

# Q4 2016

## Interim report for the fourth quarter 2016

Fourth quarter 2016 compared with third quarter 2016

- Increased lending volumes supported net interest income
- Net commission income benefited from positive stock market development
- Higher volumes of covered bond repurchases weighed down Treasury's result
- Increased provisions in oil related sectors
- Costs in line with expectations
- Stronger capitalisation
- Proposed dividend per share of SEK 13.20 (10.70)

“Heading into 2016 three of our highest priorities were to improve customer value, increase efficiency and strengthen employee engagement. In summing up the past year, I am proud to say that we have made progress in all these areas.”

Birgitte Bonnesen,  
President and CEO

Financial information SEKm	Q4 2016	Q3 2016	%	Full-year 2016	Full-year 2015	%
Total income	10 194	10 265	-1	41 635	37 624	11
Net interest income	6 247	6 062	3	23 664	22 993	3
Net commission income	3 055	2 838	8	11 333	11 199	1
Net gains and losses on financial items at fair value <sup>1)</sup>	285	669	-57	2 231	571	
Other income <sup>1)</sup>	607	696	-13	4 407	2 861	54
Total expenses	4 404	4 029	9	16 441	16 333	1
Profit before impairments	5 790	6 236	-7	25 194	21 291	18
Impairment of intangible and tangible assets	56	1		66	326	-80
Credit impairments	593	201		1 367	594	
Tax expense <sup>2)</sup>	996	1 215	-18	4 209	4 625	-9
Profit for the period attributable to the shareholders of Sw edbank AB	4 142	4 816	-14	19 539	15 727	24
Earnings per share, continuing operations, SEK, after dilution	3.70	4.31		17.50	14.14	
Return on equity, %	13.1	15.8		15.8	13.5	
C/I ratio	0.43	0.39		0.39	0.43	
Common Equity Tier 1 capital ratio, %	25.0	23.8		25.0	24.1	
Credit impairment ratio, %	0.15	0.05		0.09	0.04	

<sup>1)</sup> One-off income from VISA, SEK 2 115m during second quarter 2016 of which Net gains and losses on financial items at fair value SEK 457m and Other income SEK 1658m.

<sup>2)</sup> One-off tax expense of SEK 447m during second quarter 2016.

## CEO Comment

Heading into 2016 three of our highest priorities were to improve customer value, increase efficiency and strengthen employee engagement. In summing up the past year, I am proud to say that we have made progress in all these areas.

The new executive management team I appointed in the first half of the year worked to make our strategy more concrete. We also created a new unit, Digital Banking, to develop our digital offerings with the aim of increasing customer value. During the year we launched a number of new digital functions that make everyday banking easier for our customers. In the last quarter our corporate customers were able for the first time to open multicurrency group accounts. Private customers in the Baltic countries can now apply for small loans in the Mobile Bank. We also increased availability by translating basic information on products and services on our Swedish website to eight languages, and for doing so received an annual diversity award from the magazine *Privata Affärer*.

We continued to strengthen a cost-conscious culture, including by centralising procurement and automating more processes. Efficiency improvements such as these have enabled us to make more investments that benefit our customers.

Perhaps the most important progress made was that our employees now feel more engaged and prouder to work at Swedbank. I am very pleased with this. More satisfied employees create the conditions for more satisfied customers.

There is room for improvement in several areas, however. For example, our own Swedish customer satisfaction survey, in which over 35 000 customers were interviewed in the fourth quarter, showed only a marginal improvement among private customers and a slight decline among corporate customers. We are therefore conducting a more thorough analysis to develop additional improvement initiatives. A changing world requires us to constantly improve. We therefore have numerous initiatives planned in 2017 targeting our customers and employees as well as several efficiency improvements. Among other things, we will establish a new unit, Customer Value Management, to develop our ability to offer customised products and services.

### Strong financial result

From a macroeconomic standpoint the year ended on a strong note. We saw good growth in Europe and the US at the same time that the economic outlook is more positive than it has been for a long time. The Swedish economy also continues to grow. Geopolitical uncertainty has risen in parts of the world, however, and we face a number of important events such as national elections and trade agreement negotiations that could impact the global economy and the financial sector.

Our financial results in the fourth quarter were positively affected by volume growth in mortgage lending at the same time that lending margins increased slightly. Volumes grew after we took in the last customer portfolio related to the acquisition of

Sparbanken Öresund and also due to continuous high demand in the Swedish housing market. Our population continues to grow. While this is fundamentally positive in that it creates opportunities for economic growth and well-being, it also increases the need for an immediate solution to the imbalance between supply and demand in the housing market. Our politicians should come to an agreement as soon as possible on a policy covering key areas such as the rental market, building permit regulations and taxation tied to housing. I am convinced that a sustainable solution to the shortage of housing in Sweden can be found.

Customer activity remained high in the Baltic countries in the fourth quarter. This is reflected in both lending volumes for private customers and payment transactions.

An eventful quarter for equities and currencies led to higher income in asset management and commissions. Additionally, we helped several corporate customers raise capital through bond issues. A highlight was Kommuninvest's green bond issue in SEK, the largest to date.

Total expenses for the year amounted to SEK 16.4bn, in line with our communication last quarter. Cost efficiency remains one of our highest priorities in order to create the investment capacity needed to provide greater value to customers. As mentioned in the publication of the third quarter results, we will utilise this capacity to invest more in the areas of savings, lending and digital banking. For the full-year 2017 we therefore estimate our total expenses at SEK 16.7bn.

Credit quality remains solid with strong resilience in all our home markets. During the quarter we allocated further provisions in our oil related loan portfolio. We will continue to work closely with our customers to find constructive solutions to the challenges they face.

Our capital position was further strengthened during the quarter. We maintain a comfortable buffer vis-à-vis the minimum requirements set by the Swedish Financial Supervisory Authority. This has enabled the Board of Directors, for the fifth consecutive year, to propose that 75 per cent of profit for the year be distributed to shareholders. This corresponds to a dividend of SEK 13.20 (10.70) per share for 2016.

### Exciting year full of opportunities awaits

When I look ahead, I do so with confidence. We have many activities underway that will offer our customers an even better experience and bring us closer to the modern bank we want to be. The new year has begun at full speed and it is fantastic to see the positive energy we succeeded in creating within the bank. Because of this, I am greatly optimistic about the challenges before us.



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 2016	Q3 2016	%	Q4 2015	%	Full-year 2016	Full-year 2015	%
Net interest income	6 247	6 062	3	5 759	8	23 664	22 993	3
Net commission income	3 055	2 838	8	2 877	6	11 333	11 199	1
Net gains and losses on financial items at fair value	285	669	-57	165	73	2 231	571	
Other income	607	696	-13	656	-7	4 407	2 861	54
<b>Total income</b>	<b>10 194</b>	<b>10 265</b>	<b>-1</b>	<b>9 457</b>	<b>8</b>	<b>41 635</b>	<b>37 624</b>	<b>11</b>
Staff costs	2 440	2 315	5	2 291	7	9 376	9 395	0
Other expenses	1 964	1 714	15	1 948	1	7 065	6 938	2
<b>Total expenses</b>	<b>4 404</b>	<b>4 029</b>	<b>9</b>	<b>4 239</b>	<b>4</b>	<b>16 441</b>	<b>16 333</b>	<b>1</b>
<b>Profit before impairments</b>	<b>5 790</b>	<b>6 236</b>	<b>-7</b>	<b>5 218</b>	<b>11</b>	<b>25 194</b>	<b>21 291</b>	<b>18</b>
Impairment of intangible assets	35					35	254	-86
Impairment of tangible assets	21	1		19	11	31	72	-57
Credit impairments, net	593	201		399	49	1 367	594	
<b>Operating profit</b>	<b>5 141</b>	<b>6 034</b>	<b>-15</b>	<b>4 800</b>	<b>7</b>	<b>23 761</b>	<b>20 371</b>	<b>17</b>
Tax expense	996	1 215	-18	974	2	4 209	4 625	-9
<b>Profit for the period from continuing operations</b>	<b>4 145</b>	<b>4 819</b>	<b>-14</b>	<b>3 826</b>	<b>8</b>	<b>19 552</b>	<b>15 746</b>	<b>24</b>
Profit for the period from discontinued operations, after tax				-12			-6	
Profit for the period	4 145	4 819	-14	3 814	9	19 552	15 740	24
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>4 142</b>	<b>4 816</b>	<b>-14</b>	<b>3 813</b>	<b>9</b>	<b>19 539</b>	<b>15 727</b>	<b>24</b>

Key ratios and data per share	Q4 2016	Q3 2016	Q4 2015	Full-year 2016	Full-year 2015
Return on equity, % <sup>1)</sup>	13.1	15.8	12.6	15.8	13.5
Earnings per share before dilution, continuing operations, SEK <sup>2)</sup>	3.73	4.33	3.46	17.60	14.24
Earnings per share after dilution, continuing operations, SEK <sup>2)</sup>	3.70	4.31	3.46	17.50	14.14
C/I ratio	0.43	0.39	0.45	0.39	0.43
Equity per share, SEK <sup>2)</sup>	116.6	111.6	111.4	116.6	111.4
Loan/deposit ratio, %	186	166	184	186	184
Common Equity Tier 1 capital ratio, %	25.0	23.8	24.1	25.0	24.1
Tier 1 capital ratio, %	28.7	26.2	26.9	28.7	26.9
Total capital ratio, %	31.8	29.3	30.3	31.8	30.3
Credit impairment ratio, % <sup>3)</sup>	0.15	0.05	0.10	0.09	0.04
Share of impaired loans, gross, %	0.52	0.35	0.40	0.52	0.40
Total provision ratio for impaired loans, %	46	57	56	46	56
Liquidity coverage ratio (LCR), % <sup>4)</sup>	156	131	159	156	159
Net stable funding ratio (NSFR), % <sup>5)</sup>	108	104	107	108	107

Balance sheet data SEKbn	31 Dec 2016	31 Dec 2015	%
Loans to the public, excluding the Swedish National Debt Office and repurchase agreements	1 453	1 371	6
Deposits and borrowings from the public, excluding the Swedish National Debt Office and repurchase agreements	782	744	5
Shareholders' equity	130	123	5
Total assets	2 154	2 149	0
Risk exposure amount	394	389	1

<sup>1)</sup> Average shareholders' equity can be found on pages 73-74 in the Fact book.

<sup>2)</sup> The number of shares and calculation of earnings per share are specified on page 44.

<sup>3)</sup> For more information about credit impairment ratio, see page 42 of the Fact book.

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

<sup>5)</sup> NSFR aims to establish a minimum acceptable amount of stable funding based on the liquidity characteristics of an institution's assets and activities over a one-year horizon. The measure is governed by the EU's Capital Requirements Regulation (CRR); however no weights have yet been established. Consequently, the measure cannot be calculated based on current rules and NSFR is considered an alternative performance measure. It is presented in accordance with Swedbank's interpretation of the Basel Committee's recommendation (BCBS295). In Swedbank's opinion, the presentation of this measure is relevant for investors since it will be required in the near future and we already follow it as part of our internal governance.

# Overview

## Market

Market movements in the fourth quarter of 2016 were a reaction to the US presidential election. The election of Donald Trump, who is planning large-scale tax cuts and infrastructure investments during his term, along with the interest rate hike by the Federal Reserve in December, contributed to a rise in global long-term rates, including the Swedish ones, during the quarter. The US rate hike also helped to weaken the Swedish krona against the dollar during the quarter. It appreciated against the euro, however, which can be partly explained by an improved Swedish macroeconomic outlook.

The Swedish economy continues to perform well. During the third quarter GDP rose by 0.5 per cent compared with the previous quarter and by 3.4 per cent on an annualised basis. Exports and consumer spending were the biggest contributors to quarterly growth, while investments and public spending were unchanged. Economic data such as the Purchasing Managers' Index and the National Institute of Economic Research's Economic Tendency Indicator show that Swedish economic growth further accelerated in the last quarter of 2016. House prices continued to rise during the quarter, though at a slower rate than earlier in the year, one reason for which may have been the introduction of the amortisation requirement on new mortgages in June 2016. The annual growth rate for residential mortgages was 7.8 per cent in November, compared with 8.2 per cent in November 2015. The growth rate for loans to non-financial companies was 5.2 per cent in November, compared with 4.2 per cent in November 2015. The inflation rate (CPI with fixed interest rate) was 1.9 per cent in December, the highest since December 2010. Higher housing costs and rising energy prices were the biggest contributors to the increase. Inflation expectations also rose somewhat. The Riksbank decided in December to extend its bond buying by an additional half-year, but the decision was not unanimous. Short-term Swedish rates continued to fall during the quarter. The three-month Stibor interbank rate fell in the quarter by 8 basis points to -0.59 per cent.

Europe is also showing signs of a brighter economic outlook. Optimism among businesses and households has strengthened at the same time that unemployment has fallen to the lowest level since 2009. The recovery is supported by expansionary monetary policy, and in December the ECB decided to extend its bond buying to December 2017, but in smaller monthly volumes, from EUR 80bn to EUR 60bn.

GDP growth slowed in the Baltic countries. This is most clearly evident in Latvia, where the annualised rate dropped to 0.3 per cent in the third quarter, against 2 per cent in the second quarter. The growth rate also fell in Lithuania, from 2.1 to 1.7 per cent, while the Estonian economy improved slightly, growing by 1.3 per cent. Fixed investments fell in all three Baltic countries due to delayed inflows of EU funds and lower confidence among companies and households, and was a contributing reason for the weaker growth. Consumer spending remains strong, driven by higher wages and falling unemployment. The macro indicators for the Baltic economies improved at the end of the year thanks to the ongoing recovery in the rest of Europe.

Exports improved in the latter half of 2016, especially in Estonia. Inflation in the Baltic countries has begun to rise as a result of higher prices mainly for oil and food. In December the inflation rate was 2.2 per cent in Estonia and Latvia and 1.7 per cent in Lithuania.

Global equities trended higher during the quarter. The Stockholm Stock Exchange (OMXSPI) rose by 3.2 per cent, while the OMX Baltic All-Share Index OMXBPI added 4.8 per cent. Oil prices rose in the fourth quarter, reaching annual highs after OPEC members and a number of other oil-producing countries decided to reduce production for the first time since 2008.

## Important to note

The Board of Directors has proposed a dividend of SEK 13.20 (10.70) per share for the financial year 2016. This corresponds to a dividend payout ratio of 75 per cent. The proposed record day for the dividend is 3 April. The last day for trading in Swedbank's shares with the right to the dividend is 30 March. If the Annual General Meeting accepts the Board of Directors' proposal, the dividend is expected to be paid out by Euroclear on 6 April 2017. Swedbank's Annual General Meeting will be held on Thursday, 30 March 2017 at 11am in Folkets Hus, Stockholm. For more information on Swedbank's Annual General Meeting, visit [www.swedbank.se](http://www.swedbank.se) under the heading About us/Corporate governance.

## Group development

### Result fourth quarter 2016 compared with third quarter 2016

Swedbank reported profit of SEK 4 142m in the fourth quarter of 2016, compared with SEK 4 816m in the previous quarter. The main reason for the decrease is lower net gains and losses on financial items at fair value as well as higher expenses and credit impairments.

The return on equity was 13.1 per cent (15.8), while the cost/income ratio was 0.43 (0.39).

Income decreased by 1 per cent during the quarter to SEK 10 194m (10 265), mainly because net gains and losses on financial items at fair value decreased.

Net interest income rose by 3 per cent to SEK 6 247m (6 062). Higher lending volumes for Swedish mortgages, partly because of the mortgages related to the acquisition of Sparbanken Öresund transferred in October, had a positive effect. Higher lending margins also contributed positively to the trend.

Net commission income increased by 8 per cent to SEK 3 055m (2 838). The increase is mainly due to higher income from asset management and brokerage. Higher equity prices during the quarter contributed positively to assets under management, but income also benefited from annual performance-based fees. Income from payment processing also contributed positively. Card commissions were lower during the quarter, partly because the third quarter was positively affected by one-off income of SEK 50m from MasterCard.

Net gains and losses on financial items at fair value decreased to SEK 285m (669), mainly because higher volumes of repurchased covered bonds and increased volatility in the FX swap market at the end of the year resulted in negative valuation effects.

Other income decreased to SEK 607m (696) due to a lower share of profit or loss of associates related to lower income from EnterCard.

Expenses amounted to SEK 4 404m (4 029). Staff costs were seasonally higher at SEK 2 440m (2 315), but were also affected by restructuring expenses of SEK 75m within Large Corporates & Institutions. Other expenses were seasonally higher.

Impairment of intangible assets amounted to SEK 35m (0) attributable to replacement of internally developed IT systems. Impairment of tangible assets amounted to SEK 21m (1).

Credit impairments increased to SEK 593m (201), mainly due to increased provisions within Large Corporates & Institutions for oil related commitments. Swedish Banking and Baltic Banking reported net recoveries.

The tax expense amounted to SEK 996m (1 215), corresponding to an effective tax rate of 19.4 per cent (20.1). The Group's effective tax rate is estimated at 20-22 per cent in the medium term. The range has been raised from 19-21 per cent now that the Swedish parliament has adopted the proposal to eliminate the tax deductibility of interest on certain subordinated debt.

## Result full-year 2016 compared with full-year 2015

Profit for the year increased by 24 per cent to SEK 19 539m (15 727). Increased income, mainly due to the sale of Visa Europe, improved net gains and losses on financial items within Group Treasury and higher net interest income contributed positively to the result. Increased credit impairments contributed negatively. FX changes increased profit by SEK 52m.

