
2016
Annual Report

Content

Financial information 2017

Q1 Interim report	25 April
Q2 Interim report	19 July
Q3 Interim report	24 October

Annual General Meeting 2017
The Annual General Meeting will be held at Folkets Hus, Barnhusgatan 14, Stockholm, Sweden on Thursday, 30 March at 11 am. The proposed record day for the dividend is 3 April 2017. The last day for trading in Swedbank's shares including the right to the dividend is 30 March 2017. For more information, see page 187 and the notice of the AGM at www.swedbank.com. While every care has been taken in the translation of this annual report, readers are reminded that the original annual report, signed by the Board of Directors, is in Swedish.

▶ Vision

We enable people, businesses and society to grow.

▶ Purpose

We promote a sound and sustainable financial situation for the many households and businesses.

▶ Values

The bank's values express our engagement on long-term value creation. They are based on openness, simplicity and caring.

Available full-service bank in four home markets

Swedbank is the leading bank for the many households and businesses in our four home markets: Sweden, Estonia, Latvia and Lithuania. We are active mainly in the product areas loans, payments and savings and serve customers with both simple and more complex needs.

Sweden

Population: 10.0 million
Private customers: 4.0 million
Corporate customers: 266 000
Organisations: 67 000
Branches: 248
Internet Bank customers: 4.1 million
Mobile Bank customers: 2.8 million
Cards: 4.2 million
Employees: 7 714

Lithuania

Population: 2.9 million
Private customers: 1.5 million
Corporate customers: 86 000
Branches: 65
Internet Bank customers: 1.4 million
Mobile Bank customers: 0.2 million
Cards: 1.7 million
Employees: 2 053

Estonia

Population: 1.3 million
Private customers: 0.9 million
Corporate customers: 141 000
Branches: 35
Internet Bank customers: 0.9 million
Mobile Bank customers: 0.2 million
Cards: 1.1 million
Employees: 2 395

Latvia

Population: 2.0 million
Private customers: 0.9 million
Corporate customers: 91 000
Branches: 41
Internet Bank customers: 0.9 million
Mobile Bank customers: 0.2 million
Cards: 1.0 million
Employees: 1 570

Large and diversified customer base
Leading bank in number of customers in our home markets

8 MILLION CUSTOMERS

Solid capitalisation
Common Equity Tier 1 capital ratio one of the highest among comparable European banks

25.0 %

Digitised customer offer
Number of logins in the Mobile and the Internet bank

916 MILLION LOGINS

Stable profitability
Return on equity goal of at least 15 per cent

15.8 %

Low risk
Credit impairment ratio

0.09 %

Market-leading cost efficiency
Expenses in relation to income, C/I ratio

0.39

Stable result
- Increased volumes boosted net interest income
- Good cost control
- Proposed dividend of SEK 13.20 per share

Key figures	2016	2015
Total income, SEKm	41 635	37 624
Total expenses, SEKm	16 441	16 333
Profit for the year, SEKm[1]	19 539	15 733
Return on equity, %	15.8	13.5
Cost/income ratio	0.39	0.43
Total assets, SEKbn	2 154	2 149
Lending to the public, SEKbn[2]	1 453	1 371
Deposits from the public, SEKbn[2]	782	744
Credit impairment ratio, %	0.09	0.04
Share of impaired loans, gross, %	0.52	0.40
Common Equity Tier 1 capital ratio, %	25.0	24.1
Earnings per share, SEK[3]	17.50	14.14
Cash dividend per share, SEK[4]	13.20	10.70
Yield per year-end, %, Swedbank share	6.0	5.7
Full-time employees	14 061	13 893

1) Continuing operations
2) Excluding the Swedish National Debt Office and repos
3) Continuing operations after dilution.
4) Board of Directors' proposal for 2016

The year in brief

A selection of our value-creating activities during the year.

2 FEBRUARY

75%

The dividend policy to distribute 75 per cent of profit is reaffirmed for the fourth consecutive year.

Year-end report for 2015

4 FEBRUARY

New Internet Bank

A beta version of the new Internet Bank, adapted for different platforms, is launched.

11 FEBRUARY

43 million

Investors in the fund Humanfond donate over SEK 43m to 70 charities.

1 MARCH

Best in credit products

In the 2016 TNS Sifo Prospera survey on credit products, based on interviews where Sweden's 90 largest credit managers rank the banks in the Swedish bond and commercial paper markets, Swedbank shares first place.

16 MARCH

90 year-old gets a facelift

The magazine Lyckoslanten has been inspiring schoolchildren to learn about money and savings for decades. For its 90th anniversary, the magazine was modernised and made more entertaining and interactive.

22 MARCH

Acquisition approved

Swedbank's takeover of Danske Bank's retail banking business in Latvia and Lithuania is approved by competition authorities in both countries.

5 APRIL

Swedbank's Annual General Meeting 2016

Lars Idermark is elected the new Chair of the Board of Swedbank.

22 APRIL

Birgitte Bonnesen appointed President and CEO

Swedbank's Board of Directors appoints Birgitte Bonnesen as President and CEO of Swedbank. She had previously served as Acting CEO of the bank.

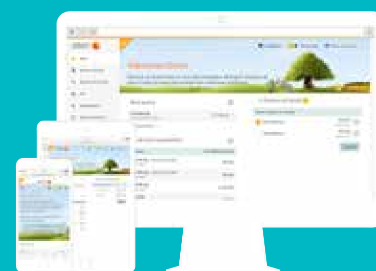
26 APRIL

Strong result in challenging environment

Interim report for first quarter 2016

26 MAY
Ratings upgrade from Fitch
Fitch Ratings upgrades Swedbank one notch to AA- with a stable outlook. The upgrade makes Swedbank one of the few commercial banks in the world with a AA- rating from the big three ratings agencies: S&P, Moody's and Fitch.

30 MAY
New Digital Banking unit
To ensure that the bank reaches its strategic goals and to increase customer and employee satisfaction, Swedbank makes changes in the Group Executive Committee and forms a new unit for Digital Banking. At the same time the business area Group Products is replaced by the product areas Group Savings and Group Lending & Payments.



21 JULY
2 115 million
The acquisition of Visa Europe by Visa Inc. of the US generates income of SEK 2 115m for Swedbank.

Interim report for second quarter 2016

30 JULY
EBA reaffirms Swedbank's strong credit quality and capitalisation
The European Banking Authority's (EBA) stress tests show that Swedbank has sufficient capital to withstand a severe stress scenario.

25 OCTOBER
Accelerated transformation to a modern bank
Interim report for third quarter 2016

15 NOVEMBER
Major improvement in sustainability work
Swedbank improves its sustainability work more than any other Swedish bank, according to an annual review published by the Fair Finance Guide.

8 DECEMBER
Bank of the Year in Sweden
Swedbank is named Bank of the Year in Sweden by The Banker, a publication owned by the Financial Times. The award is based on the bank's high cost efficiency and low risk in the balance sheet.

9 DECEMBER
Stronger capital base
Swedbank further strengthens its capital base by issuing USD 500m in Additional Tier I Capital (AT1), equivalent to about

SEK 4.5 bn

16 DECEMBER
Hemnet sold
Swedbank announces that the subsidiary Fastighetbyrån signed an agreement to sell the housing website Hemnet. The sale is scheduled to close in January 2017 and generate a capital gain that will contribute positively to the bank's result in the first quarter of 2017.

Our customers are driving development

Just over a year ago I was asked if I wanted to lead the bank that had employed me for over 30 years. I had no hesitation in saying yes, since Swedbank is a company I am proud to work for.

We are inclusive and welcoming with fantastic employees and a leading position in the markets where we are active. We are one of the most profitable banks in Europe with market-leading cost efficiency. We have low risk in our lending and a strong capital and liquidity position. I think the past year illustrates all this.

Strong financial result

Our financial position is solid. The return on equity was 15.8 per cent, in line with the target of 15 per cent.

Net interest income, our largest revenue source, increased by 3 per cent, despite the fact that the Riksbank and the ECB continued to cut interest rates in 2016. The increase was facilitated in part by continued high demand for Swedish mortgages.

Despite the introduction of a mortgage amortisation requirement in June 2016, house prices continued to rise during the year. Authorities are now discussing several measures to limit household debt. Little is being done, however, to increase supply by stimulating new construction, especially less expensive housing. This could shut out young people and new arrivals from the market.

We have also seen positive lending growth in the Baltic countries thanks to rising consumer confidence. In June we successfully completed the transfer of products and services from Danske Bank's retail banking business, which primarily had a positive effect on volume in Lithuania.

Our commission income has been stable, driven by higher income from cards and corporate finance, even though equity prices were shaken by the Brexit referendum and the US presidential election. Volatility related to these events has at the same time benefited net gains and losses on financial items, partly because customers have been more active in currency hedging.

We are keeping our costs under control. Despite increased compensation to the savings banks, our most important partner, in the wake of increased lending margins during the year, our total expenses were in line with 2015. I am proud of the cost-conscious culture we have created in the bank.

Credit impairments remain low. In both Swedish Banking and Baltic Banking net recoveries were recognised , while credit impairments were slightly higher in Large Corporates & Institutions due to provisions for oil-related exposures.

Our Common Equity Tier 1 capital ratio is 25.0 per cent, giving us a satisfactory buffer to the requirements set by authorities. This positions us well to meet future regulatory changes, regardless of the final details.

Our high credit quality and strong capitalisation were reaffirmed by a ratings upgrade during the year from Fitch. This makes Swedbank one of the few commercial banks in the world with a AA-rating from the big three rating agencies: S&P, Moody's and Fitch.

All in all, I am very pleased with the results we have achieved and that we can distribute 75 per cent of profit to our shareholders for the fifth consecutive year.

Increased availability

Swedbank has a customer-centric strategy, and our strong financial position enables us to develop offerings that are more widely available and relevant. In Swedish Banking we expanded our telephone banking hours in 2016, so that our customers can get personal service round the clock, seven days a week. Our customers for some time have also been able to renew their mortgages digitally, and we have launched a new beta version of our Internet Bank. In Baltic Banking we have introduced contact-less cards and digitised our consumer loans. In Large Corporates & Institutions, we have continued to expand our offering of green bonds and broadened the number of stocks and currencies customers can trade.

While I am proud of what we have accomplished, we cannot be complacent and have to constantly work to build the trust and loyalty of our customers.

Changes in customer habits create opportunities

The banking sector is facing one of the biggest upheavals in its history, as customers' changing habits, due to digital technology, also fundamentally change the way we interact with them. For us, this presents a challenge, with new competitors moving into our product areas, mainly in payments and savings. It also creates the need for internal changes, as job responsibilities change in line with customers' habits and needs.

At the same time digital developments create great opportunities. With a customer base of 7 million individuals and 600 000 companies, we cannot meet all our customers in person. In Swedish Banking, for example, with 4 million customers, we meet only 10 per cent of them a year.

With new digital contact points, combined with proactive offerings based on customers' unique preferences and situations, we can reach more people and at a faster rate than had previously been possible. This is already being done to some extent in the Baltic countries, where around 40 per cent of sales are digital, which is being achieved partly by analysing customer data.

"Swedbank has a customer-centric strategy, and our strong financial position enables us to develop offerings that are more widely available and targeted."

Financial aggregator

This is why I made the decision during the year to establish a new unit, Digital Banking, responsible for developing and managing our digital channels and the tools we use in interactions with customers.

The level of ambition is high. We plan to digitise all routine banking services, including the mortgage lending process. This may mean that we join with others instead of developing everything ourselves. One example is the collaboration with the social investing platform Sprinklebit.

By digitising more of our products and services, we not only increase internal efficiency, since our employees no longer have to waste time on costly manual processes, but also make banking easier for our customers.

We will also take more steps to be a financial aggregator for our customers, whether they have all their accounts with us or another bank. As previously announced, these measures, together with the increased compensation to the savings banks, are expected to raise total expenses to SEK 16.7bn in 2017.

We can make these investments because of our strong profits. High cost efficiency will remain a cornerstone in our strategy, however, along with low risk, available full-service banking and offerings based on customer needs.

For me, 2016 was an intense, educational and rewarding year. I am proud of the work that my colleagues have done to put Swedbank in the position it is in, and it is gratifying to see that employee satisfaction is rising. Together with my new management team, I have formalised our strategic priorities to be the modern bank we want to be. We know where we want to go and what we have to do to get there. This makes me confident of an equally promising 2017.

Stockholm, February 2017

Birgitte Bonnesen
President and CEO

Strategy that promotes a sound financial situation

Swedbank has a customer-centric strategy based on four factors: an available full-service bank, offerings based on customer needs, high cost efficiency and low risk. The strategy is based on our vision to enable people, businesses and society to grow at the same time that we promote a sound and sustainable financial situation for the many households and businesses.

Throughout its nearly 200-year history, Swedbank has successfully built strong relationships with private and corporate customers in our home markets. Today we are the largest bank measured by number of customers in Sweden and the Baltic countries.

Changing world

The financial landscape is changing rapidly. Digitisation continues at a brisk pace and customers are increasingly banking through digital channels rather than visiting a branch, which is placing higher demands on the banking sector to adapt products and distribution channels and on the stability of IT systems.

It has also become easier to compare offers from different providers, and customers can easily and quickly switch banks. New, often agile companies are challenging us in our product areas, mainly in payments and savings.

Living up to customer expectations of service is becoming even more important in order to build trust and loyalty and to create value for customers. But digitisation also makes it possible to use customer data in completely different ways than before, increasing revenue potential through improved interaction with customers, while raising efficiency.

> "Living up to customer expectations of service is becoming even more important in order to build trust and loyalty"

Our businesses are also affected by the many regulations governing the sector. Much of what is being done is ultimately aimed at empowering customers by stimulating competition and increasing transparency. The Markets in Financial Instruments Directive (MiFID II) affects how the financial sector prices and informs about various products. The revised Payment Services Directive (PSD2) opens up the payment area to new competitors which, with cus-

Strategy	Why	Examples of activities and results 2016
Available full-service bank	Simplicity and availability are the foundation for building the trust and loyalty of our customers.	Launched 24/7 customer service by phone and social media. New Internet Bank.
Offerings based on customer needs	Targeted offerings are critical to our success as digitisation gives customers more choice.	Apply for consumer loans in Baltic Mobile Bank.
High cost efficiency	Creating value for our customers requires investments and competitive prices, which are made possible by high cost efficiency.	Lower telephone and postage costs due to a centralised procurement process.
Low risk	The low risks in our operations allow us to finance our consumer and business lending through deposits from the public and funding from the capital markets.	Ratings upgrade from Fitch. Stronger capitalisation.

tomers' approval, can link their various services to customers' accounts in the bank. It also allows Swedbank to provide customers with a comprehensive overview of their finances by gathering information from other providers. Higher capital and liquidity requirements to make the financial sector more resilient during times of economic crisis are expected to lead to greater financial stability, but also increased costs for both the banking sector and customers, while raising the barriers to entry in lending.

"We apply a strategy based on being an available full-service bank, offering the products and services customers need, and maintaining high cost efficiency and low risk"

We also continue being affected by macroeconomic developments. Central banks continued to pursue expansionary monetary policies during the year. In Sweden the Riksbank maintained a negative repo rate alongside its bond buying. This is holding down the price of our most important commodity, capital, but is making households and businesses more willing to take risks and could drive up asset prices to unsustainable levels.

Consistent strategy

To live up to our vision to enable people, businesses and society to grow in an ever-changing world, we apply a strategy based on being an available full-service bank, offering the products and services customers need, and maintaining high cost efficiency and low risk.

Available full-service bank

We are convinced that simplicity and availability are necessary to build the trust and loyalty of our customers. So that customers can manage all their finances with us, we offer a comprehensive range of loans, payment services and savings products, ranging from basic transactional services such as consumer debit and credit cards to more complex advice for large companies and institutions. Our customers in Sweden and the Baltic countries can simply manage their finances through a distribution network comprising efficient digital solutions for day-to-day banking as well as more extensive personal advice.

Offering what our customers need

Offering customers what they need and expect is critical to building trust and loyalty when digitisation gives customers more choice. By analysing the customer data we have and drawing on our advisors' competence, we can more easily identify the financial services and products our customers need and more precisely target our offerings.

High cost efficiency

Greater transparency and more options for customers through digitisation also mean more price pressure on a number of banking products and services. To create value for customers, which requires both investments and competitive prices, our goal is to be the market leader in cost efficiency. This affects everything from how much capital we tie up to how effectively and well we work together.

Low risk

Keeping our risks low is the foundation to building public trust. It allows us to finance our operations through deposits from the public and funding from the capital markets as well as to lend capital to households and businesses at competitive prices and create sustainable growth. We achieve this through stable profitability combined with high-quality lending and solid capitalisation, but also through our ability to quickly adapt to changes in the market.

Increased customer focus…

Our goals contribute to long-term value creation. High customer value is essential to sustainable profitability and value creation for other stakeholders.

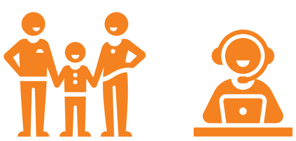
Customers

GOAL: Increased customer value

WHY: Customer value, together with customer satisfaction, trust and a positive brand image, explains why customers choose our products and services. High customer value is a precondition to sustainable profitability. We track customer value through our own and independent surveys to measure customer satisfaction, among other things.

Employees

GOAL: Increased employee engagement



WHY: Engaged and proud employees contribute to a successful business and satisfied customers. This requires that employees have an opportunity to develop, feel that they have an influence, contribute to the bank's purpose and goals, and feel proud of Swedbank as an employer. We work continuously to develop and monitor these areas.

Return on equity

GOAL: Return on equity of at least 15 per cent

WHY: Swedbank's shareholders demand a competitive return on the capital they invest. At the same time the bank has to be profitable to stay competitive in the long term and create investment opportunities. We also have to ensure that the bank can withstand periods of major economic stress, which is largely determined by our earning capacity, risk level and capitalisation.

Cost efficiency

GOAL: Market-leading cost efficiency

WHY: Digitisation is increasing competition and transparency in parts of the market at the same time that banking products and services are becoming more standardised. As a result, the price of our services is becoming more important. To remain competitive in the long term requires continuous improvements in cost efficiency and internal processes, which creates investment opportunities in increased customer value.

Capitalisation

GOAL: Solid capitalisation

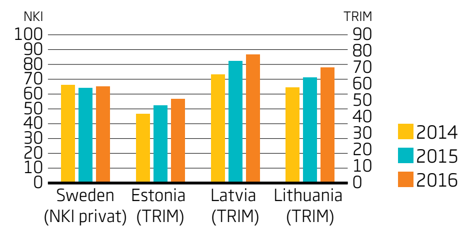
WHY: Swedbank's capitalisation should ensure that it can withstand a stressed scenario while still exceeding capital requirements by a safe margin. Strong capitalisation is also necessary to guarantee access to competitive capital market funding. The majority of Swedish capital requirements have been clarified, and Swedbank meets them by a wide margin, at the same time that independent stress tests show that Swedbank is among the banks in Europe with the lowest risks and strongest resilience.

...promotes our competitiveness

Good cost control and high resource efficiency give us the investment scope needed to remain an attractive bank in the future as well.

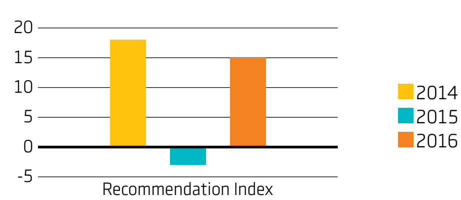
RESULT: Customer satisfaction in Sweden is mainly measured by the NKI survey, which comprises around 35 000 of the bank's customers. Customer satisfaction for private customers increased slightly in 2016, from a score of 64 to 65, but fell from 62 to 60 among corporate customers. In the Baltic countries customer satisfaction is measured by the TRIM survey. In 2016 customer satisfaction increased among private customers in all three of our Baltic home markets. Among corporate customers it increased in Lithuania and was unchanged in Estonia and Latvia.

Customer satisfaction, private customers



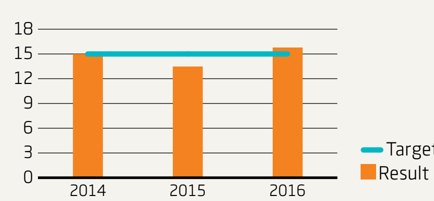
RESULT: The recommendation index, i.e. the likelihood of recommending Swedbank as an employer, improved during the year after declining in 2015. There is a difference, however, between our home markets, with the Baltic countries achieving a higher score than Sweden.

Recommendation index



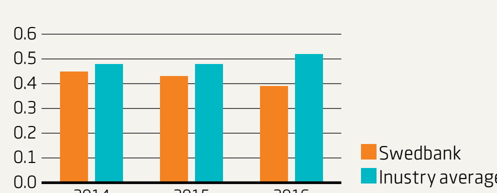
RESULT: The return on equity increased during the year to 15.8 per cent (13.5), compared with the target of 15 per cent. Higher income, mainly due to the sale of Visa Europe, improved net gains and losses on financial items within Group Treasury and higher net interest income contributed to the increase.

Return on equity, %



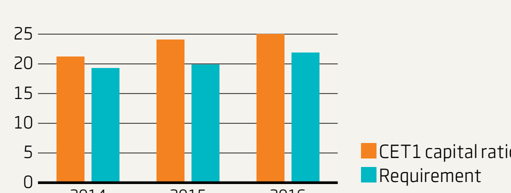
RESULT: Cost control was good during the year and total costs amounted to SEK 16.4bn (16.3). Swedbank's cost/income ratio fell in 2016 to 0.39 (0.43) after income rose by 11 per cent while costs climbed 1 per cent. The average for Sweden's three other major banks – Nordea, SEB and Handelsbanken – was 0.52. Since Swedbank intends to speed up the rate of investment in the areas of savings, lending and digital banking at the same time that compensation to the savings banks is expected to rise going forward due to higher lending margins in 2016, total costs are estimated at SEK 16.7bn in 2017.

Cost/income ratio compared with industry average



RESULT: The Common Equity Tier 1 capital ratio continued to strengthen during the year to 25 per cent (24.1) as of 31 December. This compares with a total Common Equity Tier 1 capital requirement, including all announced increases in the countercyclical buffer, of 21.9 per cent. The improved Common Equity Tier 1 capital ratio is mainly the result of solid earnings generation at the same time that the risk exposure amount (REA) increased modestly.

Common Equity Tier 1 capital ratio, %



A competitive offering

With over seven million private customers and more than 600 000 corporate customers, Swedbank leads in several product areas in our home markets. We offer our customers everything from mortgages to flexible payment solutions and multiple savings alternatives.

Swedbank offers products mainly in the areas of lending, payments and savings. We are a welcoming and inclusive bank for the many households and businesses with a strong position in all these product areas in our four home markets: Sweden, Estonia, Latvia and Lithuania. In Sweden we are the largest in mortgages as well as deposits from private customers, fund savings and bank giro payments. In Estonia we are the biggest bank in every common banking product, and we have a strong position in Latvia and Lithuania, particularly among consumers.

Finance

Swedbank offers a variety of financing solutions for households and businesses. Of our total lending to the public of SEK 1 453bn excluding the Swedish National Debt Office and repurchase agreements, more than half is mortgages, the majority in Sweden. We are the leader in mortgage lending in all our home markets.

Mortgages are offered in Swedbank's home markets with variable or fixed rates for up to 30 years. For business customers we offer everything from factoring and investment loans to loan syndication and interest risk management. The majority of business lending relates to real estate companies and forestry and agricultural businesses.

Lending has been affected by a series of regulations in recent years. In 2016, for example, an amortisation requirement was introduced on mortgages in Sweden and in January 2017 the mortgage lending directive took effect with the aim of strengthening consumer protection by providing customers with clearer information.

Our offering is also affected by digitisation. Swedbank is working actively to digitise its mortgage lending in order to reduce manual tasks and thereby free up resources and simplify the process for customers.

Pay

As part of the financial infrastructure in the countries where we operate, we make it possible for our customers to receive and make payments through a variety of services and products. With nearly 8 million cards in issue in Sweden and the Baltic countries, Swedbank is one of Europe's largest card issuers. We also have a leading position in card acquiring. In addition, Swedbank handles the largest share of payments that go through the Swedish bank giro system. Together with five other banks, we have also developed the real-time payment service Swish, which is now used by over 5 million private customers and around 85 000 corporate customers.

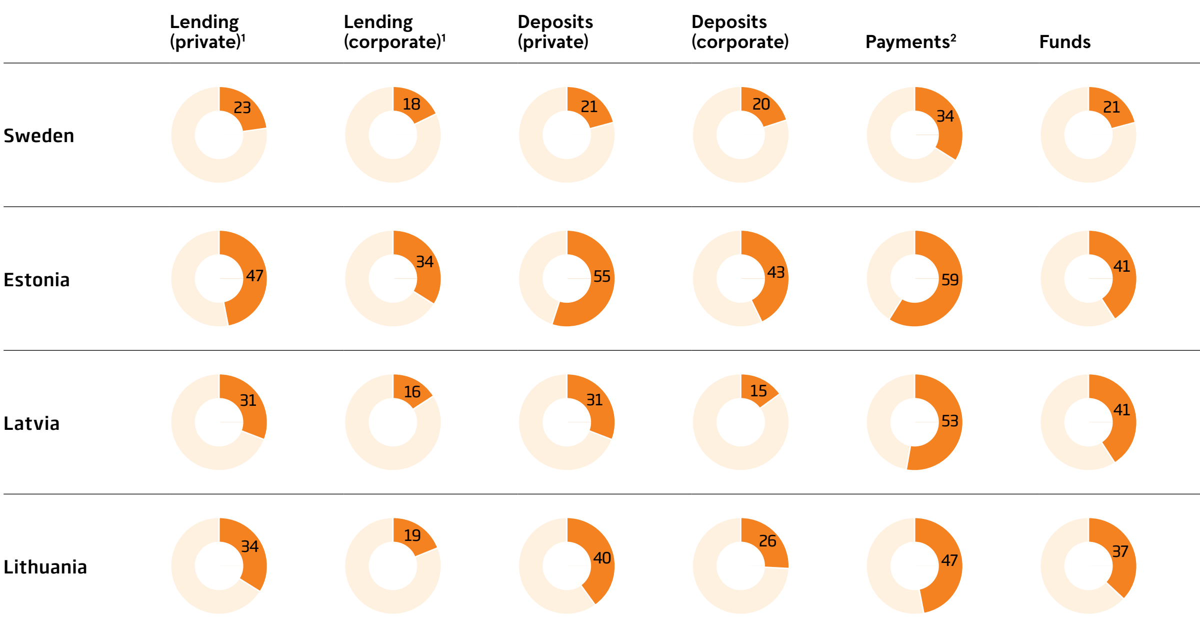
Like the other product areas, Pay is impacted by a number of regulations. The revised Payment Services Directive (PSD2), which enters into force in January 2018, allows other parties, with the customer's approval, to execute payments, obtain account information and link payment products to the customer's account in the bank.

Just like other companies, Swedbank has an opportunity to benefit from the new legislation. The aim therefore is to give our customers a comprehensive overview of their personal finances through our digital channels regardless of whether they have a payment account in another bank as well.

Save

Swedbank offers several types of savings. Aside from traditional savings accounts, customers can invest in funds and various financial instruments such as equities. The subsidiary Robur, which was founded in 1967 and was the first to widely offer bank-affiliated funds to the Swedish people, is the country's largest fund management company. In recent years, however, it has lost market share. The bank's share of private deposits in the Swedish market has also fallen slightly, partly because digitisation has opened the market to new competition at the same time that demands for simplicity and transparency have increased. To address this, we are digitising our offerings to make it easier for customers. We have also put greater focus on pension solutions, where our market share is lower than in fund management and deposits. Work is currently underway on a number of regulations that will affect savings, such as MiFID II, IDD and PRIIPs. They are designed to increase transparency for customers and strengthen investor protection, which will ultimately improve our savings offer for customers.

Market shares, %



1) Excluding the Swedish National Debt Office and repurchase agreements.
2) Bank Giro transactions (Sweden) and domestic payments (Estonia, Latvia and Lithuania).

Competition in Swedbank's home markets

In Sweden, Swedbank, Handelsbanken, Nordea and SEB accounted for about 70 per cent of deposits and lending in 2016. Swedbank is biggest in retail banking and has a leading position in lending to private customers (23 per cent), deposits from private customers (21 per cent) and fund management (21 per cent). In the Swedish corporate market the bank's share was 18 per cent for lending and 20 per cent for deposits at the end of 2016. The Estonian banking sector is more concentrated than Sweden's.

The market is dominated by foreign companies, with Swedbank, SEB, Nordea and Danske Bank together controlling around 90 per cent. Swedbank had a market share of 55 per cent for deposits from private customers, 47 per cent for lending and 41 per cent for fund management. In the Estonian corporate market the bank's share was 34 per cent for lending and 43 per cent for deposits.

Latvia has a more fragmented market where local banks account for 30 to 70 per cent of the various segments. In 2016 Swedbank accounted for 31 per cent of deposits, 41 per cent of fund assets under management and 31 per cent of lending to private customers. In the corporate market the bank's share was 16 per cent for lending and 15 per cent for deposits.

Like in Sweden, the banking market in Lithuania is dominated by a few major players. Among private customers, Swedbank accounted for 40 per cent of deposits, 37 per cent of fund volumes and 34 per cent of lending. In the corporate market the bank's share was 19 per cent for lending and 26 per cent for deposits.

Long-term value creation and scalable business model

Swedbank's business model is essentially to convert savings to loans. We can thereby offer households and businesses with money left over secure and effective solutions to manage their capital at the same time that households and businesses in need of funds can meet their financing needs.

Net interest income our largest revenue source

In total, we have lent out SEK 1 453bn to the public excluding the Swedish National Debt Office and repurchase agreements, of which 64 per cent to private customers, the majority to finance housing, and 36 per cent to businesses. Lending is financed through deposits from companies and private customers, but also through capital market funding through bonds and shareholders' equity. To ensure access to capital at a low cost, we have to maintain the trust of the public and the financial market. We do so by keeping risks low in our lending. We receive interest on the capital we lend out, while we pay interest on deposits and funding. The difference between interest income and interest expenses is reported in the income statement as net interest income, our largest revenue source.

The net interest margin, i.e. net interest income in relation to average total assets, must be sufficient to, among other things, cover administrative expenses, generate a return on equity and cover any credit impairments for borrowers that cannot pay their interest or amortise their loans. Credit impairments are reported separately in the income statement. Net interest income and credit impairments are both strongly tied to the real economy and therefore are affected by factors such as GDP growth, interest rates and unemployment.

Funds and cards important to net commission income

Aside from lending and deposits, we offer our customers a range of products and services that generate income mainly in the form of various fees. This income, adjusted for transaction expenses, is reported in the income statement under net commission income.

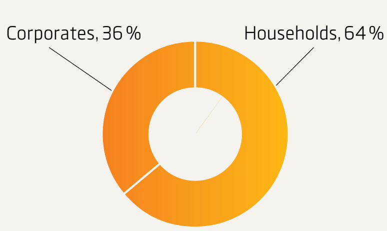
Net commission income is our second largest revenue source and comes largely from our asset management and card businesses. In our asset management business, we manage assets of SEK 1 170bn whereof the majority relates to Swedish mutual funds . To manage capital and cover costs, including for personnel, we charge a fee based on a percentage of the invested amount. As a result, income in the fund business largely depends on growth in assets under management, which in turn is affected by the performance of the stock market, since the majority of the assets in the funds consists of equities.

In the card business, which represents the largest share of our payment operations, we are active as both a card issuer and payment acquirer. Our income is generated from customers who use our cards to make purchases and the stores and restaurants that use our terminals for payments. Income comprises of annual fees and is also based on transaction volume.

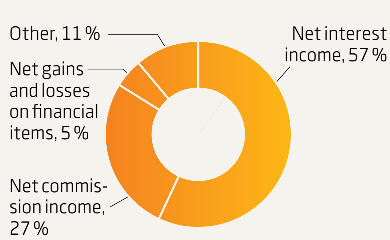
Personnel and IT our largest operating expenses

Swedbank's biggest operating expense is salaries. In addition to the staff that assists customers in our branches, thousands of people work with everything from IT development and risk monitoring to financial reporting. Other major expense items include IT and properties and rents, which are partly a result of the distribution network in the form of the branches and digital channels we maintain.

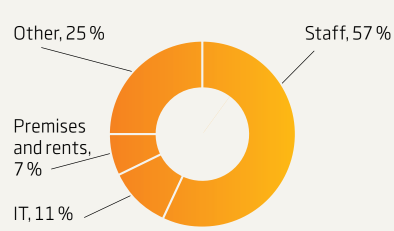
Lending



Income



Expenses



Simplified income statement

+ Our income	SEKm
Net interest income (interest income – interest expenses) Lending generates interest income. Interest expenses are incurred for deposits (savings) and the bank's capital market funding.	23 664
Net commission income Fees charged for services such as cards and payments, asset management, loan commissions, equity trading, insurance and corporate finance.	11 333
Net gains and losses on financial items at fair value Result of the market valuation of lending, funding, currencies and securities held by the bank. Arises through trading in financial instruments by customers and the bank itself and as a result of valuation effects in the accounts, primarily from interest and exchange rate movements.	2 231
Other income Share of result from associated companies, services sold to cooperating savings banks, net insurance, capital gains.	4 407
Total income	**41 635**

– Our expenses	SEKm
–Staff costs To develop the best services and give professional advice, we have to be a relatively personnel-intensive business dependent on attracting and developing people with the right skills as customer needs change.	9 376
– Other expenses An effective customer offering generates development, production and distribution expenses. IT expenses are incurred for development, systems and licences. Production expenses are to develop new and existing products and maintain product platforms. Distribution expenses through the retail network are significantly higher than when transactions are executed through digital channels.	7 065
= Profit before impairment	**25 194**
– Impairments Credit impairments are natural for a bank and arise, for example, when a borrower cannot pay the interest or amortise their loan. All lending carries a risk. Assessing, monitoring and working proactively with credit risks are critical to minimise impairments. Impairments on tangible and intangible assets are also included.	1 433
– Tax Swedbank is one of the biggest corporate taxpayers in Sweden. Together with the country's other banks, we account for about 10 per cent of total corporate income tax collected.	4 209
– Non-controlling interests and profit from discontinued operations	13
= Our profit attributable to shareholders	**19 539**

Earnings distribution

75 per cent of profit is distributed as a dividend to shareholders, who demand a competitive return on the capital they invest. The remaining 25 per cent is allocated to an equity buffer in the balance sheet to withstand economic slowdowns and to finance future investments to increase customer value and create opportunities for growth.

Dividend	Equity

Simplified balance sheet

Our assets	SEKbn
Cash, treasury bills and bonds Swedbank maintains a liquidity buffer in the form of cash and liquid securities to meet its commitments even if access to financing is closed for an extended period.	303
Loans to the public About half of Swedbank's lending to the public consists of mortgages in Sweden. Swedbank is one of the biggest lenders to private and corporate customers in its four home markets.	1 507
Loans to credit institutions As part of the financial system, Swedbank also offers lending and deposits to other banks and credit institutions.	32
Derivatives To protect the bank and its customers against unwanted movements in interest or exchange rates, for example, the bank uses and offers various types of derivatives, mainly swaps, which are reported on both the asset and liability sides of the balance sheet.	88
Other assets	224
Total assets	**2 154**

Our liabilities and equity	SEKbn
Deposits and borrowings from the public Customer deposits finance a significant share of lending. Swedbank has a large, stable base of deposits in its home markets.	793
Debt securities in issue Lending not financed with deposits is funded through the capital markets. Swedbank's market financing is almost exclusively long-term and mainly consists of covered bonds.	842
Derivatives See comment under assets above.	86
Other liabilities	303
Equity The rules on how much capital a bank must maintain have been tightened to ensure that it can continue to operate even under unfavourable conditions.	130
Total liabilities & equity	**2 154**

Engaged employees mean satisfied customers

A high level of employee engagement is critical to our success. We therefore offer a secure work environment with good opportunities for development.

Swedbank has 14 061 employees in 11 different countries, including our home markets of Sweden, Estonia, Latvia and Lithuania. These countries all face different conditions and challenges in terms of attracting customers and employees. The common denominator throughout Swedbank is a strong, value-based corporate culture with competent and engaged employees who build long-term, value-enhancing customer relationships.

Employee value and strong performance are created through opportunities for development, interesting and challenging tasks, strong leaders and an inclusive work environment that promotes healthy and sustainable employees.

"Simple, open and caring."

Values-based corporate culture

Our corporate culture is guided by three core values: simple, open and caring. This applies to the work between employees and interactions with customers.

A survey called Engagement Pulse is regularly conducted to support efforts to build engagement in the bank. The survey is based on factors that are critical to a high level of commitment and a positive work environment. All teams in the bank continuously work together with the results to determine what can be improved so that everyone will feel a sense of commitment and pride in the bank.

The willingness to recommend Swedbank as an employer, the so-called eNPS score, trended higher during the year. There is a big divergence in the results, however, especially between Sweden and the Baltic countries, with the Baltics seeing higher results.

We are convinced that cooperation within the bank and a shared goal are a key success factor. Cooperation promotes engagement, efficiency, skills development and a greater understanding of the big picture. At the same time it enables us to utilise all the competence within the bank in an effective way.

Employees who develop

Market factors such as digitisation and new regulations require different skill sets from our employees. The ability to quickly adapt to changes is crucial to remain an attractive bank and employer with stable profitability.

In 2016 extensive work was done to identify future skills and development needs in each business area.

We believe that the biggest potential for development is in daily work through internal mobility, collaboration and learning from each other. Employees who continuously develop, with skills and experience from different parts of the bank, can better understand our customers and their needs. This lays the groundwork for competitive offerings and creates satisfied employees who feel that they are developing.

We therefore encourage internal mobility among our employees and always announce available positions internally first.

In addition to development and learning in daily work, our educational unit, Swedbank Academy, always offers a range of training options to support future skills needs.

Leaders who support employees

Our goal is to have strong, inspiring and responsive leaders who strengthen the business by supporting and encouraging their employees to meet the challenges we face. Our leaders foster a values-based culture where the role of coach is crucial to successfully and effectively lead employees through change. Individual feedback from managers to employees plays an important role with the goal to spur on higher performance and long-term profitability. Other important aspects of leadership are to contribute to positive work environments, ensure that employees are able to balance their work and private lives, and to encourage and create opportunities for internal mobility. The bank has clearly defined leadership criteria and annually tracks how well our leaders meet them.

"Sustainable employees create sustainable customer relationships."

Occupational health and safety strategically important

We offer safe and healthy work environments that pave the way for strong performance and lasting relationships, both internally and externally. Sustainable employees create sustainable customer relationships, which in turn create sustainable results for the bank.

Occupational health and safety is a strategic priority for us. In Sweden we have an established structure for occupational health and safety work based on a health strategy deeply rooted in the organisation with local health specialists and ombudsmen. More activities have been added to promote good health. For example, we have increased wellness benefits and introduced a wellness hour each week for all employees in Sweden, while in Estonia we have placed added focus on an active lifestyle, good nutrition, mental health and a work-life balance. In Latvia we launched a programme during the year called "Active, Healthy, Inspired" with around 20 different health-promoting sports and activities. In Lithuania quarterly health weeks are arranged with an array of activities such as health talks, meditation, yoga, and body and health analyses.

We continuously monitor and analyse sick leave numbers and how employees respond to the question, "Generally, how do you feel?" (Engagement Pulse), to be proactive in the area.

Diversity and gender equality

Gender equality and diversity are important contributions to our work environments, corporate culture, skills development and interactions with customers. By embracing differences, we create a dynamic workplace with more opportunity for creative dialogue and greater acceptance between employees and with customers.

The long-term goal is that employees will reflect our home markets e.g. in terms of gender, age and ethnic background. We are the bank for everyone and are convinced that diversity generates more business through a bigger network and a better understanding of each individual's specific needs.

A three-year focus on gender equality and diversity that concluded at the end of 2016 gave stronger focus to three areas: equal wages, an equal gender distribution in top management and greater diversity. All managers, including executive management, have received training in gender equality, diversity and inclusiveness. We have reached all the goals of this focus and will continue working to be even better in this area. As a result, the share of women in influential positions in the bank has risen from 29 to 41 per cent, while the share of employees in Sweden with a foreign background increased from 12 to 15 per cent between 2014 and 2016. Gender equality and diversity work is described in more detail in Swedbank's policies and in the gender equality and diversity plans in place locally for each business area and for the entire bank.

Sweden

Men 44% | Women 56%

Age distribution

0–29 years 18% | 30–44 years 36%
45–59 years 39% | 60– years 7%

Estonia

Men 24% | Women 76%

Age distribution

0–29 years 23% | 30–44 years 55%
45–59 years 20% | 60– years 2%

Lithuania

Men 26% | Women 74%

Age distribution

0–29 years 30% | 30–44 years 50%
45–59 years 18% | 60– years 2%

Latvia

Men 23% | Women 77%

Age distribution

0–29 years 27% | 30–44 years 61%
45–59 years 11% | 60– years 1%

A sound and sustainable economy

As a bank, we are an important part of the financial system and have a responsibility to promote a sustainable economy. In 2016 we focused on further integrating sustainability in our business and strengthening our responsibility for climate change.

Swedbank plays a central role in the financial system, and by addressing environmental and social risks in our business we can contribute to more sustainable companies and communities.

Our sustainability strategy is based on integrating sustainability in our core processes, in lending and investment decisions, in procurements and in our payment flows. The strategy stresses the importance of monitoring and reporting sustainability work clearly and transparently and continues our efforts to be an inclusive bank. We want to contribute to a society where everyone has equal access to financial services, including many newly-arrived persons who have chosen Swedbank as their bank.

Responsible lending

Through responsible lending we take responsibility for reducing the indirect impacts on people and the environment that can arise through our customers' businesses. We do not believe that sustainability risks can be separated from financial risks, so we conduct a sustainability analysis in connection with all business loan applications over SEK 5m in Sweden and EUR 0.8m in the Baltic countries. In the analysis, we discuss general sustainability risks with the customer based on a risk assessment model containing questions on human rights, the environment and climate , taxes and corruption. Sustainability risks are evaluated by a credit committee in the same way as financial risks. If a company is considered to have significant sustainability risks, the case can be escalated to the Swedbank's Business Ethics Council for further recommendation and guidance.

Influence through dialogue

Swedbank's fund managers take the environment, human rights, business ethics and corruption into account in their investment processes and ownership work. The focus is on influencing companies in which funds are major owners as well as companies with deficiencies in sustainability and/or corporate governance. As an owner, we can have an influence by participating in nomination committees and through continuous dialogue with boards and executive management. Companies can be excluded from investment for sustainability reasons, although the main principle is to remain an owner and try to have an impact. The bank's sustainability funds invest in companies that manage environmental, social and business ethics risks in a responsible manner. They do not invest in fossil fuels such as oil, gas and coal, and we are working to reduce investments in coal in all our funds.

Sustainable procurement

Sustainability is an important aspect of Swedbank's procurement and is factored into contracts as well as risk assessments and supplier evaluations. Purchases exceeding EUR 50 000 per year that are managed by the bank's central procurement unit undergo a risk classification of the supplier based on country- and industry-specific sustainability risks. The bank's code of conduct is part of a binding contract and shall be signed by all suppliers. Compliance is then monitored.

Minimise operational risks in the business

In payments, we constantly address key risks related to money laundering and terrorist financing. Through system support to monitor transactions, customer screening against sanction lists and the bank's Know Your Customer (KYC) process, we work continuously to minimise these risks in our business.

An important tool to make our all core processes even more sustainable is our sector guidelines. During the year we developed guidelines for eleven sectors to clarify the bank's expectations and recommendations on key sustainability aspects in each industry as well as international standards and norms. We also clearly set out what we expect of companies in terms of human rights, the environment, anti-corruption and transparency.

> **"We clearly set out what we expect of companies in terms of human rights and the environment."**

Anti-corruption work is ingrained in the bank's business processes and integrated in loan assessments, the supply chain, payment flows and investments. Employee training in anti-corruption is an important part of this. We have new guidelines on gifts and events based on Swedbank's code of conduct and anti-corruption policy and a register where gifts are reported using a traffic light model. In addition, we have updated our policy on conflicts of interest and developed new employee guidelines on external assignments. The approval process for sideline work has also been tightened with more detailed information required in the application, which is later registered and followed up. Level 2–3 managers always require approval from Compliance as well. Employees' sidline work is annually evaluated in internal development plans, where goals and expectations are discussed with each individual. To be approved, sideline work cannot interfere with the employee's performance, be with a competitor, cause reputational harm, pose a conflict of interest or be inappropriate.

To identify and evaluate possible conflicts of interest at the management level, interviews have been conducted with members of the Group Executive Committee. Members of the Group Executive Committee are also subject to special rules on personal investments, where in normal cases the following do not give rise to significant conflicts of interest: UCITS funds and similar financial instruments, real estate intended for private use by members or their family, shares in Swedbank and other shares provided that they are discretionary investments and that the agreement has been approved by Compliance.

For Swedbank it is important that risks and irregularities are detected and addressed in time. During the year we therefore improved the internal whistleblowing routine where employees can anonymously report violations of internal or external rules and regulations.

Successful environmental work

Climate change is one of the biggest challenges of our times. Businesses play an important role in fighting global warming. Swedbank works actively to reduce consumption of the Earth's finite resources and to promote a stable climate and energy transformation. Our goal is to reduce greenhouse gas emissions by 60 per cent between 2010 and 2018.

The bank's environment management system is ISO 14001 compliant and provides a structured way to reduce environmental impact. The environmental policy, goals and strategies guide and help us to focus on where the bank can make the biggest difference. The work is guided by our environment management system and reviewed annually through an external audit. We are convinced that successful environmental work not only reduces impact, but also risks, while at the same time strengthening our brand.

During the year we took important measures to address climate change in our work. We have reduced our exposure to coal in terms of both investing and financing. We will not invest in companies that generate over 30 per cent of their revenue from coal production. The reduction in the exposure to coal has been gradual, and divested companies are not eligible for new financing. We have also decided not to directly finance coal-fired power plants.

In addition, we have continued to encourage the companies we invest in and our corporate customers to integrate sustainability in their businesses and address climate change.

By signing the Montreal Carbon Pledge, we have committed to disclose our funds' carbon footprint. Reporting the climate impact of our funds makes it easier for customers to make sustainable choices.

To further contribute to a sustainable economy, Swedbank has made it a priority to continue to finance investments in renewable energy and encourage reductions in coal extraction and greenhouse gas emissions. We also want to offer our customers a wider range of sustainable financial products.

Commitment to social issues

Swedbank is strongly committed to social issues and is especially invested in educational, entrepreneurial and innovation initiatives. During the year we promoted and were involved in several constructive projects in our home markets. We granted state-guaranteed mortgages to more than 900 families in Latvia to help them buy a home.

"Together with the savings banks we continue to support the organisation Junior Achievement, whose aim is to provide young people with knowledge on how to run a business."

In Estonia we participated in the creation of a fund where young entrepreneurs can apply for financial assistance to bring to market innovative products they have developed. Together with other social partners, Swedbank's employees also arranged lectures in schools.

Sustainability goals 2016	Results 2016
Increase financial awareness and knowledge among children and young adults by offering various educational activities in schools in our home markets.	In the Baltic countries, Swedbank's employees, working together with other social partners, arranged over 1 300 lectures on finances during the year. In Sweden, we have helped to teach children and young adults about managing money through the magazine Lyckoslanten, which is published four times a year and has a circulation of 340 000, and through the Young Economy initiative, where Swedbank and the savings banks lectured to around 48 000 upper secondary students.
Reduce Swedbank's direct greenhouse gas emissions by 60% by 2018 using 2010 as a base year.	Swedbank cut its direct greenhouse gas emissions by 48% between 2010 and 2016.
Develop clear and transparent reporting on how sustainability is addressed by our funds.	In 2016 Swedbank Robur expanded and clarified the information on responsible investments and sustainability funds on the website. Further information on each fund's sustainability work will be published in the first quarter of 2017.
Introduce of Swedbank Robur's policy for responsible investments.	Methods were instituted in 2016 to integrate sustainability in investment processes, a model was developed to influence companies, and coal companies were excluded from investment. By 1 April 2017 all of Swedbank Robur's funds will apply the policy on responsible investments.
Be appointed lead manager of at least 5 green bonds.	Swedbank was the lead manager for 8 green bonds with a value of SEK 13.6bn during 2016.
Offer at least 3 equity-linked bonds (SPAX) with a sustainability profile.	Swedbank launched 16 equity-linked bonds with a sustainability profile and an aggregate value of SEK 311m in 2016.

High profitability and low risk create value for our shareholders

For the fifth consecutive year Swedbank distributed 75 per cent of profit to shareholders. Together with the share's annual appreciation, this produced a total return of 23.5 per cent.

In 2016 the OMX Stockholm 30, OMXS30, rose by 4.9 per cent. At the same time that Britain's referendum on EU membership created uncertainty in the financial markets, the world's central banks continued to pursue expansionary monetary policy, providing support to share prices. The banking sector reported a mixed performance. While the European banking index, Stoxx Europe 600 Banks, fell by 6.8 per cent, the Swedish banking index rose by 10.6 per cent. Swedbank continued to create value for its shareholders in this climate. Profitability measured as return on equity was 15.8 per cent, compared with a target of 15 per cent. Together with the bank's strong capital situation, this helped to reaffirm the dividend policy to distribute 75 per cent of profit for the year to shareholders. Including the share's appreciation of 17.7 per cent, this produced a total return of 23.5 per cent. In total, Swedbank's market capitalisation amounted to SEK 245bn at year-end 2016, compared with SEK 207bn at year-end 2015.

Trading on several markets

Swedbank has one class of share, ordinary shares (A shares), which have been listed on NASDAQ OMX Stockholm's Large Cap list since 1995. The bank also has an American Depositary Receipt (ADR) programme, which enables US investors to invest in Swedbank's share on the US OTC market via depository receipts without having to register with Euroclear, the Swedish central securities depository, or buy SEK.

Swedbank's shares are trading on a number of different marketplaces, with Nasdaq OMX Stockholm generating the highest turnover. On average, shares with a value of SEK 526m were traded per day on Nasdaq OMX Stockholm.

Today there are a number of mutual funds and stock indices for companies that meet sustainability criteria. Two that Swedbank is included in are STOXX ESG Leaders and FTSE 4Good. The latter was created to facilitate investments in companies that demonstrate globally recognised levels of responsibility. Other examples can be found on the website under Investor Relations/Swedbank shares.

Ownership and information

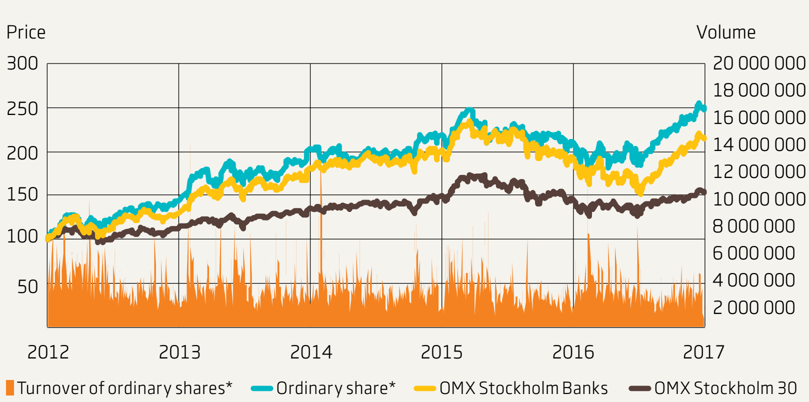
Swedbank had 1 132 million shares in issue at year-end 2016, of which 40.2 per cent was owned by international investors and 59.8 per cent owned by Swedish investors, whereof 8.1 per cent are individual investors.

Holding of own shares

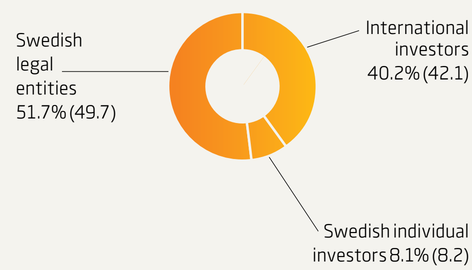
Swedbank held 21 273 902 of its own shares as of 31 December 2016 to secure the commitments in its performance and share-based remuneration programmes. Remuneration is paid in the form of deferred shares with the aim of building long-term engagement among employees through share ownership. In total, 5 328 070 shares were transferred in 2016, resulting in a dilution effect of about 0.5 per cent based on the number of outstanding shares and votes as of 31 December 2015.

The 2016 AGM resolved to adopt new performance and share-based remuneration programmes for 2016 and to transfer ordinary shares under these and previously approved programmes.

Swedbank's share performance compared with indices



Shareholder categories, %
as of 31 December 2016, figures in brackets refer to 2015



* Refers to the average of the share price and the aggregate volume in the Swedbank ordinary share on NASDAQ OMX, BATS Chi-X and Burgundy.

Source: Euroclear Sweden AB

The programmes call for the transfer of up to 21 700 000 ordinary shares (including the shares transferred in 2015), corresponding to a total dilution effect of about 2.0 per cent based on the number of outstanding shares and votes as 31 December 2015.

To continuously adapt the bank's capital structure to prevailing capital requirements, the Board was authorised by the 2016 AGM to resolve to repurchase up to 10 per cent of the total number of shares (including shares repurchased by the securities operations – see below). The Board was also authorised to issue promissory notes that can be converted to shares. In early 2015 and late 2016 the bank utilised the Board's mandate and issued promissory notes that can be converted to shares in the event that the bank's Tier 1 capital falls below a certain level. The issue was part of the capital requirements set by the Swedish Financial Supervisory Authority.

In its capacity as a securities institution, Swedbank engages in securities operations, including trading in financial instruments on its own account. As such, it needs to acquire its own shares. Accordingly, the 2016 AGM resolved that the bank, until the 2017 AGM, may acquire its own shares on an ongoing basis such that the total holding does not exceed 1 per cent of outstanding shares, and that this is done at the prevailing market price.

For more information on Swedbank's share, visit www.swedbank.se/ir

Largest shareholders, 31 December 2016, by owner group[1]

Share of capital and votes, %	2016
Sparbanksgruppen	9.4
Folksam	9.3
ALECTA PENSIONSFÖRSÄKRING	4.5
Swedbank Robur Funds	4.4
AMF-Insurance and Funds	4.0
Sparbanksstiftelser – not Sparbanksgruppen	4.0
JPM CHASE [3]	2.1
Swedbank AB[2]	1.9
SEB Investment Management	1.7
STATE STREET BANK & TRUST [3]	1.7
10 largest shareholders	42.9
Total number of shareholders	296 631

1) Shareholders in lowercase letters are grouped.
2) Repurchased shares, which carry no votes or dividend rights.
3) These shares are nominee-registered shares on at least two levels: with a Swedish custodian bank and on at least one additional level with a foreign bank. Consequently, there is no information on the owner(s) behind the name on the list. There may be one or more owners. The same foreign custodian bank may appear multiple times on the list.

Source: Euroclear Sweden AB

Data per share

SEK	2016	2015	2014	2013	2012
Earnings per share before dilution[1, 2]	17.60	14.23	14.93	11.76	13.03
Earnings per share before dilution, continuing operations[1, 2]	17.60	14.24	15.17	13.89	13.94
Earnings per share after dilution[1, 2]	17.50	14.13	14.81	11.66	12.98
Earnings per share after dilution, continuing operations[1, 2]	17.50	14.14	15.05	13.79	13.88
Equity per share	116.60	114.40	106.35	99.82	93.70
Cash dividend per ordinary share	13.20[3]	10.70[3]	11.35	10.10	9.90
Cash dividend per preference share					9.90
P/E	12.5	13.15	13.09	15.39	9.75
Price/equity per share	1.89	1.64	1.84	1.81	1.36

1) Since the terms to convert the preference shares to ordinary shares are mandatory, the preference shares are included in the calculation of key ratios.
2) Without deducting the preference share dividend. When calculating earnings per share according to IA S 33, the non-cumulative preference share dividend is deducted from profit. The calculations are specified in Note G19.
3) Board of Directors' proposal.

Share statistics, A share	2016	2015	2014	2013	2012
High price, SEK	229.30	223.90	199.80	182.80	128.90
Low price, SEK	150.80	177.20	165.70	127.90	89.15
Closing price, 31 Dec., SEK	220.30	187.10	195.50	181.00	127.00
Average number of trades per listed day[1]	5 413	4 869	4 907	5 060	7 318
Average turnover per listed day, SEKm[1]	526	564	531	505	572
Total market capitalisation, 31 Dec., SEKbn	245	207	215	199	139
ISIN code A share: SE0000242455					

1) Turnover data include turnover on Nasdaq Stockholm.

Sources: NASDAQ OMX. www.nasdaqomxnordic.com

Number of shareholders, 31 December 2016

Size of holding	No. of shareholders	No. of shares	Holding, %
1—500	249 382	32 146 546	2.84
501—1 000	26 574	19 491 687	1.72
1 001—5 000	17 490	33 623 968	2.97
5 001—10 000	1 307	9 398 832	0.83
10 001—15 000	385	4 725 215	0.42
15 001—20 000	205	3 652 493	0.32
20 001—	1 288	1 028 966 981	90.90
Total	296 631	1 132 005 722	100

Source: Euroclear Sweden AB

Financial analysis

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.

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.

Amounts in the table below 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.

Income increased by 11 per cent to SEK 41 635m (37 624). The increase is mainly due to the completion during the year of Visa's acquisition of Visa Europe, which resulted in tax-exempt income of SEK 2 115m. The income, which consists of cash and preferred shares in Visa Inc, arose partly due to Swedbank's membership in Visa Europe and partly to its membership in Visa Sweden Ekonomisk Förening, which in turn is a group member of Visa Europe.

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.

Higher lending volumes supported net interest income

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. In total, lending increased by SEK 82bn during the year, or growth of 6 per cent. Lending to mortgage customers within Swedish Banking accounted for the largest share of the increase. Compared with the full-year 2015 deposits from the public increased by SEK 38bn, or by 5 per cent.

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

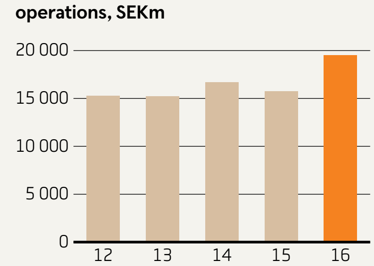
Other income, including the share of profit or loss of associates, increased to SEK 4 407m (2 861). The increase was due to income related to Visa Europe. Excluding Visa, other income decreased by SEK 112m.

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).

Income statement, SEKm	2016	2016 one-off income Visa	2016 excl. one-off income Visa	2015
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
Total income	41 635	2 115	39 520	37 624
Total expenses	16 441		16 441	16 333
Impairments	1 433		1 433	920
Operating profit	23 761	2 115	21 646	20 371
Tax expense	4 209		4 209	4 625
Profit for the period attributable to the shareholders of Swedbank AB	19 539	2 115	17 424	15 727
Return on equity	15.8		14.3	13.5
Cost/Income ratio	0.39		0.42	0.43

Profit for the period from continuing operations, SEKm



Swedbank's profit from continuing operations amounted to SEK 19.5bn, an improvement of 24 per cent.

Solid asset quality

Credit impairments amounted to 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.

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.

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. Profit for discontinued operations was SEK 0m (–6).

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. 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 (107) as of 31 December. At the same time SEK 121bn was placed with central banks. The liquidity reserve amounted to SEK 326bn (314) as of 31 December. The Group's liquidity coverage ratio (LCR) was 156 per cent (159), and for USD and EUR was 160 per cent and 330 per cent respectively. For more on liquidity, see page 36.

Higher rating

In May Fitch Ratings upgraded Swedbank a notch to AA- with a stable outlook. Swedbank's Viability Rating (VR) was upgraded a notch as well, to aa-, and its Short-Term IDR to F1+. The upgrade reflects Swedbank's low-risk strategy since 2009. The rating is based on the bank's successful retail operations, high quality lending and strong capitalisation. The upgrade makes Swedbank one of only a few commercial banks in the world with a AA rating from all three major ratings agencies: S&P, Moody's and Fitch.

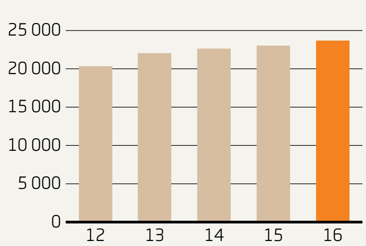
Improved capital position

Swedbank's capital situation was further strengthened in 2016 thanks to solid earnings generation and a stable risk exposure amount (REA) over the course of the year. In addition, Swedbank issued Additional Tier 1 capital (AT1) in December 2016, which strengthened its Tier 1 capital. The Common Equity Tier 1 capital ratio was 25.0 per cent on 31 December 2016 (24.1 per cent as of 31 December 2015). Common Equity Tier 1 capital increased by SEK 4.8bn during the year to SEK 98.7bn. Profit after deducting the proposed dividend positively affected Common Equity Tier 1 capital by SEK 6.2bn. The revaluation of the estimated pension liability according to IAS 19 reduced Common Equity Tier 1 capital by about SEK 1.5bn.

Swedbank's leverage ratio was 5.4 per cent as of 31 December 2016 (5.0 per cent as of 31 December 2015).

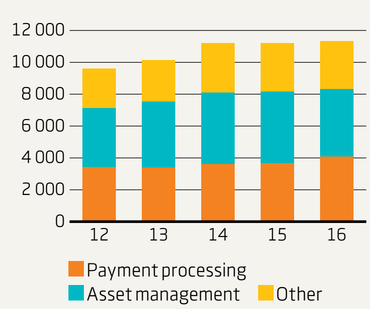
In 2016 the risk exposure amount (REA) increased by SEK 5.0bn to SEK 394.1bn (SEK 389.1bn as of 31 December 2015).

Net interest income, SEKm



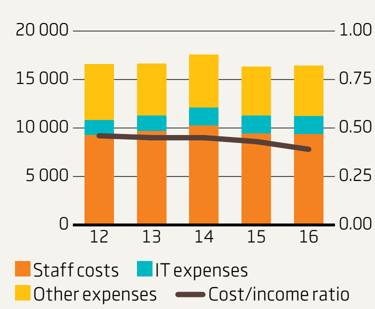
Net interest income increased by 3 per cent. Increased volumes and improved margins on mortgage lending contributed positively, while deposit margins were squeezed by falling market interest rates.

Net commission income, SEKm



Net commission income increased by 1 per cent. Increased income from card payments contributed positively, while lower average assets under management and lower fund fees led to a decrease in asset management income.

Expenses, SEKm



Net commission income increased by 1 per cent. Increased income from card payments contributed positively, while lower average assets under management and lower fund fees led to a decrease in asset management income.

REA for credit risks increased by SEK 9.4bn during the year. This was offset by REA for credit value adjustments, market risk and operational risks, which reduced REA by a total of SEK 4.4bn.

REA for credit risks rose mainly due to increased exposures to private customers and corporates, which raised REA by SEK 15.6bn, of which the FX effects accounted for SEK 3.6bn. A higher Probability of Default (PD) in the estimated credit worthiness of companies in the shipping and offshore sectors within the business area Large Corporates & Institutions raised REA by an additional SEK 0.2bn. Moreover, REA for other credit risks increased by SEK 1.5bn mainly because a smaller number of customers defaulted during the year. Increased collateral values had a positive effect on Loss Given Default (LGD), which reduced REA for credit risksby SEK 7.9bn.

Lower interest rate risk due to smaller positions in covered bonds, among other things, reduced REA for market risks by SEK 1,4bn during the year. REA for credit value adjustments (CVA risk) decreased by SEK 2.1bn, mainly due to smaller exposures.

REA for operational risks decreased by SEK 0.9bn in 2016.

Swedbank's total Common Equity Tier 1 capital requirement rose during the year to 21.9 per cent. 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 September the SFSA completed its Supervisory Review and Evaluation Process (SREP) for Swedbank. In 2016 the SFSA established new methods for using Swedish banks' internal risk-based models for supervisory purposes, especially with regard to corporate exposures. The new methods increase the risk weights and capital requirements for the banks' corporate exposures. The SFSA applied these methods in the SREP for 2016 and it increased the capital requirements from these new methods reported in Pillar 2.

The Pillar 2 requirement also increased because the Common Equity Tier 1 capital requirement for interest rate risk in the banking book rose. The requirement varies over time, mainly as a result of changes in the bank's liquidity portfolio as well as in the interest fixing periods of assets and liabilities.

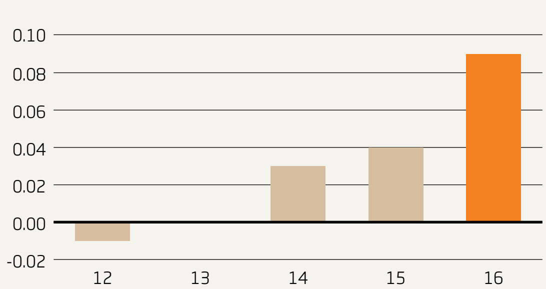
As of June 2016 a countercyclical buffer value of 1.5 per cent applies for Swedish credit exposures. In March the SFSA decided to further increase the countercyclical buffer value to 2.0 per cent. This applies as of 19 March 2017. The countercyclical buffer value also affects Swedbank's capital requirement through the risk weight floor of 25 per cent in Pillar 2 for the Swedish mortgage portfolio.

Other events

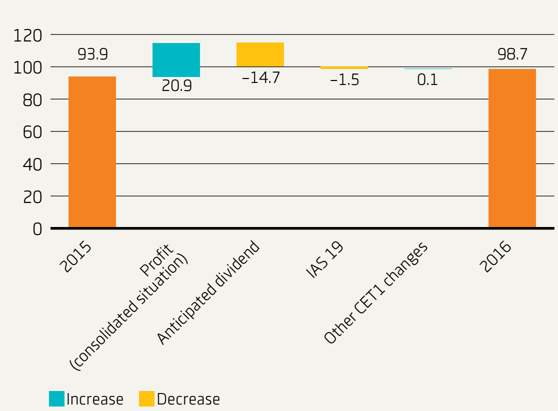
On 9 February 2016 Swedbank's Board of Directors and Michael Wolf announced an agreement that Michael Wolf would step down as President and CEO. The change was made on the Board's initiative. Swedbank's Board appointed Birgitte Bonnesen as acting CEO.

On 12 February Swedbank confirmed that the bank had submitted a report to the SFSA under the reporting obligation rules in the Swedish Market Abuse Penalties Act. The reason forthe submission was that the bank had identified transactions, carried out by the bank's former CEO Michael Wolf, which "could be assumed" to constitute, or have a connection with, an insider offence or market manipulation under the Swedish Market Abuse Penalties Act. The report was forwarded by the SFSA to the Swedish Economic Crime Authority, which decided to initiate a preliminary investigation. The bank fully cooperated with the authorities. The reporting obligation rules prohibit disclosure, meaning that the bank could not disclose to the individual in question or any third party that the reporting had taken place. The bank concluded, however, that the confirmation it issued, in response to statements in the media, did not harm the investigation and had been preceded by contact with the relevant authorities. On 19 April

Credit impairment ratio, %



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



2016 the Swedish Economic Crime Authority decided to close the preliminary investigation of the former CEO.

On 15 February an agreement was announced with Pembroke Real Estate on 800 workplaces at Sveavägen 14 in Stockholm for the LC&I unit. The agreement is a consequence of the bank's decision to move employees in its IT operations who currently work at Stora Essingen to the office in Sundbyberg when the current lease expires.

On 21 March Swedbank's Chief Risk Officer Anders Karlsson was appointed Chief Financial Officer after Göran Bronner announced that he wished to step down as CFO. Anders Karlsson assumed his new role in connection with the publication of Swedbank's interim report for the second quarter of 2016.

On 22 March Swedbank's takeover of Danske Bank's retail banking services in Lithuania and Latvia was approved. Products and services were transferred to Swedbank in June and included in Swedbank's financial accounting.

On 30 March the Nomination Committee of Swedbank announced that it had revised its earlier proposal to nominate Anders Sundström as Chair of the Board. Instead, Deputy Lars Idermark was proposed for election as Chair at the AGM 2016. The reason was that the proposal to re-elect Anders Sundström as Chair was not deemed to have sufficient support following a dialogue with, among others, institutional shareholders that were not represented on the Nomination Committee.

Swedbank's Annual General Meeting on 5 April re-elected Ulrika Francke, Göran Hedman, Lars Idermark, Pia Rudengren, Karl-Henrik Sundström and Siv Svensson as Board members. Bodil Eriksson and Peter Norman were elected as new members. Lars Idermark was elected Chair of the Board by the AGM. The AGM discharged the Board members from liability, but not the former CEO and former Chair. The AGM resolved to distribute to shareholders a dividend of SEK 10.70 per share for the financial year 2015.

On 22 April the Board of Directors of Swedbank appointed Birgitte Bonnesen as President and CEO of Swedbank. She had previously served as Acting CEO and Head of Swedish Banking.

On 29 April Elisabeth Beskow and Ola Laurin were appointed co-Heads of the Large Corporates & Institutions business area. Both are members of the Group Executive Committee and report to CEO Birgitte Bonnesen.

On 30 May Swedbank announced the formation of a new unit for Digital Banking that will be responsible for digital sales support, development and innovation. It also announced that the product organisation Group Products was being replaced by two product areas: Group Savings and Group Lending & Payments. A new Group function called the CEO Office was established as well to support the CEO in strengthening customer and employee satisfaction and to clarify the strategy and way forward. A number of management changes were announced as well.

On 7 July the Norwegian media group Schibsted called off its acquisition of the housing website Hemnet, which had been announced in December 2015. The reason was the Swedish Competition Authority's opposition to the deal in its current form. At the time, Swedbank through Fastighetsbyrån owned 34 per cent of the shares in Hemnet with an option to acquire an additional 8 per cent.

On 30 July the European Banking Authority (EBA) announced the results of the stress test it conducted of 51 European banks. The results showed that Swedbank has sufficient capital to withstand a severe stress scenario.

On 22 August Lars Friberg was appointed Head of Financial Institutions within Large Corporates & Institutions. Lars Friberg was previously Head of Group HR. Elisabeth Wretlinge Zorn was appointed acting head of Group HR.

On 30 August Lars Ljungälv was named Head of Large Corporates within Large Corporates & Institutions. He was previously a Regional Head within Swedish Banking and is a member of Swedbank's Group Executive Committee.

In early October the remaining private mortgages from Sparbanken Öresund were transferred to Swedbank. A large share of private customers from Sparbanken Öresund have had mortgages with other lenders. These volumes have gradually been transferred to Swedbank since the acquisition of Sparbanken Öresund in May 2014. A technical transfer of the remaining volume of about SEK 13bn took place in October.

On 6 October Lotta Lovén was named head of Digital Banking. She previously shared leadership with Girts Bērziņs, who was appointed head of Strategy within Digital Banking. Both are 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 the owners of the housing website Hemnet to acquire it for approximately SEK 2bn. At the time, Fastighetsbyrån owned 34 per cent of the shares in Hemnet with an option to acquire an additional 8 per cent that will accrue to the company through the sale.

No decision was made during the year on the case opened by the SFSA in 2015 concerning Swedbank's handling of certain conflicts of interest. The bank intends to continue cooperating fully with the authorities. During the year, the Board decided to update and strengthen relevant policies and guidelines as well as to improve the processes for monitoring compliance. For more information, see the corporate governance report on page 42.

Events after 31 December 2016

On 9 January 2017 Swedbank announced that the sale of Fastighetsbyrån's holding in Hemnet had been completed. For Fastighetsbyrån's owner, Swedbank, the sale generates a tax-exempt capital gain of SEK 680m in the first quarter of 2017. The capital gain will be recognised in Other income.

On February 22 it was announced that Swedbank's Board of Directors does not intend to make any claim for damages against the Swedbank's former CEO and former Chair, neither of whom was discharged from liability for the financial year 2015 by the AGM 2016. For more information, see the corporate governance report on page 42.

Developing in pace with customer needs

In 2016 Swedish Banking continued to develop its offerings so that customers can manage all their finances digitally. Among other things, we launched a new version of the Internet Bank.

Customised offering

More and more customers are now banking through our digital channels, and the number of digital customer meetings will soon reach a billion per year. We have therefore given customers more ways to manage their finances digitally and through our Telephone Bank. At the same time we continue to offer personalised service at our branches, especially for customers with more complex needs.

