed positively as well. This was partly offset by lower deposit margins and higher credit impairments.

Net interest income increased 8 per cent to SEK 15 103m (13 969) due to higher lending volumes and lending margins. This was offset by the transfer of business volumes and financial results for a number of large customers to Large Corporates & Institutions in the first quarter 2017, lower deposit margins and a higher resolution fund fee compared with 2016.

Net commission income rose 7 per cent to SEK 7 448m (6 932). The increase was mainly due to increased income from asset management, but also increased income from payment processing and cards. This was partly offset by lower income from equity trading and structured products as well as lending commissions, mainly due to the transferred mortgage volumes from SBAB in 2016.

Other income rose due to the sale of Fastighetsbyråns holding in Hemnet as well as a higher result from Entercard and higher net insurance from the life insurance business.

Total expenses increased. Staff costs rose somewhat. The number of employees declined but was offset by higher payroll expenses. The consolidation of PayEx increased expenses together with increased allocated expenses from other business areas and Group functions.

Amortisation of intangible assets associated with previous acquisitions amounted to SEK 80m (0).

Credit impairments of SEK 413m were reported during the period, compared with net recoveries of SEK 51m in the equivalent period in 2016. The increase is mainly due to provisions for a few individual commitments.

### Business development

A number of measures were taken in the fourth quarter to simplify for our customers. Among other things, all private customers will now log into our new Internet Bank, where they have access to automated service round-the-clock from our virtual assistant, Nina, using the "Ask us" function. The app for private customers also includes a service called Subscription Helper to help them manage their subscriptions. The function is a result of the partnership with the fintech company Mina Tjänster established earlier in the year.

Campaigns last autumn to encourage private customers to save for their children and business customers to save on a regular basis have been successful and produced increases in monthly and pension savings. At the end of the quarter the magazine Lyckoslanten received an award from the business magazine Privata Affärer for having educated new generations on personal finances for over 90 years.

During the year Swedish Banking implemented our Group-wide corporate strategy with a focus on small and medium-sized companies. The impact was evident in the bank's broad-based customer survey, which interviewed around 5 000 corporate and private customers. The results show that more customers in the corporate segment are now satisfied with us as a bank than in previous years. This is welcome, and we will continue to improve customer satisfaction in every category, especially among private customers. We are now doing a thorough analysis of the results to decide what measures to take going forward.

In a further step to increase customer satisfaction and build better relations with customers, we launched a new CRM system. Our customers can now receive individualised business proposals directly through the Internet Bank, based on existing customer data, in line with our aim to be more proactive.



Christer Trägårdh  
Head of Swedish Banking

**Sweden is Swedbank's largest market**, with around 4 million private customers and more than 250 000 corporate customers. This makes Swedbank Sweden's largest bank by number of customers. Through our digital channels (Internet Bank and Mobile Bank), the Telephone Bank and branches, and with the cooperation of savings banks and franchisees, we are always available. Swedbank is part of the community. Branch managers have a strong mandate to act in their local communities. The bank's presence and engagement are expressed in various ways. A project called "Young Jobs", which has created several thousand trainee positions for young people, has played an important part in recent years. Swedbank has 218 branches in Sweden.

## Baltic Banking

- Increased household lending volumes
- Higher asset management income lifted net commission income
- Consistently strong credit quality

### Income statement

SEKm	Q4 2017	Q3 2017	%	Q4 2016	%	Full-year 2017	Full-year 2016	%
Net interest income	1 116	1 060	5	1 061	5	4 221	3 994	6
Net commission income	711	565	26	582	22	2 364	2 074	14
Net gains and losses on financial items at fair value	59	56	5	62	-5	220	220	0
Other income <sup>4)</sup>	167	162	3	150	11	621	520	19
<b>Total income</b>	<b>2 053</b>	<b>1 843</b>	<b>11</b>	<b>1 855</b>	<b>11</b>	<b>7 426</b>	<b>6 808</b>	<b>9</b>
Staff costs	230	213	8	220	5	858	828	4
Variable staff costs	12	12	0	14	-14	50	64	-22
Other expenses	470	397	18	439	7	1 666	1 546	8
Depreciation/amortisation	25	25	0	27	-7	102	113	-10
<b>Total expenses</b>	<b>737</b>	<b>647</b>	<b>14</b>	<b>700</b>	<b>5</b>	<b>2 676</b>	<b>2 551</b>	<b>5</b>
<b>Profit before impairments</b>	<b>1 316</b>	<b>1 196</b>	<b>10</b>	<b>1 155</b>	<b>14</b>	<b>4 750</b>	<b>4 257</b>	<b>12</b>
Impairment of tangible assets	7	11	-36	20	-65	21	21	0
Credit impairments	-12	-26	-54	-15	-20	-97	-35	
<b>Operating profit</b>	<b>1 321</b>	<b>1 211</b>	<b>9</b>	<b>1 150</b>	<b>15</b>	<b>4 826</b>	<b>4 271</b>	<b>13</b>
Tax expense	230	283	-19	169	36	827	586	41
Profit for the period	1 091	928	18	981	11	3 999	3 685	9
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>1 091</b>	<b>928</b>	<b>18</b>	<b>981</b>	<b>11</b>	<b>3 999</b>	<b>3 685</b>	<b>9</b>
Return on allocated equity, % <sup>1)</sup>	20.8	18.2		19.3		19.2	18.0	
Loan/deposit ratio, %	81	85		83		81	83	
Credit impairment ratio, % <sup>2)</sup>	-0.03	-0.07		-0.04		-0.07	-0.03	
Cost/income ratio	0.36	0.35		0.38		0.36	0.37	
Loans, SEKbn <sup>3)</sup>	149	146	2	140	6	149	140	6
Deposits, SEKbn <sup>3)</sup>	185	172	8	170	9	185	170	9
Full-time employees	3 476	3 513	-1	3 642	-5	3 476	3 642	-5

1) For information about average allocated equity see page 18 of the Fact book.

2) For more information about the credit impairment ratio see page 42 of the Fact book.

3) Excluding the Swedish National Debt Office and repurchase agreements.

4) Other income in the table above includes the items Net insurance and Other income from the Group income statement.

## Result

### Fourth quarter 2017 compared with third quarter 2017

Profit increased to SEK 1 091 m (928). Higher income was partly offset by increased expenses. FX effects increased profit by SEK 28m as the euro strengthened against the Swedish krona during the quarter.

Net interest income rose 3 per cent in local currency. The margins in the mortgage portfolio increased somewhat, while the margins in corporate lending were stable. FX effects contributed SEK 28m to the increase in net interest income. Lending volumes rose slightly in local currency. Household lending rose 1 per cent driven by continued wage increases, while corporate lending fell 1 per cent. Deposit volumes grew 6 per cent in local currency. Increases were noted in all three countries.

Net commission income rose 23 per cent in local currency mainly due to increased income from fund management.

Net gains and losses on financial items increased 2 per cent in local currency while other income fell 1 per cent due to lower income from the sale of repossessed assets.

Total expenses rose 11 per cent in local currency mainly due to higher staff and marketing expenses.

Net recoveries amounted to SEK 12m and were reported in Estonia and Lithuania while Latvia reported minor credit impairments. Underlying credit quality remained strong.

### Full-year 2017 compared with full-year 2016

Profit increased to SEK 3 999m (3 685) mainly due to higher net interest income and commission income. FX effects raised profit by SEK 73m.

Net interest income rose 4 per cent in local currency. The increase was mainly a result of higher lending volumes. A change in the internal allocation of fees related to the resolution fund and deposit guarantee positively affected net interest income. FX effects raised net interest income by SEK 77m.

Lending volumes rose 4 per cent in local currency driven by increased household borrowing. Lending grew in Estonia and Lithuania. Deposit volumes grew 6 per cent in local currency mainly as a result of strong growth from households, though corporate deposits also increased.

Net commission income increased 12 per cent in local currency thanks to higher income from asset management and cards as well as the service packages introduced in Lithuania. Net gains and losses on financial items fell slightly in local currency. Other income rose 17 per cent in local currency thanks to higher income from the insurance business.

Total expenses rose 3 per cent in local currency mainly due to higher staff costs and marketing expenses. Expenses for premises and rents as well as depreciation decreased.

Net recoveries amounted to SEK 97m, compared with net recoveries of SEK 35m in 2016.

## Business development

Baltic Banking continued during the quarter to focus on improving its digital offering to meet changing customer preferences.

During the quarter we collaborated with a third party provider to launch a digital accounting tool for small and medium-sized companies in the Internet Bank. Our customers can now conveniently link their bank accounts with their accounting records. The product has been well received by customers.

In 2018 Swedbank will be hosting a fintech startup accelerator programme, "Wise Guys Fintech", in Riga. Ten international startups will have the opportunity to spend up to six months building their businesses with the help of experts from Swedbank and Startup Wise Guys.

Swedbank is working to contribute to a sustainable society. In Lithuania Swedbank was awarded a prize for being the most socially responsible company in the country by National Responsible Business Awards. In Latvia we achieved gold status in the Sustainability Index of Latvian Enterprises and in Estonia we received a gold label from the Responsible Business Forum.



Charlotte Elsnitz  
Head of Baltic Banking

**Swedbank is the largest bank** by number of customers in Estonia, Latvia and Lithuania, with around 3.3 million private customers and around 300 000 corporate customers. According to surveys, Swedbank is also the most respected company in the financial sector. Through its digital channels (Telephone Bank, Internet Bank and Mobile Bank) and branches, the bank is always available. Swedbank is part of the local community. Its local social engagement is expressed in many ways, with initiatives to promote education, entrepreneurship and social welfare. Swedbank has 34 branches in Estonia, 36 in Latvia and 63 in Lithuania.

## Large Corporates & Institutions

- Higher net commission income due to capital market related fees
- Lower credit impairments
- Increased interest in sustainable savings and financing

### Income statement

SEKm	Q4 2017	Q3 2017	%	Q4 2016	%	Full-year 2017	Full-year 2016	%
Net interest income	934	896	4	909	3	3 546	3 334	6
Net commission income	656	525	25	693	-5	2 348	2 336	1
Net gains and losses on financial items at fair value	332	554	-40	530	-37	1 853	2 068	-10
Other income <sup>4)</sup>	42	32	31	13		123	77	60
<b>Total income</b>	<b>1 964</b>	<b>2 007</b>	<b>-2</b>	<b>2 145</b>	<b>-8</b>	<b>7 870</b>	<b>7 815</b>	<b>1</b>
Staff costs	332	320	4	444	-25	1 384	1 466	-6
Variable staff costs	-8	41		59		146	230	-37
Other expenses	520	460	13	491	6	1 910	1 757	9
Depreciation/amortisation	23	20	15	16	44	76	73	4
<b>Total expenses</b>	<b>867</b>	<b>841</b>	<b>3</b>	<b>1 010</b>	<b>-14</b>	<b>3 516</b>	<b>3 526</b>	<b>0</b>
<b>Profit before impairments</b>	<b>1 097</b>	<b>1 166</b>	<b>-6</b>	<b>1 135</b>	<b>-3</b>	<b>4 354</b>	<b>4 289</b>	<b>2</b>
Impairment of intangible assets				35			35	
Impairment of tangible assets							8	
Credit impairments	59	195	-70	652	-91	969	1 482	-35
<b>Operating profit</b>	<b>1 038</b>	<b>971</b>	<b>7</b>	<b>448</b>		<b>3 385</b>	<b>2 764</b>	<b>22</b>
Tax expense	209	237	-12	75		727	449	62
Profit for the period	829	734	13	373		2 658	2 315	15
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>829</b>	<b>734</b>	<b>13</b>	<b>373</b>		<b>2 658</b>	<b>2 315</b>	<b>15</b>
Return on allocated equity, % <sup>1)</sup>	14.2	13.0		7.6		12.0	11.9	
Loan/deposit ratio, %	158	158		148		158	148	
Credit impairment ratio, % <sup>2)</sup>	0.08	0.28		0.84		0.40	0.59	
Cost/income ratio	0.44	0.42		0.47		0.45	0.45	
Loans, SEKbn <sup>3)</sup>	203	204	0	178	14	203	178	14
Deposits, SEKbn <sup>3)</sup>	128	129	-1	116	10	128	116	10
Full-time employees	1 173	1 188	-1	1 218	-4	1 173	1 218	-4

1) For information about average allocated equity see page 24 of the Fact book.

2) For more information about the credit impairment ratio see page 42 of the Fact book.

3) Excluding the Swedish National Debt Office and repurchase agreements.

4) Other income in the table above includes the items Net insurance and Other income from the Group income statement.

#### Fourth quarter 2017 compared with third quarter 2017

Profit increased 13 per cent to SEK 829m (734). The main reasons were lower credit impairments and stronger net commission income.

Net interest income rose 4 per cent to SEK 934m (896) due to slightly improved margins. Lending and deposits volumes both fell slightly.

Net commission income rose 25 per cent to SEK 656m (525). The increase was mainly due to higher variable compensation for discretionary asset management and annual fees related to Swedbank's role as a liquidity guarantor in the covered bond market. Income from bond issues increased as well during the period. Lower card income as a result of higher card processing fees was offset by PayEx's positive contribution to income.

Net gains and losses on financial items at fair value decreased to SEK 332m (554) because the third quarter was positively affected by valuation effects related to currency movements. Negative valuation adjustments in the derivative portfolio (CVA) also contributed to the decrease. Fixed income and FX trading was slow at the

beginning of the quarter but benefited from increased volatility at the end of the year, which contributed to higher demand for risk management products.

Compared with the previous quarter total expenses rose 3 per cent to SEK 867m (841). In the third quarter staff costs were seasonally lower due to lower payroll costs in Norway and Finland in the summer months. Other expenses increased mainly due to PayEx.

Credit impairments amounted to SEK 59m (195), corresponding to a credit impairment ratio of 0.08 per cent. The credit impairments were attributable to a few commitments in both Sweden and Norway.

#### Full-year 2017 compared with full-year 2016

Profit increased 15 per cent to SEK 2 658m (2 315) mainly due to lower credit impairments. Income and expenses were both in line with the previous year.

Net interest income increased 6 per cent to SEK 3 546m (3 334). Net interest income from lending rose due to increased volumes attributable to the transfer of a number of corporate customers from Swedish Banking to Large Corporates & Institutions as well as improved



margins. Excluding the internally transferred customers, lending decreased partly because customers chose to obtain financing to a greater extent through the bond market.

Net commission income increased 1 per cent to SEK 2 348m (2 336). Commissions from lending and guarantees increased, and payment processing, asset management income, and custody fees also contributed positively. Card income decreased due to higher card processing fees. Corporate finance income decreased as well.

Net gains and losses on financial items at fair value decreased 10 per cent to SEK 1 853m (2 068) from last year's high level. Low volatility in the financial markets resulted in lower income from equity and FX trading.

Total expenses were stable at SEK 3 516m (3 526). Lower staff costs due to restructuring costs in 2016 as well as the transfer of staff to Kepler Cheuvreux were contributing factors. Variable compensation decreased in 2017 partly because of the employees who left the Norwegian operations during the year. Other expenses increased due to the acquisition of PayEx and the partnership with Kepler Cheuvreux.

Credit impairments amounted to SEK 969m, compared with SEK 1 482m in the same period last year. Credit impairments were mainly attributable to provisions for exposures in oil related sectors. The share of impaired loans was 1.9 per cent.

## Business development

During the quarter Swedbank received Prospera's 2017 Corporate Banking Real Estate Award. The real estate sector has for years been a focus area for Swedbank, where we have tapped our expertise to help customers run their businesses efficiently and profitably. It is very gratifying that this has now been reaffirmed by our Swedish customers in the sector.

In the fourth quarter Swedbank issued its first green bond, with Swedbank Debt Capital Markets as green structuring advisor. Earmarked funds from this bond are being used for green lending. Interest in sustainable investing is growing, as evidenced by our customers' large interest in SPAX Världen Hållbar, a principal protected product we launched in the fourth quarter based on companies that meet the UN's global goals for sustainable development.

In the fourth quarter the implementation of Swedbank's partnership with Kepler Cheuvreux, one of Europe's leading equity brokers, continued in Stockholm and Oslo according to plan. Swedbank finalised its first ECM transactions together with its new partner during the quarter and served as joint bookrunner in one of the largest ECM transactions in Norway in 2017.

Implementation of the new framework agreement with the Swedish National Debt Office on payment solutions for Swedish authorities and state enterprises continued throughout 2017. Swedbank has become the leading supplier with a market share of about 90 per cent of all transactions, which contributed to higher income in the payments area.

Elisabeth Beskow & Ola Laurin  
Co-Heads of Large Corporates & Institutions

**Large Corporates & Institutions** is responsible for Swedbank's offering to customers with revenues above SEK 2 billion and those whose needs are considered complex due to multinational operations or a need for advanced financing solutions. They are also responsible for developing corporate and capital market products for other parts of the bank and the Swedish savings banks. Large Corporates & Institutions works closely with customers, who receive advice on decisions that create sustainable profits and growth. Large Corporates & Institutions is represented in Sweden, Norway, Estonia, Latvia, Lithuania, Finland, Luxembourg, China, the US and South Africa.