	Jan-Dec 2016	Jan-Dec 2016 one-off income	Jan-Dec 2016 excl one-off income	Jan-Dec 2015
Income statement, SEKm		VISA		
Net interest income	23 664		23 664	22 993
Net commission income	11 333		11 333	11 199
Net gains and losses on financial items at fair value	2 231	457	1 774	571
Share of profit or loss of associates	2 467	1 658	809	863
Other income	1 940		1 940	1 998
<b>Total income</b>	<b>41 635</b>	<b>2 115</b>	<b>39 520</b>	<b>37 624</b>
<b>Total expenses</b>	<b>16 441</b>		<b>16 441</b>	<b>16 333</b>
Impairments	1 433		1 433	920
<b>Operating profit</b>	<b>23 761</b>	<b>2 115</b>	<b>21 646</b>	<b>20 371</b>
Tax expense	4 209		4 209	4 625
<b>Profit for the period attributable to the</b>	<b>19 539</b>	<b>2 115</b>	<b>17 424</b>	<b>15 727</b>
Return on equity	15.8		14.3	13.5
Cost/Income ratio	0.39		0.42	0.43

Amounts in the table above exclude the income from the sale of Visa Europe and are alternative performance measures. These alternative measures exclude amounts that would not be adjusted in the comparable IFRS measures. Swedbank believes the presentation of

this information is relevant to investors in order to provide more comparative information between periods. The return on equity increased to 15.8 per cent (13.5), while the cost/income ratio improved to 0.39 (0.43). Excluding Visa, the return on equity was 14.3 per cent and the cost/income ratio was 0.42.

Income increased by 11 per cent to SEK 41 635m (37 624). Excluding Visa, income increased by 5 per cent due to improved net gains and losses on financial items and higher net interest income. FX changes increased income by SEK 77m, mainly because the Swedish krona on average weakened against the euro.

Net interest income rose by 3 per cent to SEK 23 664m (22 993). The positive effects from higher lending volumes and increased margins on Swedish mortgages offset the lower deposit margins.

Net commission income increased by 1 per cent to SEK 11 333m (11 199). Increased card income contributed positively. The number of cards in issue and the number of card purchases rose during the year. Asset management income decreased because assets under management were lower on average than in the previous year and because the fee reductions implemented in 2015 had their full effect in 2016.

Net gains and losses on financial items at fair value increased to SEK 2 231m (571), mainly because of improved net gains and losses on financial items within Group Treasury and the sale of Visa.

Other income, including the share of profit or loss of associates, increased to SEK 4 407m (2 861). The increase was due to income related to Visa Europe. Excluding Visa, other income decreased by SEK 112m.

Expenses increased to SEK 16 441m (16 333). The main reason was higher compensation to the savings banks due to higher lending margins during the year. Staff costs amounted to SEK 9 376m (9 395).

Impairment of intangible assets amounted to SEK 35m (254). Impairment of tangible assets decreased to SEK 31m (72).

Credit impairments increased to SEK 1 367m (594) due to increased provisions within Large Corporates & Institutions for oil related commitments, while Swedish Banking and Baltic Banking reported net recoveries during the period.

The tax expense amounted to SEK 4 209m (4 625), corresponding to an effective tax rate of 17.7 per cent (22.7). The tax rate was lower in 2016 than in 2015 partly because the year-earlier period was negatively affected by the tax effect of a one-off dividend from the Estonian subsidiary and partly because 2016 was positively affected by the tax-exempt income from the sale of Swedbank's shares in Visa Europe through its membership in Visa Sweden and Visa Europe. The Group's effective tax rate is estimated at 20-22 per cent in the medium term. The range has been raised from 19-21 per cent now that the Swedish parliament has adopted the proposal to eliminate the tax deductibility of interest on certain subordinated debt.

## Volume trend by product area

Swedbank's main business is organised in two product areas as of 1 June 2016: Group Lending & Payments and Group Savings.

### Lending

Total lending to the public, excluding repos and the Swedish National Debt Office, increased by SEK 14bn to SEK 1 453bn (1 439) compared with the end of the third quarter. The main reason was higher mortgage volumes. Compared with year-end 2015 the increase was SEK 82bn, or growth of 6 per cent.

Lending to Swedish mortgage customers accounted for the largest share of the increase, up SEK 21bn from the previous quarter, of which SEK 12.7bn related to Swedbank's takeover in October of mortgages from SBAB as a final step in the acquisition of Sparbanken Öresund. At the end of the quarter the mortgage volume in Swedish Banking amounted to SEK 719bn. In Baltic Banking the mortgage volume was stable during the quarter.

Loans to the public excl. the Swedish National Debt Office and repurchase agreements, SEKbn	2016		2015
	31 Dec	30 Sep	31 Dec
Loans, private mortgage	783	761	723
of w hich Swedish Banking	719	698	666
of w hich Baltic Banking	64	63	55
of w hich Large Corporates & Inst.		0	2
Loans, private other incl tenant-owner associations	149	148	141
of w hich Swedish Banking	138	135	129
of w hich Baltic Banking	11	13	11
of w hich Large Corporates & Inst.		0	1
Loans, corporate	521	530	507
of w hich Swedish Banking	278	278	270
of w hich Baltic Banking	65	65	59
of w hich Large Corporates & Inst.	178	187	178
<b>Total</b>	<b>1 453</b>	<b>1 439</b>	<b>1 371</b>

The bank's strategy to digitise mortgage lending and apply the same prices regardless of channel was supported during the year by a new process for renewing mortgages through the Mobile Bank and Internet Bank. By renewing digitally, customers can receive an individual rate based on the same pricing model used by branches and the Telephone Bank. The change has been positively received by customers.

Other private lending in Sweden, including to tenant-owner associations, grew by SEK 3bn during the quarter to SEK 138bn. Swedbank's Swedish consumer loan volume was stable during the quarter at SEK 25bn, corresponding to a market share of about 10 per cent. The long-term process of fully digitising the consumer loan flow is continuing. The Baltic consumer loan portfolio grew during the quarter by 1 per cent in local currency.

In total, corporate lending fell by SEK 9bn during the quarter to SEK 521bn, mainly due to decreased lending for commercial properties. Corporate lending was stable within Swedish Banking and Baltic Banking, but decreased by SEK 9bn within Large Corporates & Institutions.

Negative market interest rates continue to affect the credit portfolio. A large share of new lending consists of products with a base rate floor, where the reference rate is set at 0 instead of the actual negative rate.

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

### Payments

The number of cards in issue increased by 0.2 per cent, from 7.9 to 8 million, compared with the end of the third quarter. Compared with the full-year 2015 the increase was 2 per cent.

In Sweden the number of cards in issue rose to 4.2 million, while the number of card purchases was 1.2 billion in 2016, an increase of 10 per cent compared with 2015. The corporate card issuance business continued to grow. The bank's many small business customers offer further growth potential in this area. The number of consumer cards rose by 2 per cent in Sweden in 2016 largely because an increased number of young people got cards as well as an increase in the number of customers.

In Sweden about 85 per cent of retail payments are made by card, and market growth is expected to remain good.

Number of cards	31 Dec	30 Sep	31 Dec
	2016	2016	2015
Issued cards, million	8.0	7.9	7.8
of w hich Sweden	4.2	4.1	4.1
of w hich Baltic countries	3.8	3.8	3.7

In the Baltic countries the acquisition of Danske Bank's card issuance business in Latvia and Lithuania in 2016 contributed to increases in the number of payments and new cards in these countries. At the end of the fourth quarter 3.8 million cards were in issue, while the number of payments was 430 million.

Card payment frequency surpasses 50 per cent in Estonia, while the figures are slightly lower in Latvia and Lithuania. Swedbank is working actively to increase card payments in stores by encouraging more retailers to accept cards and advising our customers to pay by card in stores instead of cash.

The volume of acquired card transactions increased as well. In the Nordic countries the number of acquired card transactions rose by 10 per cent to 2 249 million, while the corresponding figure in the Baltic countries rose by 6 per cent to 323 million.

The interchange fees regulation (IFR), which fully took effect in June 2016, adversely affects card issuance earnings but benefits the acquiring business thanks to lower card issuance fees. At present the regulation is increasing Swedbank's income, since we acquire more card purchases from merchants at a lower cost than we lose in income from our own cardholders' purchases.

The number of domestic payments increased by 7 per cent in Sweden and by 9 per cent in the Baltic countries during the quarter. For the full-year the corresponding figures were 4 and 8 per cent respectively. Swedbank's market share of payments through the Bankgiro system was 34 per cent.

The number of international payments increased by 8 per cent in Sweden and the Baltic countries during the quarter. For the full-year the corresponding figures were 6 and 16 per cent respectively.

The number of Swish users at the end of the fourth quarter included over 5 million private customers and around 85 000 corporate customers in total in Sweden, compared with 4.8 million private customers in the third quarter.

### Savings

Total deposits within the business areas – Swedish Banking, Baltic Banking and Large Corporates & Institutions – increased by SEK 2bn to SEK 779bn (777) compared with the end of the third quarter. Of this amount, 57 per cent (56) related to on demand deposits. Total deposits from the public, including volumes attributable to Group Treasury within Group Functions & Other, fell by SEK 83bn during the quarter to SEK 782bn. Compared with the full-year 2015 deposits from the public increased by SEK 38bn, or by 5 per cent.

Swedbank's deposits from private customers increased by 7 per cent to SEK 442bn (435) during the quarter. The large part of the increase was attributable to Baltic Banking.

Corporate deposits decreased during the quarter, largely driven by lower volumes from US money market funds within Group Treasury. Corporate deposits increased in Swedish Banking but decreased in Large Corporates & Institutions. In Baltic Banking they were stable.

Deposits from the public excl. the Swedish National Debt Office and repurchase agreements, SEKbn	2016	2016	2015
	31 Dec	30 Sep	31 Dec
Deposits, private	442	435	399
of w hich Sw edish Banking	343	341	314
of w hich Baltic Banking	99	94	85
Deposits, corporate	340	430	345
of w hich Sw edish Banking	153	147	139
of w hich Baltic Banking	71	72	60
of w hich Large Corporates & Inst.	113	123	121
of w hich Group Functions & Other	3	88	25
<b>Total</b>	<b>782</b>	<b>865</b>	<b>744</b>

The market share for household deposits in Sweden was stable at 21 per cent as of 31 December (21 per cent as of 31 December 2015), while the share for corporate deposits rose to 20 per cent (19). For more information on deposits, see page 37 of the Fact book.

Asset management, SEKbn	31 Dec 2016	30 Sep 2016	31 Dec 2015
Assets under management	794	769	742
Assets under management, Robur	789	764	738
of w hich Sw eden	754	727	706
of w hich Baltic countries	35	33	28
of w hich Norway		4	4
Assets under management, Other, Baltic countries	5	5	4
Discretionary asset management	383	369	354

Fund assets under management by Swedbank Robur amounted to SEK 789bn (SEK 764bn as of 30 September 2016), of which SEK 754bn (724) relates to the Swedish business. Discretionary assets under management increased to SEK 383bn (369).

Due to the low interest rates, the market continued to see higher risk-taking during the fourth quarter with outflows from money market funds and inflows to equity index funds. The total net inflow in the Swedish fund market was SEK 42.6bn during the period, of which

SEK 28.7bn was in equity funds, SEK 14.3bn was in mixed funds and SEK 2.9bn was in fixed income funds. Outflows from hedge funds and other funds totalled SEK 3.3bn.

The market share of net flows in the fourth quarter was 9 per cent. Swedbank Robur is the largest player in Sweden, with a market share of 21 per cent as of 31 December 2016 measured in fund assets under management.

Swedbank Robur had a net inflow of SEK 3.8bn in the Swedish fund market in the fourth quarter (SEK -0.6bn in the third quarter). The positive inflow is due to the annual inflow from the premium pension authority (PPM) in December. Inflows included SEK 2.8bn in equity funds and SEK 4.4bn in mixed funds. Fixed income funds had a net outflow of SEK 3.3bn.

From a channel perspective, PPM accounted for SEK 5.1bn, while Swedish Banking and the savings banks together accounted for an outflow of SEK 0.5bn. Institutional clients had a positive inflow of SEK 0.3bn, while third-party distribution had an outflow of SEK 1.1bn.

The share of equity funds that have outperformed their comparative indices (after fees) decreased to 29 per cent during the quarter, compared with 40 per cent at the end of the third quarter of 2016. The corresponding figures are 47 per cent (47) for fixed income funds and 0 per cent (15) for mixed funds.

Assets under management, life insurance SEKbn	31 Dec 2016	30 Sep 2016	31 Dec 2015
	Sweden	157	153
of w hich collective occupational pensions	69	66	62
of w hich endow ment insurance	60	59	57
of w hich occupational pensions	19	19	17
of w hich other	9	9	9
Baltic countries	5	5	4

Swedbank was the eighth largest life insurance company in Sweden as of 30 September 2016, with a market share of about 6 per cent in premium payments excluding capital transfers. The market share for transferred capital was nearly 7 per cent, placing Swedbank seventh. Swedbank is the largest life insurance company in Estonia and the second largest in Lithuania. Its market shares as of 30 November were 39 and 23 per cent respectively. The market share in Latvia was 21 per cent. For the Baltic non-life business the market shares for total premium income rose during the period to between 4 and 16 per cent, with the highest share in Estonia. In homeowner's and vehicle insurance Swedbank is the market leader in Estonia with shares of 31 and 24 per cent respectively. Non-life insurance is offered in Sweden through the insurance company Tre Kronor.

### Credit and asset quality

Credit impairments amounted to SEK 593m in the fourth quarter and SEK 1 367m for the full-year (SEK 594m for the full-year 2015). The year-on-year difference mainly relates to provisions for commitments in oil related sectors, while credit impairments in other sectors remain very low. Despite weak global growth, the economy in Swedbank's home markets has been relatively good, which provided support to the solid performance.

Credit impairments, net by business segment	Full-year 2016	Full-year 2015	%
Swedish Banking	-51	482	
Baltic Banking	-35	-172	-80
Estonia	51	34	50
Latvia	-10	-228	-96
Lithuania	-76	22	
Large Corporates & Institutions	1 482	284	
Group Functions & Other	-29		
<b>Total</b>	<b>1 367</b>	<b>594</b>	

Oil prices were stable during the quarter, but the major oil companies are still reluctant to invest. Swedbank continues to follow developments carefully and maintains a close dialogue with impacted customers in oil related sectors. Restructuring work is proceeding according to plan. During the quarter one restructuring process was deemed to be too weak, because of which the bank allocated a provision for anticipated credit impairment. This contributed to an increase in impaired loans in the quarter to 0.52 per cent (0.35 in the third quarter) of total lending. In total, the provision ratio for impaired loans was 46 per cent (57). For more information on credit risk, see pages 39-45 of the Fact book.

Assets taken over amounted to SEK 405m (441 as of 31 December 2015). For more information on assets taken over, see page 44 of the Fact book.

The amortisation requirement on new mortgages introduced by the Swedish Financial Supervisory Authority (SFSA) on 1 June gradually had an effect during the second half of the year, and house prices are now increasing at a slower rate. Amortisations in the Swedish mortgage portfolio amounted to about SEK 12bn in the last 12-month period. The average loan-to-value ratio for Swedbank's mortgages was 54 per cent in Sweden (57 on 31 December 2015), 49 per cent (51) in Estonia, 91 per cent (98) in Latvia and 71 per cent (79) in Lithuania, based on property level. For more information, see pages 46-47 of the Fact book.

### Operational risks

The bank's direct losses attributable to operational risks remained low in the fourth quarter. No major IT incidents impacted customers to a significant degree during the quarter. Compared with the fourth quarter of 2015 the number of incidents declined. Nor did Swedbank have any major disruptions to the Internet Bank and Mobile Bank. Protection for the bank's card customers is currently being strengthened through implementation of the 3D Secure system. Operational losses remained low during the quarter.

In the spring of 2016 the Latvian Financial and Capital Market Commission (FCMC) conducted an audit of the effectiveness of Swedbank's internal work to prevent money laundering (AML) in Latvia. The audit identified deficiencies in internal control systems, processes and documentation. As a result, the FCMC and Swedbank entered into an administrative agreement to mitigate the deficiencies.

### Funding and liquidity

For Swedbank the year was characterised by a slightly lower capital market funding requirement, since the inflow of deposits was higher than normal. During the

year Swedbank issued SEK 160bn in long-term debt, of which SEK 44bn in the fourth quarter. Covered bond issues accounted for the large part, SEK 125bn. The total issue volume for 2017 is expected to be slightly higher compared with 2016. Maturities for the full-year 2017 amounted nominally to SEK 166bn at the beginning of the year. Issue plans are mainly affected by changes in deposit volumes and lending growth and are adjusted over the course of the year. Outstanding short-term funding, commercial paper and Certificates of Deposits included in debt securities in issue, amounted to SEK 102bn (163) as of 31 December. At the same time SEK 121bn was placed with central banks. The liquidity reserve amounted to SEK 326bn (487) as of 31 December. The Group's liquidity coverage ratio (LCR) was 156 per cent (131), and for USD and EUR was 160 per cent and 330 per cent respectively. As described on page 4, Swedbank calculates the NSFR according to our interpretation of the Basel Committee's latest proposal, resulting in Swedbank's NSFR of 108 per cent (104). For more information on funding and liquidity, see notes 15-17 on pages 35-36 and pages 56-72 of the Fact book.

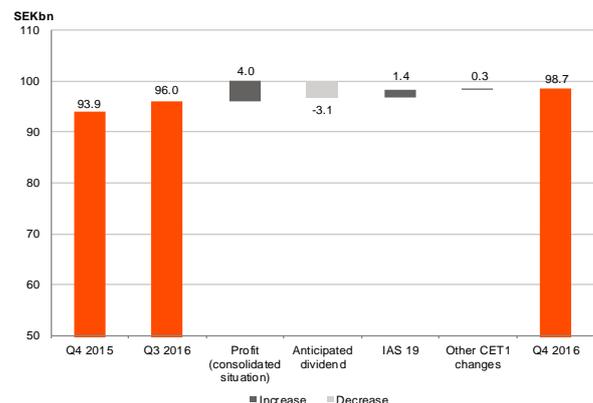
### Ratings

During the fourth quarter there were no changes in Swedbank's ratings. Earlier in the year, in May, the ratings agency Fitch upgraded Swedbank's long-term rating to AA- (A+) with a stable outlook.