> "An important part of our own development is to tap into our employees' ideas."

To meet changing customer behaviour, the Telephone Bank and our customer service through social media have been available round the clock since June 2016. We also launched a beta version of our new Internet Bank, which we have developed in dialogue with our private customers. The service is as easy to access by mobile phone and tablet as by computer, and during the year more functions were gradually added. Among other things, customers can now apply digitally for a mortgage commitment, which has proven popular. We have also made it simpler for customers whose primarily language is not Swedish to manage their finances. Our website currently has information on our most commonly used products and services in Arabic, French, Kurdish, Persian, Somali, Spanish and Turkish, besides Swedish and English. A small group of corporate customers has also been given access to a beta version of the new Internet Bank for companies.

Innovation is important for Swedbank. We have therefore chosen to cooperate with the business incubator Sting, which supports promising startups. An important part of our own development is to tap into our employees' ideas. A numbers of employees were given an opportunity last autumn to pursue their best ideas together with Sting Test Drive Fintech, a development program for financial technology ideas.

Housing market remains strong

In 2016 the Riksbank continued to cut an already negative repo rate. For private customers and most of our corporate customers we have chosen to date not to introduce negative rates on either savings or current accounts and instead bear the cost ourselves. On the corporate side individual assessments are made regarding negative rates.

Mortgage rates, which are affected not only by the repo rate but also by factors such as capital requirements, moved little during the year.

House prices continued to rise, but at a slower rate than in 2015. One reason is the amortisation requirement introduced in Sweden in June 2016. New mortgages with a loan-to-value ratio over 70 per cent must be amortised by at least 2 per cent of the original loan amount per year, while new mortgages with a loan-to-value ratio between 50 and 70 per cent must be amortised by at least 1 per cent. Swedbank already had similar internal rules in place when the new law was introduced, and during the year we saw only a marginal effect from it.

Share of group profit before impairments

54 %

As part of our work with sustainable lending, we continuously review our credit process. To ensure that customers have enough of a financial buffer on the day interest rates change, we introduced a minimum rate of 7 per cent in 2016 in our "left to live on" calculation and a limit on household debt of five times total annual income.

> "To meet changing customer behaviour, the Telephone Bank and customer service through social media have been available round the clock since June 2016."

Swedish Banking in brief

Swedish Banking is Swedbank's largest business area, accounting for just over half of the Group's overall profit. With around 4 million private customers, we are Sweden's largest private bank. Together with Large Corporates & Institutions, we have over 300 000 corporate and organisational customers, representing a large share of the corporate market. Through the Internet Bank and Mobile Bank, personal service by phone, our 248 branches and the cooperation of savings banks and franchisees, we are always available. Swedbank is part of the local community, where the bank's branch managers have a strong mandate to act. The bank's presence and engagement are expressed in various ways, including the initiative "Young Jobs", which has created several thousand trainee positions for young people.

Financial overview

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.

Condensed income statement, SEKm	**2016**	**2015**
Net interest income	14 780	13 449
Net commission income	6 938	7 188
Net gains and losses on financial items at fair value	306	264
Other income	1 405	1 555
Total income	**23 429**	**22 456**
Staff costs	3 363	3 574
Other expenses	6 343	6 244
Total expenses	**9 706**	**9 818**
Profit before impairments	13 723	12 638
Impairments	–51	482
Operating profit	**13 774**	**12 156**
Tax expense and non-controlling interests	2 956	2 839
Profit for the year attributable to: Shareholders in Swedbank AB	**10 818**	**9 317**
Business volumes, SEKbn		
Lending[1]	1 135	1 066
Deposits[1]	496	453
Key ratios		
Cost/income ratio	0.41	0.44
Credit impairment ratio[2], %	0.00	0.04
Full-time employees	4 187	4 401

1) Excluding Swedish National Debt Office and repurchase agreements.
2) For more information about the credit impairment ratio see page 42 of the Fact book.

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.

Focus on customers

The results of the annual customer survey SQI Bank showed that trust in the entire financial services industry in Sweden, including Swedbank, had slipped. On the other hand, the results of customer meeting surveys showing how customers feel about the offerings and service offered to them in meetings via the Telephone Bank have been very positive. We apply all the feedback we receive from our customers and are working to further improve our customers' and the public's trust in Swedbank.

In addition to the improved digital functions launched during the year, we focused in 2016 on strengthening our savings offering. Among other things, campaigns were conducted to increase interest in and knowledge about pensions. We have also stayed engaged in teaching young people about money. Through an educational initiative called Young Economy, Swedbank's and the savings banks' around 250 Young Economy ambassadors offer schools to help them teach personal finance. We have also modernised the magazine we publish together with the savings banks, Lyckoslanten, which has inspired and motivated schoolchildren to think sustainably about money for 90 years.

Strong position in the Baltic countries

Swedbank has maintained its strong market position in the Baltic countries. Further steps were taken in 2016 to improve functionality in the digital channels.

Strong consumer confidence

Customer activity continued to increase in 2016. Lending growth in Baltic Banking was positive in all four quarters of the year in the wake of rising consumer confidence, wage increases and economic growth in the region.

In June we finalised the acquisition of Danske Bank's retail banking business in Latvia and Lithuania by transferring its products and services to Swedbank. The loan portfolio that was acquired amounted to SEK 4.4bn, the large part of which was attributable to Lithuania.

> "Lending growth in Baltic Banking was positive in all four quarters of the year in the wake of rising consumer confidence, wage increases and economic growth."

Negative interest rates continued to affect our operating environment. We have maintained our position not to charge retail customers for deposits. In the majority of our lending, we apply an interest rate floor, which means that the reference rate is set at 0 instead of a negative rate, to mitigate the effect of negative market interest rates.

New functions and services

As customers behaviour changes we are taking measures to increase functionality in our digital channels.

A new tablet-friendly version of the Internet Bank has been launched in all three Baltic countries. And additional accounts can now be opened through the Internet Bank. Furthermore, we have fully digitised consumer loans. Our customers also appreciate that they can make transfers directly from their credit card accounts.

Contactless card payments, which means that customers simply have to hold their card in front of a terminal to make a payment, were launched in the Baltic countries during the year.

We have also taken steps to encourage use of the Mobile Bank through various campaigns and by developing additional functions. For example, private customers can now view all their card details as well as change a limit or freeze a card through the Mobile Bank. Simple payments via bank link were also made available in Mobile Bank. The function that lets them check an account balance simply by shaking their smartphone is now the most commonly used function and usage grew by 66 per cent in one year. As a result, the number of active Mobile Bank users rose by 76 per cent during the same period.

Share of group profit before impairments

17%

We have also launched a number of digital services for corporate customers. They can now manage their rights through the Internet Bank as well as verify possible leasing limits. Moreover, we have begun offering mobile card terminals for smartphones to make it easier and more cost effective for small businesses to accept card payments.

Personal and proactive offers

In order to offer customers more relevant products and services, we have broadened and improved our structured work with customer data. By analysing variables such as the stage in life customers are in, their financial behaviour and how they use our products, we can establish more proactive contact with them.

We have seen the best results from using customer data in consumer financing, where around 50 per cent of sales is now automated through digital channels. Precalculated limits, together with electronic signing, have improved the customer experience. Automated loan offerings and precalculated limits are also offered to our corporate customers.

> "Swedbank continues to have a strong, popular brand among Baltic customers."

Baltic Banking in brief

Baltic Banking accounts for nearly one fifth of Swedbank's total operating profit and has operations in all three Baltic countries. Our largest market is Estonia, where we have a leading position in all our core areas, such as lending to and deposits from households and companies, payments and pensions. We also have a strong presence in Latvia and Lithuania, particularly among private individuals.

Financial overview

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.

Condensed income statement, SEKm	2016	2015
Net interest income	3 994	3 558
Net commission income	2 074	2 052
Net gains and losses on financial items at fair value	220	202
Other income	524	475
Total income	**6 812**	**6 287**
Staff costs	963	900
Other expenses	1 593	1 581
Total expenses	**2 556**	**2 481**
Profit before impairments	4 256	3 806
Impairments	–14	–164
Operating profit	**4 270**	**3 970**
Tax expense and non-controlling interests	586	1 510
Profit for the year attributable to: Shareholders in Swedbank AB	**3 684**	**2 460**
Business volumes, SEKbn		
Lending[1]	140	124
Deposits[1]	170	145
Key ratios		
Cost/income ratio	0.38	0.39
Credit impairment ratio[2], %	–0.03	–0.14
Full-time employees	3 839	3 811

1) Excluding Swedish National Debt Office and repurchase agreements.
2) For more information about the credit impairment ratio see page 42 of the Fact book.

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.

Increased availability

We further strengthened our physical distribution network during the year to make banking services more easily available in rural areas. In Latvia, we have made sure that services are available in all regional cities, and in Estonia we have made it possible to withdraw cash in a number of stores.

We are convinced, however, that the best and most convenient way for our customers to contact us is through our digital channels, which is also why we added more self-service functions to both the Mobile Bank and the Internet Bank during the year.

Swedbank continues to have a strong, popular brand among customers in the Baltic countries. In the annual survey of "Most Loved Brands in the Baltic countries", Swedbank came fourth, with the highest score among all financial institutions and thereby maintained its strong position from 2015. Only Google, YouTube and Facebook ranked higher.

Need for advice in a challenging environment

Large Corporates & Institutions (LC&I) continued to refine its business model during the year. Regulations and the operating environment affect our business and customer behaviour.

Changing customer needs

Our operating environment and our customers' needs are changing. Increased mobility and digitisation continue to affect customers' needs and behaviour, while new regulations necessitate IT investments and change our processes. At the same time we see how demand for a banking partner that can provide comprehensive help and offer sustainable advice is growing. We are continuing therefore to build on our customer-centric business model, and our strong analysis and advisory expertise makes us relevant for our customers in all market situations.

Macroeconomic developments created opportunities as well as challenges for LC&I in 2016. At the end of the year oil prices recovered somewhat from the low levels when the year began . Major oil companies are still reluctant to invest, however, and many of the bank's customers in the industry need advice. Some have also had to reconstruct their businesses, resulting in increased provisions for credit impairments.

New regulatory requirements have an impact

Large Corporates & Institutions' business is affected by a number of new and revised regulations and standards. Among them are IFRS 9, which concerns the accounting for financial instruments, and MiFID II, the directive on financial instruments, which is designed to better protect investors and sets requirements on everything from product information to how we are organised.

Taken together, the new regulations affect the business in several ways, including IT development, product sales and distribution, information management and data aggregation. A number of projects are underway to implement the necessary changes.

Market valuations were relatively high at the end of the year, which made acquisitions more expensive. The geopolitical situation created a degree of uncertainty for large companies resulting in a wait-and-see attitude.

Negative interest rates continued to impact the business. Large Corporates & Institutions is only charging financial institutions for deposits in a few currencies, and here as well customers are in need of advice.

> "Customers whose portfolios include bonds and interest rate derivatives, such as swaps, are in greater need of risk management advice in the current interest rate environment."

Customers whose portfolios include bonds and interest rate derivatives, such as swaps, are in greater need of risk management advice in the current interest rate environment. The negative short-term market rates have had a big impact on the pricing of several instruments, and previous strategies have not produced the same results, which has made it more important for customers to evaluate how they manage risk.

New leadership and strong position

In April Elisabeth Beskow and Ola Laurin were appointed the new Co-Heads of Large Corporates & Institutions. During the year the focus was on further developing the customer- centric service model to offer services better matched to the unique needs of the largest customer groups as well as make more effective use of our specialist competence.

Share of group profit before impairments

17%

The business area also modified its processes during the year to better manage operational risks and introduced a new structure in which two new units were created: Capital Markets, which

Large Corporates & Institutions in brief

Large Corporates & Institutions (LC&I) is responsible for Swedbank's offerings to the very largest companies and financial institutions. We offer everything from traditional bank lending and funding advice to liquidity management, trading in financial instruments and analysis. We are also responsible for developing corporate and capital market products for Swedish and Baltic Banking and the savings banks. The majority of LC&I's 1 270 employees are in Sweden, but we are also represented in the Baltic countries, Norway, Finland, Luxembourg, China, the US and South Africa.

Financial overview

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.

Condensed income statement, SEKm	**2016**	**2015**
Net interest income	3 332	3 416
Net commission income	2 334	2 011
Net gains and losses on financial items at fair value	2 068	1 892
Other income	77	140
Total income	**7 811**	**7 459**
Staff costs	1 750	1 658
Other expenses	1 776	1 659
Total expenses	**3 526**	**3 317**
Profit before impairments	4 285	4 142
Impairments	1 525	284
Operating profit	**2 760**	**3 858**
Tax expense and non-controlling interests	489	629
Profit for the year attributable to: Shareholders in Swedbank AB	**2 271**	**3 229**

Business volumes, SEKbn		
Lending[1]	178	181
Deposits[1]	120	121

Key ratios		
Cost/income ratio	0.45	0.44
Credit impairment ratio[2], %	0.59	0.10
Full-time employees	1 270	1 235

1) Excluding Swedish National Debt Office and repurchase agreements.
2) For more information about the credit impairment ratio see page 42 of the Fact book.

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).

comprises stock market and capital market products, and Fixed Income, Currency and Commodities, which brings together all fixed income and FX trading. The structural work during the year also included a decision in Norway to sell the retail and asset management businesses and instead focus more on the core business: offering services for large corporates and institutions.

Digitisation is the key to meeting customers' new expectations and preferences, and LC&I is working actively to develop digital platforms for FX trading and cash management, among other things. Additional collaborations have been established with major international banks to broaden the range of currencies.

Sustainable growth is important to Swedbank, and as part of our efforts to promote green lending we arranged a seminar on green bonds during the year. Swedbank also strengthened its position in eurobonds through a number of large issues for Swedish and Norwegian companies. Moreover, the bank performed well in Prospera's surveys during the year, including ranking number one in bond issues (DCM).

Swedbank was involved in several significant deals during the year, including the real estate company Castellum's acquisition of Norrporten, the oil company Statoil's share purchases in Lundin Petroleum and the steel company SSAB's new share issue.

Central functions support the business operations

In 2016 our central units were reorganised to more effectively support business operations in a changing environment. Among other things, a new unit for digital banking was established.

New unit for digital development

In May 2016 a new group function, Digital Banking, was established to meet the challenges and opportunities created by digitisation. The unit is responsible for developing and managing the digital channels as well as the tools used to meet customers. Digital Banking is also responsible for driving internal innovation and establishing collaborations with third-party suppliers that create more value for customers as well as shareholders.

> "Digital Banking is responsible for driving internal innovation."

In 2016 a new beta version of the Internet Bank was launched in cooperation with Swedish Banking. At the same time work was begun on digitising the bank's very important mortgage lending business.

More focused work in the product areas

In 2016 the product organisation Group Products was replaced by the product areas Group Savings and Group Lending & Payments to create an even more customer-centric organisation and accommodate the major changes in each area.

The product areas focus on supporting the business and digitising the product range.

Group Savings is responsible for the bank's savings products in our four home markets. This responsibility includes all products except equities and structured products, where Group Savings instead works closely with Large Corporates & Institutions.

Group Payments & Lending is responsible for the bank's loan and payment offerings. The product area works closely with the business areas, the IT organisation and Digital Banking.

Group Treasury - a bank within the bank

The majority of the income generated within Group Functions & Other is from Group Treasury. Among its responsibilities is ensuring that the bank always has sufficient liquidity, capital market funding and capital planning. The unit also manages the market and liquidity risks that arise in the various business areas.

> "Group Treasury manages the market and liquidity risks that arise in the business areas."

This is achieved by having Group Treasury pay the business areas an internal rate of interest for the liquidity that they provide the bank (deposits) and charge them for the liquidity they utilise (mainly lending). The internal rate of interest for any individual transaction depends on factors such as maturity, currency, fixed interest period and external market interest rates. Group Treasury essentially serves as a form of internal bank.

Share of group profit before impairments

12%

While Group Treasury neither earns nor loses money over time on fund transfer pricing system, net interest income will fluctuate as a natural part of operations.

Group Treasury also has a mandate to take interest rate risks, which makes it possible to generate a positive result. The unit's income is also affected when market movements change the value of the bank's liquidity portfolio, consisting of interest-bearing assets, and any covered bond repurchases.

Group Functions support the business operations

Among other Group functions that support the CEO and the Group's business operations are:

- Group Compliance, with responsibility for ensuring that the bank complies with external and internal regulations.
- Group IT, which sets long-term IT priorities and adapts them to the bank's business strategies. Group IT also provides a number of IT services to the bank, including development and maintenance.

Group Functions & Other in brief

Group Functions & Other consists of central business support units such as Digital Banking and Group Treasury and the product areas Group Lending & Payments and Group Savings. The role of Group Functions is to support the CEO and the Group's business operations. Group Functions are also responsible for drafting and monitoring the application of Group-wide guidelines and processes, for Group-level decisions on the application of policies on behalf of the CEO, and for compiling, analysing and providing information to the CEO and the Board of Directors.

Financial overview

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.

Condensed income statement, SEKm	2016	2015
Net interest income	1 559	2 570
Net commission income	–45	–132
Net gains and losses on financial items at fair value	–363	– 1786
Other income	2 561	887
Total income	**3 712**	**1 539**
Staff costs	3 300	3 263
Other expenses	– 2 518	–2 429
Total expenses	**782**	**834**
Profit before impairments	2 930	705
Impairments	–27	318
Operating profit	**2 957**	**387**
Tax expense and non-controlling interests	191	–340
Profit from discontinued operations		–6
Profit for the year attributable to: Shareholders in Swedbank AB	**2 766**	**721**
Full-time employees	4 765	4 446

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 Risk ensures that risks are managed effectively and in accordance with Group-wide routines.
- CEO Office coordinates units with responsibility for strategy, HR, legal, communication, sustainability and branding.
- CFO coordinates units with responsibility for financial control and reporting (including Group Treasury) as well as procurement.

In addition to group functions there is Internal Audit, which reports to the Board of Directors and reviews and evaluates the organisation's systems for risk management, governance and control. (For more information, see page 45.)

Low risk a strategic priority

Managing risk responsibly is a pre-condition to creating sustainable value and a key factor in Swedbank's governance. Proactive risk management with local responsibility is therefore a central part of Swedbank's operations.

Responsible lending is a pre-condition to a well-functioning bank. Swedbank's business units and subsidiaries bear full responsibility for the credit risks that arise in their operations. The employees at our branches are the closest to customers and know them and the specific market best. This personal interaction provides an opportunity to offer advice on the customer's entire financial situation. Standardised risk classification tools support the lending process.

A diversified credit portfolio

Swedbank's lending is focused on its four home markets, which account for 96 per cent of all lending, while the other 4 per cent relates mainly to customers in the other Nordic countries. The credit portfolio is well-diversified and comprises a large number of customers, mostly in sectors with low risk.

To maintain a well-diversified credit portfolio with a low risk profile and a good balance between risk and return, Swedbank works continuously to understand customers and their markets. As a responsible financial partner, it is in Swedbank's interest that customers don't take unnecessary risks either. This means considering each customer's long-term finances, ability to repay and resilience. The employees at our branches are the closest to customers and know them and the specific market best. This personal interaction provides an opportunity to offer advice on the customer's entire financial situation.

Swedbank monitors all borrowers continuously, and in the case of corporate customers, credit institutions and sovereigns credit assessments are conducted at least once a year. Corporate customers also undergo a special sustainability risk assessment prior to major credit decisions.

Through delegated responsibility the organisation can react quickly if problems arise. To proactively manage risks, the credit portfolio is continuously analysed to see how it could be affected by future macroeconomic changes and in various crisis scenarios. This provides guidance for lending as well as for changes in internal rules.

Low risks despite global uncertainties

Swedbank's credit impairments and impaired loans remain at low levels and have not been affected by weak global economic growth.

The low risks in Swedbank's portfolio are confirmed by both internal and external stress tests.

On 1 June the Swedish Financial Supervisory Authority (SFSA) introduced an amortisation requirement on new mortgages in Sweden. Activity in the housing market declined slightly and prices levelled off, but it is still too early to tell whether the trend has been broken.

To ensure the quality of its credit portfolio, the bank already in 2015 introduced strict lending criteria for homebuyers that include a premium in the payment calculator for stressed scenarios, amortisation schedules similar to those in the SFSA's new rules and a debt-to-income cap. In general, Swedbank's customers have a good payment ability and their loan-to-value ratios are low.

Oil prices were stable during the year, but at too low a level for new investment. The close dialogue with oil-related customers continued according to plan as they restructure and reconstruct. In cases where reconstructions are not considered complete, the bank has allocated provisions for anticipated losses as a precaution. Calculated in original currency, the portfolio decreased during the year.

Stable market and counterparty risks

Despite growing concerns at times, Swedbank's market risks remained at low, stable levels.

Swedbank controls, analyses and reports its market risks on a daily basis. Value-at-Risk, sensitivity to interest rate fluctuations and the impact on the portfolio of potential shifts in equity prices are examples of calculations that are done and analysed to ensure that any market risk-related losses are low and limited within the risk appetite set by the Board of Directors. To complement these calculations, daily stress tests are conducted in which a number of more extreme events and their potential impact on the market value of the portfolios are analysed.

Counterparty risk arises in cases when a counterparty in a transaction fails to meet its financial obligations and the collateral that has been received is insufficient to cover the claim. The majority of Swedbank's counterparty risks result from the Swedish operations within Group Treasury and Large Corporates & Institutions (LC&I). For a counterparty to transact with Swedbank it must first undergo a process in which a number of factors are carefully considered before a limit is approved. Swedbank uses various types of methods to minimise counterparty risk, mainly legal contracts that allow netting as well as exchanges of financial collateral.

The Group works continuously and systematically to comply with existing and pending regulations. This includes integrated oversight of the models, methods and processes applied to manage market and counterparty risks.

Greater focus on operational risk in a digital world

Swedbank is exposed to operational risks in all its businesses. Increased regulation and digitisation are making these risks more complex, not least because the number of places and ways in which the bank interacts with customers is growing. The aim is to minimise operational risks as far as possible.

Operational risks are managed through self-assessments, incident management, and continuity and crisis management. When new products, services and IT systems are introduced or significant changes are made risk assessment is done.

Working consistently on a daily basis with operational risks is critical to maintaining low credit impairment levels. Losses related to operational risks are low in relation to anticipated losses and compared with other European banks.

Digital developments, together with Swedbank's size and market share, make it a potential target for cyber crime, the cost of which is rising significantly in Europe but at a slower rate in the Nordic region. In recent years Swedbank has been relatively spared from Trojan horses and distributed denial-of-service attacks and has had comparatively low card losses.

Swedbank works with security in a structured fashion to protect the bank and its customers against cyber crime and other information risks. Preventive measures are taken in terms of risk management, business intelligence and threat analysis to put the appropriate security mechanisms in place. An active dialogue is maintained with customers and employees to keep them aware of the importance of protecting their own information as well as the bank's. Internally, the emphasis is on integrating information security as a natural part of internal processes and incorporating security into new products from the start. The incidents that nevertheless occur are managed within the bank's security process, which includes investigators and technical competence.

Education important to prevent compliance risks

Swedbank is exposed to compliance risks in all its operations. Compliance risk refers to the risk to the Group if it fails to comply with laws and regulations for its licenced operations. Since ethical and suitability issues are also the purview of the compliance unit, it also encompasses questions about actions that could lead to unwanted consequences. Compliance risks are getting increased attention from authorities and other stakeholders. To identify these risks, an annual assessment is conducted, on the basis of which the most significant risks are monitored. Improvements are suggested to the business operations, which act on them. An important part of preventing compliance risks is education and disseminating information on new laws and regulations as well as examples of behaviour that has positive or less positive consequences.

Capital buffer creates stability

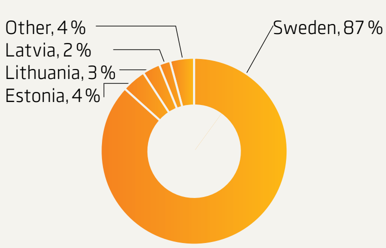
Although Swedbank takes expected losses into account in pricing loans, which means interest income is normally sufficient to cover any losses, there is a risk that unexpected losses may arise.

To cover lending-related risks, but also other risks such as market risks and operational risk, rules require banks to maintain a certain amount of capital in relation to their risk exposure amount (REA). The capital largely consists of Common Equity Tier 1 capital i.e. shareholders' equity adjusted for items such as goodwill and anticipated dividends. REA is the sum of the value of the bank's assets based on their anticipated level of risk. In the risk adjustment, the value of each asset is multiplied by various risk weights where the risk weights vary depending on the type of customers, historical credit impairments and collateral received.

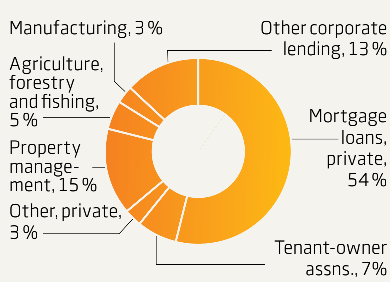
A loan to a customer in a sector where credit impairments have historically been high, for instance, is assigned a higher risk weight than a Swedish mortgage, where credit impairments are historically low. This means that Swedbank has to hold more capital for each krona lent to a customer with higher risk. Since it applies a low-risk strategy where the majority of assets consists of loans to Swedish households backed by real estate, which historically give rise to low credit impairments, Swedbank has relatively low risk weights compared with other European banks.

The capital requirement for Swedish banks is determined by both EU regulations and the SFSA's assessment of whether Swedbank's capital is sufficient, which entails an annual Supervisory Review and Evaluation Process (SREP). This process relies in part on a self-assessment of Swedbank's capital needs, taking into account the bank's current and future risk profile, internal risk measures and an evaluation of future capital needs.

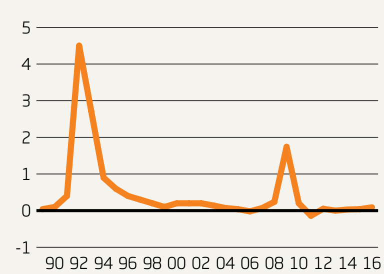
Loans per country



Lending per sector



Credit impairment ratio



Swedbank's Common Equity Tier 1 capital requirement including all announced increases in the countercyclical buffer was 21.9 per cent at year-end 2016, compared with the reported Common Equity Tier 1 capital ratio of 25.0 per cent.

Strong position in the capital market

Since a significant share of Swedbank's lending has a maturity of several years, while the majority of deposits can be paid out directly to customers upon request, a liquidity risk arises.

To manage this risk, Swedbank utilises capital market funding and various interest rate derivatives. For example, the majority of Swedish mortgages are funded with covered bonds, where the maturity usually ranges between 2 to 7 years. Swedbank also utilises unsecured funding to match assets with equivalent amounts and maturities. Since the majority of funding is covered by deposits, covered bonds and equity, little unsecured funding is needed, however.

Swedbank also has a liquidity reserve of SEK 326bn, comprised of interest-bearing securities and balances with central banks, to manage liquidity risks. Within Swedbank, Group Treasury is responsible for managing the Group's liquidity risks. To monitor these risks, it uses a so-called survival horizon, which shows how long the bank can manage a period of stress without access to funding. As of 31 December 2016 Swedbank would be able to survive for more than 12 months with the capital markets completely shut down.

Liquidity Coverage Ratio (LCR) and net stable funding ratio (NSFR) are monitored as well. LCR ensures that Swedbank has a liquidity reserve to meet its liquidity needs in stressed situations in the next 30 days. As of 1 January 2013 Sweden mandates a minimum level of 100 per cent in total and for USD and EUR individually. As of end December 2016 the Group's LCR was 156 per cent, and for USD and EUR was 160 per cent and 330 per cent respectively.

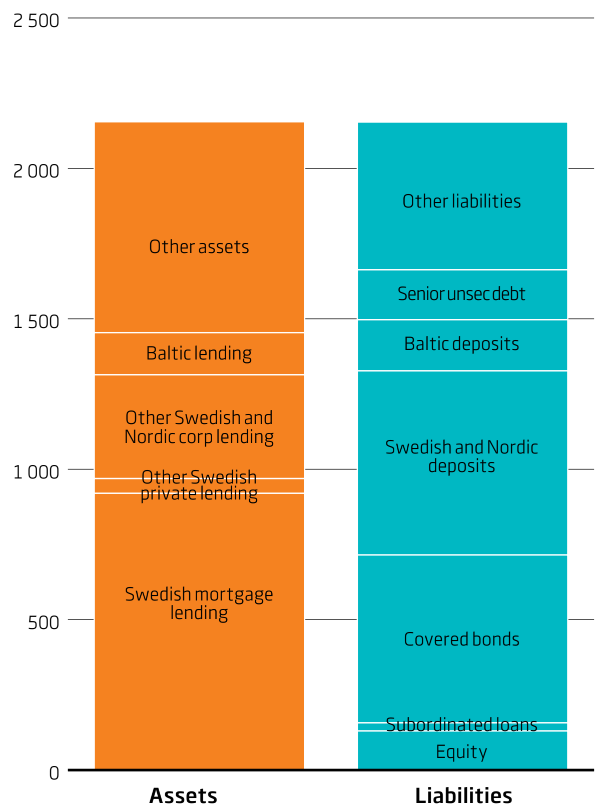
NSFR matches a bank's deposits and lending over one year. A ratio of over 100 per cent means that long-term illiquid assets are financed to a satisfactory degree with stable long-term funding.

NSFR aims to have a sufficiently large proportion of stable funding in relation to long-term assets. The measure is governed by the EU's Capital Requirements Regulation (CRR); however no calculation methods have yet been established. Consequently, the measure cannot be calculated based on current rules. NSFR is therefore considered an alternative performance measure and is presented in accordance with Swedbank's interpretation of the Basel Committee's recommendation (BCBS295). In Swedbank's opinion, 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. Swedbank had, according to the latest proposal of the Basel Commitee, an NSFR of 108 (107) per cent on 30 December 2016.

Moreover, Swedbank's bonds are rated by credit rating agencies. Today we are one of few commercial banks in the world with a AA rating from all big three rating agencies: S&P, Moody's and Fitch.

For more information on risks, please refer to note G3 on page 72.

Swedbank – simplified balance sheet, SEKbn



	Swedbank AB	Swedbank Mortgage AB	Covered bonds
Standard & Poor's			
Short-term	A-1+	A-1+	
Long-term	AA- (N)	AA- (N)	AAA (S)
SACP	a+		
Moody's			
Short-term	P-1	P-1	
Long-term	Aa3 (S)	Aa3 (S)	Aaa
BCA	a3		
Fitch			
Short-term	F1+	n.a	
Long-term	AA- (S)	n.a	n.a
VR	aa-		

P= Positive outlook, S = Stable outlook, N = Negative outlook
SACP, BCA, and VR are ratings without implicit support from a third party

Swedbank's risk profile

Swedbank defines risk as a potentially negative impact on the Group's value which can arise due to internal processes or future internal or external events. The concept of risk includes the probability that an event will occur and the impact it could have on the bank's results, equity or value.

Description	Risk profile	Risk management
Credit risk The risk that a borrower will fail to meet their contractual obligations to Swedbank and the risk that pledged collateral will not cover the claim. Credit risk also includes counterparty risk, concentration risk and settlement risk.	Swedbank's customer base, dominated by private individuals and small and medium-sized companies in Sweden, is designed so that credit risk is low. Swedbank's lending to the public is well diversified and in Sweden consists largely of mortgages and loans to small and medium-sized companies with a low risk level. The risk in lending to the Baltic countries is slightly higher than in the Swedish portfolio and accounts for about 12 per cent of the total portfolio.	Responsible lending is critical to a well-functioning bank. This means taking into consideration each customer's long-term finances, ability to repay and resilience. We work proactively with customers who are facing financial difficulties. Corporate customers undergo a special assessment of sustainability risks, including risks related to corruption and the environment.
Market risk The risk that the bank's results, equity or value will decrease due to changes in risk factors in financial markets. Market risk includes interest rate risk, currency risk, share price risk and commodity risk as well as risks from changes in volatility and correlation.	Swedbank's market risks are low. The predominant risks are of a structural or strategic nature and relate to the interest rate risk that arises as a natural part of the Group's core business e.g. when customers demand different fixed interest terms on deposits and loans. Market risks also arise when the bank offers its customers various types of financial products.	Swedbank centralises all interest rate risk to a few risk-taking units with risk mandates from the CEO and Board of Directors. Effective risk management is achieved by matching maturities and with the help of derivatives.
Liquidity risk The risk that the bank cannot fulfil its payment commitments at maturity. Liquidity risks arise because the maturity structures on the asset and liability sides of the balance sheet do not coincide.	Swedbank's liquidity risk is low. The bank maintains a liquidity reserve to ensure its resilience in the event of disruptions to the capital markets. The reserve consists of securities with a high level of creditworthiness which can be pledged to central banks or divested on a very short notice. Swedbank tries to match the maturities in its funding with the corresponding maturities in its assets.	Access to long-term financing is critical to adequately manage liquidity risk. Swedbank has therefore diversified its funding through short- and long-term programmes in various capital markets and in different currencies. Liquidity risk is limited in terms of survival horizon.
Operational risk The risk of losses resulting from inadequate or failed internal processes or routines, human error, system error or external events. Operational risk also includes legal risk and information risk (i.e. the risk of losses due to insufficient protection of information in terms of confidentiality, accuracy and accessibility).	Operational risks occur in all businesses. It is not possible or cost effective to try to eliminate all of them. Swedbank's goal, however, is to minimise operational risks given the nature of its operations, strategy, risk appetite and market. Minor losses are a normal part of the bank's operations. Because it works actively to avoid larger losses and incidents that affect many of its customers, such events are rare. To minimise information risk, it is critical that the bank's employees are aware and prepared. Measures involving IT, processes and routines are also important to reduce intentional or unintentional access to or changes in information. Security policies are updated as threat scenarios change.	Swedbank has internal regulations to manage operational risks and works diligently to prevent incidents and losses from occurring. Risk analysis and risk-reducing measures are taken continuously and in connection with major changes in operations and offerings. Through continuity planning the bank is prepared to minimise the effects of incidents as quickly as possible if they do occur. Swedbank also has internal rules describing how information should be protected. Processes and procedures are being reviewed to strengthen this work with the aim of improving and supplementing the bank's information security management system. This system is a tool to manage and coordinate the Group's long-term efforts in a structured and methodical manner.
Insurance risk The risk of a change in value due to a deviation between actual and anticipated insurance costs, which may be due e.g. to projected longevity, mortality, morbidity or claim frequency.	Swedbank has insurance operations in Sweden, Estonia, Latvia and Lithuania offering risk insurance and savings products such as endowment insurance, variable universal life insurance and pension products. The largest risks in these operations are market risk and insurance risk. Market risk is limited since the large part of the portfolio consists of products where the risk is borne by customers.	Insurance risk is managed by basing premiums on statistical assumptions and close monitoring e.g. to identify new trends. To further limit risk exposure, some insurance risks are reinsured.
Reputational risk Reputational risk refers to the risk that the trust of customers, shareholders, investors and the public will be damaged by perceived weaknesses in business methods that could potentially affect the bank's results and tangible and intangible assets.	The Group shall act in an exemplary manner and actively manage threats to the bank's reputation with respect to its core business and stakeholders as well as ensure that measures are taken in line with Swedbank's values.	Reputational risk is managed in a large number of Swedbank's operational risk management processes, such as New Product Approval Processes (NPAP), but is also an integral part of the credit approval process.

Value creation and trust through sound corporate governance

Our corporate governance aims to create a sound and effective corporate culture that fosters trust as well as customer and shareholder value. This requires that our employees are familiar with and work together to achieve common goals.

Foundation for corporate governance at Swedbank

Good corporate governance, risk management and internal control are key elements of a successful business and a prerequisite to maintain the trust of customers, owners, employees, authorities and other stakeholders. Swedbank defines corporate governance as the relationship between shareholders, executive management, other employees, other Group companies and other stakeholders. In a broader sense, it also encompasses:

- how the vision, purpose and strategy are designed and communicated
- how well the values are complied with
- how goals are set and followed up
- how remuneration systems are designed
- how risks are managed
- how future leaders are encouraged and developed
- how a corporate culture that promotes the interests of customers and builds shareholder value is created
- how transparency is promoted
- and how we manage operations in a sustainable way

The principles of Swedbank's corporate governance are described in internal rules at the board and CEO level. The principles are based on external rules and recommendations published by international bodies as well as on Swedbank's internal view of governance and control.

The internal and external rules regulate the delegation of responsibility for governance, control and monitoring of operations between the shareholders, the Board of Directors and the CEO. No deviations from the Swedish Code of Corporate Governance (the Code) or the rules of the stock exchange (NASDAQ OMX Stockholm) were reported in 2016.

The governance model describes the delegation of responsibilities within the Group, with role descriptions designed to create strong and efficient processes. In accordance with the model, authority and responsibilities are delegated based on Group-wide principles. Business decisions are made close to customers, which places high demands on risk control and monitoring. Employees must abide by the bank's vision, purpose and values (see also page 16) to qualify for the Group-level remuneration programme.

The Group structure provides a framework for roles, functions and reporting channels. Swedbank is organised in three business areas, which are supported by Group Functions and the product areas Group Savings and Group Lending & Payments, as well as Digital Banking. The Group Functions serve as strategic and administrative support, with responsibility for maintaining effective, uniform standards and routines. The functions for Compliance and Risk are included here as well. Group Savings and Group Lending & Payments are responsible for offering competitive products and services and for providing business support for employees who interact with customers. Digital Banking is responsible for developing and managing the digital channels and the tools used in customer interactions. The diagram on page 39 shows the formal corporate governance structure. The number in each box refers to the corresponding section in the corporate governance report.

Governance of the bank's subsidiaries is exercised operationally through the business areas. Board members of major subsidiaries are appointed through a process where nominees are approved by the bank's Board.

1 The shareholders in corporate governance

The shareholders exercise their influence through active participation in the resolutions of the general meeting. This includes resolutions that set the direction for the bank's operations. The shareholders also appoint the bank's Board of Directors and Auditor.

According to the bank's Articles of Association, the Annual General Meeting (AGM) must be held before the end of April, or under special circumstances not later than 30 June. The date and location are published in Swedbank's year-end report and on the website. The notice of the AGM is usually published five weeks in advance in Post och Inrikes Tidningar (official gazette of Sweden) and on the bank's website. In addition, an announcement of the notice is placed in several large Swedish dailies.

Swedbank is a Euroclear registered company and its shares are recorded by Euroclear Sweden AB. All shareholders directly recorded in the register five weekdays prior to the AGM and who have notified Swedbank in time are entitled to attend the AGM. Shareholders may attend in person or by proxy and may be accompanied. Registration is permitted by telephone, letter or email. We encourage shareholders to attend the AGM.

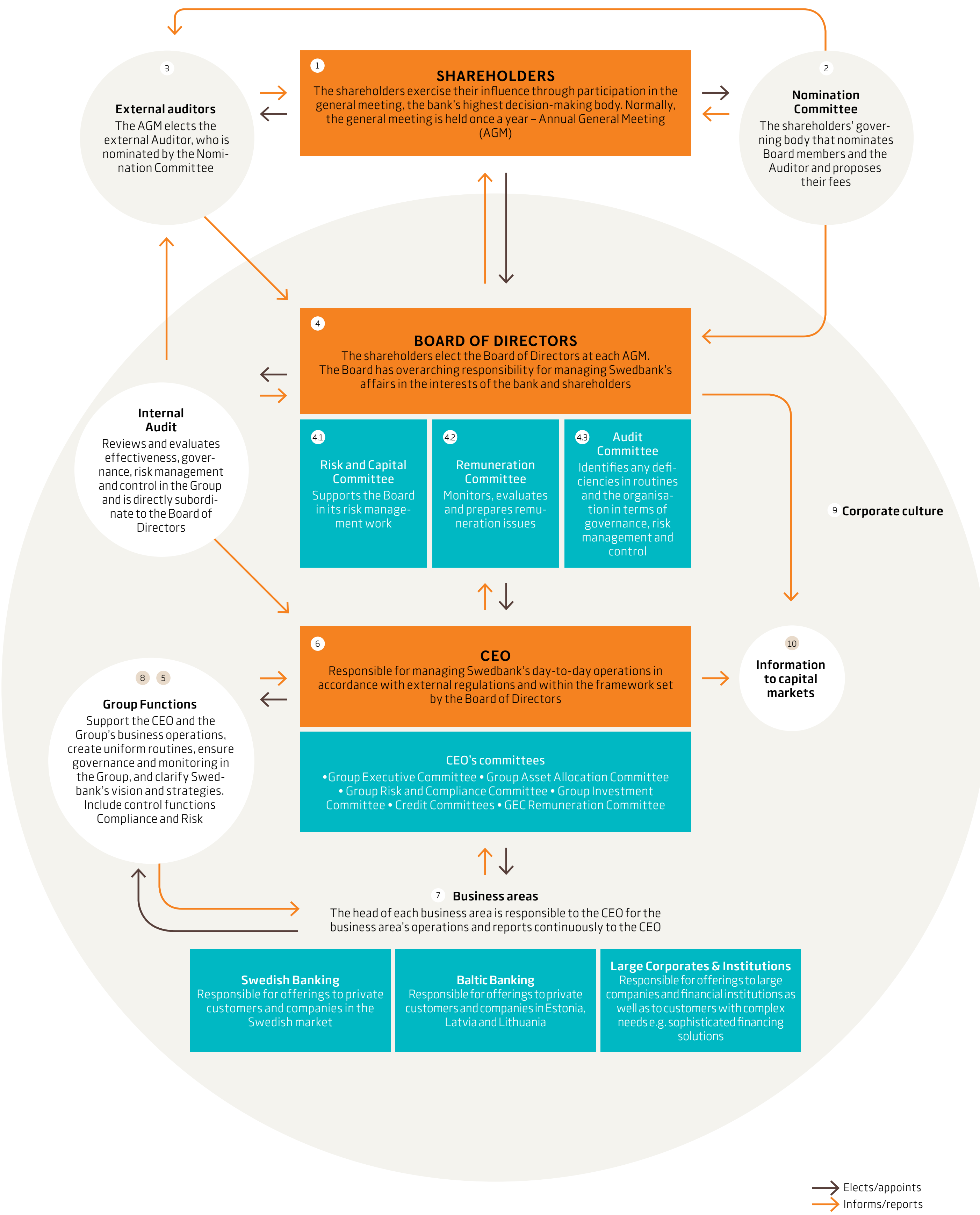
Shareholders wishing to have an item brought before the AGM must submit a written request to the Board not later than seven weeks prior to the AGM for the item to be included in the notice. Shareholders with a total of at least one tenth of the votes in the bank may request an extraordinary general meeting. The Board or the bank's Auditor can, on their own initiative, call an extraordinary general meeting as well.

Shareholders' power of decision

The AGM's resolutions include:

- election of the Board of Directors and remuneration for Board members, including for committee work
- discharge from liability for Board members and the CEO
- amendments to the Articles of Association

Swedbank's corporate governance structure



- election of the Auditor
- adoption of the income statement and balance sheet
- allocation of the bank's profit or loss
- remuneration principles and guidelines for the CEO and certain other senior executives

AGM resolutions are normally decided by vote and require a special majority. Swedbank has one class of share, ordinary shares, also called A shares. The shares carry one vote each. All material for the meetings, as well as the minutes, is made available on the website in Swedish and English. The general meetings are held in Swedish and interpreted to English.

Information on Swedbank's shareholders can be found on the bank's website under the heading "Investor relations/Swedbank shares".

Annual General Meeting 2016

The 2016 AGM was held in Stockholm on Tuesday, 5 April. A total of 1 789 shareholders attended personally or by proxy, representing about 61 per cent of the votes in the bank.

All Board members who were nominated for re-election attended the AGM, as did the majority of the Group Executive Committee and the Chief Auditor.

Among the 2016 AGM resolutions were the following:

- adoption of the annual report
- dividend for the 2015 financial year of SEK 10.70 per share
- decision to elect eight Board members. Six Board members were re-elected and two new members were elected. Lars Idermark was elected as the new Chair
- remuneration to the Board members and the Auditor
- repurchase of shares by the securities operations and authorisation of the Board to resolve to repurchase additional shares to adjust the bank's capital structure to prevailing capital needs
- mandate to issue convertibles that can be converted to shares, so-called cocos
- remuneration guidelines for senior executives
- Group-level performance- and share-based remuneration programme for 2016. As a result of this and previously approved programmes, it was resolved to transfer ordinary shares (or other financial instruments in the bank) to employees covered by the programmes
- principles for appointing the Nomination Committee
- former Chair Anders Sundström and former CEO Michael Wolf were not discharged from liability for the financial year 2015
- the Board's members were discharged from liability

2 Nomination Committee

The starting point for the Nomination Committee's work is that the Board should be composed of members with diversity and breadth on regards competence, experience and background, preferably with an even gender distribution. The bank's operations, stage of development and future direction must also be taken into account as well. While it is important that the Board has the support of shareholders, it also has to be independent in relation to the bank and its executive management as well as the bank's major shareholders.

The 2016 AGM decided on the principles for the appointment of the Nomination Committee prior to the 2017 AGM. They include that the committee comprise six members: The Chair of the Board and representatives of the five largest shareholders (based on known data on the last business day in August 2016), on the condition that they wish to appoint a member. Under certain circumstances a member may also represent a group of shareholders. Swedbank's Nomination Committee represents the shareholders, and normally only one person from the Board participates on the committee. If a member leaves the Nomination Committee before its work is completed, the committee may decide to replace them with another person representing the same shareholder or with a person representing the next largest shareholder that has not already appointed a committee member. If a new shareholder becomes one of the bank's four largest after the Nomination Committee has been constituted, the committee has the right to co-opt a member appointed by that shareholder. A co-opted member cannot participate in the Nomination Committee's decisions. The Nomination Committee appoints a Chair from among its members, though not the Chair of the Board. The committee's mandate extends until a new Nomination Committee has been constituted. Members of the Nomination Committee are not remunerated for their work or costs incurred. However, the Nomination Committee has the right, at the bank's expense, to engage a recruitment consultant or other external consultants as deemed necessary to fulfil its assignment.

The duties of the Nomination Committee, where applicable, are to submit proposals for the next AGM on the following:

- election of a Chair of the AGM
- number of Board members
- remuneration to Board members elected by the AGM, including for committee work
- remuneration to the Auditor
- election of the Board members and Chair
- election of the Auditor
- principles for appointing the Nomination Committee

During its term the Nomination Committee also:

- continued to create a resource bank of potential Board candidates
- evaluated the Board's work (see below) and members' views of the bank's operations (which was done on an individual basis without the Chair present)
- noted the Chair's and the CEO's views of the bank's operations and the challenges it faces in the next few years
- noted the Chief Auditor's view of the bank, the Board and the executive management
- reviewed competence needs and discussed the Board's composition in view of Swedbank's strategies, future challenges and the requirements of the Companies Act
- considered the new rules limiting the number of directorships a member of a bank board may hold
- verified the candidates' independence
- conducted a suitability assessment of the candidates based on the European Banking Authority's guidelines, including an evaluation of their experience, reputation, conflicts of interest and suitability in general. The Nomination Committee also evaluated whether the candidates were able to devote sufficient time to the Board's work
- evaluated the collective knowledge and expertise of the Board

Current composition of Nomination Committee prior to the 2017 AGM (announced on 7 September 2016)

Member	Representing
Jens Henriksson, Chair of Nomination Committee	ownership group Folksam
Lennart Haglund	ownership group Föreningen Sparbanksintressenter
Ramsay Brufer	Alecta
Johan Sidenmark	AMF
Peter Karlström	ownership group Sparbanks-stiftelserna
Lars Idermark, Chair of the Board	Swedbank AB

3 External Auditor

The external Auditor is an independent reviewer of the bank's financial accounts and determines whether they are materially accurate and complete and provide a fair view of the bank and its financial position and results. The Auditor also ensures that they are prepared according to current laws and recommendations. Moreover, the Auditor reviews the administration of the Board of Directors and the CEO.

At the AGM the Auditor presents the Auditors' report and describes the audit work. The Auditor presented its review and comments to the Board seven times in 2016. On one of these occasions no one from the executive management was present. The Auditor regularly meets the Chair of the Board, the Chair of the Audit Committee, the executive management and other operating managers. The Auditor normally also meets representatives of the Swedish Financial Supervisory Authority (SFSA) during the financial year. Swedbank's interim reports are reviewed by the Auditor. The sustainability report has been reviewed as well, in accordance with the definition on page 185. According to the Articles of Association, the bank shall have no less than one and no more than two authorised public accountants. Deloitte AB is the only accounting firm since 2007. The Chief Auditor is Authorised Public Accountant Svante Forsberg, who has been in charge of auditing duties for Swedbank since 2010. Aside from Swedbank, he has material auditing assignments with the following companies: Cinnober, Hifab, Lannebo Fonder and Skandia Liv. Svante Forsberg has no assignments with other companies that would affect his independence as an auditor of Swedbank. The Auditor's term is normally four years, and at the 2016 AGM Svante Forsberg was re-elected as Chief Auditor. A decision to replace the Auditor can be made before the four-year period expires. Remuneration for the Group's Auditor is reported in note G14. The SFSA is entitled to appoint an auditor of the bank, but has not done so in several years, and did not in 2016. In addition to its assignment as elected auditor, Deloitte has also performed audit-related services involving acquisition and accounting issues. Assignments closely associated with the audit normally do not put the Auditor's independence at risk. In accordance with the bank's policy, other consulting services by the Auditor are greatly restricted. To minimise the risk of situations that could compromise the Auditor's independence, consulting services exceeding SEK 250 000 must be approved by the Audit Committee and may not commence until approval has been received. The Audit Committee annually evaluates the Auditor's objectivity and independence.

4 Board of Directors

The Board of Directors has overarching responsibility for managing Swedbank's affairs in the interests of the bank and its shareholders. This is done in a sustainable way with a focus on the customer and sound risk taking to ensure the bank's long-term survival and instil confidence.

The Board consists of eight members elected by the AGM for one year. It also includes two employee representatives and two deputies in accordance with special agreements with the Financial Sector Union of Sweden and Akademikerföreningen. The Board meets the requirements of the Code with respect to its members' independence. All members except Göran Hedman are considered independent in relation to the bank, its executive management and its major shareholders.

An even gender distribution on the Board is preferred. The current distribution is 50 per cent women and 50 per cent men.

The 2016 AGM re-elected Ulrika Francke, Göran Hedman, Lars Idermark, Pia Rudengren, Karl-Henrik Sundström and Siv Svensson. Bodil Eriksson and Peter Norman were elected as new members. Lars Idermark was elected as Chair. The CEO, the CFO and the Company Secretary are not members of the Board. They attend Board meetings, however, except when issues are discussed where they could have a vested interest or it is otherwise inappropriate. The deputy employee representatives normally do not attend Board meetings. The composition of the Board is presented on pages 50–53.

The Board's responsibilities and their delegation

The Board is the highest decision-making body after the AGM. Swedbank's AGM appoints the bank's Board of Directors, which in turn sets the financial goals and strategies; appoints, dismisses and evaluates the CEO; ensures that effective systems are in place to monitor and control operations and that laws and regulations are followed; and ensures that the information released is transparent and accurate.

In addition to appointing the Board, Swedbank's AGM decides whether to discharge the Board and CEO from liability for the financial period covered in the accounting documents presented to the AGM. This means that the 2017 AGM will decide whether to discharge the Board and CEO from liability for the financial year 2016. A discharge is granted if shareholders representing a majority of the votes at the AGM support the proposal, provided that shareholders representing at least one tenth of all shares in the bank do not vote against the proposal. If the AGM decides to discharge from liability, the bank generally may not sue the individuals in question for damages. There are certain circumstances, however, where the bank may still file suit even if a discharge has been granted e.g. if the AGM has not received accurate and material information, in the annual report or in the auditors' report or elsewhere, on the decision or the action on which the suit is based or if the suit is based on a criminal offence. Further, a decision to discharge from liability does not prevent a shareholder from filing suit on their own behalf.

The Board appoints/dismisses the head of Internal Audit and makes the final decision on the appointment/dismissal of the CFO and the CRO. Internal Audit is directly subordinate to the Board.

The Chair of the Board has specific responsibilities, which include:
- lead Board meetings and work and encourage an open and constructive debate
- monitor and evaluate the competence, work and contributions of individual Board members
- oversee the CEO's work, serve as a sounding board and support, and monitor that the Board's decisions and instructions are implemented
- represent the bank on ownership and other important issues

The Board's overarching responsibility cannot be delegated. The Board has appointed committees to monitor, prepare and evaluate issues within specific areas for resolution by the Board. The members of the committees can be changed any time during the year. The Board is also able, at the bank's expense, to engage outside experts if necessary to fulfil their assignment or to obtain information on market practices.

The division of tasks between the Board, the Chair of the Board and the CEO is determined annually through the Board's rules of procedure, the corporate governance policy and the instruction for the CEO, among other things. Instructions are also in place for the Board's committees. In 2016 an outside consultant was brought in to conduct in-depth interviews with each Board member and the Chair in July and August to obtain input on the Board's performance. A summary of the results was presented to the Board and reported to the Nomination Committee.

The Board's work

In 2016 the Board held 32 meetings, 4 of which were by correspondence. All meetings were held in Stockholm/Sundbyberg. The Board was unanimous in its decisions, and no dissenting opinions were noted during the year. Each year the Board establishes a work plan where it decides, based on the processes in the bank as shown in the diagram on the following page, which issues to treat in depth.

The Board has reacted to events in 2014 and 2015 concerning some senior executives secondary occupations, which attracted great interest from the bank's various stakeholders in the first months of 2016. As a result, the Board decided in 2016 to update and strengthen relevant policies and guidelines as well as to improve the processes for monitoring compliance.

Other major issues in 2016 included:
- greater focus on customers and digital channels
- macroeconomic developments and their impact on the bank and its limits and exposures
- capital and liquidity issues with an emphasis on the new capital requirements
- implementation of sustainability issues such as anti-corruption and human rights in the bank's main processes: fund management, payments, lending and procurement processes
- liquidity strategies and funding issues
- the current risk and capital situation, including the Internal Capital Adequacy Assessment Process (ICAAP) and other stress tests
- increased focus on information risk, not least due to digitisation
- credit decisions where the total Group credit limit exceeds SEK 10 bn as well as limits for credit risk concentrations
- customer satisfaction in the bank
- dismissal and appointment of new CEO
- major projects ongoing within the bank
- competition and business intelligence
- succession planning for senior executives
- regulatory issues
- anti-money laundering

In light of the decision at the AGM 2016 not to grant the bank's former CEO and former Chair discharge from liability for the financial year 2015, the Board of Directors has evaluated whether there is any ground for the bank to bring a legal action for damages against either of them. The Board of Directors has found that no such ground exists and therefore, it has decided not to bring any legal action for damages, based upon the information known at the time of the decision.

Prior to each Board meeting documents are distributed to the members through an electronic data room. The Chief Auditor also has access to the system, which has mail, chat, and voting functions, if needed. In addition, the system shows when the documents were accessed on an individual basis. The material from each meeting is saved electronically, including documents not attached to the minutes. The minutes from committee meetings are distributed to the all Board members, the CEO, the head of Internal Audit and the external Auditor.

The following points are usually brought up at every Board meeting:
- minutes from previous meeting
- information on issues dealt with by the Board's committees
- report from the Chief Executive Officer
- report from the Chief Financial Officer
- report from the Chief Risk Officer
- quarterly report on Internal Audit's review and any action plans
- strategic issues
- decisions on special cases
- training needs

The Board's competence

The Board made a study trip in autumn 2016 to gain better insight into digitisation and how new agile practices affect IT security.

In accordance with the 2016 training plan, the Board also completed short-term training in macroeconomics, regulatory developments and the new Market Abuse Regulation (MAR). On a number of occasions during the year the Chair accompanied investor trips and met shareholders and debt investors. This gives the Board deeper insight into topical issues being discussed by the bank's owners and investors at the same time that the Board, through a direct dialogue, gets feedback on the bank's operations and the direction it is taking.

New Board members attend the bank's introductory training, which is designed to quickly familiarise them with the organisation and operations and to help them better understand Swedbank's values and culture. Members are also informed of their legal responsibility as directors and of their roles on the various committees. Each year the Board establishes a training plan, and any further training needs are discussed at every Board meeting.

4.1 Risk and Capital Committee

The Board's Risk and Capital Committee supports the Board in its work to ensure that routines are in place to identify and define risks relating to business activities as well as to measure and control risk-taking.

Each month the committee receives a special risk report from Group Risk, which includes Group risk trends. A more detailed description of the Group's risk areas can be found in the risk section on pages 34–37 and in note G3.

The CEO is not a member of the committee but normally attends its meetings, as do the CFO and CRO. The members of the committee have special competence and experience working with risks.

The work of the Risk and Capital committee also includes:
- Internal Capital Adequacy Assessment Process (ICAAP) and the bank's capitalisation
- The bank's limits and exposures, including its largest exposures and provisions.
- Stress tests of various credit portfolios and other analyses of the credit portfolios, especially the Swedish mortgage portfolio's composition and its importance to the bank's funding
- The size of the bank's liquidity portfolio and other liquidity issues
- Funding-related issues and strategies, especially with respect to covered bonds

4.2 Remuneration Committee

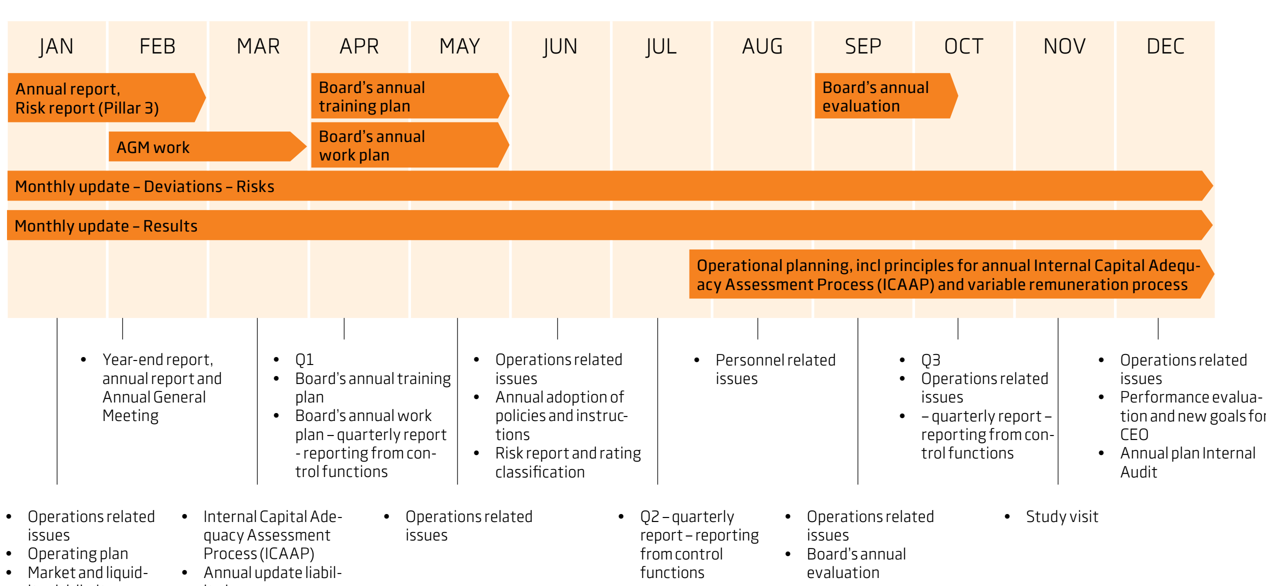
The Board's Remuneration Committee verifies that the bank's remuneration systems generally conform to effective risk management practices and are designed to reduce the risk of excessive risk-taking.

Remuneration systems must comply with all applicable rules, such as those of the Code and the SFSA.

The committee's chair and members must have the knowledge and experience in risk analysis necessary to independently evaluate the suitability of the bank's remuneration policy. The members must be independent in relation to the bank and its executive management. Since the bank launched its new remuneration programme in 2011, the Remuneration Committee's work has focused on ongoing issues. For more information on remuneration at Swedbank, see further down in the corporate governance report and in note G13.

The work of the Remuneration Committee also includes:
- salaries, pensions, variable remuneration and other benefits for the Group Executive Committee (in accordance with the guidelines adopted by the AGM) and the head of Internal Audit
- the Board's proposal to the AGM regarding remuneration guidelines for senior executives
- allocation and evaluation of the bank's performance- and share-based remuneration programmes and other issues associated with the programmes
- Swedbank's remuneration policy
- decisions pursuant to or deviations from remuneration policies
- annual review and evaluation of the effectiveness of the remuneration instructions
- preparation and recommendation to the Board on remuneration to consultants where total remuneration exceeds SEK 20m
- review of salary differences to ensure that they are not arbitrary
- succession planning

Board work 2016



4.3 Audit Committee

The Audit Committee, through its work and in consultation with the external Auditor, the head of Internal Audit and the Group Executive Committee, provides the Board with good access to information on the operations. Its purpose is to identify any deficiencies in routines and the organisation in terms of governance, risk management and control.

The Audit Committee's purpose is to ensure that the bank's executive management establishes and maintains effective routines for internal governance, risk management and control. These routines should be designed to provide reasonable assurance with respect to reporting (financial reporting, operational risk) and compliance (laws, regulations and internal rules) and ensure the suitability and efficiency of the bank's administrative processes and the protection of its assets. The Audit Committee also reviews the work of the internal and external auditors to ensure that it has been conducted effectively, impartially and satisfactorily. The committee proposes measures that are decided on by the Board as needed.

The head of Internal Audit is a co-opted member of the committee. The majority of the members must be independent in relation to the bank and its executive management. At least one member must also be independent in relation to the bank's major shareholders. At least one member must have special competence in accounting or auditing.

The work of the Audit Committee also includes:

- reviewing and evaluating the Group's financial reporting process
- responsibility for the quality of the company's reporting
- responsibility for ensuring that interim and year-end reports are audited or reviewed by the external Auditor
- meeting the external Auditor on each reporting date
- approving consulting services by the external Auditor that exceed a set amount
- staying informed of accounting standards
- evaluating the head of Internal Audit
- reviewing and approving Internal Audit's budget, instruction and annual plan
- reviewing Internal Audit's quarterly reports and suggested improvements
- following up Internal Audit's annual plan and strategic priorities
- following up External Audit's plan and risks in financial reporting

5 Internal control and risk management

The Board is responsible for ensuring that routines are in place to identify and define operational risks and that risk-taking is measured and monitored. The basis for effective risk management is a strong, shared risk culture.

5.1 First line of defence – risk management by business operations

Swedbank's business units bear full responsibility for risks that arise in their operations. Through delegated responsibility, the organisation can quickly react if problems occur.

Employees of the business units have a good understanding of their customers and specific insight into the local market. The bank's risk classification tools also serve as support for all business processes.

5.2 Second line of defence – independent control functions

The Bank has established central, independent control functions for risk and compliance that act in the business units. The control functions identify, monitor and report on risk management, including operational risks and compliance-related risks.

Compliance

Swedbank has an independent Compliance function led by the Chief Compliance Officer, who reports directly to the CEO. Compliance has four main processes:

- planning compliance work based on risk assessments
- monitoring operations through one-off and recurring inspections
- reporting to the CEO, Board and other operations on improvement areas identified through inspections
- offering advice and support

The Compliance function's work is risk based and thus prioritises resources to areas with the highest compliance risks. The Compliance Function's work is governed by the Policy for the Compliance Function adopted by the Board.

Risk control

The independent risk organisation is responsible for identifying, quantifying, analysing and reporting all risks and for conducting independent analyses and stress tests of how outside events impact Swedbank. In addition, the risk organisation provides expert advice and serves as an advisor to ensure that decisions are consistent with the bank's risk appetite and risk tolerance. Accordingly, it issues internal lending guidelines and lending mandates at various levels.

The Board's Policy on Enterprise Risk Management (ERM) describes frameworks, roles and responsibilities pertaining to risk management and control. It also contains guidelines on the size of the capital buffer maintained as protection against major economic slowdowns.

5.3 Third line of defence – Internal Audit

The purpose of Internal Audit's work is to create improvements in operations by evaluating risk management, governance and internal control.

Internal Audit is directly subordinate to the Board and thus serves as a review function independent of the executive management.

All of the bank's activities and Group companies are the purview of Internal Audit, which evaluates whether the executive management, through the internal controls and governance structures it has implemented, has ensured that (1) the controls in business operations are effective, (2) risk management processes are effective, and (3) governance processes and the organisation are suitable, functioning and support the purpose of the business. It also works proactively to suggest improvements in internal control.

In its work, Internal Audit follows professional guidelines on internal audits and the code of ethics of the Institute of Internal Auditors' Code of Ethics as established in the International Professional Practices Framework.

6 CEO

The President and CEO is the officer ultimately responsible for ensuring that the Board's strategic direction and other decisions are implemented and followed by the business areas and subsidiaries, and that risk management, governance, IT systems, the organisation and processes are satisfactory. The CEO represents the bank externally on various matters, leads the work of the Group Executive Committee and makes decisions after consulting its members.

The CEO is permitted to delegate duties to subordinates or Group committees, although ultimate responsibility is retained by the CEO. The committees do not have any decision-making authority; instead, decisions are always made by the CEO. The Board's view of the CEO's special areas of responsibility is set out in, among other places, its corporate governance policy and instructions for the CEO. The CEO is responsible for ensuring that the Board's decisions, policies and instructions are followed by the businesses and that they are reviewed and evaluated annually.

The CEO establishes Group-wide rules on internal control. To support internal control, the CEO has a number of monitoring units within the Group, primarily Group Finance, Risk, and Compliance. Follow-ups are done regularly through written reports and in-depth reviews with the heads of the various Group functions and with the business areas. For more information, see the Board of Directors' report on internal control of financial reporting on page 49. The CEO is also responsible for ensuring that the Group has a strategy for competence management.

Swedbank's risk management

Swedbank's risk management is built on a well-established risk process with three lines of defence and clear reporting.

Board of Directors

CEO

Risk management (operational)
First line of defence

Own and manage risks
- Business and operations (line)
- Support function

Control (operational)
Second line of defence

Establish frameworks and monitor risks
- Risk
- Compliance

Evaluation (not operational)
Third line of defence

Evaluate and validate the effect of the first and second lines of defence
- Internal Audit

Group Executive Committee, other committees and forums

The Group Executive Committee (GEC) is the CEO's decision management forum and consists of 16 members: the Chief Executive Officer, the Chief Financial Officer, the Chief Risk Officer, the Chief Loan Officer, the Head of the CEO Office, the Chief Compliance Officer, the Heads of the business areas Swedish Banking, Baltic Banking and Large Corporates & Institutions, and the Heads of Group Savings, Group Lending & Payments, IT, Digital Banking and Large Corporates, and Strategy for Digital Banking. A large number of the members have direct business responsibility, and the GEC plays an important role as a forum for sharing information and ideas. The GEC normally meets every month.

In addition to the GEC, the CEO has established the following committees: Group Asset Allocation Committee (GAAC), Group Risk and Compliance Committee (GRCC), Group Executive Remuneration Committee (GEC Remco) and Group Investment Committee (GIC).

GAAC and GRCC are led by the CFO and CRO, respectively, who report directly to the CEO. One of GAAC's goals is to consolidate financial control of capital, liquidity, financing and tax issues as well as management and governance issues. Similar operational committees can be found in each business area. The dialogue between them and GAAC provides insight into the bank's performance and contributes to consistent and harmonious governance. After consulting GRCC's members, the CRO and the CCO submit their recommendations to the Board and the CEO and support senior-level managers on central risk and compliance issues. Their evaluations are based on information and reports from risk and compliance managers as well as operational managers and Internal Audit. GRCC contributes to the strategic planning of the Group's risk appetite to ensure harmonisation from a risk perspective. GEC Remco drafts proposals for remuneration systems and recommends variable remuneration for employees to the Board's Remuneration Committee. Swedbank's view is that remuneration should be individually based as far as possible to encourages employee performance in line with its goals, strategy and vision. It must also contribute to sound risk-taking. GIC plans and prioritises the Group's IT investments in keeping with the bank's strategy. All IT investments exceeding SEK 6m must be approved by the CEO after consulting the members of GIC.

The CEO has also established a Senior Management Forum (SMF), composed of senior executives in the bank to ensure implementation and coordination of strategically important issues. The CEO evaluates SMF's composition to ensure it has a suitable combination of competence and experience.

Focus areas in 2016:

- New executive management team
- Clarification of Swedbank's desired position in five years and preparation of supporting strategies for companies, individuals, payments, savings and implementation of channel strategy
- Increased focus on digitisation and creation of the new unit Digital Banking
- Creation of a new unit, Group Customer Value Management (CVM), whose main task is to maximise the value of customer relationships, including through proactive measures.
- Focus on improvement and development of internal processes and committees, including a clarified operating model
- Stronger monitoring of our business and investments in relevant forums as well as re-evaluation of key performance indicators to measure effectiveness, cooperation and transformation
- In-depth analysis of issues concerning the resident mortgage market
- Preparations for and analysis of potential third-party collaborations
- Investor meetings
- Improved customer value through increased availability, quality and user friendliness
- Improved customer offering through development of digital channels and expanded advisory services
- IT development and security in view of increased digitisation
- Know Your Customer (KYC) and Anti-money laundering (AML)

7 Business areas

An effective operating structure is important to the bank's governance. The Group structure provides a framework for various roles, functions and reporting channels within the bank.

The bank's operations are conducted in three business areas: Swedish Banking, Baltic Banking and Large Corporates & Institutions.

The business area managers are directly subordinate to the CEO. They have overarching responsibility for their operations and report continuously to the CEO. The business area managers' responsibilities include:

- developing the business area's strategy and business plans and ensuring that they are implemented and reported to the CEO
- creating and maintaining reporting and communication channels as a means to raise issues of material importance that need to be addressed at the CEO or Board level. All these issues are set out in a written report with recommended actions
- ensuring that policies and instructions are complied with within the business area
- customer offering and product development
- integrating sustainability in business decisions and procedures
- profitability and financial stability in the business area
- monitoring, supervising and managing the business area's assets, liabilities and profitability
- maintaining a sound internal control system to mitigate, detect and quickly respond to risks and ensure compliance with laws and regulations
- effective implementation of the bank's governance model within the business area

8 Group Functions and Group Products

The Group Functions' role is to support the CEO and the Group's business operations as well as to create consistent routines, ensure effective governance and monitoring within the Group, and clarify Swedbank's vision and strategy.

The Group Functions are primarily staffs operating across business areas and consist of Risk, IT, Compliance, CFO Office (including Group Treasury and Investor Relations) and CEO Office (including Communication, Public Affairs, HR and Legal).

Responsibility for products and product development rests with the product areas Group Savings and Group Lending & Payments, while responsibility for developing and managing the digital channels as well as the tools used in customer interactions rests with Digital Banking.

Among the roles of the Group Functions is to develop Group-wide policies and instructions for the Board and CEO to adopt. Moreover, they propose other Group-wide internal rules, which are approved by the manager of each Group Function. The Group Functions are also responsible for monitoring implementation of internal rules and governance in the Group. The purpose of these Group-wide rules and processes is to support the CEO and the Group's business operations and to clarify Swedbank's vision, purpose, values and strategy. Additionally, the Group Functions create and monitor Group-wide ways of working, which serve as support for the business operations and facilitate a sharing of experience between the bank's various markets. They are responsible for compiling and analysing reports for the CEO and the Board as well as proposing solutions to issues that require immediate action within each area and thereby creating an effective solution to the problem. The heads of the Group functions have unrestricted insight into the business operations in order to fulfil their obligations.

9 Corporate culture based on simplicity, openness and caring

Employees with clear goals and an understanding of the bank's purpose, values and overarching goals are critical to our success and ensuring satisfied customers.

Swedbank's operations and values-based corporate culture are founded on motivated and engaged employees who are attentive to customers' needs and wishes. We work to develop close, long-term customer relationships built on trust. To create greater value for customers and meet their expectations, it is critical that the bank can quickly adapt to prevailing market conditions. Another prerequisite for creating customer value is competent employees who meet the demands and reflect the diversity of our customer base. Diversity and gender equality are important to the bank's work environment and corporate culture. The work is based on a central diversity and gender equality plan, and every manager is graded based on diversity and equality goals as part of their performance. Our managers are responsible for guiding their businesses toward the bank's shared goals, supporting employees in their development, monitoring performance and fostering a positive work environment.