## Group Functions & Other

### Income statement

SEKm	Q4 2017	Q3 2017	%	Q4 2016	%	Full-year 2017	Full-year 2016	%
Net interest income	418	442	-5	374	12	1 734	1 554	12
Net commission income	-42	-53	-21	-17		-187	-41	
Net gains and losses on financial items at fair value	-144	-173	-17	-363	-60	-537	-363	48
Share of profit or loss of associates	47	28	68	-34		102	1 652	-94
Other income <sup>1)</sup>	308	262	18	191	61	1 132	921	23
<b>Total income</b>	<b>587</b>	<b>506</b>	<b>16</b>	<b>151</b>		<b>2 244</b>	<b>3 723</b>	<b>-40</b>
Staff costs	1 334	959	39	889	50	4 107	3 349	23
Variable staff costs	23	50	-54	50	-54	161	197	-18
Other expenses	-747	-857	-13	-778	-4	-3 097	-3 074	-1
Depreciation/amortisation	106	91	16	88	20	355	346	3
<b>Total expenses</b>	<b>716</b>	<b>243</b>		<b>249</b>		<b>1 526</b>	<b>818</b>	<b>87</b>
<b>Profit before impairments</b>	<b>-129</b>	<b>263</b>		<b>-98</b>	<b>32</b>	<b>718</b>	<b>2 905</b>	<b>-75</b>
Impairment of intangible assets	-1	96				95		
Impairment of tangible assets				1			2	
Credit impairments							-29	
<b>Operating profit</b>	<b>-128</b>	<b>167</b>		<b>-99</b>	<b>29</b>	<b>623</b>	<b>2 932</b>	<b>-79</b>
Tax expense	74	110	-33	0		464	215	
Profit for the period	-202	57		-99		159	2 717	-94
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>-202</b>	<b>57</b>		<b>-99</b>		<b>159</b>	<b>2 717</b>	<b>-94</b>
Full-time employees	5 959	5 822	2	5 111	17	5 959	5 111	17

<sup>1)</sup> Other income in the table above includes the items Net insurance and Other income from the Group income statement.

Net interest income and net gains and losses on financial items mainly stem from Group Treasury. Other income mainly refers to income from the savings banks. Expenses mainly relate to Group Lending & Payments, Group Savings and Group Staffs and are allocated to a large extent.

#### Fourth quarter 2017 compared with third quarter 2017

Profit decreased to SEK -202m (57) in the quarter mainly due to a restructuring reserve of SEK 300m allocated for changes in the IT organisation. Profit within Group Treasury increased to SEK 228m (165).

Net interest income fell to SEK 418m (442). Net interest income within Group Treasury fell to SEK 414m (460) mainly because of lower income from interest-bearing investments and liquidity surpluses due to lower short-term market interest rates during the quarter.

Net gains and losses on financial items improved to SEK -144m (-173). Net gains and losses on financial items within Group Treasury improved to SEK -88m (-173) as a result of increased volatility in the currency swap market at the end of the year, which resulted in positive valuation effects.

Expenses increased to SEK 716m (243) as a result of the above-mentioned restructuring reserve, but also due to higher IT expenses.

#### Full-year 2017 compared with full-year 2016

Profit decreased to SEK 159m (2 717). Group Treasury's profit decreased to SEK 771m (2 668).

Net interest income rose to SEK 1 734m (1 554). Group Treasury's net interest income increased to SEK 1 783m (1 610) due to more favourable conditions for currency swaps at the start of 2017.

Net gains and losses on financial items at fair value decreased to SEK -537m (-363). Net gains and losses on financial items within Group Treasury decreased to SEK -479m (-354). The previous year was positively affected by a gain of SEK 457m on the sale of Visa Europe. Excluding the Visa effect, net gains and losses on financial items increased within Group Treasury mainly due to year-end related volatility in the currency swap market at the start of 2017.

The share of the profit or loss of associates decreased to SEK 102m (1 652) due to the positive effect of the Visa sale in the equivalent period in 2016.

Expenses increased to SEK 1 526m (818) mainly due to higher staff costs and the restructuring reserve allocated in the fourth quarter.

**Group Functions & Other** consists of central business support units and the product areas Group Lending & Payments and Group Savings. The central units serve as strategic and administrative support and comprise Accounting & Finance, Communication, Risk, IT, Compliance, Public Affairs, HR and Legal. Group Treasury is responsible for the bank's funding, liquidity and capital planning. Group Treasury sets the prices on all internal deposit and loan flows in the Group through internal interest rates, where the most important parameters are maturity, interest fixing period, currency, and need for liquidity reserves.

## Eliminations

### Income statement

SEKm	Q4 2017	Q3 2017	%	Q4 2016	%	Full-year 2017	Full-year 2016	%
Net interest income	-3	-2	50	-1		-9	-1	
Net commission income	14	21	-33	11	27	57	32	78
Net gains and losses on financial items at fair value	1			-2		0		
Other income <sup>1)</sup>	-78	-71	10	-23		-279	-161	-73
<b>Total income</b>	<b>-66</b>	<b>-52</b>	<b>27</b>	<b>-15</b>		<b>-231</b>	<b>-130</b>	<b>-78</b>
Staff costs	0					0		
Variable staff costs	0					0		
Other expenses	-66	-52	27	-15		-231	-130	-78
Depreciation/amortisation	0					0		
<b>Total expenses</b>	<b>-66</b>	<b>-52</b>	<b>27</b>	<b>-15</b>		<b>-231</b>	<b>-130</b>	<b>-78</b>

<sup>1)</sup> Other income in the table above includes the items Net insurance and Other income from the Group income statement.

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

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More detailed information including definitions can be found in Swedbank's Fact book, [www.swedbank.com/ir](http://www.swedbank.com/ir), under Financial information and publications.

## Income statement, condensed

Group SEKm	Q4 2017	Q3 2017	%	Q4 2016	%	Full-year 2017	Full-year 2016	%
Interest income	8 720	8 752	0	7 928	10	34 494	32 914	5
Negative yield on financial assets	-659	-631	4	-377	75	-2 306	-1 543	49
<b>Interest income, including negative yield on financial assets</b>	<b>8 061</b>	<b>8 121</b>	<b>-1</b>	<b>7 551</b>	<b>7</b>	<b>32 188</b>	<b>31 371</b>	<b>3</b>
Interest expenses	-1 957	-2 130	-8	-1 908	3	-8 382	-9 256	-9
Negative yield on financial liabilities	222	217	2	357	-38	789	735	7
<b>Interest expenses, including negative yield on financial liabilities</b>	<b>-1 735</b>	<b>-1 913</b>	<b>-9</b>	<b>-1 551</b>	<b>12</b>	<b>-7 593</b>	<b>-8 521</b>	<b>-11</b>
<b>Net interest income (note 5)</b>	<b>6 326</b>	<b>6 208</b>	<b>2</b>	<b>6 000</b>	<b>5</b>	<b>24 595</b>	<b>22 850</b>	<b>8</b>
Commission income	4 738	4 275	11	4 290	10	17 366	16 011	8
Commission expenses	-1 447	-1 358	7	-1 235	17	-5 336	-4 678	14
<b>Net commission income (note 6)</b>	<b>3 291</b>	<b>2 917</b>	<b>13</b>	<b>3 055</b>	<b>8</b>	<b>12 030</b>	<b>11 333</b>	<b>6</b>
Net gains and losses on financial items at fair value (note 7)	356	525	-32	285	25	1 934	2 231	-13
Insurance premiums	686	603	14	582	18	2 600	2 137	22
Insurance provisions	-382	-373	2	-362	6	-1 663	-1 383	20
<b>Net insurance</b>	<b>304</b>	<b>230</b>	<b>32</b>	<b>220</b>	<b>38</b>	<b>937</b>	<b>754</b>	<b>24</b>
Share of profit or loss of associates	347	245	42	109		971	2 467	-61
Other income	352	293	20	278	27	1 971	1 186	66
<b>Total income</b>	<b>10 976</b>	<b>10 418</b>	<b>5</b>	<b>9 947</b>	<b>10</b>	<b>42 438</b>	<b>40 821</b>	<b>4</b>
Staff costs	2 697	2 414	12	2 440	11	9 945	9 376	6
Other expenses (note 8)	1 695	1 316	29	1 564	8	5 870	5 622	4
Depreciation/amortisation	171	153	12	153	12	600	629	-5
<b>Total expenses</b>	<b>4 563</b>	<b>3 883</b>	<b>18</b>	<b>4 157</b>	<b>10</b>	<b>16 415</b>	<b>15 627</b>	<b>5</b>
<b>Profit before impairments</b>	<b>6 413</b>	<b>6 535</b>	<b>-2</b>	<b>5 790</b>	<b>11</b>	<b>26 023</b>	<b>25 194</b>	<b>3</b>
Impairment of intangible assets (note 14)	79	96	-18	35		175	35	
Impairment of tangible assets	7	11	-36	21	-67	21	31	-32
Credit impairments (note 9)	311	235	32	593	-48	1 285	1 367	-6
<b>Operating profit</b>	<b>6 016</b>	<b>6 193</b>	<b>-3</b>	<b>5 141</b>	<b>17</b>	<b>24 542</b>	<b>23 761</b>	<b>3</b>
Tax expense	1 277	1 444	-12	996	28	5 178	4 209	23
Profit for the period	4 739	4 749	0	4 145	14	19 364	19 552	-1
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>4 737</b>	<b>4 743</b>	<b>0</b>	<b>4 142</b>	<b>14</b>	<b>19 350</b>	<b>19 539</b>	<b>-1</b>
Non-controlling interests	2	6	-67	3	-33	14	13	8
<b>SEK</b>								
Earnings per share, SEK	4.25	4.26		3.73		17.38	17.60	
after dilution	4.23	4.24		3.70		17.30	17.50	

## Statement of comprehensive income, condensed

Group SEKm	Q4 2017	Q3 2017	%	Q4 2016	%	Full-year 2017	Full-year 2016	%
<b>Profit for the period reported via income statement</b>	<b>4 739</b>	<b>4 749</b>	<b>0</b>	<b>4 145</b>	<b>14</b>	<b>19 364</b>	<b>19 552</b>	<b>-1</b>
<b>Items that will not be reclassified to the income statement</b>								
Remeasurements of defined benefit pension plans	-776	-37		1 782		-1 928	-3 110	-38
Share related to associates	-22	-5		65		-63	-76	-17
Income tax	176	9		-407		438	701	-38
<b>Total</b>	<b>-622</b>	<b>-33</b>		<b>1 440</b>		<b>-1 553</b>	<b>-2 485</b>	<b>-38</b>
<b>Items that may be reclassified to the income statement</b>								
Exchange rate differences, foreign operations								
Gains/losses arising during the period	732	134		-256		1 077	1 644	-34
Reclassification adjustments to income statement, net gains and losses on financial items at fair value	4					4	-3	
Hedging of net investments in foreign operations:								
Gains/losses arising during the period	-515	-122		221		-732	-1 337	-45
Reclassification adjustments to income statement, net gains and losses on financial items at fair value	81					81		
Cash flow hedges:								
Gains/losses arising during the period	34	3		-72		-76	59	
Reclassification adjustments to income statement, net interest income	3	3	0	3	0	13	16	-19
Share of other comprehensive income of associates	-49	25		-20		-80	126	
Income tax								
Income tax	89	26		-35		161	280	-42
Reclassification adjustments to income statement, tax	-1	-1	0	-1	21	-3	-4	-15
<b>Total</b>	<b>378</b>	<b>68</b>		<b>-160</b>		<b>445</b>	<b>781</b>	<b>-43</b>
<b>Other comprehensive income for the period, net of tax</b>	<b>-244</b>	<b>35</b>		<b>1 280</b>		<b>-1 108</b>	<b>-1 704</b>	<b>-35</b>
<b>Total comprehensive income for the period</b>	<b>4 495</b>	<b>4 784</b>	<b>-6</b>	<b>5 425</b>	<b>-17</b>	<b>18 256</b>	<b>17 848</b>	<b>2</b>
<b>Total comprehensive income attributable to the shareholders of Swedbank AB</b>	<b>4 493</b>	<b>4 778</b>	<b>-6</b>	<b>5 422</b>	<b>-17</b>	<b>18 242</b>	<b>17 835</b>	<b>2</b>
Non-controlling interests	2	6	-67	3	-33	14	13	8

For January-December 2017 an expense of SEK 1 553m (2 485) was recognised in other comprehensive income after tax, including remeasurements of defined benefit pension plans in associates. The 2017 expense arose primarily because market interest rates fell and that inflation expectations rose from the last year end. At year end the discount rate, which is used to calculate the closing pension obligation, was 2.56 per cent, compared with 2.79 per cent at the last year end. The inflation assumption was 1.95 per cent compared with 1.84 per cent last year end. Actuarial losses based on experience by SEK 262m were included. The fair value of plan assets decreased during 2017 by SEK 74m. As a whole, the obligation for defined benefit pension plans exceeded the fair value of plan assets by SEK 3 200m (1 406).

For January-December 2017 an exchange difference of SEK 1 077m (1 644) was recognised for the Group's foreign net investments in subsidiaries. In addition, an exchange rate difference of SEK -80m (126) for the Group's foreign net investments in associates is included in Share related to associates. The gain related to subsidiaries mainly arose because the Swedish krona weakened during the year against the euro. The total gain of SEK 997m is not taxable. Since the large part of the Group's foreign net investments is hedged against currency risk, a loss of SEK 732m before tax arose for the hedging instruments, compared with a year-earlier loss of SEK 1 337m.

The revaluation of defined benefit pension plans and translation of net investments in foreign operations can be volatile in certain periods due to movements in the discount rate, inflation and exchange rates.

## Balance sheet, condensed

Group SEKm	31 Dec 2017	31 Dec 2016	Δ SEKm	%
<b>Assets</b>				
Cash and balance with central banks	200 371	121 347	79 024	65
Loans to credit institutions (note 10)	30 746	32 197	-1 451	-5
Loans to the public (note 10)	1 535 198	1 507 247	27 951	2
Value change of interest hedged item in portfolio hedge	789	1 482	-693	-47
Interest-bearing securities	145 034	182 072	-37 038	-20
Financial assets for which customers bear the investment risk	180 320	160 114	20 206	13
Shares and participating interests	19 850	23 897	-4 047	-17
Investments in associates	6 357	7 319	-962	-13
Derivatives (note 18)	55 680	87 811	-32 131	-37
Intangible fixed assets (note 14)	16 329	14 279	2 050	14
Tangible assets	1 955	1 864	91	5
Current tax assets	1 375	1 796	-421	-23
Deferred tax assets	173	160	13	8
Other assets	14 499	8 067	6 432	80
Prepaid expenses and accrued income	3 960	4 551	-591	-13
<b>Total assets</b>	<b>2 212 636</b>	<b>2 154 203</b>	<b>58 433</b>	<b>3</b>
<b>Liabilities and equity</b>				
Amounts owed to credit institutions (note 15)	68 055	71 831	-3 776	-5
Deposits and borrowings from the public (note 16)	855 609	792 924	62 685	8
Financial liabilities for which customers bear the investment risk	181 124	161 051	20 073	12
Debt securities in issue (note 17)	844 204	841 673	2 531	0
Short positions, securities	14 459	11 614	2 845	24
Derivatives (note 18)	46 200	85 589	-39 389	-46
Current tax liabilities	1 980	992	988	100
Deferred tax liabilities	2 182	2 438	-256	-11
Pension provisions	3 200	1 406	1 794	
Insurance provisions	1 834	1 820	14	1
Other liabilities and provisions	25 059	14 989	10 070	67
Accrued expenses and prepaid income	9 650	10 917	-1 267	-12
Subordinated liabilities (note 17)	25 508	27 254	-1 746	-6
<b>Total liabilities</b>	<b>2 079 064</b>	<b>2 024 498</b>	<b>54 566</b>	<b>3</b>
<b>Equity</b>				
Non-controlling interests	200	190	10	5
Equity attributable to shareholders of the parent company	133 372	129 515	3 857	3
<b>Total equity</b>	<b>133 572</b>	<b>129 705</b>	<b>3 867</b>	<b>3</b>
<b>Total liabilities and equity</b>	<b>2 212 636</b>	<b>2 154 203</b>	<b>58 433</b>	<b>3</b>

### Balance sheet analysis

Total assets have increased by SEK 58bn from 1 January 2017. Assets increased mainly due to higher cash and balances with central banks, which rose by SEK 79bn. The increases are mainly attributable to higher deposits with the US Federal Reserve and central banks in the euro system. Deposits and borrowings from the public, excluding the National Debt Office and repos, increased by SEK 63bn. Interest-bearing securities, Treasury bills, decreased by SEK 37bn. Lending to the public, excluding the National Debt Office and repos, increased by SEK 49bn. The increase primarily relates to Sweden of which SEK 41bn was mortgages. Lending to credit institutions decreased by SEK 1bn at the same time that amounts owed to them decreased by SEK 4bn. Balance sheet items related to

credit institutions fluctuate over time depending on repos, among other things. The market value of derivatives decreased on both the asset and liability side, mainly due to large movements in interest rates and currencies. Financial assets and liabilities for which customers bear the investment risks increased by SEK 20bn as a result of the positive market development and positive net inflow since year end. The increase in securities in issue was mainly a result of higher issued volumes compared with repaid short-term securities funding of SEK 63bn and long-term securities funding by SEK 64bn as an effect of higher issued volumes compared with repaid funding. The increase of Securities in issue was offset by repurchased covered bond loans of SEK 91bn.