### Capital and capital adequacy

The Common Equity Tier 1 capital ratio was 25.0 per cent on 31 December (23.8 per cent as of 30 September 2016 and 24.1 per cent as of 31 December 2015). Common Equity Tier 1 capital increased by SEK 2.6bn during the quarter to SEK 98.7bn. Profit after deducting the proposed dividend positively affected Common Equity Tier 1 capital by SEK 0.9bn. The revaluation of the estimated pension liability according to IAS 19 increased Common Equity Tier 1 capital by about SEK 1.4bn, mainly due to a higher discount rate.

#### Change in Common Equity Tier 1 capital, 2016, Swedbank consolidated situation



In December Swedbank issued USD 500m in Additional Tier 1 capital (AT1) to optimise the capital structure. The loan is perpetual with a call option after five years. The instrument undergoes mandatory conversion to ordinary shares if the bank's regulatory capital decreases to a certain level. The issue strengthened Swedbank's Tier 1 capital ratio by 1.13 percentage points.

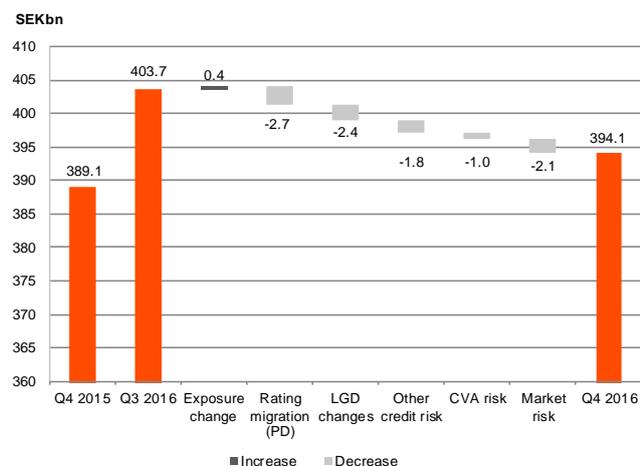
Swedbank's leverage ratio was 5.4 per cent as of 31 December 2016 (4.5 per cent as of 30 September 2016), because total assets were lower at the end of the fourth quarter than at the end of the third quarter and the previously mentioned AT1 issue increased Tier 1 capital.

The risk exposure amount (REA) decreased by SEK 9.6bn in the fourth quarter to SEK 394.1bn (SEK 403.7bn as of 30 September 2016). The reason was that REA for credit risks decreased in total by SEK 6.6bn, mainly driven by a lower Probability of Default (PD) in the estimated credit worthiness of customers within Swedish Banking and Large Corporates & Institutions, and because increased collateral values had a positive effect on Loss Given Default (LGD). The migration of mortgage volumes from SBAB was a contributing reason why REA for private customers increased in total by SEK 5.3bn during the quarter. This was offset, however, by lower exposures to corporates and institutions, which reduced REA correspondingly. In total, REA for exposures increased by SEK 0.4bn, which is explained by FX effects.

A lower REA for market risks, mainly driven by lower interest rate risk due to smaller positions, as well as lower REA for credit valuation adjustments (CVA risk), also contributed to the total decrease in REA.

REA for operational risks was unchanged during the quarter.

#### Change in REA, 2016, Swedbank consolidated situation



#### Uncertainty about capital regulations persists internationally

Swedbank's total Common Equity Tier 1 capital requirement rose during the quarter to 21.9 per cent, compared with Swedbank's Common Equity Tier 1 capital ratio of 25.0 per cent as of 31 December 2016. The requirement increased because the required risk weight floor for mortgages in Pillar 2 increased in relation to the total risk exposure amount. The total requirement takes into account Swedbank's Common Equity Tier 1 capital requirement for individual Pillar 2 risks of 2.0 per cent as well as all announced increases in countercyclical buffer values, including the increase in the Swedish countercyclical buffer value to 2.0 per cent in March 2017.

In November the EU Commission proposed a package of reforms to the EU's rules for banks. The proposal

contained amendments in a number of areas, including the capital requirements within Pillar 2, automatic restrictions on discretionary payments, authorisation to reduce the own funds and the eligible liabilities and the framework for the minimum requirement for own funds and eligible liabilities (MREL). The proposal also introduces several new features, such as a binding minimum leverage ratio requirement, a new category of debt to fulfil the MREL, the Basel Committee's new standardised approach for measuring counterparty risk exposures, the committee's revised market risk framework and the standard for Total Loss-Absorbing Capacity (TLAC).

The European Parliament and the European Council are evaluating the proposal, which could change before it is finalised and has been adopted by the EU. Until then, and before the Swedish legislators and authorities have decided how it will be implemented in Sweden, it is uncertain how it will affect Swedbank.

Work on capital requirements is also being done at an international level. The Basel Committee, among others, is trying to improve the comparability of banks' capital ratios. This includes revisions to the standardised approach for calculating capital requirements for credit, market and operational risks, limits on the banks' use of internal models for credit risk, the introduction of a minimum leverage ratio requirement and the possibility of a capital floor for banks that use internal models. The Basel Committee had previously planned to complete this work by the end of 2016, but in January 2017 it acknowledged that it had postponed completion to "the near future". Owing to uncertainty about the new requirements and how and when they will be implemented, it is still too early to draw any conclusions about the possible impact on Swedbank. With robust profitability and strong capitalisation, Swedbank is well positioned to meet future changes in capital requirements.

#### Other events

On 6 October Lotta Lovén was named head of Digital Banking in Swedbank. She previously shared leadership with Girts Bērziņš, who has now been appointed head of Strategy within Digital Banking. Both will remain members of the Group Executive Committee.

On 16 December it was announced that the global investment firm General Atlantic, in partnership with a consortium led by the investors Pierre Siri and Henrik Persson, had signed an agreement with all owners to acquire the housing website Hemnet for approximately SEK 2bn. Fastighetsbyrån owns 34 per cent of the shares in Hemnet and through an option will acquire an additional 8 per cent that will accrue to the company through the sale.

#### Events after 31 December 2016

On 9 January Swedbank announced that the sale of Fastighetsbyrån's holding in Hemnet had been completed. For Fastighetsbyrån's owner, Swedbank, the sale generated a tax-exempt capital gain of about SEK 650m in the first quarter of 2017. The capital gain will be recognised in Other income.

## Swedish Banking

- Increased lending volumes and margins lent support to net interest income
- Good credit quality
- Transfer of mortgage volumes from SBAB

### Income statement

SEKm	Q4 2016	Q3 2016	%	Q4 2015	%	Full-year 2016	Full-year 2015	%
Net interest income	3 903	3 802	3	3 564	10	14 780	13 449	10
Net commission income	1 789	1 806	-1	1 765	1	6 938	7 188	-3
Net gains and losses on financial items at fair value	58	74	-22	82	-29	306	264	16
Share of profit or loss of associates	143	211	-32	155	-8	815	862	-5
Other income	168	128	31	186	-10	590	693	-15
<b>Total income</b>	<b>6 061</b>	<b>6 021</b>	<b>1</b>	<b>5 752</b>	<b>5</b>	<b>23 429</b>	<b>22 456</b>	<b>4</b>
Staff costs	759	828	-8	806	-6	3 222	3 419	-6
Variable staff costs	35	48	-27	28	25	141	155	-9
Other expenses	1 656	1 566	6	1 593	4	6 244	6 138	2
Depreciation/amortisation	23	26	-12	25	-8	99	106	-7
<b>Total expenses</b>	<b>2 473</b>	<b>2 468</b>	<b>0</b>	<b>2 452</b>	<b>1</b>	<b>9 706</b>	<b>9 818</b>	<b>-1</b>
<b>Profit before impairments</b>	<b>3 588</b>	<b>3 553</b>	<b>1</b>	<b>3 300</b>	<b>9</b>	<b>13 723</b>	<b>12 638</b>	<b>9</b>
Credit impairments	-44	41		347		-51	482	
<b>Operating profit</b>	<b>3 632</b>	<b>3 512</b>	<b>3</b>	<b>2 953</b>	<b>23</b>	<b>13 774</b>	<b>12 156</b>	<b>13</b>
Tax expense	738	749	-1	865	-15	2 943	2 826	4
Profit for the period	2 894	2 763	5	2 088	39	10 831	9 330	16
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>2 891</b>	<b>2 760</b>	<b>5</b>	<b>2 087</b>	<b>39</b>	<b>10 818</b>	<b>9 317</b>	<b>16</b>
Non-controlling interests	3	3	0	1		13	13	0
Return on allocated equity, % <sup>1)4)</sup>	21.7	20.4		16.3		20.5	18.1	
Loan/deposit ratio, %	229	228		235		229	235	
Credit impairment ratio, % <sup>2)</sup>	-0.02	0.01		0.13		0.00	0.04	
Cost/income ratio	0.41	0.41		0.43		0.41	0.44	
Loans, SEKbn <sup>3)</sup>	1 135	1 111	2	1 066	6	1 135	1 066	6
Deposits, SEKbn <sup>3)</sup>	496	488	2	453	9	496	453	9
Full-time employees	4 187	4 192	0	4 401	-5	4 187	4 401	-5

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) Allocated equity is the operating segment's equity measure and is not a measure that is directly required by IFRS. Allocated equity and return on allocated equity are therefore considered alternative performance measures. The allocated equity amounts per operating segment are reconciled to the Group Total equity, the nearest IFRS measure, in note 4 operating segments. In Swedbank's opinion, the presentation of this measure is relevant for investors since it is used by Group management for internal governance and operating segment performance management purposes.

## Result

### Fourth quarter 2016 compared with third quarter 2016

Profit increased by 5 per cent to SEK 2 891m (2 760). The main reasons were higher net interest income and lower credit impairments.

Net interest income rose by 3 per cent to SEK 3 903m (3 802) due to increased lending volumes and higher mortgage margins. This was partly offset by lower market interest rates, which adversely affected deposit margins.

Household mortgage volume amounted to SEK 719bn as of 31 December, up 3 per cent. The increase was mainly driven by the SEK 12.7bn in volume Swedbank took over from SBAB in October as a final step in the acquisition of Sparbanken Öresund. As of 30 November 2016 the share of the year's net mortgage growth was 21 per cent excluding the SBAB volumes. The total market share was 24.9 per cent including the SBAB volumes and 24.4 per cent excluding the SBAB volumes (24.7 per cent as of 31 December 2015).

Lending to corporates was unchanged at SEK 278bn (278), of which SEK 130bn was loans to property management companies. The market share, including corporate lending within Large Corporates & Institutions, was 18.4 per cent in November (18.6 per cent as of 31 December 2015).

Household deposit volume increased by SEK 2bn during the quarter. Swedbank's share of household deposits was 20.9 per cent as of 30 November (20.8 per cent as of 31 December 2015).

Corporate deposits within Swedish Banking increased by SEK 6bn during the quarter. Swedbank's market share, including corporate lending within Large Corporates & Institutions, was 20.4 per cent as of 30 November (19.3 per cent as of 31 December 2015).

Net commission income decreased by 1 per cent, mainly because of one-off income for card commissions in the previous quarter. This was partly offset by market-driven increases in asset management income.

The net fund flow was negative, with inflows to equity and mixed funds and outflows from fixed income funds.

The share of associates' profit decreased due to lower income from Entercard.

Total expenses were stable with a further decrease in staff costs.

Net recoveries of SEK 44m were recognised in the fourth quarter, mainly due to a recovery of a single commitment, compared with the third quarter, when credit impairments of SEK 41m were recognised.

#### **Full-year 2016 compared with full-year 2015**

Profit for the period increased by 16 per cent to SEK 10 818m (9 317) due to higher net interest income and lower expenses and credit impairments.

Net interest income increased by 10 per cent to SEK 14 780m (13 449), mainly through higher lending volumes and mortgage margins. This was partly offset by lower deposit margins.

Net commission income decreased by 3 per cent to SEK 6 938m (7 188). The decrease was mainly due to lower asset management income, which was affected by reduced fund fees. Income from equity trading and structured products decreased but was partly offset by higher card and payment commissions resulting from higher volumes.

The share of associates' profit fell, mainly due to one-off income related to Entercard and Sparbanken Skåne in 2015.

Expenses decreased during the year, mainly related to staff costs.

Net recoveries amounted to SEK 51m, compared with credit impairments of SEK 482m in 2015.

## **Business development**

Swedish Banking is continuing to see its customers' needs and habits change as they bank more through digital channels and the Telephone Bank.

During the quarter several functions were added to the beta version of the new Internet Bank, including improved document management and services that make it easier for customers to manage their savings and pensions.

We are also trying to increase availability. The Christmas and New Year's holiday was the first during which we could be reached by phone round the clock. We have also made it possible for more people to use the bank, including by translating basic information on our products and services at swedbank.se to eight languages. This helped us to receive an annual diversity award from the magazine *Privata Affärer*.

As part of ongoing improvements, we continue asking customers for their opinions of our services and offerings. Last autumn we conducted an extensive survey of around 35 000 private and corporate customers. Compared with the year's Swedish Quality Index survey, the results were better for private customers and unchanged for corporate customers. Through further analysis and actions, we want to simplify contact options and develop better technology and processes to meet customers where, when and how they choose. We are also trying to be more proactive and encourage personal interaction in all channels.

On the corporate side we are constantly strengthening our offering for SMEs. During the quarter we began the launch of multicurrency group accounts. We have also simplified the lending process for small businesses so that they get faster help with their loan applications.



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 it 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 248 branches in Sweden.

# Baltic Banking

- Increased household lending
- Payments and asset management raised net commission income
- Continued strong credit quality

## Income statement

SEKm	Q4 2016	Q3 2016	%	Q4 2015	%	Full-year 2016	Full-year 2015	%
Net interest income	1 061	1 045	2	962	10	3 994	3 558	12
Net commission income	582	511	14	548	6	2 074	2 052	1
Net gains and losses on financial items at fair value	62	59	5	59	5	220	202	9
Other income	151	126	20	117	29	524	475	10
<b>Total income</b>	<b>1 856</b>	<b>1 741</b>	<b>7</b>	<b>1 686</b>	<b>10</b>	<b>6 812</b>	<b>6 287</b>	<b>8</b>
Staff costs	238	234	2	218	9	895	827	8
Variable staff costs	15	18	-17	17	-12	68	73	-7
Other expenses	423	364	16	386	10	1 479	1 445	2
Depreciation/amortisation	28	28	0	32	-13	114	136	-16
<b>Total expenses</b>	<b>704</b>	<b>644</b>	<b>9</b>	<b>653</b>	<b>8</b>	<b>2 556</b>	<b>2 481</b>	<b>3</b>
<b>Profit before impairments</b>	<b>1 152</b>	<b>1 097</b>	<b>5</b>	<b>1 033</b>	<b>12</b>	<b>4 256</b>	<b>3 806</b>	<b>12</b>
Impairment of tangible assets	20	1		3		21	8	
Credit impairments	-15	-28	-46	-112	-87	-35	-172	-80
<b>Operating profit</b>	<b>1 147</b>	<b>1 124</b>	<b>2</b>	<b>1 142</b>	<b>0</b>	<b>4 270</b>	<b>3 970</b>	<b>8</b>
Tax expense	169	152	11	183	-8	586	1 510	-61
Profit for the period	978	972	1	959	2	3 684	2 460	50
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>978</b>	<b>972</b>	<b>1</b>	<b>959</b>	<b>2</b>	<b>3 684</b>	<b>2 460</b>	<b>50</b>
Return on allocated equity, % <sup>1)4)</sup>	19.2	19.2		19.3		18.0	12.3	
Loan/deposit ratio, %	83	85		86		83	86	
Credit impairment ratio, % <sup>2)</sup>	-0.04	-0.08		-0.35		-0.03	-0.14	
Cost/income ratio	0.38	0.37		0.39		0.38	0.39	
Loans, SEKbn <sup>3)</sup>	140	141	-1	124	13	140	124	13
Deposits, SEKbn <sup>3)</sup>	170	166	2	145	17	170	145	17
Full-time employees	3 839	3 872	-1	3 811	1	3 839	3 811	1

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) Allocated equity is the operating segment's equity measure and is not a measure that is directly required by IFRS. Allocated equity and return on allocated equity are therefore considered alternative performance measures. The allocated equity amounts per operating segment are reconciled to the Group Total equity, the nearest IFRS measure, in note 4 operating segments. In Swedbank's opinion, the presentation of this measure is relevant for investors since it is used by Group management for internal governance and operating segment performance management purposes.

## Result

### Fourth quarter 2016 compared with third quarter 2016

Profit increased by 1 per cent to SEK 978m (972).  
FX effects contributed positively by SEK 21m.

Net interest income decreased by 1 per cent in local currency. The margins in the mortgage portfolio were stable. The margins in corporate lending decreased slightly. FX effects raised net interest income by SEK 23m.

Lending volumes rose marginally in local currency. Household lending increased by 1 per cent due to strong consumption. Corporate lending decreased somewhat. Total lending grew in Estonia and Lithuania, while decreasing in Latvia.

Deposit volumes increased by 3 per cent in local currency, mainly through increased household deposits. Deposits grew in Estonia and Lithuania, but decreased in Latvia.

Net commission income increased by 11 per cent in local currency. Payment processing income rose thanks to more payments and increased transaction volume. Asset management income increased due to rising

equity prices and annual performance based fees in Latvia.

Net gains and losses on financial items rose by 6 per cent in local currency due to seasonally higher customer activity. Other income increased by 17 per cent in local currency, driven by an improved result in the insurance business.

Total expenses increased by 7 per cent in local currency due to seasonally higher expenses for marketing and premises. In addition, Swedbank in Latvia paid a fine of EUR 1.36m (SEK 13m) to the Financial and Capital Market Commission (FCMC). The fine was part of an agreement reached after deficiencies were found during FCMC's audit of Swedbank's internal control systems to prevent money laundering (AML).

Net recoveries amounted to SEK 15m (28). Net recoveries were reported in Lithuania, while recoveries and credit impairments cancelled each other out in Latvia. Estonia reported credit impairments of SEK 20m, which were attributable to a single commitment. Underlying credit quality remained strong. Impairment of tangible assets amounted to SEK 20m (1) due to the annual revaluation of assets taken over.