The bank's code of conduct describes how we are expected to work and act towards customers, suppliers, competitors and authorities as well as society at large. On complex issues concerning business ethics and sustainability the Sustainability and Ethics Council provides guidance for the organisation. The aim is to reduce risks and support implementation in business decisions and processes.

An important gauge to monitor performance and ensure that our employees have the skills they need to achieve the bank's overarching goals, purpose and vision is the Performance Development (PD) process. To reach our targets, it is crucial that employees receive continuous feedback.

10 Information to capital markets

Swedbank provides shareholders, analysts, debt investors and other stakeholders prompt, accurate, consistent and simultaneous information on the Group's operations and financial position.

Transparency fosters an understanding of the financial reporting and the decisions that are made, as well as of the industry as a whole.

Swedbank's external reports should reflect the progress in achieving the bank's goals and priorities as well as other important changes required to monitor and evaluate the bank's financial position. The financial information should also provide insight into the bank's track record and current and future development, and be consistent with the executive management's and Board's view of the bank.

The Group's information policy, which is included in the internal control environment, is designed to ensure that Swedbank meets the requirements for publicly listed companies. Swedbank's annual report is distributed in printed form to those who request it. The annual report, interim reports, year-end reports, press releases and other relevant information on the bank are available on the website, which is updated continuously.

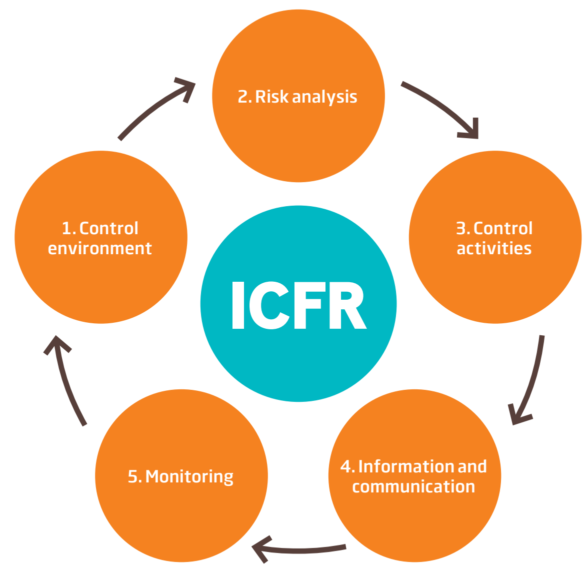
Further information on Swedbank's corporate governance

On Swedbank's website, www.swedbank.com, under the tab "About Swedbank", is a special section on corporate governance issues, which contains, among other things:

- Swedbank's Articles of Association
- the Nomination Committee's principles and work
- information on Swedbank's Annual General Meetings since 2002
- information on remuneration in Swedbank and an evaluation of the remuneration guidelines for Swedbank's senior executives
- the bank's code of conduct

The Board of Directors' report on internal control of financial reporting

The Board of Directors is ultimately responsible for ensuring that financial reporting complies with external regulations, and is also responsible for monitoring internal control of financial reporting (ICFR). Swedbank's ICFR is performed by the Financial Governance department and is based on the integrated framework of the Committee of Sponsoring Organisations of the Treadway Commission (COSO) from 2013. The COSO framework is based on the following five internal control components.



Control environment: The Board of Directors and executive management establish the foundation for internal control

To support reliable reporting, Swedbank's internal control is rooted in the bank's organisational structure and the policies and instructions established by the Board. Furthermore, a directive has been specifically prepared for ICFR by the bank's CFO.

A Group-wide ICFR framework is in place based on the bank's vision, purpose and values (see the first spread of the annual report). Its purpose is to identify risks and key controls in order to create a transparent control environment with clearly defined roles and responsibilities.

Risk analysis: Risk assessment based on essentiality and complexity

Risk management is an integral part of business activities. Every unit manager has primary responsibility for risk management and assessment in their operations and in the financial reporting process. Self-assessments of risks and controls are conducted annually, as are risk and vulnerability analyses in the event of changes.

Risk analysis within the ICFR framework is conducted at the Group level to identify and create an understanding of the risks in financial reporting with regard to both essentiality and complexity. The risk analysis is then used as a basis for deciding which areas should be covered by the framework.

Control activities: Controls at different levels

Controls are performed at various levels of the bank to ensure reliable financial reporting. They are categorised according to the ICFR framework's structured controls as follows: Group-level controls, controls at the process/ transaction level, and general IT controls.

To ensure the application of control activities, internal rules are in place with accounting policies, planning and monitoring processes, and reporting routines. Swedbank also has a central valuation group to ensure the accurate valuation of assets and liabilities. Analyses of financial results are presented monthly to Swedbank's executive management.

Information and communication

Group Finance ensures that accounting instructions are updated, disseminated and available to the reporting units. Policies, instructions, directives and manuals on financial reporting are published on Swedbank's intranet. In addition, national intranets are updated with national reporting routines to ensure uniform application of the principles for financial reporting and internal controls.

Monitoring

Group Finance monitors financial reporting. All business areas and the largest business support units undergo performance reviews, in which the CEO, CFO, CRO and respective manager participate. The meetings cover financial performance as well as strategic and operational considerations in their business plans. Annual reviews of key controls are also performed for the services that the bank provides to the savings banks. This results in an annual third party verification, where internal control of these services is evaluated and tested by an independent party.

ICFR controls are monitored to ensure that the process is reliable. Self assessment is done regularly and the results are reported to Swedbank's executive management.

Board of Directors

	Lars Idermark	Ulrika Francke	Bodil Eriksson
Year of birth	Born 1957 Chair since 2016, Deputy Chair 2013–2016, Chair 2010–2013	Born 1956 Deputy Chair since 2016, Board member since 2002	Born 1953 Board member since 2016
Shareholdings in Swedbank[1]	Own and closely related parties: 143	Own and closely related parties: 14 350	Own and closely related parties: 0
In Swedbank as	Board of Directors, Chair Remuneration Committee, Chair Risk and Capital Committee, member **Attendance:** 32/32 12/12 15/15 **Total annual fees:** 2 430 000 100 000 215 000 In addition to extensive knowledge of the banking world, including from his time at FöreningsSparbanken, Lars Idermark has experience from a number of other industries, both operational and strategic. As Chair, he provides continuity and support to others participating in the Board's work.	Board of Directors, Deputy Chair Remuneration Committee, member Risk and Capital Committee, member Audit Committee, member **Attendance:** 30/32 8/8 14/15 5/5 **Total annual fees:** 815 000 100 000 215 000 215 000 Ulrika Francke provides expertise in real estate and development as well as long experience from the bank's board. In her current role as president and CEO of one of Sweden's leading consulting firms, she also adds knowledge of urban planning.	Board of Directors, member Remuneration Committee, member **Attendance:** 16/17 7/8 **Total annual fees:** 525 000 100 000 Bodil Eriksson holds the position as Executive Vice President at Volvo Cars US with responsibility for product, marketing and communication in North- and South America and has a broad and thorough brand competence. She also has experience from the retail business and has been a member of Axfood's group executive team, and has also worked within SCA.
Board member's independence	Independent in relation to the bank and executive management and independent in relation to the bank's major shareholders.	Independent in relation to the bank and executive management and independent in relation to the bank's major shareholders.	Independent in relation to the bank and executive management and independent in relation to the bank's major shareholders.
Education	Master of Business Administration	University studies	University studies
Bank specific experience	Operational: 10 years. Board: 16 years	Board: 22 years	Board: 1 year (2016)
Professional experience	**President and CEO, Södra Skogsägarna** President and CEO, PostNord AB • President and CEO, KF/Coop • President, AP2 • Deputy President and CEO, Capio AB • Executive Vice President, Deputy President and CEO, FöreningsSparbanken (Swedbank) • CFO and Executive Vice President, Föreningsbanken AB • President and CEO, LRF Holding AB	**President and CEO, Tyréns AB** President and CEO, SBC Sveriges Bostadsrättscentrum AB • Head of Administration, City of Stockholm • President and CEO, Fastighets AB Brommastaden	**Executive Vice President, Volvo Cars USA, LLC** Senior Vice President, Volvo Car Group • Exec. Vice President, Apotek Hjärtat • Senior Vice President, SCA • Executive Vice President, Axfood
Non-executive assignments		Almega trade organisation, Board member • Hexagon AB, Board member • IVA Avd III, Chair • BIM Alliance, Chair	

1) Holdings as of 31 December 2016.



Göran Hedman	Camilla Linder	Roger Ljung	
Born 1954 Board member since 2010	Born 1968 Employee representative since 2015 and deputy since 2013	Born 1967 Employee representative since 2015	**Year of birth**
Own and closely related parties: 1 109	Own and closely related parties: 395	Own and closely related parties: 119	**Shareholdings in Swedbank[1]**
■ Board of Directors, member ■ Risk and Capital Committee, Chair **Attendance:** ■ 32/32 ■ 15/15 **Total annual fees:** ■ 525 000 ■ 290 000 Göran Hedman has held a number of executive positions at FöreningsSparbanken and brings to the Board a wealth of experience and know-how in the areas of credit and risk, as well as extensive knowledge of, and contacts in, the savings bank movement through his current position as CEO of Sparbanken in Enköping.	■ Board of Directors, member, employee representative **Total annual fees:** No fees Camilla Linder is an employee representative and has long experience in banking, including retail banking.	■ Board of Directors, member, employee representative **Total annual fees:** No fees Roger Ljung is an employee representative and has broad experience at Swedbank.	**In Swedbank as**
Göran Hedman is CEO of Sparbanken in Enköping. On balance, Göran Hedman is not considered independent in relation to Swedbank given the cooperation agreement between Swedbank and Sparbanken in Enköping. Göran Hedman is considered independent in relation to the bank's executive management and major shareholders.	Not applicable.	Not applicable.	**Board member's independence**
Upper secondary school	Upper secondary school	Uppersecondary school	**Education**
Operational: 42 years, Board: 15 years	Operational: 22 years	Operational: 30 years	**Bank specific experience**
CEO, Sparbanken in Enköping Head of Research at Group Credit, FöreningsSparbanken AB (Swedbank) • Deputy Chief Credit Officer, Föreningsbanken AB v Executive positions, Föreningsbanken AB	**Employee, Swedbank AB** • Sparbanken Alfa • Föreningssparbanken	**Business advisor, Swedbank AB** • Retail advisor, branch manager, Swedbank	**Professional experience**
Uppsala Chamber of Commerce, Board member • Sparbanken i Enköping, Board member • Enköpings Åkeri, Board member	Finansförbundets koncernklubb Swedbank, Chair • SPK, Board member	Finansförbundets förbundsstyrelse, Board member• Finansförbundets koncernklubb Swedbank, deputy chair • Finans och försäkringsbranschens A-kassa, Board member • SPK, deputy chair	**Non-executive assignments**

1) Holdings as of 31 December 2016.

Board of Directors

	 **Peter Norman**	 **Pia Rudengren**
Year of birth	Born 1958 Board member since 2016	Born 1965 Board member since 2009
Shareholdings in Swedbank[1]	Own and closely related parties: 0	Own and closely related parties: 1 000
In Swedbank as	■ Board of Directors, member ■ Risk and Capital Committee, member ■ Audit Committee, member **Attendance:** ■ 15/17 ■ 11/11 ■ 3/5 **Total annual fees:** ■ 525 000 ■ 215 000 ■ 215 000 Peter Norman is an economist with a solid financial background. He has previously been Financial Markets Minister and CEO for the Seventh Public Pension Fund, and director at Riksbanken. In addition, he has twenty years of experience from asset management in leading positions.	■ Board of Directors, member ■ Risk and Capital Committee, member **Attendance:** ■ 30/32 ■ 15/15 **Total annual fees:** ■ 525 000 ■ 215 000 Pia Rudengren has a broad range of financial expertise and board experience through her previous position as CFO of Investor.
Board member's independence	Independent in relation to the bank and executive management and independent in relation to the bank's major shareholders.	Independent in relation to the bank and executive management and independent in relation to the bank's major shareholders.
Education	B.Sc. Economics	B. Sc. Business and Economics
Bank specific experience	Swedbank's Board: 1 year (2016) Carnegie Bank's Board: 2 years (2008–2009)	Board: 8 years
Professional experience	**Full-time working director** Minister for Financial Markets • CEO, AP7 • CEO, Alfred Berg Asset Management • Director, Riksbank	**Full-time working director** Vice President, W Capital Management AB • CFO, Investor AB
Non-executive assignments	Ambrosia Asset Management AB, Chair • COIN - Investment Consulting Group AB, Chair • Pepins Group AB, Chair • Svenska Taxiförbundet, Chair • Stockholm Resilience Center, Board member	Duni AB, Board member • Kappahl AB, Board member • Social Initiative AB, Chair • Tikkurila Oyj, Board member

1) Holdings as of 31 December 2016.

Karl-Henrik Sundström	Siv Svensson	
Born 1960 Board member since 2009	Born 1957 Board member since 2010	**Year of birth**
Own and kindred's shareholding in Swedbank: 9 750 through Alma Patria AB	Own and kindred's shareholding in Swedbank: 1 500	**Shareholding[1]**
■ Board of Directors, member ■ Audit Committee, member **Attendance:** ■ 23/32 ■ 3/5 **Total annual fees:** ■ 525 000 ■ 215 000 Karl-Henrik Sundström's extensive business experience, largely from his time at Ericsson, gives the Board valuable expertise in strategy, IT, financial markets and business development.	■ Board of Directors, member ■ Audit Committee, Chair **Attendance:** ■ 30/32 ■ 5/5 **Total annual fees:** ■ 525 000 ■ 290 000 Siv Svensson has a wealth of experience in banking and financial services, both strategic and operational, and contributes insight into customer relationship management and HR issues as well as an in-depth knowledge of Nordic business.	**In Swedbank as**
Independent in relation to the bank and executive management and independent in relation to the bank's major shareholders.	Independent in relation to the bank and executive management and independent in relation to the bank's major shareholders.	**Board member's independence**
B. Sc. Business Administration	B. Sc. International Economics	**Education**
Board: 8 years	Operational: 28 years, Board: 7 years	**Bank specific experience**
CEO, Stora Enso AB CFO and division manager, Stora Enso • CFO and EVP, NXP Semiconductors • CFO and deputy CEO, Telefonaktiebolaget LM Ericsson • Head of Global Services, Telefonaktiebolaget LM Ericsson • Head of Australia and New Zealand, Telefonaktiebolaget LM Ericsson	**Full-time board member** CEO, Sefina Finance AB • CEO, Sefina Svensk Pantbelåning AB • Executive Vice President and Regional Head, Nordea AB • Group Controller and Nordic Head of Global Operation Services, Nordea AB • Group Controller, Merita Nordbanken AB • Administrative Head, PK Fondkommission AB	**Professional experience**
Swedish Securities Council, Board member • Skogsindustrierna, Chair • Sustainable Energy Angels, Board member • CEPI, Board member	SJ AB, Board member • Allba Holding AB, Board member • InlandsInnovation AB, Board member • Karolinska University Hospital, Board member • Forum Syd, Board member	**Non-executive assignments**

1) Holdings as of 31 December 2016.

Group Executive Committee

Birgitte Bonnesen
President and CEO
Born 1956. Employed since 1987
Shareholdings in Swedbank:[1]
9 368
Education: MA Economics and Modern Languages, Executive MBA

Ģirts Bērziņš
Head of Strategy Digital Banking
Born 1973. Employed 1996–2007 and since 2011
Shareholdings in Swedbank:[1]
345
Education: MA Economics

Elisabeth Beskow
Head of Large Corporates & Institutions
Born 1967. Employed since 2011
Shareholdings in Swedbank:[1] 0
Education: MBA

Mikael Björknert
Chief Strategy Officer
Born 1966. Employed since 2010
Shareholdings in Swedbank:[1]
6 352
Education: M. Sc. Business and Economics
Directorships: NASDAQ Nordic, Board member • UC, Board member

Lars-Erik Danielsson
Chief Credit Officer
Born 1962. Employed since 1990
Shareholdings in Swedbank:[1]
3 450
Education: Studies in business and economics

Anders Ekedahl
Head of Group IT
Born 1960. Employed since 1987
Shareholdings in Swedbank:[1]
14 081
Education: M. Sc. Business and Economics

Björn Elfstrand
Head of Group Savings
Born 1964. Employed since 1989
Shareholdings in Swedbank:[1]
26 300
Education: M. Sc. Business and Economics.
Directorships: Europay Sweden (MasterCard), Deputy Chair • Eufiserv Payments s.c.r.l, Board member

Cecilia Hernqvist
Head of Compliance
Born 1960. Employed since 1990
Shareholdings in Swedbank:[1]
11 202
Education: LL.M.

1) Holdings as of 31 December 2016. Own and closely related parties

Anders Karlsson

Group Financial Officer (CFO)
Born 1966. Employed since 2010
Shareholdings in Swedbank:[1] 3 745
Education: M. Sc. Business and Economics

Leif Karlsson

Head of Lending & Payments
Born: 1966. Employed since 1990
Shareholdings in Swedbank:[1] 500
Education: M. Sc. Business and Economics
Directorships: Finansiell ID-Teknik, Chair • Bankgirot, Board member

Ola Laurin

Head of Large Corporates & Institutions
Born 1971. Employed since 2000
Shareholdings in Swedbank:[1] 0
Education: M. Sc. Business and Economics

Lars Ljungälv

Head of Large Corporates
Born 1969. Employed since 2014
Shareholdings in Swedbank:[1] 500
Education: M. Sc. Business and Economics
Directorships: Honorary consul of Denmark in Sweden • Lund University, Deputy Chair • Malmö FF, Board member

Lotta Lovén

Head of Digital Banking
Born 1967. Employed 1986–1999, 2004–
Shareholdings in Swedbank:[1] 1 177
Education: Diploma in business administration

Helo Meigas

Chief Risk Officer (CRO)
Born 1965. Employed since 2004
Shareholdings in Swedbank:[1] 10 986
Education: M.A.L.D. focus on International Business Law and Finance

Priit Perens

Head of Baltic Banking
Born 1964. Employed since 2003
Shareholdings in Swedbank:[1] 9 730
Education: MA Economics

Christer Trägårdh

Head of Swedish Banking
Born 1963. Employed since 2014
Shareholdings in Swedbank:[1] 1 000
Education: M. Sc. Business and Economics, Executive MBA

1) Holdings as of 31 December 2016. Own and closely related parties

Proposed disposition of earnings and statement of the Board of Directors

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
Total disposed	54 483

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 that have been exercised by employees between 1 January to the Annual General Meeting as per 30 March 2017and 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.

Unrealised changes in the value of assets and liabilities at fair value have had a net effect on equity of SEK 2 404m. The proposed record day for the dividend is 3 April 2017. The last day for trading in Swedbank's shares including the right to the dividend is 30 March 2017. If the Annual General Meeting adopts the Board's proposal, the dividend is expected to be paid by Euroclear on 6 April 2017. The financial companies group's capital base surpassed the statutory capital requirement as of year-end by SEK 50 816m. Surplus capital in Swedbank AB amounted to SEK 70 765m.

The business conducted in the parent company and the Group involves no risks beyond what occur and can be assumed will occur in the industry or the risks associated with conducting business activities. The Board of Directors has considered the parent company's and the Group's consolidation needs through a comprehensive assessment of the parent company's and the Group's financial position and the parent company's and the Group's ability to meet their obligations. The assessment has also been done based on currently expected regulatory changes. Given the financial position of the parent company and the Group, there can be no assessment other than that the parent company and the Group can continue their business and that the parent company and the Group can be expected to meet their liabilities in both the short and long term and have the ability to make the necessary investments. It is the assessment of the Board of Directors that the size of the equity, even after the proposed dividend, is reasonable in proportion to the scope of the parent company's and the Group's bus ness and the risks associated with conducting the business.

The assessment of the Board of Directors is that the proposed dividend is justifiable given the demands that are imposed due to the nature, scope and risks associated with the business and the Group's business on the size of the parent company's and the Group's equity as well as on the parent company's and the Group's balance sheets, liquidity and financial positions.

Financial statements and notes – Group

Income statement, Group

SEKm	Note	2016	2015
Interest income		33 728	34 983
Negative yield on financial assets		–1 543	
Interest income, including negative yield on financial assets		**32 185**	**34 983**
Interest expenses		–9 256	–11 990
Negative yield on financial liabilities		735	
Interest expenses, including negative yield on financial liabilities		**–8 521**	**–11 990**
Net interest income	G8	**23 664**	**22 993**
Commission income		16 011	16 583
Commission expenses		–4 678	–5 384
Net commission income	G9	**11 333**	**11 199**
Net gains and losses on financial items at fair value	G10	2 231	571
Insurance premiums		2 137	2 001
Insurance provisions		–1 383	–1 293
Net insurance	G11	**754**	**708**
Share of profit or loss of associates	G27	2 467	863
Other income	G12	1 186	1 290
Total income		**41 635**	**37 624**
Staff costs	G13	9 376	9 395
Other general administrative expenses	G14	6 436	6 266
Total general administrative expenses		**15 812**	**15 661**
Depreciation/amortisation of tangible and intangible fixed assets	G15	629	672
Total expenses		**16 441**	**16 333**
Profit before impairments		**25 194**	**21 291**
Impairments of intangible assets	G29	35	254
Impairments of tangible assets	G16	31	72
Credit impairments	G17	1 367	594
Operating profit		**23 761**	**20 371**
Tax expense	G18	4 209	4 625
Profit for the year from continuing operations		19 552	15 746
Loss for the year from discontinued operations, after tax			–6
Profit for the year		19 552	15 740
Profit for the year attributable to:			
Shareholders of Swedbank AB		**19 539**	**15 727**
Profit for the year from continuing operations		19 539	15 733
Loss for the year from discontinued operations			–6
Non-controlling interests		13	13
Profit for the year from continuing operations		13	13
SEK			
Earnings per share, total operations	G19	17.60	14.23
after dilution	G19	17.50	14.13
Earnings per share, continuing operations	G19	17.60	14.24
after dilution	G19	17.50	14.14
Earnings per share, discontinued operations	G19		–0.01
after dilution	G19		–0.01

Profit for the year attributable to shareholders of Swedbank AB 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 at fair value and higher net interest income contributed positively to the result.

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

The share of profit or loss of associates increased also due to the disposal of shares in VISA Europe.

Expenses increased to SEK 16 441m (16 333).

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.

The tax expense amounted to SEK 4 209m (4 625), corresponding to an effective tax rate of 17.7 per cent (22.7).

Statement of comprehensive income, Group

SEKm	Note	2016	2015
Profit for the year reported via income statement		**19 552**	**15 740**
Items that will not be reclassified to the income statement			
Remeasurements of defined benefit pension plans	G38	–3 110	3 539
Share related to associates		–76	88
Income tax	G20	701	–798
Total		**–2 485**	**2 829**
Items that may be reclassified to the income statement			
Exchange differences, foreign operations			
Gains/losses arising during the year		1 644	–1 678
Reclassification adjustments to income statement, profit for the year from discontinued operation			87
Reclassification adjustments to income statement, profit for the year		–3	
Hedging of net investments in foreign operations			
Gains/losses arising during the year		–1 337	1 489
Reclassification adjustments to income statement, profit for the year from discontinued operation			–91
Cash flow hedges			
Gains/losses arising during the year		59	145
Reclassification adjustments to income statement,net interest income		16	7
Share of other comprehensive income of associates			
Exchange differences, foreign operations		124	–136
Cash flow hedges		2	1
Income tax	G20		
Income tax		280	–358
Reclassification adjustments to income statement, income tax		–4	–2
Reclassification adjustments to income statement, profit for the year from discontinued operation, income tax			28
Total		**781**	**–508**
Other comprehensive income for the year net of tax		**–1 704**	**2 321**
Total comprehensive income for the year		**17 848**	**18 061**
Total comprehensive income for the year attributable to: **Shareholders of Swedbank AB**		**17 835**	**18 047**
Non-controlling interests		13	14

Balance sheet, Group

SEKm	Note	2016	2015	1/1/2015
Assets				
Cash and balances with central banks		121 347	186 312	113 768
Treasury bills and other bills eligible for refinancing with central banks, etc.	G21	107 571	76 552	46 225
Loans to credit institutions	G22	32 197	86 418	113 820
Loans to the public	G23	1 507 247	1 413 955	1 404 507
Value change of interest hedged item in portfolio hedge		1 482	1 009	1 291
Bonds and other interest-bearing securities	G24	74 501	88 610	124 455
Financial assets for which the customers bear the investment risk	G25	160 114	153 442	143 319
Shares and participating interests	G26	23 897	11 074	9 931
Investments in associates	G27	7 319	5 382	4 924
Derivatives	G28	87 811	86 107	123 202
Intangible fixed assets	G29	14 279	13 690	14 319
Investment properties			8	97
Tangible assets	G30	1 864	1 981	2 653
Current tax assets		1 796	1 662	1 304
Deferred tax assets	G18	160	192	638
Pension assets	G38		1 274	
Other assets	G31	8 067	14 677	10 103
Prepaid expenses and accrued income	G32	4 551	6 362	6 126
Group of assets classified as held for sale			148	615
Total assets		**2 154 203**	**2 148 855**	**2 121 297**
Liabilities and equity				
Liabilities				
Amounts owed to credit institutions	G33	71 831	150 493	171 453
Deposits and borrowings from the public	G34	792 924	748 271	676 679
Financial liabilities for which the customers bear the investment risk	G35	161 051	157 836	146 177
Debt securities in issue	G36	841 673	826 535	835 012
Short positions securities	G37	11 614	8 191	27 058
Derivatives	G28	85 589	68 681	85 694
Current tax liabilities		992	105	1 477
Deferred tax liabilities	G18	2 438	3 071	1 684
Pension provisions	G38	1 406	17	2 548
Insurance provisions	G39	1 820	1 728	1 745
Other liabilities and provisions	G40	14 989	22 715	22 330
Accrued expenses and prepaid income	G41	10 917	13 243	13 071
Subordinated liabilities	G42	27 254	24 613	18 957
Liabilities directly associated with group of assets classified as held for sale			14	39
Total liabilities		**2 024 498**	**2 025 513**	**2 003 924**
Equity	G43			
Non-controlling interests		190	179	170
Equity attributable to shareholders of the parent company		129 515	123 163	117 203
Total equity		**129 705**	**123 342**	**117 373**
Total liabilities and equity		**2 154 203**	**2 148 855**	**2 121 297**

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 increase was offset by lower cash and balances with central banks, which decreased 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.

Statement of changes in equity, Group

SEKm	Equity attributable to shareholders of Swedbank AB							Non-controlling interests	Total equity
	Share capital	Other contributed equity[1]	Exchange differences, subsidiaries and associates	Hedging of net investments in foreign operations	Cash flow hedges	Retained earnings	Total		
Opening balance 1 January 2015	**24 904**	**17 275**	**2 564**	**–1 801**	**–105**	**74 366**	**117 203**	**170**	**117 373**
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 to employees						63	63		63
Disposal of own shares for trading purposes						33	33		33
Acquired non-controlling interest						–8	–8		–8
Associates' disposal of shares in Swedbank AB						–7	–7		–7
Total comprehensive income for the year			–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, before tax			–1 728	1 398	153	3 627	3 450	1	3 451
of which income tax reported through other comprehensive income				–301	–31	–798	–1 130		–1 130
Closing balance 31 December 2015	**24 904**	**17 275**	**836**	**–704**	**17**	**80 835**	**123 163**	**179**	**123 342**
Opening balance 1 January 2016	**24 904**	**17 275**	**836**	**–704**	**17**	**80 835**	**123 163**	**179**	**123 342**
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 year			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, before tax			1 765	–1 337	77	–3 186	–2 681		–2 681
of which income tax reported through other comprehensive income				293	–17	701	977		977
Closing balance 31 December 2016	**24 904**	**17 275**	**2 601**	**–1 748**	**77**	**86 406**	**129 515**	**190**	**129 705**

1) Other contributed equity consists mainly of share premiums.

Statement of cash flow, Group

SEKm	Note	2016	2015
Operating activities			
Operating profit		23 761	20 371
Loss for the period from discontinuing operations			–6
Adjustments for non-cash items in operating activities	G46	–2 174	74
Income taxes paid		–3 583	–4 660
Increase/decrease in loans to credit institution		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
Cash flow from operating activities		**–53 645**	**70 932**
Investing activities			
Business combinations	G51	–19	
Business disposals		20	245
Acquisitions of and contributions to associates		–7	–10
Acquisition of other fixed assets and strategic financial assets		–451	–4 075
Disposals of/matured other fixed assets and strategic financial assets		763	1 570
Cash flow from investing activities		**306**	**–2 270**
Financing activities			
Issuance of interest-bearing securities	G3	160 474	229 220
Redemption of interest-bearing securities	G3	–147 393	–132 963
Issuance of commercial paper	G3	816 259	941 257
Redemption of commercial paper	G3	–831 404	–1 019 742
Dividends paid		–11 885	–12 544
Cash flow from financing activities		**–13 949**	**5 228**
Cash flow for the year		**–67 288**	**73 890**
Cash and cash equivalents at the beginning of the year		**186 312**	**113 768**
Cash flow for the year		–67 288	73 890
Exchange rate differences on cash and cash equivalents		2 323	–1 346
Cash and cash equivalents at end of the year		**121 347**	**186 312**

Comments on the consolidated cash flow statement
The cash flow statement shows receipts and payments during the year as well as cash and cash equivalents at the beginning and end of the year. The cash flow statement is reported using the indirect method and is divided into payments from operating activities, investing activities and financing activities.

Operating activities
Cash flow from operating activities is based on operating profit for the year. Adjustments are made for items not included in cash flow from operating activities. Changes in assets and liabilities from operating activities consist of items which are part of normal business activities, such as loans to and deposits and borrowings from the public and credit institutions, and which are not attributable to investing and financing activities. Cash flow includes interest receipts of SEK 35 042 m (35 870) and interest payments of SEK 6 314 m (11 964). Capitalised interest is included.

Investing activities
Investing activities consist of purchases and sales of businesses and other fixed assets such as owner-occupied properties, investment properties and equipment, and strategic financial assets. The latter refers to holdings of interest-bearing securities held to maturity and strategic shareholdings in companies other than subsidiaries and associates.

On July 15 2016 Swedbank acquired all shares in the Lithuanian fund management company UAB Danske Bank Capital investiciju valdymas for SEK 21 m, of which SEK 2 m acquired cash. On October 1 2016 Swedbank sold all shares in Swedbank Asset Management in Norway for SEK 20 m, resulting in a realisation loss of SEK 11m. In 2015 Svensk Fastighetsförmedling AB was divested for SEK 245m and Swedbank Juristbyrån AB for SEK 1.

Capital contributions of SEK 7 m (10) were paid to Getswish AB. In addition, bonds were acquired in 2016 for SEK 9 m (3 629) and bonds holdings matured for SEK 261 m (1 054). During the year other tangible assets were acquired for SEK 442 m (446) and other tangible assets were divested for SEK 502 m (516).

Cash and cash equivalents
Cash and cash equivalents consist of cash and balances with central banks, which correspond to the balance sheet item Cash and balances with central banks. Cash and cash equivalents in the statement of cash flow are defined according to IAS 7 and do not correspond to what the Group considers liquidity.

Notes

All amounts in the notes are in millions of Swedish kronor (SEKm) and represent carrying amounts unless indicated otherwise. Figures in parentheses refer to the previous year.

G1 Corporate information

The consolidated financial statements and the annual report for Swedbank AB (publ) for the financial year 2016 were approved by the Board of Directors and the CEO for publication on 23 February 2017. The parent company, Swedbank AB, maintains its registered office in Stockholm at the following address: Landsvägen 40, 172 63 Stockholm, Sweden. The company's shares are traded on the NASDAQ OMX Nordic Exchange in Stockholm in the Nordic Large Cap segment. The Group offers financial services and products in its home markets of Sweden, Estonia, Latvia and Lithuania. The operations are described more extensively in the Board of Directors' report.

The consolidated financial statements and the annual report will ultimately be adopted by the parent company's Annual General Meeting on 30 March 2017.

G2 Accounting policies

CONTENTS

1 BASIS OF ACCOUNTING

The financial reports and the consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and interpretations of them. The standards are issued by the International Accounting Standards Board (IASB) and the interpretations by the IFRS Interpretations Committee. The standards and interpretations become mandatory for Swedbank's consolidated financial statements concurrently with their approval by the EU. Complete financial reports refer to:

- balance sheet as at the end of the period,
- statement of comprehensive income for the period,
- statement of changes in equity for the period,
- cash flow statement for the period, and
- notes, comprising a summary of significant accounting policies and other explanatory information.

The consolidated financial statements are also prepared according to the Swedish Financial Reporting Board's recommendation RFR 1 Complementary accounting rules for groups and pronouncements, certain complementary rules in the Annual Accounts Act for Credit Institutions and Securities Companies and the regulations and general advice of the Swedish Financial Supervisory Authority, FFFS 2008:25.

The financial statements are based on the historical cost basis. Subsequent measurements of financial instruments are to a large extent at fair value. The carrying amounts of financial assets and liabilities subject to hedge accounting at fair value have been adjusted for changes in fair value attributable to the hedged risk. The financial statements are presented in Swedish kronor and all figures are rounded to millions of kronor (SEKm) unless indicated otherwise.

2 CHANGES IN ACCOUNTING POLICIES

The following adoption of accounting pronouncements and changes are applied in the 2016 financial reports.

Annual improvements 2010-2012 and 2012-2014

On 1 January 2016, the group adopted amendments to several IFRS standards, resulting from the 2010-2012 and 2012-2014 improvements. The annual improvements amend the current standards for presentation, recognition or measurement and other editorial corrections. The amendments did not have a significant effect on the Group's financial position, results or cash flows.

Amendments to IAS 1: Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements were issued in December 2014 as part of an initiative to improve the presentation and disclosures in financial reports. The amendments clarify that materiality is applicable to the entire financial statements and that the inclusion of immaterial information reduces the effectiveness of disclosures. The amendments will be applicable for annual periods beginning on or after 1 January 2016 and were endorsed by the EU on 19 December 2015. The amendments only had a disclosure impact on the Group.

Other IFRS changes

Other than those above, no new or amended standards or interpretations have been applied or have had an impact on the Group's financial position, results, cash flows or disclosures.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Presentation of financial statements (IAS 1)

Financial statements provide a structured representation of a company's financial position and financial results. The purpose is to provide information on the company's financial position, financial results and cash flows useful in connection with financial decisions. The financial statements also indicate the results of executive management's administration of the resources entrusted to them. Complete financial statements consist of a balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement and notes. Swedbank presents the statement of comprehensive income in the form of two statements. A separate income statement contains all revenue and expense items, provided that a special IFRS does not require or allow otherwise. Other revenue and expense items are recognised in other comprehensive income. The statement of comprehensive income contains the profit or loss recognised in the income statement as well as the components included in other comprehensive income.

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.

3.2 Consolidated financial statements (IFRS 3, IFRS 10)

The consolidated financial statements comprise the parent company and those entities (including special purpose vehicles) over which the parent company has control. The parent company has control when it has power and is capable of managing the relevant activities of another entity, is exposed to a variable return and is able to us its power to affect that return. These entities, subsidiaries, are included in the consolidated financial statements in accordance with the acquisition method from the day that control is obtained and are excluded from the day that control ceases. According to the acquisition method, the acquired unit's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria are recognised and measured at fair value upon acquisition. The surplus between the cost of the business combination, transferred consideration measured at fair value on the acquisition date and the fair value of the acquired share of identifiable assets, liabilities and reported contingent liabilities is recognised as goodwill. If the amount is less than the fair value of the acquired company's net assets, the difference is recognised directly in the income statement as bargain purchase within Other income. The transferred consideration (purchase price) includes the fair value of transferred assets, liabilities and shares which, in applicable cases, have been issued by the Group as well as the fair value of all assets or liabilities that are the result of an agreement on contingent consideration. Acquisition-related costs are recognised when they arise. For each acquisition, the Group determines whether all non-controlling holdings in the acquired company should be recognised at fair value or at the holding's proportionate share of the acquired subsidiary's net assets. A subsidiary's contribution to equity includes only the equity that arises between acquisition and disposal. All intra-Group transactions and intra-Group gains are eliminated.

Transactions with non-controlling owners are recognised as equity transactions with the Group's shareholders in their capacity as owners. In the case of acquisitions of interests from non-controlling owners, the difference between the price paid for the interests and the acquired share of the carrying amount of the subsidiary's net assets is recognised in equity attributable to the parent company's shareholders as retained earnings. The carrying amounts of holdings with and without control are adjusted to reflect the changes in their relative holdings. Gains and losses on the sale of interests to non-controlling owners are also recognised in equity. If, following a sale of its interests, the Group no longer has control, its remaining holding is remeasured at fair value and the change is recognised in its entirety in the income statement. This fair value subsequently serves as the cost of the remaining holding in the former subsidiary for reporting purposes. All amounts related to the divested unit that were previously recognised in other comprehensive income are recognised as if the Group directly divested the related assets or liabilities, due to which amounts previously recognised in other comprehensive income may be reclassified as profit or loss. If the interest in an associate is reduced but a significant influence is retained, the proportionate share of the amount previously recognised in other comprehensive income is reclassified to profit or loss.

3.3 Assets and liabilities in foreign currency (IAS 21)

The consolidated financial statements are presented in SEK, which is also the parent company's functional currency and presentation currency. Functional currency refers to the main currency used in an entity's cash flows. Each entity within the Group determines its own functional currency according to its primary economic environment. Transactions in a currency other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing at the transaction day. Monetary assets and liabilities in foreign currency and non-monetary assets in foreign currency measured at fair value are translated at the rates prevailing at the closing day. Outstanding forward exchange contracts are translated at closing day forward rates. Holdings of foreign bank notes are translated at the buying rates for the notes as of the closing day. All gains and losses on the translation of monetary items, including the currency component in forward exchange contracts, and non-monetary items measured at fair value are recognised in the income statement in net gains and losses on financial items at fair value as changes in exchange rates. Assets and liabilities in subsidiaries and associates with a functional currency other than SEK are translated to the presentation currency at the closing day exchange rate. The income statement is translated at the exchange rate for each transaction. For practical purposes, the average rate for the period is generally used. Exchange rate differences that arise are recognised in other comprehensive income. As a result, exchange rate differences attributable to currency hedges of investments in foreign operations are also recognised in other comprehensive income, taking into account deferred tax. This is applied when the requirements for hedge accounting are met. Ineffectiveness in hedges is recognised directly in the income statement in net gains and losses on financial items at fair value. When subsidiaries and associates are divested, cumulative translation differences and exchange rate differences are recognised in the income statement.

3.4 Financial instruments (IAS 32, IAS 39)

A large part of the Group's balance sheet items represents financial instruments. A financial instrument is any form of agreement which gives rise to a financial asset in one company and a financial liability or equity instrument in another. Cash is an example of a financial asset, while financial liabilities might include an agreement to pay or receive cash or other financial assets. Financial instruments are classified on relevant lines of the balance sheet depending on the nature of the instrument and the counterparty. If a financial instrument does not have a specific counterparty or it is listed on the market, the instrument is classified on the balance sheet among various types of securities. Financial liabilities where the creditor has a lower priority than others are classified on the balance sheet as Subordinated liabilities. A derivative is a financial instrument that is distinguished by the fact that its value changes, for example, due to exchange rates, interest rates or share prices, it requires little or no initial net investment and it is settled on a future date. Contractually accrued interest regarding financial instruments other than derivatives is recognised on separate lines as prepaid or accrued income or expenses in the balance sheet. Financial assets are recognised on the balance sheet on the trade day when an acquisition agreement has been entered into, with the exception of loans and receivables, which are recognised on the settlement day. Financial assets are derecognised when the right to obtain the cash flows from a financial instrument has expired or has been transferred to another party. Financial liabilities are removed from the balance sheet when the obligation in the agreement has been discharged, cancelled or expired.

Embedded derivatives

An embedded derivative is a component of a hybrid instrument that includes a non-derivative host contract, with the effect that some of the cash flows varies in a manner similar to a stand-alone derivative. An embedded derivative is separated from the host contract and recognised separately within derivatives on the balance sheet when its financial features are not closely related to the host contract's, provided that the combined financial instrument is not recognised at fair value in the income statement.

Repos

A genuine repurchase transaction (repo) is defined as a contract where the parties have agreed on the sale of securities and the subsequent repurchase of corresponding assets at a predetermined price. In a repo, the sold security remains on the balance sheet, since the Group is exposed to the risk that the security will fluctuate in value before the repo expires. The payment received is recognised as a financial liability on the balance sheet based on the respective counterparty. The securities sold are also recognised as a pledged asset. The proceeds received for acquired securities, so-called reverse repos, are recognised on the balance sheet as a loan to the selling party.

Securities loans

Securities that have been lent remain on the balance sheet, since the Group remains exposed to the risk that they will fluctuate in value. Securities that have been lent out are recognised on the trade day as assets pledged, while borrowed securities are not reported as assets. Securities that are lent out are carried in the same way as other security holdings of the same type. In cases where borrowed securities are sold, so-called short-selling, an amount corresponding to the fair value of the securities is recognised in Other liabilities on the balance sheet.

Offsetting

Financial assets and financial liabilities are offset and recognised net in the balance sheet if there is a legal right of set-off both in the normal course of business and in the event of bankruptcy, and if the intent is to settle the items with a net amount or simultaneously realise the asset and settle the liability.

3.5 Financial instruments, measurement (IAS 39)

The Group's financial instruments are divided into the following valuation categories:

- financial instruments at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- other financial liabilities.

Certain individual holdings of insignificant value have been classified in the valuation category available-for-sale. All financial instruments are initially recognised at fair value. The best evidence of fair value at initial recognition is the transaction price. For financial instruments that are not subsequently measured at fair value through profit or loss, supplementary entries are also made for additions or deductions of direct transaction expenses to acquire or issue the financial instrument. Subsequent measurement of financial instruments depends on the valuation category to which the financial instrument is attributed. Notes to items in the balance sheet with financial instruments indicate how the carrying amount is divided between valuation categories. The categorisation is shown in the table below.

Valuation category, fair value through profit or loss

Financial instruments at fair value through profit or loss comprise instruments held for trading and all derivatives, excluding those designated for hedge accounting. Financial instruments held for trading are acquired for the purpose of selling or repurchasing in the near term or are part of a portfolio for which there is evidence of a pattern of short-term profit-taking. In the notes to the balance sheet, these financial instruments are classified at fair value through profit or loss, trading. This category also includes other financial instruments that upon initial recognition have irrevocably been designated as at fair value, the so-called fair value option. The option to irrevocably measure financial instruments at fair value is used in the Group for individual portfolios of loans, securities in issue and deposits, when the instruments, together with derivatives, essentially eliminate the portfolio's aggregate interest rate risk.

Typically these financial instruments have a fixed contractual interest rate. The fair value option is used to eliminate the accounting volatility that would otherwise arise because of the different measurement principles that are normally used for derivatives compared with other financial instruments. Financial liabilities in insurance operations, where the customer bears the investment risk, are categorised in the same way when corresponding assets are also measured at fair value. The Group has chosen to categorise holdings of shares and participating interests that are not associates or intended for trading at fair value through profit or loss, since they are managed and evaluated based on fair value. In the notes to the balance sheet, these financial instruments are classified at fair value through profit or loss, other.

The fair value of financial instruments is determined based on quoted prices on active markets. When such market prices are not available, generally accepted valuation models such as discounted future cash flows are used. The valuation models are based on observable market data, such as quoted prices on active markets for similar instruments or quoted prices for identical instruments on inactive markets. Differences that arise at initial recognition between the transaction price and the fair value according to a valuation model, so called day 1-profits or losses, are recognised in the income statement only when the valuation model entirely has been based on observable market data. In all other cases the difference is amortised during the financial instrument's remaining maturity. For loans measured at fair value where observable market data on the credit margin are not available at the time of measurement, the credit margin for the most recent transaction with the same counterparty is used. Changes in value are recognised through profit or loss in net gains and losses on financial items at fair value. For financial instruments in trading operations, the Group's profit or loss item also includes share dividends. Changes in value owing to changes in exchange rates are recognised as changes in exchange rates in the same profit or loss item. Changes in the value of financial liabilities owing to changes in the Group's credit worthiness are also recognised separately when they arise. Decreases in value attributable to debtor insolvency are attributed to credit impairments.

Valuation category, loans and receivables

Loans to credit institutions and the public, categorised as loans and receivables, are recognised on the balance sheet on the settlement day. These loans are measured at amortised cost as long as there is no objective evidence indicating that a loan or group of loans is impaired. Loans are initially recognised at cost, which consists of the loan amount paid out less fees received and any costs that constitute an integral part of the return. The interest rate that produces the loan's cost as a result of the calculation of the present value of future payments is considered the effective interest rate. The loan's amortised cost is calculated by discounting the remaining future payments by the effective interest rate. Interest income includes interest payments received and the change in the loan's amortised cost during the period, which produces a consistent return. On the closing day, it is determined whether there is objective evidence to indicate an impairment need for a loan or group of loans. If, after the loan is initially recognised, one or more events have occurred that negatively impact the estimated future cash flows, and the impact can be estimated reliably, impairment is made. The

Financial assets	**2016**						**2015**					
Valuation categories	**Hedging instruments**	**Fair value through profit or loss**		**Loans and receivables**	**Held to maturity**	**Total**	**Hedging instruments**	**Fair value through profit or loss**		**Loans and receivables**	**Held to maturity**	**Total**
SEKbn	**Derivatives**	**Trading**	**Other**				**Derivatives**	**Trading**	**Other**			
Cash and balances with central banks				121		121				186		186
Treasury bills and other bills eligible for refinancing with central banks		22			85	107		76			0	76
Loans to credit institutions		1		31		32		2		85		87
Loans to the public		48	142	1317		1507		35	196	1183		1414
Bonds and other interest-bearing securities		71			4	75		85			4	89
Financial assets for which customers bear the investment risk			160			160			153			153
Shares and participating interests		24			0	24		11			0	11
Derivatives	17	71				88	18	68				86
Other financial assets				11		11				18		18
Total	**17**	**237**	**302**	**1480**	**89**	**2125**	**18**	**277**	**349**	**1472**	**4**	**2120**

Financial liabilities	**2016**					**2015**				
Valuation categories	**Hedging instruments**	**Fair value through profit or loss**		**Other financial liabilities**	**Total**	**Hedging instruments**	**Fair value through profit or loss**		**Other financial liabilities**	**Total**
SEKbn	**Derivatives**	**Trading**	**Other**			**Derivatives**	**Trading**	**Other**		
Amounts owed to credit institutions		0		72	72		1		150	151
Deposits and borrowings from the public		11		782	793		4	0	744	748
Financial liabilities for which customers bear the investment risk			161		161			158		158
Debt securites in issue		15	8	819	842		14	6	806	826
Short position securities		12			12		8			8
Derivatives	3	82			85	4	65			69
Subordinated liabilities				27	27				25	25
Other financial liabilities				23	23				32	32
Total	**3**	**120**	**169**	**1723**	**2015**	**4**	**92**	**164**	**1757**	**2017**

impairment is calculated as the difference between the loan's carrying amount and the present value of estimated future cash flows, discounted by the loan's original effective interest rate. The Group determines first whether there is objective evidence for impairment of each individual loan. Loans for which such evidence is lacking are included in portfolios with similar credit risk characteristics. These portfolios are subsequently measured for impairment on a collective basis, in the event that objective evidence of impairment exists. Any impairment is calculated for the portfolio as a whole. Homogenous groups of loans with limited value and similar credit risk that have been individually identified as having objective evidence of impairment are measured individually based on the loss risk in the portfolio as a whole. If the impairment decreases in subsequent periods, previously recognised impairment losses are reversed. However, loans are never recognised at a value higher than what the amortised cost would have been if the write-down had not occurred. Loan impairments are recognised in profit or loss as credit impairments. Credit impairments include provisions for individually impaired loans, portfolio provisions and write-offs of impaired loans. Write-offs are recognised as credit impairments when the amount of loss is ultimately determined and represent the amount before the utilisation of any previous provisions. Provisions utilised in connection with write-offs are recognised on a separate line within credit impairments. Repayments of write-offs and recovery of provisions are recognised within credit impairments. The carrying amount of loans is the amortised cost less write-offs and provisions. Individual provisions and portfolio provisions are recognised in a separate provision account in the balance sheet, while write-offs reduce the amount of outstanding loans. Provisions for assumed losses on guarantees and other contingent liabilities are recognised on the liability side. Impaired loans are those for which it is likely that payment will not be received in accordance with the contract terms. A loan is not impaired if there is collateral that covers the principal, unpaid interest and any late fees by a satisfactory margin.

Valuation category, held-to-maturity

Certain financial assets are categorised as held-to-maturity investments where the intention is to hold them until the maturity date. Such instruments have fixed maturities, are not derivatives and are quoted on an active market. These investments are initially recognised on their trade day at cost and subsequently at amortised cost less any impairment, in the same way as for loans and receivables.

Reclassification of financial assets

Financial assets, excluding derivatives, which no longer meet the criteria for trading, may be reclassified from the valuation category financial instruments at fair value, provided that rare circumstances exist. A reclassification to the valuation category Held-to-maturity investments also requires an intention and ability to hold the investment until maturity. The fair value of the assets at the time of reclassification is considered to be their acquisition cost.

Valuation category, other financial liabilities

Financial liabilities that are not recognised as financial instruments at fair value through profit or loss are initially recognised on the trade day at cost and subsequently at amortised cost. Amortised cost is calculated in the same way as for loans and receivables.

Hedge accounting at fair value

Hedge accounting at fair value is applied in certain cases when the interest rate exposure in a recognised financial asset or financial liability or loan portfolios is hedged with derivatives. Where hedge accounting is applied, the hedged risk in the hedged instrument or the hedged portfolio is also measured at fair value. The value of the hedged risk in the hedged portfolio is recognised on a separate line in the balance sheet as Value change of interest hedged item in portfolio hedge. The item is recognised in connection with Loans to the public. The value of the hedged risk in an individual financial asset or financial liability is recognised on the same line in the balance sheet as the financial instrument. Both the change in the value of the hedging instrument, the derivative, and the change in the value of the hedged risk are recognised through profit or loss in net gains and losses on financial items at fair value. In order to apply hedge accounting, the hedge has been formally identified and documented. The hedge's effectiveness must be measurable in a reliable way and must be proven to remain very effective, both prospectively and retrospectively, in offsetting changes in value of the hedged risk.

Cash flow hedges

Derivative transactions are sometimes entered into to hedge the exposure to variations in future cash flows resulting from changes in interest - and exchange rates. These hedges can be recognised as cash flow hedges, whereby the effective portion of the change in the value of the derivative, the hedging instrument, is recognised directly in other comprehensive income. Any ineffective portion is recognised through profit or loss in net gains and losses on financial items at fair value. When future cash flows lead to the recognition of a financial asset or a financial liability, any gains or losses on the hedging instrument are eliminated from other comprehensive income and recognised in profit or loss in the same periods that the hedged item affects profit or loss. In order to apply hedge accounting, the hedge has been formally identified and documented. The hedge's effectiveness must be measurable in a reliable way and must be proven to remain very effective, both prospectively and retrospectively, in offsetting changes in value of the hedged risk.

Hedging of net investments in foreign operations

Hedges of net investments in foreign operations are applied to protect the Group from translation differences that arise from the translation of operations in a functional currency other than the presentation currency. Financial liabilities reported in the foreign operation's functional currency are translated at the closing-day exchange rate. The portion of the exchange rate result from hedging instruments that are effective is recognised in other comprehensive income. Any ineffective portion is recognised in profit or loss in net gains and losses on financial items at fair value. When a foreign operation is divested, the gain or loss from the hedging instrument is reclassified from other comprehensive income and recognised in profit or loss. In order to apply hedge accounting, the hedge has been formally identified and documented. The hedge's effectiveness must be measurable in a reliable way and must be proven to remain very effective, both prospectively and retrospectively, in offsetting changes in value of the hedged risk.

3.6 Leases (IAS 17)

The Group's leasing operations consist of finance leases and are therefore recognised as loans and receivables. The carrying amount corresponds to the present value of future leasing payments. The difference between all future leasing payments, the gross receivable, and the present value of future leasing payments constitutes unearned income. Consequently, lease payments received are recognised in part in profit or loss as interest income and in part in the balance sheet as instalments, such that the financial income corresponds to an even return on the net investment. In a finance lease, the economic risks and benefits associated with ownership of an asset are essentially transferred from the lessor to the lessee. The Group acts both as the lessor and the lessee for operating leases, which are those leases where the lessor bears the economic risks and benefits. Lease payments where the Group acts as lessee are expensed linearly over the lease term.

3.7 Associates and joint ventures (IAS 28, IFRS 11)

Associates and joint ventures are entities where the Group has significant influence or joint control, but not sole control, of another entity and are accounted for according to the equity method. The equity method means that the participating interests in an entity are recognised at cost at the time of acquisition and subsequently adjusted for the owned share of the change in the associate's net assets. Goodwill attributable to the associate or the joint venture is included in the carrying amount of the participating interests and is not amortised.

The carrying amount of the participating interests is subsequently compared with the recoverable amount of the net investment in the associate or the joint venture to determine whether an impairment need exists. The owned share of the associate's or the joint venture's profit according to the associate's or the joint venture's income statement, together with any impairment, is recognised on a separate line. The share of the associate's or the joint venture's tax is recognised in the income statement as Tax.

The associates' and joint venture's reporting dates and accounting policies conform to the Group's.

3.8 Intangible assets (IAS 38)

Goodwill

Goodwill acquired through a business combination is initially measured at cost and subsequently at cost less accumulated impairment. Goodwill is tested annually for impairment or more frequently if events or circumstances indicate a decrease in value. In order to test goodwill from business combinations for impairment, it is allocated upon acquisition to the cash generating unit or units that are expected to benefit from the acquisition. Identified cash generating units correspond to the lowest level in the entity for which the goodwill is monitored in the internal control of the entity. A cash generating unit is not larger than a business segment in the segment reporting. Impairment is determined and recognised when the recoverable amount of the cash generating unit to which the goodwill is allocated is lower than the carrying amount. Recognised impairment is not reversed.

Other intangible assets

Intangible assets are initially measured at cost and subsequently at cost less accumulated amortisation and accumulated impairment. The cost of intangible assets in a business combination corresponds to fair value upon acquisition. The useful life of an intangible asset is considered either finite or indefinite. Intangible assets with a finite useful life are amortised over their useful life and tested for impairment when impairment needs are indicated. Useful lives and amortisation methods are reassessed and adapted when needed in connection with each closing day. Development expenses are capitalised and recognised in the balance sheet when such costs can be calculated in a reliable way and for which it is likely that future economic benefits attributable to the assets will accrue to the Group. In other cases, development is expensed when it arises.

3.9 Tangible assets (IAS 2, IAS 16)

For protection of claims

Tangible assets acquired or recovered to protect claims are recognised as inventory, provided they do not relate to investment properties. Inventories are measured at the lower of cost and net realisable value. The cost includes all expenses for purchasing, manufacturing and to otherwise bring the goods to their current location and condition. The net realisable value represents the amount that is expected to be realised from a sale.

For own use

Tangible fixed assets, such as equipment and owner-occupied properties, are initially recognised at cost and subsequently measured at cost less accumulated depreciation and impairments.

3.10 Borrowing costs (IAS 23)

Borrowing costs are capitalised when they are directly attributable to the purchase, construction or production of a qualified asset. Borrowing costs refer to interest and other costs that arise in obtaining a loan. A qualified asset is one that takes considerable time to finish and is intended for use or sale, such as intangible assets or property, plant and equipment. Other borrowing costs are expensed in the period in which they arise.

3.11 Provisions (IAS 37)

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation arising from past events and it is likely that an outflow of resources will be required to settle the obligation. Additionally, a reliable estimation of the amount must be made and estimated outflows are calculated at present value. Provisions are tested on each closing day and adjusted when needed, so that they correspond to the current estimate of the value of the obligations.

Provisions are recognised for restructurings. Restructurings are extensive organisational changes which may require the payment of employee severance for early termination or branches to be shut down. For a provision to be recognised, a restructuring plan must be in place and announced, so that it has created a valid expectation among those affected that the company will implement a restructuring. A provision for restructuring includes only direct expenses related to the restructuring and not to future operations, such as of the cost of severance.

3.12 Pensions (IAS 19)

The Group's post-employment benefits, which consist of pension obligations, are classified as either defined contribution plans or defined benefit plans. In defined contribution plans, the Group pays contributions to separate legal entities, and the risk of a change in value until the funds are paid out rests with the employee. Thus, the Group has no further obligations once the fees are paid. Other pension obligations are classified as defined benefit plans. Premiums for defined contribution plans are expensed when an employee has rendered his/her services. In defined benefit plans, the present value of pension obligations is calculated and recognised as a provision. Both legal and constructive obligations that arise as a result of informal practices are taken into account. The calculation is made according to the Projected Unit Credit Method and also comprises payroll tax. As such, future benefits are attributed to periods of service. The fair value of the assets (plan assets) that are allocated to cover obligations is deducted from the provision. The income statement, staff costs, is charged with the net of service costs, interest on obligations and the anticipated return on plan assets. The calculations are based on the Group's actuarial assumptions, i.e. the Group's best estimate of future developments. The same interest rate is used to calculate both interest expense and interest income. If the actual outcome deviates or assumptions change, so-called actuarial gains and losses arise. The net of actuarial gains and losses is recognised as Revaluations of defined benefit pension plans in other comprehensive income, where the difference between the actual return and estimated interest income on plan assets is recognised as well.

3.13 Insurance contracts (IFRS 4)

In the financial statements, insurance policies refer to policies where significant insurance risk is transferred from insured to insurer. The majority of the Group's insurance policies do not transfer significant insurance risk; therefore they are recognised as financial instruments in the balance sheet line Financial liabilities where the customers bear the investment risk. For insurance policies with significant insurance risk, actuarial provisions are allocated corresponding to pledged obligations. In the income statement, premiums received and provisions are reported on separate lines.

3.14 Revenues (IAS 18)

The principles of revenue recognition for financial instruments are described in section 3.5 Financial instruments, recognition (IAS 39). Interest income and interest expense on financial instruments calculated according to the effective interest method are recognised as Net interest income, with the exception of interest income and interest expense on financial instruments and related interests that are classified as held for trading within the Large Corporates & Institutions ("LC&I") segment which are reported as Net gains and losses on financial items at fair value. Changes in fair value and dividends on shares in the valuation category financial instruments at fair value through profit or loss, as well as changes in the exchange rates between functional and other currencies are recognised in Net gains and losses on financial items at fair value. Service fees are recognised as income when the services are rendered as Commission income or Other income. Commission income includes payment processing, asset management and brokerage commissions. Commission expenses are transaction-dependent and are directly related to the transactions for which income is recognised in Commission income. Other income includes capital gains and losses on the sale of ownership interests in subsidiaries and associates, to the extent they do not represent an independent service line or a significant business conducted within a geographical area. Other income also includes capital gains and losses on the sale of tangible assets.

3.15 Share-based payment (IFRS 2)

Since the Group receives services from its employees and assumes an obligation to settle the transactions with equity instruments, this is recognised as share-based payment. The fair value of the services that entitle the employees to an allotment of equity instruments is expensed at the time the services are rendered and, at the same time, a corresponding increase in equity is recognised as Retained earnings.

For share-based payment to employees settled with equity instruments, the services rendered are measured with reference to the fair value of the granted equity instruments. The fair value of the equity instruments is calculated as per the grant date for accounting purposes i.e. the measurement date. The measurement date refers to the date when a contract was entered into and the parties agreed on the terms of the share-based payment. On the grant date, the employees are granted rights to share-based payment. Since the granted equity instruments are not vested until the employees have fulfilled a period of service, it is assumed that the services are rendered during the vesting period. This means that the cost and corresponding increase in equity are recognised over the entire vesting period. Non-market based vesting terms, such as a requirement that a person remain employed, are taken into account in the assumption of how many equity instruments are expected to be vested. At the end of each report period the Group reassesses its judgments of how many shares it expects to be vested based on the non market based vesting terms. Any deviation from the original judgment is recognised in profit or loss and a corresponding adjustment is recognised in Retained earnings within equity. Related social insurance charges are recognised as cash-settled share-based payment i.e. as a cost during the corresponding period, but based on the fair value that at any given time serves as the basis for a payment of social insurance charges.

3.16 Impairment (IAS 36)

For assets that are not tested for impairment according to other standards, the Group periodically determines whether there are indications of diminished value. If such indications exist, the asset is tested for impairment by estimating its recoverable amount. An asset's recoverable amount is the higher of its selling price less costs to sell and its value in use. If the carrying amount exceeds the recoverable amount, the asset is reduced to its recoverable amount. When estimating value in use, estimated future cash flows are discounted using a discount rate before tax that includes the market's estimate of the time value of money and other risks associated with the specific asset. An assessment is also made on each reporting date whether there are indications that the need for previous impairments has decreased or no longer exists. If such indications exist, the recoverable amount is determined. Previous impairment losses are reversed only if there were changes in the estimates made when the impairment was recognised. Goodwill impairment is not reversed. Impairments are recognised separately in the income statement for tangible or intangible assets.

3.17 Tax (IAS 12)

Current tax assets and tax liabilities for current and previous periods are measured at the amount expected to be obtained from or paid to tax authorities. Deferred taxes refer to tax on differences between the carrying amount and the tax base, which in the future serves as the basis for current tax. Deferred tax liabilities are the tax attributable to taxable temporary differences and are expected to be paid in the future. Deferred tax liabilities are recognised on all taxable temporary differences, with the exception of the portion of tax liabilities attributable to the initial recognition of goodwill or to certain taxable differences owing to holdings in subsidiaries. Deferred tax assets represent a reduction in the future tax attributable to deductible temporary differences, tax loss carry-forwards or other future taxable deductions. Deferred tax assets are tested on each closing day and recognised to the extent it is likely on each closing day that they can be utilised. As a result, a previously unrecognised deferred tax asset is recognised when it is considered likely that a sufficient surplus will be available in the future. Tax rates which have been enacted or substantively enacted as of the reporting date are used in the calculations. The Group's deferred tax assets and tax liabilities are estimated at nominal value using each country's tax rate in effect in subsequent years. Deferred tax assets are netted against deferred tax liabilities for Group entities that have offsetting rights. All current and deferred taxes are recognised in profit or loss as Tax, with the exception of tax attributable to items that are recognised directly in other comprehensive income or equity.

3.18 Non-current assets held for sale and discontinued operations (IFRS 5)

A non-current asset (or a disposal group) is classified as held for sale if its carrying amount will be recovered primarily through a sale. The asset (or disposal group) must be available for immediate sale in its current condition. It must be highly probable that a sale will take place and a finalised sale should be expected within one year. Subsidiaries acquired exclusively for resale are recognised as discontinued operations. Non-current assets held for sale are reported on a separate line in the balance sheet and measured at the lower of the carrying amount and fair value less costs to sell. Liabilities related to non-current assets are also recognised on a separate line in the balance sheet. The profit or loss from discontinued operations is recognised on a separate line in the income statement after the result for continuing operations.

3.19 Cash and cash equivalents (IAS 7)

Cash and cash equivalents consist of cash and balances with central banks, when the central bank is domiciled in a country where Swedbank has a valid banking licence. Balances refer to funds that are available at any time. This means that all cash and cash equivalents are immediately available.

3.20 Operating segments (IFRS 8)

Segment reporting is presented on the basis of the executive management's perspective and relates to the parts of the Group that are defined as operating segments. Operating segments are identified on the basis of internal reports to the company's chief operating decision maker. The Group has identified the Chief Executive Officer as its chief operating decision maker and the internal reports used by the CEO to oversee operations and make decisions on allocating resources serve as the basis of the information presented.

The accounting policies for an operating segment consist of the above accounting policies and policies that specifically refer to segment reporting. Market-based compensation is applied between operating segments, while all costs for IT, other shared services and Group Staffs are transferred at full cost-based internal prices to the operating segments. Group Executive Management expenses are not distributed. Cross border services are invoiced according to the OECD's guidelines on internal pricing. The Group's equity attributable to the shareholders is allocated to each operating segment based on the capital adequacy rules according and estimated utilised capital.

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

4 NEW STANDARDS AND INTERPRETATIONS

The International Accounting Standards Board (IASB) and IFRS Interpretations Committee (IFRIC) have issued the following standards, amendments to standards and interpretations that apply in or after 2016. The IASB permits earlier application. For Swedbank to apply them also requires that they have been approved by the EU if the amendments are not consistent with previous IFRS rules. Consequently, Swedbank has not applied the following amendments in the 2016 annual report.

Financial instruments (IFRS 9)

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

Swedbank intends to adopt IFRS 9 on the mandatory application date of 1 January 2018. The classification and measurement and impairment requirements will be applied retrospectively by adjusting the consolidated balance sheet at that date. There is no requirement to restate comparative periods and Swedbank does not intend to do so.

The impacts of IFRS 9 on the Group's financial reports are still being assessed but are expected to be significant, particularly from adopting the new impairment requirements. A reliable impact on the financial reports will not be known until the impairment models have been further developed and tested. Additionally, the transition requirements for capital adequacy purposes are still being considered by the Basel Committee. Therefore assumptions about the implications for regulatory capital must be made until requirements are published on the treatment of provisions under the standardised and IRB approaches, as well as well as any transitional arrangement that may be afforded.

Swedbank will disclose the potential impacts of IFRS 9 when reliable estimates are available, which will be no later than in the Annual Report 2017.

Classification and measurement

At initial recognition, financial assets will be classified as fair value through profit or loss, amortised cost or fair value through other comprehensive income. The classification assessment for debt instruments will be based on two criteria: (a) an entity's business model for managing financial assets and (b) whether the contractual cash flows of instruments represent solely payments of principal and interest. The introduction of the contractual cash flow characteristics test removed the requirements to assess for and separate embedded derivatives, where instruments are financial assets.

Swedbank has performed business model assessments based on how financial asset portfolios are managed and evaluated. The contractual cash flow characteristics tests have been performed on standard contracts, samples of contracts from populations with homogeneous contractual features and individual contracts considered to have non-homogeneous features or clauses that required specific evaluation. Based on the current balance sheet, the application of the business model and the contractual cash flow characteristics assessment are not expected to result in significant changes in the classification of financial assets as compared to the classification under IAS 39. Swedbank does not currently anticipate that any debt instruments will be classified as fair value through other comprehensive income under IFRS 9.

The classification of equity instruments under IFRS 9 is fair value through profit or loss, except where an entity elects to present such instruments as fair value through other comprehensive income. Swedbank is not currently planning on applying this election.

Swedbank designates financial assets at fair value through profit or loss under IAS 39 (so-called fair value option), primarily to avoid accounting mismatch. IFRS 9 provides a one-time ability to reevaluate the fair value option and whether it should be ceased voluntarily or elected to be continued (assuming the designation criterion are still met). Fair value option portfolios of financial assets may be reclassified to amortised cost under IFRS 9 if the business model and cash flow characteristics assessment are also met. Swedbank is still evaluating the impacts of this option.

The classification and measurement requirements for financial liabilities remain largely unchanged from IAS 39. The primary change relates to financial liabilities designated at fair value through profit or loss. IFRS 9 permits the fair value changes due to own credit risk on these financial liabilities to be presented in other comprehensive income, rather than in profit or loss. Swedbank expects to continue to apply the fair value option under IFRS 9 to the same population as under IAS 39 and the impact of this change is not expected to be significant. The adjustment for own credit risk recognised in profit or loss under IAS 39 is disclosed in Note G45.

Impairment

IFRS 9 removes the requirement in IAS 39 to identify an incurred loss event and introduces an expected credit loss model for the measurement of impairment on financial assets classified as amortised cost. The new impairment model establishes a three stage approach based on whether there has been a significant increase in credit risk since initial recognition of an instrument. Expected credit losses will be measured based on the stage to which the individual asset is allocated at each reporting date.

For financial assets with no significant increase in credit risk since initial recognition, impairment provisions reflect 12-month expected credit losses. For financial assets with a significant increase in credit risk and those which are credit impaired, impairment provisions reflect lifetime expected credit losses. The various types of credit risk information available and the way credit risk is managed for different portfolios become more relevant under IFRS 9, particularly to enable allocation to the appropriate stage. Transfers between stages will be applied at an individual loan level and will also incorporate the effects of forward-looking information.

Swedbank does not expect to change the policy on the write-off of loans and receivables, as set out on page 79.

Scope

Under IFRS 9, the scope of impairment is expanded compared to IAS 39 to include irrevocable off-balance sheet loan commitments and financial guarantees. These instruments are currently provisioned for in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

Stage 1

Under IFRS 9, 12-month expected credit losses will be recognised on financial assets which are not considered to have significantly increased in credit risk since initial recognition. Under IAS 39, portfolio provisions are recognised on a collective basis on loans where a loss event has occurred but objective evidence of such loss has not yet been identified, otherwise known as incurred but not reported provisions. Portfolio provisions take into account a loss emergence period, which is an estimation of the period of time from the loss event occurring to identification of the loss. The 12-month horizon under IFRS 9 is likely to be equal to or longer than the loss emergence period under IAS 39. Consequently, IFRS 9 provisions are expected to be larger than those under IAS 39.

Stage 2

Financial assets are considered to be in stage 2 if there has been a significant increase in credit risk since initial recognition. Lifetime expected credit losses shall be recognised against such financial assets. IFRS 9 provisions are expected to be higher than those under IAS 39 as a result of lifetime expected losses being recognised on loans that are not credit-impaired.

Swedbank intends to assess changes in credit risk using a combination of individual and collective information and will reflect the increase in credit risk at the individual financial instrument level to the extent practicable. The assessment will be based on criteria established for each portfolio, segment or type of product in scope and depends on the products as well as the characteristics of the financial asset and the borrower. The primary indicator that will be used to assess changes in credit risk will be changes in the lifetime probability of default since initial recognition. The probability of default will incorporate effects stemming from current and forecasted economic conditions. Qualitative indicators that may not be captured in a timely manner in the probability of default models will also be considered in the stage allocation assessment; for example, whether a borrower is monitored on the watch list. Financial assets that are 30 days past due will be allocated to Stage 2 as a backstop. Swedbank will analyse thresholds and qualitative indicators across different portfolios during 2017, in order to define significance for the purpose of stage allocation.

Stage 3

Stage 3 provisions effectively replace the IAS 39 individual and collective provisions on impaired loans. Financial assets will be included in stage 3 when there is objective evidence that the asset is credit-impaired. Credit-impaired will primarily be defined as an instrument being 90 days or more past due, as well as other factors consistent with the loss event criteria used under IAS 39. Swedbank does not currently anticipate rebutting the presumption in IFRS 9 that loans which are 90 days past due are in default. IFRS 9 does not define default but rather states that it shall be consistent with the definition of default used for internal credit risk management purposes. It is Swedbank's intention to align the definition of default with the regulatory definition as far as possible.

The population of financial assets in stage 3 is expected to be relatively consistent with those which are reported as individually assessed as impaired under IAS 39, with two primary exceptions. Under IFRS 9, cure periods will be implemented such that financial assets may remain in stage 3 longer than they would be reported as impaired according to IAS 39. Additionally, under IAS 39 there are financial assets which are not considered impaired if there is collateral that covers the principal, unpaid interest and any late fees by a satisfactory margin. These financial assets will be considered credit-impaired and therefore reported in stage 3 according to IFRS 9.

For financial assets that Swedbank does consider to be individually significant, provisions under IFRS 9 will be measured according to the models for expected credit losses. For financial assets that are considered to be individually significant, discounted cash flow calculations will continue to be used as under IAS 39. Changes will be made to these calculations in order to ensure the measurement requirements of IFRS 9 are met. Therefore, the results may not be the same as those calculated according to IAS 39.

Modifications of financial assets

If the cash flows of a modified financial asset are not substantially different, the modification does not result in derecognition from the balance sheet. In this case, the gross carrying amount of the financial asset is recalculated and the adjusting amount is recognised as a modification gain or loss in profit or loss.