## Statement of changes in equity, condensed

Group SEKm	Shareholders' equity					Cash flow hedges	Retained earnings	Non-controlling interests	Total equity
	Share capital	Other contributed equity <sup>1)</sup>	Exchange differences, subsidiaries and associates	Hedging of net investments in foreign operations	Total				
<b>January-December 2016</b>									
<b>Opening balance 1 January 2016</b>	<b>24 904</b>	<b>17 275</b>	<b>836</b>	<b>-704</b>	<b>17</b>	<b>80 835</b>	<b>123 163</b>	<b>179</b>	<b>123 342</b>
Dividends						-11 880	-11 880	-5	-11 885
Share based payments to employees						378	378		378
Deferred tax related to share based payments to employees						-15	-15		-15
Current tax related to share based payments						34	34		34
Contribution								3	3
Total comprehensive income for the period			1 765	-1 044	60	17 054	17 835	13	17 848
of which reported through profit or loss						19 539	19 539	13	19 552
of which reported through other comprehensive income			1 765	-1 044	60	-2 485	-1 704		-1 704
<b>Closing balance 31 December 2016</b>	<b>24 904</b>	<b>17 275</b>	<b>2 601</b>	<b>-1 748</b>	<b>77</b>	<b>86 406</b>	<b>129 515</b>	<b>190</b>	<b>129 705</b>
<b>January-December 2017</b>									
<b>Opening balance 1 January 2017</b>	<b>24 904</b>	<b>17 275</b>	<b>2 601</b>	<b>-1 748</b>	<b>77</b>	<b>86 406</b>	<b>129 515</b>	<b>190</b>	<b>129 705</b>
Dividends						-14 695	-14 695	-4	-14 699
Share based payments to employees						307	307		307
Deferred tax related to share based payments to employees						-35	-35		-35
Current tax related to share based payments to employees						38	38		38
Total comprehensive income for the period			1 001	-507	-49	17 797	18 242	14	18 256
of which reported through profit or loss						19 350	19 350	14	19 364
of which reported through other comprehensive income			1 001	-507	-49	-1 553	-1 108		-1 108
<b>Closing balance 31 December 2017</b>	<b>24 904</b>	<b>17 275</b>	<b>3 602</b>	<b>-2 255</b>	<b>28</b>	<b>89 818</b>	<b>133 372</b>	<b>200</b>	<b>133 572</b>

<sup>1)</sup> Other contributed equity consists mainly of share premiums.



## Cash flow statement, condensed

Group SEKm	Full-year 2017	Full-year 2016
<b>Operating activities</b>		
Operating profit	24 542	23 761
Adjustments for non-cash items in operating activities	-1 248	-2 174
Taxes paid	-3 714	-3 583
Increase/decrease in loans to credit institutions	1 819	54 341
Increase/decrease in loans to the public	-26 994	-90 692
Increase/decrease in holdings of securities for trading	43 195	-29 220
Increase/decrease in deposits and borrowings from the public including retail bonds	59 559	38 245
Increase/decrease in amounts owed to credit institutions	-4 513	-79 929
Increase/decrease in other assets	25 279	7 829
Increase/decrease in other liabilities	-59 577	27 777
<b>Cash flow from operating activities</b>	<b>58 348</b>	<b>-53 645</b>
<b>Investing activities</b>		
Business combinations	-1 268	-19
Business disposals	6	20
Acquisitions of and contributions to associates	0	-7
Acquisitions of other fixed assets and strategic financial assets	-592	-451
Disposals/maturity of other fixed assets and strategic financial assets	1 057	763
<b>Cash flow from investing activities</b>	<b>-797</b>	<b>306</b>
<b>Financing activities</b>		
Issuance of interest-bearing securities	180 835	160 474
Redemption of interest-bearing securities	-207 991	-147 393
Issuance of commercial paper etc.	1 055 189	816 259
Redemption of commercial paper etc.	-992 764	-831 404
Dividends paid	-14 699	-11 885
<b>Cash flow from financing activities</b>	<b>20 570</b>	<b>-13 949</b>
<b>Cash flow for the period</b>	<b>78 121</b>	<b>-67 288</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>121 347</b>	<b>186 312</b>
Cash flow for the period	78 121	-67 288
Exchange rate differences on cash and cash equivalents	903	2 323
<b>Cash and cash equivalents at end of the period</b>	<b>200 371</b>	<b>121 347</b>

During the first quarter of 2017, the associated company Hemnet AB was sold. Swedbank received a payment of SEK 649m. The capital gain was SEK 680 million.

During the third quarter of 2017 we made an acquisition of PayEx Holding AB of SEK 1 268 million.

## Note 1 Accounting policies

The interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. The condensed consolidated financial statements have also been prepared in accordance with the recommendations and statements of the Financial Reporting Council, the Annual Accounts Act for Credit Institutions and Securities Companies and the directives of the SFSA.

The Parent Company report has been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies, the directives of the SFSA and recommendation RFR 2 of the Financial Reporting Council.

The accounting policies applied in the interim report conform to those applied in the Annual Report for 2016, which was prepared in accordance with International Financial Reporting Standards as adopted by the European Union and interpretations thereof. There have been no significant changes to the Group's accounting policies set out in the 2016 Annual Report, except for the changes as set out below

### Changed reporting of the compensation to the Savings banks for mortgage loans

Swedbank and the Savings banks, as of 1 January 2017, changed their bilateral contract regarding how the compensation will be divided between brokerage services and on-going administrative services for mortgages. Brokerage services costs for loans are added to the loans acquisitions value and included as part of the loans effective interest. The result is that the transaction cost is reported as a reduction of the interest income during the term of the loans. Costs for administrative services are reported as an expense. Restatement of the historical comparative figures has been made according the new agreement to better illustrate the comparative trends between periods. The change affects the interest income and expenses, but not the total profit for the year. The Change in presentation is presented in the note 28.

### IFRS 9

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and includes requirements for recognition, classification and measurement, impairment, de-recognition and hedge accounting. The major changes from IAS 39 relate to classification and measurement, impairment and hedge accounting. The standard was approved by the EU in November 2016 for application to the financial year beginning on 1 January 2018.

#### *Adoption impacts*

The classification and measurement and impairment requirements will be applied retrospectively by adjusting the consolidated balance sheet as of 1 January 2018. The hedge accounting requirements will be applied prospectively, except for the retrospective application of the exclusion of the currency basis spread component from cash flow hedging relationships. As permitted by IFRS 9, the Group will not restate comparative periods.

The current estimates of the total impacts from adopting IFRS 9 is that equity will decrease by SEK 2.1bn and the Common Equity Tier 1 capital ratio will decrease by

0.06 percentage points as at 1 January 2018. Under the Capital Requirements Regulation (CRR), any shortfall of accounting credit impairment provisions as compared with expected losses calculated according to the capital adequacy rules for IRB portfolios is a deduction from Common Equity Tier 1 capital. If accounting credit impairment provisions exceed expected losses according to the capital adequacy rules, the excess amount is included as Tier 2 capital. According to transitional rules that apply until the end of 2022, a portion of the increase in credit impairment provisions may be included in Common Equity Tier 1 capital. These transitional rules are not mandatory and the Group has decided not to apply them.

The impacts arising from each part of IFRS 9 are set out below.

- Reclassifications and re-measurement of financial assets, namely financial assets no longer designated at fair value through profit or loss, will decrease equity by SEK 0.5bn and decrease the Common Equity Tier 1 capital ratio by 0.12 percentage points.
- Application of the impairment requirements will decrease equity by SEK 1.6bn and increase the Common Equity Tier 1 capital ratio by 0.05 percentage points due to reductions in the shortfall and risk exposure amount.
- The application of the hedge accounting requirements will not affect equity but will increase the Common Equity Tier 1 capital ratio by 0.01 percentage points.

The Group continues to refine and monitor certain elements of the new impairment process in advance of the Q1 2018 reporting.

Further details regarding the application of IFRS 9 can be found in the Annual Report 2016 on pages 68-70. Herein provides an update on the Group's conclusions.

#### *Classification and measurement*

The assessment of the business models and the contractual cash flow characteristics will not result in significant changes in the classification of financial assets as compared to the classification under IAS 39.

The Group designates financial assets at fair value through profit or loss under IAS 39, primarily to avoid an accounting mismatch. Upon the application of IFRS 9, the Group will revoke previous designations made under IAS 39 for loans to the public of approximately SEK 93bn, due to that there is no longer an elimination or significant reduction of an accounting mismatch. These loans to the public will be reclassified to amortised cost under IFRS 9, as the business model and cash flow characteristics assessments are also met. Other financial assets designated at fair value through profit or loss under IAS 39, namely financial assets for which the customers bear the investment risk and certain equity instruments will be mandatorily classified as fair value through profit or loss under IFRS 9. The financial liabilities designated by the Group at fair value through profit or loss under IFRS 9 are unchanged compared to IAS 39.

### *Impairment*

IFRS 9 introduces an expected credit loss model for the measurement of impairment, where credit impairment provisions are recognised based on unbiased forward-looking information even if no actual loss events have taken place. Expected credit losses are estimated considering a broad range of information, including past events, current conditions and reasonable and supportable forecasts of future economic conditions that could affect the expected collectability of the future cash flows. Consequently, credit impairment provisions under IFRS 9 are more sensitive to changes in the future economic outlook and are likely to be more volatile as compared to IAS 39.

Expected credit losses will be measured based on the stage to which the individual asset is allocated at each reporting date. For financial assets with no significant increase in credit risk since initial recognition (Stage 1), impairment provisions reflect 12-month expected credit losses. For financial assets with a significant increase in credit risk (Stage 2) and those which are credit impaired (Stage 3), impairment provisions reflect lifetime expected credit losses.

#### **Stage 1**

There were no updates to the Group's approach to Stage 1 during 2017.

#### **Stage 2**

The Group will assess changes in credit risk using a combination of individual and collective information and will reflect the increase in credit risk at the individual financial instrument level to the extent practicable. For instruments with an initial recognition date of 1 January 2018 or later, the primary indicator that will be used to assess changes in credit risk will be changes in the forward-looking lifetime probability of default since initial recognition. The forward-looking lifetime probability of default will incorporate effects stemming from historical and forecasted economic conditions. Changes in the Swedbank internal credit rating since initial recognition will also be used to assess for significant increase in credit risk. This indicator will be used as the primary indicator for instruments with an initial recognition date prior to 1 January 2018, due to that the determination of the forward-looking lifetime probabilities of default at historical initial recognition dates would require undue cost and effort and would not be possible without the use of bias and hindsight. This indicator will be used as a secondary indicator for instruments with an initial recognition date of 1 January 2018 or later.

Qualitative indicators that may not be captured in a timely manner by the quantitative triggers will also be considered in the stage allocation assessment; for example, whether a borrower is monitored on the watch list or has been extended performing forbearance measures. Financial assets that are 30 days past due will be allocated to Stage 2. IFRS 9 affords a practical expedient such that financial assets with low credit risk at the reporting date are deemed to not have experienced a significant increase in credit risk. The Group defines low credit risk as being rated with an investment grade equivalent and will only apply this practical expedient to instruments issued to sovereigns and financial institutions. An instrument is no longer considered to have experienced a significant increase in credit risk when all indicators are no longer breached.

#### **Stage 3**

The Group's IFRS 9 definition of default and credit-impaired will be aligned to its regulatory definition of default, which considers indicators that the borrower is unlikely to pay or has been extended non-performing forbearance measures, the borrower is in bankruptcy and occurs no later than when the exposure is more than 90 days past due. The Group will rebut the presumption that instruments which are 90 days past due are in default and are credit-impaired for sovereign and financial institution counterparties only. An instrument is considered no longer to be in default or credit-impaired when there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows, and there are no other indicators of impairment.

#### *Measurement of expected credit losses*

The Group's regulatory IRB models will serve as a base for the IFRS 9 expected credit loss models. However, adjustments need to be made and, in some instances, new models have been developed in order to meet the objectives of IFRS 9.

Incorporating forward-looking information will require significant judgment, both in terms of the scenarios to be applied and ensuring that only relevant forward-looking information is considered in the calculation of expected credit losses. Swedbank's Macro Research Department will be responsible for defining forward-looking scenarios, in terms of macroeconomic indicators such as gross domestic product, house prices, unemployment rates and interest rates for Swedbank's home markets. The scenarios will cover as a minimum a base scenario, an upside scenario and a downside scenario, constructed based on probability weights linked to the likelihood of occurrence.

#### *Impact on governance and controls*

The Group's existing governance and internal controls frameworks have been refined and revised to reflect the changes in the new impairment methodologies and calculations required, as well as new areas of significant judgment. The revised processes and framework include dedicated committees to review, challenge and sign off the assumptions used and the results of the credit impairment provision calculations. An expert panel was established to govern the setting of forward-looking economic scenarios, including probability weights. A process has been implemented around management of models, to ensure continuous improvement in the model estimation accuracy. Further to this, the independent model validation function within Risk Assurance will validate the IFRS 9 models on an annual basis or when they are changed.

#### *Hedge accounting*

The Group will adopt the IFRS 9 hedge accounting requirements for all hedge relationships, except the portfolio hedge of interest rate risk. Hedging relationships that exist under IAS 39 qualify in accordance with the IFRS 9. Additionally, the Group has elected to retrospectively apply the exclusion of the currency basis spread component from the hedging relationships. The primary impact will be a reclassification from the cash flow hedge reserve to the new foreign currency basis spread reserve within equity.

#### **IFRS 15**

IFRS 15 and associated clarifications has been approved by the EU and will be adopted from 1 January

2018. The adoption will not have any impact on the Group's financial position, results or cash flows.

#### **IFRS 17**

IFRS 17, Insurance Contracts, was issued in May 2017 and is applicable from 1 January 2021. The standard has not yet been approved by the EU. The new standard establishes principles for recognition, presentation, measurement and disclosure of insurance

contracts issued. Insurance contracts in scope will be measured at current value, based on the current estimates of amounts expected to be collected from premiums and pay out for claims, benefits and expenses plus expected profit for providing insurance coverage. The impacts on the Group's financial reports are still being assessed by the Group.

## **Note 2 Critical accounting estimates**

Presentation of consolidated financial statements in conformity with IFRS requires the executive management to make judgments and estimates that affect the recognised amounts for assets, liabilities and disclosures of contingent assets and liabilities as of the closing day as well as the recognised income and expenses during the report period. The executive management continuously evaluates these judgments and estimates, including assessing control over investment funds, the fair value of financial instruments, provisions for credit impairments, impairment testing of goodwill, deferred taxes and defined benefit pension provisions. There have been no significant changes to

the basis upon which the critical accounting policies and judgments have been determined compared with 31 December 2016.

## **Note 3 Changes in the Group structure**

On August 15, 2017 the Group acquired all the shares in PayEx Holdings AB for SEK 1 268m. PayEx Holding AB owns the subsidiaries: PayEx Norge AS and their subsidiaries PayEx Danmark A/S, PayEx Collection AB, PayEx Sverige AB and the subsidiaries

PayEx Solution OY, PayEx Suomi OY and PayEx Invest AB and the subsidiaries Faktab B1 AB, Faktab S1 AB and Faktab V1 AB. See note 25 Business combinations.

## Note 4 Operating segments (business areas)

Full-year 2017 SEKm	Swedish Banking	Baltic Banking	Large Corporates & Institutions	Group Functions & Other	Eliminations	Group
<b>Income statement</b>						
Net interest income	15 103	4 221	3 546	1734	-9	24 595
Net commission income	7 448	2 364	2 348	-187	57	12 030
Net gains and losses on financial items at fair value	398	220	1853	-537		1934
Share of profit or loss of associates	869			102		971
Other income <sup>1</sup>	1311	621	123	1132	-279	2 908
<b>Total income</b>	<b>25 129</b>	<b>7 426</b>	<b>7 870</b>	<b>2 244</b>	<b>-231</b>	<b>42 438</b>
of which internal income	102		47	692	-841	
Staff costs	3 136	858	1384	4 107		9 485
Variable staff costs	103	50	146	161		460
Other expenses	5 622	1666	1910	-3 097	-231	5 870
Depreciation/amortisation	67	102	76	355		600
<b>Total expenses</b>	<b>8 928</b>	<b>2 676</b>	<b>3 516</b>	<b>1 526</b>	<b>-231</b>	<b>16 415</b>
<b>Profit before impairments</b>	<b>16 201</b>	<b>4 750</b>	<b>4 354</b>	<b>718</b>		<b>26 023</b>
Impairment of intangible assets	80			95		175
Impairment of tangible assets		21				21
Credit impairments	413	-97	969			1285
<b>Operating profit</b>	<b>15 708</b>	<b>4 826</b>	<b>3 385</b>	<b>623</b>		<b>24 542</b>
Tax expense	3 160	827	727	464		5 178
Profit for the period	12 548	3 999	2 658	159		19 364
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>						
	<b>12 534</b>	<b>3 999</b>	<b>2 658</b>	<b>159</b>		<b>19 350</b>
Non-controlling interests	14					14
<b>Balance sheet, SEKbn</b>						
Cash and balances with central banks		3	8	189		200
Loans to credit institutions	5		54	191	-219	31
Loans to the public	1 150	149	228	8		1535
Bonds and other interest-bearing securities		2	27	118	-2	145
Financial assets for which customers bear inv. risk	176	4				180
Investments in associates	4			2		6
Derivatives			63	24	-31	56
Total tangible and intangible assets	2	11	1	4		18
Other assets	9	41	38	455	-501	42
<b>Total assets</b>	<b>1 346</b>	<b>210</b>	<b>419</b>	<b>991</b>	<b>-753</b>	<b>2 213</b>
Amounts owed to credit institutions	26		179	74	-211	68
Deposits and borrowings from the public	530	185	138	11	-8	856
Debt securities in issue			18	831	-5	844
Financial liabilities for which customers bear inv. risk	177	4				181
Derivatives			60	18	-32	46
Other liabilities	556				-497	59
Subordinated liabilities				26		26
<b>Total liabilities</b>	<b>1 289</b>	<b>189</b>	<b>395</b>	<b>960</b>	<b>-753</b>	<b>2 080</b>
Allocated equity	57	21	24	31		133
<b>Total liabilities and equity</b>	<b>1 346</b>	<b>210</b>	<b>419</b>	<b>991</b>	<b>-753</b>	<b>2 213</b>
<b>Key figures</b>						
Return on allocated equity, %	22.4	19.2	12.0	0.6		15.1
Cost/income ratio	0.36	0.36	0.45	0.68		0.39
Credit impairment ratio, % <sup>2</sup>	0.04	-0.07	0.40	0.00		0.08
Loan/deposit ratio, %	219	81	158			177
Loans, SEKbn <sup>3</sup>	1 150	149	203			1502
Deposits, SEKbn <sup>3</sup>	525	185	128	9		847
Risk exposure amount, SEKbn	171	82	137	18		408
Full-time employees	3 980	3 476	1 173	5 959		14 588
Allocated equity, average, SEKbn	56	21	22	29		128

<sup>1)</sup> Other income in the table above includes the items Net insurance and Other income from the Group income statement.