### Full-year 2016 compared with full-year 2015

Profit increased to SEK 3 684m (2 460), mostly due to higher tax expenses in the previous year resulting from an extra dividend from the Estonian subsidiary as well as increased income. FX effects raised full-year profit by SEK 35m.

Net interest income in local currency rose by 11 per cent. The increase was mainly due to higher lending volumes, including the loan portfolio acquired from Danske Bank, lower deposit guarantee fees and somewhat higher mortgage margins. To offset the impact of negative interest rates, we apply base rate floors in our lending. FX effects increased net interest income by SEK 48m.

Lending volume rose by 8 per cent in local currency. The increase was evident in all loan portfolios, including mortgages, corporate lending, consumer loans and leasing. Deposit volume grew by 12 per cent in local currency.

Net commission income was unchanged in local currency. Higher customer activity strengthened payment processing income. Asset management commissions also rose. At the same time net commission income was negatively affected by the new regulation on card interchange fees.

Net gains and losses on financial items at fair value increased by 8 per cent in local currency. Other income rose by 9 per cent in local currency.

Total expenses increased by 2 per cent in local currency. The increase was a result of higher staff costs, but was offset somewhat by lower marketing expenses and depreciation as well as a VAT refund in Lithuania in the first quarter.

Net recoveries amounted to SEK 35m, compared with net recoveries of SEK 172m in 2015.

### Business development

We continue to offer our Baltic customers more digital solutions. Private customers can now open additional accounts in the Internet Bank. In the Mobile Bank they can apply for small loans and easily make payments using the banklink service. Corporate customers can now check their possible leasing limit in the Internet Bank.

We are constantly seeing changes in the way customers bank, with greater use of the Mobile Bank, partly driven by a number of activation campaigns. The number of active Mobile Bank users grew by 24 per cent during the quarter. We are also pleased that the number of contactless cards is increasing and that their acceptance is growing as more major retailers add contactless terminals.

Swedbank has modified its pricing model in Lithuania by introducing packages of commonly used services. For a fixed monthly charge, private customers receive an unlimited number of electronic payments, a contactless debit card, free incoming payments and free of charge ATM withdrawals up to a specific amount. For companies we have introduced a monthly service fee that replaces the previous fee structure.

Last autumn we launched a local news portal in all three Baltic countries to help consumers and entrepreneurs make more-informed and balanced financial decisions.

During the fourth quarter Swedbank in Latvia entered into an agreement with the Financial and Capital Market Commission (FCMC), which includes a number of activities to improve Swedbank's internal control systems for preventing money laundering (AML). The agreement is an outcome of the audit FCMC conducted in the spring of 2016 and which identified deficiencies in Swedbank Latvia's internal control systems, processes and documentation. Swedbank takes the findings in the Commission's audit very seriously and is currently implementing a series of actions to mitigate the deficiencies.



Priit Perens  
Head of Baltic Banking

**Swedbank is the largest bank** by number of customers in Estonia, Latvia and Lithuania, with around 4 million private customers and over a quarter million 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 35 branches in Estonia, 41 in Latvia and 65 in Lithuania.

## Large Corporates & Institutions

- Increased average volumes positively affected net interest income
- Higher stock prices fuelled increase in net commission income
- Provisions for credit impairments for oil related commitments

### Income statement

SEKm	Q4 2016	Q3 2016	%	Q4 2015	%	Full-year 2016	Full-year 2015	%
Net interest income	908	833	9	837	8	3 332	3 416	-2
Net commission income	691	542	27	528	31	2 334	2 011	16
Net gains and losses on financial items at fair value	530	583	-9	415	28	2 068	1 892	9
Other income	13	18	-28	36	-64	77	140	-45
<b>Total income</b>	<b>2 142</b>	<b>1 976</b>	<b>8</b>	<b>1 816</b>	<b>18</b>	<b>7 811</b>	<b>7 459</b>	<b>5</b>
Staff costs	457	348	31	380	20	1 518	1 430	6
Variable staff costs	60	62	-3	17		232	228	2
Other expenses	478	410	17	450	6	1 703	1 596	7
Depreciation/amortisation	16	28	-43	15	7	73	63	16
<b>Total expenses</b>	<b>1 011</b>	<b>848</b>	<b>19</b>	<b>862</b>	<b>17</b>	<b>3 526</b>	<b>3 317</b>	<b>6</b>
<b>Profit before impairments</b>	<b>1 131</b>	<b>1 128</b>	<b>0</b>	<b>954</b>	<b>19</b>	<b>4 285</b>	<b>4 142</b>	<b>3</b>
Impairment of intangible assets	35					35		
Impairment of tangible assets		1				8		
Credit impairments	652	188		164		1 482	284	
<b>Operating profit</b>	<b>444</b>	<b>939</b>	<b>-53</b>	<b>790</b>	<b>-44</b>	<b>2 760</b>	<b>3 858</b>	<b>-28</b>
Tax expense	115	209	-45	170	-32	489	629	-22
Profit for the period	329	730	-55	620	-47	2 271	3 229	-30
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>329</b>	<b>730</b>	<b>-55</b>	<b>620</b>	<b>-47</b>	<b>2 271</b>	<b>3 229</b>	<b>-30</b>
Return on allocated equity, % <sup>1)4)</sup>	6.7	14.6		13.0		11.6	16.3	
Loan/deposit ratio, %	148	153		149		148	149	
Credit impairment ratio, % <sup>2)</sup>	0.84	0.24		0.21		0.59	0.10	
Cost/income ratio	0.47	0.43		0.47		0.45	0.44	
Loans, SEKbn <sup>3)</sup>	178	187	-5	181	-2	178	181	-2
Deposits, SEKbn <sup>3)</sup>	120	123	-2	121	-1	120	121	-1
Full-time employees	1 270	1 259	1	1 235	3	1 270	1 235	3

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) Allocated equity is the operating segment's equity measure and is not a measure that is directly required by IFRS. Allocated equity and return on allocated equity are therefore considered alternative performance measures. The allocated equity amounts per operating segment are reconciled to the Group Total equity, the nearest IFRS measure, in note 4 operating segments. In Swedbank's opinion, the presentation of this measure is relevant for investors since it is used by Group management for internal governance and operating segment performance management purposes.

### Result

#### Fourth quarter 2016 compared with third quarter 2016

Profit decreased to SEK 329m (730). Higher income was offset by higher expenses and credit impairments.

Net interest income increased by 9 per cent. Net interest income from lending rose due to increased average volumes and slightly higher margins. Several small one-off items in December also contributed positively. FX changes positively affected lending volume by SEK 1bn. Net interest income from deposits increased somewhat. Swedbank still only charges financial institutions for deposits in a few currencies.

Net commission income increased by 27 per cent, mainly related to increased variable compensation for discretionary asset management and the annual fees Swedbank earned as a market maker in the covered bond market. Income from bond issues also increased during the period, which included a number of major transactions.

Net gains and losses on financial items at fair value decreased by 9 per cent, partly due to the third quarter being positively impacted by higher demand for interest rate hedging in a number of sectors. Lower income from equity trading also weighed on the result, while higher income from FX trading contributed positively.

Compared with the previous quarter total expenses increased by 19 per cent, mainly due to expenses of SEK 75m for redeployment programmes in connection with a reorganisation, but also seasonally higher expenses.

Credit impairments amounted to SEK 652m (188), corresponding to a credit impairment ratio of 0.84 per cent (0.24). The increase was largely attributable to oil related commitments in Norway.

#### Full-year 2016 compared with full-year 2015

Profit for the year decreased by 30 per cent to SEK 2 271m (3 229), mainly due to increased credit impairments.

Net interest income decreased by 2 per cent to SEK 3 332m (3 416). Net interest income from lending fell due to lower margins. FX changes positively affected lending volume by SEK 6bn. Net interest income related to deposits increased after financial institutions began being charged for negative interest rates. In 2016 they were charged for a few foreign currencies as well.

Net commission income increased by 16 per cent to SEK 2 334m (2 011). The increase mainly comes from cards as a result of lower fees paid to Visa and MasterCard. The increase is also due to higher income from brokerage.

Net gains and losses on financial items at fair value rose to SEK 2 068m, an increase of 9 per cent. Volatility was high during the year, partly because of events such as the US presidential election. Trading in equities and corporate bonds accounted for the largest share of the increase.

Total expenses increased by 6 per cent compared with 2015, mainly due to increased staff costs and IT development expenses.

Credit impairments amounted to SEK 1 482m, compared with SEK 284m in 2015. The impairments were primarily attributable to increased provisions for exposures in oil related sectors. The share of impaired loans was 1.65 per cent (0.37).

## Business development

To adapt the business to new demands in the form of digitisation, regulations and changing customer behaviour, Large Corporates & Institutions has modified the organisational structure of the business units Research, Investment Banking and Markets. Investment Banking and Markets have been reorganised as two new units: Capital Markets, which comprises all units that offer funding and advisory products, and FICC (Fixed Income, Currency and Commodities), which brings together our fixed income and FX trading services. Research has retained its current name and comprises macro analysis as well as strategy and allocation.

The new organisation gives us a more specialist-driven and advisory sales organisation as well as clearer ownership of products and processes. The organisation is also better adapted to the Markets in Financial Instruments Directive (MiFID II) by separating hedging from capital and fund raising.

Despite a challenging market with lower bond issue volumes in many of the bank's markets, our income in Sweden rose to new record levels, partly thanks to an even more customer-centric approach with improved advice and customised solutions. We have also continued to focus on green bonds. In October, for example, we helped Kommuninvest to float the largest green bond issue in SEK to date.

Swedbank received a prestigious award as "Baltic M&A Financial Adviser of the Year" during the quarter from the media company Mergermarket.



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 2016	Q3 2016	%	Q4 2015	%	Full-year 2016	Full-year 2015	%
Net interest income	376	382	-2	396	-5	1 559	2 570	-39
Net commission income	-18	-30	-40	15		-45	-132	-66
Net gains and losses on financial items at fair value	-363	-49		-391	-7	-363	-1 786	-80
Share of profit or loss of associates	-34	27				1 652	1	
Other income	191	235	-19	208	-8	909	886	3
<b>Total income</b>	<b>152</b>	<b>565</b>	<b>-73</b>	<b>228</b>	<b>-33</b>	<b>3 712</b>	<b>1 539</b>	
Staff costs	829	728	14	790	5	3 114	3 045	2
Variable staff costs	47	49	-4	35	34	186	218	-15
Other expenses	-729	-755	-3	-613	19	-2 861	-2 796	-2
Depreciation/amortisation	86	85	1	85	1	343	367	-7
<b>Total expenses</b>	<b>233</b>	<b>107</b>		<b>297</b>	<b>-22</b>	<b>782</b>	<b>834</b>	<b>-6</b>
<b>Profit before impairments</b>	<b>-81</b>	<b>458</b>		<b>-69</b>	<b>17</b>	<b>2 930</b>	<b>705</b>	
Impairment of intangible assets							254	
Impairment of tangible assets	1	-1		16	-94	2	64	-97
Credit impairments						-29		
<b>Operating profit</b>	<b>-82</b>	<b>459</b>		<b>-85</b>	<b>-4</b>	<b>2 957</b>	<b>387</b>	
Tax expense	-26	105		-244	-89	191	-340	
<b>Profit for the period from continuing operations</b>	<b>-56</b>	<b>354</b>		<b>159</b>		<b>2 766</b>	<b>727</b>	
Profit for the period from discontinued operations, after tax				-12			-6	
Profit for the period	-56	354		147		2 766	721	
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>-56</b>	<b>354</b>		<b>147</b>		<b>2 766</b>	<b>721</b>	
Full-time employees	4 765	4 679	2	4 446	7	4 765	4 446	7

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 2016 compared with third quarter 2016

Profit for continuing operations decreased to SEK -56m (354) during the quarter. The main reason was that Group Treasury's profit fell to SEK -38m (271).

Net interest income was stable at SEK 376m (382). Net interest income within Group Treasury decreased to SEK 369m (401).

Net gains and losses on financial items at fair value fell to SEK -363m (-49). Net gains and losses on financial items within Group Treasury fell to SEK -359m (-51), mainly because higher volumes of covered bond repurchases and increased volatility in the currency swap market at the end of the year resulted in negative valuation effects.

The share of profit or loss of associates decreased to SEK -34m (27).

Expenses increased to SEK 233m (107), which was mainly a result of higher staff costs.

Impairment of intangible assets amounted to SEK 0m (0). Impairment of tangible assets amounted to SEK 1m (-1). Profit for discontinued operations was SEK 0m (0).

### Full-year 2016 compared with full-year 2015

Profit for continuing operations increased to SEK 2 766m (721). The main reason was that Group Treasury's profit rose to SEK 2 668m (778) due to lower negative valuation effects related to covered bond repurchases, tighter credit spreads and the sale of Visa Europe.

Net interest income fell to SEK 1 559m (2 570). Group Treasury's net interest income decreased to SEK 1 610m (2 637) due to previously taken positions having matured and lower income from the bank's liquidity portfolio.

Net gains and losses on financial items at fair value improved to SEK -363m (-1 786). Net gains and losses on financial items within Group Treasury increased to SEK -354m (-1 799) due to lower negative valuation effects and the sale of Visa Europe.

The share of profit or loss of associates increased to SEK 1 652m (1), which is also explained by the sale of Visa Europe.

Expenses decreased to SEK 782m (834) due to lower IT expenses.

Impairment of intangible assets amounted to SEK 0m (254). Impairment of tangible assets decreased to SEK 2m (64). Profit for discontinued operations amounted to SEK 0m (-6).

*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 2016	Q3 2016	%	Q4 2015	%	Full-year 2016	Full-year 2015	%
Net interest income	-1					-1		
Net commission income	11	9	22	21	-48	32	80	-60
Net gains and losses on financial items at fair value	-2	2					-1	
Other income	-25	-49	49	-46	46	-160	-196	18
<b>Total income</b>	<b>-17</b>	<b>-38</b>	<b>55</b>	<b>-25</b>	<b>-32</b>	<b>-129</b>	<b>-117</b>	<b>-10</b>
Staff costs								
Variable staff costs								
Other expenses	-17	-38	55	-25	-32	-129	-117	-10
Depreciation/amortisation								
<b>Total expenses</b>	<b>-17</b>	<b>-38</b>	<b>55</b>	<b>-25</b>	<b>-32</b>	<b>-129</b>	<b>-117</b>	<b>-10</b>

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 2016	Q3 2016	%	Q4 2015	%	Full-year 2016	Full-year 2015	%
Interest income	8 175	8 531	-4	8 103	1	33 728	34 983	-4
Negative yield on financial assets	-377	-469	-20			-1 543		
<b>Interest income, including negative yield on financial assets</b>	<b>7 798</b>	<b>8 062</b>	<b>-3</b>	<b>8 103</b>	<b>-4</b>	<b>32 185</b>	<b>34 983</b>	<b>-8</b>
Interest expenses	-1 908	-2 143	-11	-2 344	-19	-9 256	-11 990	-23
Negative yield on financial liabilities	357	143				735		
<b>Interest expenses, including negative yield on financial liabilities</b>	<b>-1 551</b>	<b>-2 000</b>	<b>-22</b>	<b>-2 344</b>	<b>-34</b>	<b>-8 521</b>	<b>-11 990</b>	<b>-29</b>
<b>Net interest income (note 5)</b>	<b>6 247</b>	<b>6 062</b>	<b>3</b>	<b>5 759</b>	<b>8</b>	<b>23 664</b>	<b>22 993</b>	<b>3</b>
Commission income	4 290	4 027	7	4 198	2	16 011	16 583	-3
Commission expenses	-1 235	-1 189	4	-1 321	-7	-4 678	-5 384	-13
<b>Net commission income (note 6)</b>	<b>3 055</b>	<b>2 838</b>	<b>8</b>	<b>2 877</b>	<b>6</b>	<b>11 333</b>	<b>11 199</b>	<b>1</b>
Net gains and losses on financial items at fair value (note 7)	285	669	-57	165	73	2 231	571	
Insurance premiums	582	501	16	506	15	2 137	2 001	7
Insurance provisions	-362	-327	11	-313	16	-1 383	-1 293	7
<b>Net insurance</b>	<b>220</b>	<b>174</b>	<b>26</b>	<b>193</b>	<b>14</b>	<b>754</b>	<b>708</b>	<b>6</b>
Share of profit or loss of associates	109	238	-54	155	-30	2 467	863	
Other income	278	284	-2	308	-10	1 186	1 290	-8
<b>Total income</b>	<b>10 194</b>	<b>10 265</b>	<b>-1</b>	<b>9 457</b>	<b>8</b>	<b>41 635</b>	<b>37 624</b>	<b>11</b>
Staff costs	2 440	2 315	5	2 291	7	9 376	9 395	0
Other expenses (note 8)	1 811	1 547	17	1 791	1	6 436	6 266	3
Depreciation/amortisation	153	167	-8	157	-3	629	672	-6
<b>Total expenses</b>	<b>4 404</b>	<b>4 029</b>	<b>9</b>	<b>4 239</b>	<b>4</b>	<b>16 441</b>	<b>16 333</b>	<b>1</b>
<b>Profit before impairments</b>	<b>5 790</b>	<b>6 236</b>	<b>-7</b>	<b>5 218</b>	<b>11</b>	<b>25 194</b>	<b>21 291</b>	<b>18</b>
Impairment of intangible assets (note 14)	35					35	254	-86
Impairment of tangible assets	21	1		19	11	31	72	-57
Credit impairments (note 9)	593	201		399	49	1 367	594	
<b>Operating profit</b>	<b>5 141</b>	<b>6 034</b>	<b>-15</b>	<b>4 800</b>	<b>7</b>	<b>23 761</b>	<b>20 371</b>	<b>17</b>
Tax expense	996	1 215	-18	974	2	4 209	4 625	-9
<b>Profit for the period from continuing operations</b>	<b>4 145</b>	<b>4 819</b>	<b>-14</b>	<b>3 826</b>	<b>8</b>	<b>19 552</b>	<b>15 746</b>	<b>24</b>
Profit for the period from discontinued operations, after tax				-12			-6	
Profit for the period	4 145	4 819	-14	3 814	9	19 552	15 740	24
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>4 142</b>	<b>4 816</b>	<b>-14</b>	<b>3 813</b>	<b>9</b>	<b>19 539</b>	<b>15 727</b>	<b>24</b>
of which profit for the period from continuing operations	4 142	4 816	-14	3 825	8	19 539	15 733	24
of which profit for the period from discontinued operations				-12			-6	
Non-controlling interests	3	3	0	1		13	13	0
of which profit for the period from continuing operations	3	3	0	1		13	13	0
<b>SEK</b>								
Earnings per share, continuing operations, SEK	3.73	4.33		3.46		17.60	14.24	
after dilution	3.70	4.31		3.46		17.50	14.14	
Earnings per share, total operations, SEK	3.73	4.33		3.44		17.60	14.23	
after dilution	3.70	4.31		3.44		17.50	14.13	