If a financial asset in stage 3 is modified and the modification results in derecognition, the new financial asset will be classified as originated credit-impaired and this classification will be retained until derecognition. All other modified financial assets could be transferred out of stage 3 to stages 2 or 1, but may be subject to longer cure periods. The stage allocation for modified financial assets will be assessed based on the significance of changes in credit risk, determined by comparing the risk of a default occurring at the reporting date using the modified contractual terms and the risk of a default occurring at initial recognition using the original contractual terms.

Measurement of expected credit losses

Swedbank will calculate expected credit losses as the probability-weighted net present value of expected cash shortfalls, considering four main parameters: a probability of default (PD), a loss given default (LGD), an exposure at default (EAD) and a discount rate. Furthermore, expected credit losses will be evaluated and probability-weighted across a diverse set of economic scenarios. Expected credit losses will be calculated at an individual loan level, except for smaller portfolios where less information is available and simplified approaches will be applied.

For IFRS 9 purposes, the 12-month and lifetime PDs represent the probability of a default occurring over the next 12 months or the expected lifetime of a financial instrument, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk. Swedbank is planning to use PD term structures to derive both the 12-month and lifetime PDs. The LGD represents the expected loss given a default, taking into account the expected value of future recoveries, the realisation of collateral, the time when those recoveries are anticipated and the time value of money. The EAD represents the expected exposure at default, considering contractual amortisations and prepayment probability over the expected lifetime, as well as drawdowns on revolving facilities and irrevocable off-balance sheet commitments.

Swedbank's regulatory IRB models will serve as a base for the IFRS 9 expected credit loss models. However, adjustments need to be made and, in some instances, new models need to be developed in order to meet the objectives of IFRS 9. The main adjustments required are summarised in the table below:

	Regulatory capital	IFRS 9
PD	• Fixed 1-year default horizon • Through-the-cycle, based on a long run average • Conservative calibration based on backward looking information including data from downturns	• 12-months PD for stage 1 and expected lifetime PD for stages 2 and 3 • Point-in-time, based on the current position in the economic cycle • Incorporation of forward-looking information • No conservative add-ons
LGD	• Downturn adjusted collateral values and through-the –cycle calibration • All workout costs included	• Point-in-time, based on the current position in the cycle • Adjusted to incorporate forward-looking information • Internal workout costs excluded • Recoveries discounted using the instrument specific effective interest rate
EAD	• 1-year outcome period • Credit conversion factor, with downturn adjustment, applied to off-balance sheet instruments	• EAD over the expected lifetime of instruments • Point-in-time credit conversion factor applied to off-balance sheet instruments • Prepayments taken into account
Discounting	• No discounting, except in LGD models	• Expected credit losses discounted to reporting date, using the instrument specific effective interest rate

The measurement of expected credit losses and the assessment of significant increase in credit risk must each consider information about past events and current conditions, as well as reasonable and supportable forecasts of future events and economic conditions. Expected credit losses will be evaluated for each relevant scenario and probability-weighted across the outcomes and the effects of macroeconomic forecasts will be incorporated at the risk parameter level. For the assessment of significant increases in credit risk, the lifetime PD will also be probability-weighted across the scenarios.

Incorporating forward-looking information will require significant judgment, both in terms of the scenarios to be applied and ensuring that only relevant forward-looking information is considered in the calculation of expected credit losses. Swedbank's Macro Research Department continuously monitors the global macroeconomic environment, with particular focus on Sweden and other home markets. This department will be responsible for defining forward-looking macroeconomic scenarios for different jurisdictions, translating those scenarios into macroeconomic forecasts and producing the associated probability weights for each scenario. The methodologies and processes are currently being developed.

Hedge accounting

The IFRS 9 hedge accounting requirements enable entities to better reflect their risk management activities in the financial statements and introduce a less rules-based approach to assessing hedge effectiveness. The new standard does not explicitly address the accounting for portfolio hedges of interest rate risk and, as a result, the following accounting policy choices are provided:

- Adopt the IFRS 9 hedge accounting requirements for all hedge relationships, except the portfolio hedge of interest rate risk, for which IAS 39 is retained
- Adopt IFRS 9 for all hedge relationships
- Retain IAS 39 for all hedge relationships

Swedbank has performed a detailed gap analysis of the hedge accounting requirements and expects to adopt the IFRS 9 hedge accounting requirements for all hedge relationships, except the portfolio hedge of interest rate risk.

The new hedge accounting disclosures resulting from the related amendments to IFRS 7 Financial Instruments: Disclosures are required regardless of the accounting policy choice that is elected.

Swedbank IFRS 9 Programme

To manage the implementation and transition to the new accounting standard, a Group-wide IFRS 9 Programme was established in 2015. The Programme's Steering Committee comprises senior management from Group Finance (Chair), Group Risk, Group IT, Group Business Intelligence Office, Group Bridge, Baltic Banking and Group Treasury. On an overall level, the Programme is planning to enter a parallel run at the end of Q2 2017.

To date most work in the Programme has been on developing and implementing first version of the models for the calculation of expected credit losses. Significant preparatory and design work took place during 2016, focused on data, systems, processes, governance and communication. Currently, the focus is on the IT implementation of accounting and reporting changes, documentation of the new impairment process and continued efforts on data sourcing and quality assessment. The Programme has defined a governance framework for the IFRS 9 impairment process, which includes representatives to review, challenge and sign-off the assumptions used and the results in the Group and each significant legal entity.

Revenue from Contracts with Customers (IFRS 15)

IFRS 15 was issued in May 2014 and establishes the principles for reporting useful information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The standard introduces a five-step model to determine how and when to recognise revenue, but it does not impact the recognition of income from financial instruments in the scope of IAS 39. The standard also establishes new disclosures to provide more relevant information. The standard is applicable from 1 January 2018 and has been approved by the EU. Adoption is not expected to have a significant effect on the Group's financial position, results or cash flows.

Leases (IFRS 16)

IFRS 16 was issued in January 2016 and replaces IAS 17 Leases. The new standard significantly changes the way lessee entities should account for leases. For lessees, the standard eliminates the distinction between finance and operating leases and requires entities to recognise assets and liabilities arising from most leases on the balance sheet. For lessors, the requirements remain largely unchanged and maintain the distinction between finance and operating leases. IFRS 16 is applicable from 1 January 2019, with early adoption permitted if IFRS 15 has been applied, and has not yet been approved by the EU. The impacts on the Group's financial reports are still being assessed by the Group.

Annual Improvements 2014-2016

The annual improvements amend the current standards for presentation, recognition or measurement and other editorial corrections. The Annual Improvements to IFRS Standards 2014–2016 Cycle was issued by IASB on 8 December 2016 and includes amendments to three standards. The effective dates for application are the financial year beginning on 1 January 2017 for improvements to IFRS 12 Disclosure of Interests in Other Entities and the financial year beginning on 1 January 2018 for improvements to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 28 Investments in Associates and Joint Ventures. The EU has not yet approved the 2014-2016 improvements. Adoption is not expected to have a significant effect on the Group's financial position, results or cash flows.

5 CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The 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 recognised income and expenses during the report period. The executive management continuously evaluates these judgments and estimates, including those that affect the fair value of financial instruments, provisions for impaired loans, impairment of intangible assets, deferred taxes, pension provisions and share based payments. The executive management bases its judgments and assumptions on previous experience and several other factors that are considered reasonable under the circumstances. Actual results may deviate from judgments and estimates.

5.1 Judgments

Investment funds

Entities in the Group have established investment funds for their customers' savings needs. The Group manages the assets of these funds on behalf of customers in accordance with predetermined provisions approved by the Swedish Financial Supervisory Authority. The return generated by these assets, as well as the risk of a change in value, accrues to customers. Within the framework of the approved fund provisions, the Group receives management fees as well as, in certain cases, application and withdrawal fees for the management duties it performs. The decisions regarding the management of an investment fund are governed by the fund's provisions; however the Group has power over the decision making of the relevant activities of the investment funds. The Group's exposure to variable returns from its involvement with those funds is primarily related to the fees charged and therefore the Group is considered to act as agent on behalf of the investment funds' investors. In certain cases, Group entities also invest in the investment funds to fulfil their obligations to customers. The Group's holdings in the investment funds represent an additional variable exposure in the investment funds. The Group's interests in total are seen as principal activity for the Group's own benefit where such interests exceed 35 per cent and, consequently, the investment fund would be controlled and consolidated. The Group considers that holdings in investment funds through unit-linked mutual insurance contracts do not result in a variable exposure and therefore are excluded from the assessment of control over such investment funds. Holdings in investment funds through unit-linked mutual insurance contracts of SEK 112bn (102) are recognised as Financial assets for which the customer bears the investment risk and the corresponding liabilities of SEK 112bn (102) are recognised as Financial liabilities for which the customer bears the investment risk. If the Group had considered such holdings to be a variable exposure and that it had control over such investment funds, additional financial assets and financial liabilities corresponding to SEK 63bn (62) respectively would have been recognised in the Group's balance sheet.

Financial instruments

When determining the fair values of financial instruments, the Group uses various methods depending on the degree of available observable market data and the level of activity in the market. Quoted prices on active markets are primarily used. When financial assets and financial liabilities in active markets have offsetting market risks, the average of bid and sell prices is used as a basis for determining the fair value of the offsetting risk positions. For any open net positions, bid or sell prices are applied as appropriate, i.e. bid prices for long positions and sell prices for short positions. The Group's executive management has determined the method for which market risks offset each other and how the net positions are calculated. When quoted prices on active markets are not available, the Group instead uses valuation models. The Group's executive management determines when the markets are considered inactive and when quoted prices no longer correspond to fair value, therefore requiring that valuation models are used. An active market is considered a regulated marketplace where quoted prices are easily accessible and which demonstrates regularity. Activity is evaluated continuously by analysing factors such as trading volumes and differences between bid and sell prices. When certain criteria are not met, the market or markets are considered inactive. The Group's executive management determines which valuation model and which pricing parameters are most appropriate for the individual instrument. Swedbank uses valuation models that are generally accepted and are subject to independent risk control.

The executive management has determined that the option to measure financial instruments at fair value provides the fairest view for certain portions of the Group's loan portfolios with fixed interest rates, since the interest rate risk is hedged with the help of securities in issue and derivatives. A determination is also made for the financial instruments to which hedge accounting will be applied. In both cases the determination is made to reduce accounting volatility as far as possible. Accounting volatility lacks economic relevance and arises when financial instruments are measured with different measurement principles despite that they financially hedge each other.

Tax

For the parent company's Estonian subsidiary, Swedbank AS, income taxation is triggered only if dividends are paid. The parent company determines the dividend payment and has established a specific dividend policy that a portion of the profit will be distributed; therefore a deferred tax liability is recognised based on this dividend policy. To the extent dividends are not expected to the paid in the foreseeable future, the Group continues to not recognise a deferred tax liability. If the largest possible dividend was to be distributed, the Group would face an estimated tax charge of SEK 2 594m (2 589).

5.2 Estimates

The Group uses various estimates and assumptions about the future to determine the value of certain assets and liabilities.

Provisions for credit impairments

Loans and receivables measured at amortised cost are tested if loss events have occurred. Individual loans are tested initially, followed by groups of loans with similar credit terms and which are not identified individually. A loss event refers to an event that occurred after the loan was paid out and which has a negative effect on projected future cash flows. Determining loss events for a group of loans carries greater uncertainty, since a number of different events, such as macroeconomic factors, may have had an impact. Loss events include late or non-payments, concessions granted due to the borrower's financial difficulties, bankruptcy or other financial restructures, and local economic developments linked to non-payments, such as an increase in unemployment or decreases in real estate or commodity prices. Where a loss event has occurred, individual loans are classified as impaired loans. The executive management considers that loans whose terms have been significantly changed due to the borrower's economic difficulties and loans that have been non-performing for more than 90 days should automatically be treated as impaired. Such a loan is not considered impaired if there is collateral which covers the capital, accrued and future interest and fees by a satisfactory margin. When a loss event has occurred, a determination is made when in the future the loan's cash flows will be received and the estimated size. For impaired loans, interest is not considered to be received, only capital or portions thereof. For groups of loans, estimates are based on historical values and experience-based adjustments to the current situation. Provisions for impaired loans are made on the difference between estimated value, i.e. estimated future cash flows discounted by the loan's original effective interest rate, and amortised cost. Amortised cost refers to contractual cash flows discounted by the loan's original effective interest rate. Assumptions about when in time a cash flow will be received as well as its size determine the size of the provisions. Decisions on provisions are therefore based on various calculations and the executive management's assumptions of current market conditions. The executive management is of the opinion that provision estimates are important because of their significant size as well as the complexity of making these estimates. The Group's total provisions for credit impairments amounted to SEK 3 755m (3 381) at year-end. An overall decrease in borrowers' payment ability of an additional 10 per cent would have increased provisions by SEK 375m (338).

Impairment testing of goodwill

Goodwill is tested at least annually for impairment. Testing is conducted by calculating the recoverable amount i.e. the highest of value in use or the selling price less costs to sell. If the recoverable amount is lower than the carrying amount, the asset is reduced to its recoverable amount. Goodwill impairment does not affect either cash flow or the capital adequacy ratio, since goodwill is a deduction in the calculation of the capital base. The executive management's tests are done by calculating value in use. The calculation is based on estimated future cash flows from the cash generating unit that the goodwill relates to and has been allocated to as well as when the cash flows are received. The first three years' cash flows are determined on the basis of the financial plans the executive management has established. Subsequent determinations of the size of future cash flows require more subjective estimates of future growth, margins and profitability levels. The Group estimates perpetual cash flows, since all cash generating units are part of the Group's home markets, which it has no intention of leaving. In addition, a discount rate is determined that in addition to reflecting the time value of money also reflects the risk that the asset is associated with. Different discounting factors are used for different time periods. As far as possible, the discount rate and assumptions, or portions of the assumptions, are based on external sources. Nevertheless, a large part of the calculation is dependent on the executive management's own assumptions. The executive management considers the assumptions to be significant to the Group's results and financial position. The Group's goodwill amounted to SEK 12 408m (12 010) at year-end, of which SEK 9 701m (9 303) relates to the investment in the Baltic banking operations. The executive management's assumptions in the calculation of value in use as of year-end 2016 did not lead to any impairment losses. Until 2001, 60 per cent of the Baltic banking operations had been acquired. In 2005 the remaining 40 per cent was acquired. The majority, or SEK 10 440m (10 012) of the goodwill before impairments arose through the acquisition of the remaining non-controlling interest and at the time corresponded to 40 per cent of the operation's total value. If the discount rate had been increased by one percentage point or the growth assumption had been reduced by one percentage point, it would not have created any impairment losses for the investments in the Baltic operations.

Financial instruments at fair value

When financial instruments are measured at fair value according to valuation models, a determination is made on which observable market data should be used in those models. The assumption is that quoted prices for financial instruments with similar activity will be used. When such prices or components of prices cannot be identified, the executive management must make its own assumptions. Note G44 shows financial instruments at fair value divided into three valuation levels: quoted prices, valuation models with observable market inputs and valuation models with significant assumptions. As of year-end the value of financial instruments measured with significant assumptions amounted to SEK 223m (187). An estimate of valuation parameters has to be made, for example, for volatilities for certain illiquid options.

Defined benefit pensions

For pension provisions for defined benefit obligations, the executive management uses a number of actuarial assumptions to estimate future cash flows. The assumptions are assessed and updated, if necessary, at each reporting date. Changes in assumptions are described in Note G38. Important estimates are made with regard to the final salary the employee has at the time of retirement, the size of the benefit when it relates to the income base amount and the payment period and economic life. Estimated future cash flows are projected at present value using an assumed discount rate. When actual outcomes deviate from the assumptions made, an experience-based actuarial gain or loss arises. Actuarial gains or losses also arise when assumptions change. In total, the Group's actuarial gains and losses for 2016 amounted to a loss of SEK 2 628m (–2 947). The result is recognised as Remeasurements of defined benefit pension plans within other comprehensive income. The expense 2016 was mainly due to the fact that the discount rate decreased compared to last year end. At year end the discount rate, which are used in the calculation of the pension liability, was 2.79 % as per year end 2016 compared to 3.53 % last year end. The pension liability exceeded the fair value of the assets managed by the Swedish defined benefit pension plans by SEK 1 406m (–1 274).

G3 Risks

Swedbank defines risk as a potentially negative impact on the Group's value that can arise due to current internal processes or future internal or external events. The concept of risk includes the probability that an event will occur and the impact it would have on the Group's earnings, equity or value. The Board of Directors has adopted an Enterprise Risk Management (ERM) policy detailing the risk framework, risk management process, and roles and responsibilities for risk management. Swedbank continuously identifies the risks its operations generate and has designed a process to manage them.

The risk management process comprises eight steps: prevent risks, identify risks, quantify risks, analyse risks, suggest measures, control and monitor, report risks, and, lastly, follow-up risk management. The process encompasses all types of risk and also results in a description of Swedbank's risk profile, which in turn serves as the basis of the internal capital adequacy assessment process.

To ensure that Swedbank maintains a low long-term risk profile, the Board has set an overall risk appetite. In line with this appetite, individual CEO limits have been established for the types of risks the bank is exposed to. The CEO limits are complemented by limits at lower levels as well as risk indicators, which are closely monitored and designed to give an early warning if conditions change.

The capital adequacy assessment process evaluates capital needs based on Swedbank's aggregate risk level and business strategy. The aim is to ensure efficient use of capital at the same time that Swedbank meets the minimum legal capital requirement and maintains access to domestic and international capital markets, even under adverse market conditions.

Risk	Description
Credit risk	The risk that a counterparty, the borrower, fails to meet contractual obligations to Swedbank and the risk that collateral will not cover the claim. Credit risk also includes counterparty risk, concentration risk and settlement risk.
Market risk	The risk that the Group's results, equity or value will decease due to changes in risk factors in financial markets. Market risk includes interest rate risk, currency risk, share price risk, commodity risk and risks from changes in volatilities or correlations.
Liquidity risk	The risk that Swedbank cannot fulfil its payment commitments at maturity or when they fall due.
Operational risk	The risk of losses resulting from inadequate or failed internal processes or procedures, human error, system failure or external events. The definition includes legal risk and information risk.
Insurance risk	The risk of a change in value due to a deviation between actual insurance costs and anticipated insurance costs.
Other risks	Include business risk, pension risk, strategic risk, reputational risk, and environmental and sustainability risk.

Credit risks

DEFINITION

Credit risk refers to the risk that a counterparty or borrower will fail to meet its contractual obligations towards Swedbank and the risk that pledged collateral will not cover the claim.

Credit risk also includes counterparty risk, concentration risk and settlement risk. Counterparty risk is the risk that a counterparty in a trading transaction will fail to meet its financial obligations towards Swedbank and that the collateral which has been received is insufficient to cover the claim against the counterparty. Trading transactions refer here to repos, derivatives, security financing transactions and money market transactions.

Concentration risk comprises, among other things, large exposures or concentrations in the credit portfolio to specific counterparties, sectors or geographies.

Settlement risk is the risk that a counterparty will fail to meet its obligations before Swedbank fulfils its when a transaction is executed (delivery/payment).

Risk management

A central principle of Swedbank's lending is that each business unit in the Group has full responsibility for its credit risks, as well as that credit decisions adhere to the credit process, are made in accordance with applicable rules, and are in line with Swedbank's business and credit strategies. Depending on the size and nature of each credit, a lending decision can be made, for example, by an officer with help from system support or by a credit committee. The business unit has full liability regardless of who makes the ultimate decision, including responsibility for internal credit control. The duality principle guides all credit and credit risk management within the Group. The principle is reflected in the independent credit organisation, decision-making bodies and in the credit process. Each business unit is responsible for ensuring that internal control is integrated in the relevant parts of the credit process.

The risk classification system is a central part of the credit process and comprises operating and decision-making processes for lending, credit monitoring, and quantification of credit risk. The decision to grant credit requires good grounds to expect that the borrower can fulfil the commitment to the Group. Moreover, adequate and sufficient collateral must be pledged.

Sound, robust and balanced lending requires that each transaction is viewed in relation to relevant external factors, taking into account what the Group and the market know about anticipated local, regional and global changes and developments which could impact the transaction and its risks. Credit exposures are systematically analysed by monitoring individual commitments. Exposures to corporate customers, financial institutions and sovereigns are reassessed at least once a year.

Risk measurement

Swedbank's internal risk classification system is the basis for:

- Risk assessment and credit decisions
- Calculating risk-adjusted returns (including RAROC)
- Calculating portfolio provisions
- Monitoring and managing credit risks (including migrations)
- Reporting credit risks to the Board, CEO and Group Executive Management
- Developing credit strategies and associated risk management activities
- Calculating capital requirements and capital allocation

Risk class is assessed and assigned as part of each credit decision. It also affects the scope of the analysis and documentation and how customers are monitored. In this way, low-risk transactions can be approved through a simpler and faster credit process. The risk classification is also a key part of the monitoring of individual credit exposures.

Swedbank has received approval from the Swedish Financial Supervisory Authority to apply the IRB approach to calculate the major part of the capital requirement for credit risks. The bank applies the IRB approach to the majority of its lending to the public, with the exception of lending to sovereigns. For exposures where the IRB approach is not applied, the SFSA's standard method is used instead.

The goal of the risk classification is to predict defaults within one year. It is expressed on a scale of 23 classes, where 0 represents the highest risk and 21 represents the lowest risk of default, with one class for defaulted loans. The table below describes the Group's risk classification and how it relates to the theoretical probability of default within 12 months (PD) as well as an indicative rating from Standard & Poor's. Of the total IRB-assessed exposures, 81 per cent (80) fall in the risk classes 13–21, investment grade, where the risk of default is considered low. Of the exposures, 47 per cent (45) have been assigned a risk grade of 18 or higher, which corresponds to a rating of A from the major rating agencies. The exposures relate to the consolidated situation.

Risk grade according to IRB methodology

Internal rating		PD (%)	Indicative rating Standard & Poor's
Default	Default	100	D
High risk	0–5	>5.7	C to B
Augmented risk	6–8	2.0–5.7	B+
Normal risk	9–12	0.5–2.0	BB- to BB+
Low risk	13–21	<0.5	BBB- to AAA

To ensure the most accurate internal rating possible, various risk classification models have been developed. There are primarily two types of models, one of which is based on a statistical method, which requires access to a large amount of information on counterparties and enough information on those that have defaulted. In cases where the statistical method is not applied, models are created where evaluation criteria are based on expert opinions.

The models are validated when new models are introduced and major changes are made as well as periodically (at least annually). The validation is designed to ensure that each model measures risk satisfactorily. In addition, they are evaluated to ensure that they work well in daily credit operations. The models normally produce a likelihood of default over a one-year horizon.

Maximum credit risk exposure distributed by rating 2016	Risk grade according to the IRB methodology							
	Low risk PD <0,5	Normal risk PD 0.5–2.0	Augmented risk PD 2.0-5.7	High risk PD >5.7	Default PD 100.0	Non-rated exposures	Standardised methodology	EAD
Total exposure	**1 320 338**	**204 572**	**63 476**	**24 997**	**10 230**	**13 591**	**351 879**	**1 989 083**

	Swedish Banking	%	Large corporates & Institutions	%	Baltic Banking	%	Other	%	Total	%
EAD										
Low risk	964 429	48.5	229 267	11.5	73 178	3.7	53 464	2.7	1 320 338	66.4
Normal risk	134 918	6.8	28 835	1.4	40 644	2.0	175	0.0	204 572	10.3
Augmented risk	38 150	1.9	11 098	0.6	14 051	0.7	177	0.0	63 476	3.2
High risk	12 263	0.6	3 119	0.2	9 572	0.5	43	0.0	24 997	1.3
Defaults	2 085	0.1	5 716	0.3	2 429	0.1			10 230	0.5
Non-rated exposures	4 201	0.2	4 226	0.2	4 842	0.2	322	0.0	13 591	0.7
Standardised method	60 649	3.0	36 558	1.8	70 204	3.5	184 468	9.3	351 879	17.6
Total	**1 216 695**	**61.2**	**318 819**	**16.0**	**214 920**	**10.8**	**238 649**	**12.0**	**1 989 083**	**100.0**

	Public	%	Corporates	%	Institutions	%	States	%	Other	%	Total	%
EAD												
Low risk	889 446	44.7	347 461	17.5	83 432	4.2					1 320 338	66.4
Normal risk	94 957	4.8	109 144	5.5	470	0.0					204 572	10.3
Augmented risk	31 329	1.6	32 100	1.6	47	0.0					63 476	3.2
High risk	13 885	0.7	11 102	0.6	10	0.0					24 997	1.3
Defaults	2 681	0.1	7 549	0.4							10 230	0.5
Non-rated exposures			1 409	0.1					12 182	0.6	13 591	0.7
Standardised method	38 199	1.9	4 909	0.2	5 456	0.3	278 200	14.0	25 115	1.3	351 879	17.6
Total	**1 070 497**	**53.8**	**513 674**	**25.8**	**89 415**	**4.5**	**278 200**	**14.0**	**37 297**	**1.9**	**1 989 083**	**100.0**

The above table refers to Swedbank's consolidated situation.

Maximum credit risk exposure distributed by rating 2015	Risk grade according to the IRB methodology							
	Low risk PD <0.5	Normal risk PD 0.5-2.0	Augmented risk PD 2.0-5.7	High risk PD >5.7	Default PD 100.0	Non-rated exposures	Standardised methodology	EAD
Total exposure	**1 264 537**	**200 833**	**57 319**	**23 606**	**6 014**	**64 627**	**371 639**	**1 988 575**

	Swedish Banking	%	Large corporates & Institutions	%	Baltic Banking	%	Other	%	Total	%
EAD										
Low risk	898 432	45.2	229 523	11.5	62 092	3.1	74 490	3.7	1 264 537	63.6
Normal risk	130 239	6.5	31 530	1.6	38 735	1.9	329	0.0	200 833	10.1
Augmented risk	38 947	2.0	5 399	0.3	12 895	0.6	78	0.0	57 319	2.9
High risk	12 135	0.6	1 241	0.1	10 185	0.5	45	0.0	23 606	1.2
Defaults	2 213	0.1	905	0.0	2 896	0.1			6 014	0.3
Non-rated exposures	4 034	0.2	4 135	0.2	4 841	0.2	51 617	2.6	64 627	3.2
Standardised method	55 674	2.8	32 632	1.6	64 950	3.3	218 383	11.0	371 639	18.7
Total	**1 141 674**	**57.4**	**305 365**	**15.4**	**196 594**	**9.9**	**344 942**	**17.3**	**1 988 575**	**100.0**

	Public	%	Corporates	%	Institutions	%	States	%	Other	%	Total	%
EAD												
Low risk	832 867	41.9	324 161	16.3	107 510	5.4					1 264 538	63.6
Normal risk	92 451	4.6	108 021	5.4	361	0.0					200 833	10.1
Augmented risk	31 624	1.6	25 548	1.3	147	0.0					57 319	2.9
High risk	14 734	0.7	8 870	0.4	1	0.0					23 605	1.2
Defaults	3 232	0.2	2 782	0.1							6 014	0.3
Non-rated exposures			1 781	0.1					62 846	3.2	64 627	3.2
Standardised method	23 213	1.2	9 580	0.5	5 049	0.3	302 032	15.2	31 765	1.6	371 639	18.7
Total	**998 121**	**50.2**	**480 743**	**24.2**	**113 068**	**5.7**	**302 032**	**15.2**	**94 611**	**4.8**	**1 988 575**	**100.0**

The above table refers to Swedbank's consolidated situation.

Maximum credit risk exposure, geographical distribution 2016

	Sweden	Estonia	Latvia	Lithuania	Norway	Denmark	Finland	USA	Other	Total
Assets										
Cash and balances with central banks	18 361	21 951	13 829	21 305	581	63	27 821	17 311	125	121 347
Treasury bills and other bills eligible for refinancing with central banks	99 498		2 222	1 649	865	268	1 994		1 075	107 571
States	9 908		2 222	1 649	33	268	1 978		1 075	17 133
Swedish central bank	85 005									85 005
Municipalities	4 585				832		16			5 433
Other										
Loans to credit institutions	27 374	1 434	1 018	568	-81	18	-311	107	2 069	32 197
Repurchase agreements [1]	852									852
Loans to the public	1 308 673	65 228	31 016	44 041	41 753	2 116	11 424	775	2 220	1 507 247
Swedish National Debt Office	5 079									5 079
Repurchase agreements [1]	48 825	11		24						48 860
Real Estate Residential	882 305	29 017	13 894	20 917	95	1 171				947 399
Real Estate Commercial	143 799	16 212	7 080	8 889	3 669	632		274		180 555
Guarantees	28 810	3 345	362	322	436		180		568	34 023
Cash	13 016	15	621	378						14 030
Other	106 215	8 817	6 901	6 812	9 981	285		392		139 403
Unsecured	80 625	7 811	2 158	6 699	27 572	28	11 244	109	1 652	137 898
Bonds and other interest-bearing securities	48 294	41	7		7 550	843	2 059	4 228	11 479	74 501
Housing finance institution	34 839									34 839
Banks	5 654				4 919	186	1 393	4 215	5 765	22 132
Other financial companies	6 161								1 920	8 081
Non-financial companies	1 640	41	7		2 631	657	666	13	3 794	9 449
Derivatives	38 559	196	64	124	5 288	1 472	5 670	593	35 843	87 811
Other financial assets	7 412	581	346	345	1 276		571	28	294	10 853
Contingent liabilities and commitments										
Guarantees	28 816	2 201	1 191	1 287	5 316	104	167	3 645	23	42 750
Commitments	203 341	9 812	5 224	7 719	16 555		17 684	2 000	366	262 701
Total	**1 780 329**	**101 445**	**54 918**	**77 038**	**79 103**	**4 884**	**67 079**	**28 688**	**53 494**	**2 246 978**
% of total	79	5	2	3	4	0	3	1	2	100

1) Fair value of received securities in repurchase agreements covers the carrying amount of the repurchase agreements.

Derivatives, netting gains and collateral held 2016

	Sweden	Estonia	Latvia	Lithuania	Norway	Denmark	Finland	USA	Other	Total
Positive fair value of contracts, balance sheet	38 559	196	64	124	5 288	1 472	5 670	593	35 843	87 811
Netting agreements, related amount not offset in the balance sheet	8 714				1 803	667	3 906	476	20 741	36 308
Credit exposure, after offset of netting agreements	**29 846**	**196**	**64**	**124**	**3 486**	**805**	**1 764**	**117**	**15 101**	**51 503**
Collateral held [1]	1 559				530	130	511	117	10 918	13 765
Net credit exposures after collateral held	**28 287**	**196**	**64**	**124**	**2 955**	**675**	**1 253**	**0**	**4 183**	**37 738**

1) Collateral consist of cash 92.1% and AAA rated bonds by Standard & Poor's 7.9%

Maximum credit risk exposure, geographical distribution 2015

	Sweden	Estonia	Latvia	Lithuania	Norway	Denmark	Finland	USA	Other	Total
Assets										
Cash and balances with central banks	252	21 330	16 155	16 903	4 704	307	13 874	112 735	52	186 312
Treasury bills and other bills eligible for refinancing with central banks	65 063		1 441	1 670	1 973	210	1 862		4 333	76 552
States	61 421		1 441	1 670	29				2 899	67 460
Municipalities	3 642				1 944	210	1 862		1 434	9 092
Other										
Loans to credit institutions	80 513	1 250	1 319	662	713	139	−151	165	1 808	86 418
Repurchase agreements[1]	1 740									1 740
Loans to the public	1 229 352	59 254	28 509	36 624	43 503	1 742	10 622	1 937	2 412	1 413 955
Swedish National Debt Office	8 726									8 726
Repurchase agreements[1]	34 640	4	1	20						34 665
Real Estate Residential	820 095	26 804	11 443	15 156	2 331	899		52		876 780
Real Estate Commercial	142 125	13 989	5 927	7 268	4 296	607		284		174 496
Guarantees	27 293	3 269	310	325	954		193		523	32 867
Cash	11 769	21	594	317						12 701
Other	107 846	11 090	7 168	6 000	11 172	209		728		144 213
Unsecured	76 862	4 073	3 066	7 538	24 750	27	10 429	873	1 889	129 507
Bonds and other interest-bearing securities	60 121	18	18	9	6 284	1 207	2 235	3 717	15 001	88 610
Housing finance institution	37 412								164	37 576
Banks	12 037				4 850	485	1 560	3 693	7 802	30 427
Other financial companies	8 718							9	1 413	10 140
Non-financial companies	1 954	18	18	9	1 434	722	675	15	5 622	10 467
Derivatives	24 669	313	63	103	6 452	1 509	6 677	690	45 631	86 107
Other financial assets	15 646	570	698	261	489		470	34	256	18 424
Contingent liabilities and commitments										
Guarantees	25 652	1 977	1 110	1 014	3 119	121	122	2 629	214	35 958
Commitments	180 196	10 115	4 513	7 014	16 083		15 452	1 629	310	235 312
Total	**1 681 464**	**94 826**	**53 826**	**64 261**	**83 320**	**5 235**	**51 163**	**123 536**	**70 017**	**2 227 648**
% of total	75	4	2	3	4		2	6	3	100

1) Fair value of received securities in repurchase agreements covers the carrying amount of the repurchase agreements.

Derivatives, netting gains and collateral held 2015

	Sweden	Estonia	Latvia	Lithuania	Norway	Denmark	Finland	USA	Other	Total
Positive fair value of contracts, balance sheet	24 669	313	63	103	6 452	1 509	6 677	690	45 631	86 107
Netting agreements, related amount not offset in the balance sheet	9 486				2 238	760	4 870	534	21 726	39 613
Credit exposure, after offset of netting agreements	**15 183**	**313**	**63**	**103**	**4 214**	**749**	**1 807**	**157**	**23 905**	**46 494**
Collateral held[1]	1 024				954	354	1 457		17 345	21 135
Net credit exposures after collateral held	**14 159**	**313**	**63**	**103**	**3 259**	**395**	**350**	**157**	**6 560**	**25 359**

1) Collateral consist of cash 94.2 per cent and AAA rated bonds by Standard & Poor's 5.8 per cent.

Credit derivatives	**2016**	**2015**
Credit derivatives, nominal amounts	2 002	5 263

Credit derivatives are used in customer trading but also to optimise the credit risk in trading portfolios with interest-bearing securities.

GIIPS exposure, carrying amount	2016						2015					
	Greece	Ireland	Italy	Portugal	Spain	Total	Greece	Ireland	Italy	Portugal	Spain	Total
Bonds					315	315						
Loans (money market and certificates)			22	5		27			18			18
Loans (committed credit facilities)												
Derivatives net[1]		10	16		94	120		10	1	14	86	111
Other[2]		23	11			34		5	11	16	17	49
Total		**33**	**49**	**5**	**409**	**496**		**15**	**30**	**30**	**103**	**178**

1) Derivatives at market value taking into account netting and collateral agreements. Considering the bank's internal risk add-ons for counterparty risk at potential future change in prices, the derivative exposures amount to: Ireland SEK 13m (15), Italy SEK 397m (431), Portugal 10 (40), and Spain SEK 325m (238). Total SEK 744m (724).

2) Includes trade finance and mortgage loans.

Loans to the public and credit institutions, carrying amount 2016

	Loans individually assessed as not impaired				Loans individually assessed as impaired			Total
	Before portfolio provisions		Portfolio provisions	After portfolio provisions	Before provisions	Provisions	After provisions	
	Performing	Past due						
Geographical distribution								
Sweden	1 253 176	1 074	476	1 253 774	1 695	700	995	1 254 769
Estonia	63 985	714	177	64 522	1 146	451	695	65 217
Latvia	30 276	503	140	30 639	669	292	377	31 016
Lithuania	42 601	870	62	43 409	833	225	608	44 017
Norway	39 184	3	145	39 042	3 747	1 035	2 712	41 754
Denmark	2 115			2 115	5	4	1	2 116
Finland	11 428		4	11 424				11 424
USA	780		5	775				775
Other	2 259		39	2 220				2 220
Loans to the public excluding the Swedish National Debt Office and repurchase agreements	**1 445 804**	**3 164**	**1 048**	**1 447 920**	**8 095**	**2 707**	**5 388**	**1 453 308**
Sector/industry								
Private customers	928 563	2 248	254	930 557	1 709	596	1 113	931 670
Mortgage loans, private	780 199	1 951	151	781 999	1 378	405	973	782 972
Housing cooperatives	107 754	4	30	107 728	34		34	107 762
Other, private	40 610	293	73	40 830	297	191	106	40 936
Corporate customers	517 241	916	794	517 363	6 386	2 111	4 275	521 638
Agriculture, forestry, fishing	65 700	119	44	65 775	293	76	217	65 992
Manufacturing	44 852	82	203	44 731	378	169	209	44 940
Public sector and utilities	25 173	46	34	25 185	95	16	79	25 264
Construction	19 674	91	32	19 733	131	87	44	19 777
Retail	27 988	142	58	28 072	345	215	130	28 202
Transportation	15 166	82	6	15 242	39	16	23	15 265
Shipping and offshore	24 985		155	24 830	3 770	1 033	2 737	27 567
Hotels and restaurants	8 827	16	20	8 823	83	13	70	8 893
Information and communications	8 041	11	10	8 042	48	26	22	8 064
Finance and insurance	12 496	16	15	12 497	9	9		12 497
Property management	223 035	205	144	223 096	400	92	308	223 404
Residential properties	64 076	37	40	64 073	89	8	81	64 154
Commercial	87 921	51	60	87 912	36	6	30	87 942
Industrial and warehouse	45 095	15	23	45 087	82	24	58	45 145
Other property management	25 943	102	21	26 024	193	54	139	26 163
Professional services	22 829	65	44	22 850	671	300	371	23 221
Other corporate lending	18 475	41	29	18 487	124	59	65	18 552
Loans to the public excluding the Swedish National Debt Office and repurchase agreements	**1 445 804**	**3 164**	**1 048**	**1 447 920**	**8 095**	**2 707**	**5 388**	**1 453 308**
Loans to credit institutions excluding the Swedish National Debt Office and repurchase agreements	**86 136**			**86 136**				**86 136**
Loans to the public and credit institutions	**1 531 940**	**3 164**	**1 048**	**1 534 056**	**8 095**	**2 707**	**5 388**	**1 539 444**

Loans to the public and credit institutions, carrying amount 2015

	Loans individually assessed as not impaired				Loans individually assessed as impaired			Total
	Before portfolio provisions		Portfolio provisions	After portfolio provisions	Before provisions	Provisions	After provisions	
	Performing	Past due						
Geographical distribution								
Sweden	1 183 766	1 296	471	1 184 591	2 617	1 222	1 395	1 185 986
Estonia	57 940	687	154	58 473	1 196	419	777	59 250
Latvia	27 241	827	154	27 914	1 034	440	594	28 508
Lithuania	35 317	705	82	35 940	968	304	664	36 604
Norway	43 366	11	52	43 325	191	13	178	43 503
Denmark	1 737	3		1 740	14	12	2	1 742
Finland	10 627		5	10 622				10 622
USA	1 885	52		1 937				1 937
Other	2 451		39	2 412				2 412
Loans to the public excluding the Swedish National Debt Office and repurchase agreements	**1 364 330**	**3 581**	**957**	**1 366 954**	**6 020**	**2 410**	**3 610**	**1 370 564**
Sector/industry								
Private customers	860 556	2 073	274	862 355	2 096	717	1 379	863 734
Mortgage loans, private	720 030	1 696	161	721 565	1 755	518	1 237	722 802
Housing cooperatives	101 533	76	35	101 574	35	1	34	101 608
Other, private	38 993	301	78	39 216	306	198	108	39 324
Corporate customers	503 774	1 508	683	504 599	3 924	1 693	2 231	506 830
Agriculture, forestry, fishing	64 381	141	52	64 470	313	76	237	64 707
Manufacturing	41 223	206	129	41 300	1 540	898	642	41 942
Public sector and utilities	25 628	14	30	25 612	43	5	38	25 650
Construction	19 459	78	38	19 499	125	44	81	19 580
Retail	30 345	115	92	30 368	305	165	140	30 508
Transportation	12 252	401	27	12 626	25	12	13	12 639
Shipping and offshore	29 561		39	29 522	247	25	222	29 744
Hotels and restaurants	7 002	38	20	7 020	91	23	68	7 088
Information and communications	5 633	42	11	5 664	3	1	2	5 666
Finance and insurance	13 171	3	29	13 145	54	32	22	13 167
Property management	218 848	263	139	218 972	633	199	434	219 406
Residential properties	60 954	105	32	61 027	154	42	112	61 139
Commercial	90 473	78	57	90 494	113	32	81	90 575
Industrial and warehouse	44 376	39	24	44 391	143	32	111	44 502
Other property management	23 045	41	26	23 060	223	93	130	23 190
Professional services	20 976	93	49	21 020	395	146	249	21 269
Other corporate lending	15 295	114	28	15 381	150	67	83	15 464
Loans to the public excluding the Swedish National Debt Office and repurchase agreements	**1 364 330**	**3 581**	**957**	**1 366 954**	**6 020**	**2 410**	**3 610**	**1 370 564**
Loans to credit institutions excluding the Swedish National Debt Office and repurchase agreements	**129 808**			**129 808**	**15**	**14**	**1**	**129 809**
Loans to the public and credit institutions	**1 494 138**	**3 581**	**957**	**1 496 762**	**6 035**	**2 424**	**3 611**	**1 500 373**

Historical data for 31 Dec 2015 updated due to industry structure changes for Swedish Banking.

Impaired, past due and forborne loans 2016

	Sweden	Estonia	Latvia	Lithuania	Norway	Denmark	USA	Total
Impaired loans								
Carrying amount before provisions	1 695	1 146	669	833	3 747	5		8 095
Provisions	700	451	292	225	1 035	4		2 707
Carrying amount after provisions	995	695	377	608	2 712	1		5 388
Share of impaired loans, net, %	0.07	1.06	1.22	1.38	6.51	0.05		0.35
Share of impaired loans, gross, %	0.13	1.74	2.13	1.88	8.74	0.23		0.52
Past due loans that are not impaired								
Valuation category, loans and receivables								
Loans with past due amount,	531	714	503	870	3			2 621
5–30 days	186	586	358	505	3			1 638
31–60 days	233	107	112	175				627
61–90 days	85	19	14	51				169
more than 90 days	27	2	19	139				187
Valuation category, fair value through profit or loss								
Loans with past due amount,	543							543
5–30 days	130							130
31–60 days	230							230
61–90 days	100							100
more than 90 days	83							83
Total	**1 074**	**714**	**503**	**870**	**3**	**0**	**0**	**3 164**
Forborne loans								
Performing	3 502	1 295	629	373	10 472			16 271
Non-performing	327	794	852	528	4 840	1		7 342

Impaired, past due and forborne loans 2015

	Sweden	Estonia	Latvia	Lithuania	Norway	Denmark	USA	Total
Impaired loans								
Carrying amount before provisions	2 632	1 196	1 034	968	191	14		6 035
Provisions	1 236	419	440	304	13	12		2 424
Carrying amount after provisions	1 396	777	594	664	178	2		3 611
Share of impaired loans, net, %	0.11	1.31	2.08	1.81	0.40	0.11		0.24
Share of impaired loans, gross, %	0.20	2.00	3.55	2.62	0.43	0.74		0.40
Past due loans that are not impaired								
Valuation category, loans and receivables								
Loans with past due amount,	683	687	827	705	11	3	52	2 968
5–30 days	193	566	725	472	9			1 965
31–60 days	243	104	76	120				543
61–90 days	235	16	21	70				342
more than 90 days	12	1	5	43	2	3	52	118
Valuation category, fair value through profit or loss								
Loans with past due amount,	613							613
5–30 days	162							162
31–60 days	276							276
61–90 days	82							82
more than 90 days	93							93
Total	**1 296**	**687**	**827**	**705**	**11**	**3**	**52**	**3 581**
Forborne loans								
Performing	2 615	664	646	327	2 161			6 413
Non-performing	1 093	849	789	553		2	52	3 338

Impaired loans
Impaired loans are such that it is unlikely that the payments will be received in accordance with the contractual terms and that there is a risk that the bank will not receive full payment. A loan is considered impaired when there is objective proof that a loss event has occurred at an individual level after the loan's first reporting date and a risk of loss arises when the loan's anticipated future cash flows differ from the contractual cash flows (both discounted by the loan's original effective interest rate). Loss events on an individual level include when a borrower incurs significant financial difficulties, when it is likely that the borrower will go into bankruptcy or liquidation, when the borrower is facing a financial reconstruction, a breach of contract such as late or nonpayment of interest or principal, or various concessions due to the borrower's financial difficulties. Exposures overdue by more than 90 days or those for which the terms have changed in a significant manner due to the borrower's financial difficulties are automatically considered impaired loans and as being in default. A loan is not impaired if there is collateral covering the principal, unpaid interest and any late fees by a satisfactory margin. Specified above are the reserves allocated for impaired loans as well as for other lending where loss events have occurred but where individual loans have not yet been identified.

Forborne loans
Forborne loans refer to loans whose contractual terms have been revised due to the customer's financial difficulties. The purpose of the forbearance measure is to get the borrower current on their payments again, or when this is not considered possible to maximise the repayment of outstanding loans. Revisions to contractual terms include various forms of concessions such as amortisation suspensions, reductions in interest rates to below market rate, forgiveness of all or part of the loan, or issuance of new loans to pay overdue amounts or avoid default. Revisions to contractual terms may be so significant that the loan is also considered impaired, which is the case if the forbearance measure reduces the original loan's carrying amount regardless of concessions. The forborne loan's carrying amount is determined by discounting future anticipated cash flows by the original loan's effective interest rate. Before a forborne loan ceases being reported as forborne, all the criteria set by the European Banking Authority must be met.

Loan write-offs
Loans are written off when the loss amount is ultimately established. Loans that are fully written off are not included in impaired loans or forborne loans. Remaining loans that are partially written off are still included after the write-off in impaired loans or forborne loans. The loss amount is ultimately determined when a receiver has presented a bankruptcy distribution, when a bankruptcy settlement has been reached, when a concession has been granted or when the Swedish Enforcement Agency or a collection company the Group partners with has reported that an individual has no distrainable assets. A write-off normally does not mean that the claim against the borrower has been forgiven. Generally, a proof of claim is filed against the borrower or guarantor after the write-off. A proof of claim is not filed when a legal entity has ceased to exist due to a bankruptcy, when a bankruptcy settlement has been reached or when receivables have been completely forgiven. Loans are also written off after the disposal of impaired loans. Previous provisions are utilised in connection with the write-off.

Loans provisions 2016

	Sweden	Estonia	Latvia	Lithuania	Norway	Denmark	USA	Other	Total
Opening balance	**1 706**	**573**	**594**	**386**	**66**	**12**	**0**	**44**	**3 381**
New provisions	346	39		−1	991				1 375
Utilisation of previous provisions	−672	−5	−141	−32					−850
Reversal of previous provisions	−304	−49	−28	−58	−8	−8			−455
Portfolio provisions for loans that are not impaired	6	40	−20	−26	93		5	−1	97
Change in exchange rates	94	30	27	18	38				207
Closing balance	**1 176**	**628**	**432**	**287**	**1 180**	**4**	**5**	**43**	**3 755**
Total provision ratio for impaired loans, %	69	55	65	34	31	79			46
Provision ratio for impaired loans, %	41	39	44	27	28	79			33

Loans provisions 2015

	Sweden	Estonia	Latvia	Lithuania	Norway	Denmark	USA	Other	Total
Opening balance	**1 251**	**537**	**922**	**471**	**97**	**6**	**4**	**42**	**3 330**
New provisions	735	52	23	89		7			906
Utilisation of previous provisions	−171	−25	−218	−76	−10	−1			−501
Reversal of previous provisions	−99	−37	5	−49	−24				−204
Portfolio provisions for loans that are not impaired	−30	59	−115	−44			−4	2	−132
Change in exchange rates	20	−13	−23	−5	3				−18
Closing balance	**1 706**	**573**	**594**	**386**	**66**	**12**	**0**	**44**	**3 381**
Total provision ratio for impaired loans, %	65	48	57	40	35	86			56
Provision ratio for impaired loans, %	47	35	43	31	7	86			40

Concentration risk, customer exposure
At end of 2016 the Group did not have any exposures against individual counterparties that exceeded 10 per cent of the capital base.

Collateral that can be sold or pledged even if the counterparty fulfils its contractual obligations
When it grants repos, the Group receives securities that can be sold or pledged. The fair value of these securities covers the carrying amount of the repos. The Group also receives collateral in the form of securities that can be sold or pledged for derivatives and other exposures. The fair value of such collateral as of year-end amounted to SEK 1 218m (1 989). None of this collateral had been sold or repledged as of year-end.

Assets taken over for protection of claims and cancelled leases

The Group takes over properties to recover as much lost cash flow as possible from defaulted loans, thereby minimising credit impairments. This is expected to be done through active asset management and other value-creation measures. The aim is also to minimise the cost of ownership while the repossessed property is held. The internal assumptions in the calculation of the fair values are considered so significant that the appraisal is attributed to level 3 in the fair value hierarchy.

	2016				2015			
	Number	Carrying amount, over-taken during 2016	Carrying amount	Fair value	Number	Carrying amount, over-taken during 2015	Carrying amount	Fair value
Total								
Properties recognised as inventory	184	57	257	330	102	110	400	460
Investment properties					1		8	16
Vehicles and mining machinery	72	136	140	165	17	4	10	14
Shares and other participating interests	1		3	3	2		17	17
Other	6	1	5	5	3		6	6
Total	**263**	**194**	**405**	**503**	**125**	**114**	**441**	**513**

Capital requirement for credit risks

The capital requirement for credit risks in Swedbank (consolidated situation) on 31 December 2016 totalled SEK 25 313m (20 801). For more information, see note G4 Capital.

Liquidity risk

DEFINITION
Liquidity risk refers to the risk that the Group will not be able to meet its payment obligations at maturity.

The Board of Directors determines the Group's overall risk appetite for liquidity and has therefore set limits for the survival horizon and the minimum unused room in the cover pool for issuance of covered bonds (Over Collateralisation, OC). The CEO is responsible for ensuring that operations stay within the risk appetite, due to that more granular CEO limits have been defined and established. To ensure that the operations can be monitored on a daily basis in terms of the risk appetite and CEO limits, the limits are complemented with limits set by the Chief Risk Officer.

Responsibility for managing and controlling the Group's liquidity rests with Group Treasury. Group Risk works independently to identify all relevant aspects of liquidity risk and is responsible for independent control, measurement and monitoring.

Financing and liquidity strategy
Swedbank's funding strategy is based on asset composition. More than half of lending consists of Swedish mortgages, which are primarily funded with covered bonds. Swedbank is the savings leader in its home markets. Deposit volumes, together with covered bonds and shareholders' equity, cover nearly all its funding requirements. As a result, Swedbank has limited structural need for senior unsecured funding. The financing strategy is also closely linked to the credit quality of the assets in the balance sheet. Swedbank tries to match unsecured funding against assets with corresponding amounts and maturities.

The percentage of senior unsecured funding is determined mainly by the bank's liquidity needs and the buffer it wants to keep in its collateral pool in the form of surplus values (so-called over collateralisation) to withstand fluctuations in housing prices.

Swedbank uses a number of different funding programmes to meet its short- and long-term needs e.g. commercial paper, certificates of deposit, covered bonds and unsecured funding.

For information about Swedbank's distribution of liabilities and encumbered assets, see the Group's Pillar 3 report or Factbook page 62.

Liquidity reserve
The reason why Swedbank has established and maintains a liquidity reserve is to reduce the Group's liquidity risk. When future refinancing needs are high, the liquidity reserve must be adjusted to meet maturities in various types of stressed scenarios where, for instance, markets are fully or partly closed for new issues over an extended time period. This also means that when Swedbank's maturities are lower, the liquidity reserve can be reduced, since liquidity risk decreases.

Liquidity reserve

According to the templated defined by the Swedish Bankers association	
Cash and balances with central banks	126 426
Deposits in other banks, available over night	14
Securities issued or guaranteed by sovereigns, central banks or multinational development banks	118 211
Securities issued or guaranteed by municipalities or Public sector entities	6 171
Covered bonds	74 030
Issued by other institutions	67 525
Own issued	6 505
Securities issued by non-financial corporates	526
Securities issued by financial corporates (excl. Covered bonds)	1 092
Total	**326 470**

95% of the securities in the liquidity reserve per December 31 2016 are rated AAA

Summary of maturities

In the summary of maturities, undiscounted contractual cash flows are distributed on the basis of remaining maturities until the agreed time of maturity. For lending to the public, amortising loans are distributed based on amortisation schedule. Liabilities whose contracts contain a prepayment option have been distributed based on the earliest date on which repayment can be demanded. The difference between the nominal amount and carrying amount, the discount effect, is reported in the column No maturity date/discount effect. This column also includes items without an agreed maturity date and where the anticipated repayment date has not been determined.

	Undiscounted contractual cash flows							
Remaining maturity 2016	**Payable on demand**	**< 3 mths.**	**3 mths.–1 yr**	**1–5 yrs**	**5–10 yrs**	**> 10 yrs**	**No maturity/ discount effect**	**Total**
Assets								
Cash and balances with central banks	121 347							121 347
Treasury bills and other bills eligible for refinancing with central banks		86 559	2 081	14 271	247	1 206	3 207	107 571
Loans to credit institutions	2 717	20 082	2 907	5 349	1 044	97	1	32 197
Loans to the public		93 532	118 660	317 166	123 075	838 100	16 714	1 507 247
Bonds and other interest-bearing securities		6 909	17 924	47 189	606	30	1 843	74 501
Financial assets for which the customers bear the investment risk		34 549	2 481	14 695	17 426	61 424	29 539	160 114
Shares and participating interests							31 216	31 216
Derivatives		21 602	25 309	37 007	3 565		328	87 811
Intangible fixed assets							14 279	14 279
Tangible assets							1 864	1 864
Other assets							16 056	16 056
Total	**124 064**	**263 233**	**169 362**	**435 677**	**145 963**	**900 857**	**115 047**	**2 154 203**
Liabilities								
Amounts owed to credit institutions	23 012	45 608	2 938	267	6			71 831
Deposits and borrowings from the public	712 212	44 796	33 636	2 088	150	42		792 924
Debt securities in issue		117 531	144 888	495 516	36 568	15 169	32 001	841 673
Financial liabilities where customers bear the investment risk		59 249	2 660	15 326	18 257	63 711	1 848	161 051
Derivatives		16 129	19 625	26 397	3 096	802	19 540	85 589
Other liabilities		31 470	7 015	3 086	1 162	1 443		44 176
Subordinated liabilities					12 901	14 198	155	27 254
Equity							129 705	129 705
Total	**735 224**	**314 783**	**210 762**	**542 680**	**72 140**	**95 365**	**183 249**	**2 154 203**

The large part of deposits from the public is contractually payable on demand. Despite the contractual terms, the deposits are essentially a stable and a long-term source of funding.

	Undiscounted contractual cash flows							
Remaining maturity 2015	**Payable on demand**	**< 3 mths.**	**3 mths.–1 yr**	**1–5 yrs**	**5–10 yrs**	**> 10 yrs**	**No maturity/ discount effect**	**Total**
Assets								
Cash and balances with central banks	186 312							186 312
Treasury bills and other bills eligible for refinancing with central banks		48 118	8 489	14 317	287	2 445	2 896	76 552
Loans to credit institutions	5 979	70 947	3 043	5 443	960	46		86 418
Loans to the public		74 777	118 593	308 624	104 554	790 584	16 823	1 413 955
Bonds and other interest-bearing securities		6 467	36 893	42 259	623	221	2 147	88 610
Financial assets for which the customers bear the investment risk		33 704	2 153	13 033	15 380	55 801	33 371	153 442
Shares and participating interests							16 456	16 456
Derivatives		18 820	23 634	31 332	5 158		7 163	86 107
Intangible fixed assets							13 690	13 690
Tangible assets							1 989	1 989
Other assets		20 427	2 607	6			2 284	25 324
Total	**192 291**	**273 260**	**195 412**	**415 014**	**126 962**	**849 097**	**96 819**	**2 148 855**
Liabilities								
Amounts owed to credit institutions	29 041	110 972	9 573	882	23		2	150 493
Deposits and borrowings from the public	648 521	67 081	29 560	2 903	148	58		748 271
Debt securities in issue		124 435	90 351	506 695	55 487	14 829	34 738	826 535
Financial liabilities where customers bear the investment risk		56 919	2 312	13 652	16 147	57 560	11 246	157 836
Derivatives		13 915	10 845	20 321	5 513	1 251	16 836	68 681
Other liabilities		36 823	7 381	3 564	870	446		49 084
Subordinated liabilities					12 411	11 653	549	24 613
Equity							123 342	123 342
Total	**677 562**	**410 145**	**150 022**	**548 017**	**90 599**	**85 797**	**186 713**	**2 148 855**

The large part of deposits from the public is contractually payable on demand. Despite the contractual terms, the deposits are essentially a stable and a long-term source of funding.

Risk measurement

Group Risk is responsible for defining independent methods to measure the Group's liquidity risk as well as for reviewing and approving methods defined by Group Treasury. All liquidity risk is identified and measured. The calculation of Swedbank's liquidity risk is based on the Group's future contracted net cash flows, which are accumulated over time and generate a survival horizon.

A survival horizon limit is set as part of the Group's ERM policy. The limit represents the number of days with a positive cumulative net cash flow, taking into account future cash flows. Cash flows from liquid assets are modelled based on conservative estimates of when, at the earliest, they could occur. The risk measure is conservative in the sense that it assumes that there is no access to the credit markets and that there are large outflows of deposits from the bank's customers in a short period. In addition to the survival horizon, Swedbank analyses liquidity risk based on the effect of various stress tests.

Moreover, Swedbank calculates and monitors the Group's liquidity risks with a number of different risk measures such as Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). As described on page 36 Swedbank calculates the NSFR according to our interpretation of the Basel Committee's latest proposal.

The purpose of LCR is to ensure that Swedbank has unpledged assets of high quality (a liquidity reserve) to meet its liquidity needs in stressed situations in the next 30 days. As of 1 January 2013 Sweden mandates a minimum level of 100 per cent in total and for USD and EUR individually. Besides the Swedish regulation (FFFS 2012:6), Swedbank reports LCR according to the EU Commission Delegated Regulation (EU) 2015/61 (LCR DA). The minimum requirement according to the LCR DA is set to 70% from 1 January 2016, 80% from 1 January 2017, and 100% from 1 January 2018.

NSFR indicates a bank's ability to manage stressed situations over a one-year horizon. NFSR ensures that a bank's illiquid long-term assets are financed with a minimum level of stable long-term funding. A ratio of over 100 per cent means that long-term illiquid assets are financed to a satisfactory degree by stable long-term funding. Swedbank publishes a ratio of the size of its liquid assets to maturing funding given various maturities as a complement to regulatory measures. A ratio of over 100% indicates that the liquid assets exceed the coming maturities during a given time period.

A number of methods and systems are used to ensure that Swedbank can meet its payment obligations and commitments on a daily basis, under normal as well as stressed conditions. Managing intra-day payments includes monitoring and verifying that payment obligations are executed punctually and that any financing needs are identified.

To identify and act on increased liquidity risks as early as possible, Swedbank uses a number of forward-looking risk indicators, such as volatilities in selected market prices and price discrepancies between various financial instruments. These indicators can signal increased stress in the financial markets and hence increased liquidity risks. Swedbank has developed special continuity plans to manage the effects that would arise in the event of serious market disruptions. These plans are in place at the Group level and at the local level in the countries where Swedbank operates.

Stress tests

Stress tests are conducted regularly to increase readiness for possible disruptions in the market. The stress tests focus on Swedbank-specific as well as market-related disruptions. These analyses also take into account the combined effects that would occur if both kinds of issues arise simultaneously.

In the scenarios, a number of the risk drivers underlying the Survival Horizon are stressed to levels that are unlikely, but not inconceivable. Examples include large-scale withdrawals from deposit accounts, high utilisation of credit facilities and increased collateral requirements for various purposes. In addition, the scenario assumes that Swedbank's liquidity reserve will fall in value, as will the properties that serve as collateral for the loans in the mortgage operations. The latter risk driver impacts Swedbank's ability to issue covered bonds, which are of strategic importance to its funding. Finally, it assumes that access to capital markets dries up, but that Swedbank's liquid assets can still generate liquidity.

The table on next page provides a snapshot of the cover pool as of 31 December 2016 ("Current") and illustrates the effects on Swedbank Mortgage's OC given various price declines for the mortgages in the pool which could occur over a period of time. The more prices fall, the more difficult it becomes to issue bonds. Swedbank's ERM policy stipulates that the cover pool must have an OC level which ensures that the highest rating from at least one ratings agency is maintained in a scenario where house prices fall by 20 per cent. The purpose of the level is to ensure that there is sufficient cover to protect investors even if house prices should fall substantially.

Cover pool sensitivity analysis, house price decline

31 December 2016

House price decline	Current	–5%	–10%	–15%	–20%	–25%	–30%	–35%	–40%
Total assets in the cover pool, SEKbn	878.4	874.9	868.7	858.9	845.3	827.4	804.4	776.0	742.3
Total outstanding covered bonds, SEKbn	525.1	525.1	525.1	525.1	525.1	525.1	525.1	525.1	525.1
Over collateralisation level, %	67.3	66.6	65.4	63.6	61.0	57.6	53.2	47.8	41.4

LCR, FFFS 2012:6 %	31 Dec 2016	31 Dec 2015
Liquidity coverage ratio (LCR), Total	156	159
Liquidity coverage ratio (LCR), EUR	330	638
Liquidity coverage ratio (LCR), USD	160	363
Liquidity coverage ratio (LCR), SEK[1]	85	71

1) For LCR in SEK there is no explicit regulation to fullfil 100%, which is the case for total LCR and in USD and EUR

Liquidity coverage ratio (LCR), FFFS 2012:6, Total SEKbn	31 Dec 2016	31 Dec 2015
Liquid assets level 1	239	207
Liquid assets level 2	58	62
Liquidity reserve[1]	**297**	**269**
Customer deposits	103	126
Market borrowing	83	153
Other cash outflows	40	42
Cash outflows	**226**	**321**
Inflow from maturing lending to non-financial customers	6	8
Other cash inflow	30	144
Cash inflows	**36**	**152**

1) Liquidity reserve according to FFFS 2012:6 definition

Liquidity and funding ratios	31 Dec 2016	31 Dec 2015
Net stable funding ratio (NSFR)[2]	**108**	**107**
Available stable funding (ASF), SEKbn	1 411	1 350
Required stable funding (RSF), SEKbn	1 305	1 263

2) NSFR aims to have a sufficiently large proportion of stable funding in relation to long-term assets. The measure is governed by the EU's Capital Requirements Regulation (CRR); however no calculation methods have yet been established. Consequently, the measure cannot be calculated based on current rules. NSFR is therefore considered an alternative performance measure and is presented in accordance with Swedbank's interpretation of the Basel Committee's recommendation (BCBS295). In Swedbank's opinion, 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.

Debt securities issuance

In 2016 Swedbank issued a total of SEK 160bn (229) in long-term debt instruments. Swedbank has remained active in several capital markets to diversify its funding. The majority of the issues were covered bonds, though also in the form of uncovered bonds, where a new funding programme was introduced primarily for US investors (under rule 144a of the US Securities Act).

Debt securities in issue

Turnover during the year	2016	2015
Commercial papers		
Opening balance	**107 046**	**195 191**
Issued	811 729	934 962
Repurchased		–200
Repaid	–828 900	–1 019 540
Change in market values	26	26
Change in exchange rates	12 324	–3 393
Closing balance	**102 225**	**107 046**
Covered bond loans		
Opening balance	**550 669**	**511 666**
Issued	125 364	157 728
Repurchased	–40 931	–38 820
Repaid	–78 165	–65 591
Change in market values or hedged item in hedge accounting at fair value	–6 657	–13 625
Change in exchange rates	8 015	–689
Closing balance	**558 295**	**550 669**

Turnover during the year	2016	2015
Other interest-bearing bond loans		
Opening balance	**154 244**	**114 840**
Issued	31 415	64 804
Repurchased	–1 528	–837
Repaid	–23 233	–23 861
Change in market values	–1 992	1 821
Change in exchange rates	7 255	–2 523
Closing balance	**166 161**	**154 244**
Structured products		
Opening balance	**14 576**	**13 315**
Issued	3 695	6 687
Repaid		–3 855
Change in market values	–3 537	–1 571
Change in exchange rates	258	
Closing balance	**14 992**	**14 576**
Total debt securities in issue	**841 673**	**826 535**

Subordinated liabilities

Turnover during the year	2016	2015
Subordinated liabilities		
Opening balance	**24 613**	**18 010**
Issued	4 530	7 130
Repurchased	–2 504	
Change in market values	125	–197
Change in exchange rates	490	–330
Closing balance	**27 254**	**24 613**
Total subordinated liabilities	**27 254**	**24 613**

Capital requirement for liquidity risk

Banks and financial institutions currently are not subject to capital requirements for liquidity risk. Disruptions to liquidity may arise, however, due to an imbalance between risk and capital. The purpose of the internal capital adequacy assessment process is to prevent this type of imbalance.

Market risk

Definition
Market risk refers to the risk that the Group's results, equity or value will decrease due to changes in risk factors in financial markets. Market risk includes interest rate risk, currency risk, share price risk and commodity risk, as well as risks from changes in volatilities and correlations.

Risk management
The Group's total risk-taking is governed by the risk appetites decided by the Board, which limit the nature and size of financial risk-taking. Only so-called risk-taking units, i.e. units assigned a risk mandate by the CEO, are permitted to take market risks. To monitor the limits allocated by the CEO, the Group's Chief Risk Officer has established limits as well as other indicators which, when they reach certain levels, indicate an elevated risk in particular activities. In addition to the Chief Risk Officer's limits and selected indicators, local business area limits serve as important tools in the risk-taking units' daily activities. The Group's market risk analysis department is responsible, on a daily basis, for measuring, monitoring and reporting market risks within Swedbank.

The majority of the Group's market risks are of a structural or strategic nature and are managed primarily by Group Treasury. Structural interest rate risks are natural in a bank that handles deposits and loans. Interest rate risk arises primarily when there is a difference in maturity between the Group's assets and liabilities. This risk is managed by Group Treasury, within given mandates, primarily by matching maturities, either directly or through the use of various derivatives such as interest rate swaps. Strategic interest rate risks usually arise through risks tied to holdings in foreign operations as well as when deposits and lending are in different currencies. These risks are managed, within given mandates, with forward contracts, among other things.

Risk measurement
Swedbank uses a number of different risk measures, both statistical and non-statistical, to guide the Group's risk-taking units and ensure strict compliance. Statistical measures such as Value-at-Risk (VaR) and Stressed Value-at-Risk (SVaR) are important tools in Swedbank's risk management processes and are used to, among other things, calculate the Group's capital requirement.

VaR uses a model to estimate a probability distribution for the change in value of Swedbank's portfolios. This is based on the last year's movements in various market risk factors such as interest rates and equity prices. The estimation is based on the hypothetical assumption that the portfolios will remain unchanged over a specific time horizon. The Group uses a VaR model with a confidence interval of 99 per cent and a time horizon of one trading day. Statistically, this means that the potential loss of a portfolio will exceed the VaR amount one day out of 100. VaR is a useful tool not only to determine the risk level for an individual security or asset class, but mainly to compare levels between various risk factors.

Since VaR is a model based on a number of assumptions, Swedbank evaluates the VaR model's reliability on a daily basis with backtesting. Ordinary VaR and Stressed VaR (SVaR) differ slightly in that the stressed model applies market data from a one-year period of considerable stress. The period selected by Swedbank covers spring 2008 and one year forward.
Non-statistical measures such as sensitivity analyses are an important complement to VaR and SVaR, since in some cases they provide a deeper understanding of the market risk factors being measured.

In addition to VaR and various types of sensitivity analyses, Swedbank conducts an extensive array of stress tests. These tests can be divided into three groups: historical, forward-looking, and method and model stress scenarios. The purpose of these stress tests, and the scenarios that serve as a basis for them, is to further identify significant movements in risk factors or losses that could arise due to exceptional market disruptions.

Risk exposure
Swedbank's market risks primarily arise in trading operations, which are conducted in the Large Corporates & Institutions (LC&I) business area or within the Group's banking operations (managed by Group Treasury).

Value-at-Risk (VaR)
During the year the Group managed market volatility through careful oversight and control. Measured in VaR terms, this meant continued low and stable risk levels within Swedbank's market risk taking units. The Group's total VaR does not include strategic currency risks, since a VaR measure based on one trading day is irrelevant for positions the Group intends to hold for longer periods.

		Jan-dec 2016 (2015)		2016	2015
SEKm	**Max**	**Min**	**Average**	**31 dec**	**31 dec**
Interest rate risk	131 (112)	44 (53)	80 (81)	46	82
Currency risk	13 (15)	2 (3)	6 (7)	4	7
Share price risk	12 (24)	2 (4)	5 (7)	2	5
Diversification			−13 (−15)	−9	−14
Total	**128 (113)**	**43 (56)**	**79 (80)**	**43**	**80**

Due to the low rate environment Swedbank received SFSA approval in June 2015 to adjust the VaR-model, therefore the 2015 and 2016 figures are not comparable.

Interest rate risk

Interest rate risk

Interest rate risk refers to the risk that the value of the Group's assets, liabilities and interest-related derivatives will be negatively affected by changes in interest rates or other relevant risk factors.

The majority of the Group's interest rate risks are structural and arise within the banking operations when there is a mismatch between the interest fixing periods of assets and liabilities, including derivatives. The interest rate risk in fixed rate assets, primarily customer loans, accounts for the large part of this risk and is hedged through fixed-rate funding or by entering into various types of swap agreements. Interest rate risk also arises within trading operations through customer-related activities.

An increase in all market interest rates of one percentage point (including real interest rates) would have reduced the value of the Group's assets and liabilities, including derivatives, by SEK –651m (–25) as of 31 December 2016. The effect on positions in SEK would have been a reduction of SEK –1 154m (-1 103), while positions in foreign currency would have increased by SEK 503m (1 078).

The Group's net gains and losses on financial items at fair value would have been affected by SEK 446m (954) as of 31 December 2016. The Group uses derivatives for so-called cash flow hedges. A change in market interest rates as indicated above would affect the Group's other comprehensive income by SEK 20m (60).

Credit spread risk

Credit spread risk refers to the risk that the value of the Group's assets and liabilities, including derivatives, may fluctuate due to changes in the issuer-specific interest markup (the credit spread). The Group's credit spread risks are concentrated in customer-related businesses and other types of mandates (managed by the trading operations) as well as in the liquidity portfolio consisting of interest-bearing assets.

An increase in all issuer-specific spreads of 1bp as of 31 December 2016 would have reduced the value of the Group's interest-bearing assets, including derivatives, by SEK 11m (12).

Change in value if the market interest rate rises by one percentage point

The impact on the net value of assets and liabilities, including derivatives, (SEKm) when market interest rates rise by one percentage point.

2016	< 3 mths.	3–6 mths.	6–12 mths.	1–2 yrs	2–3 yrs	3–4 yrs	4–5 yrs	5–10 yrs	> 10 yrs	Total
SEK	–333	–1	–250	–327	–121	28	–148	–121	119	–1 154
Foreign currency	651	–82	88	88	–97	–10	–112	–106	83	503
Total	**318**	**–83**	**–162**	**–239**	**–218**	**18**	**–260**	**–227**	**202**	**–651**

of which financial instruments measured at fair value through profit or loss.

2016	< 3 mths.	3–6 mths.	6–12 mths.	1–2 yrs	2–3 yrs	3–4 yrs	4–5 yrs	5–10 yrs	> 10 yrs	Total
SEK	147	216	–109	–578	461	47	–615	300	–73	–204
Foreign currency	465	–17	54	122	–7	61	–79	–39	90	650
Total	**612**	**200**	**–55**	**–456**	**454**	**107**	**–693**	**261**	**17**	**446**

The impact on the net value of assets and liabilities, including derivatives, (SEKm) when market interest rates rise by one percentage point.

2015	< 3 mths.	3–6 mths.	6–12 mths.	1–2 yrs	2–3 yrs	3–4 yrs	4–5 yrs	5–10 yrs	> 10 yrs	Total
SEK	–499	–221	197	–343	–177	35	4	–119	21	–1 103
Foreign currency	765	238	70	–85	–0	–42	171	–80	42	1 078
Total	**266**	**17**	**267**	**–429**	**–178**	**–7**	**175**	**–199**	**63**	**–25**

of which financial instruments measured at fair value through profit or loss.