<sup>2)</sup> For more information about the Credit impairment ratio see page 42 of the Fact book.

<sup>3)</sup> Excluding the Swedish National Debt Office and repurchase agreements.

During the fourth quarter 2017 Swedbank's operating segments were changed slightly to coincide with the organisational changes made in Swedbank's business area organization. Comparative figures have been restated.

Full-year 2016 SEKm	Swedish Banking	Baltic Banking	Large Corporates & Institutions	Group Functions & Other	Eliminations	Group
<b>Income statement</b>						
Net interest income	13 969	3 994	3 334	1554	-1	22 850
Net commission income	6 932	2 074	2 336	-41	32	11 333
Net gains and losses on financial items at fair value	306	220	2 068	-363		2 231
Share of profit or loss of associates	815			1652		2 467
Other income <sup>1</sup>	583	520	77	921	-161	1 940
<b>Total income</b>	<b>22 605</b>	<b>6 808</b>	<b>7 815</b>	<b>3 723</b>	<b>-130</b>	<b>40 821</b>
of which internal income	101	-3	54	652	-804	
Staff costs	3 106	828	1466	3 349		8 749
Variable staff costs	136	64	230	197		627
Other expenses	5 523	1546	1757	-3 074	-130	5 622
Depreciation/amortisation	97	113	73	346		629
<b>Total expenses</b>	<b>8 862</b>	<b>2 551</b>	<b>3 526</b>	<b>818</b>	<b>-130</b>	<b>15 627</b>
<b>Profit before impairments</b>	<b>13 743</b>	<b>4 257</b>	<b>4 289</b>	<b>2 905</b>		<b>25 194</b>
Impairment of intangible assets			35			35
Impairment of tangible assets		21	8	2		31
Credit impairments	-51	-35	1482	-29		1367
<b>Operating profit</b>	<b>13 794</b>	<b>4 271</b>	<b>2 764</b>	<b>2 932</b>		<b>23 761</b>
Tax expense	2 959	586	449	215		4 209
Profit for the period	10 835	3 685	2 315	2 717		19 552
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>						
	<b>10 822</b>	<b>3 685</b>	<b>2 315</b>	<b>2 717</b>		<b>19 539</b>
Non-controlling interests	13					13
<b>Balance sheet, SEKbn</b>						
Cash and balances with central banks		3	2	116		121
Loans to credit institutions	5		43	194	-210	32
Loans to the public	1 135	140	228	4		1 507
Bonds and other interest-bearing securities		1	34	152	-5	182
Financial assets for which customers bear inv. risk	156	4				160
Investments in associates	4			3		7
Derivatives			97	34	-43	88
Total tangible and intangible assets	2	11		3		16
Other assets	4	36	33	505	-537	41
<b>Total assets</b>	<b>1 306</b>	<b>195</b>	<b>437</b>	<b>1 011</b>	<b>-795</b>	<b>2 154</b>
Amounts owed to credit institutions	24		164	90	-206	72
Deposits and borrowings from the public	500	171	127		-5	793
Debt securities in issue			18	831	-7	842
Financial liabilities for which customers bear inv. risk	157	4				161
Derivatives			103	26	-43	86
Other liabilities	572		5		-534	43
Subordinated liabilities				27		27
<b>Total liabilities</b>	<b>1 253</b>	<b>175</b>	<b>417</b>	<b>974</b>	<b>-795</b>	<b>2 024</b>
Allocated equity	53	20	20	37		130
<b>Total liabilities and equity</b>	<b>1 306</b>	<b>195</b>	<b>437</b>	<b>1 011</b>	<b>-795</b>	<b>2 154</b>
<b>Key figures</b>						
Return on allocated equity, %	20.5	18.0	11.9	8.9		15.8
Cost/income ratio	0.39	0.37	0.45	0.22		0.38
Credit impairment ratio, % <sup>2</sup>	0.00	-0.03	0.59	-0.13		0.09
Loan/deposit ratio, %	229	83	148			186
Loans, SEKbn <sup>3</sup>	1 135	140	178			1 453
Deposits, SEKbn <sup>3</sup>	496	170	116			782
Risk exposure amount, SEKbn	182	79	110	23		394
Full-time employees	4 090	3 642	1218	5 111		14 061
Allocated equity, average, SEKbn	53	20	20	30		123

<sup>1)</sup> Other income in the table above includes the items Net insurance and Other income from the Group income statement.

<sup>2)</sup> For more information about the Credit impairment ratio see page 42 of the Fact book.

<sup>3)</sup> Excluding the Swedish National Debt Office and repurchase agreements.

During the fourth quarter 2017 Swedbank's operating segments were changed slightly to coincide with the organisational changes made in Swedbank's business area organization. Comparative figures have been restated.

## Operating segments' accounting policies

Operating segment reporting is based on Swedbank's accounting policies, organisation and management accounting. Market-based transfer prices are applied between operating segments, while all expenses within Group functions are transfer priced at cost to the operating segments. 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 taking into account capital adequacy rules and estimated capital requirements based on the bank's Internal Capital Adequacy Assessment Process (ICAAP). All equity is allocated.

The return on allocated equity for the operating segments is calculated based on profit for the period for the operating segment (operating profit less estimated tax and non-controlling interests), in relation to average monthly allocated equity for the operating segment. For period shorter than one year the key ratio is annualised.

## Note 5 Net interest income

Group SEKm	Q4 2017	Q3 2017	%	Q4 2016	%	Full-year 2017	Full-year 2016	%
<b>Interest income</b>								
Loans to credit institutions	70	-19		-44		60	64	-6
Loans to the public	7 502	7 534	0	7 555	-1	30 022	30 031	0
Interest-bearing securities	24	38	-37	116	-79	182	651	-72
Derivatives	302	226	34	179	69	1 026	1 093	-6
Other	242	358	-32	9		1 241	764	62
<b>Total interest income including negative yield on financial assets</b>	<b>8 140</b>	<b>8 137</b>	<b>0</b>	<b>7 815</b>	<b>4</b>	<b>32 531</b>	<b>32 603</b>	<b>0</b>
deduction of trading interests reported in net gains and losses on financial items at fair value	79	16		264	-70	343	1 232	-72
<b>Interest income, including negative yield on financial assets, according to income statement</b>	<b>8 061</b>	<b>8 121</b>	<b>-1</b>	<b>7 551</b>	<b>7</b>	<b>32 188</b>	<b>31 371</b>	<b>3</b>
<b>Interest expenses</b>								
Amounts owed to credit institutions	-255	-243	5	98		-821	-269	
Deposits and borrowings from the public	-305	-371	-18	-166	84	-1 281	-1 100	16
of which deposit guarantee fees	-106	-99	7	-110	-4	-442	-466	-5
Debt securities in issue	-3 054	-2 977	3	-3 164	-3	-12 095	-13 013	-7
Subordinated liabilities	-268	-310	-14	-251	7	-1 193	-977	22
Derivatives	2 548	2 357	8	2 192	16	9 334	7 638	22
Other	-308	-304	1	-163	89	-1 225	-689	78
of which government resolution fund fee	-301	-300	0	-160	88	-1 205	-646	87
<b>Total interest expenses including negative yield on financial liabilities</b>	<b>-1 642</b>	<b>-1 848</b>	<b>-11</b>	<b>-1 454</b>	<b>13</b>	<b>-7 281</b>	<b>-8 410</b>	<b>-13</b>
deduction of trading interests reported in net gains and losses on financial items at fair value	93	65	43	97	-4	312	111	
<b>Interest expenses, including negative yield on financial liabilities, according to income statement</b>	<b>-1 735</b>	<b>-1 913</b>	<b>-9</b>	<b>-1 551</b>	<b>12</b>	<b>-7 593</b>	<b>-8 521</b>	<b>-11</b>
<b>Net interest income</b>	<b>6 326</b>	<b>6 208</b>	<b>2</b>	<b>6 000</b>	<b>5</b>	<b>24 595</b>	<b>22 850</b>	<b>8</b>
<b>Net interest margin before trading interest is deducted</b>	<b>1.07</b>	<b>1.04</b>		<b>1.09</b>		<b>1.04</b>	<b>1.02</b>	
<b>Average total assets</b>	<b>2 433 413</b>	<b>2 413 614</b>		<b>1 232 844</b>		<b>4 242 431</b>	<b>2 373 930</b>	<b>2</b>

## Note 6 Net commission income

Group SEKm	Q4 2017	Q3 2017	%	Q4 2016	%	Full-year 2017	Full-year 2016	%
<b>Commission income</b>								
Payment processing	468	445	5	463	1	1 772	1 745	2
Card commissions	1 325	1 332	-1	1 229	8	5 065	4 715	7
Service concepts	299	204	47	131		807	522	55
Asset management and custody	1 751	1 511	16	1 523	15	6 240	5 425	15
Life insurance	159	164	-3	158	1	660	648	2
Securites	154	91	69	206	-25	557	581	-4
Corporate finance	26	17	53	57	-54	137	277	-51
Lending	241	236	2	251	-4	938	982	-4
Guarantees	56	53	6	55	2	231	215	7
Deposits	49	51	-4	32	53	200	131	53
Real estate brokerage	45	53	-15	53	-15	198	226	-12
Non-life insurance	27	20	35	21	29	80	69	16
Other commission income	138	98	41	111	24	481	475	1
<b>Total commission income</b>	<b>4 738</b>	<b>4 275</b>	<b>11</b>	<b>4 290</b>	<b>10</b>	<b>17 366</b>	<b>16 011</b>	<b>8</b>
<b>Commission expenses</b>								
Payment processing	-289	-277	4	-253	14	-1 078	-1 002	8
Card commissions	-569	-544	5	-488	17	-2 115	-1 883	12
Service concepts	-47	-18		-4		-70	-15	
Asset management and custody	-355	-337	5	-318	12	-1 368	-1 180	16
Life insurance	-49	-46	7	-43	14	-189	-176	7
Securites	-65	-78	-17	-72	-10	-279	-211	32
Lending and guarantees	-18	-16	13	-20	-10	-60	-73	-18
Non-life insurance	-8	-6	33	-4	100	-23	-14	64
Other commission income	-47	-36	31	-33	42	-154	-124	24
<b>Total commission expenses</b>	<b>-1 447</b>	<b>-1 358</b>	<b>7</b>	<b>-1 235</b>	<b>17</b>	<b>-5 336</b>	<b>-4 678</b>	<b>14</b>
<b>Net commission income</b>								
Payment processing	179	168	7	210	-15	694	743	-7
Card commissions	756	788	-4	741	2	2 950	2 832	4
Service concepts	252	186	35	127	98	737	507	45
Asset management and custody	1 396	1 174	19	1 205	16	4 872	4 245	15
Life insurance	110	118	-7	115	-4	471	472	0
Securites	89	13		134	-34	278	370	-25
Corporate finance	26	17	53	57	-54	137	277	-51
Lending and guarantees	279	273	2	286	-2	1 109	1 124	-1
Deposits	49	51	-4	32	53	200	131	53
Real estate brokerage	45	53	-15	53	-15	198	226	-12
Non-life insurance	19	14	36	17	12	57	55	4
Other commission income	91	62	47	78	17	327	351	-7
<b>Total Net commission income</b>	<b>3 291</b>	<b>2 917</b>	<b>13</b>	<b>3 055</b>	<b>8</b>	<b>12 030</b>	<b>11 333</b>	<b>6</b>



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

Group SEKm	Q4 2017	Q3 2017	%	Q4 2016	%	Full-year 2017	Full-year 2016	%
<b>Valuation category, fair value through profit or loss</b>								
Shares and share related derivatives	197	67		51		570	946	-40
of which dividend	56	3		34	66	283	67	
Interest-bearing securities and interest related derivatives	-51	184		95		436	1 190	-63
Loans to the public	-168	-226	-26	-483	-65	-1 029	-1 494	-31
Financial liabilities	67	64	4	93	-28	264	200	32
Other financial instruments	5	-7		-51		-2	-296	-99
<b>Total fair value through profit or loss</b>	<b>50</b>	<b>82</b>	<b>-39</b>	<b>-295</b>		<b>239</b>	<b>546</b>	<b>-56</b>
<b>Hedge accounting</b>								
Ineffective part in hedge accounting at fair value	64	-11		47	37	92	-60	
of which hedging instruments	-1 109	-695	60	-5 872	-81	-5 188	-812	
of which hedged items	1 174	684	72	5 919	-80	5 281	752	
Ineffective part in portfolio hedge accounting at fair value	-38	6		89		-34	8	
of which hedging instruments	92	94	-2	1 019	-91	660	-465	
of which hedged items	-129	-90	43	-930	-86	-694	473	
<b>Total hedge accounting</b>	<b>26</b>	<b>-5</b>		<b>136</b>	<b>-81</b>	<b>58</b>	<b>-52</b>	
<b>Loan receivables at amortised cost</b>	<b>30</b>	<b>26</b>	<b>15</b>	<b>31</b>	<b>-4</b>	<b>112</b>	<b>142</b>	<b>-21</b>
<b>Financial liabilities valued at amortised cost</b>	<b>-24</b>	<b>-75</b>	<b>-68</b>	<b>-132</b>	<b>-82</b>	<b>-385</b>	<b>-414</b>	<b>-7</b>
<b>Trading related interest</b>								
Interest income	79	16		264	-70	343	1 232	-72
Interest expense	93	65	43	97	-4	312	111	
<b>Total trading related interest</b>	<b>172</b>	<b>81</b>		<b>361</b>	<b>-52</b>	<b>655</b>	<b>1 343</b>	<b>-51</b>
<b>Change in exchange rates</b>	<b>102</b>	<b>416</b>	<b>-75</b>	<b>184</b>	<b>-44</b>	<b>1 255</b>	<b>666</b>	<b>89</b>
<b>Total net gains and losses on financial items at fair value</b>	<b>356</b>	<b>525</b>	<b>-32</b>	<b>285</b>	<b>25</b>	<b>1 934</b>	<b>2 231</b>	<b>-13</b>
<b>Distribution by business purpose</b>								
<b>Financial instruments for trading related business</b>	<b>516</b>	<b>516</b>	<b>0</b>	<b>343</b>	<b>50</b>	<b>2 710</b>	<b>2 694</b>	<b>1</b>
<b>Financial instruments intended to be held to contractual maturity</b>	<b>-160</b>	<b>9</b>		<b>-58</b>		<b>-776</b>	<b>-463</b>	<b>68</b>
<b>Total</b>	<b>356</b>	<b>525</b>	<b>-32</b>	<b>285</b>	<b>25</b>	<b>1 934</b>	<b>2 231</b>	<b>-13</b>

## Note 8 Other expenses

Group SEKm	Q4 2017	Q3 2017	%	Q4 2016	%	Full-year 2017	Full-year 2016	%
Premises and rents	309	277	12	315	-2	1 152	1 131	2
IT expenses	553	444	25	524	6	1 963	1 834	7
Telecommunications and postage	36	27	33	27	33	133	118	13
Advertising, PR and marketing	111	51		89	25	306	285	7
Consultants	99	67	48	76	30	326	314	4
Compensation to savings banks	56	55	2	60	-7	223	236	-6
Other purchased services	237	194	22	192	23	777	708	10
Security transport and alarm systems	21	17	24	21	0	71	72	-1
Supplies	36	20	80	37	-3	95	103	-8
Travel	67	45	49	74	-9	238	226	5
Entertainment	21	10		18	17	53	51	4
Repair/maintenance of inventories	29	14		32	-9	115	111	4
Other expenses	120	95	26	99	21	418	433	-3
<b>Total other expenses</b>	<b>1 695</b>	<b>1 316</b>	<b>29</b>	<b>1 564</b>	<b>8</b>	<b>5 870</b>	<b>5 622</b>	<b>4</b>

## Note 9 Credit impairments

Group SEKm	Q4 2017	Q3 2017	%	Q4 2016	%	Full-year 2017	Full-year 2016	%
<b>Provision for loans individually assessed as impaired</b>								
Provisions	319	282	13	710	-55	987	1 444	-32
Reversal of previous provisions	-174	-23		-183	-5	-267	-455	-41
Provision for homogenous groups of impaired loans, net	-14	1		-67	-79	4	-69	
<b>Total</b>	<b>131</b>	<b>260</b>	<b>-50</b>	<b>460</b>	<b>-72</b>	<b>724</b>	<b>920</b>	<b>-21</b>
<b>Portfolio provisions for loans individually assessed as not impaired</b>	<b>39</b>	<b>-38</b>		<b>-54</b>		<b>-40</b>	<b>97</b>	
<b>Write-offs</b>								
Established losses	323	121		17		801	1 214	-34
Utilisation of previous provisions	-127	-57		55		-431	-850	-49
Recoveries	-62	-51	22	-57	9	-271	-253	7
<b>Total</b>	<b>134</b>	<b>13</b>		<b>15</b>		<b>99</b>	<b>111</b>	<b>-11</b>
<b>Credit impairments for contingent liabilities and other credit risk exposures</b>	<b>7</b>	<b>0</b>		<b>172</b>	<b>-96</b>	<b>502</b>	<b>239</b>	
<b>Credit impairments</b>	<b>311</b>	<b>235</b>	<b>32</b>	<b>593</b>	<b>-48</b>	<b>1 285</b>	<b>1 367</b>	<b>-6</b>
Credit impairment ratio, % <sup>1)</sup>	0.08	0.06		0.15		0.08	0.09	

<sup>1)</sup> For more information about credit impairment ratio, see page 42 of the Fact book.