## Statement of comprehensive income, condensed

Group SEKm	Q4	Q3		Q4	Full-year	Full-year		
	2016	2016	%	2015	%	2016	2015	%
<b>Profit for the period reported via income statement</b>	<b>4 145</b>	<b>4 819</b>	<b>-14</b>	<b>3 814</b>	<b>9</b>	<b>19 552</b>	<b>15 740</b>	<b>24</b>
<b>Items that will not be reclassified to the income statement</b>								
Remeasurements of defined benefit pension plans	1 782	-775		1 042	71	-3 110	3 539	
Share related to associates	65	-23		28		-76	88	
Income tax	-407	176		-236	72	701	-798	
<b>Total</b>	<b>1 440</b>	<b>-622</b>		<b>834</b>	<b>73</b>	<b>-2 485</b>	<b>2 829</b>	
<b>Items that may be reclassified to the income statement</b>								
Exchange differences, foreign operations								
Gains/losses arising during the period	-256	772		-1 192	-79	1 644	-1 678	
Reclassification adjustments to income statement, net gains and losses on financial items at fair value		-3		87		-3	87	
Hedging of net investments in foreign operations:								
Gains/losses arising during the period	221	-650		978	-77	-1 337	1 489	
Reclassification adjustments to income statement, profit for the period from discontinued operations				-91			-91	
Cash flow hedges:								
Gains/losses arising during the period	-72	72		-16		59	145	-59
Reclassification adjustments to income statement, net interest income	3	4	-25			16	7	
Share of other comprehensive income of associates	-20	72		-42	-52	126	-135	
Income tax								
Income tax	-35	127		-210	-83	280	-358	
Reclassification adjustments to income statement, tax	-1	-1				-4	-2	
Reclassification adjustments to income statement, profit for the period from discontinued operations				28			28	
<b>Total</b>	<b>-160</b>	<b>393</b>		<b>-458</b>	<b>-65</b>	<b>781</b>	<b>-508</b>	
<b>Other comprehensive income for the period, net of tax</b>	<b>1 280</b>	<b>-229</b>		<b>376</b>		<b>-1 704</b>	<b>2 321</b>	
<b>Total comprehensive income for the period</b>	<b>5 425</b>	<b>4 590</b>	<b>18</b>	<b>4 190</b>	<b>29</b>	<b>17 848</b>	<b>18 061</b>	<b>-1</b>
<b>Total comprehensive income attributable to the shareholders of Swedbank AB</b>	<b>5 422</b>	<b>4 587</b>	<b>18</b>	<b>4 189</b>	<b>29</b>	<b>17 835</b>	<b>18 047</b>	<b>-1</b>
Non-controlling interests	3	3		1		13	14	-7

For Jan-Dec 2016 an expense of SEK 2 485m (-2 829) was recognised in other comprehensive income after tax, including remeasurements of defined benefit pension plans in associates. The 2016 expense arose primarily because market interest rates fell from the last year end. At year end the discount rate, which is used to calculate the closing pension obligation, was 2.79 per cent, compared with 3.53 per cent at the last year end. The market's future inflation expectations increased during the year. The inflation assumption was 1.84 per cent compared with 1.63 per cent last year end. The fair value of plan assets decreased during 2016 by SEK 480m. As a whole, the obligation for defined benefit pension plans exceeded the fair value of plan assets by SEK 1 406m.

For Jan-Dec 2016 an exchange difference of SEK 1 644m (-1 678) was recognised for the Group's foreign net investments in subsidiaries. In addition, an exchange rate difference of SEK 124m (-136) for the Group's foreign net investments in associates is included in Share related to associates. The gain related to subsidiaries and associates mainly arose because the Swedish krona weakened during the year against the euro respective Norwegian krona. The total gain of SEK 1 768m is not taxable. Since the large part of the Group's foreign net investments is hedged against currency risk, a loss of SEK 1 337m before tax arose for the hedging instruments, compared with a year-earlier gain of SEK 1 489m.

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 2016	31 Dec 2015	Δ SEKm	%
<b>Assets</b>				
Cash and balance w ith central banks	121 347	186 312	-64 965	-35
Loans to credit institutions (note 10)	32 197	86 418	-54 221	-63
Loans to the public (note 10)	1 507 247	1 413 955	93 292	7
Value change of interest hedged item in portfolio hedge	1 482	1 009	473	47
Interest-bearing securities	182 072	165 162	16 910	10
Financial assets for w hich customers bear the investment risk	160 114	153 442	6 672	4
Shares and participating interests	23 897	11 074	12 823	
Investments in associates	7 319	5 382	1 937	36
Derivatives (note 18)	87 811	86 107	1 704	2
Intangible fixed assets (note 14)	14 279	13 690	589	4
Investment properties		8	-8	
Tangible assets	1 864	1 981	-117	-6
Current tax assets	1 796	1 662	134	8
Deferred tax assets	160	192	-32	-17
Pension assets		1 274	-1 274	
Other assets	8 067	14 677	-6 610	-45
Prepaid expenses and accrued income	4 551	6 362	-1 811	-28
Group of assets classified as held for sale		148	-148	
<b>Total assets</b>	<b>2 154 203</b>	<b>2 148 855</b>	<b>5 348</b>	<b>0</b>
<b>Liabilities and equity</b>				
Amounts ow ed to credit institutions (note 15)	71 831	150 493	-78 662	-52
Deposits and borrow ings from the public (note 16)	792 924	748 271	44 653	6
Financial liabilities for w hich customers bear the investment risk	161 051	157 836	3 215	2
Debt securities in issue (note 17)	841 673	826 535	15 138	2
Short positions, securities	11 614	8 191	3 423	42
Derivatives (note 18)	85 589	68 681	16 908	25
Current tax liabilities	992	105	887	
Deferred tax liabilities	2 438	3 071	-633	-21
Pension provisions	1 406	17	1 389	
Insurance provisions	1 820	1 728	92	5
Other liabilities and provisions	14 989	22 715	-7 726	-34
Accrued expenses and prepaid income	10 917	13 243	-2 326	-18
Subordinated liabilities	27 254	24 613	2 641	11
Liabilities directly associated w ith group of assets classified as held for sale		14	-14	
<b>Total liabilities</b>	<b>2 024 498</b>	<b>2 025 513</b>	<b>-1 015</b>	<b>0</b>
<b>Equity</b>				
Non-controlling interests	190	179	11	6
Equity attributable to shareholders of the parent company	129 515	123 163	6 352	5
<b>Total equity</b>	<b>129 705</b>	<b>123 342</b>	<b>6 363</b>	<b>5</b>
<b>Total liabilities and equity</b>	<b>2 154 203</b>	<b>2 148 855</b>	<b>5 348</b>	<b>0</b>

### Balance sheet analysis

Total assets have increased by SEK 5bn from 1 January 2016. Lending volumes, excluding the National Debt Office and repos, increased by SEK 82bn. The increase primarily relates to Sweden of which SEK 43bn was mortgages. The rose was offset by lower cash and balances with central banks, which decrease by SEK 65bn. The decrease is mainly attributable to lower deposits with the US Federal Reserve and central banks in the euro system. Deposits and borrowings from the public rose by a total of SEK 45bn, mainly for the volumes from Swedish and Baltic private customer since the corporate deposits fell slightly. Lending to credit institutions decreased by SEK 54bn at the same time that amounts owed to them decreased by SEK 79bn. Balance sheet items related to credit institutions fluctuate over time depending on repos, among other things. The market value of derivatives increased on both the asset and liability side, mainly due to large movements in interest rates and currencies. The increase in securities in issue was mainly a result of higher issued volumes compared with repaid long-term securities funding of SEK 55bn. Short-term securities funding decreased by SEK 17bn as an effect of lower issued volumes compared with repaid funding.

Investments in associate increased by SEK 1 658m because the associate VISA Sweden sold its share in VISA Europe to VISA Inc. See also page 6.

## Statement of changes in equity, condensed

Group SEKm	Shareholders' equity					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	Cash flow hedges	Retained earnings	Total		
<b>January-December 2015</b>									
<b>Opening balance 1 January 2015</b>	<b>24 904</b>	<b>17 275</b>	<b>2 564</b>	<b>-1 801</b>	<b>-105</b>	<b>74 366</b>	<b>117 203</b>	<b>170</b>	<b>117 373</b>
Dividends						-12 539	-12 539	-5	-12 544
Share based payments to employees						413	413		413
Deferred tax related to share based payments to employees						-42	-42		-42
Current tax related to share based payments						63	63		63
Disposal of own shares for trading purposes						33	33		33
Acquired non-controlling interest						-8	-8		-8
Associates' acquisition of non-controlling interest						-7	-7		-7
Total comprehensive income for the period			-1 728	1 097	122	18 556	18 047	14	18 061
of which reported through profit or loss						15 727	15 727	13	15 740
of which reported through other comprehensive income			-1 728	1 097	122	2 829	2 320	1	2 321
<b>Closing balance 31 December 2015</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>
<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 to employees						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>

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

## Cash flow statement, condensed

Group SEKm	Full-year 2016	Full-year 2015
<b>Operating activities</b>		
Operating profit	23 761	20 371
Profit for the period from discontinued operations		-6
Adjustments for non-cash items in operating activities	-2 174	74
Taxes paid	-3 583	-4 660
Increase/decrease in loans to credit institutions	54 341	27 173
Increase/decrease in loans to the public	-90 692	-17 976
Increase/decrease in holdings of securities for trading	-29 220	4 820
Increase/decrease in deposits and borrowings from the public including retail bonds	38 245	76 381
Increase/decrease in amounts owed to credit institutions	-79 929	-19 342
Increase/decrease in other assets	7 829	30 492
Increase/decrease in other liabilities	27 777	-46 395
<b>Cash flow from operating activities</b>	<b>-53 645</b>	<b>70 932</b>
<b>Investing activities</b>		
Business combinations	-19	
Business disposals	20	245
Acquisitions of and contributions to associates	-7	-10
Acquisitions of other fixed assets and strategic financial assets	-451	-3 021
Disposals/maturity of other fixed assets and strategic financial assets	763	516
<b>Cash flow from investing activities</b>	<b>306</b>	<b>-2 270</b>
<b>Financing activities</b>		
Issuance of interest-bearing securities	160 474	229 220
Redemption of interest-bearing securities	-147 393	-132 963
Issuance of commercial paper etc.	816 259	941 257
Redemption of commercial paper etc.	-831 404	-1 019 742
Dividends paid	-11 885	-12 544
<b>Cash flow from financing activities</b>	<b>-13 949</b>	<b>5 228</b>
<b>Cash flow for the period</b>	<b>-67 288</b>	<b>73 890</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>186 312</b>	<b>113 768</b>
Cash flow for the period	-67 288	73 890
Exchange rate differences on cash and cash equivalents	2 323	-1 346
<b>Cash and cash equivalents at end of the period</b>	<b>121 347</b>	<b>186 312</b>

## 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 2015, 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 2015 Annual Report, except for the changes as set out below.

### **Change in presentation**

According to the IFRS Interpretations Committee, negative yield on financial assets does not meet the definition of revenue according to IAS 18, Revenue and should therefore not be presented as part of interest income. Accordingly, the same view applies to negative yield on financial liabilities. During 2016, the negative yield amounts recognised within Interest income and Interest expense, respectively, have become material to the Group. Therefore the Group has changed the presentation of the income statement to present separate line items for negative yield on financial assets and negative yield on financial liabilities within Net interest income. Amounts for 2015 have not been restated as they were not considered material.

### **Other IFRS changes**

The amended standards which have been adopted have not had a significant effect on the financial position, results or disclosures of the Group or the parent company. For more information about these, refer to page 76 of the 2015 Annual Report.

## 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 2015.

## Note 3 Changes in the Group structure

### **External**

During the third quarter of 2016 the Group acquired all shares in the Lithuanian fund management company UAB Danske Capital investicijų valdymas for SEK 21 m.

During the fourth quarter of 2016 the Group sold all shares in Swedbank Asset Management in Norway for SEK 28m.

## Note 4 Operating segments (business areas)

Jan-Dec 2016 SEKm	Swedish Banking	Baltic Banking	Large Corporates & Institutions	Group Functions & Other	Eliminations	Group
<b>Income statement</b>						
Net interest income	14 780	3 994	3 332	1 559	-1	23 664
Net commission income	6 938	2 074	2 334	-45	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			1 652		2 467
Other income	590	524	77	909	-160	1 940
<b>Total income</b>	<b>23 429</b>	<b>6 812</b>	<b>7 811</b>	<b>3 712</b>	<b>-129</b>	<b>41 635</b>
of which internal income	105		54	642	-801	
Staff costs	3 222	895	1 518	3 114		8 749
Variable staff costs	141	68	232	186		627
Other expenses	6 244	1 479	1 703	-2 861	-129	6 436
Depreciation/amortisation	99	114	73	343		629
<b>Total expenses</b>	<b>9 706</b>	<b>2 556</b>	<b>3 526</b>	<b>782</b>	<b>-129</b>	<b>16 441</b>
<b>Profit before impairments</b>	<b>13 723</b>	<b>4 256</b>	<b>4 285</b>	<b>2 930</b>		<b>25 194</b>
Impairment of intangible assets			35			35
Impairment of tangible assets		21	8	2		31
Credit impairments	-51	-35	1 482	-29		1 367
<b>Operating profit</b>	<b>13 774</b>	<b>4 270</b>	<b>2 760</b>	<b>2 957</b>		<b>23 761</b>
Tax expense	2 943	586	489	191		4 209
Profit for the period from continuing operations	10 831	3 684	2 271	2 766		19 552
Profit for the period from discontinued operations, after tax						
Profit for the period	10 831	3 684	2 271	2 766		19 552
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>10 818</b>	<b>3 684</b>	<b>2 271</b>	<b>2 766</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 <sup>3</sup>	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, % <sup>3</sup>	20.5	18.0	11.6	9.1		15.8
Cost/income ratio	0.41	0.38	0.45	0.21		0.39
Credit impairment ratio, % <sup>1</sup>	0.00	-0.03	0.59	-0.13		0.09
Loan/deposit ratio, %	229	83	148			186
Loans, SEKbn <sup>2</sup>	1 135	140	178			1 453
Deposits, SEKbn <sup>2</sup>	496	170	120	-4		782
Risk exposure amount, Basel 3, SEKbn	182	79	110	23		394
Full-time employees	4 187	3 839	1 270	4 765		14 061
Allocated equity, average, SEKbn <sup>3</sup>	53	20	20	30		123

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

<sup>2)</sup> Excluding the Swedish National Debt Office and repurchase agreements.

<sup>3)</sup> Allocated equity is the operating segment's equity measure and is not a measure that is directly required by IFRS. Allocated equity and return on allocated equity are therefore considered alternative performance measures. The allocated equity amounts per operating segment are reconciled to the Group Total equity, the nearest IFRS measure, in the table above. In Swedbank's opinion, the presentation of this measure is relevant for investors since it is used by Group management for internal governance and operating segment performance management purposes.

Jan-Dec 2015 SEKm	Swedish Banking	Baltic Banking	Large Corporates & Institutions	Group Functions & Other	Eliminations	Group
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### Income statement

Net interest income	13 449	3 558	3 416	2 570		22 993
Net commission income	7 188	2 052	2 011	-132	80	11 199
Net gains and losses on financial items at fair value	264	202	1892	-1786	-1	571
Share of profit or loss of associates	862			1		863
Other income	693	475	140	886	-196	1998
<b>Total income</b>	<b>22 456</b>	<b>6 287</b>	<b>7 459</b>	<b>1 539</b>	<b>-117</b>	<b>37 624</b>
of which internal income	102		16	624	-842	
Staff costs	3 419	827	1430	3 045		8 721
Variable staff costs	155	73	228	218		674
Other expenses	6 138	1445	1596	-2 796	-117	6 266
Depreciation/amortisation	106	136	63	367		672
<b>Total expenses</b>	<b>9 818</b>	<b>2 481</b>	<b>3 317</b>	<b>834</b>	<b>-117</b>	<b>16 333</b>
<b>Profit before impairments</b>	<b>12 638</b>	<b>3 806</b>	<b>4 142</b>	<b>705</b>		<b>21 291</b>
Impairment of intangible assets				254		254
Impairment of tangible assets		8		64		72
Credit impairments	482	-172	284			594
<b>Operating profit</b>	<b>12 156</b>	<b>3 970</b>	<b>3 858</b>	<b>387</b>		<b>20 371</b>
Tax expense	2 826	1510	629	-340		4 625
Profit for the period from continuing operations	9 330	2 460	3 229	727		15 746
Profit for the period from discontinued operations, after tax				-6		-6
Profit for the period	9 330	2 460	3 229	721		15 740
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>9 317</b>	<b>2 460</b>	<b>3 229</b>	<b>721</b>		<b>15 727</b>
Non-controlling interests	13					13

### Balance sheet, SEKbn

Cash and balances with central banks		2	5	179		186
Loans to credit institutions	42		4	246	-206	86
Loans to the public	1065	125	217	7		1414
Bonds and other interest-bearing securities		1	33	134	-3	165
Financial assets for which customers bear inv. risk	153	3			-3	153
Investments in associates	3			2		5
Derivatives			92	44	-50	86
Total tangible and intangible assets	2	10		4		16
Other assets	5	27	92	414	-500	38
<b>Total assets</b>	<b>1 270</b>	<b>168</b>	<b>443</b>	<b>1 030</b>	<b>-762</b>	<b>2 149</b>
Amounts owed to credit institutions	89		198	63	-200	150
Deposits and borrowings from the public	457	145	121	31	-6	748
Debt securities in issue			17	819	-9	827
Financial liabilities for which customers bear inv. risk	155	3				158
Derivatives			88	31	-50	69
Other liabilities	518			28	-497	49
Subordinated liabilities				25		25
<b>Total liabilities</b>	<b>1 219</b>	<b>148</b>	<b>424</b>	<b>997</b>	<b>-762</b>	<b>2 026</b>
Allocated equity <sup>3</sup>	51	20	19	33		123
<b>Total liabilities and equity</b>	<b>1 270</b>	<b>168</b>	<b>443</b>	<b>1 030</b>	<b>-762</b>	<b>2 149</b>

### Key figures

Return on allocated equity, % <sup>3</sup>	18.1	12.3	16.3	2.9		13.5
Cost/income ratio	0.44	0.39	0.44	0.54		0.43
Credit impairment ratio, % <sup>1</sup>	0.04	-0.14	0.10	0.00		0.04
Loan/deposit ratio, %	235	86	149			184
Loans, SEKbn <sup>2</sup>	1066	124	181			1371
Deposits, SEKbn <sup>2</sup>	453	145	121	25		744
Risk exposure amount, Basel 3, SEKbn	183	74	112	20		389
Full-time employees	4 401	3 811	1235	4 446		13 893
Allocated equity, average, SEKbn <sup>3</sup>	52	20	20	25		116

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

<sup>2)</sup> Excluding the Swedish National Debt Office and repurchase agreements.