2015	< 3 mths.	3–6 mths.	6–12 mths.	1–2 yrs	2–3 yrs	3–4 yrs	4–5 yrs	5–10 yrs	> 10 yrs	Total
SEK	–81	–173	91	–81	–16	2	3	45	–29	–238
Foreign currency	600	286	58	–37	40	12	203	–42	72	1 192
Total	**519**	**113**	**149**	**–118**	**25**	**14**	**206**	**3**	**43**	**954**

Currency risk

Currency risk
Currency risk refers to the risk that the value of the Group's assets and liabilities, including derivatives, may fluctuate due to changes in exchange rates or other relevant risk factors. The predominant share of Swedbank's currency risk is of a structural or strategic nature. Strategic currency risk mainly arises in connection with investments in foreign operations. These exposures are currency hedged, with the exception of goodwill and other intangible assets. The currency risks arising in other parts of the Group, e.g. in trading, are low compared with the risks arising in connection with investments in foreign operations. Currency risks arising in the banking operations or that are strategic in nature are managed by Group Treasury by limiting the total value of assets and liabilities, including derivatives, in the same currency to the desired level using derivatives, such as cross currency swaps and forward exchange agreements.

The Group's exposure to currency risks with the potential to affect earnings, i.e. excluding exposures related to investments in foreign operations and related hedges, is limited. A shift in exchange rates between foreign currencies and the Swedish krona of +5 per cent at year-end would have a direct effect on the Group's reported profit of SEK 18m (17). Moreover, a shift in exchange rates between foreign currencies and the Swedish krona of –5 per cent at year-end would have a direct effect on the Group's reported profit of SEK 18m (77).

A shift in exchange rates between the Swedish krona and foreign currencies of +/–5 per cent with respect to net investments in foreign operations and related hedges would have a direct effect on other comprehensive income of SEK +/– 791m after tax (+/– 876).

The Group recognises certain currency derivatives as cash flow hedges. An increase in the basis spread, the price to swap cash flows in one currency for another, of one basis point would have had a positive effect on these derivatives in other comprehensive income of SEK 7m (8) after tax as of 31 December 2016.

Currency distribution

2016	SEK	EUR	USD	GBP	DKK	NOK	Other	Total
Assets								
Cash and balances with central banks	18 379	84 634	17 441	48	75	601	169	121 347
Loans to credit institutions	2 272	9 784	5 087	162	112	4 767	10 013	32 197
Loans to the public	1 263 150	167 196	38 432	892	5 541	4 837	27 199	1 507 247
Interest-bearing securities	149 668	10 216	12 400	672	268	8 848		182 072
Other assets, not distributed	311 340							311 340
Total	**1 744 809**	**271 830**	**73 360**	**1 774**	**5 996**	**19 053**	**37 381**	**2 154 203**
Liabilities								
Amounts owed to credit institutions	25 328	12 085	26 977	1 009	1 327	3 855	1 250	71 831
Deposits and borrowings from the public	592 359	172 751	20 694	1 198	1 368	1 639	2 915	792 924
Debt securities in issue, etc.	421 944	193 634	194 521	35 085		9 355	14 388	868 927
Other liabilities, not distributed	290 816							290 816
Equity	129 705							129 705
Total	**1 460 152**	**378 470**	**242 192**	**37 292**	**2 695**	**14 849**	**18 553**	**2 154 203**
Other assets and liabilities, including positions in derivatives		116 495	168 714	35 591	–3 303	–4 036	–18 818	
Net position in currency		9 855	–118	73	–2	168	10	9 986

Net funding in foreign currency with a corresponding recognised amount of SEK 26 999m (36 590) is used as a hedging instrument to hedge the net investment in foreign operations. The above net position in currencies pertains mainly to parts of net investments in foreign operations that are not hedged. Exchange rate changes on this position are recognised in other comprehensive income as translation difference.

Currency distribution

2015	SEK	EUR	USD	GBP	DKK	NOK	Other	Total
Assets								
Cash and balances with central banks	262	68 085	112 814	35	315	4 717	84	186 312
Loans to credit institutions	51 067	18 925	5 418	250	489	2 991	7 278	86 418
Loans to the public	1 190 620	148 518	36 850	1 572	4 771	27 069	4 555	1 413 955
Interest-bearing securities	124 376	18 066	13 639	427		8 654		165 162
Assets held for sale	12		119				17	148
Other assets, not distributed	296 860							296 860
Total	**1 663 197**	**253 594**	**168 840**	**2 284**	**5 575**	**43 431**	**11 934**	**2 148 855**
Liabilities								
Amounts owed to credit institutions	86 052	14 857	34 293	2 175	1 236	9 227	2 653	150 493
Deposits and borrowings from the public	539 798	143 806	55 763	1 837	1 375	3 684	2 008	748 271
Debt securities in issue, etc.	398 232	204 210	194 578	27 717		10 615	15 796	851 148
Liabilities held for sale	14							14
Other liabilities, not distributed	275 587							275 587
Equity	123 342							123 342
Total	**1 423 025**	**362 873**	**284 634**	**31 729**	**2 611**	**23 526**	**20 457**	**2 148 855**
Other assets and liabilities, including positions in derivatives		118 611	115 752	29 421	–2 955	–19 719	8 588	
Net position in currency		9 332	–42	–24	9	186	65	9 526

Share price risk

Share price risk

Share price risk refers to the risk that the value of the Group's holdings of shares and share-related derivatives may be negatively affected by changes in share prices or other relevant risk factors.

Share price risks arise in the trading operations due to holdings in equities and equity-related derivatives. The main purpose of Swedbank's equity trading is to create liquidity for the Group's customers. Share price risk is measured and limited in the Group, e.g. for the worst possible outcomes in 80 different scenarios where share prices and implicit volatility change. In these scenarios, share prices change by a maximum of +/– 20 per cent and the implicit volatility by a maximum of +/– 30 per cent. The outcomes for the various combinations form a risk matrix for share price risk, and the worst-case scenario is limited.

As of year-end the worst-case scenario conceivably would have affected the value of the trading operations' positions by SEK 15m (11).

Commodity risk

Commodity risk refers to the risk that the value of the Group's holdings of commodity-related derivatives will be negatively affected by a change in asset prices. The exposure to commodity risks arises in the Group only in exceptional cases as part of customer-related products. All positions with a commodity exposure must always be hedged with another party so that no open exposure remains.

Trading operations

Market risks in trading operations

Trading operations at Swedbank are conducted in the Large Corporates & Institutions (LC&I) business area for the primary purpose of assisting customers to execute transactions in the financial market. Positioning occurs only to a limited extent, and the risk level (measured in VaR) in this operation is low.

	Jan-Dec 2016 (2015)			2016	2015
SEKm	**Max**	**Min**	**Average**	**31 dec**	**31 dec**
Value-at-Risk	22 (29)	9 (11)	14 (18)	9	20
Stressed Value-at-Risk	82 (82)	23 (28)	40 (47)	30	30

Swedbank evaluates the VaR model's reliability on a daily basis with actual and hypothetical backtesting. Actual backtesting uses the trading operations' actual daily results to determine the accuracy of the VaR model, while hypothetical backtesting compares the portfolio's value at the end of the day with its value at the end of the subsequent day. The comparison takes into account any market movements during the day on which the test is conducted, but with the assumption that the positions in the portfolio remain unchanged during this time period. The hypothetical backtesting the Group conducted in 2016 showed, because the number of days of loss was equal to zero, that the model serves its purpose well.

In addition to the VaR model applied in the calculation of Swedbank's capital requirement, the Group uses a VaR model in its internal risk management that also captures specific interest rate risk.

The trading operations' total VaR averaged SEK 17m in 2016, which compares with total VaR of SEK 20m for 2015. The risk (measured in VaR) remained well-balanced during the year between different asset classes, and were, on an aggregate level is well-diversified.

	Jan-Dec 2016 (2015)			2016	2015
SEKm	**Max**	**Min**	**Average**	**31 dec**	**31 dec**
Credit spread risk	14 (11)	6 (6)	11 (9)	10	6
Share price risk	12 (20)	2 (4)	5 (7)	3	5
Currency risk	14 (15)	2 (3)	7 (7)	6	8
Interest rate risk	21 (29)	9 (9)	13 (16)	9	20
Diversification			–18 (–19)	–17	–17
Total	**27 (33)**	**11 (13)**	**17 (20)**	**11**	**22**

Capital requirement for market risks

The capital requirement for market risks in Swedbank totalled SEK 754m (858) and is presented by risk type in note G4 under Capital adequacy.

Data in the table are compiled using the VaR model that the Group applies to internal risk management and therefore differs from the values generated using the VaR model for capital requirements.

Operational risks

DEFINITION

Operational risk refers to the risk of losses resulting from inadequate or failed internal processes or procedures, human error, system failure or external events. The definition includes legal risk and information risk.

Risk management

Group Risk Control is responsible for uniform, Group-wide operational risk measurement and reporting. An analysis of the bank's risks is performed in connection with major changes as well as at least once a year. Local management as well as to the Board of Directors, the CEO and the Group Executive Committee receive reports as needed.

Self-assessments

All business areas apply the same methods to self-assess operational risks e.g. Risk Assessments (RA). These methods are used on regular basis to cover all key processes within the Group and include risk identification, action planning and monitoring to manage any risks that may arise.

Incident management

Swedbank has established procedures and systems support to facilitate reporting and following up incidents. Group Risk supports the business areas in reporting, analysing and drafting action plans to ensure that the underlying causes are identified and suitable actions are taken. Incidents and related operational risk losses are reported in a central database for further analysis.

New Product Approval Processes (NPA)

Swedbank has a Group-wide process for New Product Approval (NPA) covering all new and/or revised products, services, activities, processes and/or systems as well as major operational and/or organisational changes. The purpose is to ensure that the Group does not enter into activities which entail unintended risks or risks that are not immediately managed and controlled as part of the process. In addition, the Group is able to assure quality when launching new and/or revised products and services.

Continuity, crisis management and security

Swedbank works proactively to prevent and/or strengthen its ability to manage serious incidents, such as IT disruptions, natural disasters, financial market disturbances and pandemics, which may affect Swedbank's ability to maintain services and offerings. The principles for security, continuity, incident and crisis management are defined in a Group-level framework. A Group-level crisis management team is responsible for management, coordination and communication in collaboration with local crisis management teams. Continuity plans are in place for business-critical operations and services that are critical for the nation and society. The plans describe how Swedbank will operate in the event of a serious disruption. Swedbank's models for continuity and crisis management are based on the international standard ISO/LEC 22301:2012 – Societal security – Business continuity management systems. Swedbank also has insurance protection, with an emphasis on catastrophe protection, for significant parts of its operations.

Process and control management

Swedbank has established a framework for processes and internal control which is common to all types of process controls. Specific frameworks for internal control over financial reporting (ICFR) and credit process control (CPC) are currently applied for the processes concerned.

A process universe is established and Swedbank is integrating the process into the governance model. The purpose of Swedbank's process universe is to clarify the responsibility for the Group's significant processes as well as for controls in the processes and for ensuring that they are effective and appropriate. To create a process- based method for risk management the process universe will be used as a basis for all risk management and risk control within the Group.

Information risk

Swedbank has a structured approach to protect information. To strengthen these efforts, processes and routines are reviewed to improve and complement the bank's management system for information security. The management system is a tool to manage and coordinate the Group's long-term efforts in a structured and methodical way.

Capital requirements for operational risks

Swedbank applies the standardised approach to calculate the capital requirement for operational risks. Swedbank's capital requirement for operational risk amounted to SEK 4 972m (5 047).

Insurance risks

DEFINITION

Insurance risk refers to the risk of a change in value due to a deviation between actual and anticipated insurance costs. In other words, the risk that an actual outcome will deviate from projections e.g. in terms of longevity, mortality, morbidity or claim frequency. This includes cost risk i.e. the risk that administrative costs and sales commissions will exceed the cost estimates that served as the basis for the premiums.

The life insurance operations incur mortality risk, morbidity risk, longevity risk, cost risk and cancellation risk i.e. the risk that contracts will be terminated in advance to a higher degree than anticipated.

Property and casualty insurance risk comprises the risk that the insurance result will be unusually unfavourable in the year ahead and that the final payment for past claims will be more expensive than anticipated.

Risk management

Before a life insurance policy is approved, the insured must pass a risk assessment. The purpose is to determine whether the insured can be approved for insurance based on his or her health. The desired insurance must also meet the policyholder's insurance needs. To further limit risk exposure, the company reinsures parts of its insurance risks.

Swedbank's insurance operations offer a broad range of products and are active in the entire Swedish market (life insurance) as well as in the three Baltic countries (life and property and casualty insurance), which diversifies insurance risk by market, product, age and gender.

Insurance contracts are designed so that the premium and assumptions can be changed annually, which means that the company can quickly balance its premiums and terms to rapid changes in morbidity, for example.

The pricing of premiums is based on assumptions about longevity, mortality, morbidity and claim frequency as well as the estimated cost of insurance events. Experience in the form of statistical material and expectations about future developments are critical factors in the choice of assumptions.

Risk exposure and risk measurement

Actual outcomes compared with the above-mentioned assumptions give rise to a risk result in the life insurance operations. Insurance risks in the insurance operations are measured by stressing the insurance company's balance sheet, income statement and shareholders' equity over a one-year horizon with a given level of confidence.

According to the latest risk assessment, the most important risks are cancellation, cost and catastrophic risk i.e. the risk of major damage due to a single event.

Property and casualty insurance today represents a smaller part of Swedbank's total insurance operations. Since contracts are issued on an annual basis, insurance risks are limited because pricing can be changed for the following year. For the property and casualty insurance operations, insurance risks are measured by calculating the claim ratio i.e. claims in relation to premiums, by product and country.

Capital requirement for insurance risk

Solvency is a measure of the insurance company's financial position and strength. The purpose is to show how large a capital buffer the company has to fulfil its commitments to customers in accordance with the terms and guarantees in its insurance contracts. The insurance companies also incur market risk. Their capital buffer is designed to cover all risks.

As of 1 January 2016 the solvency requirements in the insurance companies are calculated according to new rules (Solvency II). The capital base (Own Funds, OF) is calculated through a market valuation of the net of the insurance company's future cash flows and capital requirement (Solvency Capital Requirement, SCR) by stressing OF in various scenarios. The solvency ratio is measured as OF divided by SCR. Due to the rule change, the solvency calculations are not directly comparable to last year's, which were calculated according to the older rules (Solvency I).

The capital base in Swedbank's Swedish insurance operations amounted to SEK 6 824m on 30 September 2016. This compares with the Solvency Capital Requirement of SEK 4 127m. The solvency ratio was 1.65 . According to the older rules, the solvency ratio was 1.29 as of 31 December 2015.

The capital base in the Baltic life insurance operations amounted to SEK 1 441m as of 30 September 2016. The solvency ratio was 1.98. The solvency ratio according to the older rules was 1.56 as of 31 December 2015. The capital base in the Baltic property and casualty insurance operations amounted to SEK 377m as of 30 September 2016. The solvency ratio was 2.12. The solvency ratio according to the older rules was 1.91 as of 31 December 2015.

G4 Capital

Internal capital assessment

Purpose
The Internal Capital Adequacy Assessment Process (ICAAP) aims to ensure that the Group is adequately capitalised to cover its risks, current and future, and to operate and develop the business.

Measurement
Swedbank prepares and documents its own methods and processes to evaluate its capital requirement. The internal capital adequacy assessment takes into account all relevant risks that arise within the Group. In addition to Pillar 1 risks, risks for which no capital is allocated are monitored as well, such as business risk, liquidity risk and strategic risk. Significant risks that have been identified within the Group include:

Risk types according to the ICAAP process

Risk type	Pillar 1	Pillar 2
Capital is allocated		**Contributes to calculated capital requirement?**
Credit risk	Yes	Yes
Concentration risk	Yes[1]	Yes
Market risk	Yes	Yes
Market risk: Interest risk in banking book	No	Yes
Operational risk	Yes	Yes
Insurance risk	Yes[2]	Yes[3]
Risk in post-employment benefits	No	Yes
Strategic risk: Business plans	No	Yes
Strategic risk: Projects and acquisitions	No	Yes
No specific capital is allocated		**Identified and mitigated?**
Reputational risk	No	Yes
Liquidity risk	No	ILAAP[4]
Strategic risk: Decision risk	No	Yes

1) The Basel formulas are calibrated to include sector and geographical concentration risk i.e. the Pillar 1 measure implicitly includes a large share of concentration risk.
2) Holdings in insurance companies are deducted from capital, and an assessment is made to determine whether the invested capital is adequate given the adverse scenario applied in the bank's ICAAP.
3) The insurance companies in the Swedbank Group perform an Own Risk and Solvency Assessment (ORSA). The aim of this process is to assess (qualitatively and quantitatively) risks and the solvency position over the business planning period of three years by projecting the risk metrics under the base and adverse scenarios.
4) Liquidity needs are assessed annually in the internal liquidity adequacy assessment process (ILAAP).

To ensure efficient use of capital and predict capital adequacy even under exceptionally adverse market conditions, scenario-based simulations and stress tests are conducted at least once a year. The analyses provide an overview of the most important risks the Group is exposed to by quantifying the impact on the income statement and balance sheet as well as the capital base and risk weighted assets. The method serves as a foundation for proactive risk and capital management.

ICAAP 2016
As in previous years, Swedbank's ICAAP for 2016 shows that the bank is exposed to limited risks and is expected to remain well capitalised even in the event of unfavourable macroeconomic development. Swedbank's strong credit quality and capital situation are reaffirmed by external stress tests.

Description of 2016 adverse scenario
The 2016 ICAAP evaluated the impact on Swedbank's balance sheet of a major recession in its home markets and globally. In the three-year scenario all of Swedbank's home markets see substantially slower growth, a decline in housing prices and higher unemployment.

The high unemployment, coupled with lower property prices, reinforces the economic slowdown as households reduce their spending. This in turn impacts domestically oriented, consumer sensitive sectors at the same time that the Swedish krona weakens against the euro. Further, the global slowdown in demand leaves the export sector especially exposed.

Stress test ICAAP scenario - parameters

Sweden	2015	2016	2017	2018
GDP growth, %	3.2	0.0	–4.3	1.7
Unemployment, %	7.3	8.6	11.3	11.3
Inflation, %	0.3	–0.2	–1.2	1.0
Residential real estate price index	100.0	72.3	69.3	74.2

Estonia	2015	2016	2017	2018
GDP growth, %	1.6	–0.7	–5.0	2.4
Unemployment, %	6.6	6.9	10.4	11.0
Inflation, %	0.5	–0.1	–1.3	1.3
Residential real estate price index	100.0	89.6	81.2	85.5

Latvia	2015	2016	2017	2018
GDP growth, %	2.4	–0.7	–5.2	2.7
Unemployment, %	9.9	10.7	14.6	15.0
Inflation, %	0.0	–0.1	–1.3	1.3
Residential real estate price index	100.0	90.6	86.3	90.4

Lithuania	2015	2016	2017	2018
GDP growth, %	1.8	–1.1	–4.8	3.0
Unemployment, %	9.3	11.3	15.2	15.3
Inflation, %	–0.5	–0.2	–1.2	1.4
Residential real estate price index	100.0	90.1	83.7	87.9

Interest rates	2015	2016	2017	2018
3M government rates SEK, %	–0.38	–0.48	–0.90	0.10
3M government rates EUR, %	–0.40	–0.30	–0.40	0.00

FX	2015	2016	2017	2018
USD/SEK	8.35	9.82	10.37	8.50
EUR/SEK	9.14	10.19	10.07	9.59

Stress test ICAAP scenario

Triggers	Outcome in Swedbank´s home markets
Recession in Swedbank's home markets exacerbated by global downturn.	In Sweden GDP falls by a maximum of 4.3 per cent, unemployment increases to a maximum of 11.3 per cent and house prices fall by a maximum of 30.8 per cent.
Lower consumption, drop in house prices and high unemployment. Escalation of geopolitical tensions, unexpectedly sharp fall in Chinese growth, European recovery on hold.	In Estonia GDP falls by a maximum of 5.0 per cent, unemployment increases to a maximum of 11.0 per cent and house prices fall by a maximum of 18.9 per cent.
GDP collapse in Swedbank's home markets.	In Latvia GDP falls by a maximum of 5.2 per cent, unemployment increases to a maximum of 15.0 per cent and house prices fall by a maximum of 13.8 per cent,
Swedish krona depreciates against the euro.	In Lithuania GDP falls by a maximum of 8.3 per cent, unemployment increases to a maximum of 15.3 per cent and house prices fall by a maximum of 16.4 per cent.

Income statement under ICAAP scenario[1]

SEKbn	2015	2016	2017	2018
Net interest income	24.0	24.3	21.0	22.0
Total income	37.4	38.4	31.9	32.4
Total expenses	17.0	18.0	18.2	18.3
Profit before impairments	20.4	20.5	13.7	14.1
Credit impairments	0.7	4.8	9.2	4.5
Operating profit	19.7	15.7	4.5	9.6
Tax expense	4.5	3.4	1.0	2.1
Profit for the period	**15.2**	**12.2**	**3.5**	**7.5**
Profit for the period attributable to:				
Shareholders of Swedbank AB	**15.2**	**12.2**	**3.5**	**7.5**
Non-controlling interests	0.0	0.0	0.0	0.0

1) ICAAP calculations are based on the consolidated situation, which in several respects differs from the Swedbank Group. For example, insurance operations are not included in the consolidated situation.

Swedbank in the scenario

In a three-year scenario with a recession expected to occur once every 25 years net interest income increases marginally in 2016, mainly reflecting the low interest rate environment that the scenario plays out in. In subsequent years net interest income declines. Credit impairments total SEK 18.5bn, of which the LC&I and Swedish Banking business areas together account for 84 per cent.

Credit impairments per business area[1]

		Credit Impairment ratio, %		
	EAD[2] SEKbn 2015	2016	2017	2018
Swedish Banking	1 086.0	1.8	4.4	2.0
Large Corporates & Institutions	272.7	2.2	3.6	1.6
Estonia	60.3	0.3	0.5	0.3
Latvia	32.7	0.2	0.3	0.2
Lithuania	38.7	0.3	0.4	0.3
Other	126.6			
Total	**1 616.9**	**4.8**	**9.2**	**4.5**

1) ICAAP calculations are based on the consolidated situation, which in several respects differs from the Swedbank Group. For example, insurance operations are not included in the consolidated situation.

2) Exposure at Default.

Internal capital requirement

In its ICAAP Swedbank takes into account known changes which will enter into force during the scenario simulation period. In order to distinguish between scenario impact and known changes independent from scenario assumptions, Swedbank adjusts the initial values. The initial risk exposure amount (REA) value has therefore been adjusted for future changes in the calculation of Probability of default (PD), according to the SFSA's memorandum "FI's supervision of banks' calculation of risk weights for exposures to corporates", as well as for acquisition of portfolios from Danske Bank in the Baltic countries.

REA and Capital	2015	2016	2017	2018
REA, SEKbn	407.0	452.7	466.5	436.6
Common Equity Tier 1, SEKbn	93.9	96.7	97.4	98.3
Common Equity Tier 1 ratio, %	23.1	21.4	20.9	22.5

In the stress test Swedbank's Common Equity Tier 1 capital improves throughout the scenario horizon. The scenario result ignores possible interventions Swedbank's executive management might reasonably make under negative circumstances. The effect is limited, however, since the scenario outcome produces an annual profit, from which tax and dividends are deducted in order to maintain a conservative approach.

REA increase by a maximum of 11.2 per cent over the scenario horizon, driven by migration effects in the credit portfolio. This is offset at the same time by credit impairments, which reduce the credit portfolio.

The scenario-based simulations and stress tests are complemented by a calculation of the capital requirement using internal methods. The models that serve as the basis of the internal capital assessment measure the need for economic capital over a one year horizon with a 99.9 per cent confidence interval for each risk type. Diversification effects between risk types are not taken into consideration in the calculation of economic capital.

As of 31 December 2016 the internally measured internal capital requirement for Swedbank's consolidated situation amounted to SEK 29.8bn. The capital that meets the internal capital requirement, i.e. the capital base, amounted to SEK 125.2bn.

External stress tests

In 2016 Swedbank participated in a number of external stress tests by the European Banking Authority (EBA), the International Monetary Fund (IMF) and the Swedish Financial Supervisory Authority (SFSA). Swedbank's strong resilience was reaffirmed in all external stress tests.

The EBA conducts a biannual stress test of the European banking sector's resilience. Swedbank was one of the 51 participating banks that had the strongest resilience, with a Common Equity Tier 1 capital ratio which in the scenario fell by 1.8 percentage points to 22.3 per cent, compared with the average for all participating banks of 3.8 percentage points.

The SFSA also asked the banks that participated in the EBA's stress test to run a stress test based on the EBA's scenario, but to use their own methods instead of the EBA's methodology and assumptions. The aim of the stress test was to evaluate the banks' own frameworks for stress testing. The results of the test showed that the Common Equity Tier 1 capital ratio decreased at most by 1.3 percentage points to 22.8 per cent in the scenario.

The SFSA uses its own stress testing method to determine the size of the capital planning buffer. This stress test is conducted within the framework of the annual Supervisory Review and Evaluation Process (SREP). The results from the 2016 SREP show that the capital planning buffer needed is less than 2.5 per cent of the REA, which means that Swedbank does not have to hold capital in the form of a capital planning buffer.

The IMF conducted an assessment of the Swedish financial sector in 2016 to evaluate its stability and identify potential vulnerabilities, a so-called Financial Sector Assessment Program (FSAP). The IMF's scenario contained a slowdown in global growth and rapidly rising unemployment, combined with a significant drop in house prices. The results, which were aggregated in the published report, show that Sweden's banks are resilient.

Capital adequacy analysis

The capital adequacy regulation is the legislator's requirement of how much capital, designated as the capital base, a bank must have in relation to the size of the risks it faces. The rules strengthen the connection between risk taking and required capital in the Group's operations. Swedbank's legal requirement is based on Capital Requirements Regulation (CRR), but more specifically limited by the Basel 1 floor within CRR. The SFSA has clarified that the Basel 1 floor, i.e. 80 per cent of the capital requirement according to the Basel 1 rules, will remain for Swedish banks. The consolidated situation on 31 December 2016 included the Swedbank Group with the exception of insurance companies. In addition, Entercard Group was included through the proportional consolidation method.

The table below contains the information that must be published according to the SFSA's regulations (FFFS 2014:12), chapter 8. Additional periodic information according to the European Parliament's and the Council's regulation (EU) No 575/2013 on prudential requirements for credit institutions and the Commission's implementing regulation EU) No 1423/2013 can be found on Swedbank's website at http://www.swedbank.com/investor-relations/risk-and-capital-adequacy/risk-report/index.htm

	Consolidated situation	
Capital adequacy	**2016**	**2015**
Common Equity Tier 1 capital	**98 679**	**93 926**
Additional Tier 1 capital	14 281	10 624
Tier 1 capital	**112 960**	**104 550**
Tier 2 capital	12 229	13 269
Total capital base	**125 189**	**117 819**
Risk exposure amount	**394 135**	**389 098**
Common Equity Tier 1, capital ratio, %	**25.0**	**24.1**
Tier 1 capital ratio, %	**28.7**	**26.9**
Total capital ratio, %	**31.8**	**30.3**

	Consolidated situation	
Capital adequacy	**2016**	**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 including derivatives	–2	31
Cash flow hedges	–77	–17
Additional value adjustments[1]	–598	–474
Goodwill	–11 788	–11 387
Goodwill in significant investments	–709	–710
Deferred tax assets	–114	–95
Intangible assets after deferred tax liabilities	–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[2]		–993
Common Equity Tier 1 capital	**98 679**	**93 926**
Additional Tier 1 capital	14 281	10 624
Total Tier 1 capital	**112 960**	**104 550**
Tier 2 capital	12 229	13 269
Total capital base	**125 189**	**117 819**
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
Minimum capital requirement	**31 531**	**31 128**

Risk exposure amount credit risks, standardised approach	47 503	47 786
Risk exposure amount credit risks, IRB	268 904	259 210
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
Risk exposure amount	**394 135**	**389 098**
Common Equity Tier 1 capital ratio, %	**25.0**	**24.1**
Tier 1 capital ratio, %	**28.7**	**26.9**
Total capital ratio, %	**31.8**	**30.3**

	Consolidated situation	
Capital buffer requirement[3], %	**2016**	**2015**
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[4]	20.5	19.6

	Consolidated situation	
Capital adequacy Basel 1 floor	**2016**	**2015**
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
Surplus of capital according to Basel 1 floor	**50 816**	**50 331**

	Consolidated situation	
Leverage ratio	**2016**	**2015**
Tier 1 Capital	112 960	104 550
Leverage ratio exposure	2 098 179	2 102 284
Leverage ratio, %	5.4	5.0

1) 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 value positions.
2) Net pension assets.
3) Buffer requirement according to Swedish implementation of CRD IV.
4) CET1 capital ratio as reported less minimum requirement of 4.5 per cent (excluding buffer requirements) and less any CET1 items used to meet the Tier 1 and total capital requirements.

Minimum capital requirement for credit risks, IRB	2016 Exposure value	Average risk weight, %	Minimum capital requirement
Institutional exposures	83 959	16	1 072
Corporate exposures	508 765	35	14 065
Retail exposures	1 032 298	7	5 772
of which mortgage lending	936 542	5	3 633
of which other lending	95 756	28	2 139
Securitisation			
Non credit obligation	12 182	58	569
Total credit risks, IRB	**1 637 204**	**16**	**21 478**

Minimum capital requirements for credit risks, IRB	2015 Exposure value	Average risk weight, %	Minimum capital requirement
Institutional exposures	108 019	15	1 305
Corporate exposures	471 163	35	13 213
Retail exposures	974 908	7	5 670
of which mortgage lending	882 979	5	3 673
of which other lending	91 929	28	2 066
Securitisation	160	8	1
Non credit obligation	62 686	11	543
Total credit risks, IRB	**1 616 936**	**16**	**20 732**

	Consolidated situation	
Minimum capital requirements for market risks	**2016**	**2015**
Interest rate risk	745	811
of which for specific risk	165	286
of which for general risk	580	525
Equity risk	100	204
of which for specific risk	1	4
of which for general risk	99	200
of which positions in CIU's		
Currency risk in trading book	202	199
Commodity risk	0	33
Total minimum capital requirement for risks in trading book[1]	**732**	**848**
of which stressed VaR	435	350
Currency risk outside trading book	22	10
Total	**754**	**858**

1) The parent company's capital requirement for general interest rate risk, share price risk and currency risk in the trading book as well as Swedbank Estonia AS', Swedbank Latvia AS' and Swedbank Lithuania AB's capital requirements for general interest rate risk and currency risk in the trading book are calculated according to the VaR model.

	Consolidated situation	
Minimum capital requirement for operational risks	**2016**	**2015**
Standardised approach	4 972	5 047
of which trading and sales	322	693
of which retail banking	2 966	2 876
of which commercial banking	965	843
of which payment and settlement	278	262
of which retail brokerage	2	5
of which agency services	39	33
of which asset management	358	286
of which corporate finance	42	49
Total	**4 972**	**5 047**

	Consolidated situation 2016			Consolidated situation 2015		
Exposure amount, Risk exposure amount and Own funds requirement	**Exposure amount**	**Risk exposure amount**	**Minimum capital requirement**	**Exposure amount**	**Risk exposure amount**	**Minimum capital requirement**
Credit risks, STD	**351 879**	**47 503**	**3 800**	**371 639**	**47 786**	**3 823**
Central government or central banks exposures	245 746	449	36	266 646	379	30
Regional governments or local authorities exposures	32 453	276	22	35 385	274	22
Public sector entities exposures	5 551	60	5	9 860	56	4
Multilateral development banks exposures	6 411	20	2	6 015		
International organisation exposures	609			1 964		
Institutional exposures	5 456	127	10	5 049	803	64
Corporate exposures	4 909	4 630	370	9 580	9 041	723
Retail exposures	14 315	10 485	839	23 212	16 854	1 348
Exposures secured by mortgages on immovable property	23 884	8 361	669	2 349	834	67
Exposures in default	391	403	32	356	420	34
Exposures in the form of covered bonds	69	7	1	48	7	1
Equity exposures	8 088	19 691	1 575	6 074	14 808	1 185
Other items	3 997	2 994	240	5 101	4 310	345
Credit risks, IRB	**1 637 204**	**268 473**	**21 478**	**1 616 936**	**259 158**	**20 732**
Institutional exposures	83 959	13 406	1 072	108 019	16 312	1 305
Corporate exposures	508 765	175 810	14 065	471 163	165 160	13 213
of which specialized lending in category 1	13	9	1	25	18	1
of which specialized lending in category 2	321	274	22	501	429	34
of which specialized lending in category 3	555	638	51	654	752	60
of which specialized lending in category 4	261	654	52	273	682	55
of which specialized lending in category 5	260			329		
Retail exposures	1 032 298	72 151	5 772	974 908	70 875	5 670
of which mortgage lending	936 542	45 410	3 633	837 752	45 052	3 604
of which other lending	95 756	26 741	2 139	137 156	25 824	2 066
Securitisation				160	12	1
Non-credit obligation	12 182	7 106	568	62 686	6 799	543
Credit risks, Default fund contribution		**431**	**34**		**53**	**4**
Settlement risks	**0**	**0**	**0**	**1**	**7**	**1**
Market risks		**9 419**	**754**		**10 730**	**858**
Trading book		9 147	732		10 608	848
of which VaR and SVaR		7 033	563		6 566	525
of which risks outside VaR and SVaR		2 114	169		4 042	323
FX risk other operations		272	22		122	10
Credit value adjustment	**21 393**	**5 297**	**424**	**25 492**	**7 422**	**594**
Operational risks		**62 152**	**4 972**		**63 083**	**5 047**
of which Standardised approach		62 152	4 972		63 083	5 047
Additional risk exposure amount, Article 3 CRR		**860**	**69**		**860**	**69**
Total	**2 010 476**	**394 135**	**31 531**	**2 014 067**	**389 098**	**31 128**

G5 Operating segments

2016	Swedish Banking	Baltic Banking	Large corporates & Institutions	Group Functions & Other	Eliminations	Total
Income statement						
Net interest income	14 780	3 994	3 332	1 559	-1	23 664
Net commissions	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 the profit or loss of associates	815			1 652		2 467
Other income	590	524	77	909	-160	1 940
Total income	**23 429**	**6 812**	**7 811**	**3 712**	**-129**	**41 635**
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
Total expenses	**9 706**	**2 556**	**3 526**	**782**	**-129**	**16 441**
Profit before impairments	**13 723**	**4 256**	**4 285**	**2 930**		**25 194**
Impairment of intangible assets			35			35
Impairment of tangible assets		21	8	2		31
Credit impairments	-51	-35	1 482	-29		1 367
Operating profit	**13 774**	**4 270**	**2 760**	**2 957**		**23 761**
Tax expense	2 943	586	489	191		4 209
Profit for the year	10 831	3 684	2 271	2 766		19 552
Profit for the year attributable to the shareholders of Swedbank AB	**10 818**	**3 684**	**2 271**	**2 766**		**19 539**
Non-controlling interests	13					13
Balance sheet						
Cash and balances with central banks		2 870	2 062	116 415		121 347
Loans to credit institutions	4 631		43 073	194 137	-209 644	32 197
Loans to the public	1 134 713	140 250	228 093	4 191		1 507 247
Bonds and other interest-bearing securities	251	1 106	33 759	151 660	-4 704	182 072
Financial assets for which customers bear inv. risk	156 257	3 857				160 114
Investments in associates	3 650			3 669		7 319
Derivatives			96 885	34 085	-43 159	87 811
Tangible and intangible assets	2 298	11 040	392	2 413		16 143
Other assets	4 192	35 920	32 790	504 701	-537 650	39 953
Total assets	**1 305 992**	**195 043**	**437 054**	**1 011 271**	**-795 157**	**2 154 203**
Amounts owed to credit institutions	23 952		164 018	90 088	-206 227	71 831
Deposits and borrowings from the public	499 874	170 925	126 974		-4 849	792 924
Debt securities in issue			17 765	831 262	-7 354	841 673
Financial liabilities for which customers bear inv. risk	157 054	3 997				161 051
Derivatives			102 971	26 046	-43 428	85 589
Other liabilities	572 317		5 348		-533 299	44 366
Subordinated liabilities				27 254		27 254
Total liabilities	**1 253 197**	**174 922**	**417 076**	**974 650**	**-795 157**	**2 024 688**
Allocated equity[3]	52 795	20 121	19 978	36 621		129 515
Total liabilities and equity	**1 305 992**	**195 043**	**437 054**	**1 011 271**	**-795 157**	**2 154 203**
Key figures						
Return on allocated equity, total operations, %[3]	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, %[1]	0,00	-0,03	0,59	-0,13		0,09
Loans/deposits	229	83	148			186
Loans, excluding repurchase agreements[2]	1 134 755	140 250	178 303			1 453 308
Deposits, excluding repurchase agreements[2]	495 759	169 992	120 494	-4 214		782 031
Risk exposure amount	182 374	79 400	110 168	22 193		394 135
Full-time employees	4 187	3 839	1 270	4 765		14 061
Allocated equity, average[3]	52 837	20 441	19 527	30 497		123 302

1) For more information about the Credit impairment ratio see page 42 of the Fact book.
2) Excluding the Swedish National Debt Office and repurchase agreements.
3) 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.

The operating segment report is based on Swedbank's accounting policies, organisation and management accounts. Market–based transfer prices are applied between operating segments, while all expenses for IT, other Group functions and Group staffs are transfer priced at cost to the operating segments. Executive management expenses are not distributed. Cross–border transfer pricing is applied according to OECD transfer pricing guidelines.

The Group's equity attributable to shareholders is allocated to each operating segment based on capital adequacy rules and estimated capital requirements based on the bank's internal Capital Adequacy Assessment Process (ICAAP). The return on allocated equity for the operating segments is calculated based on profit for the year for the operating segment (operating profit less estimated tax and non–controlling interests), in relation to average monthly allocated equity for the operating segment.

Swedish Banking, Swedbank's dominant operating segment, is responsible for all Swedish customers except for large corporates and financial institutions. The operating segment's services are sold through Swedbank's own branch network, the Telephone Bank, the Internet Bank and the distribution network of the independent savings banks. The operating segment also includes a number of subsidiaries. Baltic Banking operates in Estonia, Latvia and Lithuania. Its services are sold through its own branch network, the Telephone Bank and the Internet Bank. The effects of Swedbank's ownership interests in the Baltic companies Swedbank AS (Estonia), Swedbank AS (Latvia) and Swedbank AB (Lithuania) are also reported in Baltic Banking in the form of financing costs, Group goodwill and Group amortisation on surplus values in the lending and deposit portfolios identified at the time of acquisition in 2005. Large Corporates & Institutions is responsible for large corporates, financial institutions and banks as well as for trading and capital market products. Operations are carried out by the parent bank in Sweden, branch offices in Norway, Finland, the US and China, and through the trading and capital market operations in subsidiary banks in Estonia, Latvia and Lithuania. The Group Functions operate across the business areas and serve as strategic and administrative support for them. The Group Functions are Group Lending & Payments, Group Savings, Digital Banking, Group IT, Accounting & Finance (including Group Treasury), CEO Office (including Corporate Affairs, HR and Legal.), Risk, Compliance, The Group Executive Committee and Internal Audit are also included in Group Functions.. During 2016 Swedbank's operating segments were changed slightly to coincide with the organisational changes made in Swedbank's business area organisation. Comparative figures have been restated.

2015	Swedish Banking	Baltic Banking	Large corporates & Institutions	Group Functions & Other	Eliminations	Total
Income statement						
Net interest income	13 449	3 558	3 416	2 570		22 993
Net commissions	7 188	2 052	2 011	-132	80	11 199
Net gains and losses on financial items at fair value	264	202	1 892	-1 786	-1	571
Share of the profit or loss of associates	862			1		863
Other income	693	475	140	886	-196	1 998
Total income	**22 456**	**6 287**	**7 459**	**1 539**	**-117**	**37 624**
of which internal income	102		116	624	-842	
Staff costs	3 419	827	1 430	3 045		8 721
Variable staff costs	155	73	228	218		674
Other expenses	6 138	1 445	1 596	-2 796	-117	6 266
Depreciation/amortisation	106	136	63	367		672
Total expenses	**9 818**	**2 481**	**3 317**	**834**	**-117**	**16 333**
Profit before impairments	**12 638**	**3 806**	**4 142**	**705**		**21 291**
Impairment of intangible assets				254		254
Impairment of tangible assets		8		64		72
Credit impairments	482	-172	284			594
Operating profit	**12 156**	**3 970**	**3 858**	**387**		**20 371**
Tax expense	2 826	1 510	629	-340		4 625
Profit for the year from continuing operations	9 330	2 460	3 229	727		15 746
Profit for the year from discontinued operations, after tax				-6		-6
Profit for the year	9 330	2 460	3 229	721		15 740
Profit for the year attributable to the shareholders of Swedbank AB	**9 317**	**2 460**	**3 229**	**721**		**15 727**
Non-controlling interests	13					13
Balance sheet						
Cash and balances with central banks		2 422	4 968	178 922		186 312
Loans to credit institutions	41 958		4 197	246 150	-205 887	86 418
Loans to the public	1 065 338	124 362	217 149	7 106		1 413 955
Bonds and other interest-bearing securities	241	1 443	33 043	133 308	-2 873	165 162
Financial assets for which customers bear inv. risk	153 374	2 952			-2 884	153 442
Investments in associates	3 353			2 029		5 382
Derivatives		27	91 991	44 601	-50 512	86 107
Tangible and intangible assets	2 458	10 499	451	2 271		15 679
Other assets	3 396	26 609	91 798	415 406	-500 811	36 398
Total assets	**1 270 118**	**168 314**	**443 597**	**1 029 793**	**-762 967**	**2 148 855**
Amounts owed to credit institutions	88 607		198 228	63 202	-199 544	150 493
Deposits and borrowings from the public	457 846	145 074	121 468	29 720	-5 837	748 271
Debt securities in issue			16 571	819 717	-9 753	826 535
Financial liabilities for which customers bear inv. risk	154 576	3 260				157 836
Derivatives			88 230	30 913	-50 462	68 681
Other liabilities	518 324			28 310	-497 371	49 263
Subordinated liabilities				24 613		24 613
Total liabilities	**1 219 353**	**148 334**	**424 497**	**996 475**	**-762 967**	**2 025 692**
Allocated equity[3]	50 765	19 980	19 100	33 318		123 163
Total liabilities and equity	**1 270 118**	**168 314**	**443 597**	**1 029 793**	**-762 967**	**2 148 855**
Key figures						
Return on allocated equity, continuing operations, %[3]	18,1	12,3	16,3	2,9		13,5
Return on allocated equity, total operations, %[3]	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, %[1]	0,04	-0,14	0,10	0,00		0,04
Loans/deposits	235	86	149			184
Loans, excluding repurchase agreements[2]	1 023 344	126 400	175 344	251		1 325 339
Deposits, excluding repurchase agreements[2]	411 450	138 355	106 065	5 041		660 911
Risk exposure amount	184 700	80 916	123 955	24 643		414 214
Full-time employees	4 401	3 811	1 235	4 446		13 893
Allocated equity, average[3]	51 531	19 993	19 807	24 984		116 315

Footnotes: See footnotes under the table for 2016.

G6 Products

2016	Financing	Savings & Investments	Payments & Cards	Trading & Capital markets	Other	Total
Net interest income	20 276	320	1 521	19	1 528	23 664
Net commissions	719	4 737	4 470	773	634	11 333
Net gains and losses on financial items at fair value	12	22	7	2 528	–338	2 231
Share of the profit or loss of associates			534		1 933	2 467
Other income	49	867	209	19	796	1 940
Total income	**21 056**	**5 946**	**6 741**	**3 339**	**4 553**	**41 635**

2015	Financing	Savings & Investments	Payments & Cards	Trading & Capital markets	Other	Total
Net interest income	17 707	517	1 794	27	2 948	22 993
Net commissions	771	4 985	4 088	701	654	11 199
Net gains and losses on financial items at fair value	2	3	21	2 269	–1 724	571
Share of the profit or loss of associates			614		249	863
Other income	53	760	269	29	887	1 998
Total income	**18 533**	**6 265**	**6 786**	**3 026**	**3 014**	**37 624**

In the product area report income has been distributed among five principal product areas. The Group does not have a single customer which accounts for more than 10 per cent of its total income.

(1) Financing
private residential lending
consumer financing
corporate lending
leasing
other financing products

(2) Savings & Investments
savings accounts
mutual funds and insurance savings
pension savings
institutional asset management
other savings and investment products

(3) Payments & Cards
current accounts (incl. cash management)
cash handling
domestic payments
international payments
mobile payments
document payments
debit cards
credit cards (incl. EnterCard)
card acquiring
other payment products

(4) Trading & Capital Market Products
equity trading
structured products
corporate finance
custody services
fixed income trading
currency trading
other capital market products

(5) Other
administrative services
treasury operations
Ektornet
real estate brokerage
real estate management
legal services
safe deposit boxes
other

(5) Other also includes income from all countries apart from Sweden, Baltics and Norway

G7 Geographical distribution

The geographical distribution is primarily based on where the business is carried out and is not comparable to the operating segment reporting. In the geographical distribution, intangible assets, mainly goodwill related to acquisitions, has been allocated to the country where the operations were acquired. The column Other includes operations in Russia, Ukraine, Finland, Denmark, Luxembourg and China.

2016	**Sweden**	**Estonia**	**Latvia**	**Lithuania**	**Norway**	**USA**	**Other**	**Eliminations**	**Total**
Income statement									
Net interest income	18 314	1 871	1 075	1 031	812	242	318	1	23 664
Net commissions	8 498	771	715	709	416	43	178	3	11 333
Net gains and losses on financial items at fair value	1 684	142	89	78	242	3	-7		2 231
Share of the profit or loss of associates	2 212				255				2 467
Other income	1 613	670	72	147	2	2	78	-644	1 940
Total income	**32 321**	**3 454**	**1 951**	**1 965**	**1 727**	**290**	**567**	**-640**	**41 635**
Staff costs	6 692	694	380	471	333	47	132		8 749
Variable staff costs	444	47	30	31	63	3	9		627
Other expenses	5 526	464	323	348	311	-4	108	-640	6 436
Depreciation/amortisation	425	88	52	47	15		2		629
Total expenses	**13 087**	**1 293**	**785**	**897**	**722**	**46**	**251**	**-640**	**16 441**
Profit before impairments	**19 234**	**2 161**	**1 166**	**1 068**	**1 005**	**244**	**316**		**25 194**
Impairment of intangible fixed assets	35								35
Impairment of tangible fixed assets		2	12	7	8		2		31
Credit impairments	76	54	-10	-76	1 352	1	-30		1 367
Operating profit	**19 123**	**2 105**	**1 164**	**1 137**	**-355**	**243**	**344**		**23 761**
Tax expense	3 739	251	172	166	-137	-42	60		4 209
of which current tax	3 507	238	160	152	-134	59	54		4 036
of which paid tax	2 098	228	217	146		15	66		2 770
Profit for the year from continuing operations	15 384	1 854	992	971	-218	285	284		19 552
Profit for the year from discontinued operations, after tax									
Profit for the period	15 384	1 854	992	971	-218	285	284		19 552
Profit for the year attributable to the shareholders of Swedbank AB	**15 371**	**1 854**	**992**	**971**	**-218**	**285**	**284**		**19 539**
Non-controlling interests	13								13
Balance sheet									
Cash and balances with central banks	18 361	21 951	13 828	21 305	582	17 311	28 009		121 347
Loans to credit institutions	20 086	1 696	962	525	3 252	38 478	2 255	-35 057	32 197
Loans to the public	1 308 627	65 250	31 016	44 042	41 753	775	16 409	-625	1 507 247
Bonds and other interest-bearing securities	158 359	4 430	3 537	2 884	8 788	3 623	451		182 072
Financial assets for which customers bear inv. risk	156 556	3 558							160 114
Investments in associates	6 322	8			989				7 319
Derivatives	73 820	208	98	134	18 854		13	-5 316	87 811
Tangible and intangible fixed assets	3 547	4 333	2 681	4 215	1 365		2		16 143
Other assets	35 333	1 116	428	545	1 630	65	946	-110	39 953
Total assets	**1 781 011**	**102 550**	**52 550**	**73 650**	**77 213**	**60 252**	**48 085**	**-41 108**	**2 154 203**
Amounts owed to credit institutions	25 720	1 175	162	66	45 353	3 432	43 784	-47 861	71 831
Deposits and borrowings from the public	608 328	74 617	42 126	61 851	3 382	339	2 720	-439	792 924
Debt securities in issue	785 749	11		40	98	55 775			841 673
Financial liabilities for which customers bear inv. risk	157 155	3 896							161 051
Derivatives	75 661	269	64	110	15 663		109	-6 287	85 589
Other liabilities	9	14 044	4 808	4 778	6 752	282	214	13 479	44 366
Subordinated liabilities	27 254								27 254
Total liabilities	**1 679 876**	**94 012**	**47 160**	**66 845**	**71 248**	**59 828**	**46 827**	**-41 108**	**2 024 688**
Allocated equity	101 135	8 538	5 390	6 805	5 965	424	1 258		129 515
Total liabilities and equity	**1 781 011**	**102 550**	**52 550**	**73 650**	**77 213**	**60 252**	**48 085**	**-41 108**	**2 154 203**

2015	Sweden	Estonia	Latvia	Lithuania	Norway	USA	Other	Eliminations	Total
Income statement									
Net interest income	17 767	1 713	1 067	885	797	417	346	1	22 993
Net commissions	8 376	755	680	695	504	5	165	19	11 199
Net gains and losses on financial items at fair value	250	122	66	76	105	6	–54		571
Share of the profit or loss of associates	553	1			309				863
Other income	1 512	645	68	76	10	1	5	–319	1 998
Total income	**28 458**	**3 236**	**1 881**	**1 732**	**1 725**	**429**	**462**	**–299**	**37 624**
Staff costs	6 853	630	351	411	306	46	127	–3	8 721
Variable staff costs	482	51	38	33	57	6	7		674
Other expenses	5 025	432	305	298	357	18	127	–296	6 266
Depreciation/amortisation	433	110	58	50	16		5		672
Total expenses	**12 793**	**1 223**	**752**	**792**	**736**	**70**	**266**	**–299**	**16 333**
Profit before impairments	**15 665**	**2 013**	**1 129**	**940**	**989**	**359**	**196**		**21 291**
Impairment of intangible fixed assets	254								254
Impairment of tangible fixed assets		2	38	23			9		72
Credit impairments	762	37	–228	22	–8	1	8		594
Operating profit	**14 649**	**1 974**	**1 319**	**895**	**997**	**358**	**179**		**20 371**
Tax expense	3 145	1 197	211	116	261	–369	64		4 625
of which current tax	2 757	1 206	114	119	264	92	64		4 616
of which paid tax	3 336	1 188	18	230	82	40	19		4 913
Profit for the year from continuing operations	11 504	777	1 108	779	736	727	115		15 746
Profit for the year from discontinued operations, after tax							–6		–6
Profit for the period	11 504	777	1 108	779	736	727	109		15 740
Profit for the year attributable to the shareholders of Swedbank AB	**11 491**	**777**	**1 108**	**779**	**736**	**727**	**109**		**15 727**
Non–controlling interests	13								13
Balance sheet									
Cash and balances with central banks	294	21 331	16 155	16 903	4 662	112 735	14 232		186 312
Loans to credit institutions	79 921	1 138	1 251	626	691	18 127	3 179	–18 515	86 418
Loans to the public	1 229 568	59 284	28 511	36 626	43 506	1 933	15 331	–804	1 413 955
Bonds and other interest–bearing securities	142 183	2 926	2 815	4 629	8 579	3 693	337		165 162
Financial assets for which customers bear inv. risk	150 490	2 952							153 442
Investments in associates	4 196	7			1 179				5 382
Derivatives	68 214	330	80	115	23 696		1 073	–7 401	86 107
Tangible and intangible fixed assets	3 302	4 216	2 630	4 047	1 468	1	15		15 679
Other assets	31 240	984	794	1 668	764	59	962	–73	36 398
Total assets	**1 709 408**	**93 168**	**52 236**	**64 614**	**84 545**	**136 548**	**35 129**	**–26 793**	**2 148 855**
Amounts owed to credit institutions	13 898	1 484	193	138	48 494	72 496	29 884	–16 094	150 493
Deposits and borrowings from the public	557 416	67 142	37 365	49 486	5 238	29 932	2 256	–564	748 271
Debt securities in issue	793 404	12		236	98	32 785			826 535
Financial liabilities for which customers bear inv. risk	154 576	3 260							157 836
Derivatives	54 977	354	72	85	19 390		1 055	–7 252	68 681
Other liabilities	15 626	12 411	9 086	8 111	5 642	842	428	–2 883	49 263
Subordinated liabilities	24 613								24 613
Total liabilities	**1 614 510**	**84 663**	**46 716**	**58 056**	**78 862**	**136 055**	**33 623**	**–26 793**	**2 025 692**
Allocated equity	94 898	8 505	5 520	6 558	5 683	493	1 506		123 163
Total liabilities and equity	**1 709 408**	**93 168**	**52 236**	**64 614**	**84 545**	**136 548**	**35 129**	**–26 793**	**2 148 855**

G8 Net interest income

	2016			2015		
	Average balance	Interest income/ expense	Average annual interest rate, %	Average balance	Interest income/ expense	Average annual interest rate, %
Loans to credit institutions	89 523	64	0.07	105 694	329	0.31
Loans to the public	1 497 557	30 845	2.06	1 427 467	33 144	2.32
Interest-bearing securities	161 071	651	0.40	154 321	1 237	0.80
Total interest-bearing assets	**1 748 151**	**31 560**	**1.81**	**1 687 482**	**34 710**	**2.06**
Derivatives	95 730	1 093		113 836	–27	
Other assets	530 049	764		521 568	925	
Total assets	**2 373 930**	**33 417**	**1.41**	**2 322 886**	**35 608**	**1.53**
deduction of trading interests reported in net gains and losses on financial items at fair value		1 232			625	
Interest income, including negative yield on financial assets, according to income statement		**32 185**			**34 983**	
Amounts owed to credit institutions	154 798	269	0.17	161 529	325	0.20
Deposits and borrowings from the public	907 906	1 100	0.12	836 646	1 256	0.15
of which deposit guarantee fees		466			563	
Debt securities in issue	876 536	13 013	1.48	889 297	14 369	1.62
of which commissions for funding with state guarantee						
Subordinated liabilities	23 567	977	4.15	24 191	1 041	4.30
Total Interest-bearing liabilities	**1 962 807**	**15 359**	**0.78**	**1 911 663**	**16 991**	**0.89**
Derivatives	80 177	–7 638		85 000	–5 688	
Other liabilities	207 461	689		209 909	748	
of which stability fee		646			681	
Total liabilities	**2 250 445**	**8 410**	**0.37**	**2 206 572**	**12 051**	**0.55**
Equity	**123 485**			**116 314**		
Total liabilities and equity	**2 373 930**	**8 410**	**0.35**	**2 322 886**	**12 051**	**0.52**
deduction of trading interests reported in net gains and losses on financial items at fair value		–111			61	
Interest expenses, including negative yield on financial liabilities, according to income statement		**8 521**			**11 990**	
Net interest income		**23 664**			**22 993**	
Net interest margin before trading interest are deducted1			1.05			1.01
Interest income impaired loans		95			93	
Interest income on financial assets at amortised cost		28 019			28 085	
Interest expenses on financial liabilities at amortised cost		14 701			16 848	

1) 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.

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.

G9 Net commission income

	2016	2015
Commission income		
Payment processing	1 745	1 729
Cards	4 715	4 861
Service concepts	522	498
Asset management	5 425	5 750
Life insurance	648	661
Brokerage	525	556
Other securities	56	65
Corporate finance	277	246
Lending	982	1 020
Guarantee	215	227
Deposits	131	141
Real estate brokerage	226	256
Non-life insurance	69	78
Other commission income	475	495
Total	**16 011**	**16 583**

	2016	2015
Commission expenses		
Payment processing	–1 002	–1 029
Cards	–1 883	–2 358
Service concepts	–15	–16
Asset management	–1 180	–1 263
Life insurance	–176	–194
Brokerage	–197	–224
Other securities	–14	–55
Lending and guarantees	–73	–78
Non-life insurance	–14	–11
Other commission expenses	–124	–156
Total	**–4 678**	**–5 384**

	2016	2015
Net commission income		
Payment processing	743	700
Cards	2 832	2 503
Service concepts	507	482
Asset management	4 245	4 487
Life insurance	472	467
Brokerage	328	332
Other securities	42	10
Corporate finance	277	246
Lending	909	942
Guarantee	215	227
Deposits	131	141
Real estate brokerage	226	256
Non-life insurance	55	67
Other commission income	351	339
Total	**11 333**	**11 199**

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.

G10 Net gains and losses on financial items at fair value

	2016	2015
Valuation category, fair value through profit or loss		
Trading and derivatives		
Shares and share related derivatives	512	340
of which dividend	56	318
Interest-bearing instruments and interest related derivatives	1 190	672
Other financial instruments	–295	74
Total	**1 407**	**1 086**
Other		
Shares	433	27
of which dividend	11	7
Loans to the public	–1 494	–2 618
Financial liabilities	200	977
Total	**–861**	**–1 614**
Hedge accounting at fair value		
Ineffective part in hedge accounting at fair value		
Hedging instruments	–812	–4 804
Hedged item	752	4 751
Total	**–60**	**–53**
Ineffective part in portfolio hedge accounting at fair value		
Hedging instruments	–465	277
Hedged item	473	–281
Total	**8**	**–4**
Ineffective part in hedging of net investments in foreign operations		
Financial liabilities valued at amortised cost	**–414**	**–803**
Loan receivables at amortised cost	**142**	**194**
Trading related interest		
Interest income	1 232	625
Interest expense	111	–60
Total trading related interest	**1 343**	**565**
Change in exchange rates	666	1 200
Total	**2 231**	**571**
Distribution by business purpose		
Financial instruments for trading related business	2 694	2 054
Financial instruments intended to be held until contractual maturity	–463	–1 483
Total	**2 231**	**571**

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. Additional sold shares in Visa Europe with a profit of SEK 457m.

G11 Net insurance

	2016	2015
Insurance premiums		
Life insurance	1 531	1 498
of which loan protection	199	185
of which other	1 332	1 313
Non-life insurance	606	503
Total	**2 137**	**2 001**

	2016	2015
Insurance provisions		
Life insurance	–978	–972
of which loan protection	–80	–100
of which other	–898	–872
Non-life insurance	–405	–321
Total	**–1 383**	**–1 293**

	2016	2015
Net insurance		
Life insurance	553	526
of which loan protection	119	85
of which other	434	441
Non-life insurance	201	182
Total	**754**	**708**

G12 Other income

	2016	2015
Profit from sale of subsidiaries and associates		41
Income from real estate operations	14	22
Profit from sale of condominiums	36	10
Profit from sale of properties, equipments etc.		1
Sold inventories	32	67
of which revenues	348	661
of which carrying amount	–316	–594
IT services	796	714
Other operating income	309	436
Total	**1 186**	**1 290**

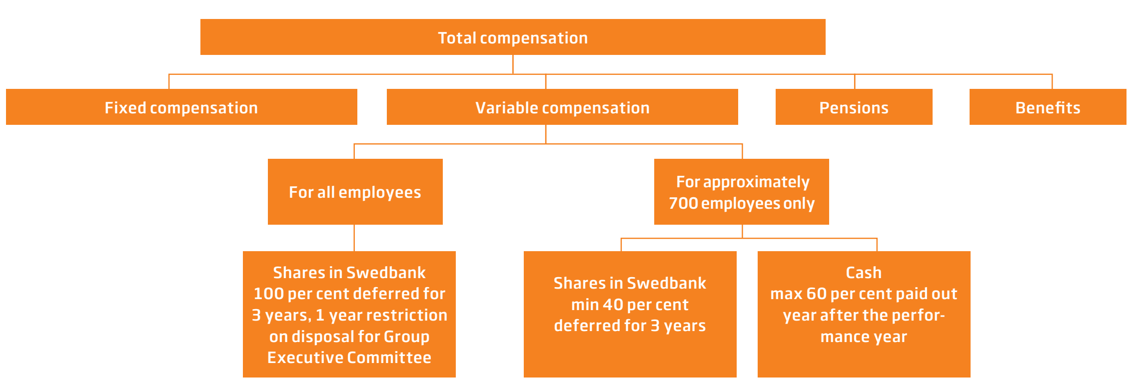
The divestment of Svenska Fastighetsförmedling AB in 2015 resulted in a capital gain of SEK 41m.

G13 Staff costs and other staff-related key ratios

1 COMPENSATION WITHIN SWEDBANK

The majority of employees at Swedbank have fixed and variable compensation components, which, together with a pension and other benefits, represent their total compensation. Total compensation is market based and designed to achieve a sound balance between the fixed and variable components.

Information on compensation according to the SFSA's regulations and general guidelines on compensation policies (FFFS 2011:1) is published on Swedbank's website.



Total staff costs	2016	2015
Salaries and Board fees	5 840	5 757
Compensation through shares in Swedbank AB	377	413
Social insurance charges	1 933	1 890
Pension costs[1]	783	937
Training costs	117	105
Other staff costs	326	293
Total	**9 376**	**9 395**
of which variable staff costs	627	674
of which personnel redundancy costs	41	39

1) The Group's pension cost for the year is specified in note G38.

2 VARIABLE COMPENSATION

Swedbank currently has four share–based variable compensation programmes: Programme 2013, Programme 2014, Programme 2015 and Programme 2016. The programmes are considered to have expired when shares have been transferred to employees. In 2016 shares associated with Programme 2012 were transferred.

2.1 Programme 2016

Programme 2016 consists of two parts: a general programme, Eken, and an individual programme.

Further information on Programme 2016 as well as Programmes 2013–2015 can be found in Swedbank's Factbook, which is published on the bank's website in connection with its quarterly reports as well as in the detailed agenda items that serve as a basis for resolutions by the AGM.

2.2 Reporting of share-based compensation

Share–based compensation is allocated in the form of so–called performance rights (future shares in Swedbank) and accrued over the duration of each programme. Delivery of shares is conditional on continued employment.

Each programme comprises i) the initial performance year, followed by ii) allotments and a deferral period before iii) final transfer of the shares to participants in the year after the conclusion of the deferral period and publication of the year–end report. During the initial performance year the compensation is expressed and measured in the form of a monetary value corresponding to the performance amount. Thereafter, the compensation is expressed in terms of the number of performance rights until the delivery date.

Performance rights for each programme are valued in the accounts based on the estimated price of shares in Swedbank on the valuation date i.e. the date when the company and the counterparty agree to the contractual terms and conditions in each programme. Each performance right entitles its holder to one share in Swedbank plus compensation for any dividends distributed that the performance rights did not qualify for during the programme's duration. The reported cost of each programme can change during the period until the delivery date if the performance amount changes or because the performance rights are forfeited. The reported cost excluding social insurance charges does not change when the market value of the performance rights has changed. Social insurance charges are calculated and recognised continuously based on market value and ultimately determined at the time of delivery.

Variable Compensation Programme 2012–2016	2016	2015
Programme 2012		
Recognised expense for compensation that is settled with shares in Swedbank AB	26	128
Recognised expense for social insurance charges related to the share settled compensation	–33	49
Programme 2013		
Recognised expense for compensation that is settled with shares in Swedbank AB	95	100
Recognised expense for social insurance charges related to the share settled compensation	55	27
Programme 2014		
Recognised expense for compensation that is settled with shares in Swedbank AB	119	109
Recognised expense for social insurance charges related to the share settled compensation	48	24
Programme 2015		
Recognised expense for compensation that is settled with shares in Swedbank AB	63	69
Recognised expense for social insurance charges related to the share settled compensation	24	15
Recognised expense for cash settled compensation	3	90
Recognised expense for payroll overhead costs related to the cash settled compensation	5	47
Programme 2016		
Recognised expense for compensation that is settled with shares in Swedbank AB	75	
Recognised expense for social insurance charges related to the share settled compensation	17	
Recognised expense for cash settled compensation	94	
Recognised expense for payroll overhead costs related to the cash settled compensation	36	
Total recognised expense	**627**	**659**

Number of performance rights that establish the recognised share based expense, millions	2016	2015
Outstanding at the beginning of the period	**13**	**14**
Allotted	2	1
Forfeited	1	1
Excercised	5	2
Outstanding at the end of the period	**9**	**13**
Exercisable at the end of the period	0	0
Weighted average fair value per performance right at measurement date, SEK	151	142
Weighted average remaining contractual life, months	9	11
Weighted average exercise price per performance right, SEK	0	0

3 COMPENSATION TO THE CEO

Birgitte Bonnesen took over as CEO on 9 February 2016. Birgitte Bonnesen's employment terms in her role as CEO do not contain any variable compensation. Her fixed salary is SEK 13m.

Birgitte Bonnesen's ordinary retirement age is 65 and she receives a premium equivalent to 35 per cent of her salary for pension insurance.

If terminated by Swedbank, Birgitte Bonnesen receives 75 per cent of her salary during a 12–month term of notice, in addition to severance pay equivalent to 75 per cent of her salary for 12 months. A deduction against salary and severance pay is made for income earned from new employment.

If Birgitte Bonnesen resigns, the term of notice is six months and no severance pay is paid.

SEK Thousands	2016	2015
Birgitte Bonnessen		
Fixed compensation, salary	11 409	
Other compensation/benefits	653	
Total	**12 062**	
Pension cost, excluding payroll tax	3 887	

Michael Wolf was CEO until the beginning of February 2016. His annual fixed salary amounted to SEK 13m and he received a premium equivalent to 35 per cent of his salary for pension insurance. Michael Wolf's employment terms contained no variable compensation.
Due to Swedbank's termination, Michael Wolf received 75 per cent of his salary during a 12-month term of notice (during which time he was relieved from his duties), followed by severance pay equivalent to 75 per cent of his salary during a period of 12 months. A deduction against severance pay is made for income earned from new employment.

SEK Thousands	2016	2015
Michael Wolf		
Fixed compensation, salary	1 393	13 000
Other compensation/benefits	15	229
Termination compensation	23 054	
Total	**24 462**	**13 229**
Pension cost, excluding payroll tax	488	4 550

4 COMPENSATION TO OTHER SENIOR EXECUTIVES

4.1 General on other senior executives

Members of the Group Executive Committee excluding the CEO are defined in this context as other senior executives. Compensation to other senior executives includes compensation paid by all Group companies during the year, Swedish as well as foreign, and refers to the period during which these individuals were active as senior executives.

All senior executives are eligible for Eken except for the Chief Executive Officer, and three additional senior executives.

A total of 15 individuals were members of the Group Executive Committee at the end of the year: Ģirts Bērziņš, Elisabeth Beskow, Mikael Björknert, Lars–Erik Danielsson, Björn Elfstrand, Anders Ekedahl, Cecilia Hernqvist, Anders Karlsson, Leif Karlsson, Ola Laurin, Lars Ljungälv, Lotta Lovén, Helo Meigas, Priit Perens and Christer Trägardh. Eight of them were active as other senior executives throughout the year: Mikael Björknert, Anders Ekedahl, Björn Elfstrand, Cecilia Hernqvist, Anders Karlsson, Helo Meigas, Pritt Perens and Christer Trägardh, while 16 were included for part of the year: Ģirts Bērziņš, Elisabeth Beskow, Birgitte Bonnesen, Göran Bronner, Lars–Erik Danielsson, Ulf Ejelöv, Jonas Erikson, Lars Friberg, Annika Hellström, Ola Laurin, Lars Ljungälv, Leif Karlsson, Lotta Lovén, Lena Smeby–Udesen, Björn Meltzer and Viveka Strangert.

	2016	2015
Fixed compensation, salary	65	72
Variable compensation, cash	4	1
Variable compensation, share based	6	7
Other compensation/benefits[1]	9	5
Compensation at terminated contract[2]	15	18
Total	**99**	**103**
Pension cost, excluding payroll tax	22	28
Number of performance rights regarding share based compensation	31 839	34 506
No. of persons as of 31 December	15	18

1) Includes holiday pay, employee loan interest benefit, share benefit, lunch subsidy, health insurance benefit, telephone and fund discount.
2) Includes salary during term of notice, severance, pension costs and any benefits.

4.2 Pension and other contractual terms to other senior executives

4.2.1 Pension

Swedbank applies the BTP collective pension for employees in Sweden. The BTP plan is a complement to the national pension for Swedish employees and consists of BTP1, a defined contribution pension, and BTP2, primarily a defined benefit pension. BTP1 applies to all employees hired as of 1 February 2013. The ceiling for pensionable salary is 30 income base amounts (the income base amount for 2016 was SEK 59 300).

In a defined benefit pension the employer promises a future pension, often expressed as a percentage of salary. In a defined contribution pension the employer allocates a specific percentage of the employee's salary to a premium.

Eleven senior executives are eligible for BTP2, which limits pensionable salary to 30 income base amounts. In addition, an individual defined contribution pension is paid on fixed salaries exceeding 30 income base amounts for eleven senior executives. Two senior executives receive a wholly premium–based pension solution (individual contracts).

The maximum pensionable salary for the defined contribution portion for all senior executives is determined annually by the Board of Directors.

4.2.2 Other contractual terms to other senior executives

	Term of notice	Severance pay	Resignation
10 persons	12 months	12 months	6 months
3 persons	6 months	12 months	6 months
1 person	3 months	12 months	6 months
1 person	6 months	12 months	3 months

Conditions within the framework of the contractual terms:
- If terminated, salary and benefits are paid during the term of notice
- If terminated by Swedbank, severance is paid
- If new work is found, a deduction is made for salary income during the term of notice and during the period when severance is paid

5 COMPENSATION TO THE BOARD OF DIRECTORS

5.1 General information on remuneration to the entire Board of Directors

Compensation to the members of the Board of Directors, as indicated in the table below, is determined by the AGM and corresponds to annual fees from the AGM 2016 to the AGM 2017. Board compensation consists of fixed compensation for Board work as well as fixed compensation for any committee work. The three committees are the Audit Committee, the Risk and Capital Committee and the Remuneration Committee. During the year no costs were reported for previous Board members beyond what is indicated below. The Group does not have any pension entitlements for Board members.

Compensation to the Board of Directors, corresponds to the annual fees up to the AGM 2017. SEK thousands	2016			2015		
	Board fees	Committee work	Total	Board fees	Committee work	Total
Lars Idermark, Chair (2015 Deputy Chair)	2 430	315	2 745	815	305	1 120
Anders Sundström, Chair (2015)				2 390	510	2 900
Ulrika Francke, Deputy Chair	815	530	1 345	510	460	970
Bodil Eriksson, Director	525	100	625			
Göran Hedman, Director	525	290	815	510	255	765
Anders Igel, Director (2015)				510	100	610
Peter Norman, Director	525	430	955			
Pia Rudengren, Director	525	215	740	510	205	715
Karl–Henrik Sundström, Director	525	215	740	510	205	715
Siv Svensson, Director	525	290	815	510	205	715
Maj–Charlotte Wallin, Director (2015)				510	205	715
Total	**6 395**	**2 385**	**8 780**	**6 775**	**2 450**	**9 225**

5.2 Compensation to the Chair

The Chair receives fixed compensation for Board work as well as fixed compensation for committee work i.e. no variable compensation, pension or other benefits. The following table discloses the costs for 2016 and 2015 respectively.

SEK thousands	2016	2015
Within framework of Board fees set by the Board		
Lars Idermark	2 037	
Anders Sundström	797	2 850
Total	**2 834**	**2 850**

6 SUMMARY – COMPENSATION TO THE BOARD OF DIRECTORS, CEO AND OTHERS IN GROUP EXECUTIVE COMMITTEE (KEY MANAGEMENT)

	2016	2015
Short-term employee benefits	100	100
Post employment benefits, pension costs	26	33
Termination benefits, severance pay	38	18
Share-based payments	6	7
Total	**170**	**158**
Amounts of outstanding balances		
Granted loans	89	105

7 SUMMARY – PENSIONS AND LOANS TO BOARDS OF DIRECTORS AND EQUIVALENT SENIOR EXECUTIVES IN THE ENTIRE GROUP

Pension costs reported in the table below refer to current Directors, CEOs, Vice Presidents and equivalent senior executives in the Group. The costs exclude social insurance charges and payroll taxes.