## Note 10 Loans

Group SEKm	31 Dec 2017			31 Dec 2016	
	Loans before provisions	Provisions	Loans after provisions Carrying amount	Loans after provisions Carrying amount	%
<b>Loans to credit institutions</b>					
Banks	15 499		15 499	18 579	-17
Repurchase agreements, banks	45		45	617	-93
Other credit institutions	14 736		14 736	12 766	15
Repurchase agreements, other credit institutions	466		466	235	98
<b>Loans to credit institutions</b>	<b>30 746</b>		<b>30 746</b>	<b>32 197</b>	<b>-5</b>
<b>Loans to the public</b>					
Private customers	981 424	775	980 649	931 670	5
Private, mortgage	829 385	461	828 924	782 972	6
Tenant owner association	109 221	47	109 174	107 762	1
Private, other	42 818	267	42 551	40 936	4
Corporate customers	524 112	3 111	521 001	521 638	0
Agriculture, forestry, fishing	67 810	105	67 705	65 992	3
Manufacturing	48 333	262	48 071	44 940	7
Public sector and utilities	21 252	21	21 231	25 264	-16
Construction	20 136	103	20 033	19 777	1
Retail	29 066	197	28 869	28 202	2
Transportation	17 065	25	17 040	15 265	12
Shipping and offshore	24 612	1 358	23 254	27 567	-16
Hotels and restaurants	7 472	31	7 441	8 893	-16
Information and communications	11 081	117	10 964	8 064	36
Finance and insurance	12 339	20	12 319	12 497	-1
Property management	218 989	261	218 728	223 404	-2
Residential properties	66 582	54	66 528	64 154	4
Commercial	83 503	94	83 409	87 942	-5
Industrial and Warehouse	43 578	36	43 542	45 145	-4
Other	25 326	77	25 249	26 163	-3
Professional services	26 748	499	26 249	23 221	13
Other corporate lending	19 209	112	19 097	18 552	3
<b>Loans to the public excluding the Swedish National Debt Office and repurchase agreements</b>	<b>1 505 536</b>	<b>3 886</b>	<b>1 501 650</b>	<b>1 453 308</b>	<b>3</b>
Swedish National Debt Office	8 501		8 501	5 079	67
Repurchase agreements, Swedish National Debt Office	2 862		2 862	3 797	-25
Repurchase agreements, public	22 185		22 185	45 063	-51
<b>Loans to the public</b>	<b>1 539 084</b>	<b>3 886</b>	<b>1 535 198</b>	<b>1 507 247</b>	<b>2</b>
<b>Loans to the public and credit institutions</b>	<b>1 569 830</b>	<b>3 886</b>	<b>1 565 944</b>	<b>1 539 444</b>	<b>2</b>

## Note 11 Impaired loans etc.

Group SEKm	31 Dec 2017	31 Dec 2016	%
Impaired loans, gross	8 579	8 095	6
Provisions for individually assessed impaired loans	2 419	2 254	7
Provision for homogenous groups of impaired loans	457	453	1
<b>Impaired loans, net</b>	<b>5 703</b>	<b>5 388</b>	<b>6</b>
of which private customers	919	1 113	-17
of which corporate customers	4 784	4 275	12
Portfolio provisions for loans individually assessed as not impaired	1 010	1 048	-4
Share of impaired loans, gross, % <sup>1)</sup>	0.55	0.52	5.77
Share of impaired loans, net, % <sup>1)</sup>	0.36	0.35	2.86
Provision ratio for impaired loans, % <sup>1)</sup>	34	33	3
Total provision ratio for impaired loans, % <sup>1)</sup>	45	46	-2
<b>Past due loans that are not impaired</b>	<b>3 325</b>	<b>3 164</b>	<b>5</b>
of which past due 5-30 days	1 725	1 768	-2
of which past due 31-60 days	728	857	-15
of which past due 61-90 days	553	269	
of which past due more than 90 days	319	270	18

<sup>1)</sup> For more information about impaired loans see page 44-45 in the Fact book.

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

Group SEKm	31 Dec 2017	31 Dec 2016	%
Buildings and land	142	257	-45
Shares and participating interests	3	3	
Other	79	145	-46
<b>Total</b>	<b>221</b>	<b>405</b>	<b>-45</b>

## Note 13 Credit exposures

Group SEKm	31 Dec 2017	31 Dec 2016	%
<b>Assets</b>			
Cash and balances with central banks	200 371	121 347	65
Interest-bearing securities	145 034	182 072	-20
Loans to credit institutions	30 746	32 197	-5
Loans to the public	1 535 198	1 507 247	2
Derivatives	55 680	87 811	-37
Other financial assets	16 772	10 853	55
<b>Total assets</b>	<b>1 983 801</b>	<b>1 941 527</b>	<b>2</b>
<b>Contingent liabilities and commitments</b>			
Guarantees	44 057	42 750	3
Commitments	262 921	262 701	0
<b>Total contingent liabilities and commitments</b>	<b>306 978</b>	<b>305 451</b>	<b>0</b>
<b>Total credit exposures</b>	<b>2 290 779</b>	<b>2 246 978</b>	<b>2</b>

## Note 14 Intangible assets

Group SEKm	31 Dec 2017	31 Dec 2016	%
<b>With indefinite useful life</b>			
Goodwill	13 100	12 408	6
<b>Total</b>	<b>13 100</b>	<b>12 408</b>	<b>6</b>
<b>With finite useful life</b>			
Customer base	471	559	-16
Brand name	161		
Internally developed software	1 844	989	86
Other	753	323	
<b>Total</b>	<b>3 229</b>	<b>1 871</b>	<b>73</b>
<b>Total intangible assets</b>	<b>16 329</b>	<b>14 279</b>	<b>14</b>

## Impairment testing of intangible assets

During the third quarter, a write-down of SEK 96m was made for previously internally developed software. Similar software was obtained through the acquisition of our new subsidiary PayEx Holding AB.

During the fourth quarter, a write-down of SEK 80m was made for intangible assets related to deposit and fund volumes connected to the acquisition of Öresund.

## Note 15 Amounts owed to credit institutions

Group SEKm	31 Dec 2017	31 Dec 2016	%
<b>Amounts owed to credit institutions</b>			
Central banks	23 200	22 079	5
Banks	41 609	47 771	-13
Other credit institutions	3 246	1 968	65
Repurchase agreements - banks		13	
<b>Amounts owed to credit institutions</b>	<b>68 055</b>	<b>71 831</b>	<b>-5</b>

## Note 16 Deposits and borrowings from the public

Group SEKm	31 Dec 2017	31 Dec 2016	%
<b>Deposits from the public</b>			
Private customers	473 404	441 817	7
Corporate customers	373 223	340 214	10
<b>Deposits from the public excluding the Swedish National Debt Office and repurchase agreements</b>	<b>846 627</b>	<b>782 031</b>	<b>8</b>
Swedish National Debt Office	275	1	
Repurchase agreements - public	8 707	10 892	-20
<b>Deposits and borrowings from the public</b>	<b>855 609</b>	<b>792 924</b>	<b>8</b>

## Note 17 Debt securities in issue and subordinated liabilities

Group SEKm	31 Dec 2017	31 Dec 2016	%
Commercial papers	149 974	102 225	47
Covered bonds	519 845	558 295	-7
Senior unsecured bonds	159 536	166 161	-4
Structured retail bonds	14 849	14 992	-1
<b>Total debt securities in issue</b>	<b>844 204</b>	<b>841 673</b>	<b>0</b>
Subordinated liabilities	25 508	27 254	-6
<b>Total debt securities in issue and subordinated liabilities</b>	<b>869 712</b>	<b>868 927</b>	<b>0</b>

Turnover during the period	Full year 2017	Full year 2016	%
<b>Opening balance</b>	<b>868 927</b>	<b>851 148</b>	<b>2</b>
Issued	1 236 024	976 733	27
Repurchased	-91 067	-44 963	
Repaid	-1 109 693	-933 835	19
Change in market value or in hedged item in fair value hedge accounting	-12 472	-8 240	51
Changes in exchange rates	-22 007	28 084	
<b>Closing balance</b>	<b>869 712</b>	<b>868 927</b>	<b>0</b>

## Note 18 Derivatives

Group SEKm	Nominal amount			Nominal amount		Positive fair value		Negative fair value	
	Remaining contractual maturity			2017	2016	2017	2016	2017	2016
	< 1 yr.	1-5 yrs.	> 5 yrs.	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
<b>Derivatives in hedge accounting</b>	<b>84 415</b>	<b>591 242</b>	<b>78 627</b>	<b>754 284</b>	<b>712 083</b>	<b>10 804</b>	<b>16 899</b>	<b>2 703</b>	<b>3 144</b>
Fair value hedges, interest rate sw aps	47 915	398 283	57 874	504 072	531 489	10 514	16 676	977	587
Portfolio fair value hedges, interest rate sw aps	36 500	191 230	13 175	240 905	171 230	278	223	1 392	2 063
Cash flow hedges, foreign currency sw aps		1 729	7 578	9 307	9 364	12	0	334	494
<b>Non-hedging derivatives</b>	<b>5 618 013</b>	<b>4 187 422</b>	<b>858 062</b>	<b>10 663 497</b>	<b>9 614 077</b>	<b>54 489</b>	<b>82 749</b>	<b>56 381</b>	<b>96 150</b>
<b>Gross amount</b>	<b>5 702 428</b>	<b>4 778 664</b>	<b>936 689</b>	<b>11 417 781</b>	<b>10 326 160</b>	<b>65 293</b>	<b>99 648</b>	<b>59 084</b>	<b>99 294</b>
Offset amount (see also note 21)	-1 745 771	-1 603 820	-388 745	-3 738 336	-3 332 268	-9 613	-11 837	-12 884	-13 705
<b>Total</b>	<b>3 956 657</b>	<b>3 174 844</b>	<b>547 944</b>	<b>7 679 445</b>	<b>6 993 892</b>	<b>55 680</b>	<b>87 811</b>	<b>46 200</b>	<b>85 589</b>

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.

The amounts offset for derivative assets and derivative liabilities include cash collateral offsets of SEK 3 531m and SEK 261m respectively.

## Note 19 Financial instruments at fair value

Group SEKm	31 Dec 2017			31 Dec 2016		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
<b>Assets</b>						
<b>Financial assets covered by IAS 39</b>						
Cash and balances w ith central banks	200 371	200 371		121 347	121 347	
Treasury bills etc.	85 961	85 903	58	107 647	107 571	76
Loans to credit institutions	30 746	30 746		32 197	32 197	
Loans to the public	1 532 977	1 535 198	-2 221	1 512 686	1 507 247	5 439
Value change of interest hedged items in portfolio hedge	789	789		1 482	1 482	
Bonds and interest-bearing securities	59 136	59 131	5	74 508	74 501	7
Financial assets for w hich the customers bear the investment risk	180 320	180 320		160 114	160 114	
Shares and participating interest	19 850	19 850		23 897	23 897	
Derivatives	55 680	55 680		87 811	87 811	
Other financial assets	16 772	16 772		10 851	10 851	
<b>Total</b>	<b>2 182 602</b>	<b>2 184 760</b>	<b>-2 158</b>	<b>2 132 540</b>	<b>2 127 018</b>	<b>5 522</b>
<b>Investment in associates</b>		<b>6 357</b>			<b>7 319</b>	
<b>Non-financial assets</b>		<b>21 519</b>			<b>19 866</b>	
<b>Total</b>		<b>2 212 636</b>			<b>2 154 203</b>	
<b>Liabilities</b>						
<b>Financial liabilities covered by IAS 39</b>						
Amounts ow ed to credit institutions	68 055	68 055		71 615	71 831	-216
Deposits and borrow ings from the public	855 597	855 609	-12	792 905	792 924	-19
Debt securities in issue	851 908	844 204	7 704	849 097	841 673	7 424
Financial liabilities for w hich the customers bear the investment risk	181 124	181 124		161 051	161 051	
Subordinated liabilities	25 525	25 508	17	27 254	27 254	
Derivatives	46 200	46 200		85 589	85 589	
Short positions securities	14 459	14 459		11 614	11 614	
Other financial liabilities	31 219	31 219		22 524	22 524	
<b>Total</b>	<b>2 074 087</b>	<b>2 066 378</b>	<b>7 709</b>	<b>2 021 649</b>	<b>2 014 460</b>	<b>7 189</b>
<b>Non-financial liabilities</b>		<b>12 686</b>			<b>10 038</b>	
<b>Total</b>		<b>2 079 064</b>			<b>2 024 498</b>	

Group 31 Dec 2017 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
<b>Assets</b>				
Treasury bills etc.	15 731	4 761		20 492
Loans to credit institutions		511		511
Loans to the public		117 819		117 819
Bonds and other interest-bearing securities	31 651	24 158		55 809
Financial assets for w hich the customers bear the investment risk	180 320			180 320
Shares and participating interests	19 401		449	19 850
Derivatives	162	55 492	26	55 680
<b>Total</b>	<b>247 265</b>	<b>202 741</b>	<b>475</b>	<b>450 481</b>
<b>Liabilities</b>				
Amounts ow ed to credit institutions				
Deposits and borrow ings from the public		8 707		8 707
Debt securities in issue	3 082	19 431		22 513
Financial liabilities for w hich the customers bear the investment risk		181 124		181 124
Derivatives	204	45 996		46 200
Short positions, securities	14 459			14 459
<b>Total</b>	<b>17 745</b>	<b>255 258</b>		<b>273 003</b>

The table above contains financial instruments measured at fair value by valuation level. The Group uses various methods to determine the fair value for financial instruments depending on the degree of observable market data in the valuation and activity in the market. Activity is continuously

evaluated by analysing factors such as differences in bid and ask prices.

The methods are divided into three different levels:  
 • Level 1: Unadjusted, quoted price on an active market

- Level 2: Adjusted, quoted price or valuation model with valuation parameters derived from an active market
- Level 3: Valuation model where significant valuation parameters are non-observable and based on internal assumptions.

When financial assets and financial liabilities in active markets have market risks that offset each other, an average of bid and ask prices is used as a basis to determine the fair values of the risk positions that offset each other. For any open net positions, bid rates are applied for long positions and ask rates for short positions.

The Group has a continuous process whereby financial instruments that indicate a high level of

internal estimates or low level of observable market data are captured. The process determines the way to calculate and how the internal assumptions are expected to affect the valuation. In cases where internal assumptions have a significant impact on fair value, the financial instrument is reported in level 3. The process also includes an analysis and evaluation based on the quality of the valuation data as well as whether a type of financial instrument is to be transferred between levels.

When transfers occur between fair value hierarchy levels those are reflected as taking place at the end of each quarter. There were no transfers of financial instruments between valuation levels 1 and 2 during the quarter.