<sup>3)</sup> Allocated equity is the operating segment's equity measure and is not a measure that is directly required by IFRS. Allocated equity and return on allocated equity are therefore considered alternative performance measures. The allocated equity amounts per operating segment are reconciled to the Group Total equity, the nearest IFRS measure, in the table above. In Swedbank's opinion, the presentation of this measure is relevant for investors since it used by Group management for internal governance and operating segment performance management purposes.

## 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 2016	Q3 2016	%	Q4 2015	%	Full-year 2016	Full-year 2015	%
<b>Interest income</b>								
Loans to credit institutions	-44	15		87		64	329	-81
Loans to the public	7 802	7 732	1	7 832	0	30 845	33 144	-7
Interest-bearing securities	116	137	-15	207	-44	651	1 237	-47
Derivatives	179	256	-30	-85		1 093	-27	
Other	9	231	-96	198	-95	764	925	-17
<b>Total interest income including negative yield on financial assets</b>	<b>8 062</b>	<b>8 371</b>	<b>-4</b>	<b>8 239</b>	<b>-2</b>	<b>33 417</b>	<b>35 608</b>	<b>-6</b>
deduction of trading interests reported in net gains and losses on financial items at fair value	264	309	-15	136	94	1 232	625	97
<b>Interest income, including negative yield on financial assets, according to income statement</b>	<b>7 798</b>	<b>8 062</b>	<b>-3</b>	<b>8 103</b>	<b>-4</b>	<b>32 185</b>	<b>34 983</b>	<b>-8</b>
<b>Interest expenses</b>								
Amounts owed to credit institutions	98	-134		-96		-269	-325	-17
Deposits and borrowings from the public	-166	-293	-43	-174	-5	-1 100	-1 256	-12
of which deposit guarantee fees	-110	-101	9	-98	12	-466	-563	-17
Debt securities in issue	-3 164	-3 649	-13	-3 221	-2	-13 013	-14 369	-9
Subordinated liabilities	-251	-235	7	-270	-7	-977	-1 041	-6
Derivatives	2 192	2 507	-13	1 567	40	7 638	5 688	34
Other	-163	-176	-7	-148	10	-689	-748	-8
of which government stabilisation fund fee	-160	-164	-2	-133	20	-646	-681	-5
<b>Total interest expenses including negative yield on financial liabilities</b>	<b>-1 454</b>	<b>-1 980</b>	<b>-27</b>	<b>-2 342</b>	<b>-38</b>	<b>-8 410</b>	<b>-12 051</b>	<b>-30</b>
deduction of trading interests reported in net gains and losses on financial items at fair value	97	20		2		111	-61	
<b>Interest expenses, including negative yield on financial liabilities, according to income statement</b>	<b>-1 551</b>	<b>-2 000</b>	<b>-22</b>	<b>-2 344</b>	<b>-34</b>	<b>-8 521</b>	<b>-11 990</b>	<b>-29</b>
<b>Net interest income</b>	<b>6 247</b>	<b>6 062</b>	<b>3</b>	<b>5 759</b>	<b>8</b>	<b>23 664</b>	<b>22 993</b>	<b>3</b>
<b>Net interest margin before trading interest is deducted<sup>1</sup></b>	<b>1.13</b>	<b>1.04</b>		<b>1.02</b>		<b>1.05</b>	<b>1.01</b>	
<b>Average total assets</b>	<b>2 329 844</b>	<b>2 449 167</b>	<b>-5</b>	<b>2 302 825</b>	<b>1</b>	<b>2 373 930</b>	<b>2 322 886</b>	<b>2</b>

<sup>1</sup> Net interest margin before trading interest is deducted is calculated as Net interest income before trading interest is deducted, in relation to average monthly total assets. Net interest income before trading interest is deducted is not a measure that is directly required by IFRS and is considered an alternative performance measure. The closest IFRS measure is Net interest income and can be reconciled from the table above. In Swedbank's opinion, the presentation of this measure is relevant for investors as it considers all interest income and expense, independent of how it has been presented in the income statement. For period shorter than one year the key ratio is annualised.

## Note 6 Net commission income

Group SEKm	Q4 2016	Q3 2016	%	Q4 2015	%	Full-year 2016	Full-year 2015	%
<b>Commission income</b>								
Payment processing	463	430	8	466	-1	1 745	1 729	1
Card commissions	1 229	1 257	-2	1 265	-3	4 715	4 861	-3
Service concepts	131	132	-1	120	9	522	498	5
Asset management and custody fees	1 523	1 361	12	1 465	4	5 425	5 750	-6
Life insurance	158	163	-3	161	-2	648	661	-2
Brokerage and other securities	206	106	94	114	81	581	621	-6
Corporate finance	57	55	4	64	-11	277	246	13
Lending	251	251	0	250	0	982	1 020	-4
Guarantees	55	55	0	57	-4	215	227	-5
Deposits	32	33	-3	19	68	131	141	-7
Real estate brokerage	53	57	-7	55	-4	226	256	-12
Non-life insurance	21	18	17	23	-9	69	78	-12
Other commission income	111	109	2	139	-20	475	495	-4
<b>Total commission income</b>	<b>4 290</b>	<b>4 027</b>	<b>7</b>	<b>4 198</b>	<b>2</b>	<b>16 011</b>	<b>16 583</b>	<b>-3</b>
<b>Commission expenses</b>								
Payment processing	-253	-255	-1	-273	-7	-1 002	-1 029	-3
Card commissions	-488	-475	3	-605	-19	-1 883	-2 358	-20
Service concepts	-4	-3	33	-4	0	-15	-16	-6
Asset management and custody fees	-318	-298	7	-287	11	-1 180	-1 263	-7
Life insurance	-43	-43	0	-46	-7	-176	-194	-9
Brokerage and other securities	-72	-64	13	-60	20	-211	-279	-24
Lending and guarantees	-20	-15	33	-22	-9	-73	-78	-6
Non-life insurance	-4	-4	0	-4	0	-14	-11	27
Other commission expenses	-33	-32	3	-20	65	-124	-156	-21
<b>Total commission expenses</b>	<b>-1 235</b>	<b>-1 189</b>	<b>4</b>	<b>-1 321</b>	<b>-7</b>	<b>-4 678</b>	<b>-5 384</b>	<b>-13</b>
<b>Total Net commission income</b>	<b>3 055</b>	<b>2 838</b>	<b>8</b>	<b>2 877</b>	<b>6</b>	<b>11 333</b>	<b>11 199</b>	<b>1</b>

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

Group SEKm	Q4 2016	Q3 2016	%	Q4 2015	%	Full-year 2016	Full-year 2015	%
<b>Valuation category, fair value through profit or loss</b>								
Shares and share related derivatives	51	185	-72	-57		946	367	
of which dividend	34	8		10		67	325	-79
Interest-bearing securities and interest related derivatives	95	568	-83	374	-75	1 190	672	77
Loans to the public	-483	-464	4	-841	-43	-1 494	-2 618	-43
Financial liabilities	93	109	-15	228	-59	200	977	-80
Other financial instruments	-51	-119	-57	-58	-12	-296	74	
<b>Total fair value through profit or loss</b>	<b>-295</b>	<b>279</b>		<b>-354</b>	<b>-17</b>	<b>546</b>	<b>-528</b>	
<b>Hedge accounting</b>								
Ineffective part in hedge accounting at fair value	47	28	68	7		-60	-53	13
of which hedging instruments	-5 872	-1 192		-2 647		-812	-4 804	-83
of which hedged items	5 919	1 220		2 654		752	4 751	-84
Ineffective part in portfolio hedge accounting at fair value	89	-47		2		8	-4	
of which hedging instruments	1 019	19		519	96	-465	277	
of which hedged items	-930	-66		-517	80	473	-281	
Ineffective part in hedging of net investments in foreign operations								
<b>Total hedge accounting</b>	<b>136</b>	<b>-19</b>		<b>9</b>		<b>-52</b>	<b>-57</b>	<b>-9</b>
<b>Loan receivables at amortised cost</b>	<b>31</b>	<b>36</b>	<b>-14</b>	<b>40</b>	<b>-23</b>	<b>142</b>	<b>194</b>	<b>-27</b>
<b>Financial liabilities valued at amortised cost</b>	<b>-132</b>	<b>-70</b>	<b>89</b>	<b>-106</b>	<b>25</b>	<b>-414</b>	<b>-803</b>	<b>-48</b>
<b>Trading related interest</b>								
Interest income	264	308	-14	135	96	1 232	625	97
Interest expense	97	20		3		111	-60	
<b>Total trading related interest</b>	<b>361</b>	<b>328</b>	<b>10</b>	<b>138</b>		<b>1 343</b>	<b>565</b>	
<b>Change in exchange rates</b>	<b>184</b>	<b>115</b>	<b>60</b>	<b>438</b>	<b>-58</b>	<b>666</b>	<b>1 200</b>	<b>-45</b>
<b>Total net gains and losses on financial items at fair value</b>	<b>285</b>	<b>669</b>	<b>-57</b>	<b>165</b>	<b>73</b>	<b>2 231</b>	<b>571</b>	
<b>Distribution by business purpose</b>								
<b>Financial instruments for trading related business</b>	<b>343</b>	<b>692</b>	<b>-50</b>	<b>512</b>	<b>-33</b>	<b>2 694</b>	<b>2 054</b>	<b>31</b>
<b>Financial instruments intended to be held to contractual maturity</b>	<b>-58</b>	<b>-23</b>		<b>-347</b>	<b>-83</b>	<b>-463</b>	<b>-1 483</b>	<b>-69</b>
<b>Total</b>	<b>285</b>	<b>669</b>	<b>-57</b>	<b>165</b>	<b>73</b>	<b>2 231</b>	<b>571</b>	

## Note 8 Other expenses

Group SEKm	Q4 2016	Q3 2016	%	Q4 2015	%	Full-year 2016	Full-year 2015	%
Premises and rents	315	282	12	357	-12	1 131	1 172	-3
IT expenses	524	437	20	525	0	1 834	1 888	-3
Telecommunications and postage	27	21	29	38	-29	118	158	-25
Advertising, PR and marketing	89	62	44	132	-33	285	340	-16
Consultants	76	76	0	94	-19	314	310	1
Compensation to savings banks	307	283	8	177	73	1 050	762	38
Other purchased services	192	177	8	170	13	708	617	15
Security transport and alarm systems	21	18	17	23	-9	72	83	-13
Supplies	37	17		25	48	103	108	-5
Travel	74	39	90	62	19	226	190	19
Entertainment	18	10	80	22	-18	51	54	-6
Repair/maintenance of inventories	32	25	28	39	-18	111	115	-3
Other expenses	99	100	-1	127	-22	433	469	-8
<b>Total other expenses</b>	<b>1 811</b>	<b>1 547</b>	<b>17</b>	<b>1 791</b>	<b>1</b>	<b>6 436</b>	<b>6 266</b>	<b>3</b>

## Note 9 Credit impairments

Group SEKm	Q4 2016	Q3 2016	%	Q4 2015	%	Full-year 2016	Full-year 2015	%
<b>Provision for loans individually assessed as impaired</b>								
Provisions	710	135		473	50	1 444	942	53
Reversal of previous provisions	-183	-28		-7		-455	-204	
Provision for homogenous groups of impaired loans, net	-67	-12		-12		-69	-36	92
<b>Total</b>	<b>460</b>	<b>95</b>		<b>454</b>	<b>1</b>	<b>920</b>	<b>702</b>	<b>31</b>
<b>Portfolio provisions for loans individually assessed as not impaired</b>	<b>-54</b>	<b>-10</b>		<b>-87</b>	<b>-38</b>	<b>97</b>	<b>-132</b>	
<b>Write-offs</b>								
Established losses	17	283	-94	281	-94	1 214	954	27
Utilisation of previous provisions	55	-135		-137		-850	-501	70
Recoveries	-57	-106	-46	-118	-52	-253	-428	-41
<b>Total</b>	<b>15</b>	<b>42</b>	<b>-64</b>	<b>26</b>	<b>-42</b>	<b>111</b>	<b>25</b>	
<b>Credit impairments for contingent liabilities and other credit risk exposures</b>	<b>172</b>	<b>74</b>		<b>6</b>		<b>239</b>	<b>-1</b>	
<b>Credit impairments</b>	<b>593</b>	<b>201</b>		<b>399</b>	<b>49</b>	<b>1 367</b>	<b>594</b>	
Credit impairment ratio, % <sup>1)</sup>	0.15	0.05		0.10		0.09	0.04	

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

## Note 10 Loans

Group SEKm	31 Dec 2016		Loans after provisions Carrying amount	31 Dec 2015	
	Loans before provisions	Provisions		Loans after provisions Carrying amount	%
<b>Loans to credit institutions</b>					
Banks	18 579		18 579	74 024	-75
Repurchase agreements, banks	617		617	387	59
Other credit institutions	12 766		12 766	10 655	20
Repurchase agreements, other credit institutions	235		235	1 352	-83
<b>Loans to credit institutions</b>	<b>32 197</b>		<b>32 197</b>	<b>86 418</b>	<b>-63</b>
<b>Loans to the public</b>					
Private customers	932 520	850	931 670	863 734	8
Private, mortgage	783 528	556	782 972	722 802	8
Housing cooperatives	107 792	30	107 762	101 608	6
Private, other	41 200	264	40 936	39 324	4
Corporate customers	524 543	2 905	521 638	506 830	3
Agriculture, forestry, fishing	66 112	120	65 992	64 707	2
Manufacturing	45 312	372	44 940	41 942	7
Public sector and utilities	25 314	50	25 264	25 650	-2
Construction	19 896	119	19 777	19 580	1
Retail	28 475	273	28 202	30 508	-8
Transportation	15 287	22	15 265	12 639	21
Shipping and offshore	28 755	1 188	27 567	29 744	-7
Hotels and restaurants	8 926	33	8 893	7 088	25
Information and communications	8 100	36	8 064	5 666	42
Finance and insurance	12 521	24	12 497	13 167	-5
Property management	223 640	236	223 404	219 406	2
Residential properties	64 202	48	64 154	61 139	5
Commercial	88 008	66	87 942	90 575	-3
Industrial and Warehouse	45 192	47	45 145	44 502	1
Other	26 238	75	26 163	23 190	13
Professional services	23 565	344	23 221	21 269	9
Other corporate lending	18 640	88	18 552	15 464	20
<b>Loans to the public excluding the Swedish National Debt Office and repurchase agreements</b>	<b>1 457 063</b>	<b>3 755</b>	<b>1 453 308</b>	<b>1 370 564</b>	<b>6</b>
Swedish National Debt Office	5 079		5 079	8 726	-42
Repurchase agreements, Swedish National Debt Office	3 797		3 797	1 817	
Repurchase agreements, public	45 063		45 063	32 848	37
<b>Loans to the public</b>	<b>1 511 002</b>	<b>3 755</b>	<b>1 507 247</b>	<b>1 413 955</b>	<b>7</b>
<b>Loans to the public and credit institutions</b>	<b>1 543 199</b>	<b>3 755</b>	<b>1 539 444</b>	<b>1 500 373</b>	<b>3</b>

## Note 11 Impaired loans etc.

Group SEKm	31 Dec 2016	31 Dec 2015	%
Impaired loans, gross	8 095	6 035	34
Provisions for individually assessed impaired loans	2 254	1 883	20
Provision for homogenous groups of impaired loans	453	541	-16
<b>Impaired loans, net</b>	<b>5 388</b>	<b>3 611</b>	<b>49</b>
of which private customers	1 113	1 380	-19
of which corporate customers	4 275	2 231	92
Portfolio provisions for loans individually assessed as not impaired	1 048	957	10
Share of impaired loans, gross, % <sup>1)</sup>	0.52	0.40	30
Share of impaired loans, net, % <sup>1)</sup>	0.35	0.24	46
Provision ratio for impaired loans, % <sup>1)</sup>	33	40	-18
Total provision ratio for impaired loans, % <sup>1)</sup>	46	56	-18
<b>Past due loans that are not impaired</b>	<b>3 164</b>	<b>3 581</b>	<b>-12</b>
of which past due 5-30 days	1 768	2 127	-17
of which past due 31-60 days	857	819	5
of which past due 61-90 days	269	424	-37
of which past due more than 90 days	270	211	28

<sup>1)</sup> For more information about impaired loans see page 43-44 in the Fact book.