	2016	2015
Cost for the year related to pensions and similar benefits	40	50
No. of persons	57	60
Granted loans	364	447
No. of persons	140	155

Pension obligations for former CEOs and Vice Presidents have been funded through insurance and pension foundations. The latter's obligations amounted to SEK 347m (340). The Group has not pledged any assets or other collateral or committed to contingent liabilities on behalf of any of the above–mentioned group of senior executives.

8 SUMMARY – COMPENSATION TO BOARDS OF DIRECTORS AND EQUIVALENT SENIOR EXECUTIVES IN THE ENTIRE GROUP

Shown here are the salaries and other compensation for Boards of Directors, CEOs, Vice Presidents and equivalent senior executives in the Group. This group includes current employees. Fees to CEOs and other senior executives for internal board duties are deducted against their salaries, unless otherwise agreed to.

	2016					2015				
	Boards of Directors, CEOs, Vice Presidents and equivalent senior executives			Other employees	All employees	Boards of Directors, CEOs, Vice Presidents and equivalent senior executives			Other employees	All employees
Country	Number of persons	Salaries and Board fees	Variable compensation	Salaries and variable compensation	Total	Number of persons	Salaries and Board fees	Variable compensation	Salaries and variable compensation	Total
Sweden	66	122	10	4 424	4 556	70	119	8	4 491	4 618
Estonia	28	19	3	520	542	29	18	3	481	502
Latvia	16	10	2	304	316	16	13	3	287	303
Lithuania	20	15	2	350	367	21	12	1	310	323
Norway				289	289	4	1		281	282
USA				39	39	2	8	1	33	42
Other countries	2	2		106	108	3	1		100	101
Total	**132**	**168**	**17**	**6 032**	**6 217**	**145**	**172**	**16**	**5 983**	**6 171**

9 KEY RATIOS

Average number of employees based on 1 585 hours per employee	2016	2015
Sweden	8 143	8 373
Estonia	2 580	2 681
Latvia	1 764	1 671
Lithuania	2 359	2 162
Norway	239	257
USA	20	20
Other countries	127	128
Total	**15 232**	**15 293**
Number of hours worked (thousands)	24 141	24 239
Number of Group employees at year-end excluding long-term absentees in relation to hours worked expressed as full-time positions	14 061	13 893

Employee turnover excluding retired staff, %	2016	2015
Swedish Banking	5.6	4.8
Large Corporates & Institutions	6.1	5.1
Baltic Banking	13.3	11.4
Group Functions	6.9	7.6
Total	**8.2**	**7.6**

Employee turnover including retired staff, %	2016	2015
Swedish Banking	9.2	8.7
Large Corporates & Institutions	7.1	5.8
Baltic Banking	13.3	11.4
Group Functions	8.2	9.2
Total	**9.9**	**9.4**

Employee turnover is calculated as the number of employees who terminated their employment during the year divided by the number of employees as of 31December of the previous year.

Other key ratios	2016	2015
Average number of employees	15 231	15 293
Number of employees at year-end	15 060	14 732
Number of full-time positions[1]	14 061	13 893

1) Refers to continuing operations.

Sick leave, %	2016	2015
Sick leave Sweden	3.6	3.4
Sick leave Estonia	1.1	0.8
Sick leave Latvia	2.2	2.8
Sick leave Lithuania	1.8	1.5
Long-term healthy employees, %[1]	71.0	76.0

1) Refers to the Swedish operations. Long-term healthy refer to employees with a maximum of five working days of sick leave during a rolling 12 month period.

Parental leave women/men, %	2016	2015
Sweden	74.0/26.0	73.5/26.5
Estonia	99.5/0.5	99.3/0.7
Latvia	100.0/0.0	99.5/0.5
Lithuania	99.5/0.5	98.7/1.3

Swedbank strives for diversity, including an even distribution between women and men, among employees in general as well as among senior executives. We are convinced that it is important to maintain a balance between women and men, not least among senior executives in the parent company and the Group and their respective management teams. Consequently, we have specifically chosen as of 2011 to show their gender distribution.

	2016		2015	
Gender distribution by country, %	Female	Male	Female	Male
Sweden	56	44	56	44
Estonia	76	24	78	22
Latvia	77	23	78	22
Lithuania	74	26	75	25
Norway	28	72	25	75
USA	20	80	15	85
Other countries	55	45	54	46

	2016		2015	
Gender distribution for all employees, Group Executive Committee and Boards of Directors, %	Female	Male	Female	Male
All employees	64	36	65	35
Swedbank's Board of Directors	50	50	44	56
Group Executive Committee incl. CEO	31	69	32	68
Group Executive Committee and their respective management teams	32	68	42	58
Boards of Directors in the entire Group incl. subsidiaries	45	55	46	54
Senior executives in the entire Group incl. subsidiaries	41	59	39	61

	2016		2015	
Gender distribution, management positions by country, %	Female	Male	Female	Male
Management positions, total[1]	52	48	51	49
Management positions, Sweden	44	56	44	56
Management positions, Estonia	63	37	64	36
Management positions, Latvia	70	30	66	34
Management positions, Lithuania	54	46	54	46

1) Applicable for Swedbank's home markets: Sweden, Estonia, Latvia and Lithuania.

G14 Other general administrative expenses

	2016	2015
Expenses for premises		18
Rents, etc.	1 131	1 154
IT expenses	1 834	1 888
Telecommunications, postage	118	158
Consulting	314	310
Compensation to savings banks	1 050	762
Other purchased services	708	617
Travel	226	190
Entertainment	51	54
Office supplies	103	108
Advertising, public relations, marketing	285	340
Security transports, alarm systems	72	83
Maintenance	111	115
Other administrative expenses	302	356
Other operating expenses	131	113
Total	**6 436**	**6 266**

Remuneration to auditors	2016	2015
Remuneration to auditors elected by Annual General Meeting, Deloitte		
Statutory audit	30	29
Other audit	6	4
Tax advisory		
Other	6	9
Remuneration to other auditors elected by Annual General Meeting		
Statutory audit	1	2
Other		1
Total	**43**	**45**
Internal Audit, not Deloitte	65	67

G15 Depreciation/amortisation of tangible and intangible fixed assets

Depreciation/amortisation	2016	2015
Equipment	285	313
Owner-occupied properties	35	36
Investment properties		3
Intangible fixed assets	309	320
Total	**629**	**672**

G16 Impairments of tangible assets including repossessed lease assets

Impairments	2016	2015
Investment properties		8
Properties measured as inventory	31	62
Repossessed leasing assets		2
Total	**31**	**72**

G17 Credit impairments

Credit impairments	2016	2015
Provisions for loans that individually are assessed as impaired		
Provisions	1 444	942
Reversal of previous provisions	−455	−204
Provision for homogenous groups of impaired loans, net	−69	−36
Total	**920**	**702**
Portfolio provisions for loans that individually are not assessed as impaired	**97**	**-132**
Write-offs		
Established losses	1 214	954
Utilisation of previous provisions	−850	−501
Recoveries	−253	−428
Total	**111**	**25**
Credit impairments for contingent liabilities and other credit risk exposures	**239**	**-1**
Credit impairments	**1 367**	**594**

Credit impairments by valuation category	2016	2015
Loans and receivables	1 210	585
Fair value through profit or loss	157	9
Held to maturity		
Total	**1 367**	**594**

Credit impairments by borrower category	2016	2015
Credit institutions	2	−6
General public	1 365	600
Total	**1 367**	**594**

G18 Tax

Tax expense	2016	2015
Tax related to previous years	−125	−676
Current tax	4 036	4 616
Deferred tax	298	685
Total	**4 209**	**4 625**

The difference between the Group's tax expense and the tax expense based on current tax rates is explained below:

	2016		2015	
	SEKm	per cent	SEKm	per cent
Results	4 209	17.7	4 625	22.7
22.0% of pre–tax profit	5 227	22.0	4 482	22.0
Difference	**1 018**	**4.3**	**–143**	**–0.7**
The difference consists of the following items:				
Tax previous years	125	0.5	676	3.3
Tax –exempt income/non–deductible expenses	307	1.3	–55	–0.3
Change in unrecognised deferred tax assets which effects the effective tax rate	–6	0.0	–1	0.0
Tax–exempt capital gains and appreciation in value of shares and participating interests	102	0.4	14	0.1
Other tax basis in insurance operations	122	0.5	120	0.6
Deviating tax rates in other countries	381	1.6	–877	–4.3
Standard income tax allocation reserve	–7	0.0	–8	0.0
Other, net	–6	0.0	–12	–0.1
Total	**1 018**	**4.3**	**–143**	**–0.7**

The 2016 tax expense corresponds to an effective tax rate of 17.7 per cent (22.7).

2016

Deferred tax assets	Opening balance	Income statement	Other comprehensive income	Equity	Exchange rate differences	Closing balance
Deductible temporary differences						
Provision for credit impairments	20	–21			1	
Other	73	–41			9	41
Share-based payment	8			–3		5
Unused tax losses	123	–3			5	125
Unrecognised deferred tax assets	–32	21				–11
Total	**192**	**–44**		**–3**	**15**	**160**
Deferred tax liabilities						
Taxable temporary differences						
Untaxed reserves	2 439	41				2 480
Hedge of net investment in foreign operations	50	1	–263			–212
Provision for pensions	203	93	–684			–388
Cash flow hedges	35	13	17			65
Intangible fixed assets	263	52				315
Share-based payment	–67			13		–54
Other	148	48			36	232
Total	**3 071**	**248**	**–930**	**13**	**36**	**2 438**
Deferred tax in associates		6	–16			
Total		**254**	**–946**			

Deferred tax related to the hedging of net investments in foreign operations and cash flow hedging is recognised directly in other comprehensive income, since the change in the value of the hedging instrument is also recognised directly in other comprehensive income. Deferred tax related to untaxed reserves in associates is included on the balance sheet line Investments in associates.

Swedbank AS pays income tax in Estonia only upon distribution of its earnings. The tax rate for 2016 was 20 per cent (20). Retained earnings in Swedbank AS, which would be subject to income tax if distributed, amounted to SEK 14 135m (12 857). The parent company determines the dividend payment and has established a specific dividend policy that a portion of the profit will be distributed; therefore a deferred tax liability is recognised based on this policy.To the extent dividends are not expected to be paid in the foreseeable future, the Group does not recognise a deferred tax liability. If the largest possible dividend were distributed, a tax expense of SEK 2 594m (2 589) would arise.

The unrecognised portion of deferred tax assets amounted to SEK 11m (32). The assets are not recognised due to uncertainty when and if sufficient taxable earnings will be generated.

Unused tax losses and unused tax credits according to tax calculation

Maturity	Total deduction	Deduction for which deferred tax is recognised		Deduction for which deferred tax is not recognised
		Latvia	Lithuania	
Without maturity	833	111	632	90
Total	**833**	**111**	**632**	**90**

When the Group determines the deferred tax assets it will recognise, it forecasts future taxable profits that can be utilised against tax loss carryforwards or other future tax credits. Deferred tax assets are recognised only to the extent such profits are probable. The Group expects that about 56 per cent (56) of the taxable losses that serve as the basis for recognised deferred tax assets will be utilised before the end of 2019 i.e. within the framework of the Group's three-year financial plan. Most of the losses for which deferred tax assets are recognised derive from the Group's home markets.

2015

Deferred tax assets	Opening balance	Income statement	Other comprehensive income	Equity	Business disposals	Exchange rate differences	Closing balance
Deductible temporary differences							
Provision for credit impairments	21					–1	20
Other	501	–421			–1	–6	73
Share-based payment	14	1		–7			8
Unused tax losses	450	–335				8	123
Unrecognised deferred tax assets	–348	326				–10	–32
Total	**638**	**–429**		**–7**	**–1**	**–9**	**192**

Deferred tax liabilities	Opening balance	Income statement	Other comprehensive income	Equity	Business disposals	Exchange rate differences	Closing balance
Taxable temporary differences							
Untaxed reserves	2 453	–12			–2		2 439
Hedge of net investment in foreign operations	–283	–1	334				50
Provision for pensions	–633	59	777				203
Cash flow hedges	–108	112	31				35
Intangible fixed assets	287	–24					263
Share-based payment	–101			34			–67
Other	69	119			1	–41	148
Total	**1 684**	**253**	**1 142**	**34**	**–1**	**–41**	**3 071**
Deferred tax in associates		3	19				
Total		**256**	**1 161**				

Unused tax losses and unused tax credits according to tax calculation

Maturity	Total deduction	Deduction for which deferred tax is recognised		Deduction for which deferred tax is not recognised
		Latvia	Lithuania	
Without maturity	819	77	633	109
Total	**819**	**77**	**633**	**109**

G19 Earnings per share

Earnings per share are calculated by dividing profit for the year, after adjustments, attributable to holders of ordinary shares in the parent company by a weighted average number of ordinary shares outstanding. Earnings per share after dilution is calculated by dividing profit for the year, after adjustments, attributable to holders of ordinary shares in the parent company by the average of the number of ordinary shares outstanding, adjusted for the dilution effect of potential shares. Earnings per share are calculated separately for continuing operations and discontinued operations. Swedbank's share-related compensation programmes, Programme 2013, Programme 2014, Programme 2015 and Programme 2016, give rise to potential ordinary shares from the grant date for these shares from an accounting perspective. Grant date refers here to the date when the parties agreed to the terms and conditions of the programmes. The grant dates from an accounting perspective for Programme 2013 was 27 March 2013, for Programme 2014 the grant date was 19 March 2014, for Programme 2015 was 26 March 2015 and for Programme 2016 it was 5 April 2016. The rights are treated as options in the calculation of earnings per share after dilution.

	2016	2015
Average number of shares		
Weighted average number of shares before adjustments for shares acquired by associates, before dilution	1 110 031 401	1 104 894 828
Weighted average number of shares, before dilution	1 110 031 401	1 104 894 828
Weighted average number of shares for dilutive potential ordinary shares resulting from share-based compensation programme	6 271 302	8 478 982
Weighted average number of shares, after dilution	1 116 302 703	1 113 373 811
Earnings per share		
Profit for the year attributable to the shareholders of Swedbank AB from total operations	19 539	15 727
Profit for the year used for calculating earnings per share from total operations	19 539	15 727
Earnings per share total operations before dilution, SEK	17.60	14.23
Earnings per share total operations after dilution, SEK	17.50	14.13
Profit for the year attributable to the shareholders of Swedbank AB from continuing operations	19 539	15 734
Profit for the year used for calculating earnings per share from continuing operations	19 539	15 734
Earnings per share continuing operations before dilution, SEK	17.60	14.24
Earnings per share continuing operations after dilution, SEK	17.50	14.14
Profit for the year attributable to the shareholders of Swedbank AB from discontinued operations		–6
Profit for the year used for calculating earnings per share from discontinued operations		–6
Earnings per share discontinued operations before dilution, SEK		–0.01
Earnings per share discontinued operations after dilution, SEK		–0.01

G20 Tax for each component in other comprehensive income

	2016				2015			
	Pre-tax amount	Deferred tax	Current tax	Total tax amount	Pre-tax amount	Deferred tax	Current tax	Total tax amount
Items that will not be reclassified to the income statement								
Remeasurements of defined benefit pension plans	−3 110	684		684	3 539	−777	−2	−779
Share of other comprehensive income of associates	−76	17		17	88	−19		−19
Total	**−3 186**	**701**	**0**	**701**	**3 627**	**−796**	**−2**	**−798**
Items that may be reclassified to the income statement								
Exchange differences, foreign operations	1 641				−1 591			
Hedging of net investments in foreign operations	−1 337	262	31	293	1 398	−334	33	−301
Cash flow hedges	75	−16		−16	152	−31		−31
Share of other comprehensive income of associates	126	−1		−1	−135			
Total	**505**	**245**	**31**	**276**	**−176**	**−365**	**33**	**−332**
Other comprehensive income	**−2 681**	**946**	**31**	**977**	**3 451**	**−1 161**	**31**	**−1 130**

G21 Treasury bills and other bills eligible for refinancing with central banks etc.

	Carrying amount			Amortised cost			Nominal amount		
	2016	2015	1/1/2015	2016	2015	1/1/2015	2016	2015	1/1/2015
Valuation category, fair value through profit or loss									
Trading									
Swedish government	9 909	61 421	32 791	8 627	61 484	31 427	7 825	59 095	30 287
Swedish municipalities	4 585	3 644	2 904	4 543	3 656	2 901	4 514	3 634	2 872
Foreign governments	6 827	9 074	6 807	6 804	8 524	6 773	6 677	8 388	6 868
Other non-Swedish issuers	848	1 945	3 222	850	1 944	3 172	844	1 930	3 166
Total	**22 169**	**76 084**	**45 724**	**20 824**	**75 608**	**44 273**	**19 860**	**73 047**	**43 193**
Valuation category, held to maturity[1]									
Swedish central bank	85 005			85 005			85 000		
Foreign governments	397	468	501	397	468	501	393	462	492
Total	**85 402**	**468**	**501**	**85 402**	**468**	**501**	**85 393**	**462**	**492**
Total	**107 571**	**76 552**	**46 225**	**106 226**	**76 076**	**44 774**	**105 253**	**73 509**	**43 685**

1) The fair value of held-to-maturity investments amounted to SEK 85 478m (544).

G22 Loans to credit institutions

	2016	2015	1/1/2015
Valuation category, loans and receivables			
Swedish banks	5 073	59 926	70 063
Swedish credit institutions	6 259	5 314	4 620
Change in value due to hedge accounting at fair value	7	36	52
Foreign banks	13 506	14 099	17 239
Foreign credit institutions	6 500	5 304	4 377
Total	**31 345**	**84 679**	**96 351**
Valuation category, fair value through profit or loss			
Trading			
Swedish banks, repurchase agreements			1 230
Swedish credit institutions, repurchased agreements	235	816	1 908
Foreign banks, repurchase agreements	617	387	11 243
Foreign credit institutions, repurchase agreements		536	3 088
Total	**852**	**1 739**	**17 469**
Total	**32 197**	**86 418**	**113 820**

	2016	2015	1/1/2015
Subordinated loans			
Other companies	53	48	53
Total	**53**	**48**	**53**

G23 Loans to the public

	2016	2015	1/1/2015
Valuation category, loans and receivables			
Swedish public	1 099 955	984 634	866 350
Foreign public	216 718	198 298	197 320
Change in value due to hedge accounting at fair value	27	47	66
Foreign public, repurchase agreements	35		
Total	**1 316 735**	**1 182 979**	**1 063 736**
Valuation category, fair value through profit or loss			
Trading			
Swedish public, repurchase agreements	18 282	4 612	38 761
Foreign public, repurchase agreements	30 543	30 053	23 850
Other			
Swedish public	141 578	196 185	278 160
Foreign public	109	126	
Total	**190 512**	**230 976**	**340 771**
Total	**1 507 247**	**1 413 955**	**1 404 507**

The maximum credit risk exposure for lending measured at fair value corresponds to the carrying amount.

Finance lease agreements distributed by maturity

2016	< 1 yr.	1–5 yrs.	> 5 yrs.	Total
Gross investment	7 643	14 365	3 979	25 987
Unearned finance income	327	649	159	1 135
Net investment	7 316	13 716	3 820	24 852
Provisions for impaired claims related to minimum lease payments				12

The residual value of the leases in all cases are guaranteed by the lessees or third party. The lease income did not include any contingent rents. Finance leasing are included in Loans to the public and relates to vehicles, machinery, boats etc.

Finance lease agreements distributed by maturity

2015	< 1 yr.	1–5 yrs.	> 5 yrs.	Total
Gross investment	7 425	12 435	3 295	23 155
Unearned finance income	328	683	165	1 176
Net investment	7 097	11 752	3 130	21 979
Provisions for impaired claims related to minimum lease payments				23

G24 Bonds and other interest-bearing securities

Issued by other than public agencies	Carrying amount			Amortised cost			Nominal amount		
	2016	2015	1/1/2015	2016	2015	1/1/2015	2016	2015	1/1/2015
Valuation category, fair value through profit or loss									
Trading									
Swedish mortgage institutions	34 839	37 412	46 643	34 756	37 256	45 979	33 623	36 203	44 576
Swedish financial entities	11 815	20 664	26 336	11 653	20 368	26 278	11 420	19 998	25 765
Swedish non-financial entities	1 612	2 051	4 343	1 596	1 993	4 261	1 592	2 045	4 326
Foreign financial entities	14 730	16 163	34 956	14 650	16 089	34 742	14 587	15 998	34 486
Foreign non-financial entities	7 837	8 402	10 892	7 786	8 146	10 754	7 692	8 170	10 502
Total	**70 833**	**84 692**	**123 170**	**70 441**	**83 852**	**122 014**	**68 914**	**82 414**	**119 655**
Valuation category, held to maturity[1]									
Foreign mortgage institutions		164	1 219		164	1 219		159	1 221
Foreign financial entities	3 668	3 740	52	3 668	3 740	52	3 669	3 740	52
Foreign non-financial entities		14	14		14	14		14	14
Total	**3 668**	**3 918**	**1 285**	**3 668**	**3 918**	**1 285**	**3 669**	**3 913**	**1 287**
Total	**74 501**	**88 610**	**124 455**	**74 109**	**87 770**	**123 299**	**72 583**	**86 327**	**120 942**

1) The fair value of held-to-maturity investments amounted to SEK 3 675m (3 926).
In the aggregate, the carrying amount exceeds the nominal amounts i.e. the amounts that will be redeemed on the maturity date.

G25 Financial assets for which the customers bear the investment risk

	2016	2015	1/1/2015
Valuation category, fair value through profit or loss			
Other			
Fund units	144 566	127 055	120 214
Interest-bearing securities	3 104	14 883	12 901
Shares	12 444	11 504	10 204
Total	**160 114**	**153 442**	**143 319**

G26 Shares and participating interests

	Carrying amount			Cost		
	2016	2015	1/1/2015	2016	2015	1/1/2015
Valuation category, fair value through profit or loss						
Trading						
Trading stock	12 093	8 659	6 414	11 426	8 900	6 089
Fund shares	11 547	2 232	2 605	10 973	2 032	2 352
For protection of claims	3	17	13	4	27	27
Other						
Other shares	237	97	848	221	94	603
Total	**23 880**	**11 005**	**9 880**	**22 624**	**11 053**	**9 071**
Valuation category, available for sale						
Condominiums	9	47	45	7	45	43
Other	8	22	6	8	22	6
Total	**17**	**69**	**51**	**15**	**67**	**49**
Total	**23 897**	**11 074**	**9 931**	**22 639**	**11 120**	**9 120**
of which unlisted	30	77	116			

Unlisted holdings are valued at their latest transaction price. Holdings in the valuation category available for sale have been estimated at acquisition cost, since a more reliable fair value is not considered to be available.

G27 Investments in associates and joint ventures

	2016	2015	1/1/2015
Fixed assets			
Credit institutions - Associates	2 612	2 530	2 360
Credit institutions - Joint Venture	2 622	2 451	2 142
Other associates	2 085	401	422
Total	**7 319**	**5 382**	**4 924**
Opening balance	**5 382**	**4 924**	**3 640**
Additions during the year	1 654	18	834
Change in accumulated profit shares, total comprehensive income	682	567	830
Dividends received	−399	−53	−380
Disposals during the year		−74	
Closing balance	**7 319**	**5 382**	**4 924**

2016 Associates Corporate identity, domicile	Corporate identity number	Number	Carrying amount	Cost	Share of capital, %	Year's share of associate's pre-tax profit
Credit institutions						
Sparbanken Skåne, Lund	516401-0091	3 670 342	1 183	1 070	22.00	36
Sparbanken Rekarne AB, Eskilstuna	516401-9928	865 000	353	125	50.00	60
Swedbank Sjuhärad AB, Borås	516401-9852	950 000	998	288	47.50	141
Vimmerby Sparbank AB, Vimmerby	516401-0174	340 000	78	41	40.00	2
Total credit institutions			**2 612**	**1 524**		**239**
Other associates						
Babs Paylink AB, Stockholm	556567-2200	4 900	83	19	49.00	19
BGC Holding AB, Stockholm	556607-0933	29 177	95	11	29.17	4
Finansiell ID-Teknik BID AB, Stockholm	556630-4928	12 735	22	24	28.30	-2
Getswish AB	556913-7382	10 000	10	21	20.00	-6
Rosengård Invest AB, Malmö	556756-0528	5 625	3	10	25.00	1
UC AB, Stockholm	556137-5113	2 000	37		20.00	15
VISA Sweden, ek för, Stockholm	769619-6828	-	1 651		38.90	1 658
Owned by subsidiaries						
Bankomat AB, Stockholm	556817-9716	150	49	66	20.00	5
BDB Bankernas Depå AB, Stockholm	556695-3567	13 000	14	7	20.00	2
Hemnet Sverige AB, Stockholm	556536-0202	340	113	34	34.00	22
AS Sertifitseerimiskeskus, Tallin	10747013	16	8	9	25.00	1
Total other associates			**2 085**	**201**		**1 719**
Total associates			**4 697**	**1 725**		**1 958**

The share of the voting rights in each entity corresponds to the share of its equity. All shares are unlisted. Swedbank does not have any individual material interests in associates. During 2016 VISA Sweden sold their shares in VISA Europe in exchange for cash, a claim and c-shares in VISA Inc. Swedbank's share of these at the end of the year amounts to SEK 1 651 m. Swedbank's cumulative share of associates' other comprehensive income for the year amounted to SEK -57 m (54) and of the year's total comprehensive income amounted to SEK 1 885 m (209). As of 31 December 2016 Swedbank's share of associates' commitments and contingent liabilities amounted to SEK 1 129 m (459) and SEK 2 385m (1 971), respectively.

2016 Joint venture Corporate identity, domicile	Corporate identity number	Number	Carrying amount	Cost	Share of capital, %	Year's share of joint venture's pre-tax profit
Credit institutions						
Entercard Holding AB, Stockholm	556673-0585	3 000	2 622	420	50.00	509
Total joint ventures			**2 622**	**420**		**509**
Total associates and joint ventures			**7 319**	**2 146**		**2 467**

The EnterCard group comprises EnterCard Holding AB, EnterCard Sverige AB and EnterCard Norge AS. EnterCard Holding AB owns 100 per cent of both EnterCard Sverige AB and EnterCard Norge AS. Swedbank AB received dividends of SEK 333 m (0) during the year. Condensed financial information for the EnterCard group is shown below:

	2016	2015
Loans to the public	21 573	17 753
Total assets	26 379	21 375
Amounts owed to credit institutions	20 388	15 886
Total liabilities	21 163	16 522
Net interest income	2 290	2 064
Total income	2 700	2 606
Total expenses	1 340	1 220
Credit impairments	−347	−241
Operating profit	1 014	1 145
Tax expense	−258	−278
Profit for the year	756	867
Total comprehensive income	709	822

All shares are unlisted.

G28 Derivatives

The Group trades in derivatives in the normal course of business and for the purpose of hedging certain positions that are exposed to share price, interest rate, credit and currency risks. Interest rate swaps that hedge the interest rate risk component in loan portfolios or in certain debt securities in issue and subordinated liabilities are sometimes recognised as hedging instruments in hedge accounting at fair value. The derivatives are recognised at fair value with changes in value through profit or loss in the same manner as for other derivatives. In note G10 Net gains and losses on financial items at fair value, any ineffectiveness of the hedges is recognised as the change in value of the derivative together with the change in value of the hedged risk component. Interest rate and currency swaps sometimes also hedge projected future interest or currency payments, so-called cash flow hedges. Future estimated cash flows hedged by the swaps are disclosed below. Since the derivatives are recognised as hedging instruments, the effective portion of the change in fair value is recognised in other comprehensive income. Any ineffectiveness in hedge accounting is recognised in net gains and losses on financial items at fair value. The carrying amount of derivatives included in hedge accounting is reported separately below. The carrying amounts of all derivatives refer to fair value including accrued interest. The amounts offset for derivative assets and derivative liabilities include cash collateral offsets of SEK 2 482m (1 666) and SEK 614m (775), respectively.

	Nominal amount 2016 Remaining contractual maturity			Nominal amount		Positive fair value			Negative fair value		
	< 1 yr.	1-5 yrs.	> 5 yrs.	2016	2015	2016	2015	1/1/2015	2016	2015	1/1/2015
Derivatives in hedge accounting											
Fair value hedges											
Interest-rate-related											
Swaps	120 873	356 951	53 665	531 489	506 684	16 676	18 038	23 235	587	452	340
Total	**120 873**	**356 951**	**53 665**	**531 489**	**506 684**	**16 676**	**18 038**	**23 235**	**587**	**452**	**340**
Derivatives in portfolio fair value hedges											
Interest-rate-related											
Swaps	41 000	116 700	13 530	171 230	129 375	223	166	1	2 063	1 601	1 752
Total	**41 000**	**116 700**	**13 530**	**171 230**	**129 375**	**223**	**166**	**1**	**2 063**	**1 601**	**1 752**
Cash flow hedges											
Interest-rate-related											
Swaps											8
Currency-related											
Swaps	77	1 226	8 061	9 364	22 239			10	494	2 303	1 785
Total	**77**	**1 226**	**8 061**	**9 364**	**22 239**			**10**	**494**	**2 303**	**1 793**
Net investment in foreign operations											
Currency-related contracts											
Swaps											9
Total											**9**
Non-hedging derivatives											
Interest-related contracts											
Options	169 402	196 328	111 642	477 372	406 347	1 228	1 361	3 185	2 288	2 012	2 628
Forward contracts	2 251 509	1 135 698		3 387 207	4 423 320	580	1 429	2 313	547	1 613	2 537
Swaps	1 234 896	1 481 507	471 314	3 187 717	3 236 090	40 537	45 560	55 119	42 469	49 576	60 951
Other	4			4							
Currency-related contracts											
Options	74 030	456		74 486	54 882	632	859	3 917	749	971	3 575
Forward contracts	1 044 330	31 275	15	1 075 620	936 532	12 501	8 272	21 762	15 369	11 320	13 703
Swaps	118 891	185 043	67 172	371 106	305 183	9 794	21 483	21 707	9 275	12 057	9 291
Other	38			38	54	1	4	23	1	4	24
Equity-related contracts											
Options	986 960	22 574	8 679	1 018 213	49 060	17 266	2 450	2 493	25 018	1 067	854
Forward contracts	7 730	3		7 733	5 689	68	81	89	64	160	122
Swaps	8 274	488		8 762	8 597	16	132	38	246	142	111
Other	72		6	78							
Credit-related contracts											
Swaps	1 332	670		2 002	5 263	14	37	131	15	65	156
Commodity-related contracts											
Options					28		1	23		1	23
Forward contracts	3 703	36		3 739	3 348	112	185	115	109	179	122
Total	**5 901 171**	**3 054 078**	**658 828**	**9 614 077**	**9 434 393**	**82 749**	**81 854**	**110 915**	**96 150**	**79 167**	**94 097**
Gross amount	**6 063 121**	**3 528 955**	**734 084**	**10 326 160**	**10 092 691**	**99 648**	**100 058**	**134 161**	**99 294**	**83 523**	**97 991**
Offset amount (reference to note 45)	–2 012 454	–1 088 229	–231 585	–3 332 268	–3 647 376	–11 837	–13 951	–10 959	–13 705	–14 842	–12 297
Total	**4 050 667**	**2 440 726**	**502 499**	**6 993 892**	**6 445 315**	**87 811**	**86 107**	**123 202**	**85 589**	**68 681**	**85 694**

Maturity distribution regarding future hedged cash flows in cash flow hedge accounting

	< 1 yr.	1–3 yrs.	3–5 yrs.	5–10 yrs.	>10 yrs.
Negative cash flows (liabilities)	**67**	**220**	**948**	**4 022**	**3 511**

Future cash flows above, expressed in SEKm, are exposed to variability attributable to changed interest rates and/or changed currency rates. These future cash flows are hedged with derivatives, recognised as cash flow hedges, with opposite cash flows that eliminate the variability.

G29 Intangible fixed assets

2016	Indefinite useful life Goodwill	Definite useful life Customer base	Definite useful life Internally developed software	Definite useful life Other	Total
Cost, opening balance	**13 981**	**1 789**	**1 547**	**1 479**	**18 796**
Additions through business combinations		15			15
Additions through internal development			452		452
Additions through separate acquisitions				70	70
Sales and disposals		–43		–51	–94
Exchange rate differences	482	32		22	536
Cost, closing balance	**14 463**	**1 793**	**1 999**	**1 520**	**19 775**
Amortisation, opening balance		**-1 016**	**-631**	**-1 006**	**-2 653**
Amortisation for the year		–78	–123	–108	–309
Sales and disposals		43	65	–18	90
Exchange rate differences		–27		–25	–52
Amortisation, closing balance		**-1 078**	**-689**	**-1 157**	**-2 924**
Impairments, opening balance	**-1 971**	**-156**	**-286**	**-40**	**-2 453**
Impairments for the year			–35		–35
Exchange rate differences	–84				–84
Impairments, closing balance	**-2 055**	**-156**	**-321**	**-40**	**-2 572**
Carrying amount	**12 408**	**559**	**989**	**323**	**14 279**

For intangible assets with a finite useful life, the amortisable amount is allocated systematically over the useful life. Systematic amortisation relates to both straight line and increasing or decreasing amortisation. The original useful life is between 3 and 20 years.

2015	Indefinite useful life Goodwill	Definite useful life Customer base	Definite useful life Internally developed software	Definite useful life Other	Total
Cost, opening balance	**14 668**	**1 812**	**1 234**	**1 506**	**19 220**
Additions through business combinations		94			94
Additions through internal development			313		313
Additions through separate acquisitions				54	54
Sales and disposals		–61		–68	–129
Exchange rate differences	–687	–56		–13	–756
Cost, closing balance	**13 981**	**1 789**	**1 547**	**1 479**	**18 796**
Amortisation, opening balance		**-941**	**-524**	**-882**	**-2 347**
Amortisation for the year		–94	–111	–115	–320
Sales and disposals		–6	4	–12	–14
Exchange rate differences		25		3	28
Amortisation, closing balance		**-1 016**	**-631**	**-1 006**	**-2 653**
Impairments, opening balance	**-2 324**	**-14**	**-174**	**-42**	**-2 554**
Impairments for the year		–142	–112		–254
Exchange rate differences	353			2	355
Impairments, closing balance	**-1 971**	**-156**	**-286**	**-40**	**-2 453**
Carrying amount	**12 010**	**617**	**630**	**433**	**13 690**

Specification of intangible assets with indefinite useful life	Acquisition year	Carrying amount 2016	2015	1/1/2015
Goodwill				
Swedbank Robur AB	1995	328	328	328
Föreningsbanken AB	1997	1 342	1 342	1 342
Swedbank Försäkring AB	1998	651	651	651
Kontoret i Bergsjö	1998	13	13	13
Ölands Bank AB	1998	9	9	9
FSB Bolåndirekt Bank AB	2002	159	159	159
Söderhamns Sparbank AB	2007	24	24	24
Svensk Fastighetsförmedling	2013			19
Sweden		**2 526**	**2 526**	**2 545**
of which banking operations		1 547	1 547	1 547
of which other		979	979	998
Swedbank AS	1999	1 158	1 111	1 148
Swedbank AS	2000	12	11	11
Swedbank AB	2001	136	131	135
Swedbank AS	2005	8 395	8 050	8 324
Baltic countries		**9 701**	**9 303**	**9 618**
of which allocated to:				
Banking operations in Estonia		4 060	3 894	4 026
Banking operations in Latvia		2 090	2 005	2 073
Banking operations in Lithuania		3 551	3 404	3 519
First Securities ASA	2005	181	181	181
Norway		**181**	**181**	**181**
Total		**12 408**	**12 010**	**12 344**

Value in use

Goodwill acquired in business combinations has been allocated to the lowest possible cash generating unit. Recoverable amount has been determined based on value in use. This means that the assets' estimated future cash flows are calculated at present value using a discount rate. Estimated future cash flows are based on the Group's established three-year financial plans. The most important assumptions in the three-year plan are the executive management's estimate of net profit, including credit impairments; growth in each economy, both GDP and industry growth; and the trend in risk weighted assets. Financial planning is done at a lower level than the cash generating unit. The necessary assumptions in the planning are based as far as possible and appropriate on external information. Future cash flows are subsequently estimated with the help of long-term growth assumptions for risk weighted assets as well as on net profit in relation to risk weighted assets. Due to the long-term nature of the investments, cash flow is expected to continue indefinitely. Use of an indefinite cash flow is motivated by the fact that all cash generating units are part of the Group's home markets, which it has no intention of leaving. Net cash flow refers to the amount that theoretically could be received as dividends or must be contributed as capital to comply with capital adequacy or solvency rules. The Group currently believes that a Common Equity Tier 1 capital ratio of 14 per cent (14) is reasonably the lowest level for the cash generating unit, because of which any surpluses or deficits calculated in relation to this level are theoretically considered payable as dividends or will have to be contributed as capital and therefore constitute net cash flow. The discount rate is determined based on the market's risk-free rate of interest and yield requirements, the unit's performance in the stock market in relation to the entire market, and the asset's specific risks. The discount rate is adapted to various periods if needed. Any adjustments needed to the discount factor are determined based on the economic stage the cash generating unit is in and means that each year's cumulative cash flow is discounted by a unique discounting factor. Projected growth in risk weighted assets corresponds to estimated inflation, projected real GDP growth and any additional growth expected in the banking sector, depending on the economic stage the sector is in. In accordance with IAS 36, the long-term growth estimate does not include any potential increase in market share. Long-term growth estimates are based on external projections as well as the Group's experience and growth projections for the banking sector in relation to GDP growth and inflation. Estimated net profit in relation to risk weighted assets is based on historical experience and adjusted based on the economic stage the cash generating unit is in. The adjustment is also based on how the composition of the cash generating unit's balance sheet is expected to change. The parameters are based as far as possible on external sources. The most important assumptions and their sensitivity are described in the table on the following page.

Cash-generating unit	Annual average REA growth % 2016 2017–2019	2015 2016–2018	Annual REA growth % 2016 2020–2048	2015 2019–2048	Annual average REA growth % 2016 2020–2048	2015 2019–2048	Annual REA growth % 2016 2049–	2015 2049–
Banking operations								
Estonia	2.0	0.9	5.0–3.1	5.0–3.1	3.8	3.8	3.0	3.0
Latvia	4.0	0.4	5.0–3.1	5.0–3.1	4.2	4.3	3.0	3.0
Lithuania	5.9	4.6	4.9–3.1	4.9–3.1	4.2	3.7	3.0	3.0
Sweden	2.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0

Cash-generating unit	Annual average discount rate % 2016 2017–2019	2015 2016–2018	Average discount rate % 2016 2020–2048	2015 2019–2048	Annual average discount rate % 2016 2020–2048	2015 2019–2048	Average discount rate % 2016 2049–	2015 2049–
Banking operations								
Estonia	10.7	11.1	10.7–9.0	11.1–9.0	9.5	9.5	9.0	9.0
Latvia	11.4	11.8	11.4–9.0	11.7–9.0	9.8	9.8	9.0	9.0
Lithuania	11.4	11.8	11.4–9.0	11.8–9.0	9.8	9.8	9.0	9.0
Sweden	5.7	6.8	5.7–5.7	6.8–6.8	5.7	6.8	5.7	6.8

Sensitivity analysis, change in recoverable amount

Cash-generating unit	Net asset including goodwill, carrying amount, SEKm 2016	2015	Recoverable amount, SEKm 2016	2015	Decrease in assumption of yearly growth by 1 percentage point 2016	2015	Increase in discount rate by 1 percentage point 2016	2015
Banking operations								
Estonia	19 844	18 380	27 380	24 920	–1 815	–1 617	–2 602	–2 346
Latvia	8 977	12 973	12 596	15 082	–449	–280	–952	–713
Lithuania	10 298	13 435	15 751	15 202	–1 487	–1 445	–2 063	–2 070
Sweden[1]	54 450	51 424	65 143	57 561	–2 026	–47	–8 578	–5 294

1) The cash–generating unit is part of the segment Swedish Banking.

Sensitivity analysis

Given a reasonable change in any of the above assumptions there would be no impairment loss for any cash generating unit. For the other cash generating units there is still room for a reasonable change if both assumptions were to occur simultaneously as indicated in the table i.e. both an increase in the discount rate of 1 percentage point and a decrease in the growth assumption of 1 percentage point. The Group is also confident there is room for a reasonable change in the net profit margin assumption for these units without causing an impairment loss.

Banking operations in Baltic countries

Recognised goodwill totalled SEK 9 701m (9 303). Goodwill is tested for impairment separately for each country. Essentially the same assumptions were used in the impairment testing for 2016 as at the previous year-end. The three-year financial plans have been updated, as a result of which the initial growth assumptions after the planning period have been reduced. The discounting factor has been updated with new country-specific risk premiums. No impairments were identified on the balance sheet date. The three-year financial plans have been updated based on conditions in each country. Initial growth assumed in the established three-year financial plans is based on management's best estimate of inflation, real GDP growth and growth in the banking sector in each market. The assessments are based on external sources. After the planning period a linear reduction in annual growth is assumed in principle during the period between 2019 and 2048 from 5 per cent down to 3 per cent, which is considered sustainable growth for a mature market. The initial discount rate for each period reflects a country-specific risk premium that will converge on a straight-line basis to 5 per cent, which is considered relevant for a mature market. Risk premiums are derived from external sources. The discount rate before tax for the period 2017–2019 was approximately 13 per cent (14).

Other cash generating units, excluding banking operations

Other recognised goodwill totalled SEK 1 160m (1 160). No impairments were needed as of the closing day. Average annual growth for other cash generating units has been assumed to be 3 per cent (3) and the lowest discount rate was 6 per cent (7), or 7 per cent (9) before tax.

G30 Tangible assets

2016	Current assets Properties	Fixed assets Equipment	Owner-occupied properties	Total
Cost, opening balance	**773**	**3 137**	**1 252**	**5 162**
Additions	77	442	7	526
Sales and disposals	–202	–591	–5	–798
Exchange rate differences	7	30	52	89
Cost, closing balance	655	3 018	1 306	4 979
Amortisation, opening balance		**–2 386**	**–422**	**–2 808**
Amortisation for the year		**–285**	**–35**	**–320**
Sales and disposals		450	4	454
Exchange rate differences		–25	–18	–43
Amortisation, closing balance		–2 246	–471	–2 717
Impairments, opening balance	**–373**			**–373**
Impairments for the year	**–31**			**–31**
Sales and disposals	8			8
Exchange rate differences	–2			–2
Impairments, closing balance	**–398**	**0**	**0**	**–398**
Carrying amount	**257**	**772**	**835**	**1 864**

The useful life of equipment is deemed to be between three and ten years and its residual value is deemed to be zero as in previous years. The depreciable amount is recognised linearly in profit or loss over the useful life. There was no change in useful lives in 2016. No indications of impairment were identified on the balance sheet date for equipment and owner-occupied properties. Equipment included operating leases, mainly motor vehicles, with an accumulated cost of SEK 82m (79) and accumulated depreciation of SEK 82m (63). Future minimum lease payments amount to SEK 107m (107), of which SEK 49m (53) will be received after more than one year but within five years.

Individual structural components are deemed to have useful lives of between 12 and 25 years. The residual value is deemed to be zero. The depreciable amount is recognised linearly in profit or loss over the useful life. Land has an indefinite useful life and is not depreciated. Estimated useful lives have been changed in individual cases.

2015	Current assets Properties	Fixed assets Equipment	Owner-occupied properties	Total
Cost, opening balance	**1 089**	**3 306**	**1 402**	**5 797**
Additions	11	446		457
Sales and disposals	–321	–637	–158	–1 116
Exchange rate differences	–6	22	8	24
Cost, closing balance	**773**	**3 137**	**1 252**	**5 162**
Amortisation, opening balance		**–2 402**	**–430**	**–2 832**
Amortisation for the year		–313	–36	–349
Sales and disposals		328	56	384
Exchange rate differences		1	–12	–11
Amortisation, closing balance		**–2 386**	**–422**	**–2 808**
Impairments, opening balance	**–312**			**–312**
Impairments for the year	–62			–62
Sales and disposals	3			3
Exchange rate differences	–2			–2
Impairments, closing balance	**–373**	**0**	**0**	**–373**
Carrying amount	**400**	**751**	**830**	**1 981**

G31 Other assets

	2016	2015	1/1/2015
Security settlement claims	4 659	11 497	6 813
Other[1]	3 408	3 180	3 289
Total	**8 067**	**14 677**	**10 103**

1) Includes credit impairment reserve of SEK 4m (7) in the Group primarily related to accounts receivable. Property taken over to protect claims amounted to SEK 145m (16) in the Group.

G32 Prepaid expenses and accrued income

	2016	2015	1/1/2015
Accrued interest income	2 930	3 764	4 657
Other	1 621	2 598	1 469
Total	**4 551**	**6 362**	**6 126**

G33 Amounts owed to credit institutions

	2016	2015	1/1/2015
Valuation category, loans and receivables			
Swedish banks	23 788	85 574	96 673
Swedish credit institutions	1 216	1 131	1 370
Foreign banks	46 057	62 749	64 923
Foreign credit institutions	757	223	2 741
Total	**71 818**	**149 677**	**165 707**
Valuation category, fair value through profit or loss			
Trading			
Swedish banks, repurchase agreements			1 991
Swedish credit institutions, repurchased agreements		816	1 907
Foreign banks, repurchase agreements	13		1 848
Total	**13**	**816**	**5 746**
Total	**71 831**	**150 493**	**171 453**

G34 Deposits and borrowings from the public

	2016	2015	1/1/2015
Valuation category, other financial liabilities			
Deposits from Swedish public	593 784	548 634	494 420
Deposits from foreign public	188 248	194 721	165 576
Funding		468	535
Total	**782 032**	**743 823**	**660 531**
Valuation category, fair value through profit or loss			
Trading			
Deposits from Swedish public, repurchase agreements	10 892	2 798	15 768
Deposits from foreign public, repurchase agreements		1 485	
Other[1]			
Deposits from Swedish public		164	381
Total	**10 892**	**4 447**	**16 149**
Total	**792 924**	**748 271**	**676 679**
1) nominal amount		156	394

G35 Financial liabilities for which customers bear the investment risk

	2016	2015	1/1/2015
Valuation category, fair value through profit or loss			
Other			
Investment contracts, unit-link	142 921	130 403	121 377
Investment contracts, life	18 130	17 718	17 672
Fund savings		9 715	7 128
Total	**161 051**	**157 836**	**146 177**

G36 Debt securities in issue

	2016	2015	1/1/2015
Valuation category, other financial liabilities			
Commercial Paper and Certificates of Deposits	102 225	107 047	195 194
Covered bonds	537 474	531 978	453 655
Change in value due to hedge accounting at fair value	12 700	12 830	23 808
Other interest-bearing bond loans	164 761	154 076	110 999
Change in value due to hedge accounting at fair value	1 401	168	1 811
Other	12	13	14
Total	**818 573**	**806 112**	**785 481**
Valuation category, fair value through profit or loss			
Trading			
Other	14 980	14 561	13 297
Other1			
Covered bonds	8 120	5 862	34 205
Other interest-bearing bond loans			2 029
Total	**23 100**	**20 423**	**49 531**
Total	**841 673**	**826 535**	**835 012**
1) nominal amount	7 030	7 722	32 112

G37 Short positions in securities

	2016	2015	1/1/2015
Valuation category, fair value through profit or loss			
Trading			
Shares	96	246	74
Interest-bearing securities	11 518	7 945	26 984
Total	11 614	8 191	27 058
of which own issued shares	33	77	

G38 Pensions

Defined benefit pension plans are recognised in the balance sheet as a provision and in the income statement in their entirety as a pension cost in staff costs. Revaluations of defined benefit pension plans are recognised in other comprehensive income. The provision in the balance sheet is a net of the pension obligations and the fair value of the assets allocated to fund the obligations, so-called plan assets. The Group calculates provisions and costs for defined benefit pension obligations based on the obligations' significance and assumptions related to future development. The pension obligations as well as the cost of services rendered and interest expense for the pension obligations include payroll tax, which is calculated according to an actuarial method.

Nearly all employees hired in the Swedish part of the Group before 2013 are covered by the BTP2 defined benefit pension plan (a multi-employer occupational pension for Swedish banks). According to this plan, employees are guaranteed a lifetime pension corresponding to a specific percentage of their salary and mainly comprising retirement pension, disability pension and survivor's pension. Remuneration levels differ for salaries with different income base amounts. For salaries over 30 income base amounts, there is no pension according to BTP2. Consequently, the Group's provision and pension cost are affected by each employee's anticipated longevity, final salary and income base amounts. The pension plan also contains a complementary retirement pension which has been defined contribution since 2001 rather than defined benefit. In 2012 BTP was renegotiated as entirely a defined contribution pension plan for all new employees as of 2013. The defined benefit pension plan therefore covers only those employed before 2013 and hence is being dissolved. The defined benefit portion of the BTP2 pension plan is funded by purchasing pension insurance from the insurance company SPK (Sparinstitutens PensionsKassa Försäkringsforening). SPK administers pensions and manages pension assets for Swedbank and other employers. The Group has to determine its share of the plan assets held by SPK. The share amounted to slightly over 79 per cent. This is done using the metric SPK is likely to have used on the closing day to distribute assets if the plan were immediately dissolved or if a situation arose that required an additional payment from employers due to insufficient assets. The employers are responsible for ensuring that SPK has sufficient assets to meet the pension plan's obligations measured on the basis of SPK's legal obligations. There is no such deficit. SPK's asset management is mainly based on the regulations it faces. The Group's provision and other comprehensive income are therefore affected by SPK's return on assets.

For individuals who have been in executive positions, there are complementary individual defined benefit pension obligations. They are funded through provisions to pension funds which comply with the Act on Safeguarding Pension Benefits.

The small defined benefit pension plan for employees of Swedbank AB's Norwegian branch was closed in 2016. The settlement effect amounted to SEK 11m. The Group has no other defined benefit plans.

Amount reported in balance sheet for defined benefit pension plans	**2016**	**2015**	**1/1/2015**
Funded pension obligations and payroll tax	20 900	18 129	20 977
Fair value of plan assets	–19 494	–19 385	–18 429
Total	**1 406**	**–1 256**	**2 548**
of which reported as plan assets		1 274	
of which reported as a pension liability	1 406	18	2 548

Changes in funded defined benefit pension plans, including payroll tax	**2016**	**2015**
Opening obligations	18 129	20 977
Current service cost and payroll tax	511	613
Interest expense on pension obligations	622	471
Pension payments	–757	–742
Payroll tax payments	–174	–182
Remeasurement	2 628	–2 947
Settlements	–57	–62
Exchange rate differences	–2	1
Closing obligations	**20 900**	**18 129**

Funded pension obligations, including payroll tax	**2016**	**2015**	**2016 Number of**
Active members	7 736	6 750	7 219
Deferred members	3 932	3 201	10 038
Pensioners	9 232	8 178	11 781
Total	**20 900**	**18 129**	**29 038**
Vested benefits	18 846	16 715	
Non-vested benefits	2 054	1 414	
Total	**20 900**	**18 129**	
of which attributable to future salary increases	1 973	1 306	

Changes in plan assets	**2016**	**2015**
Opening fair value	19 385	18 429
Interest income on plan assets	670	421
Contributions by the employer	721	753
Pension payments	–757	–742
Remeasurement	–482	591
Settlements	–46	–65
Exchange rate differences	3	–2
Closing fair value	**19 494**	**19 385**

Fair value of plan assets	**2016**	**of which quoted market price in an active market**	**2015**	**of which quoted market price in an active market**
Bank balances	344	344	350	350
Debt instruments				
Swedish government and municipalities			501	501
Foreign			20	20
Derivatives, currency-related			82	82
Investment funds, interest	8 523	8 523	6 903	6 903
Investment funds, shares	2 784	2 784	5 671	5 671
Investment funds, other	7 799	6 260	5 857	4 579
Other			1	1
Total	**19 494**	**17 955**	**19 385**	**18 107**
of which own issued instruments bank balances			195	

Remaining maturity 2016	Undiscounted cash flows < 1 yr	1-5 yrs	5-10 yrs	> 10 yrs	No maturity/ discount effect	Total
Funded pension obligations, including payroll tax	949	3 274	4 104	43 216	–30 643	20 900
Plan assets	344				19 150	19 494
Expected contributions by the employer	784					

Remaining maturity 2015	Undiscounted cash flows < 1 yr	1-5 yrs	5-10 yrs	> 10 yrs	No maturity/ discount effect	Total
Funded pension obligations, including payroll tax	960	3 324	4 122	41 907	–32 184	18 129
Plan assets	669	185	64		18 467	19 385
Expected contributions by the employer	797					

Pension costs reported in income statement	2016	2015
Current service cost and payroll tax	511	613
Interest expense on pension obligations	622	471
Interest income on plan assets	–670	–421
Settlements	–11	3
Pension cost defined benefit pension plans	**452**	**666**
Premiums paid for defined contribution pension plans and payroll tax	331	271
Total	**783**	**937**

Remeasurements of defined benefit pension plans reported in other comprehensive income	2016	2015
Actuarial gains and losses based on experience	491	205
Actuarial gains and losses arising from changes in financial assumptions	–3 052	2 742
Actuarial gains and losses arising from changes in demographic assumptions	–67	
Return on plan assets, excluding amounts included in interest income	–482	591
Total	**–3 110**	**3 539**

Actuarial assumptions, per cent	2016	2015
Financial		
Discount rate, 1 January	3.53	2.29
Discount rate, 31 December	2.79	3.53
Future annual salary increases, 1 January	2.84	2.54
Future annual salary increases, 31 December	3.00	2.84
Future annual pension indexations/inflation, 1 January	1.63	1.28
Future annual pension indexations/inflation, 31 December	1.84	1.63
Future annual changes in income base amount, 1 January	3.63	3.28
Future annual changes in income base amount, 31 December	3.74	3.63
Demographic		
Entitled employees who choose early retirement option	50.00	50.00
Future annual employee turnover	3.50	3.50
Expected remaining life for a 65 years old man	22	22
Expected remaining life for a 65 years old woman	24	24

Sensitivity analysis, pension obligations	2016	2015
Financial		
Change in discount rate –25 bps	847	743
Change in salary assumption +25 bps	411	317
Change in pension indexation/inflation assumption +25 bps	908	738
Change in income base amount assumption –25 bps	180	129
Demographic		
All entitled employees choose early retirement option at maximum	904	927
Change in employee turnover assumption –25 bps	17	13
Expected remaining life for a 65 years old man and woman +2 year	1 411	1 077

When the cost of defined benefit pension plans is calculated, financial and demographic assumptions have to be made for factors that affect the size of future pension payments. The discount rate is the interest rate used to discount the value of future payments. The interest rate is based on a market rate of interest for first-class corporate bonds traded on a functioning market with remaining maturities and currencies matching those of the pension obligations. The Group considers Swedish covered mortgage bonds as such bonds, because of which the discount rate is based on their quoted prices. The Group's own issues are excluded. Quoted prices are adjusted for remaining maturities with the help of prices for interest rate swaps. The weighted average maturity of the defined benefit obligation is nearly 20 years. A reduction in the discount rate of 0.25 bp would increase the pension provision by approximately SEK 847m (743) and the pension cost by SEK 56 m (37). Future annual salary increases reflect projected future salary increases as an aggregate effect of both contractual wage increases and wage drift. Because the defined benefit pension plan no longer covers new employees, only those employed before 2013, the salary increase assumption has been adapted to assume that the plan is closed. As of 2014 an age-based salary increase assumption is therefore used instead. This means that a unique salary increase assumption is set for each age group of employees. As of 2014 the inflation assumption is based on quoted prices for nominal and index-linked government bonds. For longer maturities that lack quoted prices, the inflation assumption is gradually adapted to the Riksbank's target of 2.00 percentage points. The final benefits under BTP are determined on the basis of the income base amount. Therefore, future changes in the income base amount have to be estimated. The assumption is based on historical outcomes. Annual pension indexation has to be determined as well, since indexation historically has always been necessary. The indexation is assumed to correspond to the inflation assumption. BTP2 gives employees born in 1966 or earlier the option to choose a slightly earlier retirement age than normal in exchange for a slightly lower benefit level. Since this option is totally voluntary on the part of those employees, an estimate is made of the future outcome. Early retirements jointly agreed to by the employer and employee are recognised as they arise rather than estimated among actuarial assumptions. The assumed remaining lifetime of beneficiaries is updated annually.

G39 Insurance provisions

	Life insurance			Non-life insurance			Total		
	2016	2015	1/1/2015	2016	2015	1/1/2015	2016	2015	1/1/2015
Opening balance	**1 537**	**1 584**	**1 513**	**191**	**161**	**132**	**1 728**	**1 745**	**1 645**
Provisions	978	972	1 057	405	321	251	1 383	1 293	1 308
Payments	–966	–981	–1 059	–375	–285	–231	–1 341	–1 266	–1 290
Exchange rate differences	43	–38	73	7	–6	9	50	–44	82
Closing balance	**1 592**	**1 537**	**1 584**	**228**	**191**	**161**	**1 820**	**1 728**	**1 745**

Provisions for insurance contracts

The Group allocates provisions for the insurance contracts or parts of contracts where significant insurance risks are transferred from the policyholder to the Group. Insurance risks differ from financial risks and mean that the Group compensates the policyholder if a specified uncertain future event adversely impacts the policyholder. The Group is compensated through premiums received from policyholders. Provisions are allocated for established claims and correspond to the amount that will be paid out. Provisions are also made for damages incurred but not reported. A statistical assessment of anticipated claims based on previous years' experience with each type of insurance contract is used as a basis for the provision. Assumptions are made with regard to interest rates, morbidity, mortality and expenses.

G40 Other liabilities and provisions

	2016	2015	1/1/2015
Security settlement liabilities	4 894	11 978	8 624
Other liabilities	9 860	10 380	12 144
Provisions for guarantees	128	45	50
Restructuring provision	62	265	524
Other provisions	44	46	988
Total	**14 989**	**22 715**	**22 330**

When it acquired Sparbanken Öresund AB in 2014, Swedbank AB recognised a restructuring reserve of SEK 591m. The acquisition analysis included additional provisions of SEK 1 025m, which largely related to onerous contracts, of which SEK 129m (1 134) were utilised, and SEK 118m (43) were reversed due to lower staff costs. In 2016 a new restructuring provision was recognised related to the business segment Large Corporates & Institutions.

G41 Accrued expenses and prepaid income

	2016	2015	1/1/2015
Accrued interest expenses	7 769	9 238	9 329
Other	3 148	4 005	3 742
Total	**10 917**	**13 243**	**13 071**

G42 Subordinated liabilities

	2016	2015	1/1/2015
Valuation category, other financial liabilities			
Subordinated loans	12 703	12 382	12 874
Change in the value due to hedge accounting at fair value	222	265	268
Total subordinated loans	**12 925**	**12 647**	**13 142**
Undated subordinated loans	14 116	11 585	5 290
of which Tier 1 capital contribution	14 116	11 585	5 290
Change in the value due to hedge accounting at fair value	213	381	525
Total undated subordinated loans	**14 329**	**11 965**	**5 815**
Total	**27 254**	**24 613**	**18 957**

Swedbank has outstanding USD 1 250m Additional Tier 1 capital (AT1), which is perpetual with a call option after five years. The instrument has a mandatory conversion feature to ordinary shares if the Swedbank AB's regulatory capital decreases to a certain level.

G43 Equity

	2016	2015	1/1/2015
Restricted equity			
Share capital, ordinary shares	24 904	24 904	24 904
Statutory reserve	9 389	9 648	9 050
Other reserve [1)]	20 728	19 563	16 981
Total	**55 021**	**54 115**	**50 935**
Non-restricted equity			
Currency translation from foreign operations	853	132	763
Cash flow hedges	77	17	–105
Share premium reserve	13 206	13 206	13 206
Retained earnings	60 358	55 693	52 404
Total	**74 494**	**69 048**	**66 268**
Non-controlling interest	190	179	170
Total equity	**129 705**	**123 342**	**117 373**

The quote value per share is SEK 22.

1) Of which development fund for internally developed software SEK 771 M.

Ordinary shares

Number of shares	**2016**	**2015**	**1/1/2015**
Number of shares authorized, issued and fully paid	1 132 005 722	1 132 005 722	1 132 005 722
Own shares	–21 273 902	–26 601 972	–29 750 577
Own shares for trading purposes			–166 211
Number of outstanding shares	**1 110 731 820**	**1 105 403 750**	**1 102 088 934**
Opening balance	**1 105 403 750**	**1 102 088 934**	**1 097 406 722**
Share delivery due to Equity-settled share based programmes	5 328 070	3 148 605	3 249 423
Repurchase of own shares for trading purposes			–166 211
Disposal of own shares for trading purposes		166 211	
Associates' disposal of shares			1 599 000
Closing balance	**1 110 731 820**	**1 105 403 750**	**1 102 088 934**

The quote value per share is SEK 22.

Changes in equity for the year and the distribution according to IFRS are indicated in the statement of changes in equity. Ordinary shares each carry one vote and a share in profits. Treasury shares are not eligible for dividends.

G44 Fair value of financial instruments

Carrying amounts and fair values of financial instruments

A comparison between the carrying amount and fair value of the Group's financial assets and financial liabilities according to the definition in IAS 39 is presented below.

Determination of fair values of financial instruments

The Group uses various methods to determine the fair value of financial instruments depending on the degree of observable market data in the valuation and activity in the market. An active market is considered a regulated or reliable marketplace where quoted prices are easily accessible and which demonstrates regularity. Activity is continuously evaluated by analysing factors such as differences in bid and ask prices.

The methods are divided in 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. For any open net positions, bid and ask rates are applied based on what is applicable i.e. bid rates for long positions and ask rates for short positions.

In cases that lack an active market, fair value is determined with the help of established valuation methods and models. In these cases assumptions that cannot be directly attributed to a market may be applied. These assumptions are based on experience and knowledge of the valuation of financial markets. The goal, however, is to always maximise the use of data from an active market. All valuation methods and models and internal assumptions are validated continuously by the independent risk control unit. In cases where it is considered necessary, adjustments are made to reflect fair value, so-called fair value adjustments. This is done to correctly reflect the parameters in the financial instruments and which will be reflected in their valuations. For OTC derivatives, for example, where the counterparty risk is not settled with cash collateral, the fair value adjustment is based on the current counterparty risk (CVA and DVA).

The Group has a continuous process that identifies financial instruments which indicate a high level of internal assumptions or low level of observable market data. The process determines how to make the calculation based on how the internal assumptions are expected to affect the valuation. In cases where internal assumptions have a significant impact on fair value, the financial instrument is reported in level 3. The process also includes an analysis based on the quality of valuation data and whether any types of financial instruments will be transferred between the various levels.

For floating rate lending and deposits, the carrying amount equals the fair value.

	2016			2015			1/1/2015		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Assets									
Financial assets covered by IAS 39									
Cash and balances with central banks	121 347	121 347		186 312	186 312		113 768	113 768	
Treasury bills etc.	107 647	107 571	76	76 628	76 552	76	46 307	46 225	82
of which fair value through profit or loss	22 169	22 169		76 084	76 084		45 724	45 724	
of which held to maturity	85 478	85 402	76	544	468	76	583	501	82
Loans to credit institutions	32 197	32 197		86 418	86 418		113 820	113 820	
of which loans receivables	31 345	31 345		84 679	84 679		96 351	96 351	
of which fair value through profit or loss	852	852		1 739	1 739		17 469	17 469	
Loans to the public	1 512 686	1 507 247	5 439	1 419 486	1 413 955	5 531	1 412 718	1 404 507	8 211
of which loan receivables	1 322 174	1 316 735	5 439	1 188 510	1 182 979	5 531	1 071 947	1 063 736	8 211
of which fair value through profit or loss	190 512	190 512		230 976	230 976		340 771	340 771	
Value change of interest hedged items in portfolio hedge	1 482	1 482		1 009	1 009		1 291	1 291	
Bonds and interest-bearing securities	74 508	74 501	7	88 618	88 610	8	124 465	124 455	10
of which fair value through profit or loss	70 833	70 833		84 692	84 692		123 170	123 170	
of which investments held to maturity	3 675	3 668	7	3 926	3 918	8	1 295	1 285	10
Financial assets for which the customers bear the investment risk	160 114	160 114		153 442	153 442		143 319	143 319	
Shares and participating interest	23 897	23 897		11 074	11 074		9 931	9 931	
of which fair value through profit or loss	23 880	23 880		11 005	11 005		9 880	9 880	
of which available for sale	17	17		69	69		51	51	
Derivatives	87 811	87 811		86 107	86 107		123 202	123 202	
Other financial assets	10 851	10 851		18 425	18 425		14 712	14 712	
Total	**2 132 540**	**2 127 018**	**5 522**	**2 127 519**	**2 121 904**	**5 615**	**2 103 533**	**2 095 230**	**8 303**
Investment in associates		7 319			5 382			4 924	
Financial assets held for sale					148			615	
Non-financial assets		19 866			21 421			20 528	
Total		**2 154 203**			**2 148 855**			**2 121 297**	

	2016			2015			1/1/2015		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Liabilities									
Financial liabilities covered by IAS 39									
Amounts owed to credit institutions	71 615	71 831	–216	150 302	150 493	–191	171 457	171 453	4
of which other financial liabilities	71 602	71 818	–216	149 486	149 677	–191	165 711	165 707	4
of which fair value through profit or loss	13	13		816	816		5 746	5 746	
Deposits and borrowings from the public	792 905	792 924	–19	748 254	748 271	–17	676 662	676 679	–17
of which other financial liabilities	782 013	782 032	–19	743 806	743 823	–17	660 514	660 531	–17
of which fair value through profit or loss	10 892	10 892		4 447	4 447		16 149	16 149	
Debt securities in issue	849 097	841 673	7 424	832 196	826 535	5 661	842 238	835 012	7 226
of which other financial liabilities	825 997	818 573	7 424	811 773	806 112	5 661	792 707	785 481	7 226
of which fair value through profit or loss	23 100	23 100		20 423	20 423		49 531	49 531	
Financial liabilities for which the customers bear the investment risk	161 051	161 051		157 836	157 836		146 177	146 177	
Subordinated liabilities	27 254	27 254		24 627	24 613	14	18 932	18 957	–25
of which other financial liabilities	27 254	27 254		24 627	24 613	14	18 932	18 957	–25
Derivatives	85 589	85 589		68 681	68 681		85 694	85 694	
Short positions securities	11 614	11 614		8 191	8 191		27 058	27 058	
of which fair value through profit or loss	11 614	11 614		8 191	8 191		27 058	27 058	
Other financial liabilities	22 524	22 524		31 596	31 596		30 096	30 096	
Total	**2 021 649**	**2 014 460**	**7 189**	**2 021 683**	**2 016 216**	**5 467**	**1 998 314**	**1 991 126**	**7 188**
Financial liabilities held for sale					14			39	
Non-financial liabilities		10 038			9 283			12 759	
Total		**2 024 498**			**2 025 513**			**2 003 924**	

Financial instruments recognised at fair value
The following tables present fair values of financial instruments recognised at fair value split between the three valuation hierarchy levels.

Level 1 primarily contains equities, fund shares, bonds, treasury bills, commercial paper and standardised derivatives, where the quoted price is used in the valuation. Securities in issue traded on an active market are included in this category as well.

Level 2 primarily contains less liquid bonds that are valued on a curve, lending, funding, liabilities in the insurance operations whose value is directly linked to a specific asset value, and derivatives measured on the basis of observable inputs. For less liquid bond holdings, an adjustment is made for the credit spread based on observable market inputs such as the market for credit derivatives. For loans to the public where there are no observable market inputs for credit margins at the time of measurement, the credit margin of the last transaction executed with the same counterparty is used. This includes the majority of mortgage lending and certain other fixed-rate lending in Swedish Banking at fair value. Securities in issue that are not quoted but measured according to quoted prices for similar quoted bonds are also included in level 2.

Level 3 contains other financial instruments where internal assumptions have a significant effect on the calculation of fair value. 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 values of combined 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 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 in the individual options are of greater significance to the individual instrument and these are reported as derivatives in level 3. To estimate the sensitivity of the volatility of the illiquid options, two types of shifts have been made. The shifts are based on each product type and are considered reasonable changes. Based on the historical volatility of the underlying prices of options in level 3, it is unlikely that the fair value would be affected more than +/– SEK 19m.

When valuation models are used to determine the fair value of financial instruments in level 3, the consideration that has been paid or received is assessed as the best evidence of fair value at initial recognition. Because of the possibility that a difference could arise between this fair value and the fair value calculated at that time using the valuation model, so called day 1 profit or loss, the Group adjusts the valuation models to avoid such differences. As of year-end there were no cumulative differences that were not recognised through profit or loss.

Transfers between fair value hierarchy levels are reflected as taking place at the end of each quarter. During the years ended 2016 and 2015, there were no transfers of financial instruments between valuation levels 1 and 2. Financial instruments are transferred to or from level 3 depending on whether the internal assumptions have changed in significance for the valuation.

Changes in the value of loans to the public, measured according the fair value option and attributable to changes in credit risk, amounted to SEK –3m (–9) during the period and are recognised as credit impairments. Cumulative value changes of that kind amounted to SEK –14m (–49). The amount is determined as the difference between current estimated creditworthiness and estimated creditworthiness of the borrower on the lending date. Other changes in fair value are considered attributable to changes in market risks. The change in the value of securities in issue in level 2, which are measured according to the fair value option and attributable to changes in Swedbank's own creditworthiness, amounted to SEK 36m (81) during the period. The value change is recognised in net gains and losses on financial items at fair value. Cumulative value changes amounted to SEK –49m (–41). The change due to Swedbank's own credit risk has been determined by calculating the difference in value based on current prices from external dealers for Swedbank's own credit risk in its own unquoted issues and the value based on prices of its own credit risk for its own unquoted issues on the origination date. The following table shows financial instruments measured at fair value as per 31 December distributed by valuation level.

	2016			
	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills and other bills eligible for refinancing with central banks, etc	16 740	5 429		22 169
Loans to credit institutions		852		852
Loans to the public		190 512		190 512
Bonds and interest-bearing securities	42 650	28 183		70 833
Shares and participating interest	23 604	135	158	23 897
Financial assets for which the customers bear the investment risk	160 115			160 115
Derivatives	138	87 608	65	87 811
Total	**243 247**	**312 719**	**223**	**556 189**
Liabilities				
Amounts owed to credit institutions		13		13
Deposits and borrowings from the public		10 892		10 892
Debt securities in issue	3 270	19 830		23 100
Financial liabilities for which the customers bear the investment risk		161 051		161 051
Derivatives	75	85 514		85 589
Short positions securities	11 614			11 614
Total	**14 959**	**277 300**		**292 259**

	2015			
	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills and other bills eligible for refinancing with central banks, 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 interest-bearing securities	59 213	25 479		84 692
Shares and participating interest	10 908	93	73	11 074
Financial assets for which the customers bear the investment risk	153 442			153 442
Derivatives	166	85 827	114	86 107
Total	**248 379**	**395 548**	**187**	**644 114**
Liabilities				
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
Total	**9 728**	**250 666**		**260 394**

Changes in Level 3	2016		
	Assets		
	Equity instruments	Derivatives	Total
Opening balance	**73**	**114**	**187**
Purchases	3		3
VISA Inc. C shares received	62		62
Sales 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
Closing balance	**158**	**65**	**223**

Changes in Level 3	2015		
	Assets		
	Equity instruments	Derivatives	Total
Opening balance	**77**	**81**	**158**
Purchases	16		16
Sales 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		–83	–83
Transferred from Level 3 to Level 1	–2		–2
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
Closing balance	**73**	**114**	**187**

Financial instruments at amortised cost

The following tables distribute fair value by the three different valuation levels for financial instruments at amortised cost.