Group 31 Dec 2016 SEKm	Instruments with quoted market prices in an active market (Level 1)	Valuation techniques using observable market data (Level 2)	Valuation techniques using non- observable market data (Level 3)	Total
<b>Assets</b>				
Treasury bills etc.	16 740	5 429		22 169
Loans to credit institutions		852		852
Loans to the public		190 512		190 512
Bonds and other interest-bearing securities	42 650	28 183		70 833
Financial assets for which the customers bear the investment risk	160 115			160 115
Shares and participating interests	23 604	135	158	23 897
Derivatives	138	87 608	65	87 811
<b>Total</b>	<b>243 247</b>	<b>312 719</b>	<b>223</b>	<b>556 189</b>
<b>Liabilities</b>				
Amounts owed to credit institutions		13		13
Deposits and borrowings from the public		10 892		10 892
Debt securities in issue	3 270	19 830		23 100
Financial liabilities for which the customers bear the investment risk		161 051		161 051
Derivatives	75	85 514		85 589
Short positions, securities	11 614			11 614
<b>Total</b>	<b>14 959</b>	<b>277 300</b>		<b>292 259</b>

Changes in level 3 Group SEKm	Assets		
	Equity instruments	Derivatives	Total
<b>January-December 2017</b>			
<b>Opening balance 1 January 2017</b>	<b>158</b>	<b>65</b>	<b>223</b>
Purchases	204		204
Sale of assets	-9		-9
Maturities		-37	-37
Transferred from Level 2 to Level 3	68		68
Transferred from Level 3 to Level 2		-14	-14
Gains or losses	28	12	40
of which in the income statement, net gains and losses on financial items at fair value	28	12	40
of which changes in unrealised gains or losses for items held at closing day		3	3
<b>Closing balance 31 December 2017</b>	<b>449</b>	<b>26</b>	<b>475</b>

Level 3 primarily contains unlisted equity instruments and illiquid options. In connection with the sale of shares in VISA Europe convertible preference shares in VISA Inc. were obtained. The shares are subject to selling restrictions for a period of up to 12 years and under certain conditions may have to be returned. Because liquid quotes are not available for the instrument, its fair value is established with significant elements of own internal

assumptions and reported in level 3 as equity instruments. The options hedge changes in the market value of hybrid debt instruments, so-called structured products. Structured products consist of a corresponding option element and a host contract, which in principle is an ordinary interest-bearing bond. When the Group evaluates the level on which the financial instruments are reported, the entire instrument is assessed on an individual



basis. Since the bond portion of the structured products represents the majority of the financial instrument's fair value, the internal assumptions used to value the illiquid option element normally do not have a significant effect on the valuation and the financial instrument is typically reported in level 2. However, the Group typically hedges the market risks that arise in structured products by holding individual options. The internal assumptions used to in the valuation of the individual financial instruments are therefore of greater significance, because of which several are reported as derivatives in level 3.

For all options included in level 3 an analysis is performed based on historical movements in contract prices. Given this, it is not likely that future price movements will affect the market value for options in level 3 with more than +/- SEK 3m.

Financial instruments are transferred to or from level 3 depending on whether the internal assumptions have changed in significance to the valuation.

Changes in level 3 Group SEKm	Assets		
	Equity instruments	Derivatives	Total
<b>January-December 2016</b>			
<b>Opening balance 1 January 2016</b>	<b>73</b>	<b>114</b>	<b>187</b>
Purchases	3		3
VISA Inc. C shares received	62		62
Sale of assets	-55		-55
Maturities		-19	-19
Issues		1	1
Transferred from Level 1 to Level 3	64		64
Transferred from Level 3 to Level 2		-8	-8
Gains or losses	11	-23	-12
of which in the income statement, net gains and losses on financial items at fair value	11	-23	-12
of which changes in unrealised gains or losses for items held at closing day	17	-19	-2
<b>Closing balance 31 December 2016</b>	<b>158</b>	<b>65</b>	<b>223</b>

## Note 20 Pledged collateral

Group SEKm	31 Dec 2017	31 Dec 2016	%
Loan receivables <sup>1</sup>	518 805	542 278	-4
Financial assets pledged for policyholders	177 317	157 804	12
Other assets pledged	33 020	37 546	-12
<b>Pledged collateral</b>	<b>729 142</b>	<b>737 628</b>	<b>-1</b>

<sup>1</sup>The pledge is defined as the borrower's nominal debt including accrued interest. Refers to the loans of the total available collateral that are used as the pledge at each point in time.

## Note 21 Offsetting financial assets and liabilities

Group SEKm	Assets			Liabilities		
	31 Dec 2017	31 Dec 2016	%	31 Dec 2017	31 Dec 2016	%
<b>Financial assets and liabilities, which have been offset or are subject to netting or similar agreements</b>						
Gross amount	98 528	152 098	-35	75 596	111 865	-32
Offset amount	-19 021	-16 340	16	-22 292	-18 208	22
<b>Net amounts presented in the balance sheet</b>	<b>79 507</b>	<b>135 758</b>	<b>-41</b>	<b>53 304</b>	<b>93 657</b>	<b>-43</b>
<b>Related amounts not offset in the balance sheet</b>						
Financial instruments, netting arrangements	32 523	46 691	-30	32 523	46 691	-30
Financial instruments, collateral	18 155	40 853	-56	3 891	4 391	-11
Cash, collateral	9 125	12 676	-28	9 340	13 775	-32
<b>Total amount not offset in the balance sheet</b>	<b>59 803</b>	<b>100 220</b>	<b>-40</b>	<b>45 754</b>	<b>64 857</b>	<b>-29</b>
<b>Net amount</b>	<b>19 704</b>	<b>35 538</b>	<b>-45</b>	<b>7 550</b>	<b>28 800</b>	<b>-74</b>

The amounts offset for financial assets and financial liabilities include cash collateral offsets of

SEK 3 531m and SEK 261m respectively.

## Note 22 Capital adequacy, consolidated situation

Capital adequacy SEKm	31 Dec 2017	31 Dec 2016
Shareholders' equity according to the Group's balance sheet	133 372	129 515
Non-controlling interests	67	78
Anticipated dividend	-14 515	-14 695
Deconsolidation of insurance companies	-109	96
Value changes in own financial liabilities	39	-2
Cash flow hedges	-28	-77
Additional value adjustments <sup>1)</sup>	-596	-598
Goodwill	-13 188	-12 497
Deferred tax assets	-142	-114
Intangible assets	-2 697	-1 601
Net provisions for reported IRB credit exposures	-1 648	-1 376
Shares deducted from CET1 capital	-45	-50
<b>Common Equity Tier 1 capital</b>	<b>100 510</b>	<b>98 679</b>
Additional Tier 1 capital	11 050	14 281
<b>Total Tier 1 capital</b>	<b>111 560</b>	<b>112 960</b>
Tier 2 capital	13 696	12 229
<b>Total capital</b>	<b>125 256</b>	<b>125 189</b>
Minimum capital requirement for credit risks, standardised approach	3 046	3 800
Minimum capital requirement for credit risks, IRB	21 245	21 478
Minimum capital requirement for credit risk, default fund contribution	27	34
Minimum capital requirement for settlement risks	0	0
Minimum capital requirement for market risks	695	754
Trading book	669	732
of which VaR and SVaR	486	563
of which risks outside VaR and SVaR	183	169
FX risk other operations	26	22
Minimum capital requirement for credit value adjustment	299	424
Minimum capital requirement for operational risks	5 079	4 972
Additional minimum capital requirement, Article 3 CRR <sup>2)</sup>	2 277	69
<b>Minimum capital requirement</b>	<b>32 668</b>	<b>31 531</b>
Risk exposure amount credit risks, standardised approach	38 074	47 503
Risk exposure amount credit risks, IRB	265 563	268 473
Risk exposure amount default fund contribution	343	431
Risk exposure amount settlement risks	0	0
Risk exposure amount market risks	8 684	9 419
Risk exposure amount credit value adjustment	3 745	5 297
Risk exposure amount operational risks	63 482	62 152
Additional risk exposure amount, Article 3 CRR <sup>2)</sup>	28 460	860
<b>Risk exposure amount</b>	<b>408 351</b>	<b>394 135</b>
<b>Common Equity Tier 1 capital ratio, %</b>	<b>24.6</b>	<b>25.0</b>
<b>Tier 1 capital ratio, %</b>	<b>27.3</b>	<b>28.7</b>
<b>Total capital ratio, %</b>	<b>30.7</b>	<b>31.8</b>
<b>Capital buffer requirement <sup>3)</sup></b>	<b>31 Dec</b>	<b>31 Dec</b>
<b>%</b>	<b>2017</b>	<b>2016</b>
CET1 capital requirement including buffer requirements	11.3	11.0
of which minimum CET1 requirement	4.5	4.5
of which capital conservation buffer	2.5	2.5
of which countercyclical capital buffer	1.3	1.0
of which systemic risk buffer	3.0	3.0
CET 1 capital available to meet buffer requirement <sup>4)</sup>	20.1	20.5
<b>Capital adequacy Basel 1 floor <sup>5)</sup></b>	<b>31 Dec</b>	<b>31 Dec</b>
<b>SEKm</b>	<b>2017</b>	<b>2016</b>
Capital requirement Basel 1 floor	76 867	75 749
Own funds Basel 3 adjusted according to rules for Basel 1 floor	126 904	126 565
<b>Surplus of capital according to Basel 1 floor</b>	<b>50 037</b>	<b>50 816</b>

Leverage ratio	31 Dec	31 Dec
	2017	2016
Tier 1 Capital, SEKm	111 560	112 960
Leverage ratio exposure, SEKm	2 126 851	2 098 179
Leverage ratio, %	5.2	5.4

<sup>1)</sup> Adjustment due to the implementation of EBA's technical standards on prudent valuation. The objective of these standards is to determine prudent values of fair valued positions.

<sup>2)</sup> To rectify for underestimation of default frequency in the model for corporate exposures, Swedbank has decided to hold more capital until the updated model has been approved by the Swedish FSA. The amount also includes planned implementation of EBA's Guideline on new default definition and increased safety margins.

<sup>3)</sup> Buffer requirement according to Swedish implementation of CRD IV

<sup>4)</sup> CET1 capital ratio as reported, less minimum requirement of 4.5% (excluding buffer requirements) and less any CET1 items used to meet the Tier 1 and total capital requirements.

<sup>5)</sup> Basel 1 floor based on the higher of the Basel 3 capital requirement and 80% of Basel 1 capital requirement. In the latter case the own funds is adjusted according to CRR article 500.4

The consolidated situation for Swedbank as of 31 December 2017 comprised the Swedbank Group with the exception of insurance companies. The Entercard Group was included as well through the proportionate consolidation method.

The note contains the information made public according to the Swedish Financial Supervisory Authority Regulation FFFS 2014:12, chap. 8. Additional

periodic information according to Regulation (EU) No 575/2013 of the European Parliament and of the Council on supervisory requirements for credit institutions and Implementing Regulation (EU) No 1423/2013 of the European Commission can be found on Swedbank's website: <https://www.swedbank.com/investor-relations/financial-information-and-publications/risk-report/index.htm>

Swedbank Consolidated situation Credit risk, IRB SEKm	Exposure value		Average risk weight, %		Minimum capital requirement	
	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
	2017	2016	2017	2016	2017	2016
Central government or central banks exposures	322 276		2		394	
Institutional exposures	64 071	83 959	18	16	899	1 072
Corporate exposures	508 895	508 765	33	35	13 584	14 065
Retail exposures	1 107 632	1 032 298	7	7	6 065	5 772
of w hich mortgage	1 002 551	936 542	5	5	3 812	3 633
of w hich other	105 081	95 756	27	28	2 253	2 139
Non credit obligation	7 042	12 182	54	58	303	569
<b>Total credit risks, IRB</b>	<b>2 009 916</b>	<b>1 637 204</b>	<b>13</b>	<b>16</b>	<b>21 245</b>	<b>21 478</b>

**Exposure amount, Risk exposure amount and Minimum capital requirement, consolidated situation**

31 Dec 2017

SEKm	Exposure amount	Risk exposure amount	Minimum capital requirement
<b>Credit risks, STD</b>	<b>60 271</b>	<b>38 074</b>	<b>3 046</b>
Central government or central banks exposures	149		
Regional governments or local authorities exposures	1 884	221	18
Public sector entities exposures	3 882	111	9
Multilateral development banks exposures	3 835	1	0
International organisation exposures	428		
Institutional exposures	13 429	357	28
Corporate exposures	5 174	4 752	380
Retail exposures	14 039	10 262	821
Exposures secured by mortgages on immovable property	6 000	2 102	168
Exposures in default	511	521	42
Exposures in the form of covered bonds	122	12	1
Exposures in the form of collective investment undertakings (CIUs)	10	10	1
Equity exposures	7 127	16 974	1 358
Other items	3 681	2 751	220
<b>Credit risks, IRB</b>	<b>2 009 916</b>	<b>265 563</b>	<b>21 245</b>
Central government or central banks exposures	322 276	4 921	394
Institutional exposures	64 071	11 241	899
Corporate exposures	508 895	169 802	13 584
of w hich specialized lending in category 1	19	13	1
of w hich specialized lending in category 2	326	273	22
of w hich specialized lending in category 3	317	365	29
of w hich specialized lending in category 4	194	486	39
of w hich specialized lending in category 5	312		
Retail exposures	1 107 632	75 811	6 065
of w hich mortgage lending	1 002 551	47 646	3 812
of w hich other lending	105 081	28 165	2 253
Non-credit obligation	7 042	3 788	303
<b>Credit risks, Default fund contribution</b>		<b>343</b>	<b>27</b>
<b>Settlement risks</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Market risks</b>		<b>8 684</b>	<b>695</b>
Trading book		8 364	669
of w hich VaR and SVaR		6 074	486
of w hich risks outside VaR and SVaR		2 290	183
FX risk other operations		320	26
<b>Credit value adjustment</b>	<b>16 291</b>	<b>3 745</b>	<b>299</b>
<b>Operational risks</b>		<b>63 482</b>	<b>5 079</b>
of w hich Basic indicator approach		1 137	91
of w hich Standardised approach		62 345	4 988
<b>Additional risk exposure amount, Article 3 CRR</b>		<b>28 460</b>	<b>2 277</b>
<b>Total</b>	<b>2 086 478</b>	<b>408 351</b>	<b>32 668</b>

**Exposure amount, Risk exposure amount and Minimum capital requirement, consolidated situation**

31 Dec 2016

SEKm	Exposure amount	Risk exposure amount	Minimum capital requirement
<b>Credit risks, STD</b>	<b>351 879</b>	<b>47 503</b>	<b>3 800</b>
Central government or central banks exposures	245 746	449	36
Regional governments or local authorities exposures	32 453	276	22
Public sector entities exposures	5 551	60	5
Multilateral development banks exposures	6 411	20	2
International organisation exposures	609		
Institutional exposures	5 456	127	10
Corporate exposures	4 909	4 630	370
Retail exposures	14 315	10 485	839
Exposures secured by mortgages on immovable property	23 884	8 361	669
Exposures in default	391	403	32
Exposures in the form of covered bonds	69	7	1
Equity exposures	8 088	19 691	1 575
Other items	3 997	2 994	240
<b>Credit risks, IRB</b>	<b>1 637 204</b>	<b>268 473</b>	<b>21 478</b>
Institutional exposures	83 959	13 406	1 072
Corporate exposures	508 765	175 810	14 065
of which specialized lending in category 1	13	9	1
of which specialized lending in category 2	321	274	22
of which specialized lending in category 3	555	638	51
of which specialized lending in category 4	261	654	52
of which specialized lending in category 5	260	0	0
Retail exposures	1 032 298	72 151	5 772
of which mortgage lending	936 542	45 410	3 633
of which other lending	95 756	26 741	2 139
Non-credit obligation	12 182	7 106	569
<b>Credit risks, Default fund contribution</b>		<b>431</b>	<b>34</b>
<b>Settlement risks</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Market risks</b>		<b>9 419</b>	<b>754</b>
Trading book		9 147	732
of which VaR and SVaR		7 033	563
of which risks outside VaR and SVaR		2 114	169
FX risk other operations		272	22
<b>Credit value adjustment</b>	<b>21 393</b>	<b>5 297</b>	<b>424</b>
<b>Operational risks</b>		<b>62 152</b>	<b>4 972</b>
of which Standardised approach		62 152	4 972
<b>Additional risk exposure amount, Article 3 CRR</b>		<b>860</b>	<b>69</b>
<b>Total</b>	<b>2 010 476</b>	<b>394 135</b>	<b>31 531</b>

## Credit risks

The Internal Ratings-Based Approach (IRB) is applied within the Swedish part of Swedbank's consolidated situation, including the branch offices in New York and Oslo but excluding EnterCard and several small subsidiaries. IRB is also applied for the majority of Swedbank's exposure classes in the Baltic countries.

When Swedbank acts as clearing member, the bank calculates a capital base requirement for its pre-funded, qualifying and non-qualifying central counterparty default fund contributions.

For exposures, excluding capital requirement for default fund contributions, where IRB-approach is not applied, the standardized approach is used.

## Market risks

Under current regulations capital adequacy for market risks can be based on either a standardised approach or an internal Value at Risk model, which requires the approval of the SFSA. The parent company has received such approval and uses its internal VaR model for general interest rate risks, general and specific share price risks and foreign exchange risks in the trading

book. The approval also covers operations in the Baltic countries with respect to general interest rate risks and foreign exchange risks in the trading book. Foreign exchange risks outside the trading book, i.e. in other operations, are mainly of a structural and strategic nature and are less suited to a VaR model.

These risks are instead estimated according to the standardised approach, as per the Group's internal approach to managing these risks.

Strategic foreign exchange risks mainly arise through risks associated with holdings in foreign operations.

## Credit value adjustment

The risk of a credit value adjustment is estimated according to the standardised approach and was added after the implementation of the new EU regulation (CRR).