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

Group SEKm	31 Dec 2016	31 Dec 2015	%
Buildings and land	257	408	-37
Shares and participating interests	3	17	-82
Other property taken over	120	6	
<b>Total assets taken over for protection of claims</b>	<b>380</b>	<b>431</b>	<b>-12</b>
Cancelled leases	25	10	
<b>Total assets taken over for protection of claims and cancelled leases</b>	<b>405</b>	<b>441</b>	<b>-8</b>
of which acquired by Ektornet group	139	311	-55

## Note 13 Credit exposures

Group SEKm	31 Dec 2016	31 Dec 2015	%
<b>Assets</b>			
Cash and balances with central banks	121 347	186 312	-35
Interest-bearing securities	182 072	165 162	10
Loans to credit institutions	32 197	86 418	-63
Loans to the public	1 507 247	1 413 955	7
Derivatives	87 811	86 107	2
Other financial assets	10 853	18 424	-41
<b>Total assets</b>	<b>1 941 527</b>	<b>1 956 378</b>	<b>-1</b>
<b>Contingent liabilities and commitments</b>			
Guarantees	42 750	35 958	19
Commitments	262 701	235 312	12
<b>Total contingent liabilities and commitments</b>	<b>305 451</b>	<b>271 270</b>	<b>13</b>
<b>Total credit exposures</b>	<b>2 246 978</b>	<b>2 227 648</b>	<b>1</b>

## Note 14 Intangible assets

Group SEKm	31 Dec 2016	31 Dec 2015	%
<b>With indefinite useful life</b>			
Goodwill	12 408	12 010	3
<b>Total</b>	<b>12 408</b>	<b>12 010</b>	<b>3</b>
<b>With finite useful life</b>			
Customer base	559	617	-9
Internally developed software	989	630	57
Other	323	433	-25
<b>Total</b>	<b>1 871</b>	<b>1 680</b>	<b>11</b>
<b>Total intangible assets</b>	<b>14 279</b>	<b>13 690</b>	<b>4</b>

## Impairment testing of intangible assets

The annual test in 2016 did lead to an impairment of SEK 35m regarding internally developed software.

## Note 15 Amounts owed to credit institutions

Group SEKm	31 Dec 2016	31 Dec 2015	%
<b>Amounts owed to credit institutions</b>			
Central banks	22 079	7 704	
Banks	47 771	140 462	-66
Other credit institutions	1 968	1 508	31
Repurchase agreements - banks	13	3	
Repurchase agreements - other credit institutions		816	
<b>Amounts owed to credit institutions</b>	<b>71 831</b>	<b>150 493</b>	<b>-52</b>

## Note 16 Deposits and borrowings from the public

Group SEKm	31 Dec 2016	31 Dec 2015	%
<b>Deposits from the public</b>			
Private customers	441 817	398 718	11
Corporate customers	340 214	345 268	-1
<b>Deposits from the public excluding the Swedish National Debt Office and repurchase agreements</b>	<b>782 031</b>	<b>743 986</b>	<b>5</b>
Swedish National Debt Office	1	1	
Repurchase agreements - public	10 892	4 284	
<b>Deposits and borrowings from the public</b>	<b>792 924</b>	<b>748 271</b>	<b>6</b>

## Note 17 Debt securities in issue

Group SEKm	31 Dec 2016	31 Dec 2015	%
Commercial Paper and Certificates of Deposits	102 225	107 046	-5
Covered bonds	558 295	550 669	1
Senior unsecured bonds	166 161	154 244	8
Structured retail bonds	14 992	14 576	3
<b>Total debt securities in issue</b>	<b>841 673</b>	<b>826 535</b>	<b>2</b>

Turnover during the period	Full year 2016	Full year 2015	%
<b>Opening balance</b>	<b>826 535</b>	<b>835 012</b>	<b>-1</b>
Issued	972 203	1 164 181	-16
Repurchased	-42 459	-39 857	7
Repaid	-933 835	-1 112 847	-16
Change in market value or in hedged item in fair value hedge accounting	-8 365	-13 349	-37
Changes in exchange rates	27 594	-6 605	
<b>Closing balance</b>	<b>841 673</b>	<b>826 535</b>	<b>2</b>

## Note 18 Derivatives

The Group trades derivatives in the normal course of business and to hedge certain positions with regard to the value of equities, interest rates and currencies.

Group SEKm	Nominal amount 31 Dec 2016			Nominal amount		Positive fair value		Negative fair value			
	Remaining contractual maturity			2016		2015		2016		2015	
	< 1 yr.	1-5 yrs.	> 5 yrs.	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	
Derivatives in fair value hedges	120 873	356 951	53 665	531 489	506 684	16 676	18 038	587	452		
Derivatives in portfolio fair value hedges	41 000	116 700	13 530	171 230	129 375	223	166	2 063	1 601		
Derivatives in cash flow hedges	77	1 226	8 061	9 364	22 239			494	2 303		
Non-hedging derivatives	5 901 171	3 054 078	658 828	9 614 077	9 434 393	82 749	81 854	96 150	79 167		
<b>Gross amount</b>	<b>6 063 121</b>	<b>3 528 955</b>	<b>734 084</b>	<b>10 326 160</b>	<b>10 092 691</b>	<b>99 648</b>	<b>100 058</b>	<b>99 294</b>	<b>83 523</b>		
Offset amount (reference to note 21)	-2 012 454	-1 088 229	-231 585	-3 332 268	-3 647 376	-11 837	-13 951	-13 705	-14 842		
<b>Total</b>	<b>4 050 667</b>	<b>2 440 726</b>	<b>502 499</b>	<b>6 993 892</b>	<b>6 445 315</b>	<b>87 811</b>	<b>86 107</b>	<b>85 589</b>	<b>68 681</b>		

The amounts offset for derivative assets and derivative liabilities include cash collateral offsets of SEK 2 482m and SEK 614m respectively.

## Note 19 Financial instruments at fair value

Group SEKm	31 Dec 2016			31 Dec 2015		
	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	121 347	121 347		186 312	186 312	
Treasury bills etc.	107 647	107 571	76	76 628	76 552	76
Loans to credit institutions	32 197	32 197		86 418	86 418	
Loans to the public	1 512 686	1 507 247	5 439	1 419 486	1 413 955	5 531
Value change of interest hedged items in portfolio hedge	1 482	1 482		1 009	1 009	
Bonds and interest-bearing securities	74 508	74 501	7	88 618	88 610	8
Financial assets for w hich the customers bear the investment risk	160 114	160 114		153 442	153 442	
Shares and participating interest	23 897	23 897		11 074	11 074	
Derivatives	87 811	87 811		86 107	86 107	
Other financial assets	10 851	10 851		18 424	18 424	
<b>Total</b>	<b>2 132 540</b>	<b>2 127 018</b>	<b>5 522</b>	<b>2 127 518</b>	<b>2 121 903</b>	<b>5 615</b>
<b>Investment in associates</b>		<b>7 319</b>			<b>5 382</b>	
<b>Non-financial assets</b>		<b>19 866</b>			<b>21 569</b>	
<b>Total</b>		<b>2 154 203</b>			<b>2 148 854</b>	
<b>Liabilities</b>						
<b>Financial liabilities covered by IAS 39</b>						
Amounts owed to credit institutions	71 615	71 831	-216	150 302	150 493	-191
Deposits and borrow ings from the public	792 905	792 924	-19	748 254	748 271	-17
Debt securities in issue	849 097	841 673	7 424	832 196	826 535	5 661
Financial liabilities for w hich the customers bear the investment risk	161 051	161 051		157 836	157 836	
Subordinated liabilities	27 254	27 254		24 627	24 613	14
Derivatives	85 589	85 589		68 681	68 681	
Short positions securities	11 614	11 614		8 191	8 191	
Other financial liabilities	22 524	22 524		31 597	31 597	
<b>Total</b>	<b>2 021 649</b>	<b>2 014 460</b>	<b>7 189</b>	<b>2 021 683</b>	<b>2 016 217</b>	<b>5 466</b>
<b>Non-financial liabilities</b>		<b>10 038</b>			<b>9 297</b>	
<b>Total</b>		<b>2 024 498</b>			<b>2 025 514</b>	

Group 31 Dec 2016 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.	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 w hich 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 borrow ings from the public		10 892		10 892
Debt securities in issue	3 270	19 830		23 100
Financial liabilities for w hich 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>

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 a majority of 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 material 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 2015 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.	24 650	51 434		76 084
Loans to credit institutions		1 739		1 739
Loans to the public		230 976		230 976
Bonds and other interest-bearing securities	59 213	25 479		84 692
Financial assets for which the customers bear the investment risk	153 442			153 442
Shares and participating interests	10 908	93	73	11 074
Derivatives	166	85 827	114	86 107
<b>Total</b>	<b>248 379</b>	<b>395 548</b>	<b>187</b>	<b>644 114</b>
<b>Liabilities</b>				
Amounts owed to credit institutions		816		816
Deposits and borrowings from the public		4 447		4 447
Debt securities in issue	1 509	18 914		20 423
Financial liabilities for which the customers bear the investment risk		157 836		157 836
Derivatives	28	68 653		68 681
Short positions, securities	8 191			8 191
<b>Total</b>	<b>9 728</b>	<b>250 666</b>		<b>260 394</b>

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>

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 19m.

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 2015</b>			
<b>Opening balance 1 January 2015</b>	<b>77</b>	<b>81</b>	<b>158</b>
Purchases	16		16
Sale of assets	-15		-15
Maturities		-35	-35
Issues		9	9
Transferred from Level 2 to Level 3		148	148
Transferred from Level 3 to Level 2	-2		-2
Transferred from Level 3 to Level 1		-83	-83
Gains or losses	-3	-6	-9
of which in the income statement, net gains and losses on financial items at fair value	-3	-6	-9
of which changes in unrealised gains or losses for items held at closing day		-47	-47
<b>Closing balance 31 December 2015</b>	<b>73</b>	<b>114</b>	<b>187</b>

## Note 20 Pledged collateral

Group SEKm	31 Dec 2016	31 Dec 2015	%
Loan receivables <sup>1</sup>	542 278	517 904	5
Financial assets pledged for policyholders	157 804	145 410	9
Other assets pledged	37 546	43 361	-13
<b>Pledged collateral</b>	<b>737 628</b>	<b>706 675</b>	<b>4</b>

<sup>1)</sup> From 2016 only the collateral used in the pledge are reported instead of the total available collateral. Comparative numbers have been restated.

## Note 21 Offsetting financial assets and liabilities

Group SEKm	Assets			Liabilities		
	31 Dec 2016	31 Dec 2015	%	31 Dec 2016	31 Dec 2015	%
<b>Financial assets and liabilities, which have been offset or are subject to netting or similar agreements</b>						
Gross amount	152 098	134 805	13	111 865	88 752	26
Offset amount	-16 340	-16 950	-4	-18 208	-17 841	2
<b>Net amounts presented in the balance sheet</b>	<b>135 758</b>	<b>117 855</b>	<b>15</b>	<b>93 657</b>	<b>70 911</b>	<b>32</b>
<b>Related amounts not offset in the balance sheet</b>						
Financial instruments, netting arrangements	46 691	44 698	4	46 691	44 698	4
Financial Instruments, collateral	40 853	32 614	25	4 391	3 041	44
Cash, collateral	12 676	19 915	-36	13 775	15 653	-12
<b>Total amount not offset in the balance sheet</b>	<b>100 220</b>	<b>97 227</b>	<b>3</b>	<b>64 857</b>	<b>63 392</b>	<b>2</b>
<b>Net amount</b>	<b>35 538</b>	<b>20 628</b>	<b>72</b>	<b>28 800</b>	<b>7 519</b>	

The amounts offset for financial assets and financial liabilities include cash collateral offsets of SEK 2 482m and SEK 614m respectively

## Note 22 Capital adequacy, consolidated situation

Capital adequacy SEKm	31 Dec 2016	31 Dec 2015
Shareholders' equity according to the Group's balance sheet	129 515	123 163
Non-controlling interests	78	54
Anticipated dividend	-14 695	-11 828
Deconsolidation of insurance companies	96	-1 249
Value changes in own financial liabilities	-2	31
Cash flow hedges	-77	-17
Additional value adjustments <sup>1)</sup>	-598	-474
Goodwill	-12 497	-12 097
Deferred tax assets	-114	-95
Intangible assets	-1 601	-1 438
Net provisions for reported IRB credit exposures	-1 376	-1 089
Shares deducted from CET1 capital	-50	-42
Defined benefit pension fund assets <sup>2)</sup>		-993
<b>Common Equity Tier 1 capital</b>	<b>98 679</b>	<b>93 926</b>
Additional Tier 1 capital	14 281	10 624
<b>Total Tier 1 capital</b>	<b>112 960</b>	<b>104 550</b>
Tier 2 capital	12 229	13 269
<b>Total capital</b>	<b>125 189</b>	<b>117 819</b>
Minimum capital requirement for credit risks, standardised approach	3 800	3 823
Minimum capital requirement for credit risks, IRB	21 478	20 732
Minimum capital requirement for credit risk, default fund contribution	34	4
Minimum capital requirement for settlement risks	0	1
Minimum capital requirement for market risks	754	858
Trading book	732	848
of which VaR and SVaR	563	525
of which risks outside VaR and SVaR	169	323
FX risk other operations	22	10
Minimum capital requirement for credit value adjustment	424	594
Minimum capital requirement for operational risks	4 972	5 047
Additional minimum capital requirement, Article 3 CRR	69	69
<b>Minimum capital requirement</b>	<b>31 531</b>	<b>31 128</b>
Risk exposure amount credit risks	316 407	306 996
Risk exposure amount settlement risks	0	7
Risk exposure amount market risks	9 419	10 730
Risk exposure amount credit value adjustment	5 297	7 422
Risk exposure amount operational risks	62 152	63 083
Additional risk exposure amount, Article 3 CRR	860	860
<b>Risk exposure amount</b>	<b>394 135</b>	<b>389 098</b>
<b>Common Equity Tier 1 capital ratio, %</b>	<b>25.0</b>	<b>24.1</b>
<b>Tier 1 capital ratio, %</b>	<b>28.7</b>	<b>26.9</b>
<b>Total capital ratio, %</b>	<b>31.8</b>	<b>30.3</b>
<b>Capital buffer requirement <sup>3)</sup></b>	<b>31 Dec</b>	<b>31 Dec</b>
<b>%</b>	<b>2016</b>	<b>2015</b>
CET1 capital requirement including buffer requirements	11.0	10.7
of which minimum CET1 requirement	4.5	4.5
of which capital conservation buffer	2.5	2.5
of which countercyclical capital buffer	1.0	0.7
of which systemic risk buffer	3.0	3.0
CET 1 capital available to meet buffer requirement <sup>4)</sup>	20.5	19.6
<b>Capital adequacy Basel 1 floor</b>	<b>31 Dec</b>	<b>31 Dec</b>
<b>SEKm</b>	<b>2016</b>	<b>2015</b>
Capital requirement Basel 1 floor	75 749	68 577
Own funds Basel 3 adjusted according to rules for Basel 1 floor	126 565	118 908
<b>Surplus of capital according to Basel 1 floor</b>	<b>50 816</b>	<b>50 331</b>
<b>Leverage ratio</b>	<b>31 Dec</b>	<b>31 Dec</b>
	<b>2016</b>	<b>2015</b>
Tier 1 Capital, SEKm	112 960	104 550
Leverage ratio exposure, SEKm	2 098 179	2 102 284
Leverage ratio, %	5.4	5.0

<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> Net pension assets.

<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.