	2016				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Assets					
Treasury bills and other bills eligible for refinancing with central banks, etc.	85 402	85 478			85 478
Loans to credit institutions	31 345		31 345		31 345
Loans to the public	1 316 735		1 322 174		1 322 174
Bonds and other interest-bearing securities	3 668	52	3 623		3 675
Total	**1 437 150**	**85 530**	**1 357 142**		**1 442 672**
Liabilities					
Amounts owed to credit institutions	71 818		71 602		71 602
Deposits and borrowing from the public	782 032		782 013		782 013
Debts securities in issue	818 573	516 222	309 775		825 997
Subordinated liabilities	27 254		27 254		27 254
Total	**1 699 677**	**516 222**	**1 190 644**		**1 706 866**

	2015				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Assets					
Treasury bills and other bills eligible for refinancing with central banks, etc.	468	544			544
Loans to credit institutions	84 679		84 679		84 679
Loans to the public	1 182 979		1 188 510		1 188 510
Bonds and other interest-bearing securities	3 918	69	3 693	164	3 926
Total	**1 272 044**	**613**	**1 276 882**	**164**	**1 277 659**
Liabilities					
Amounts owed to credit institutions	149 676		149 485		149 485
Deposits and borrowing from the public	743 823		743 806		743 806
Debts securities in issue	806 112	339 153	472 620		811 773
Subordinated liabilities	24 613		24 626		24 626
Total	**1 724 224**	**339 153**	**1 390 537**		**1 729 690**

G45 Financial assets and liabilities which have been offset or are subject to netting or similar agreements

The tables below present recognised financial instruments that have been offset in the balance sheet under IAS 32 and those that are subject to legally enforceable master netting or similar agreements but do not qualify for offset. Such financial instruments relate to derivatives, repurchase and reverse repurchase agreements, securities borrowing and lending transactions. Collateral amounts represent financial instruments or cash collateral received or pledged for transactions that are subject to a legally enforceable master netting or similar agreements and which allow for the netting of obligations against the counterparty in the event of a default. Collateral amounts are limited to the amount of the related instruments presented in the balance sheet; therefore any over-collateralisation is not included. Amounts that are not offset in the balance sheet are presented as a reduction to the Net financial assets or liabilities in order to derive net asset and net liability exposures. The amounts offset for derivative assets and derivative liabilities include cash collateral offsets of SEK 2 482m (1 666) and SEK 614m (775), respectively.

Assets	2016				2015			
	Derivatives	Reverse repurchase agreements	Securities borrowing	Total	Derivatives	Reverse repurchase agreements	Securities borrowing	Total
Financial assets, which not have been offset or are subject to netting or similar agreements	2 201			2 201	4 731			4 731
Financial assets, which have been offset or are subject to netting or similar agreements	85 610	49 713	435	135 758	81 376	36 405	74	117 855
Net amount presented in the balance sheet	**87 811**	**49 713**	**435**	**137 959**	**86 107**	**36 405**	**74**	**122 586**
Financial assets, which have been offset or are subject to netting or similar agreements								
Gross amount	97 447	54 216	435	152 098	95 327	39 404	74	134 805
Offset amount	–11 837	–4 503		–16 340	–13 951	–2 999		–16 950
Net amount presented in the balance sheet	**85 610**	**49 713**	**435**	**135 758**	**81 376**	**36 405**	**74**	**117 855**
Related amount not offset in the balance sheet								
Financial instruments, netting agreements	36 308	10 383		46 691	39 613	5085		44 698
Financial instruments, collateral	1 089	39 329	435	40 853	1 220	31 320	74	32 614
Cash, collateral	12 676			12 676	19 915			19 915
Total amount not offset in the balance sheet	**50 073**	**49 712**	**435**	**100 220**	**60 748**	**36 405**	**74**	**97 227**
Net amount	**35 537**	**1**		**35 538**	**20 628**			**20 628**

Liabilities	2016				2015			
	Derivatives	Repurchase agreements	Securities lending	Total	Derivatives	Repurchase agreements	Securities lending	Total
Financial liabilities, which have not been offset or are subject to netting or similar agreements	2 847			2 847	2 885			2 885
Financial liabilities, which have been offset or are subject to netting or similar agreements	82 742	10 905	10	93 657	65 796	5 102	13	70 911
Net amount presented in the balance sheet	**85 589**	**10 905**	**10**	**96 504**	**68 681**	**5 102**	**13**	**73 796**
Financial liabilities, which have been offset or are subject to netting or similar agreements								
Gross amount	96 447	15 408	10	111 865	80 638	8 101	13	88 752
Offset amount	–13 705	–4 503		–18 208	–14 842	–2 999		–17 841
Net amount presented in the balance sheet	**82 742**	**10 905**	**10**	**93 657**	**65 796**	**5 102**	**13**	**70 911**
Related amount not offset in the balance sheet								
Financial instruments, netting agreements	36 308	10 383		46 691	39 613	5085		44 698
Financial instruments, collateral	3 860	521	10	4 391	3 021	7	13	3 041
Cash, collateral	13 775			13 775	15 651	2		15 653
Total amount not offset in the balance sheet	**53 943**	**10 904**	**10**	**64 857**	**58 285**	**5 094**	**13**	**63 392**
Net amount	**28 799**	**1**		**28 800**	**7 511**	**8**		**7 519**

G46 Specification of adjustments for non-cash items in operating activities

	2016	2015
Amortised origination fees	–707	–514
Unrealised changes in value/currency changes	–2 305	1 710
Capital gains/losses on sale of subsidiaries and associates	11	–41
Capital gains/losses on property and equipment		–1
Undistributed share of equity in associates	–2 068	–810
Depreciation and impairment of tangible fixed assets including repossessed leased assets	320	362
Amortisation and impairment of goodwill and other intangible fixed assets	344	574
Credit impairment	1 619	990
Changes to provisions for insurance contracts	–12	–15
Prepaid expenses and accrued income	1 895	–257
Accrued expenses and prepaid income	–1 609	–2 330
Share-based payment	378	413
Other	–40	–7
Total	**–2 174**	**74**

G47 Dividend paid and proposed

	2016		2015	
Ordinary shares	**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).

For more information see parent company note P43.

G48 Assets pledged, contingent liabilities and commitments

Assets pledged

Assets pledged for own liabilities	2016	2015	1/1/2015
Government securities and bonds pledged with the Riksbank	8 121	9 675	8 092
Government securities and bonds pledged with foreign central banks	6 434	12 772	10 073
Government securities and bonds pledged for liabilities credit institutions	2 728	1 241	5 033
Government securities and bonds pledged for deposits from the public	5 687	2 310	11 356
Loans used as collateral for covered bonds[1]	542 278	517 904	482 306
Financial assets pledged for investment contracts	157 804	145 410	136 529
Cash	10 320	13 697	11 717
Total	**733 372**	**703 009**	**665 106**

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

The carrying amount of liabilities for which assets are pledged amounted to SEK 724 519 m (699 393) for the Group in 2016.

Other assets pledged	2016	2015	1/1/2015
Securities loans	10	13	1 002
Government securities and bonds pledged for other commitments	3 776	3 194	5 776
Cash	470	459	366
Total	**4 256**	**3 666**	**7 144**

Companies in the Group regularly pledge financial assets as collateral for their obligations to central banks, stock exchanges, central securities depositories, clearing organisations and other institutions with similar or closely related functions, as well as to insurance policyholders. The transactions can be made by one or more companies in the Group depending on the operations of each company. These financial assets are recognised as assets pledged. Companies in the Group also participate in arrangements that are not pledges but where financial assets are used for similar purposes. Such financial assets are also recognised as assets pledged. One example of assets pledged is when financial assets of a certain value are transferred to derivative counterparties to offset their credit risk vis-à-vis the Group. Another example involves certain transfers of financial assets that the Group is obligated to repurchase, so-called repos. A third example is that certain types of credit can be included in the cover pool for covered bonds and thereby give preferential rights to the assets to investors who hold such bonds. Because of the pledges and other arrangements mentioned above, the value of the financial assets in question cannot be utilised in any other way as long as the pledge or arrangement remains in effect. The transactions are made on commercial terms.

Contingent liabilities

Nominal amount	2016	2015	1/1/2015
Loan guarantees	5 405	5 535	4 619
Other guarantees	33 886	27 777	20 490
Accepted and endorsed notes	159	140	108
Letters of credit granted but not utilised	3 015	2 321	2 025
Other contingent liabilities	285	185	17
Total	**42 750**	**35 958**	**27 259**
Provision for anticipated credit impairments	-128	-47	-50

Commitments

Nominal amount	2016	2015	1/1/2015
Loans granted but not paid	191 783	168 803	163 263
Overdraft facilities granted but not utilised	70 918	66 509	73 744
Total	**262 701**	**235 312**	**237 007**

G49 Transferred financial assets

The Group transfers ownership of financial assets in connection with repos and security loans. Although ownership has been transferred in these transactions, the asset remains on the balance sheet since the Group is still exposed to the asset's risk of fluctuating in value. This is because the agreement stipulates at the time of transfer that the asset will be restored. The sales proceeds received in connection with repos are recognised as liabilities. All assets and related liabilities are recognised at fair value and included in the valuation category fair value through profit and loss, trading.

Liabilities related to securities lending refer to collateral received in the form of cash. These liabilities are reported in the valuation category other financial liabilities. In addition to what is indicated in the table for securities lending, collateral is received in the form of other securities to cover the difference between the fair value of the transferred assets and the recognised liability's fair value. As of year-end the Group had no transfers of financial assets that had been derecognised and where the Group has continuing involvement.

	Transferred assets			Associated liabilities		
2016	**Carrying amount**	**Of which repurchase agreements**	**Of which securities lending**	**Carrying amount**	**Of which repurchase agreements**	**Of which securities lending**
Valuation category , fair value through profit or loss						
Trading						
Equity instruments	884		884	366		366
Debt securities	8 749	8 749		8 702	8 702	
Total	**9 633**	**8 749**	**884**	**9 068**	**8 702**	**366**

	Transferred assets			Associated liabilities		
2015	**Carrying amount**	**Of which repurchase agreements**	**Of which securities lending**	**Carrying amount**	**Of which repurchase agreements**	**Of which securities lending**
Valuation category , fair value through profit or loss						
Trading						
Equity instruments	426		426	74		74
Debt securities	3 553	3 553		3 553	3 553	
Total	**3 979**	**3 553**	**426**	**3 627**	**3 553**	**74**

G50 Operational leasing

The agreements mainly relate to premises in which the Group is the lessee. The terms of the agreements comply with customary practices and include clauses on inflation and property tax. The combined amount of future minimum lease payments that relate to non-cancellable agreements is allocated on the due dates as follows.

2016	**Expenses**	**Income subleasing**	**Total**
2017	815	11	804
2018	672	10	662
2019	530	8	523
2020	424	7	418
2021	315	4	311
2022	298	4	294
2023	288	4	284
2024	255	4	251
2025	242	3	239
2026 or later	1 903	23	1 880
Total	**5 743**	**78**	**5 665**

2015	**Expenses**	**Income subleasing**	**Total**
2016	694	6	688
2017	606	6	600
2018	467	4	463
2019	411	4	407
2020	286		286
2021	199		199
2022	183		183
2023	178		178
2024	166		166
2025 or later	1 249		1 249
Total	**4 441**	**20**	**4 421**

G51 Business Combinations

Acquisitions	Carried in the Group on acquisition date	Carried in the acquired entity on acquisition date
Cash	2	2
Intangible assets	15	
Other assets	4	
Assets	21	2
Liabilities	6	
Identifiable net assets	**15**	**2**
Purchase price paid in cash	21	
Cash flow		
Acquired cash and cash equivalents in subsidiary	2	
Cash paid	–21	
Net	**–19**	

On July 15 2016 the Group acquired all shares in the Lithuanian fund management company UAB Danske Capital investiciju valdymas for SEK 21m. If it had been acquired at the beginning of the financial year, it would have contributed SEK 6m to profit after taxes.

G52 Related parties and other significant relationships

	Associates		Other related parties	
Assets	**2016**	**2015**	**2016**	**2015**
Loans to credit institutions	10 408	7 941		
Loans to the public	1 380	1 000		
Other assets		5	30	38
Total assets	**11 788**	**8 946**	**30**	**38**
Liabilities				
Amount owed to credit institutions	2 060	2 201		
Deposits and borrowing from the public	2	3	460	246
Debt securities in issue, etc.	601	694		
Other liabilities		5		
Total liabilities	**2 663**	**2 904**	**460**	**246**
Contingent liabilities				
Derivatives, nominal amount	1 227	1 883		
Income and expenses				
Interest income	88	106		
Interest expenses				7
Dividends received	399	53		
Commission income	6	97		
Commission expenses		67		
Other income	9	12		
Other general administrative expenses		2		

Associates
Investments in associates are specified in note G27.

During the year the Group provided capital injections of SEK 7m (10). As of 31 December associates have issued guarantees and pledged assets of SEK 691m (438) on behalf of Swedbank.

The Group has sold services to associates that are not credit institutions primarily in the form of product and systems development as well as marketing. The Group's expenses to, and purchases of services from, associates that are not credit institutions mainly consist of payment services and cash management.

The partly owned banks that are associates sell products that are provided by the Group and receive commissions for servicing the products. The cooperation between the partly owned banks and Swedbank is governed by the agreement described in the section, Other significant relationships.

Joint ventures
The Group's holding in EnterCard is a joint venture. EnterCard issues debit and credit cards in Sweden and Norway to Swedbank's customers. Swedbank AB finances EnterCard's corresponding holding.

Key persons
Disclosures regarding Board members and the Group Executive Committee can be found in note G13 Staff costs.

Other related parties
Swedbank's pension funds and Sparinstitutens Pensionskassa secure employees' postemployment benefits. They rely on Swedbank for traditional banking services.

Other significant relationships
Swedbank has close cooperation with the savings banks in Sweden. The cooperation between Swedbank and the 58 savings banks, including five of Swedbank's partly owned banks, is governed by a master agreement to which a number of other agreements are attached regarding specific activities. On 1 July 2015 the agreement was extended until 1 July 2020. The extended agreement, it presumes like earlier that the savings banks have a certain basic range of services and products as well as access to competency in certain areas. One saving bank currently do not fulfil the requirements and instead has signed a clearing agreement with Swedbank.

Through the cooperation Swedbank's Swedish customers gain access to a nationwide network. At the same time the savings banks and partly owned banks are able to offer the products and services of Swedbank and its subsidiaries to their customers. Together, the savings banks and partly owned banks account for about 30 per cent of the Group's product sales in the Swedish market. In addition to marketing and product issues, close cooperation exists in a number of administrative areas. Swedbank is the clearing bank for the savings banks and partly owned banks and provides a wide range of IT services. The cooperation also offers the possibility to distribute development costs over a larger business volume.

The savings banks, savings bank foundations and partly owned banks together represent one of the largest shareholder groups in Swedbank, with a total of 13.4 per cent (12.9) of the voting rights.

Swedbank has 1.4 per cent (1.4) of the voting rights in a non-profit association, the Swedish Savings Banks Academy. The Group does not have loans, guarantees or assets pledged to this association.

G53 Interests in unconsolidated structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when all voting rights relate to administrative tasks and the relevant activities are directed by means of contractual arrangements. In 2016 Swedbank owned interests in structured entities that were not consolidated since Swedbank did not control the entities. Information on the Group's interests in unconsolidated structured entities is provided below.

Sponsor definition
Swedbank is a sponsor of structured entities when the Group sets up and determines the design of a structured entity and when the structured entity's products are associated with Swedbank's brand.

Investment funds
Swedbank is a primary sponsor of investment funds where the Group serves as a manager. Swedbank's interests in such funds mainly refer to capital investments by the Group's insurance operations, starting capital and fees received to manage the funds' investments. Asset management fees are based on the fair value of the funds' net assets. Consequently, these fees expose Swedbank to a variable return based on the funds' performance. Swedbank has provided unused loan guarantees to these investment funds, which entails a financial claim against the investment funds.

Securitisation
Securitisation means that assets are transferred to a structured entity which issues securities to third-party investors. The securities have varying levels of priority and are secured by the assets. The securities are entitled to interest from the assets' return, with the most subordinate investor receiving the residual return. Swedbank holds senior debt in the form of investment-grade Residential Mortgage Backed Securities issued by structured entities. They were not set up by Swedbank.

Swedbank's interests in unconsolidated structured entities are shown below. The interests do not include ordinary derivatives such as interest rate and currency swaps and transactions where Swedbank creates rather than receives variable returns from the structured entity.

	2016			
	Group Sponsored Investment Funds	Non Sponsored Investment Funds	Securitisations	Total
Loans to the public		0		0
Financial assets of which the customers bear the investment risk	17 356			17 356
Shares and participating interests	130	68		198
Total assets recognised in the balance sheet	**17 486**	**68**	**0**	**17 554**
Total income from interests[1]	5 990	–17		5 973
Total assets of the structured entities[2]	789 159			

	2015			
	Group Sponsored Investment Funds	Non Sponsored Investment Funds	Securitisations	Total
Loans to the public		17		17
Bonds and other interest-bearing securities			160	160
Financial assets of which the customers bear the investment risk	10 785			10 785
Shares and participating interests	107	69		176
Total assets recognised in the balance sheet	**10 892**	**86**	**160**	**11 138**
Total income from interests[1]	6 399	–9	1	6 391
Total assets of the structured entities[2]	737 994		8 357	

1) The result from interests in unconsolidated structured entities includes asset management fees, changes in fair value and interest income.
2) Securitisations represent the total issuance amount outstanding for the tranches held by Swedbank.

Swedbank's maximum exposure to losses corresponds to the investments' carrying amounts recognised in the balance sheet. In addition, Swedbank has exposure to notional SEK 1 275m (1 140) for unused loan commitments provided to the Group's Sponsored Investment Funds. During the year Swedbank did not provide any non-contractual financial or other support to unconsolidated structured entities and as of the closing day had no intention to provide such support.

G54 Sensitivity analysis

	Change	2016	2015
Net interest income, 12 months,[1]			
Increased interest rates, scenario 1	+ 1 % point	4 043	4 887
Decreased interest rates, , scenario 1	– 1 % point	–6 520	–7 471
Increased interest rates, scenario 2	+ 1 % point	4 043	4 887
Decreased interest rates, , scenario 2	– 1 % point	–3 391	–4 573
Change in value,[2]			
Market interest rate	+ 1 % point	446	954
	– 1 % point	–705	–1 138
Stock prices	+10%	32	11
	–10%	38	–6
Exchange rates	+5%	18	17
	–5%	17	77
Other			
Stock market performance,[3]	+/– 10 %	+/–276	+/–327
Staff changes	+/– 100 persons	+/–67	+/–66
Payroll changes	+/– 1 % point	+/–82	+/–82
Impaired loans,[4]	+/– 1 SEK bn	+/–15	+/–20
Credit impairment ratio	+/– 0,1 % point	+/–1 539	+/–1 500

1) The NII sensitivity calculation covers all interest bearing assets and liabilities, on- and off balance, on a contractual level in the banking book. It is a static analysis with parallel shifts across the interest rate curve that takes place over-night, and illustrates the effect on NII for a 12 month period. Maturing assets and liabilities during the 12 month period are assumed to be repriced to the existing contractual interest rate +/- the shift. The assets that are re-priced are assumed to have the same interest rate throughout the remaining part of the 12-month period. Contractual reference rate floors on floating asset contracts are taken into account in the sensitivity calculation. In the positive shift transaction accounts are assumed to have 0% elasticity (i.e. there is no adjustment made to the paid interest) while all other deposits have a 100% elasticity to changes in the market rate (i.e. adjustments are made to the interest paid). In the negative shift all deposits are assumed to have 100% elasticity to the respective floors. In the negative shift scenarios a floor on contractual rates for deposits is applied: Scenario 1: For deposits from the public a floor of 0% is applied on the contractual rate. All other balance sheet items are allowed to go to negative contractual rates. Scenario 2: For deposits from the public a floor of 0% is applied on the contractual rate on deposits from private individuals. All other balance sheet items allow for negative contractual rates.

2) The calculation refers to the immediate effect on profit of each scenario for the Group's interest rate positions at fair value and its equity and currency positions.

3) Refers to the effect on net commission income from a change in value of Swedbank Robur's equity funds.

4) The interest rate for the 2016 calculation is 1.50 per cent (2.00).

G55 Events after 31 December 2016

On 9 January 2017 Swedbank Fastighetsbyrå AB sold their shares in Hemnet Sverige AB for SEK 863m, of which SEK 650m were paid cash at the time of the sale. Swedbank Group report at the time of the sale a tax-exempt capital gain of SEK 680m in other income.

On February 22 it was announced that Swedbank's Board of Directors does not intend to make any claim for damages against the Swedbank's former CEO and former Chair, neither of whom was discharged from liability for the financial year 2015 by the AGM 2016. For more information, see the corporate governance report on page 42.

Financial statements and notes – Parent company

Income statement, Parent company

SEKm	Note	2016	2015
Interest income		12 874	12 000
Negative yield on financial assets		–1 496	
Leasing income		4 012	3 875
Interest income, including negative yield on financial liabilities		**15 390**	**15 875**
Interest expenses		–3 946	–3 702
Negative yield on financial liabilities		706	
Interest expenses, including negative yield on financial liabilities		**–3 240**	**–3 702**
Net interest income	**P5**	**12 150**	**12 173**
Dividends received	P6	19 571	12 918
Commission income		9 259	9 575
Commission expenses		–2 875	–3 426
Net commissions	**P7**	**6 384**	**6 149**
Net gains and losses on financial items at fair value	P8	1 130	294
Other income	P9	1 308	1 259
Total income		**40 543**	**32 793**
Staff costs	P10	7 855	7 667
Other general administrative expenses	P11	4 633	4 536
Total general administrative expenses		**12 488**	**12 203**
Depreciation/amortisation and impairments of tangible and intangible fixed assets	P12	4 438	4 455
Total expenses		**16 926**	**16 658**
Profit before impairments		**23 617**	**16 135**
Credit impairments, net	P13	1 399	658
Impairments of financial fixed assets	P14	80	236
Operating profit		**22 138**	**15 241**
Appropriations	P15	186	–137
Tax expense	P16	2 494	1 917
Profit for the year		**19 458**	**13 461**

Statement of comprehensive income, Parent company

SEKm	Note	2016	2015
Profit for the period reported via income statement		**19 458**	**13 461**
Items that will not be reclassified to the income statement			
Remeasurements of defined benefit pension plans			8
Income tax	P17		–2
Items that may be reclassified to the income statement			
Cash flow hedges			
Gains/losses arising during the year			1
Reclassification adjustments to income statement, net interest income			4
Income tax	P17		–2
Other comprehensive income for the period, net of tax			**9**
Total comprehensive income for the period		**19 458**	**13 470**

Balance sheet, Parent company

SEKm	Note	2016	2015	1/1/2015
Assets				
Cash and balances with central banks		64 193	131 859	73 802
Treasury bills and other bills eligible for refinancing with central banks, etc.	P18	102 618	70 531	41 073
Loans to credit institutions	P19	409 763	425 095	435 979
Loans to the public	P20	430 406	416 482	432 879
Bonds and other interest-bearing securities	P21	73 247	86 881	118 948
Shares and participating interests	P22	23 654	10 880	9 641
Investments in associates	P23	1 999	1 995	1 986
Investments in Group entities	P24	56 614	57 450	58 343
Derivatives	P25	96 243	98 300	133 703
Intangible fixed assets	P26	435	900	1 285
Leasing equipment	P27	14 016	12 956	12 339
Tangible assets	P28	523	526	560
Current tax assets		1 774	1 629	1 288
Deferred tax assets	P16	133	197	349
Other assets	P29	15 699	20 134	16 801
Prepaid expenses and accrued income	P30	2 857	3 253	7 528
Total assets		**1 294 174**	**1 339 068**	**1 346 504**
Liabilities and equity				
Liabilities				
Amounts owed to credit institutions	P31	129 276	220 983	222 569
Deposits and borrowings from the public	P32	617 704	599 476	532 118
Debt securities in issue	P33	282 369	275 845	318 041
Derivatives	P25	114 620	98 508	118 696
Current tax liabilities		374	239	2 246
Deferred tax liabilities	P16			
Other liabilities	P34	23 314	27 686	44 484
Accrued expenses and prepaid income	P35	3 530	4 070	4 252
Provisions	P36	172	245	63
Subordinated liabilities	P37	27 254	24 613	18 010
Total liabilities		**1 198 613**	**1 251 665**	**1 260 479**
Untaxed reserves	P38	10 206	10 021	10 043
Equity	P39			
Share capital		24 904	24 904	24 904
Other funds		5 968	5 968	5 968
Retained earnings		54 483	46 510	45 110
Total equity		**85 355**	**77 382**	**75 982**
Total liabilities and equity		**1 294 174**	**1 339 068**	**1 346 504**

The balance sheet and income statement will be adopted at the Annual General Meeting on 30 March 2017.

Statement of changes in equity, Parent company

SEKm	Share capital	Share premium reserve	Statutory reserve	Cash flow hedges	Retained earnings	Total
Opening balance 1 January 2015	**24 904**	**13 206**	**5 968**	**–3**	**31 907**	**75 982**
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 year				3	13 467	13 470
of which through the Profit and loss account					13 461	13 461
of which through other comprehensive income for the year before tax				5	8	13
of which tax through other comprehensive income for the year				–2	–2	–4
Closing balance 31 December 2015	**24 904**	**13 206**	**5 968**		**33 304**	**77 382**
Opening balance 1 January 2016	**24 904**	**13 206**	**5 968**		**33 304**	**77 382**
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 year					19 458	19 458
of which through the Profit and loss account					19 458	19 458
Closing balance 31 December 2016	**24 904**	**13 206**	**5 968**		**41 277**	**85 355**

Statement of cash flow, Parent company

SEKm	Note	2016	2015
Operating activities			
Operating profit		22 138	15 241
Adjustments for non-cash items in operating activities	P43	1 451	–5 743
Taxes paid		–2 451	–4 118
Increase/decrease in loans to credit institution		15 360	18 761
Increase/decrease in loans to the public		–14 835	25 425
Increase/decrease in holdings of securities for trading		–30 725	1 612
Increase/decrease in deposits and borrowings from the public including retail bonds		18 226	56 805
Increase/decrease in amounts owed to credit institutions		–91 705	–1 920
Increase/decrease in other assets		9 594	28 071
Increase/decrease in other liabilities		11 768	–36 564
Cash flow from operating activities		**-61 179**	**97 570**
Investing activities			
Acquisition of/contribution to Group entities and associates		–2 539	–789
Disposal of/repayment from Group entities and associates		3 767	810
Acquisition of other fixed assets and strategic financial assets		–7 579	–10 253
Disposals of other fixed assets and strategic financial assets		2 765	3 400
Dividends and Group contributions received		17 079	13 743
Cash flow from investing activities		**13 493**	**6 911**
Financing activities			
Issuance of interest-bearing securities		39 640	77 787
Redemption of interest-bearing securities		–30 800	–28 554
Issuance of commercial papers		811 657	934 414
Redemption of commercial papers		–828 597	–1 017 532
Dividends paid		–11 880	–12 539
Cash flow from financing activities		**–19 980**	**–46 424**
Cash flow for the year		**-67 666**	**58 057**
Cash and cash equivalents at the beginning of the year		**131 859**	**73 802**
Cash flow for the year		–67 666	58 057
Cash and cash equivalents at end of the year		**64 193**	**131 859**

Comments on the cash flow statement
The cash flow statement shows receipts and payments during the year as well as cash and cash equivalents at the beginning and end of the year. The cash flow statement is reported using the indirect method and is divided into payments from operating activities, investing activities and financing activities.

Operating activities
Cash flow from operating activities is based on operating profit for the year. Adjustments are made for items not included in cash flow from operating activities. Changes in assets and liabilities from operating activities consist of items which are part of normal business activities such as loans to and deposits from the public and credit institutions, and which are not attributable to investing and financing activities. Cash flow includes interest receipts of SEK 16 624m (17 903) and interest payments of SEK 3 225m (3 487). Capitalised interest is included.

Investing activities
Investing activities consist of the purchase and sale of strategic financial assets, contributions to and repayments from subsidiaries and associated companies, and other fixed assets. Contributions were paid to the subsidiaries Swedbank Hypotek AB of SEK 2 450m, Cerdo Bankpartners AB of SEK 70m, ATM Holding AB of SEK 8m and to the associate Getswish AB of SEK 8m. Contribution were also paid to KS Brage Supplier of SEK 3m. During the year shares in Visa Europe Ltd were sold and we received SEK 361m in cash, in addition we also received shares and a claim of SEK 62m and 29m. The subsidiaries Swedbank AS, Latvia repaid capital of SEK 3 320m. Further, the shares in associate BDB Bankernas Depå AB were sold for SEK 11m and condominium evidence were sold for SEK 75m.

Cash and cash equivalents
Cash and cash equivalents consist of cash and balances with central banks, which correspond to the balance sheet item Cash and balances with central banks. Cash and cash equivalents in the statement of cash flow are defined according to IAS 7 and do not correspond to what the Group considers liquidity.

Notes

All amounts in the notes are in millions of Swedish kronor (SEKm) and represent carrying amounts unless indicated otherwise. Figures in parentheses refer to the previous year.

P1 Accounting policies

BASIS OF ACCOUNTING
As a rule, the parent company follows IFRS and the accounting principles applied in the consolidated financial statements, as reported on pages 63–71. In addition, the parent company is required to consider and prepare its annual report in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies, the regulations and general advice of the Swedish Financial Supervisory Authority FFFS 2008:25 and recommendation RFR 2 Reporting for Legal Entities issued by the Swedish Financial Reporting Board. The parent company's annual report is therefore prepared in accordance with IFRS to the extent the standards are compatible with the Annual Accounts Act for Credit Institutions and Securities Companies, RFR 2 and the Swedish Financial Supervisory Authority regulations. The most significant differences in principle between the parent company's accounting and the Group's accounting policies relate to the recognition of:

- the currency component in currency hedges of investments in foreign subsidiaries and associates
- associates
- goodwill and internally generated intangible assets
- finance leases
- pensions
- untaxed reserves and Group contributions, and
- operating segments

The headings in the financial statements follow the Annual Accounts Act for Credit Institutions and Securities Companies and the Swedish Financial Supervisory Authority's regulations, due to which they differ in certain cases from the headings in the Group's accounts.

CHANGES IN ACCOUNTING POLICIES
No new or amended IFRS, interpretations or other regulatory changes have been applied or had a significant effect on the parent company's financial position, results or disclosures.

SIGNIFICANT DIFFERENCES IN THE PARENT COMPANY'S ACCOUNTING POLICIES COMPARED WITH THE GROUP'S ACCOUNTING POLICIES

Hedging of net investment in foreign operations
The currency component of liabilities that constitute currency hedges of net investments in foreign subsidiaries and associates is valued in the parent company at cost.

Associates
Investments in associates are recognised in the parent company at cost less any impairment. All dividends received are recognised in profit or loss in Dividends received.

Subsidiaries
Investments in subsidiaries are recognised according to the acquisition cost method. The investments' value is tested for impairment if there is any indication of diminished value. In cases where the value has decreased, it is written down to its value at the Group level. All dividends received are recognised through profit and loss in Dividends received.

Intangible assets
The parent company amortises goodwill systematically based on estimated useful life. All expenditures, including for development, which are attributable to internally generated intangible assets are expensed through profit and loss.

Leasing equipment
The parent company recognises finance leases as operating leases. This means that the assets are recognised as equipment with depreciation within depreciation/amortisation of tangible and intangible assets in the income statement. Rent income is recognised as leasing income within net interest income in the income statement.

Pensions
The parent company recognises pension costs for Swedish defined benefit pension plans according to the Act on Safeguarding Pension Benefits, which means that they are recognised as defined contribution plans. Premiums paid to defined contribution plans are expensed when an employee has rendered his/her services.

Untaxed reserves and Group contributions
Due to the connection between reporting and taxation, the deferred tax liability attributable to untaxed reserves is not recognised separately in the parent company. The reserves are instead recognised, gross, in the balance sheet and income statement. Group contributions received are recognised through profit and loss in Dividends received.

Operating segments
The parent company does not provide segment information, which is provided in the Group. A geographical distribution of revenue is reported, however.

P2 Risks

Swedbank's risk management is described in note G3. Specific information on the parent company's risks is presented in the following tables.

Credit risks

Impaired, past due and foreborne loans	2016	2015
Impaired loans		
Carrying amount before provisions	5 095	2 473
Provisions	1 685	1 210
Carrying amount after provisions	3 410	1 263
Share of impaired loans, net %	0.41	0.33
Share of impaired loans, gross %	0.60	0.64
Past due loans that are not impaired		
Valuation category, loans and receivables		
Loans with past due amount,		
5-30 days	18	203
31-60 days	145	242
61-90 days	17	234
more than 90 days	29	69
Total	**208**	**748**
Foreborne loans		
Performing	14 972	4 675
Non-performing	4 065	1 143

Impaired loans are loans for which it is likely that payments will not be fulfilled in accordance with the terms of the contract. A loan is not impaired if there is collateral which covers capital, interest and fees for any delays by a satisfactory margin. Provisions for impaired loans as well as other elements of lending where losses have occurred but individual claims have not yet been identified are specified above. Loss events include non-payments or delayed payments where it is likely the borrower will become bankrupt and domestic or local economic conditions that are tied to non-payments, such as declines in asset values. The carrying amount of impaired loans largely corresponds to the value of collateral in cases where collateral exists. Forborne loans refer to loans where a change has been made to the terms of the contract as a result of the customer's reduced ability to pay.

Provisions	2016	2015
Opening balance	**1 724**	**1 110**
New provisions	1 343	699
Recoveries of provisions	–545	–119
Utilisation of previous provisions	–323	–178
Portfolio provisions for loans that are not impaired	114	–35
Change in exchange rates and other adjustments	–42	246
Closing balance	**2 271**	**1 724**
Total provision ratio for impaired loans, %	45	68
Provision ratio for impaired loans, %	33	49

Concentration risk, customer exposure

At end of 2016 the Group did not have any exposures against single counterparties that exceeded 10% of the capital base.

Collateral that can be sold or pledged even if the counterparty fulfils its contractual obligations

When it grants repos, the parent company receives securities that can be sold or pledged. The fair value of these securities covers the carrying amount of the repos. The parent company also receives collateral in the form of securities that can be sold or pledged for derivatives and other exposures. The fair value of such collateral as of year-end amounted to SEK 1 218m (1 989). None of this collateral has been sold or pledged.

Liquidity risks

In the summary of maturities, undiscounted contractual cash flows are distributed on the basis of remaining maturities until the agreed time of maturity. For lending to the public, amortising loans are distributed based on the amortisation schedule. Liabilities whose repayment date may depend on various options have been distributed based on the earliest date on which repayment could be demanded. Differences between nominal amount and carrying amount, discounted cash flows, are reported together with items without an agreed maturity date where the anticipated realisation date has not been determined in the column No maturity/discount effect.

	Undiscounted contractual cash flows							
Remaining maturity 2016	**Payable on demand**	**< 3 mths.**	**3 mths.–1 yr**	**1–5 yrs**	**5–10 yrs**	**> 10 yrs**	**No maturity/ discount effect**	**Total**
Assets								
Cash and balances with central banks	64 193							64 193
Treasury bills and other bills eligible for refinancing with central banks		85 023	1 046	12 065	107	1 169	3 208	102 618
Loans to credit institutions	1 771	20 602	370 003	12 236	5 044	107		409 763
Loans to the public		81 657	88 088	206 226	41 685	12 750		430 406
Bonds and other interest-bearing securities		4 361	17 109	49 404	447	1	1 925	73 247
Shares and participating interests							82 267	82 267
Derivatives		22 504	28 351	41 419	4 997	952	-1 980	96 243
Intangible fixed assets							435	435
Tangible assets							14 539	14 539
Other assets		8 801	2 204	1			9 457	20 463
Total	**65 964**	**222 948**	**506 801**	**321 351**	**52 280**	**14 979**	**109 851**	**1 294 174**
Liabilities								
Amounts owed to credit institutions	80 212	46 197	2 698	169				129 276
Deposits and borrowings from the public	565 844	32 641	18 062	1 157				617 704
Debt securities in issue		85 389	62 424	119 409	13 966	239	942	282 369
Derivatives		20 033	26 961	40 073	5 378	1 160	21 015	114 620
Other liabilities		25 482	1 805	99	1	3	10 206	37 596
Subordinated liabilities					12 902	14 198	154	27 254
Equity							85 355	85 355
Total	**646 056**	**209 742**	**111 950**	**160 907**	**32 247**	**15 600**	**117 672**	**1 294 174**

The large part of deposits from the public is contractually payable on demand. Despite the contractual terms, the deposits are essentially a stable and a long-term source of funding.

	Undiscounted contractual cash flows							
Remaining maturity 2015	**Payable on demand**	**< 3 mths.**	**3 mths.–1 yr**	**1–5 yrs**	**5–10 yrs**	**> 10 yrs**	**No maturity/ discount effect**	**Total**
Assets								
Cash and balances with central banks	131 859							131 859
Treasury bills and other bills eligible for refinancing with central banks		45 744	8 005	11 492	24	2 370	2 896	70 531
Loans to credit institutions	5 010	73 161	326 432	15 146	5 291	55		425 095
Loans to the public		63 006	88 834	214 207	35 921	14 514		416 482
Bonds and other interest-bearing securities		5 938	36 415	41 406	428	181	2 513	86 881
Shares and participating interests							70 325	70 325
Derivatives		22 313	27 568	37 967	7 695	1 219	1 538	98 300
Intangible fixed assets							900	900
Tangible assets							13 482	13 482
Other assets		15 347	2 241				7 625	25 213
Total	**136 869**	**225 509**	**489 495**	**320 218**	**49 359**	**18 339**	**99 279**	**1 339 068**
Liabilities								
Amounts owed to credit institutions	99 745	110 976	9 487	775				220 983
Deposits and borrowings from the public	526 112	56 962	14 663	1 739				599 476
Debt securities in issue		102 504	32 244	120 293	19 057		1 746	275 844
Derivatives		18 601	21 172	33 224	7 776	1 628	16 107	98 508
Other liabilities		30 384	1 820	25	8	36	9 989	42 262
Subordinated liabilities					12 411	11 653	549	24 613
Equity							77 382	77 382
Total	**625 857**	**319 427**	**79 386**	**156 056**	**39 252**	**13 317**	**105 773**	**1 339 068**

The large part of deposits from the public is contractually payable on demand. Despite the contractual terms, the deposits are essentially a stable and a long-term source of funding.

Debt securities in issue

Turnover during the year	2016	2015
Commercial paper		
Opening balance	**106 811**	**193 215**
Issued	811 657	934 511
Repaid	–828 597	–1 017 532
Change in exchange rates	12 315	–3 383
Closing balance	**102 186**	**106 811**
Other interest-bearing bond loans		
Opening balance	**154 473**	**111 529**
Issued	31 415	64 805
Business combinations		2 028
Repurchased	–1 528	–837
Repaid	–23 233	–23 861
Change in market values	–1 992	1 821
Change in exchange rates	6 070	–1 012
Closing balance	**165 205**	**154 473**
Structured products		
Opening balance	**14 561**	**13 297**
Issued	3 695	6 687
Repaid	–3 535	–3 854
Change in market values	257	–1 569
Closing balance	**14 978**	**14 561**
Total debt securities in issue	**282 369**	**275 845**

Subordinated liabilities

Turnover during the year	2016	2015
Subordinated liabilities		
Opening balance	**24 613**	**18 010**
Issued	4 530	7 130
Repaid	–2 504	
Repurchased		
Change in market values	124	–197
Change in exchange rates	491	–330
Total subordinated liabilities	**27 254**	**24 613**

Market risks

Interest rate risks

Change in value if the market interest rate rises by one percentage point

The impact on the value of assets and liabilities, including derivatives, when market interest rates rise by one percentage point.

2016	< 3 mths.	3–6 mths.	6–12 mths.	1–2 yrs	2–3 yrs	3–4 yrs	4–5 yrs	5–10 yrs	> 10 yrs	Total
SEK	–371	33	–182	–240	48	–64	–170	24	30	–892
Foreign currency	829	11	68	136	–77	–1	–132	–77	92	849
Total	**458**	**43**	**–114**	**–104**	**–29**	**–65**	**–302**	**–53**	**122**	**–43**

of which financial instruments measured at fair value through profit or loss

2016	< 3 mths.	3–6 mths.	6–12 mths.	1–2 yrs	2–3 yrs	3–4 yrs	4–5 yrs	5–10 yrs	> 10 yrs	Total
SEK	95	234	–138	–538	471	58	–592	283	–114	–240
Foreign currency	484	–6	54	117	–33	28	–100	–33	90	601
Total	**579**	**228**	**–84**	**–421**	**438**	**86**	**–692**	**250**	**–24**	**361**

2015	< 3 mths.	3–6 mths.	6–12 mths.	1–2 yrs	2–3 yrs	3–4 yrs	4–5 yrs	5–10 yrs	> 10 yrs	Total
SEK	–563	–184	333	–176	68	10	–51	–25	–35	–623
Foreign currency	900	295	54	–52	6	–23	208	–29	70	1 429
Total	**337**	**111**	**387**	**–228**	**74**	**–13**	**157**	**–54**	**35**	**806**

of which financial instruments measured at fair value through profit or loss

2015	< 3 mths.	3–6 mths.	6–12 mths.	1–2 yrs	2–3 yrs	3–4 yrs	4–5 yrs	5–10 yrs	> 10 yrs	Total
SEK	–90	–147	127	–103	8	3	–9	50	–49	–210
Foreign currency	605	280	66	–43	16	7	227	–12	72	1 218
Total	**515**	**133**	**193**	**–146**	**24**	**10**	**218**	**38**	**23**	**1 008**

Currency risks

Currency distribution

2016	SEK	EUR	USD	GBP	DKK	NOK	Other	Total
Assets								
Cash and balances with central banks	18 353	27 821	17 250		63	581	125	64 193
Loans to credit institutions	376 698	13 981	4 383	150	51	4 719	9 781	409 763
Loans to the public	326 241	28 293	37 553	871	5 539	4 719	27 190	430 406
Interest-bearing securities	154 219	5 253	7 197		268	8 928		175 865
Other assets, not distributed	213 947							213 947
Total	**1 089 458**	**75 348**	**66 383**	**1 021**	**5 921**	**18 947**	**37 096**	**1 294 174**
Liabilities								
Amounts owed to credit institutions	82 792	12 098	26 709	950	1 326	3 876	1 525	129 276
Deposits and borrowings from the public	594 628	9 999	7 772	440	1 299	1 199	2 367	617 704
Debt securities in issue and subordinated liabilities	35 553	79 602	162 737	22 114		1 158	8 459	309 623
Other liabilities, not distributed	152 216							152 216
Equity	85 355							85 355
Total	**950 544**	**101 699**	**197 218**	**23 504**	**2 625**	**6 233**	**12 351**	**1 294 174**
Other assets and liabilities, including positions in derivatives		–16 504	–130 954	–22 410	3 293	12 882	24 746	
Net position in currency		9 847	–119	73	–2	168		9 967

Currency distribution

2015	SEK	EUR	USD	GBP	DKK	NOK	Other	Total
Assets								
Cash and balances with central banks	244	13 874	112 678		307	4 704	52	131 859
Loans to credit institutions	390 461	19 742	4 764	82	410	2 986	6 651	425 096
Loans to the public	316 896	26 074	35 603	1 554	4 736	27 065	4 554	416 482
Interest-bearing securities	126 914	9 512	12 136	113		8 736		157 411
Other assets, not distributed	208 220							208 220
Total	**1 042 735**	**69 202**	**165 181**	**1 749**	**5 453**	**43 491**	**11 257**	**1 339 068**
Liabilities								
Amounts owed to credit institutions	156 547	14 825	34 085	2 167	1 230	9 227	2 902	220 983
Deposits and borrowings from the public	544 371	8 387	40 345	600	1 295	3 275	1 203	599 476
Debt securities in issue and subordinated liabilities	39 441	87 787	148 107	16 544		1 864	6 714	300 457
Other liabilities, not distributed	140 770							140 770
Equity	77 382							77 382
Total	**958 511**	**110 999**	**222 537**	**19 311**	**2 525**	**14 366**	**10 819**	**1 339 068**
Other assets and liabilities, including positions in derivatives		–32 482	–57 376	–17 586	2 943	29 318	439	
Net position in currency		9 315	–20	–24	16	194		9 480

P3 Capital adequacy analysis

Swedbank's legal capital requirement is based on CRR, but is more specifically limited by the Basel 1 floor within CRR. The SFSA has clarified that the Basel 1 floor, i.e. 80% of the capital requirement according to Basel 1, will remain in effect for Swedish banks. The capital requirement for the parent company calculated according to CRR exceeds the capital requirement according to the Basel 1 floor. For the parent company, the Basel 1 floor therefore does not represent a minimum requirement. The parent company calculates an internally estimated capital requirement. As of 31 December 2015 the internal capital requirement amounted to SEK 27.1bn. The capital base amounted to SEK 92.1bn.

	Parent company	
Capital adequacy	**2016**	**2015**
Common Equity Tier 1 capital	**73 361**	**68 222**
Additional Tier 1 capital	14 270	10 614
Tier 1 capital	**87 631**	**78 836**
Tier 2 capital	12 204	13 249
Total capital	**99 835**	**92 085**
Risk exposure amount	**294 210**	**304 943**
Common Equity Tier 1 capital ratio, %	**24.9**	**22.4**
Tier 1 capital ratio, %	**29.8**	**25.9**
Total capital ratio, %	**33.9**	**30.2**

	Parent company	
Capital adequacy	**2016**	**2015**
Shareholders' equity according to the balance sheet	85 355	77 382
Anticipated dividend	−14 695	−11 828
Share of capital of accrual reserve	4 251	4 273
Value changes in own financial liabilities	-51	-56
Additional value adjustments[1]	−482	−452
Goodwill	−72	−421
Intangible assets after deferred tax liabilities	−329	−424
Net provisions for reported IRB credit exposures	−567	−210
Shares deducted from CET1 capital	−49	−42
Common Equity Tier 1 capital	**73 361**	**68 222**
Additional Tier 1 capital	14 270	10 614
Total Tier 1 capital	**87 631**	**78 836**
Tier 2 capital	12 204	13 249
Total capital	**99 835**	**92 085**
Minimum capital requirement for credit risks, standardised approach	6 122	7 027
Minimum capital requirement for credit risks, IRB	13 327	12 863
Minimum capital requirement for credit risks, default fund contribution	35	4
Minimum capital requirement for settlement risks		1
Minimum capital requirement for market risks	743	820
Trading book	722	812
of which VaR and SVaR	562	527
of which risks outside VaR and SVaR	160	285
FX risk other operations	21	8
Minimum capital requirement for credit value adjustment	420	590
Minimum capital requirement for operational risks	2 853	3 053
Additional minimum capital requirement, Article 3 CRR	37	37
Minimum capital requirement[2]	**23 537**	**24 395**
Risk exposure amount credit risks	76 530	87 832
Minimum capital requirement for credit risks, IRB	167 021	160 857
Risk exposure amount settlement risks		7
Risk exposure amount market risks	9 291	10 245
Risk exposure amount credit value adjustment	5 252	7 383
Risk exposure amount operational risks	35 659	38 161
Additional risk exposure amount, Article 3 CRR	458	458
Risk exposure amount	**294 210**	**304 943**
Common Equity Tier 1 capital ratio, %	**24.9**	**22.4**
Tier 1 capital ratio, %	**29.8**	**25.9**
Total capital ratio, %	**33.9**	**30.2**

	Parent company	
Capital adequacy Basel 1 floor	**2016**	**2015**
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
Surplus of capital according to Basel 1 floor	**70 765**	**66 517**

	Parent company	
Capital buffer requirement[2], %	**2016**	**2015**
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[3]	20.4	17.9

	Parent company	
Leverage ratio	**2016**	**2015**
Tier 1 Capital, SEKm	87 631	78 836
Total exposure, SEKm	1 004 780	1 094 371
Leverage ratio taking into account CRR article 429.7, %	8.7	7.2

1) 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.
2) Buffer requirement according to Swedish implementation of CRD IV.
3) 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.

	Parent company 2016		
Minimum capital requirement for credit risks	**Exposure value**	**Average risk weight, %**	**Minimum capital requirement**
Institutional exposures	90 999	16	1 189
Corporate exposures	409 505	30	9 956
Retail exposures	91 458	23	1 714
Securitisation			
Non credit obligation	8 223	71	468
Total credit risks, IRB	**600 185**	**28**	**13 327**

	Parent company 2015		
Minimum capital requirements for credit risks	**Exposure value**	**Average risk weight, %**	**Minimum capital requirement**
Institutional exposures	113 117	16	1 418
Corporate exposures	379 982	31	9 329
Retail exposures	88 687	24	1 677
Securitisation	160	8	1
Non credit obligation	58 982	9	438
Total credit risks, IRB	**640 928**	**25**	**12 863**

Minimum capital requirements for market risks	Parent company 2016	Parent company 2015
Interest rate risk	739	810
of which for specific risk	159	283
of which for general risk	580	527
Equity risk	98	195
of which for general risk	98	195
Currency risk in trading book	202	199
Commodity risk		2
Total minimum capital requirement for risks in trading book[1]	**722**	**812**
of which stressed VaR	435	351
Currency risk outside trading book	21	8
Total	**743**	**820**

1) The parent company's capital requirement for general interest-rate risk, Equity risk and currency risk in the trading-book are calculated in accordance with the VaR model.

Minimum capital requirement for operational risks	Parent company 2016	Parent company 2015
Standardised approach	2 853	3 053
of which trading and sales	158	516
of which retail banking	1 764	1 749
of which commercial banking	711	565
of which payment and settlement	167	156
of which retail brokerage	2	5
of which agency services	26	21
of which asset management	–17	–7
of which corporate finance	42	48
Total	**2 853**	**3 053**

Risk exposure amount and minimum capital requirement	Parent company 2016			Parent company 2015		
	Exposure amount	Risk exposure amount	Minimum capital requirement	Exposure amount	Risk exposure amount	Minimum capital requirement
Credit risks, STD	**1 230 996**	**76 530**	**6 122**	**1 227 832**	**87 832**	**7 027**
Central government or central banks exposures	185 049	70	6	207 150	96	8
Regional governments or local authorities exposures	23 475	60	5	26 589	59	5
Public sector entities exposures	4 034	46	4	7 043	44	4
Multilateral development banks exposures	3 890	1		4 440		
International organisation exposures	20			1 242		
Institutional exposures	944 642	753	60	899 526	1 883	151
Corporate exposures	3 734	3 665	293	8 218	7 906	632
Retail exposures	656	490	39	7 188	5 147	412
Exposures secured by mortgages on immovable property	2 317	811	65	2 067	724	58
Exposures in default	2	2		182	245	20
Equity exposures	62 321	69 787	5 583	63 137	70 688	5 655
Other items	856	846	68	1 050	1 040	82
Credit risks, IRB	**600 185**	**166 590**	**13 327**	**640 928**	**160 804**	**12 863**
Institutional exposures	90 999	14 860	1 189	113 117	17 727	1 418
Corporate exposures	409 505	124 448	9 956	379 982	116 614	9 329
Retail exposures	91 458	21 429	1 714	88 687	20 967	1 677
of which mortgage lending	13 949	3 014	241	12 691	2 811	225
of which other lending	77 509	18 415	1 473	75 996	18 156	1 452
Securitisation				160	11	1
Non-credit obligation	8 223	5 853	468	58 983	5 486	438
Credit risks, Default fund contribution		**431**	**35**		**53**	**4**
Settlement risks				**1**	**7**	**1**
Market risks		**9 291**	**743**		**10 245**	**820**
Trading book		9 026	722		10 144	812
of which VaR and SVaR		7 030	562		6 584	527
of which risks outside VaR and SVaR		1 996	160		3 560	285
FX risk other operations		265	21		101	8
Credit value adjustment	**20 138**	**5 252**	**420**	**25 114**	**7 383**	**590**
Operational risks		**35 659**	**2 853**		**38 161**	**3 053**
of which standardised approach		35 659	2 853		38 161	3 053
Additional risk exposure amount, Article 3 CRR		**458**	**37**		**458**	**37**
Total	**1 851 319**	**294 210**	**23 537**	**1 893 875**	**304 943**	**24 395**

P4 Geographical distribution of revenue

2016	Sweden	Norway	Denmark	Finland	USA	Other	Total
Interest income	7 881	2 205	64	27	1 070	131	11 378
Leasing income	4 012						4 012
Dividends received	19 571						19 571
Commission income	8 676	390	13	89	52	39	9 260
Net gains and losses on financial items at fair value	–208	1 398	4	–88	2	22	1 129
Other income	1 288	–2	1		1	20	1 308
Total	**41 220**	**3 991**	**82**	**28**	**1 125**	**212**	**46 658**

2015	Sweden	Norway	Denmark	Finland	USA	Other	Total
Interest income	8 792	1 891	56	204	884	173	12 000
Leasing income	3 875						3 875
Dividends received	12 918						12 918
Commission income	8 927	465	12	97	36	38	9 575
Net gains or losses on financial items at fair value	2 524	–1 691	5	–483	7	–68	294
Other income	1 254	4			1		1 259
Total	**38 290**	**669**	**73**	**-182**	**928**	**143**	**39 921**

The geographical distribution has been allocated to the country where the business was carried out.

P5 Net interest income

	2016	2015
Interest income	11 378	12 000
Leasing income	4 012	3 875
Interest expenses	3 240	3 702
Net interest income before depreciation for financial leases	**12 150**	**12 173**
Depreciation according to plan finance leases	3 805	3 627
Net interest income after depreciation for financial leases	**8 345**	**8 546**

	2016			2015		
	Average balance	Interest income/expense	Average annual interest rate, %	Average balance	Interest income/expense	Average annual interest rate, %
Loans to credit institutions	437 938	90	0.02	428 651	870	0.20
Loans to the public	463 391	9 691	2.09	439 199	10 201	2.32
Interest-bearing securities	162 112	653	0.40	166 491	1 255	0.75
Total interest-bearing assets	**1 063 441**	**10 434**	**0.98**	**1 034 341**	**12 326**	**1.92**
Derivatives	106 692	771		124 956	–499	
Other assets	372 160	4 185		388 033	4 048	
Total assets	**1 542 293**	**15 390**	**1.00**	**1 547 330**	**15 875**	**1.03**
Amounts owed to credit institutions	222 439	335	0.15	233 382	360	0.15
Deposits and borrowings from the public	744 241	830	0.11	689 641	864	0.13
of which deposit guarantee fees		287			283	
Debt securities in issue	311 003	3 344	1.08	347 599	3 164	0.91
Subordinated liabilities	23 567	977	4.15	23 462	1 041	4.44
Total interest-bearing liabilities	**1 301 250**	**5 486**	**0.42**	**1 294 084**	**5 429**	**0.42**
Derivatives	112 782	–2 647		119 990	–2 180	
Other liabilities	128 261	401		60 938	453	
of which stability fee		367			395	
Total liabilities	**1 542 293**	**3 240**	**0.21**	**1 475 011**	**3 702**	**0.25**
Equity	**79 717**			**72 319**		
Total liabilities and equity	**1 622 010**	**3 240**	**0.20**	**1 547 330**	**3 702**	**0.24**
Net interest income		**12 150**			**12 173**	
Net interest margin			0.75			0.79
Interest income impaired loans		53			24	
Interest income on financial assets at amortised cost		14 385			15 301	
Interest expenses on financial liabilities at amortised cost		5 987			5 655	

P6 Dividends received

	2016	2015
Shares and participating interests	58	322
Investments in associates	399	53
Investments in Group entities[1]	19 114	12 543
Total	**19 571**	**12 918**
1) of which, through Group contributions	9 455	7 624

P7 Net commissions

Commission income	2016	2015
Payment processing	1 444	1 114
Cards	3 172	3 609
Service concepts	519	495
Asset management	1 501	1 617
Life insurance	411	437
Brokerage	475	513
Other securities	61	69
Corporate finance	272	242
Lending	777	819
Guarantee	143	151
Deposits	44	55
Non-life insurance	55	56
Other commission income	385	398
Total	**9 259**	**9 575**

Commission expenses	2016	2015
Payment processing	–846	–854
Cards	–1 575	–2 025
Service concepts	–15	–16
Asset management	–75	–76
Other securities	–200	–241
Lending and guarantees	–75	–81
Other commission expenses	–89	–133
Total	**–2 875**	**–3 426**

Net commissions	2016	2015
Payment processing	598	261
Cards	1 597	1 584
Service concepts	504	479
Asset management	1 426	1 541
Life insurance	411	437
Brokerage	475	513
Other securities	–139	–172
Corporate finance	272	242
Lending	702	738
Guarantee	143	151
Deposits	44	55
Non-life insurance	55	56
Other commission income	296	264
Total	**6 384**	**6 149**

P8 Net gains and losses on financial items at fair value

	2016	2015
Valuation category, fair value through profit or loss		
Trading and derivatives		
Shares and related derivatives	414	11
Interest-bearing instruments and related derivatives	145	–496
Total	**559**	**–485**
Other financial instruments		
Shares and related derivatives	460	19
Loans	–29	–17
Financial liabilities	–2	–8
Total	**429**	**–6**
Hedge accounting at fair value		
Hedging instruments	–367	–258
Hedged item	337	236
Total	**–30**	**–22**
Financial liabilities valued at amortised cost	**–3**	**–29**
Change in exchange rates	**175**	**836**
Total	**1 130**	**294**

P9 Other income

	2016	2015
IT services	946	855
Other operating income	362	404
Total	**1 308**	**1 259**

P10 Staff costs

Total staff costs	2016	2015
Salaries and remuneration	4 581	4 469
Compensation through shares in Swedbank AB	270	279
Social insurance charges	1 545	1 498
Pension costs	1 134	1 125
Training costs	91	84
Other staff costs	234	212
Total	**7 855**	**7 667**
of which variable staff costs	488	501

Variable Compensation Programme 2011-2016	2016	2015
Programme 2011		
Recognised expense for compensation that is settled with shares in Swedbank AB		5
Recognised expense for social charges related to the share settled compensation		4
Programme 2012		
Recognised expense for compensation that is settled with shares in Swedbank AB	22	85
Recognised expense for social charges related to the share settled compensation	–30	44
Recognised expense for cash settled compensation		1
Programme 2013		
Recognised expense for compensation that is settled with shares in Swedbank AB	69	71
Recognised expense for social charges related to the share settled compensation	50	25
Programme 2014		
Recognised expense for compensation that is settled with shares in Swedbank AB	83	73
Recognised expense for social charges related to the share settled compensation	45	25
Recognised expense for cash settled compensation		–12
Recognised expense for payroll overhead costs related to the cash settled compensation		6
Programme 2015		
Recognised expense for compensation that is settled with shares in Swedbank AB	44	45
Recognised expense for social charges related to the share settled compensation	22	13
Recognised expense for cash settled compensation	4	82
Recognised expense for payroll overhead costs related to the cash settled compensation	6	34
Programme 2016		
Recognised expense for compensation that is settled with shares in Swedbank AB	54	
Recognised expense for social charges related to the share settled compensation	15	
Recognised expense for cash settled compensation	73	
Recognised expense for payroll overhead costs related to the cash settled compensation	31	
Total recognised expense	**488**	**501**

Number of performance rights that establish the recognised share based expense, millions	2016	2015
Outstanding at the beginning of the period	**8.7**	**9.7**
Allotted	1.3	0.9
Forfeited	0.8	0.3
Exercised	3.9	1.6
Outstanding at the end of the period	**5.3**	**8.7**
Exercisable at the end of the period	0	0
Weighted average fair value per performance right at measurement date, SEK	151	142
Weighted average remaining contractual life, months	9	11
Weighted average exercise price per performance right, SEK[1]	0	0

1) Applicable for the following groups; outstanding at the beginning of the period, granted during the period, forfeited during the period, exercised during the period, expired during the period, outstanding at the end of the period, exercisable at the end of the period.

2016	Board of directors, President and equivalent senior executives			Other employees	
Countries	Number of persons	Salaries and other remunerations	Variable pay	Salaries and variable pay	Total
Sweden	33	86	10	4 251	4 347
Denmark				21	21
Norway				311	311
USA				29	29
Finland				38	38
Luxemburg				23	23
China				15	15
Estonia				19	19
Latvia				14	14
Lithuania				34	34
Total	**33**	**86**	**10**	**4 755**	**4 851**

2015	Board of directors, President and equivalent senior executives			Other employees	
Countries	Number of persons	Salaries and other remunerations	Variable pay	Salaries and variable pay	Total
Sweden	29	94	8	4 250	4 352
Denmark				18	18
Norway				284	284
USA				29	29
Finland				32	32
Other countries				33	33
Total	**29**	**94**	**8**	**4 646**	**4 748**

Board members, President and equivalent senior executives	2016	2015
Costs during the year for pensions and similar benefits	29	34
No. of persons	24	19
Granted loans, SEKm	89	105
No. of persons	19	21

	2016		2015	
Distribution by gender %	Female	Male	Female	Male
All employees	56	44	56	44
Directors	50	50	44	56
Other senior executives, incl. President	32	68	32	68

P11 Other general administrative expenses

	2016	2015
Rents, etc.	860	899
IT expenses	1 847	1 699
Telecommunications, postage	79	106
Consulting and outside services	938	836
Travel	151	131
Entertainment	32	37
Office supplies	88	97
Advertising, public relations, marketing	182	224
Security transports, alarm systems	43	54
Maintenance	97	101
Other administrative expenses	207	263
Other operating expenses	109	89
Total	**4 633**	**4 536**

Remuneration to Auditors elected by Annual General Meeting, Deloitte AB	**2016**	**2015**
Statutory audit	18	18
Other audit	6	3
Other	6	8
Total	**30**	**29**
Internal Audit, not Deloitte AB	58	60

P12 Depreciation/amortisation and impairments of tangible and intangible fixed assets

	2016	2015
Depreciation/amortisation		
Equipment	187	196
Intangible fixed assets	440	453
Lease objeccts	3 805	3 627
Total	**4 432**	**4 276**
Impairments		
Intangible fixed assets		112
Lease objects	6	67
Total	**6**	**179**
Total	**4 438**	**4 455**

P13 Credit impairments

	2016	2015
Provisions for loans that individually are assessed as impaired		
Provisions	1 343	699
Reversal of previous provisions	–320	–119
Provision for homogenous groups of impaired loans, net	–3	
Total	**1 020**	**580**
Portfolio provisions for loans that individually are not assessed as impaired	**114**	**–34**
Write-offs		
Established losses	627	360
Utilisation of previous provisions	–545	–178
Recoveries	–50	–74
Total	**32**	**108**
Credit impairments for contingent liabilities and other credit risk exposures	**233**	**4**
Credit impairments	**1 399**	**658**
Credit impairments by valuation category		
Loans and receivables	1 245	656
Fair value through profit or loss	154	2
Total	**1 399**	**658**
Credit impairments by borrower category		
Credit institutions		–6
General public	1 399	664
Total	**1 399**	**658**

P14 Impairments of financial fixed assets

	2016	2015
Investments in Group entities		
Cerdo Bankpartner Aktiebolag, Helsingborg	54	7
Ektornet AB, Stockholm	11	107
FR &R Invest AB, Stockholm	18	
FRiR RUS OOO, Moskva	1	15
Swedbank (Luxembourg) S.A., Luxembourg	5	20
Total	**89**	**149**
Investments in associates		
Rosengård Invest AB, Malmö		1
Total		**1**
Loans comprising net investment		
FRiR RUS OOO, Moskva	–9	86
Total	**–9**	**86**
Total	**80**	**236**

P15 Appropriations

Untaxed reserves	**2016**	**2015**
Accelerated depreciation, equipment	–214	–130
Tax allocation reserve, reversal/allocation	28	–7
Total	**–186**	**–137**

P16 Tax

Tax expense	2016	2015
Tax related to previous years	−132	−803
Current tax	2 606	2 285
Deferred tax	20	435
Total	**2 494**	**1 917**

	2016		2015	
	SEKm	per cent	SEKm	per cent
Results	2 494	11.4	1 917	12.5
22.0 % of pre-tax profit	4 829	22.0	3 383	22.0
Difference	**2 335**	**10,6**	**1 466**	**9.5**
The difference consists of the following items				
Tax previous years	132	0.6	803	5.2
Tax -exempt income/non-deductible expenses	−90	−0.4	−292	−1.9
Non-taxable dividends	2 213	10.1	1 094	7.1
Non-deductible goodwill impairment	−22	−0.1	−22	−0.1
Tax-exempt capital gains and appreciation in value of shares and participating interests	102	0.4	2	
Standard income tax allocation reserve	−6		−8	
Non-deductible impairment of financial fixed assets	7		−54	−0.4
Deviating tax rates in other countries	−1		−57	−0.4
Total	**2 335**	**10.6**	**1 466**	**9.5**

2016

Deferred tax assets	Opening balance	Income statement	Other comprehensive income	Equity	Mergers	Exchange rate differences	Closing balance
Deductible temporary differences							
Provisions for pensions	105	2					107
Share related compensation	67			−13			54
Intangible assets	−55	21					−34
Other	80	−43				−31	6
Total deferred tax liabilities	**197**	**−20**		**−13**		**−31**	**133**

2015

Deferred tax assets	Opening balance	Income statement	Other comprehensive income	Equity	Mergers	Exchange rate differences	Closing balance
Deductible temporary differences							
Cash flow hedges	2	−3	1				
Provisions for pensions	93	3			9		105
Share related compensation	100			−33			67
Intangible assets	−53	39			−41		−55
Income	207	−207					
Other		−267			315	32	80
Total deferred tax liabilities	**349**	**−435**	**1**	**−33**	**283**	**32**	**197**

P17 Tax for each component in other comprehensive income

	2016				2015			
	Pre-tax amount	Deferred tax	Current tax	Total tax amount	Pre-tax amount	Deferred tax	Current tax	Total tax amount
Remeasurements of defined benefit pension plans					8		−2	−2
Cash flow hedges					5	−2		−2
Other comprehensive income					**13**	**−2**	**−2**	**−4**

P18 Treasury bills and other bills eligible for refinancing with central banks etc.

	Carrying amount			Amortised cost			Nominal amount		
	2016	2015	1/1/2015	2016	2015	1/1/2015	2016	2015	1/1/2015
Valuation category, fair value through profit or loss									
Trading									
Swedish government	9 902	61 408	32 777	8 620	61 471	31 414	7 818	61 408	30 274
Swedish municipalities	4 584	3 644	2 904	4 543	3 656	2 901	4 514	3 644	2 872
Foreign governments	2 279	3 534	2 170	2 260	2 995	2 148	2 245	3 534	2 131
Other non-Swedish issuers	848	1 945	3 222	849	1 944	3 172	844	1 945	3 166
Total	**17 613**	**70 531**	**41 073**	**16 272**	**70 066**	**39 635**	**15 421**	**70 531**	**38 443**
Valuation category, held to maturity[1]									
Swedish central bank	85 005			85 005			85 000		
Total	**85 005**			**85 005**			**85 000**		
Total	**102 618**	**70 531**	**41 073**	**101 277**	**70 066**	**39 635**	**100 421**	**70 531**	**38 443**

1) The fair value of held-to-maturity investments amounted to SEK 85 009 m.

P19 Loans to credit institutions

	2016	2015	1/1/2015
Valuation category, loans and receivables			
Swedish banks	4 772	59 510	66 793
Swedish credit institutions	384 766	344 668	330 870
Change in value due to hedge accounting at fair value	7	36	52
Foreign banks	12 866	13 602	16 418
Foreign credit institutions	6 500	5 304	4 377
Total	**408 911**	**423 120**	**418 510**
Valuation category, fair value through profit or loss			
Trading			
Swedish banks, repurchase agreements			1 230
Swedish credit institutions, repurchase agreements	235	1 051	1 908
Foreign banks, repurchase agreements	617	387	11 243
Foreign credit institutions, repurchase agreements		537	3 088
Total	**852**	**1 975**	**17 469**
Total	**409 763**	**425 095**	**435 979**

Subordinated loans	**2016**	**2015**	**1/1/2015**
Subsidiaries	4 000		4 000
Associates	620		
Other companies	53	48	52
Total	**4 673**	**48**	**4 052**

P20 Loans to the public

	2016	2015	1/1/2015
Valuation category, loans and receivables			
Swedish public	305 179	306 834	295 927
Foreign public	75 842	73 573	71 560
Total	**381 021**	**380 407**	**367 487**
Valuation category, fair value through profit or loss			
Trading			
Swedish public, repurchase agreements	18 282	4 612	38 761
Foreign public, repurchase agreements	30 543	30 028	23 829
Other			
Swedish public	560	1 435	2 802
Total	**49 385**	**36 075**	**65 392**
Total	**430 406**	**416 482**	**432 879**

The maximum credit risk exposure for lending measured at fair value corresponds to the carrying amount.

P21 Bonds and other interest-bearing securities

Issued by other than public agencies	Carrying amount			Amortised cost			Nominal amount		
	2016	2015	1/1/2015	2016	2015	1/1/2015	2016	2015	1/1/2015
Valuation category, fair value through profit or loss									
Trading									
Swedish mortgage institutions	39 492	40 044	51 290	39 423	39 898	50 781	38 230	38 613	49 058
Swedish financial entities	11 734	20 589	26 310	11 572	20 293	26 252	11 341	19 926	25 740
Swedish non-financial entities	1 612	2 022	4 343	1 596	1 964	4 262	1 592	2 018	4 325
Foreign financial entities	9 310	12 138	25 627	9 236	12 067	25 424	9 189	11 956	25 118
Foreign non-financial entities	7 475	8 231	10 159	7 427	7 974	10 029	7 345	8 024	9 787
Total	**69 623**	**83 024**	**117 729**	**69 254**	**82 196**	**116 748**	**67 697**	**80 537**	**114 028**
Valuation category, held to maturity[1]									
Foreign mortgage institutions		164	1 219		164	1 219		160	1 221
Foreign banks	3 624	3 693		3 624	3 693		3 624	3 693	
Total	**3 624**	**3 857**	**1 219**	**3 624**	**3 857**	**1 219**	**3 624**	**3 853**	**1 221**
Total	**73 247**	**86 881**	**118 948**	**72 878**	**86 053**	**117 967**	**71 321**	**84 390**	**115 249**

1) The fair value of held-to-maturity investments amounted to SEK 3 624 m (3 857).

P22 Shares and participating interests

	Carrying amount			Cost		
	2016	2015	1/1/2015	2016	2015	1/1/2015
Valuation category, fair value through profit or loss						
Trading						
Trading stock	12 081	8 637	6 381	11 414	8 880	6 054
Fund shares	11 398	2 113	2 456	10 846	1 930	2 223
Other						
Other shares	160	63	755	149	59	553
Total	**23 639**	**10 813**	**9 592**	**22 409**	**10 869**	**8 830**
Valuation category, available for sale						
Condominiums	7	45	44	7	45	44
Other	8	22	5	8	22	5
Total	**15**	**67**	**49**	**15**	**67**	**49**
Total	**23 654**	**10 880**	**9 641**	**22 424**	**10 936**	**8 879**
of which unlisted	15	67	49			

Unlisted holdings are valued at their last transaction price. Holdings in the valuation category available for sale have been estimated at acquisition cost, since a more reliable fair value is not considered to be available.

P23 Investments in associates

Fixed assets	2016	2015	1/1/2015
Credit institutions	1 944	1 944	1 944
Other associates	55	51	42
Total	**1 999**	**1 995**	**1 986**
Opening balance	**1 995**	**1 986**	**1 158**
Additions during the year	7	10	833
Impairments during the year		–1	–5
Sold during the year	–3		
Closing balance	**1 999**	**1 995**	**1 986**

Corporate identity, domicile	Corporate identity number	Number	Carrying amount	Cost	Share of capital, %
Credit institutions					
EnterCard Holding AB, Stockholm	556673-0585	3 000	420	420	50.00
Sparbanken Skåne AB, Lund	516401-9928	3 670 342	1 070	1 070	22.00
Sparbanken Rekarne AB, Eskilstuna	516401-0091	865 000	125	125	50.00
Swedbank Sjuhärad AB, Borås	516401-9852	950 000	288	288	47.50
Vimmerby Sparbank AB, Vimmerby	516401-0174	340 000	41	41	40.00
Total			**1 944**	**1 944**	
Other associates					
Babs Paylink AB, Stockholm	556567-2200	4 900	19	19	49.00
BGC Holding AB, Stockholm	556607-0933	29 177	11	11	29.18
Finansiell ID-Teknik BID AB, Stockholm	556630-4928	12 735	4	24	28.30
Getswish AB, Stockholm	556913-7382	10 000	18	21	20.00
Rosengård Invest AB, Malmö	556756-0528	5 625	3	10	25.00
Upplysningscentralen, Stockholm	556137-5113	2 000	0	0	20.00
VISA Sweden, ek för. Stockholm	769619-6828				38.90
Total			**55**	**85**	
Total			**1 999**	**2 029**	

The share of the voting rights in each entity corresponds to the share of its equity. All shares and participating interests are unlisted.