## Operational risk

Swedbank calculates operational risk mainly using the standardised approach. The SFSA has stated that Swedbank meets the qualitative requirements to apply this method.

## Note 23 Internal capital requirement

This note provides information on the internal capital assessment according to chapter 8, section 5 of the SFSA's regulation on prudential requirements and capital buffers (2014:12). The internal capital assessment is published in the interim report according to chapter 8, section 4 of the SFSA's regulation and general advice on annual reports from credit institutions and investment firms (2008:25).

A bank must identify measure and manage the risks with which its activities are associated and have sufficient capital to cover these risks. The purpose of the Internal Capital Adequacy Assessment process (ICAAP) is to ensure that the bank is sufficiently capitalised to cover its risks and to conduct and develop its business activities. Swedbank applies its own models and processes to evaluate its capital requirements for all relevant risks. The models that serve as a basis for the internal capital assessment evaluate the need for economic capital over a one-year horizon at a 99.9% confidence level for each type of risk. Diversification effects between various types of risks are not taken into account in the calculation of economic capital.

As a complement to the economic capital calculation, scenario-based simulations and stress tests are conducted at least once a year. The analyses provide an overview of the most important risks Swedbank is exposed to by quantifying their impact on the income

## Note 24 Risks and uncertainties

Swedbank's earnings are affected by changes in the global marketplace over which it has no control, including macroeconomic factors such as GDP, asset prices and unemployment as well as changes in interest rates, equity prices and exchange rates.

## Basel 1 floor

The transition rules state that the minimum capital requirement must not fall below 80 per cent of the requirement according to the older Basel 1 rules.

statement and balance sheet as well as the capital base and risk-weighted assets. The purpose is to ensure efficient use of capital. The methodology serves as a basis of proactive risk and capital management.

As of 31 December 2017 the internal capital assessment for Swedbank's consolidated situation amounted to SEK 29.8bn (SEK 30.1bn as of 30 September 2017). The capital to meet the internal capital assessment, i.e. the capital base, amounted to SEK 125.3bn (SEK 129.8bn as of 30 September 2017) (see Note 22). Swedbank's internal capital assessment using its own models is not comparable with the estimated capital requirement that the SFSA releases quarterly.

The internally estimated capital requirement for the parent company is SEK 25.6bn (SEK 23.1bn as of 30 September 2017) and the capital base is SEK 103.4bn (SEK 106.7bn as of 30 September 2017) (see the parent company's note on capital adequacy).

In addition to what is stated in this interim report, risk management and capital adequacy according to the Basel 3 framework are described in more detail in Swedbank's annual report for 2016 as well as in Swedbank's yearly Risk and Capital Adequacy Report, available on [www.swedbank.com](http://www.swedbank.com).

In addition to what is stated in this interim report, detailed descriptions are provided in Swedbank's 2016 annual report and in the annual disclosure on risk management and capital adequacy available on [www.swedbank.com](http://www.swedbank.com)

### Effect on value of assets and liabilities in SEK and foreign currency, including derivatives if interest rates increase by 100bp, 31 Dec 2017

Group SEKm	< 5 years	5-10 years	>10 years	Total
<b>Swedbank, the Group</b>	<b>-248</b>	<b>-19</b>	<b>111</b>	<b>-156</b>
of which SEK	-1 525	71	31	-1 423
of which foreign currency	1 277	-90	80	1 266
<b>Of which financial instruments at fair value reported through profit or loss</b>	<b>920</b>	<b>-41</b>	<b>90</b>	<b>969</b>
of which SEK	-373	-3	5	-371
of which foreign currency	1 293	-38	85	1 340

## Note 25 Business Combinations 2017

On August 15, 2017 the Group acquired all the shares in PayEx Holdings AB for SEK 1 268m. PayEx Holding AB owns the subsidiaries: PayEx Norge AS and their subsidiaries PayEx Danmark A/S, PayEx

Collection AB, PayEx Sverige AB and the subsidiaries PayEx Solution OY, PayEx Suomi OY and PayEx Invest AB and the subsidiaries Faktab B1 AB, Faktab S1 AB and Faktab V1 AB.

<b>Group SEKm</b>	<b>Recognised in the Group at acquisition date 15 August 2017</b>
Cash and balances with central banks	0
Loans to credit institutions	330
Loans to the public	271
Interest-bearing securities	28
Intangible fixed assets	653
Tangible assets	146
Current tax assets	21
Deferred tax assets	13
Other assets	88
Prepaid expenses and accrued income	79
<b>Total assets</b>	<b>1 629</b>
Deposits and borrowings from the public	224
Current tax liabilities	2
Deferred tax liabilities	153
Other liabilities	158
Accrued expenses and prepaid income	84
Pension provisions	152
<b>Total liabilities</b>	<b>773</b>
<b>Total identifiable net assets</b>	<b>856</b>
<b>Acquisition cost, cash</b>	<b>1 268</b>
<b>Goodwill</b>	<b>412</b>
<b>Cash flow</b>	
Cash and cash equivalents in the acquired company	0
Acquisition cost, cash	-1 268
<b>Net</b>	<b>-1 268</b>
Acquired loans, fair value	271
Acquired loans, gross contractual amounts	398
Acquired loans, best estimate of the contractual cash flows not expected to be collected	127

As from the acquisition date the acquired company contributed SEK 163m to income and SEK -27m to profit after tax. If the company had been acquired at the beginning of the 2017 financial year, the company

would have been contributed with about SEK 485m in income through 2017 and contributed with about SEK -37m profit after tax.

## Note 26 Related-party transactions

During the period normal business transactions were executed between companies in the Group, including

other related companies such as associates. Partly owned savings banks are major associates.

## Note 27 Swedbank's share

	31 Dec 2017	31 Dec 2016	%
<b>SWED A</b>			
Share price, SEK	197.9	220.3	-10
Number of outstanding ordinary shares	1 113 629 621	1 110 731 820	0
<b>Market capitalisation, SEKm</b>	<b>220 387</b>	<b>244 694</b>	<b>-10</b>

	31 Dec 2017	31 Dec 2016
<b>Number of outstanding shares</b>		
<b>Issued shares</b>		
SWED A	1 132 005 722	1 132 005 722
<b>Repurchased shares</b>		
SWED A	-18 376 101	-21 273 902
<b>Repurchase of own shares for trading purposes</b>		
SWED A		
<b>Number of outstanding shares on the closing day</b>	<b>1 113 629 621</b>	<b>1 110 731 820</b>

Within Sw edbank's share-based compensation programme, Sw edbank AB has during 2017 transferred 2 897 801 shares at no cost to employees.

	Q4 2017	Q3 2017	Q4 2016	Full-year 2017	Full-year 2016
<b>Earnings per share</b>					
<b>Average number of shares</b>					
Average number of shares before dilution	1 113 629 621	1 113 629 566	1 110 731 820	1 113 223 329	1 110 031 401
Weighted average number of shares for potential ordinary shares that incur a dilutive effect due to share-based compensation programme	5 189 467	4 327 582	6 185 052	5 547 365	6 271 302
Average number of shares after dilution	1 118 819 088	1 117 957 147	1 116 916 872	1 118 770 694	1 116 302 703
<b>Profit, SEKm</b>					
Profit for the period attributable to shareholders of Sw edbank	4 737	4 743	4 142	19 350	19 539
Earnings for the purpose of calculating earnings per share	4 737	4 743	4 142	19 350	19 539
<b>Earnings per share, SEK</b>					
Earnings per share before dilution	4.25	4.26	3.73	17.38	17.60
Earnings per share after dilution	4.23	4.24	3.70	17.30	17.50



## Note 28 Effects of changed reporting of the compensation to the Savings banks for mortgage loans

### Income statement

Group SEKm	New reporting 2016		Previous reporting 2016		New reporting 2016		Previous reporting 2016	
	Q4	Change	Q4		Full-year	Change	Full-year	
Interest income	7 928	-247	8 175		32 914	-814	33 728	
Negative yield on financial assets	-377		-377		-1 543		-1 543	
<b>Interest income, including negative yield on financial assets</b>	<b>7 551</b>	<b>-247</b>	<b>7 798</b>		<b>31 371</b>	<b>-814</b>	<b>32 185</b>	
Interest expenses	-1 908		-1 908		-9 256		-9 256	
Negative yield on financial liabilities	357		357		735		735	
<b>Interest expenses, including negative yield on financial liabilities</b>	<b>-1 551</b>		<b>-1 551</b>		<b>-8 521</b>		<b>-8 521</b>	
<b>Net interest income (note 5)</b>	<b>6 000</b>	<b>-247</b>	<b>6 247</b>		<b>22 850</b>	<b>-814</b>	<b>23 664</b>	
<b>Net commission income (note 6)</b>	<b>3 055</b>		<b>3 055</b>		<b>11 333</b>		<b>11 333</b>	
Net gains and losses on financial items at fair value (note 7)	285		285		2 231		2 231	
<b>Net insurance</b>	<b>220</b>		<b>220</b>		<b>754</b>		<b>754</b>	
Share of profit or loss of associates	109		109		2 467		2 467	
Other income	278		278		1 186		1 186	
<b>Total income</b>	<b>9 947</b>	<b>-247</b>	<b>10 194</b>		<b>40 821</b>	<b>-814</b>	<b>41 635</b>	
Staff costs	2 440		2 440		9 376		9 376	
Other expenses (note 8)	1 564	-247	1 811		5 622	-814	6 436	
Depreciation/amortisation	153		153		629		629	
<b>Total expenses</b>	<b>4 157</b>	<b>-247</b>	<b>4 404</b>		<b>15 627</b>	<b>-814</b>	<b>16 441</b>	
<b>Profit before impairments</b>	<b>5 790</b>		<b>5 790</b>		<b>25 194</b>		<b>25 194</b>	
Impairment of intangible assets (note 14)	35		35		35		35	
Impairment of tangible assets	21		21		31		31	
Credit impairments (note 9)	593		593		1 367		1 367	
<b>Operating profit</b>	<b>5 141</b>		<b>5 141</b>		<b>23 761</b>		<b>23 761</b>	
Tax expense	996		996		4 209		4 209	
Profit for the period	4 145		4 145		19 552		19 552	
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>4 142</b>		<b>4 142</b>		<b>19 539</b>		<b>19 539</b>	
Non-controlling interests	3		3		13		13	
C/I-ratio	0.42		0.43		0.38		0.39	

For more information see note 1 Accounting policies.

## Net interest income

Group SEKm	New reporting 2016		Previous reporting 2016	New reporting 2016		Previous reporting 2016
	Q4	Change	Q4	Full-year	Change	Full-year
<b>Interest income</b>						
Loans to credit institutions	-44		-44	64		64
Loans to the public	7 555	-247	7 802	30 031	-814	30 845
Interest-bearing securities	116		116	651		651
Derivatives	179		179	1 093		1 093
Other	9		9	764		764
<b>Total interest income including negative yield on financial assets</b>	<b>7 815</b>	<b>-247</b>	<b>8 062</b>	<b>32 603</b>	<b>-814</b>	<b>33 417</b>
deduction of trading interests reported in net gains and losses on financial items at fair value	264		264	1 232		1 232
<b>Interest income, including negative yield on financial assets, according to income statement</b>	<b>7 551</b>	<b>-247</b>	<b>7 798</b>	<b>31 371</b>	<b>-814</b>	<b>32 185</b>
<b>Interest expenses</b>						
Amounts owed to credit institutions	98		98	-269		-269
Deposits and borrowings from the public	-166		-166	-1 100		-1 100
of which deposit guarantee fees	-110		-110	-466		-466
Debt securities in issue	-3 164		-3 164	-13 013		-13 013
Subordinated liabilities	-251		-251	-977		-977
Derivatives	2 192		2 192	7 638		7 638
Other	-163		-163	-689		-689
of which government stabilisation fund fee	-160		-160	-646		-646
<b>Total interest expenses including negative yield on financial liabilities</b>	<b>-1 454</b>		<b>-1 454</b>	<b>-8 410</b>		<b>-8 410</b>
deduction of trading interests reported in net gains and losses on financial items at fair value	97		97	111		111
<b>Interest expenses, including negative yield on financial liabilities, according to income statement</b>	<b>-1 551</b>		<b>-1 551</b>	<b>-8 521</b>		<b>-8 521</b>
<b>Net interest income</b>	<b>6 000</b>	<b>-247</b>	<b>6 247</b>	<b>22 850</b>	<b>-814</b>	<b>23 664</b>
<b>Net interest margin before trading interest is deducted</b>	<b>1.09</b>	<b>-0.04</b>	<b>1.13</b>	<b>1.02</b>	<b>-0.03</b>	<b>1.05</b>
<b>Average total assets</b>	<b>2 329 844</b>	<b>0</b>	<b>2 329 844</b>	<b>2 373 930</b>	<b>0</b>	<b>2 373 930</b>

## Other expenses

Group SEKm	New reporting 2016		Previous reporting 2016	New reporting 2016		Previous reporting 2016
	Q4	Change	Q4	Full-year	Change	Full-year
Premises and rents	315		315	1 131		1 131
IT expenses	524		524	1 834		1 834
Telecommunications and postage	27		27	118		118
Advertising, PR and marketing	89		89	285		285
Consultants	76		76	314		314
Compensation to savings banks	60	-247	307	236	-814	1 050
Other purchased services	192		192	708		708
Security transport and alarm systems	21		21	72		72
Supplies	37		37	103		103
Travel	74		74	226		226
Entertainment	18		18	51		51
Repair/maintenance of inventories	32		32	111		111
Other expenses	99		99	433		433
<b>Total other expenses</b>	<b>1 564</b>	<b>-247</b>	<b>1 811</b>	<b>5 622</b>	<b>-814</b>	<b>6 436</b>

## Swedbank AB

### Income statement, condensed

Parent company SEKm	Q4 2017	Q3 2017	%	Q4 2016	%	Full-year 2017	Full-year 2016	%
Interest income	4 573	4 543	1	4 170	10	17 917	16 886	6
Negative yield on financial assets	-620	-583	6	-341	82	-2 132	-1 496	43
<b>Interest income, including negative yield on financial assets</b>	<b>3 953</b>	<b>3 960</b>	<b>0</b>	<b>3 829</b>	<b>3</b>	<b>15 785</b>	<b>15 390</b>	<b>3</b>
Interest expenses	-971	-1 146	-15	-993	-2	-4 273	-3 946	8
Negative yield on financial liabilities	215	205	5	347	-38	746	706	6
<b>Interest expenses, including negative yield on financial liabilities</b>	<b>-756</b>	<b>-941</b>	<b>-20</b>	<b>-646</b>	<b>17</b>	<b>-3 527</b>	<b>-3 240</b>	<b>9</b>
<b>Net interest income</b>	<b>3 197</b>	<b>3 019</b>	<b>6</b>	<b>3 183</b>	<b>0</b>	<b>12 258</b>	<b>12 150</b>	<b>1</b>
Dividends received	5 414	5 207	4	5 788	-6	17 005	19 571	-13
Commission income	2 528	2 383	6	2 445	3	9 644	9 259	4
Commission expenses	-874	-819	7	-732	19	-3 195	-2 875	11
<b>Net commission income</b>	<b>1 654</b>	<b>1 564</b>	<b>6</b>	<b>1 713</b>	<b>-3</b>	<b>6 449</b>	<b>6 384</b>	<b>1</b>
Net gains and losses on financial items at fair value	243	504	-52	461	-47	2 142	1 130	90
Other income	498	372	34	354	41	1 603	1 308	23
<b>Total income</b>	<b>11 006</b>	<b>10 666</b>	<b>3</b>	<b>11 499</b>	<b>-4</b>	<b>39 457</b>	<b>40 543</b>	<b>-3</b>
Staff costs	2 188	1 942	13	2 092	5	8 147	7 855	4
Other expenses	1 467	1 169	25	1 325	11	5 146	4 633	11
Depreciation/amortisation and impairments of tangible and intangible fixed assets	1 223	1 112	10	1 135	8	4 544	4 438	2
<b>Total expenses</b>	<b>4 878</b>	<b>4 223</b>	<b>16</b>	<b>4 552</b>	<b>7</b>	<b>17 837</b>	<b>16 926</b>	<b>5</b>
<b>Profit before impairments</b>	<b>6 128</b>	<b>6 443</b>	<b>-5</b>	<b>6 947</b>	<b>-12</b>	<b>21 620</b>	<b>23 617</b>	<b>-8</b>
Impairment of financial fixed assets	13			-8		13	80	-84
Credit impairments	266	261	2	592	-55	1 308	1 399	-7
<b>Operating profit</b>	<b>5 849</b>	<b>6 182</b>	<b>-5</b>	<b>6 363</b>	<b>-8</b>	<b>20 299</b>	<b>22 138</b>	<b>-8</b>
Appropriations	368			186	98	368	186	98
Tax expense	988	1 457	-32	1 364	-28	3 725	2 494	49
<b>Profit for the period</b>	<b>4 493</b>	<b>4 725</b>	<b>-5</b>	<b>4 813</b>	<b>-7</b>	<b>16 206</b>	<b>19 458</b>	<b>-17</b>