The consolidated situation for Swedbank as of 31 December 2016 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 weighting, %		Minimum capital requirement	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
	Institutional exposures	83 959	108 019	16	15	1 072
Corporate exposures	508 765	471 163	35	35	14 065	13 213
Retail exposures	1 032 298	974 908	7	7	5 772	5 670
of w hich mortgage	936 542	882 979	5	5	3 633	3 641
of w hich other	95 756	91 929	28	28	2 139	2 029
Securitisation		160		8		1
Non credit obligation	12 182	62 686	58	11	569	543
<b>Total credit risks, IRB</b>	<b>1 637 204</b>	<b>1 616 936</b>	<b>16</b>	<b>16</b>	<b>21 478</b>	<b>20 732</b>

Exposure amount, Risk exposure amount and Own funds 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 associated w ith particularly high risk			
Exposures in the form of covered bonds	69	7	1
Items representing securitisation positions			
Exposures to institutions and corporates w ith a short-term credit assessment			
Exposures in the form of units or shares in collective investment undertakings			
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 w hich specialized lending in category 1	13	9	1
of w hich specialized lending in category 2	321	274	22
of w hich specialized lending in category 3	555	638	51
of w hich specialized lending in category 4	261	654	52
of w hich specialized lending in category 5	260	0	0
Retail exposures	1 032 298	72 151	5 772
of w hich mortgage lending	936 542	45 410	3 633
of w hich other lending	95 756	26 741	2 139
Securitisation			
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 w hich VaR and SVaR		7 033	563
of w hich 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 w hich 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>

**Exposure amount, Risk exposure amount and Own funds requirement, consolidated situation**

31 Dec 2015  
SEKm

	Exposure amount	Risk exposure amount	Minimum capital requirement
<b>Credit risks, STD</b>	<b>371 639</b>	<b>47 786</b>	<b>3 823</b>
Central government or central banks exposures	266 646	379	30
Regional governments or local authorities exposures	35 385	274	22
Public sector entities exposures	9 860	56	4
Multilateral development banks exposures	6 015		
International organisation exposures	1 964		
Institutional exposures	5 049	803	64
Corporate exposures	9 580	9 041	723
Retail exposures	23 212	16 854	1 348
Exposures secured by mortgages on immovable property	2 349	834	67
Exposures in default	356	420	34
Exposures associated with particularly high risk			
Exposures in the form of covered bonds	48	7	1
Items representing securitisation positions			
Exposures to institutions and corporates with a short-term credit assessment			
Exposures in the form of units or shares in collective investment undertakings			
Equity exposures	6 074	14 808	1 185
Other items	5 101	4 310	345
<b>Credit risks, IRB</b>	<b>1 616 936</b>	<b>259 158</b>	<b>20 732</b>
Institutional exposures	108 019	16 312	1 305
Corporate exposures	471 163	165 160	13 213
of which specialized lending in category 1	25	18	1
of which specialized lending in category 2	501	429	34
of which specialized lending in category 3	654	752	60
of which specialized lending in category 4	273	682	55
of which specialized lending in category 5	329	0	0
Retail exposures	974 908	70 875	5 670
of which mortgage lending	837 752	45 052	3 604
of which other lending	137 156	25 824	2 066
Securitisation	160	12	1
Non-credit obligation	62 686	6 799	543
<b>Credit risks, Default fund contribution</b>		<b>53</b>	<b>4</b>
<b>Settlement risks</b>	<b>1</b>	<b>7</b>	<b>1</b>
<b>Market risks</b>		<b>10 730</b>	<b>858</b>
Trading book		10 608	848
of which VaR and SVaR		6 566	525
of which risks outside VaR and SVaR		4 042	323
FX risk other operations		122	10
<b>Credit value adjustment</b>	<b>25 492</b>	<b>7 422</b>	<b>594</b>
<b>Operational risks</b>		<b>63 083</b>	<b>5 047</b>
of which Standardised approach		63 083	5 047
<b>Additional risk exposure amount, Article 3 CRR</b>		<b>860</b>	<b>69</b>
<b>Total</b>	<b>2 014 067</b>	<b>389 098</b>	<b>31 128</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, several small subsidiaries and certain exposure classes such as exposures to national governments and municipalities. 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 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 2016 the internal capital assessment for Swedbank's consolidated situation amounted to SEK 29.8bn (SEK 30.0bn as of 30 September 2016). The capital to meet the internal capital assessment, i.e. the capital base, amounted to SEK 125.2bn (SEK 118.2bn as of 30 September 2016) (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 23.5bn (SEK 23.5bn as of 30 September 2016) and the capital base is SEK 99.8bn (SEK 93.3bn as of 30 September 2016) (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 2015 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 2015 annual report and in the annual disclosure on risk management and capital adequacy according to Basel 2 rules, 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 2016

Group SEKm	< 5 years	5-10 years	>10 years	Total
<b>Swedbank, the Group</b>	<b>-626</b>	<b>-227</b>	<b>202</b>	<b>-651</b>
of which SEK	-1 152	-121	119	-1 154
of which foreign currency	526	-106	83	503
<b>Of which financial instruments at fair value reported through profit or loss</b>	<b>168</b>	<b>261</b>	<b>17</b>	<b>446</b>
of which SEK	-431	300	-73	-204
of which foreign currency	599	-39	90	650

## Note 25 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 26 Swedbank's share

	31 Dec 2016	31 Dec 2015	%
<b>SWED A</b>			
Share price, SEK	220.30	187.10	18
Number of outstanding ordinary shares	1 110 731 820	1 105 403 750	0
<b>Market capitalisation, SEKm</b>	<b>244 694</b>	<b>206 821</b>	<b>18</b>

	31 Dec 2016	31 Dec 2015
<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	-21 273 902	-26 601 972
<b>Repurchase of own shares for trading purposes</b>		
SWED A		
<b>Number of outstanding shares on the closing day</b>	<b>1 110 731 820</b>	<b>1 105 403 750</b>

Within Sw edbank's share-based compensation programme, Sw edbank AB has during 2016 transferred 5 328 070 shares at no cost to employees.

<b>Earnings per share</b>	<b>Q4 2016</b>	<b>Q3 2016</b>	<b>Q4 2015</b>	<b>Full-year 2016</b>	<b>Full-year 2015</b>
<b>Average number of shares</b>					
Average number of shares before dilution	1 110 731 820	1 110 731 820	1 105 400 254	1 110 031 401	1 104 894 828
Weighted average number of shares for potential ordinary shares that incur a dilutive effect due to share-based compensation programme	6 185 052	5 562 781	7 955 128	6 271 302	8 478 982
Average number of shares after dilution	1 116 916 872	1 116 294 601	1 113 355 382	1 116 302 703	1 113 373 810
<b>Profit, SEKm</b>					
Profit for the period attributable to shareholders of Sw edbank	4 142	4 816	3 813	19 539	15 727
Earnings for the purpose of calculating earnings per share	4 142	4 816	3 813	19 539	15 727
<b>Earnings per share, SEK</b>					
Earnings per share before dilution	3.73	4.33	3.44	17.60	14.23
Earnings per share after dilution	3.70	4.31	3.44	17.50	14.13

# Swedbank AB

## Income statement, condensed

Parent company SEKm	Q4 2016	Q3 2016	%	Q4 2015	%	Full-year 2016	Full-year 2015	%
Interest income	4 170	4 270	-2	3 873	8	16 886	15 875	6
Negative yield on financial assets	-341	-467	-27			-1 496		
<b>Interest income, including negative yield on financial assets</b>	<b>3 829</b>	<b>3 803</b>	<b>1</b>	<b>3 873</b>	<b>-1</b>	<b>15 390</b>	<b>15 875</b>	<b>-3</b>
Interest expenses	-993	-835	19	-809	23	-3 946	-3 702	7
Negative yield on financial liabilities	347	134				706		
<b>Interest expenses, including negative yield on financial liabilities</b>	<b>-646</b>	<b>-701</b>	<b>-8</b>	<b>-809</b>	<b>-20</b>	<b>-3 240</b>	<b>-3 702</b>	<b>-12</b>
<b>Net interest income</b>	<b>3 183</b>	<b>3 102</b>	<b>3</b>	<b>3 064</b>	<b>4</b>	<b>12 150</b>	<b>12 173</b>	<b>0</b>
Dividends received	5 788	655		4 950	17	19 571	12 918	52
Commission income	2 445	2 321	5	2 540	-4	9 259	9 575	-3
Commission expenses	-732	-707	4	-866	-15	-2 875	-3 426	-16
<b>Net commission income</b>	<b>1 713</b>	<b>1 614</b>	<b>6</b>	<b>1 674</b>	<b>2</b>	<b>6 384</b>	<b>6 149</b>	<b>4</b>
Net gains and losses on financial items at fair value	461	160		353	31	1 130	294	
Other income	354	310	14	396	-11	1 308	1 259	4
<b>Total income</b>	<b>11 499</b>	<b>5 841</b>	<b>97</b>	<b>10 437</b>	<b>10</b>	<b>40 543</b>	<b>32 793</b>	<b>24</b>
Staff costs	2 092	1 897	10	1 827	15	7 855	7 667	2
Other expenses	1 325	1 040	27	1 277	4	4 633	4 536	2
Depreciation/amortisation and impairments of tangible and intangible fixed assets	1 135	1 114	2	1 137	0	4 438	4 455	0
<b>Total expenses</b>	<b>4 552</b>	<b>4 051</b>	<b>12</b>	<b>4 241</b>	<b>7</b>	<b>16 926</b>	<b>16 658</b>	<b>2</b>
<b>Profit before impairments</b>	<b>6 947</b>	<b>1 790</b>		<b>6 196</b>	<b>12</b>	<b>23 617</b>	<b>16 135</b>	<b>46</b>
Impairment of financial fixed assets	-8	1		134		80	236	-66
Credit impairments	592	221		471	26	1 399	658	
<b>Operating profit</b>	<b>6 363</b>	<b>1 568</b>		<b>5 591</b>	<b>14</b>	<b>22 138</b>	<b>15 241</b>	<b>45</b>
Appropriations	186			-88		186	-137	
Tax expense	1 364	230		1 304	5	2 494	1 917	30
<b>Profit for the period</b>	<b>4 813</b>	<b>1 338</b>		<b>4 375</b>	<b>10</b>	<b>19 458</b>	<b>13 461</b>	<b>45</b>

## Statement of comprehensive income, condensed

Parent company SEKm	Q4 2016	Q3 2016	%	Q4 2015	%	Full-year 2016	Full-year 2015	%
<b>Profit for the period reported via income statement</b>	<b>4 813</b>	<b>1 338</b>		<b>4 375</b>	<b>10</b>	<b>19 458</b>	<b>13 461</b>	<b>45</b>
<b>Items that will not be reclassified to the income statement</b>								
Remeasurements of defined benefit pension plans							8	
Income tax				-1			-2	
<b>Total</b>				<b>-1</b>			<b>6</b>	
<b>Items that may be reclassified to the income statement</b>								
Cash flow hedges:								
Gains/losses arising during the period							1	
Reclassification adjustments to income statement, net interest income							4	
Income tax							-2	
<b>Total</b>							<b>3</b>	
<b>Other comprehensive income for the period, net of tax</b>				<b>-1</b>			<b>9</b>	
<b>Total comprehensive income for the period</b>	<b>4 813</b>	<b>1 338</b>		<b>4 374</b>	<b>10</b>	<b>19 458</b>	<b>13 470</b>	<b>44</b>

## Balance sheet, condensed

Parent company SEKm	31 Dec 2016	31 Dec 2015	%
<b>Assets</b>			
Cash and balance with central banks	64 193	131 859	-51
Loans to credit institutions	409 763	425 095	-4
Loans to the public	430 406	416 482	3
Interest-bearing securities	175 865	157 412	12
Shares and participating interests	82 267	70 325	17
Derivatives	96 243	98 300	-2
Other assets	35 437	39 595	-11
<b>Total assets</b>	<b>1 294 174</b>	<b>1 339 068</b>	<b>-3</b>
<b>Liabilities and equity</b>			
Amounts owed to credit institutions	129 276	220 983	-41
Deposits and borrowings from the public	617 704	599 476	3
Debt securities in issue	282 369	275 845	2
Derivatives	114 620	98 508	16
Other liabilities and provisions	27 390	32 240	-15
Subordinated liabilities	27 254	24 613	11
Untaxed reserves	10 206	10 021	2
Equity	85 355	77 382	10
<b>Total liabilities and equity</b>	<b>1 294 174</b>	<b>1 339 068</b>	<b>-3</b>
Pledged collateral	33 624	40 671	-17
Other assets pledged	4 241	3 666	16
Contingent liabilities	588 167	575 291	2
Commitments	232 134	205 982	13

## Statement of changes in equity, condensed

Parent company SEKm						
	Share capital	Share premium reserve	Statutory reserve	Cash flow hedges	Retained earnings	Total
<b>January-December 2015</b>						
<b>Opening balance 1 January 2015</b>	<b>24 904</b>	<b>13 206</b>	<b>5 968</b>	<b>-3</b>	<b>31 907</b>	<b>75 982</b>
Dividend					-12 539	-12 539
Disposal of own shares for trading purposes					33	33
Share based payments to employees					413	413
Deferred tax related to share based payments to employees					-34	-34
Current tax related to share based payments to employees					57	57
Total comprehensive income for the period				3	13 467	13 470
<b>Closing balance 31 December 2015</b>	<b>24 904</b>	<b>13 206</b>	<b>5 968</b>	<b>0</b>	<b>33 304</b>	<b>77 382</b>
<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>0</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>0</b>	<b>41 277</b>	<b>85 355</b>

## Cash flow statement, condensed

Parent company SEKm			Full-year 2016	Full-year 2015
Cash flow from operating activities			-61 179	97 570
Cash flow from investing activities			13 493	6 911
Cash flow from financing activities			-19 980	-46 424
<b>Cash flow for the period</b>			<b>-67 666</b>	<b>58 057</b>
Cash and cash equivalents at beginning of period			131 859	73 802
Cash flow for the period			-67 666	58 057
<b>Cash and cash equivalents at end of period</b>			<b>64 193</b>	<b>131 859</b>

## Capital adequacy

Capital adequacy, Parent company SEKm	31 Dec 2016	31 Dec 2015
<b>Common Equity Tier 1 capital</b>	<b>73 361</b>	<b>68 222</b>
Additional Tier 1 capital	14 270	10 614
<b>Tier 1 capital</b>	<b>87 631</b>	<b>78 836</b>
Tier 2 capital	12 204	13 249
<b>Total capital</b>	<b>99 835</b>	<b>92 085</b>
<b>Minimum capital requirement</b>	<b>23 537</b>	<b>24 395</b>
<b>Risk exposure amount</b>	<b>294 210</b>	<b>304 943</b>
<b>Common Equity Tier 1 capital ratio, %</b>	<b>24.9</b>	<b>22.4</b>
<b>Tier 1 capital ratio, %</b>	<b>29.8</b>	<b>25.9</b>
<b>Total capital ratio, %</b>	<b>33.9</b>	<b>30.2</b>
<b>Capital buffer requirement<sup>1)</sup></b> %	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
CET1 capital requirement including buffer requirements	8.3	7.9
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	0.9
CET 1 capital available to meet buffer requirement <sup>2)</sup>	20.4	17.9
<b>Capital adequacy transition rules Basel 1 floor<sup>3)</sup></b> SEKm	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
Capital requirement Basel 1 floor	29 553	26 021
Own funds Basel 3 adjusted according to rules for Basel 1 floor	100 318	92 538
<b>Surplus of capital according to Basel 1 floor</b>	<b>70 765</b>	<b>66 517</b>
<b>Leverage ratio</b> %	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
Tier 1 Capital, SEKm	87 631	78 836
Total exposure, SEKm <sup>4)</sup>	1 004 780	1 094 371
Leverage ratio, %	8.7	7.2

<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 Own funds requirement, parent company**

<b>31 Dec 2016</b>	<b>Exposure amount</b>	<b>Risk exposure amount</b>	<b>Minimum capital requirement</b>
<b>SEKm</b>			
<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
Exposures associated with particularly high risk			
Exposures in the form of covered bonds			
Items representing securitisation positions			
Exposures to institutions and corporates with a short-term credit assessment			
Exposures in the form of units or shares in collective investment undertakings			
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 which specialized lending			
Retail exposures	91 458	21 429	1 714
of which mortgage lending	13 949	3 014	241
of which other lending	77 509	18 415	1 473
Securitisation			
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 which VaR and SVaR		7 030	562
of which 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>
of which 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>

Exposure amount, Risk exposure amount and Own funds requirement, parent company			
31 Dec 2015	Exposure amount	Risk exposure	Minimum capital
<b>Credit risks, STD</b>	<b>1 227 832</b>	<b>87 832</b>	<b>7 027</b>
Central government or central banks exposures	207 150	96	8
Regional governments or local authorities exposures	26 589	59	5
Public sector entities exposures	7 043	44	4
Multilateral development banks exposures	4 440		
International organisation exposures	1 242		
Institutional exposures	899 526	1 883	151
Corporate exposures	8 218	7 906	632
Retail exposures	7 188	5 147	412
Exposures secured by mortgages on immovable property	2 067	724	58
Exposures in default	182	245	20
Exposures associated with particularly high risk			
Exposures in the form of covered bonds			
Items representing securitisation positions			
Exposures to institutions and corporates with a short-term credit assessment			
Exposures in the form of units or shares in collective investment undertakings			
Equity exposures	63 137	70 688	5 655
Other items	1 050	1 040	83
<b>Credit risks, IRB</b>	<b>640 928</b>	<b>160 804</b>	<b>12 863</b>
Institutional exposures	113 117	17 727	1 418
Corporate exposures	379 982	116 614	9 329
of which specialized lending			
Retail exposures	88 687	20 967	1 677
of which mortgage lending	12 691	2 811	225
of which other lending	75 996	18 156	1 452
Securitisation	160	11	1
Non-credit obligation	58 983	5 486	438
<b>Credit risks, Default fund contribution</b>		<b>53</b>	<b>4</b>
<b>Settlement risks</b>	<b>1</b>	<b>7</b>	<b>1</b>
<b>Market risks</b>		<b>10 245</b>	<b>820</b>
Trading book		10 144	812
of which VaR and SVaR		6 584	527
of which risks outside VaR and SVaR		3 560	285
FX risk other operations		101	8
<b>Credit value adjustment</b>	<b>25 114</b>	<b>7 383</b>	<b>590</b>
<b>Operational risks</b>		<b>38 161</b>	<b>3 053</b>
of which standardised approach		38 161	3 053
<b>Additional risk exposure amount, Article 3 CRR</b>		<b>458</b>	<b>37</b>
<b>Total</b>	<b>1 893 875</b>	<b>304 943</b>	<b>24 395</b>

## Dividend paid and proposed disposition of earnings

Ordinary shares	2016		2015	
	SEK per share	Total	SEK per share	Total
Dividend paid	10.70	11 880	11.35	12 539
Proposed dividend	13.20	14 695	10.70	11 880

The Board of Directors recommends that shareholders receive a dividend of SEK 13.20 per ordinary share (10.70) in 2017 for the financial year 2016, corresponding to SEK 14 695m (11 880).

In accordance with the balance sheet of Swedbank AB, SEK 54 483m 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 13.20 per ordinary share	14 695
To be carried forward to next year	39 788
<b>Total disposed</b>	<b>54 483</b>

The proposed total amounts to be distributed and carried forward to next year have been calculated on all 1 110 731 820 outstanding ordinary shares at 31 December of 2016, plus 2 505 078 outstanding ordinary shares entitled to dividends which we expect to exercise by employees between 1 January and 30 March 2017 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.

## Signatures of the Board of Directors and the President

The Board of Directors and the President hereby certify that the year-end report for 2016 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, 1 February 2017

Lars Idermark  
Chair

Ulrika Francke  
Deputy Chair

Bodil Eriksson  
Board Member

Göran Hedman  
Board Member

Peter Norman  
Board Member

Pia Rudengren  
Board Member

Karl-Henrik Sundström  
Board Member

Siv Svensson  
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 year-end report for Swedbank AB (publ) for the period 1 January -31 December 2016. 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, 1 February 2017  
Deloitte AB

Svante Forsberg  
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 2017

Annual report for 2016	23 February 2017
Annual General Meeting	30 March 2017
Interim report for the first quarter	25 April 2017
Interim report for the second quarter	19 July 2017
Interim report for the third quarter	24 October 2017

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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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