### Statement of comprehensive income, condensed

Parent company SEKm	Q4 2017	Q3 2017	%	Q4 2016	%	Full-year 2017	Full-year 2016	%
<b>Profit for the period reported via income statement</b>	<b>4 493</b>	<b>4 725</b>	<b>-5</b>	<b>4 813</b>	<b>-7</b>	<b>16 206</b>	<b>19 458</b>	<b>-17</b>
<b>Total comprehensive income for the period</b>	<b>4 493</b>	<b>4 725</b>	<b>-5</b>	<b>4 813</b>	<b>-7</b>	<b>16 206</b>	<b>19 458</b>	<b>-17</b>

## Balance sheet, condensed

Parent company SEKm	31 Dec 2017	31 Dec 2016	%
<b>Assets</b>			
Cash and balance with central banks	136 061	64 193	
Loans to credit institutions	449 733	409 763	10
Loans to the public	398 666	430 406	-7
Interest-bearing securities	141 322	175 865	-20
Shares and participating interests	83 672	82 267	2
Derivatives	62 153	96 243	-35
Other assets	44 784	35 437	26
<b>Total assets</b>	<b>1 316 391</b>	<b>1 294 174</b>	<b>2</b>
<b>Liabilities and equity</b>			
Amounts owed to credit institutions	95 106	129 276	-26
Deposits and borrowings from the public	671 323	617 704	9
Debt securities in issue	322 684	282 369	14
Derivatives	65 704	114 620	-43
Other liabilities and provisions	38 314	27 390	40
Subordinated liabilities	25 508	27 254	-6
Untaxed reserves	10 575	10 206	4
Equity	87 177	85 355	2
<b>Total liabilities and equity</b>	<b>1 316 391</b>	<b>1 294 174</b>	<b>2</b>
Pledged collateral	29 876	33 624	-11
Other assets pledged	3 355	4 241	-21
Contingent liabilities	556 537	588 167	-5
Commitments	230 690	232 134	-1

## Statement of changes in equity, condensed

Parent company  
SEKm

	Share capital	Share premium reserve	Statutory reserve	Retained earnings	Total
<b>January-December 2016</b>					
<b>Opening balance 1 January 2016</b>	<b>24 904</b>	<b>13 206</b>	<b>5 968</b>	<b>33 304</b>	<b>77 382</b>
Dividend				-11 880	-11 880
Share based payments to employees				378	378
Deferred tax related to share based payments to employees				-13	-13
Current tax related to share based payments to employees				30	30
Total comprehensive income for the period				19 458	19 458
<b>Closing balance 31 December 2016</b>	<b>24 904</b>	<b>13 206</b>	<b>5 968</b>	<b>41 277</b>	<b>85 355</b>
<b>January-December 2017</b>					
<b>Opening balance 1 January 2017</b>	<b>24 904</b>	<b>13 206</b>	<b>5 968</b>	<b>41 277</b>	<b>85 355</b>
Dividend				-14 695	-14 695
Share based payments to employees				307	307
Deferred tax related to share based payments to employees				-31	-31
Current tax related to share based payments to employees				35	35
Total comprehensive income for the period				16 206	16 206
<b>Closing balance 31 December 2017</b>	<b>24 904</b>	<b>13 206</b>	<b>5 968</b>	<b>43 099</b>	<b>87 177</b>

## Cash flow statement, condensed

Parent company  
SEKm

	Full-year 2017	Full-year 2016
Cash flow from operating activities	21 630	-61 179
Cash flow from investing activities	1 221	13 493
Cash flow from financing activities	49 016	-19 980
<b>Cash flow for the period</b>	<b>71 868</b>	<b>-67 666</b>
Cash and cash equivalents at beginning of period	64 193	131 859
Cash flow for the period	71 868	-67 666
<b>Cash and cash equivalents at end of period</b>	<b>136 061</b>	<b>64 193</b>

## Capital adequacy

Capital adequacy, Parent company SEKm	31 Dec 2017	31 Dec 2016
<b>Common Equity Tier 1 capital</b>	<b>78 687</b>	<b>73 361</b>
Additional Tier 1 capital	11 040	14 270
<b>Tier 1 capital</b>	<b>89 727</b>	<b>87 631</b>
Tier 2 capital	13 683	12 204
<b>Total capital</b>	<b>103 410</b>	<b>99 835</b>
<b>Minimum capital requirement</b>	<b>25 012</b>	<b>23 537</b>
<b>Risk exposure amount</b>	<b>312 647</b>	<b>294 210</b>
<b>Common Equity Tier 1 capital ratio, %</b>	<b>25.2</b>	<b>24.9</b>
<b>Tier 1 capital ratio, %</b>	<b>28.7</b>	<b>29.8</b>
<b>Total capital ratio, %</b>	<b>33.1</b>	<b>33.9</b>
<b>Capital buffer requirement<sup>1)</sup></b> %	<b>31 Dec 2017</b>	<b>31 Dec 2016</b>
CET1 capital requirement including buffer requirements	8.5	8.3
of which minimum CET1 requirement	4.5	4.5
of which capital conservation buffer	2.5	2.5
of which countercyclical capital buffer	1.5	1.3
CET 1 capital available to meet buffer requirement <sup>2)</sup>	20.7	20.4
<b>Capital adequacy transition rules Basel 1 floor<sup>3)</sup></b> SEKm	<b>31 Dec 2017</b>	<b>31 Dec 2016</b>
Capital requirement Basel 1 floor	27 943	29 553
Own funds Basel 3 adjusted according to rules for Basel 1 floor	103 940	100 318
<b>Surplus of capital according to Basel 1 floor</b>	<b>75 997</b>	<b>70 765</b>
<b>Leverage ratio</b> %	<b>31 Dec 2017</b>	<b>31 Dec 2016</b>
Tier 1 Capital, SEKm	89 727	87 631
Total exposure, SEKm <sup>4)</sup>	979 217	1 004 780
Leverage ratio, % <sup>4)</sup>	9.2	8.7

<sup>1)</sup> Buffer requirement according to Swedish implementation of CRD IV.

<sup>2)</sup> CET1 capital ratio as reported, less minimum requirement of 4.5% (excluding buffer requirements) and less any CET1 items used to meet the Tier 1 and total capital requirements.

<sup>3)</sup> Basel 1 floor based on the higher of the Basel 3 capital requirement and 80% of Basel 1 capital requirement. In the latter case the own funds is adjusted according to CRR article 500.4.

<sup>4)</sup> Taking into account exemption according to CRR article 429.7 excluding certain intragroup exposures.

**Exposure amount, Risk exposure amount and Minimum capital requirement, parent company**

31 Dec 2017

SEKm	Exposure amount	Risk exposure amount	Minimum capital requirement
<b>Credit risks, STD</b>	<b>1 043 965</b>	<b>77 459</b>	<b>6 197</b>
Central government or central banks exposures	17		
Regional governments or local authorities exposures	69	14	1
Public sector entities exposures	2 646		
Multilateral development banks exposures	3 439		
International organisation exposures	273		
Institutional exposures	966 482	654	52
Corporate exposures	3 453	3 323	266
Retail exposures	385	287	23
Exposures secured by mortgages on immovable property	2 495	873	70
Exposures in default	0	0	
Equity exposures	64 012	71 624	5 730
Other items	694	684	55
<b>Credit risks, IRB</b>	<b>824 335</b>	<b>159 018</b>	<b>12 721</b>
Central government or central banks exposures	249 271	3 678	294
Institutional exposures	65 945	11 680	934
Corporate exposures	408 710	119 682	9 575
of w hich specialized lending			
Retail exposures	97 650	21 366	1 709
of w hich mortgage lending	12 871	2 610	209
of w hich other lending	84 779	18 756	1 500
Non-credit obligation	2 759	2 612	209
<b>Credit risks, Default fund contribution</b>		<b>343</b>	<b>27</b>
<b>Settlement risks</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Market risks</b>		<b>8 655</b>	<b>692</b>
Trading book		8 350	668
of w hich VaR and SVaR		6 086	487
of w hich risks outside VaR and SVaR		2 264	181
FX risk other operations		305	24
<b>Credit value adjustment</b>	<b>15 351</b>	<b>3 797</b>	<b>305</b>
<b>Operational risks</b>		<b>35 317</b>	<b>2 825</b>
Standardised approach		35 317	2 825
<b>Additional risk exposure amount, Article 3 CRR</b>		<b>28 058</b>	<b>2 245</b>
<b>Total</b>	<b>1 883 651</b>	<b>312 647</b>	<b>25 012</b>

**Exposure amount, Risk exposure amount and Minimum capital requirement, parent company**

31 Dec 2016

SEKm	Exposure amount	Risk exposure amount	Minimum capital requirement
<b>Credit risks, STD</b>	<b>1 230 996</b>	<b>76 530</b>	<b>6 122</b>
Central government or central banks exposures	185 049	70	6
Regional governments or local authorities exposures	23 475	60	5
Public sector entities exposures	4 034	46	4
Multilateral development banks exposures	3 890	1	0
International organisation exposures	20		
Institutional exposures	944 642	753	60
Corporate exposures	3 734	3 665	293
Retail exposures	656	490	39
Exposures secured by mortgages on immovable property	2 317	811	65
Exposures in default	2	2	0
Equity exposures	62 321	69 787	5 583
Other items	856	846	68
<b>Credit risks, IRB</b>	<b>600 185</b>	<b>166 590</b>	<b>13 327</b>
Institutional exposures	90 999	14 860	1 189
Corporate exposures	409 505	124 448	9 956
of w hich specialized lending			
Retail exposures	91 458	21 429	1 714
of w hich mortgage lending	13 949	3 014	241
of w hich other lending	77 509	18 415	1 473
Non-credit obligation	8 223	5 853	468
<b>Credit risks, Default fund contribution</b>		<b>431</b>	<b>35</b>
<b>Settlement risks</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Market risks</b>		<b>9 291</b>	<b>743</b>
Trading book		9 026	722
of w hich VaR and SVaR		7 030	562
of w hich risks outside VaR and SVaR		1 996	160
FX risk other operations		265	21
<b>Credit value adjustment</b>	<b>20 138</b>	<b>5 252</b>	<b>420</b>
<b>Operational risks</b>		<b>35 659</b>	<b>2 853</b>
Standardised approach		35 659	2 853
<b>Additional risk exposure amount, Article 3 CRR</b>		<b>458</b>	<b>37</b>
<b>Total</b>	<b>1 851 319</b>	<b>294 210</b>	<b>23 537</b>

## Dividend paid and proposed disposition of earnings

Ordinary shares	2017		2016	
	SEK per share	Total	SEK per share	Total
Dividend paid	13.20	14 695	10.70	11 880
Proposed dividend	13.00	14 515	13.20	14 695

The Board of Directors recommends that shareholders receive a dividend of SEK 13.00 per ordinary share (13.20) in 2018 for the financial year 2017, corresponding to SEK 14 515m (14 695).

In accordance with the balance sheet of Swedbank AB, SEK 56 305m is at the disposal of the Annual General Meeting:

The Board of Directors recommends that the earnings be disposed as follows (SEKm):

A cash dividend of SEK 13.00 per ordinary share	14 515
To be carried forward to next year	41 790
Total disposed	56 305

The proposed total amounts to be distributed and carried forward to next year have been calculated on all 1 113 629 621 outstanding ordinary shares at 31 December of 2017, plus 2 908 354 outstanding ordinary shares entitled to dividends which we expect to exercise by employees between 1 January and 22 March 2018 relating to remuneration programs. The proposed total amounts to be distributed and carried forward to next year are ultimately calculated on the number shares entitled to dividends on the record day. The amounts could change in the event of additional share repurchases or sales of treasury shares before the record day.



## Alternative performance measures

Swedbank prepares its financial statements in accordance with IFRS as issued by the IASB, as set out in Note 1. The interim report includes a number of alternative performance measures, which exclude certain items which management believes are not representative of the underlying/ongoing performance of the business. Therefore the alternative performance measures provide more comparative information between periods. Management believes that inclusion of these measures provides information to the readers that enable comparability between periods.

Measure	Definition	Purpose
Net stable funding ratio (NSFR)	NSFR aims to have a sufficiently large proportion of stable funding in relation to long-term assets. The measure is governed by the EU's Capital Requirements Regulation (CRR); however no calculation methods have yet been established. Consequently, the measure cannot be calculated based on current rules. NSFR is presented in accordance with Swedbank's interpretation of the Basel Committee's recommendation (BCBS295).	This measure is relevant for investors since it will be required in the near future and as it is already followed as part of internal governance.
Net interest margin before trading interest is deducted	Net interest margin before trading interest is deducted is calculated as Net interest income before trading interest is deducted, in relation to average total assets. The average is calculated using month-end figures, including the prior year end.  The closest IFRS measure is Net interest income and can be reconciled in Note 5.	The presentation of this measure is relevant for investors as it considers all interest income and interest expense, independent of how it has been presented in the income statement.
Allocated equity	Allocated equity is the operating segment's equity measure and is not a measure that is directly required by IFRS. 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).  The allocated equity amounts per operating segment are reconciled to the Group Total equity, the nearest IFRS measure, in Note 4.	The presentation of this measure is relevant for investors since it used by Group management for internal governance and operating segment performance management purposes.
Return on allocated equity	Return on allocated equity for the operating segments is calculated based on profit for the period for the operating segment (operating profit less estimated tax and non-controlling interests), in relation to average allocated equity for the operating segment. The average is calculated using month-end figures, including the prior year end.  The allocated equity amounts per operating segment are reconciled to the Group Total equity, the nearest IFRS measure, in Note 4.	The presentation of this measure is relevant for investors since it used by Group management for internal governance and operating segment performance management purposes.
Income statement measures excluding VISA and Hemnet income	Amounts related to Net gains and losses on financial items at fair value, Share of profit or loss of associates and other income are presented excluding the income related to the VISA (2016) and Hemnet (2017).  The amounts are reconciled to the relevant IFRS income statement lines on page 7.	The presentation of this measure is relevant for investors as it provides comparability of figures between reporting periods.
Return on equity excluding VISA and Hemnet income	Profit for the period allocated to shareholders excluding VISA and Hemnet income in relation to average Equity attributable to shareholders' of the parent company. The average is calculated using month-end figures, including the prior year end.  Profit for the period allocated to shareholders excluding one-off VISA (2016) and Hemnet (2017) income are reconciled to Profit for the period allocated to shareholders, the nearest IFRS measure on page 7.	The presentation of this measure is relevant for investors as it provides comparability of figures between reporting periods.
Cost/Income ratio excluding VISA and Hemnet income	Total expenses in relation to total income excluding VISA and Hemnet income.  Total income excluding one-off VISA (2016) and Hemnet (2016) income are reconciled to Total income, the nearest IFRS measure on page 7.	The presentation of this measure is relevant for investors as it provides comparability of figures between reporting periods.

	The alternative performance measures set out below are calculated from the financial statements without adjustment.	The presentation of these measures is relevant for investors since they are used by Group management for internal governance and operating segment performance management purposes.
Cost/Income ratio	Total expenses in relation to total income.	
Credit Impairment ratio	Credit impairment on loans and other credit risk provisions (annualised), net, in relation to the opening balance of loans to credit institutions and loans to public after provisions.	
Loan/Deposit ratio	Lending to the public excluding Swedish National Debt Office and repurchase agreements in relation to deposits from the public excluding Swedish National Debt Office and repurchase agreements.	
Equity per share	Shareholders' equity in relation to the number of shares outstanding.	
Provision ratio for impaired loans	Provisions for impaired loans assessed individually in relation to impaired loans, gross.	
Return on equity	Profit for the period (annualised) allocated to shareholders in relation to average equity attributable to shareholders' of the parent company. The average is calculated using month-end figures, including the prior year end.	
Share of impaired loans, gross	Carrying amount of impaired loans, gross, in relation to the carrying amount of loans to credit institutions and the public excluding provisions.	
Share of impaired loans, net	Carrying amount of impaired loans, net, in relation to the carrying amount of loans to credit institutions and the public.	
Total provision ratio for impaired loans	All provisions (individually assessed and portfolio) for loans in relation to impaired loans, gross.	

## Signatures of the Board of Directors and the President

The Board of Directors and the President hereby certify that the year-end report for 2017 provides a fair and accurate overview of the operations, 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, 5 February 2018

Lars Idermark  
Chair

Ulrika Francke  
Deputy Chair

Bodil Eriksson  
Board Member

Mats Granryd  
Board Member

Bo Johansson  
Board Member

Peter Norman  
Board Member

Annika Poutiainen  
Board Member

Siv Svensson  
Board Member

Magnus Ugglå  
Board Member

Camilla Linder  
Board Member  
Employee Representative

Roger Ljung  
Board Member  
Employee Representative

Birgitte Bonnesen  
President and CEO

## Review report

### Introduction

We have reviewed the interim report for Swedbank AB (publ) for the period 1 January – 31 December 2017. The Board of Directors and the President are responsible for the preparation and presentation of this year-end 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 year-end report based on our review.

### Scope of review

We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 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 year-end 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, 5 February 2018  
Deloitte AB

Patrick Honeth  
Authorised Public Accountant

## Publication of financial information

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

### Financial calendar 2018

Annual report for 2017	23 February 2018
Annual General Meeting	22 March 2018
Interim report for the first quarter	24 April 2018
Interim report for the second quarter	18 July 2018
Interim report for the third quarter	23 October 2018

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Information on Swedbank's strategy, values and share is also available on [www.swedbank.com](http://www.swedbank.com)

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