P24 Investments in Group entities

Fixed assets	2016	2015	1/1/2015
Swedish credit institutions	20 208	17 806	18 721
Foreign credit institutions	29 109	32 345	32 253
Other entities	7 297	7 299	7 369
Total	**56 614**	**57 450**	**58 343**
Opening balance	**57 450**	**58 343**	**55 190**
Additions during the year	2 623	920	6 801
Impairments during the year	–89	–149	–2 188
Disposals during the year	–3 370	–1 664	–1 460
Closing balance	**56 614**	**57 450**	**58 343**

Corporate identity, domicile	Corporate identity number	Number	Carrying amount	Cost	Share of capital, %
Swedish credit institutions					
Swedbank Mortgage AB, Stockholm	556003-3283	23 000	20 073	20 073	100
Ölands Bank AB, Borgholm	516401-0034	7 800	135	135	60
Total			**20 208**	**20 208**	
Foreign credit institutions					
Swedbank AS, Tallinn	10060701	85 000	18 327	18 327	100
Swedbank AS, Riga	40003074764	942 856 206	4 186	4 186	100
Swedbank AB, Vilnius	112029651	164 008 000	6 522	6 522	100
Swedbank First Securities LLC, New York	20-416-7414	100	48	89	100
Swedbank (Luxembourg) S.A., Luxembourg	302018-5066	300 000	16	144	100
Swedbank Management Company S.A., Luxembourg	B149317	250 000	10	19	100
Total			**29 109**	**29 287**	
Other entities					
ATM Holding AB, Stockholm	556886-6692	350	40	47	70
Ektornet AB, Stockholm	556788-7152	5 000	150	1 956	100
FR & R Invest AB, Stockholm	556815-9718	10 000	33	50	100
FRiR RUS OOO, Moskva	11107746962377	1		27	100
OOO Leasing, Moskva	1047796412531	2	0	3	100
Sparfrämjandet AB, Stockholm	556041-9995	45 000	5	5	100
Sparia Group Försäkring AB, Stockholm	516406-0963	70 000	146	146	100
Swedbank Franchise AB, Stockholm	556184-2120	1 000	278	278	100
Swedbank Försäkring AB, Stockholm	516401-8292	150 000	3 349	3 349	100
Swedbank och Sparbankernas Mobile Solutions AB, Stockholm	556891-5283	100			100
Swedbank Robur AB, Stockholm	556110-3895	10 000 000	3 295	3 295	100
Övriga		1 105	1	62	
Total			**7 297**	**9 218**	
Total			**56 614**	**58 713**	

The share of the voting rights in each entity corresponds to the share of its equity. All entities are unlisted.

In 2016 a capital contribution was paid to Swedbank Hypotek AB amounted to 2 450 m. Swedbank AS Latvia repaid share capital of 3 320 m. Moreover merged Frispar Företags-kredit AB which meant that shares in subsidiaries decreased by 48 m. In 2015 the wholly owned subsidiaries Sparbanken Öresund AB and Swedbank Administration AB with the subsidiary Sparfrämjandet Aktiebolag were merged in Swedbank AB. As a result of the merger Sparfrämjandet Aktiebolag became a wholly owned subsidiary of Swedbank AB. The merger result for Sparbanken Öresund amounted to SEK 14m and for Swedbank Administration AB to SEK 973m, which were recognised as dividends received. Through the merger with Sparbanken Öresund AB. Swedbank AB took over the shares in the wholly owned subsidiary Cerdo Bankpartner Aktiebolag, which was written down to SEK 0.

P25 Derivatives

	Nominal amount/ remaining contractual maturity			Nominal amount			Positive fair value			Negative fair value		
	< 1 yr.	1-5 yrs.	> 5 yrs.	2016	2015	1/1/2015	2016	2015	1/1/2015	2016	2015	1/1/2015
Derivatives in hedge accounting												
Fair value hedges												
Interest-rate-related contracts												
Swaps	31 790	81 684	16 753	130 227	122 990	86 282	1 925	2 227	2 511	359	152	
Currency-related contracts												
Swaps												216
Total	**31 790**	**81 684**	**16 753**	**130 227**	**122 990**	**86 282**	**1 925**	**2 227**	**2 511**	**359**	**152**	**216**
Cash flow hedges												
Interest-rate-related contracts												
Swaps						458						8
Total						**458**						**8**
Non hedging derivatives												
Interest-rate-related contracts												
Options held	169 402	195 162	114 690	479 254	409 449	446 063	2 402	2 304	3 184	2 287	2 012	2 628
Forward contracts	2 251 509	1 135 698		3 387 207	4 423 320	7 433 105	580	1 429	2 313	547	1 613	2 537
Swaps	1 540 649	2 292 892	573 687	4 407 228	4 092 194	3 180 529	59 579	66 709	82 556	61 691	69 085	85 095
Currency-related contracts												
Options held	73 998	456		74 454	54 807	80 249	632	858	3 915	749	970	3 573
Forward contracts	1 059 040	31 289	15	1 090 344	950 435	809 843	12 528	8 300	21 774	15 394	11 331	13 723
Swaps	148 257	282 277	111 952	542 486	600 478	568 686	13 101	27 768	25 703	21 962	26 770	21 983
Equity-related contracts												
Options held	986 345	22 358	8 679	1 017 382	47 743	48 106	17 235	2 406	2 448	25 011	1 049	840
Forward contracts	7 730	3		7 733	5 689	22 012	68	81	89	64	160	123
Swaps	8 274	488		8 762	8 597	4 634	16	132	38	246	142	111
Credit-related contracts												
Swaps	1 331	670		2 001	5 263	12 362	14	37	131	15	65	156
Total	**6 246 535**	**3 961 293**	**809 023**	**11 016 851**	**10 597 976**	**12 605 587**	**106 155**	**110 024**	**142 151**	**127 966**	**113 197**	**130 769**
Gross amount	**6 278 325**	**4 042 977**	**825 776**	**11 147 078**	**10 720 966**	**12 692 327**	**108 080**	**112 251**	**144 662**	**128 325**	**113 349**	**130 993**
Offset amount (Note P41)	–2 012 454	–1 088 229	–231 585	–3 332 268	–3 604 607		–11 837	–13 951	–10 959	–13 705	–14 841	–12 297
Total	**4 265 871**	**2 954 748**	**594 191**	**7 814 810**	**7 116 359**	**12 692 327**	**96 243**	**98 300**	**133 703**	**114 620**	**98 508**	**118 696**

P26 Intangible fixed assets

	2016				2015			
	Goodwill	Customer base	Other	Total	Goodwill	Customer base	Other	Total
Cost, opening balance	**3 439**	**130**	**1 118**	**4 687**	**3 439**	**41**	**1 061**	**4 541**
Additions through separate acquisitions			53	53			19	19
Mergers						89	116	205
Sales and disposals			–80	–80			–78	–78
Cost, closing balance	**3 439**	**130**	**1 091**	**4 660**	**3 439**	**130**	**1 118**	**4 687**
Amortisation, opening balance	**-3 018**	**-55**	**-491**	**-3 564**	**-2 670**	**-39**	**-436**	**-3 145**
Amortisation for the year	–349	–9	–82	–440	–348	–10	–95	–453
Mergers						–6	–11	–17
Sales and disposals			3	3			51	51
Amortisation, closing balance	**-3 367**	**-64**	**-570**	**-4 001**	**-3 018**	**-55**	**-491**	**-3 564**
Impairments, opening balance			**-223**	**-223**			**-111**	**-111**
Impairments for the year							–112	–112
Impairments, closing balance			**-223**	**-223**			**-223**	**-223**
Carrying amount	**72**	**66**	**297**	**435**	**421**	**75**	**404**	**900**

Goodwill is amortised over an estimated useful life of 5 to 20 years. For other intangible assets with a finite useful life, the amortisable amount is divided systematically over the useful life. Systematic amortisation refers to both straight-line and increasing or decreasing amortisation. The original useful life is between 3 and 15 years. No need for impairment was found on the closing day.

P27 Leasing equipment

Fixed assets	2016	2015
Cost, opening balance	**21 650**	**21 532**
Mergers		238
Additions	7 357	6 449
Sales and disposals	–6 290	–6 569
Cost, closing balance	**22 717**	**21 650**
Depreciation, opening balance	**-8 647**	**-9 192**
Depreciation for the year	–3 805	–3 627
Mergers		–111
Sales and disposals	3 777	4 283
Depreciation, closing balance	**-8 676**	**-8 647**
Impairments, opening balance	**-47**	
Impairments for the year	–6	–67
Sales and disposals	28	20
Impairments, closing balance	**-25**	**-47**
Carrying amount	**14 016**	**12 956**

2016	< 1 yr	1-5 yrs	> 5 yrs	Total
Future minimum lease payment	4 131	7 288	3 160	14 579

The residual value of all lease assets is guaranteed by lessees or third parties. The lease assets are depreciated over the lease term according to the annuity method.

The lease assets primarily consist of vehicles and machinery. The lease payments do not contain any variable fee.

P28 Tangible assets

	2016			2015		
	Fixed assets			Fixed assets		
	Equipment	Owner-occupied properties	Total	Equipment	Owner-occupied properties	Total
Cost, opening balance	**2 248**		**2 248**	**2 188**	**24**	**2 212**
Additions	213		213	175		175
Mergers				6		6
Sales and disposals	–326		–326	–121	–24	–145
Cost, closing balance	**2 135**		**2 135**	**2 248**		**2 248**
Depreciation, opening balance	**–1 722**		**–1 722**	**–1 639**	**–13**	**–1 652**
Depreciation for the year	–187		–187	–196		–196
Mergers				–3		–3
Sales and disposals	297		297	116	13	129
Depreciation, closing balance	**–1 612**		**–1 612**	**–1 722**		**–1 722**
Carrying amount	**523**		**523**	**526**		**526**

The useful life of equipment is deemed to be between three and ten years; its residual value is zero as in previous years. The depreciable amount is recognised linearly in profit or loss over the useful life. No indications of impairment were found on the closing day. Individual structural components of owner-occupied properties are depreciated over their useful life. The residual value is deemed to be zero. The depreciable amount is recognised linearly in profit or loss over the useful life. Land has an indefinite useful life and is not depreciated.

P29 Other assets

	2016	2015	1/1/2015
Security settlement claims	4 442	10 816	5 571
Group contributions	9 457	7 624	9 619
Other	1 800	1 694	1 611
Total	**15 699**	**20 134**	**16 801**

P30 Prepaid expenses and accrued income

	2016	2015	1/1/2015
Accrued interest income	1 486	2 076	2 481
Other	1 371	1 177	5 047
Total	**2 857**	**3 253**	**7 528**

P31 Amounts owed to credit institutions

	2016	2015	1/1/2015
Valuation category, loans and receivables			
Swedish banks	23 868	85 731	99 830
Swedish credit institutions	58 051	71 038	49 181
Foreign banks	46 719	63 184	65 267
Foreign credit institutions	625	214	2 545
Total	**129 263**	**220 167**	**216 823**
Valuation category, fair value through profit or loss			
Trading			
Swedish banks, repurchase agreements			1 991
Swedish credit institutions, repurchase agreements		816	1 907
Foreign banks, repurchase agreements	13		1 848
Total	**13**	**816**	**5 746**
Total	**129 276**	**220 983**	**222 569**

P32 Deposits and borrowings from the public

	2016	2015	1/1/2015
Valuation category, other financial liabilities			
Deposits from Swedish public	596 589	553 631	494 026
Deposits from foreign public	10 223	41 398	21 943
Total	**606 812**	**595 029**	**515 969**
Valuation category, fair value through profit or loss			
Trading			
Deposits from Swedish public, repurchase agreements	10 892	2 798	15 768
Deposits from foreign public, repurchase agreements		1 485	
Other[1]			
Deposits from Swedish public		164	381
Total	**10 892**	**4 447**	**16 149**
Total	**617 704**	**599 476**	**532 118**
1) nominal amount amounts to		156	394

P33 Debt securities in issue

	2016	2015	1/1/2015
Valuation category, other financial liabilities			
Commercial papers	102 186	106 811	193 215
Other interest-bearing bond loans	164 761	154 076	110 999
Change in value due to hedge accounting at fair value	445	397	530
Total	**267 392**	**261 284**	**304 744**
Valuation category, fair value through profit or loss			
Trading			
Other	14 977	14 561	13 297
Total	**14 977**	**14 561**	**13 297**
Total	**282 369**	**275 845**	**318 041**

Turnover of debt securities in issue is reported in note P2 Liquidity risks, page 143.

P34 Other liabilities

	2016	2015	1/1/2015
Security settlement liabilities	4 735	11 876	7 827
Group liabilities			637
Short position in shares	96	247	74
of which own issued shares	33	78	
Short position in interest-bearing securities	11 519	7 945	26 984
Other	6 964	7 618	8 962
Total	**23 314**	**27 686**	**44 484**

P35 Accrued expenses and prepaid income

	2016	2015	1/1/2015
Accrued interest expenses	1 817	1 831	2 157
Other	1 713	2 239	2 095
Total	**3 530**	**4 070**	**4 252**

P36 Provisions

	2016	2015	1/1/2015
Pensions		17	23
Provisions for guarantees	98	21	
Restructuring provision	44		
Other	30	207	40
Total	**172**	**245**	**63**

In 2016 a new restructuring provision was recognised related to the business segment Large Corporates & Institutions.

P37 Subordinated liabilities

	2016	2015	1/1/2015
Valuation category, other financial liabilities			
Subordinated loans	12 703	12 382	11 927
Change in the value due to hedge accounting at fair value	222	265	268
Total subordinated loans	**12 925**	**12 647**	**12 195**
Undated subordinated loans	14 116	11 585	5 290
of which Tier 1 capital contribution	14 116	11 585	5 290
Change in the value due to hedge accounting at fair value	213	381	525
Total undated subordinated loans	**14 329**	**11 966**	**5 815**
Total	**27 254**	**24 613**	**18 010**

Swedbank has outstanding USD 1 250m Additional Tier 1 capital (AT1), which is perpetual with a call option after five years. The instrument has a mandatory conversion feature to ordinary shares if the Swedbank AB's regulatory capital decreases to a certain level.

Specification of subordinated liabilities

Fixed-term subordinated loans

Maturity	Right to prepayment for Swedbank AB	Currency	Nominal amount, million	Carrying amount, SEKm	Coupon interest, %
1989/2019		SEK	111	126	11.00
2012/2022	2017	SEK	250	250	3m Stibor
2013/2023	2018	SEK	400	399	3m Stibor
2013/2023	2018	SEK	150	147	3m Stibor
2012/2022	2017	SEK	35	35	3m Stibor
2012/2022	2017	EUR	500	4 827	3.00
2014/2024	2019	EUR	750	7 141	2.38
Total				**12 925**	

Undated subordinated loans approved by the Swedish Financial Supervisory Authority as Tier 1 capital contribution

Maturity	Right to prepayment for Swedbank AB	Currency	Nominal amount, million	Carrying amount, SEKm	Coupon interest, %
2015/undated	2020	USD	750	6 750	5.50
2016/undated	2022	USD	500	4 469	6.00
2007/undated	2017	SEK	2 000	2 071	6.67
2008/undated	2018	SEK	873	1 039	8.28
Total				**14 329**	

Certain subordinated loans are used as insurance instruments to hedge the net investment in foreign operations. In the parent company the currency component of these liabilities is recognised at cost, whereas in the Group it is recognised at the closing day rate.

P38 Untaxed reserves

	Accumulated accelerated depreciation	Tax allocation reserve	Total
Opening balance 2015	**4 653**	**5 390**	**10 043**
Allocation/Reversal	–130	–7	–137
Changes resulting from mergers	19	96	115
Closing balance 2015	**4 542**	**5 479**	**10 021**
Opening balance 2016	**4 542**	**5 479**	**10 021**
Allocation/Reversal	214	–28	186
Closing balance 2016	**4 756**	**5 451**	**10 206**

Tax allocation reserve	**2016**	**2015**	**1/1/2015**
Allocation 2010		28	6
Allocation 2011	1 862	1 862	1 857
Allocation 2012	3 538	3 538	3 528
Allocation 2013	51	51	
Total	**5 451**	**5 479**	**5 390**

P39 Equity

	2016	2015	1/1/2015
Restricted equity			
Share capital, ordinary shares	24 904	24 904	24 904
Statutory reserve	5 968	5 968	5 968
Total	**30 872**	**30 872**	**30 872**
Non-restricted equity			
Cash flow hedges			–3
Share premium reserve	13 206	13 206	13 206
Retained earnings	41 277	33 304	31 907
Total	**54 483**	**46 510**	**45 110**
Total equity	**85 355**	**77 382**	**75 982**

Changes in equity for the period and the distribution according to IFRS are indicated in the statement of changes in equity.

P40 Fair value of financial instruments

Carrying amounts and fair values of financial instruments

A comparison between the carrying amount and fair value of the parent company's financial assets and financial liabilities according to the definition in IAS 39 is presented below.

Determination of fair values of financial instruments

The parent company uses various methods to determine the fair value of financial instruments depending on the degree of observable market data in the valuation and activity in the market. An active market is considered either a regulated or reliable marketplace where quoted prices are easily accessible and which demonstrates regularity. Activity is continuously evaluated by analysing factors such as differences in bid and ask prices.

The methods are divided in 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 their fair values. For any open net positions, bid and ask rates are applied as applicable i.e. bid rates for long positions and ask rates for short positions. When there is no active market, fair value is determined with the help of established valuation methods and models. In these cases, assumptions that cannot be directly attributed to a market may be applied. These assumptions are based on experience and knowledge of the valuation of financial markets. The goal, however, is to always maximise the use of data from an active market. All valuation methods and models and internal assumptions are validated continuously by the independent risk control unit. In cases where it is considered necessary, adjustments are made to reflect fair value, so-called fair value adjustments. This is done to correctly reflect the parameters in the financial instruments and which will be reflected in their valuations. For OTC derivatives, for example, where the counterparty risk is not settled with cash collateral, the fair value adjustment is based on the current counterparty risk (CVA and DVA). In cases where the model risk is considered reliable, an assessment is also made whether a fair value adjustment is necessary given the model risk.

The parent company has a continuous process that identifies financial instruments which indicate a high level of internal assumptions or low level of observable market data. The process determines how to make the calculation based on how the internal assumptions are expected to affect the valuation. In cases where internal assumptions have a significant impact on fair value, the financial instrument is reported in level 3. The process also includes an analysis based on the quality of valuation data and whether any types of financial instruments will be transferred between the various levels.

For floating rate lending and deposits, which are recognised at amortised cost, the carrying amount is assessed to equal the fair value.

	2016			2015			1/1/2015		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Assets									
Financial assets covered by IAS 39									
Cash and balances with central banks	64 193	64 193		131 859	131 859		73 802	73 802	
Treasury bills etc.	102 623	102 618	5	70 531	70 531		41 073	41 073	
of which fair value through profit or loss	17 613	17 613		70 531	70 531		41 073	41 073	
of which investments held to maturity	85 010	85 005	5						
Loans to credit institutions	409 763	409 763		425 095	425 095		435 979	435 979	
of which loans receivables	408 911	408 911		423 120	423 120		418 510	418 510	
of which fair value through profit or loss	852	852		1 975	1 975		17 468	17 468	
Loans to the public	430 406	430 406		416 482	416 482		432 879	432 879	
of which loan receivables	381 021	381 021		380 407	380 407		367 487	367 487	
of which fair value through profit or loss	49 385	49 385		36 075	36 075		65 392	65 392	
Bonds and interest-bearing securities	73 247	73 247		86 881	86 881		118 947	118 948	–1
of which fair value through profit or loss	69 623	69 623		83 024	83 024		117 728	117 728	
of which investments held to maturity	3 624	3 624		3 857	3 857		1 218	1 219	–1
Shares and participating interest	23 654	23 654		10 880	10 880		9 641	9 641	
of which fair value through profit or loss	23 639	23 639		10 813	10 813		9 592	9 592	
of which available for sale	15	15		67	67		49	49	
Derivatives	96 243	96 243		98 300	98 300		133 703	133 703	
Other financial assets	17 154	17 154		22 209	22 209		19 277	19 277	
Total	**1 217 283**	**1 217 278**	**5**	**1 262 237**	**1 262 237**		**1 265 301**	**1 265 302**	**–1**

	2016			2015			1/1/2015		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Liabilities									
Financial liabilities covered by IAS 39									
Amounts owed to credit institutions	129 276	129 276		220 983	220 983		222 569	222 569	
of which other financial liabilities	129 264	129 264		220 167	220 167		216 823	216 823	
of which fair value through profit or loss	13	13		816	816		5 746	5 746	
Deposits and borrowings from the public	617 704	617 704		599 476	599 476		532 118	532 118	
of which other financial liabilities	606 812	606 812		595 029	595 029		515 969	515 969	
of which fair value through profit or loss	10 892	10 892		4 447	4 447		16 149	16 149	
Debt securities in issue, etc	283 452	282 369	1 084	274 952	275 845	–893	319 007	318 041	966
of which other financial liabilities	268 475	267 391	1 084	260 391	261 284	–893	305 710	304 744	966
of which fair value through profit or loss	14 977	14 977		14 561	14 561		13 297	13 297	
Subordinated liabilities	27 254	27 254		24 626	24 613	13	17 985	18 010	–25
of which other financial liabilities	27 254	27 254		24 626	24 613	13	17 985	18 010	–25
Derivatives	114 620	114 620		98 508	98 508		118 696	118 696	
Short positions securities	11 614	11 614		8 192	8 192		27 058	27 058	
of which fair value through profit or loss	11 614	11 614		8 192	8 192		27 058	27 058	
Other financial liabilities	13 517	13 517		21 327	21 327		18 945	18 945	
Total	**1 197 438**	**1 196 354**	**1 084**	**1 248 064**	**1 248 944**	**–880**	**1 256 380**	**1 255 438**	**941**

Financial instruments recognised at fair value

The following tables present fair values of financial instruments recognised at fair value, split between the three valuation hierarchy levels.

Level 1 primarily contains equities, fund shares, bonds, treasury bills, commercial paper and standardised derivatives, where the quoted price is used in the valuation. Securities in issue traded on an active market are included in this category as well.

Level 2 primarily contains less liquid bonds that are valued on a curve, lending, funding and derivatives measured on the basis of observable inputs. For less liquid bond holdings, an adjustment is made for the credit spread based on observable market inputs such as the market for credit derivatives. For loans to the public where there are no observable market inputs for credit margins at the time of measurement, the credit margin of the last transaction executed with the same counterparty is used. Securities in issue that are not quoted but measured according to quoted prices for similar quoted bonds are also included on level 2.

Level 3 contains other financial instruments where internal assumptions have a significant effect on the calculation of fair value. 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 values of combined 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 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 in the individual options are of greater significance to the individual instrument and these are reported as derivatives in level 3. To estimate the sensitivity of the volatility of the illiquid options, two types of shifts have been made. The shifts are based on each product type and are considered reasonable changes. Based on the historical volatility of the underlying prices of options in level 3, it is unlikely that the fair value would be affected more than +/– SEK 19m. When valuation models are used to determine the fair value of financial instruments in level 3, the consideration that has been paid or received is assessed as the best evidence of fair value at initial recognition. Because of the possibility that a difference could arise between this fair value and the fair value calculated at that time using the valuation model, so called day 1 profit or loss, the Group adjusts the valuation models to avoid such differences. As of year-end there were no cumulative differences that were not recognised through profit or loss.

Transfers between fair value hierarchy levels are reflected as taking place at the end of each quarter. During the years ended 2016 and 2015, there were no transfers of financial instruments between valuation levels 1 and 2. Financial instruments are transferred to or from level 3 depending on whether the internal assumptions have changed in significance for the valuation.

The following table shows financial instruments measured at fair value as per year-end distributed by valuation method.

	2016				2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Treasury bills and other bills eligible for refinancing with central banks, etc	12 185	5 429		17 613	19 098	51 433		70 531
Loans to credit institutions		852		852		1 975		1 975
Loans to the public		49 385		49 385		36 075		36 075
Bonds and interest-bearing securities	36 702	32 921		69 623	57 203	25 821		83 024
Shares and participating interest	23 435	68	152	23 654	10 744	69	67	10 880
Derivatives	125	96 053	65	96 243	150	98 036	114	98 300
Total	**72 446**	**184 707**	**217**	**257 370**	**87 195**	**213 409**	**181**	**300 785**
Liabilities								
Amounts owed to credit institutions		13		13		816		816
Deposits and borrowings from the public		10 892		10 892		4 447		4 447
Debt securities in issue, etc		14 977		14 977		14 561		14 561
Derivatives	72	114 547		114 620	13	98 495		98 508
Short positions securities	11 614			11 614	8 192			8 192
Total	**11 687**	**140 429**		**152 116**	**8 205**	**118 319**		**126 524**

Changes in level 3	2016		
	Assets		
	Equity instruments	Derivatives	Total
Opening balance	**67**	**114**	**181**
Acquisitions	4		4
Received VISA Inc. C shares	62		62
Sales of assets	–55		–55
Maturities		–19	–19
Issued		1	1
Transferred from Level 3 to Level 2		–8	–8
Transferred from Level 1 to Level 3	63		63
Gains or loss	11	–23	–12
of which in the income statement, net gains and losses on financial items at fair value	11	–23	–12
of which are changes in unrealised gains or losses for items held at closing day	17	–19	–2
Closing balance	**152**	**65**	**217**

Changes in level 3	2015		
	Assets		
	Equity instruments	Derivatives	Total
Opening balance	**49**	**81**	**130**
Mergers	20		20
Acquisitions	16		16
Sales of assets	–13		–13
Maturities		–35	–35
Issued		9	9
Transferred from Level 2 to Level 3		148	148
Transferred from Level 3 to Level 2		–83	–83
Transferred from Level 3 to Level 1	–2		–2
Gains or loss	–3	–6	–9
of which in the income statement, net gains and losses on financial items at fair value	–3	–6	–9
of which are changes in unrealised gains or losses for items held at closing day		–47	–47
Closing balance	**67**	**114**	**181**

Financial instruments at amortised cost

The following tables distribute fair values by the three valuation levels for financial instruments at amortised cost.

	2016				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Assets					
Treasury bills and other bills eligible for refinancing with central banks, etc	85 005	85 010			85 010
Loans to credit institutions	408 911		408 911		408 911
Loans to the public	381 021		381 021		381 021
Bonds and other interest-bearing securities	3 624		3 624		3 624
Total	**878 561**	**85 010**	**793 556**		**878 566**
Liabilities					
Amounts owed to credit institutions	129 264		129 264		129 264
Deposits and borrowing from the public	606 812		606 812		606 812
Debts securities in issue	267 391		268 475		268 475
Subordinated liabilities	27 254		27 254		27 254
Total	**1 030 721**		**1 031 804**		**1 031 804**

	2015			
		Fair value		
	Carrying amount	Level 2	Level 3	Total
Assets				
Loans to credit institutions	423 120	423 120		423 120
Loans to the public	380 407	380 407		380 407
Bonds and other interest-bearing securities	3 857	3 693	164	3 857
Total	**807 384**	**807 220**	**164**	**807 384**
Liabilities				
Amounts owed to credit institutions	220 167	220 167		220 167
Deposits and borrowing from the public	595 029	595 029		595 029
Debts securities in issue	261 284	260 391		260 391
Subordinated liabilities	24 613	24 626		24 626
Total	**1 101 093**	**1 100 213**		**1 100 213**

P41 Financial assets and liabilities which have been offset or are subject to netting or similar agreements

The disclosures below refer to recognised financial instruments that have been offset in the balance sheet or are subject to legally binding netting agreements, even when they have not been offset in the balance sheet, as well as to related rights to financial collateral. As of the closing day these financial instruments referred to derivatives, repos (including reverse), security settlement claims and securities loans.

	2016				2015			
Assets	**Derivatives**	**Reverse repurchase agreements**	**Securities borrowing**	**Total**	**Derivatives**	**Reverse repurchase agreements**	**Securities borrowing**	**Total**
Financial assets, which not have been offset or are subject to netting or similar agreements	2 483			2 483	5 019			5 019
Financial assets, which have been offset or are subject to netting or similar agreements	93 760	49 677	435	143 872	93 281	36 615	74	129 970
Net amount presented in the balance sheet	**96 243**	**49 677**	**435**	**146 355**	**98 300**	**36 615**	**74**	**134 989**
Financial assets, which have been offset or are subject to netting or similar agreements								
Gross amount	105 597	54 180	435	160 212	107 232	39 614	74	146 920
Offset amount	–11 837	–4 503		–16 340	–13 951	–2 999		–16 950
Net amount presented in the balance sheet	**93 760**	**49 677**	**435**	**143 872**	**93 281**	**36 615**	**74**	**129 970**
Related amount not offset in the balance sheet								
Financial instruments, netting agreements	44 865	10 383		55 248	49 947	5 085		55 032
Financial instruments, collateral	1 089	39 293	435	40 817	1 220	31 453	74	32 747
Cash, collateral	12 676			12 676	19 915	77		19 992
Total amount not offset in the balance sheet	**58 630**	**49 676**	**435**	**108 741**	**71 082**	**36 615**	**74**	**107 771**
Net amount	**35 130**	**1**		**35 131**	**22 199**			**22 199**

Liabilities	**Derivatives**	**Reverse repurchase agreements**	**Security settlement claims**	**Securities borrowing**	**Derivatives**	**Reverse repurchase agreements**	**Securities borrowing**	**Total**
Financial liabilities, which not have been offset or are subject to netting or similar agreements	2 913			2 913	2 930			2 930
Financial liabilities, which have been offset or are subject to netting or similar agreements	111 707	10 905	10	122 622	95 577	5 100	13	100 690
Net amount presented in the balance sheet	**114 620**	**10 905**	**10**	**125 535**	**98 507**	**5 100**	**13**	**103 620**
Financial liabilities, which have been offset or are subject to netting or similar agreements								
Gross amount	125 412	15 408	10	140 830	110 419	8 099	13	118 531
Offset amount	–13 705	–4 503		–18 208	–14 842	–2 999		–17 841
Net amount presented in the balance sheet	**111 707**	**10 905**	**10**	**122 622**	**95 577**	**5 100**	**13**	**100 690**
Related amount not offset in the balance sheet								
Financial instruments, netting agreements	44 865	10 383		55 248	49 947	5 085		55 032
Financial instruments, collateral	3 860	521	10	4 391	3 021	7	13	3 041
Cash, collateral	13 775			13 775	15 651	2		15 653
Total amount not offset in the balance sheet	**62 500**	**10 904**	**10**	**73 414**	**68 619**	**5 094**	**13**	**73 726**
Net amount	**49 207**	**1**		**49 208**	**26 958**	**6**		**26 964**

P42 Specification of adjustments for non-cash items in operating activities

	2016	2015
Amortised origination fees	–570	–553
Unrealised changes in value/currency changes	15 411	–2 022
Depreciation of tangible and intangible fixed assets	4 438	4 455
Impairment of financial fixed assets	80	236
Credit impairment	1 399	732
Dividend Group entities	–18 912	–12 385
Prepaid expenses and accrued income	396	4 274
Accrued expenses and prepaid income	–540	–190
Share based payments to employees	270	279
Capital gains/losses on financial assets	–504	–489
Other	–17	–80
Total	**1 451**	**–5 743**

P43 Dividend paid and proposed disposition of earnings non-cash items in operating activities

	2016		2015	
Ordinary shares	**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):

	2016	2015
A cash dividend of SEK 13.20 (10.70) per ordinary share	14 695	11 880
To be carried forward to next year	39 788	34 630
Total disposed	**54 483**	**46 510**

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 have been estimated to be exercised by employees between 1 January to the Annual General Meeting as per 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. Unrealised changes in the value of assets and liabilities at fair value have had a net effect on equity of SEK 2 404m. The proposed record day for the dividend is 3 April 2017. The last day for trading in Swe bank's shares including the right to the dividend is 30 March 2017. If the Annual General Meeting adopts the Board's proposal, the dividend is expected to be paid by Euroclear on 6 April 2017. The financial companies group's capital base surpassed the statutory capital requirement as of year-end by SEK 50 816m. Surplus capital in Swedbank AB amounted to SEK 70 765m.

The business conducted in the parent company and the Group involves no risks beyond what occur and can be assumed will occur in the industry or the risks associated with conducting business activities. The Board of Directors has considered the parent co pany's and the Group's consolidation needs through a comprehensive assessment of the parent company's and the Group's financial position and the parent company's and the Group's ability to meet their obligations. The assessment has also been done based on currently expected regulatory changes. Given the financial position of the parent company and the Group, there can be no assessment other than that the parent company and the Group can continue their business and that the parent company and the Group can be expected to meet their liabilities in both the short and long term and have the ability to make the necessary investments. It is the assessment of the Board of Directors that the size of the equity, even after the proposed dividend, is reasonable in proportion to the scope of the parent company's and the Group's business and the risks associated with conducting the business. The assessment of the Board of Directors is that the proposed dividend is justifiable given the demands that are imposed due to the nature, scope and risks associated with the business and the Group's business on the size of the parent company's and the Group's equity as well as on the parent company's and the Group's balance sheets, liquidity and financial positions.

P44 Assets pledged, contingent liabilities and commitments

Assets pledged

Assets pledged for own liabilities	**2016**	**2015**	**1/1/2015**
Government securities and bonds pledged with the Riksbank	8 121	10 648	10 201
Government securities and bonds pledged with foreign central banks	6 434	12 772	10 073
Government securities and bonds pledged for liabilities to credit institutions, repurchase agreements	3 062	1 244	6 115
Government securities and bonds pledged for deposits from the public, repurchase agreements	5 687	2 310	11 356
Cash	10 320	13 697	11 717
Total	**33 624**	**40 671**	**49 462**

The carrying amount of liabilities for which assets are pledged amounted to SEK 33 577 m (40 671) in 2016.

Other assets pledged	**2016**	**2015**	**1/1/2015**
Securities lending	10	13	1 002
Government securities and bonds pledged for other commitments	3 776	3 194	5 685
Cash	455	459	366
Total	**4 241**	**3 666**	**7 053**

Collateral is pledged in the form of government securities or bonds to central banks in order to execute transactions with the central banks. In so-called genuine repurchase transactions, where the parent company sells a security and at the same time agrees to repurchase it, the sold security remains on the balance sheet. The carrying amount of the security is also recognised as a pledged asset. In principle, the parent company cannot dispose of pledged collateral. Generally, the assets are also separated behalf of the beneficiaries in the event of the parent company' s insolvency.

Contingent liabilities

Nominal amount	**2016**	**2015**	**1/1/2015**
Loan guarantees	554 184	547 718	496 603
Other guarantees	30 910	25 229	17 352
Accepted and endorsed notes	159	140	108
Letters of credit granted but not utilised	2 897	2 153	1 853
Other contingent liabilities	17	51	18
Total	**588 167**	**575 291**	**515 934**
Provision for anticipated credit impairments	–96	–21	–19

Commitments

Nominal amount	**2016**	**2015**	**1/1/2015**
Loans granted but not paid	161 040	137 719	128 814
Overdraft facilities granted but not utilised	71 094	68 263	72 374
Total	**232 134**	**205 982**	**201 188**

The nominal amount of interest, equity and currency related contracts are shown in note P25 Derivatives.

P45 Transferred financial assets

The parent company transfers ownership of financial assets in connection with repos and security loans. Although ownership has been transferred in these transactions, the asset remains on the balance sheet since the parent company is still exposed to the asset's risk of fluctuating in value. This is because the agreement stipulates at the time of transfer that the asset will be restored. Sales proceeds received in connection with repos are recognised as liabilities. All assets and related liabilities are recognised at fair value and included in the valuation category fair value through profit and loss, trading. Liabilities related to securities lending refer to collateral received in the form of cash. These liabilities are reported in the valuation category other financial liabilities. In addition to what is indicated in the table for securities lending, collateral is received in the form of other securities to cover the difference between the fair value of the transferred assets and the recognised liability's fair value. At year-end the parent company had no commitments in financial assets that had been removed from the balance sheet.

	Transferred assets			Associated liabilities		
2016	**Carrying amount**	**Of which repurchase agreements**	**Of which securities lending**	**Carrying amount**	**Of which repurchase agreements**	**Of which securites lending**
Valuation category , fair value through profit or loss						
Trading						
Equity instruments	884		884	366		366
Debt securities	8 749	8 749		8 702	8 702	
Total	**9 633**	**8 749**	**884**	**9 068**	**8 702**	**366**

	Transferred assets			Associated liabilities		
2015	**Carrying amount**	**Of which repurchase agreements**	**Of which securities lending**	**Carrying amount**	**Of which repurchase agreements**	**Of which securites lending**
Valuation category , fair value through profit or loss						
Trading						
Equity instruments	426		426	74		74
Debt securities	3 554	3 554		3 554	3 554	
Total	**3 980**	**3 554**	**426**	**3 628**	**3 554**	**74**

P46 Operational leasing

The agreements mainly relate to premises in which the parent company is the lessee. The terms of the agreements comply with customary practices and include clauses on inflation and property tax. The combined amount of future minimum lease payments that relate to non-cancellable agreements is allocated on the due dates as follows:

2016	**Expenses**	**Income subleasing**	**Total**
2017	722	38	684
2018	630	37	593
2019	510	35	475
2020	412	34	378
2021	309	31	278
2022	295	31	264
2023	288	31	257
2024	255	31	224
2025	242	30	212
2026 or later	1 902	239	1 663
Total	**5 565**	**537**	**5 028**

2015	**Expenses**	**Income subleasing**	**Total**
2016	607	36	571
2017	563	34	529
2018	442	26	416
2019	400	24	376
2020	284		284
2021	199		199
2022	183		183
2023	178		178
2024	166		166
2025 or later	1 248		1 248
Total	**4 270**	**120**	**4 150**

P47 Related parties and other significant relationships

	Subsidiaries		Associates		Other related parties	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Assets						
Loans to credit institutions	379 199	340 717	10 408	7 940		
Loans to the public	596	995				
Bonds and other interest-bearing securities	4 904	2 873				
Derivatives	8 812	12 743				
Other assets	9 573	7 639			30	38
Prepaid expenses and accrued income	187	388				
Total assets	**403 271**	**365 355**	**10 408**	**7 940**	**30**	**38**
Liabilities						
Amount owed to credit institutions	58 307	71 280	2 060	1 993		
Deposits and borrowing from the public	6 246	8 156			460	246
Derivatives	29 214	30 071				
Other liabilities	145	37				
Accrued expenses and prepaid income	13	44				
Total liabilities	**93 925**	**109 588**	**2 060**	**1 993**	**460**	**246**
Contingent liabilities						
Guarantees	550 517	493 783				
Derivatives, nominal amount	838 577	688 443	1 227	1 883		
Income and expenses						
Interest income	–1 742	–2 028	88	100		
Interest expenses	2 229	1 229				7
Dividends received	9 456	3 873	399	53		
Commission income	1 534	1 625	6	6		
Commission expenses	9	2				
Other income	156	171	9	12		
Other general administrative expenses	29	41			715	717

P48 Events after 31 December 2016

See Group note G55.

Reports and notes – Sustainability

Sustainability report

We integrate economic, social and environmental sustainability in our operations and business decisions. We therefore present our sustainability results as an integral part of the annual report. Our report conforms to the Global Reporting Initiative's (GRI) G4 Core level and has been reviewed by the auditing firm Deloitte in accordance with the assurance report on page 186. The report consists of the Annual Report 2016 and the GRI Report 2016.

For Swedbank, sustainable business is distinguished by responsible business decisions, value creation and transparency. We have committed to follow several international initiatives and have built an integrated sustainability framework for taking responsibility and minimising risks. The UN Global Compact's ten principles and the UN Principles for Responsible Investments (UNPRI) are among the critical commitments that guide our work and are the basis of our position statements and the way we act. During the year we formulated eleven sector guidelines that further clarify what we expect of companies e.g. in terms of human rights, the environment, business ethics and anti-corruption.

Our sustainability integration is illustrated in the model below. The majority of our commitments, governing documents and work processes are shown here, providing an overview of our corporate sustainability governance and how sustainability is implemented and monitored at Swedbank.

It is essential to our sustainability work to continuously dialogue with our stakeholders. Together we have identified and prioritised which areas are the most material and strategically important for us in order to reach our goal of sustainable banking.

In the following notes, we report the results of our sustainability work from the standpoint of our core processes: pay, finance, save/invest and procure. We also present our results based on our work with gender equality and diversity, the environment and social engagement. The sustainability information is found on pages 16–19 and 169–180 and in the document GRI-Report 2016 available at www.swedbank.se.

COMMITMENTS

• UN Global Compact • UN Environmental Programme for the Financial Sector • UN Framework on Business and Human Rights • Financial Coalition against Commercial Sexual Exploitation of Children • UN Principles for Responsible Investments • Montreal Carbon Pledge • Global Investment Performance Standards

FRAMEWORKS AND GUIDELINES

• Policies • Position statements • Code of Conduct • Sector guidelines

GOVERNANCE

• ISO 14001 compliant environmental management system • Strategy • Goals

APPLICATION

• Sustainability analysis in business processes • Active ownership and advocacy • Exclusion of companies • Product development

SUPPORT

• Internal sustainability expertise • Swedbank's Business Ethics Council • Sustainability training

MONITORING AND REPORTING

• Annual Report • GRI Report • Climate review report and calculation of climate impact of funds • Reporting on responsible investments • Investor queries • External and internal audits

S1 Pay

Various types of risks arise in the Pay area tied to money laundering and terrorist financing, among other things. It is important therefore that we know our customers, understand where their money comes from and why they want a relationship with the bank, since it better enables us to detect unusual behaviour. The Anti-Money Laundering Act requires that we know our customers and that we continuously update and document it. We constantly try to improve our systems and processes to combat money laundering, terrorism financing and corruption. Through the bank's "Know Your Customer" process, our system support for monitoring transactions and reconciliations of customer databases against sanction lists, we minimise these risks in our operations. An inspection conducted during the year by the Financial Supervisory Authority in Latvia identified deficiencies in Swedbank's internal control systems for preventing money laundering. Swedbank Latvia has therefore entered into an agree- ment and committed to implementing a series of changes to internal control systems, processes and documentation to combat money laundering. The agreement includes a fine of EUR 1.36m.

Digitisation in society is accelerating and customers are demanding new and simpler products and availability wherever they happen to be, increasing the need for competence and transparency. Digitisation is a priority for Swedbank. Greater digitisation also paves the way for efficient resource utilisation. In the bank, resources are freed up for individual financial advice as customers increasingly turn to and rely on digital channels. This means that availability, i.e. the options available to customers to contact us and do their banking, increases as the digital channels develop.

As our customers gain access to more options, we as a bank face higher demands to meet their expectations. We therefore work continuously to introduce new digital functions to make everyday banking easier. Swedbank further improved the Internet bank in 2016 and launched a test version for corporate customers. We also made it possible to prequalify for a mortgage digitally and to sign contracts electronically. To further increase availability for our customers, we also launched round-the-clock personal service through the customer centre during the year.

The transition to a digital society poses great risks. Providing safe and reliable IT systems is essential to maintaining the trust of our customers. We work continuously to ensure that our IT systems are available, stable and secure and have placed great focus on quality improvements, reduced systems complexity and more efficient routines.

Sweden	2016	2015	2014
Population (million)	10.0	9.6	9.6
Private customers (million)	4.0	4.0	4.1
Corporate customers (thousand)	266	265	270
Cards (million)	4.2	4.1	3.9
Branches	248	275	314
Internet Bank customers (million)[1]	4.1	3.9	3.7
Internet Bank logins (million)[1]	240	240	254
Internet Bank payments (million)[1]	158	162	174
Mobile Bank customers (million)[1]	2.8	2.5	2.0
Mobile Bank logins (million)	478	396	416
Swish payments (million)	156	80	20
Donations to WWF from WWF cards (SEKm)[2]	1.1	2.1	3.6
Customers with WWF cards[2]	36 494	80 121	136 983

1) Including savings banks.
2) Swedbank and the savings banks no longer collaborate with WWF on card products. Donations continue to be paid to WWF from outstanding cards.

Estonia	2016	2015	2014
Population (million)	1.3	1.3	1.3
Private customers (million)	0.9	0.8	1.0
Corporate customers (thousand)	141	135	130
Cards (million)	1.1	1.1	1.1
Branches	35	36	50
Accessible branches	33	28	28
ATMs	419	423	457
Internet Bank customers (million)	0.9	0.9	0.9
Internet Bank logins (million)	60.6	61.4	61.6
Internet Bank payments (million)	70.9	67.0	64.3
Mobile Bank customers (million)[1]	0.2	0.1	
Mobile Bank logins (million)	9.7	6.2	4.4

1) New definition of mobile bank customer in 2016, revised number for 2015.

Latvia	2016	2015	2014
Population (million)	2.0	2.0	2.0
Private customers (million)	0.9	0.9	1.0
Corporate customers (thousand)	91	90	87
Cards (million)	1.0	1.0	1.0
Branches	41	41	54
Accessible branches	30	31	32
ATMs	396	413	409
Internet Bank customers (million)	0.9	0.9	0.9
Internet Bank logins (million)	55.3	56.3	55.8
Internet Bank payments (million)	67.3	55.1	52.2
Mobile Bank customers (million)[1]	0.2	0.1	
Mobile Bank logins (million)	5.7	4	3

1) New definition of mobile bank customer in 2016, revised number for 2015.

Lithuania	2016	2015	2014
Population (million)	2.9	3.0	3.0
Private customers (million)	1.5	1.5	2
Corporate customers (thousand)	86	84	89
Cards (million)	1.7	1.6	1.7
Branches	65	67	77
Accessible branches	62	63	64
ATMs	423	454	520
Internet Bank customers (million)	1.4	1.3	1.3
Internet Bank logins (million)	58.0	57.8	57.7
Internet Bank payments (million)	58.9	43.8	42.9
Mobile Bank customers (million)[1]	0.2	0.1	
Mobile Bank logins (million)	7.6	4.4	2.6

1) New definition of mobile bank customer in 2016, revised number for 2015.

S2 Finance

We feel it is essential as a well-functioning bank to promote a sound financial situation and reduce the impacts on people and the environment arising through our customers' businesses. In our lending to private and corporate customers, we do so by clarifying risks and reviewing each customer's long-term financial situation.

Swedbank's vision is that the foundation of a sound and sustainable economy will be built on manageable amortisation and debt levels. On 1 June 2016 the Swedish Financial Supervisory Authority (SFSA) introduced new mortgage amortisation requirements to slow the debt build-up in recent years among Swedish households. To encourage customers to be financially prudent, we had already introduced mortgage amortisation requirements similar to SFSA's. At the same time more customers are willing to amortise their mortgages as they realise that amortisation is an important complement to savings. This is a view the bank shares. That is why Swedbank has made it easier for customers to pay off their loans and in 2013 gave them the option to amortise up to an additional 20 per cent each year without prepayment fees. In 2016 prepayments were received on over 3 000 mortgages without fees.

Sustainability risks are taken into consideration in all credit decisions and are an integral part of the bank's risk analysis. A special sustainability risk assessment is conducted in connection with all corporate loan applications over SEK 5m in Sweden and EUR 0.8m in the Baltic countries. When corporate loans fall below the limit, sustainability related factors are assessed as part of the customer analysis. In cases where additional guidance is needed to minimise sustainability risks, credit decisions can be escalated to Swedbank's Business Ethics Council, which handles cases involving the environment, human rights, social responsibility, business ethics and/or corruption.

To support the sustainability risk analysis, Swedbank developed new sector guidelines in 2016 that also serve as a basis for a sustainability dialogue with customers. The guidelines cover important sustainability risks in each sector as well as the international standards and norms we comply with. During the year we also adopted a new position statement on climate change by prohibiting the direct financing of coal-fired power plants and excluding from new investment any companies that generate over 30 per cent of their revenue from coal production. In addition, the Group has an exclusion list of all the companies excluded from investment and financing.

Corporate lending	2016	2015	2014
Corporate lending (SEKm)	521 638	501 693	495 181
Renewable energy lending (SEKm)[1]	10 131	10 318	8 373
Number of customers with renewable energy loans[1]	135	135	182
Number of green bonds[2]	8	5	2
Green bonds, total compiled from the start (SEKbn)[2]	20.4	6.8	3.6
Sustainability risk analysis in lending			
–Sweden (no. of business loan applications approved)[3]	39 590	48 404	
– Estonia (no. of business loans approved)	656	662	649
– Latvia (no. of business loans approved)	507	539	456
– Lithuania (no. of business loans approved)	350	624	530
No. of credit cases escalated to Swedbank's Business Ethics Council[4]	4	8	8

1) Total renewable energy lending refers to wind power, biomass district heating, pellet production, biogas and hydropower.
2) Financing of e.g. solar, wind and hydroelectric power (where Swedbank acted as lead manager).
3) The number of analyses decreased after the limit was revised in 2015 from SEK 1m to SEK 5m.
4) The total number of cases escalated to the Council, including non-credit-related, was 20 in 2016.

Private lending (Sweden)	2016	2015	2014
Energy loans (SEKm)[1]	57	73	92
Households with loan-to-value ratios above 70% of property value (%)	11	14	22
Share of households with loan-to-value ratios above 70% that amortise (new lending)[2]	98	95	87
Share of households with loan-to-value ratios above 70% that amortise (total portfolio)	93	89	71

1) Energy loans are available to customers in Sweden and used to finance residential energy savings.
2) New lending refers to all mortgages paid out in the fourth quarter of each year.

Share of corporate lending by country, %	2016	2015	2014
Sweden	76	77	77
Estonia	6	5	5
Latvia	3	3	3
Lithuania	4	4	4
Norway	8	8	7
Finland	2	2	2
Other	1	1	2

Share of corporate lending by sector, %	2016	2015	2014
Property management	43	42	41
Agriculture, forestry and fishing	13	15	15
Manufacturing	9	8	9
Retail	6	6	6
Shipping	5	6	6
Public sector and utilities	5	5	4
Construction	4	4	3
Corporate services	4	4	3
Transportation	3	2	2
Finance and insurance	2	2	2
Hotel and restaurant	1	1	1
Information and communications	1	1	1
Other corporate lending	4	4	5

S3 Save/Invest

We offer our customers sustainable savings through responsible investments. An important part of savings is asset management. The main strategy employed by our fund management company, Swedbank Robur, as a responsible asset manager is to encourage companies through dialogue and active ownership to address sustainability issues and responsible corporate governance. We engage with these companies and maintain continuous contact with the boards and managements of those where the funds are major owners. The fund management company participates in nomination committees, votes at annual meetings and collaborates with other investors. An important goal of Swedbank Robur's ownership work is to create well-balanced boards in terms of competence, experience and diversity, including gender, as well as to balance independent and non-independent directors.

Integrating sustainability in Swedbank Robur's investing processes was a priority during the year. Workshops have increased understanding of critical sustainability issues, and projects have been started to develop new analysis methods. By being a long-term, active owner, we are able to encourage companies to focus on corporate governance, business ethics, human rights, occupational health and safety, and the environment. During the year we conducted dialogue with gambling operators, companies in extractive industries and in the palm oil sector, among others.

Swedbank Robur does not invest in companies that manufacture cluster munition, antipersonnel mines, chemical and biological weapons, and nuclear weapons. During the year it also decided to exclude companies that generate at least 30 per cent of their revenue from coal production. Our sustainability funds are managed with special criteria on the environment, human rights, occupational health and safety, and business ethics. These funds also exclude companies that produce fossil fuels: coal, oil and gas. One of the funds, Humanfond, donates to charity and gives savers the option to donate two per cent of their investment value per year to an affiliated charity of their choice.

Swedbank Robur has reported the carbon footprint of all its equity and balanced funds twice a year since December 2014. Carbon footprint shows how much CO_2 the companies in a fund emit in relation to income i.e. how climate efficient they are.

In addition to funds, Swedbank offers savings in the form of equity-linked bonds with or without capital protection, where the return is tied to various asset classes and markets, so-called SPAX equity-linked bonds. Some have special ethical requirements that exclude companies associated e.g. with a lack of respect for human rights or unfair labour conditions. Certain indexes are chosen specifically because they exclude coal and oil production. Their investments can focus on companies that benefit from future investments to resolve major global challenges.

Asset management[1]	**2016**	**2015**	**2014**
Total assets under management (SEKbn)	1 170	1 090	1 052
– of which in funds (SEKbn)	789	738	715
Assets under management with specific sustainability criteria (%)[2]	40	39	40

1) Asset management as of 31 December 2016.
2) Includes sustainability funds and discretionary management with specific sustainability criteria.

Advocacy funds (no.)	**2016**	**2015**	**2014**
Companies contacted on sustainability issues (no.)[1]	382	263	332
– of which companies listed in Sweden	65	71	132
– of which companies listed outside Sweden	317	192	200
Participation in nominating committees in Sweden (no.)	69	59	61
Participation in annual general meetings (no.)	295	269	243
– of which in companies listed in Sweden	171	140	135
– of which in companies listed outside Sweden	124	129	108

1) Of which 222 companies contacted through collaborations and 160 through own contacts during 2016.

Analysis of sustainability funds	**2016**	**2015**	**2014**
Sustainability analyses of listed Swedish companies (no.)	69	97	130
Sustainability analyses of listed foreign companies (approx. no.)	1 800	1 800	1 800
Share of investable companies listed in Sweden (%)[1]	34	33	35
Share of investable companies listed outside Sweden (%)[2]	43	43	46

1) Share of companies in SIX Portfolio Return Index (SIXPRX) approved for investment by our Ethica sustainability funds. 60 per cent of SIXPRX was analysed as of 31 December 2016 and 57 per cent of the companies were approved for investment. During the year Ethica Sverige switched its comparative index to OMX Stockholm Benchmark Cap GI.
2) Share of companies in MSCI World Index approved for investment by our Ethica sustainability funds. 100 per cent of the index was analysed as of 31 December 2016.

Products with sustainability profile, SEKm	**2016**	**2015**	**2014**
Assets under management in sustainability funds			
– Ethica Sverige	4 945	4 717	6 035
– Ethica Sverige MEGA	2 473	1 687	2 377
– Ethica Global	2 039	1 978	2 806
– Ethica Global MEGA	4 824	3 407	2 363
– EthicaObligation[1]	8 433	1 312	1 042
– Ethica Obligation Utd	10 219		
– Humanfond	2 090	2 149	2 154
– Talenten Aktiefond MEGA	1 689	1 320	1 436
– Talenten Räntefond MEGA	1 134	1 671	1 317
Charitable donations from Swedbank Robur Humanfond[2]	42	43	43
SPAX Sverige[3]	71	652	375
SPAX Europe Etik		143	
SPAX Hållbar Horisont[4]	28		
SPAX Horisont Sverige[4]	68		
SPAX Sverige Horisont[4]	45		
SPAX Klimatsmart[5]	65		
SPAX Vatten We Effect Refugee		10	
SPAX Vatten[4]	24		
SPAX We Effect Refugee	10		
Bevis Sverige Etik	24		
Bevis Sverige Etik Balans		18	
Bevis Sverige Etik Östersjölaxen		35	
Bevis Global Skydd 80	10		
Bevis WinWin Sverige Etik			81

1) The former fund Ethica Ränta was merged during the year with Räntefond Pension and changed its name to Ethica Obligation.
2) Humanfond had a total of 29 988 investors and 79 affiliated charities.
3) SPAX Sverige was issued three times in 2016.
4) SPAX Hållbar Horisont, SPAX Horisont Sverige, SPAX Sverige Horisont och SPAX Vatten were all issued two times in 2016.
5) SPAX Klimatsmart was issued four times in 2016.

Climate footprint of selected funds compared with their respective indexes[1]	**tonnes CO_2e/ SEKm, fund**	**tonnes CO_2e/ SEKm, index**
Three largest funds (assets under management, SEKm)		
– Allemansfond Komplett (52 131)	12	30
– Aktiefond Pension (36 241)	13	30
– Kapitalinvest (24 246)	8	30
Regional equity funds (assets under management, SEKm)		
– Sverigefond (15 371)	22	16
– Europafond (4 647)	33	35
– Globalfond (3 391)	9	37
– Amerikafond (5 212)	7	36
– Asienfond (2 708)	17	59

1) The calculations are based on fund holdings as of 30 June 2016. Footprint of the fund in relation to footprint of the fund's comparative index.

Climate footprint, Ethica sustainability funds, tonnes of CO_2e/SEKm[1]	**2016**	**2015**	**2014**
Ethica Global			
– fund	7	9	34
– MSCI World Index	37	44	46
Ethica Sweden			
– fund	11	13	21
– OMX Stockholm Benchmark Cap GI	16	18	21

1) Tonnes CO_2e/SEKm. Calculations based on fund holdings 2016-06-30, 2015-06-30, and 2014-06-30.

S4 Procure

Swedbank has around 14 000 suppliers and annual procurement costs of SEK 8 bn. The central procurement process governs all reported purchases over EUR 50 000, aggregated on an annual basis, which are managed with support from the bank's central procurement unit. During the year it established a new procedure for procuring products and services which facilitates more uniform, clearer oversight of sustainability assessments and the sustainability requirements that Swedbank places on its suppliers.

In tenders managed by the bank's central procurement unit, suppliers shall sign Swedbank's code of conduct as part of a binding contract. The code governs important areas such as human rights, labour rights, business ethics and the environment. In addition, certain sustainability issues are included directly in the specific tender, such as relevant certifications and process descriptions.

New suppliers are also classified based on industry- and country-specific sustainability risks with the support of Swedbank's sector guidelines. Suppliers whose sustainability risks are classified as high are required to conduct a self-assessment of how well they meet the supplier requirements in Swedbank's code of conduct. In special cases, suppliers are visited, so-called look-arounds, and if necessary proposed changes are drawn up together with the supplier and then followed up. If there is any ambiguity, the case can be escalated to Swedbank's Business Ethics Council for recommendation and guidance. Existing suppliers are monitored as well, mainly through continuous dialogue and audits. Oursuppliers are personally visited to ensure that they are following through on agreed commitments. In 2016 the procurement unit made 30 supplier visits.

Since Swedbank's business areas own all supplier agreements and demand specifications locally, agreements can be signed in certain cases without the central procurement unit being involved. If a supplier has been selected without the support of the procurement unit, it cannot be evaluated according to our sustainability criteria. In such cases, it is important to ensure that the supplier meets them e.g. by signing our code of conduct.

Supplier audits	2016	2015	2014
No. of reported purchases over EUR 50 000[1]	515	266	172
Number that have undergone sustainability assessment	470	229	151
Share of reported purchases that have undergone sustainability assessment (%)	91	86	86
Supplier visits conducted (no.)[2]	30	30	19

1) Based on data from the internal procurement system.
2) In 2016 two supplier visits were conducted via virtual meetings.

S5 Employees

We are convinced that employees who feel that they develop and gain knowledge and experience from different parts of the bank become more motivated and gain a better understanding of our customers and their needs. This enables us to be a competitive and sustainable bank. We take a structured approach to skills development. Together with their manager, each employee formulates a development plan for the short and long term. We believe that the biggest potential for developing skills is in daily work, through internal mobility and by learning from other employees. We therefore encourage this, but also offer our employees a range of training options that include e-learning and classroom training.

Gender equality and diversity are important to Swedbank. The Group Executive Committee decided in 2014 to focus on and develop these issues in the bank. This has meant a stronger emphasis on three areas: equal wages, equal representation at the highest management level and increased diversity in general. The work concluded on 31 December 2016, when new goals were set.

To create a more diverse bank where employees have different backgrounds, we are taking action in the areas of fair wages, working conditions, parental rights, recruitment, equal treatment and diversity, while discouraging discrimination and harassment. Wage surveys are conducted annually in all our home markets. The unweighted wage differences we have today are largely due to the fact that men and women have different jobs with different pay scales, with women more often working at lower scales. If a difference cannot be explained, it is considered unwarranted. We try to identify and mitigate unwarranted wage differences, including by actively comparing the wages of employees with the same positions or degree of difficulty and tracking managers according to various gender equality goals. More data and information om can be found in Note G13.

We are working actively to achieve gender equality at the highest management level. Surveys are conducted regularly and several measures are being taken to improve oversight and awareness. Managers and others in key staff functions receive training in the importance of gender equality, diversity and norms. The share of women has increased from 29 to 41 per cent since the target was set in 2014.

Diversity is an important issue for us. We are an inclusive bank and obviously our employees should reflect the communities where we live and work. Several training programmes are therefore underway in the bank to increase diversity. In Sweden, the number of employees with a foreign background has increased from 12 to 15 per cent between 2014 and 2016. The increase is highest in urban areas and in the business areas that have had the most trainees through the "A Job At Last" initiative. In the Baltic countries, the concept of diversity is not as firmly established, either in society or in the bank. The issue is included in the bank's agenda, however, and in 2015, as a first step, training was provided for Swedbank's management in the Baltic countries.

Total number and share of new employees by gender, age group and country, %	2016	2015	2014
Number of new employees	1 680	909	1 346
Women	61	66	62
Men	39	34	38
0–29 years	65	72	61
30–44 years	29	24	30
45–59 years	6	4	8
60– years	0	0	1
Sweden	31	11	37
Estonia	21	32	25
Latvia	13	26	14
Lithuania	35	31	24

Internal training[1]	2016	2015	2014
Total number of training hours	362 349	379 887	462 876
Training hours per full-time employee (average FTE)	24	25	32
– training hours men	11	13	18
– training hours women	17	20	24
– training hours managers	19	21	25
– training hours specialists	8	8	15
Training programs in environment, sustainability, code of conduct and money laundering (number)[2]	9 299	27 258	9 352
Training programs in sustainable banking as well as money laundering and terrorist financing (number)	5 266	5 778	24 324

1) The number of training hours measures onlyhow large a percentage of skills-building activities is through traditional training (e-training and classroom training). The table also includes the savings banks.
2) A new course on ethics and complying with the Code of Conduct was launched in 2015.

Rate of employee turnover by gender, age group and country, %	2016	2015	2014
Women	9.2	8.9	10.2
Men	9.1	9.6	9.6
0–29 years	10.0	10.2	15.3
30–44 years	8.2	8.0	8.6
45–59 years	5.3	5.1	4.6
60– years	36.8	36.4	30.0
Sweden	8.7	8.2	7.6
Estonia	9.7	9.1	13.4
Latvia	10.1	11.4	16.2
Lithuania	14.5	13.0	11.2
Total	9.9	9.4	10.0

Wage difference women vs. men, management positions[1] by country, %[2]	2016	2015	2014
Sweden	–22	–28	–28
Estonia	–38	–39	–39
Latvia	–46	–51	–46
Lithuania	–30	–32	–32
Group total	–35	–39	–40

1) Includes management positions at every level. HR responsibility is the common denominator for this category.
2) The table does not take into consideration either profession or management level. One reason for the differences may be that men still hold more management positions at a higher level with higher salaries.

Wage difference women vs. men, management positions[1] by business area, %[2]	2016	2015	2014
Swedish Banking	–18	–16	–20
Large Corporates & Institutions	–43	–50	–46
Baltic Banking	–40	–45	–38
Group Functions	–24	–31	–34

1) Includes management positions at every level. HR responsibility is the common denominator for this category.
2) The table does not take into consideration either profession or management level. One reason for the differences may be that men still hold more management positions at a higher level with higher salaries.

Wage difference women vs. men, specialists by country, %	2016	2015	2014
Sweden	–22	–23	–23
Estonia	–35	–37	–38
Latvia	–29	–31	–34
Lithuania	–35	–39	–41
Group total	–38	–40	–39

Wage difference female vs. male, specialists by business area, %	2016	2015	2014
Swedish Banking	–15	–17	–16
Large Corporates & Institutions	–40	–42	–39
Baltic Banking	–30	–33	–36
Group Functions	–24	–25	–25

Employee survey, index	2016	2015	2014
Engagement index, Results/Comparison	82	83	
Recommendation index, Results/Comparison[1]	15	–3	18
Leadership index, Results/Comparison	85	84	

1) Likelihood of recommending Swedbank as an employer externally. Calculated on a scale of 0–10, where the share of negative responses (0-6) is subtracted from the share of positive responses (9–10).

Level of education, %	2016	2015	2014
Sweden			
University degree	40	40	45
Other university education	14	15	6
Upper secondary school	45	41	41
Other education	1	3	8
Estonia			
University degree	60	66	65
Other university education	14	17	19
Upper secondary school	19	9	8
Other education	7	8	8
Latvia			
University degree	68	71	71
Other university education	23	23	22
Upper secondary school	9	6	7
Other education	0	0	0
Lithuania			
University degree	85	83	80
Other university education	7	13	14
Upper secondary school	4	4	6
Other education	4	0	0

Age distribution, %	2016	2015	2014
Sweden			
0–29 years	18	16	12
30–44 years	36	37	39
45–59 years	39	39	41
60– years	7	8	8
Estonia			
0–29 years	23	23	24
30–44 years	55	57	57
45–59 years	20	18	17
60– years	2	2	2
Latvia			
0–29 years	27	26	29
30–44 years	61	53	60
45–59 years	11	20	10
60– years	1	1	1
Lithuania			
0–29 years	30	26	27
30–44 years	50	53	52
45–59 years	18	20	20
60– years	2	1	1

S6 Environmental impacts

Swedbank's environmental work builds on our environmental management system, which is certified according to ISO 14001. We take a structured approach to reducing environmental impacts: those generated directly through our operations and those generated indirectly through our financing, investments, payments and procurement. It is our responsibility, to the best of our ability, to minimise and report our carbon footprint. One way to raise awareness internally and among our customers is our annual Sustainability Week, where we in 2016 highlighted Swedbank's products and services with a focus on sustainable savings.

Since the base year 2010 we have nearly cut our greenhouse gas emissions in half. We have revised the previous goal for 2018, and the new goal is to cut emissions by 60 per cent based on total emissions in 2010. The largest share of our emissions is generated through energy consumption in our offices and through business travel. It is important therefore to continuously reduce our consumption and increase the share of renewable energy, especially in our properties in the Baltic countries, where consumption is usually more CO_2 intensive than in Sweden. In 2016 we reduced our total energy consumption by around 14 000 MWh. To further improve efficiencies and reduce our consumption, we will conduct an energy analysis in 2017 to identify potential savings.

The emissions from our business travel has increased during the year. It depends mostly on the fact that number of flights has increased, primarily in Sweden and the Baltic countries. To reverse this trend, we need to work more on replacing air travel with train routes in Sweden where it is possible and strive to change the way we meet internally and with our customers by holding more meetings on digital platforms. In this way, we free up more time and resources for our employees, while reducing travel times and the impact of our business travel. A changeover to new digital channels and new ways of interacting with customers is resulting in fewer branches and lower energy consumption.

We also work actively to reduce internal resource consumption through increased use of electronic archiving and distribution. We offer customers the option of receiving contract information from Swedbank and the savings banks through the Internet Bank, another step toward digital banking. Since 2015 the bank has electronically archived and distributed contracts and terms, which are available to customers in the Internet Bank.

Greenhouse gas emissions[1], tonnes CO_2e	2016	2015	2014
Total emissions	37 357	35 444	41 715
Reduction target 2018, 60%[2]	28 912	28 912	
Emissions by scope according to GHG protocol			
Emissions scope 1[3]	881	989	2 495
Emissions scope 2[4]	16 583	19 195	21 985
Emissions scope 3[5]	19 893	15 260	17 235
Emissions by country			
Emissions, Sweden	15 841	15 873	19 906
Emissions, Estonia	12 291	12 336	14 216
Emissions, Latvia	3 242	2 600	2 680
Emissions, Lithuania	4 626	3 519	3 343
Emissions, other[6]	1 357	1 116	1 570

1) Carbon dioxide, methane and nitrous oxide.
2) The base year is 2010, when we reported 72 279 tonnes of CO_2 emissions.
3) Our direct emissions. Based on fuel consumption in company cars and refrigerant gas loss.
4) Our indirect emissions generated through electricity consumption and heating/cooling.
5) Our other indirect emissions from business travel, security transports, paper consumption, water consumption and waste (business-related meals and consumption of coffee and fruit are included in 2014).
6) Norway, Finland, Denmark, USA, Luxembourg and China.

Emissions by category, tonnes CO_2e	2016	2015	2014
Sweden			
Office premises	3 550	5 029	7 364
Business travel	12 145	10 659	11 978
Other emissions[1]	146	185	564
Estonia			
Office premises	10 484	11 093	12 953
Business travel	1 753	1 168	1 159
Other emissions[1]	54	75	104
Latvia			
Office premises	2 258	1 561	1 697
Business travel	892	780	795
Other emissions[1]	92	259	188
Lithuania			
Office premises	2 228	1 337	1 546
Business travel	2 258	1 508	1 435
Other emissions[1]	140	674	362
Other countries			
Office premises	429	413	357
Business travel	925	699	1 206
Other emissions[1]	3	4	7

1) Security transports, paper consumption and waste (business-related meals and consumption of coffee and fruit are included in 2014).

Other environmental data	2016	2015	2014
Energy consumption in our offices (MWh)	116 335	130 368	151 207
Electricity consumption in our offices (MWh)	66 158	68 313	80 785
Renewable electricity as a share of total electricity consumption (%)[1]	69	72	67
Paper consumption (tonnes)	929	1 035	979
Water consumption (m3/FTE)	8	9	11
Recycled waste (tonnes)	473	634	636
Incinerated waste (tonnes)	312	383	586
Landfill waste (tonnes)	363	344	299

1) Renewable energy refers to wind power and hydroelectric power.

Internal energy consumption[1]	2016	2015	2014
Total emissions from energy consumption (tonnes CO_2e/MWh)	0.18	0.15	0.14
Energy consumption per employee (MWh/FTE)	7.6	8.5	9.5

1) Our indirect energy consumption consists of consumption of energy, heating, cooling and gas.

Comparative figures, tonnes CO_2e	2016	2015	2014
Total emissions per employee	2.44	2,32	2,63
Scope 1 and 2 emissions per employee	1.14	1,32	1,54
Total emissions per m^2 office space	0.081	0.074	0.080
Scope 1 and 2 emissions per m^2 office space	0.038	0.042	0.047

S7 Social engagement

Social engagement has played a key role throughout Swedbank's history. The first Swedish savings bank was founded in 1820 to help the public to save and achieve long-term financial security. The same holds true today.

Swedbank has a tradition of educating the public. In Sweden, we publish the magazine Lyckoslanten, which is distributed free of charge to all students ages 10–12. The magazine celebrated its 90th anniversary in 2016, but has continuously changed with the times. We want to teach kids about managing money and savings and strengthen the cooperation between schools and their communities. Swedbank's employees in the Baltic countries, working together with other social partners, arranged over 1 300 lectures in economics during the year for upper secondary students. In Lithuania, Swedbank is involved in a network that brings together companies and schools to increase financial awareness. Employees from Swedbank and other companies have volunteered to lecture and arranged activities in schools, reaching out to 71 per cent of the country's schools, or a total of 160 000 students and nearly 3 000 teachers.

We strive to be an inclusive bank. In Sweden, Swedbank, the savings banks and the Public Employment Service have joined together to create the Young Economy initiative to help unemployed young people gain a foothold in the job market. Together with the bank's corporate network, over 11 000 traineeships have been created for those ages 18–24 who need work experience, references and training. Over 1 200 of them have completed a three-month traineeship at Swedbank and the savings banks, after which around a third have been offered some form of employment. The collaboration between Swedbank and the Public Employment Service has been expanded to an initiative called A Job at Last, which focuses on unemployed foreign-born academics, especially those with business degrees. To date we have offered nearly 230 people a six-month traineeship, where their skills are validated to help match them with the right jobs.

We also promote innovation and entrepreneurship. In Estonia, we have participated in the launch of a fund where young entrepreneurs can apply for a grant to launch innovative products they have developed. To date the fund has distributed EUR 380 000. The grants have gone to new products with a focus e.g. on global environmental issues such as air purification and water consumption.

Social investments, total SEKm	2016	2015	2014
Social investments, total	116	107	144
–of which Sweden	91	87	104
–of which Estonia	7	7	8
–of which Latvia	14	11	30
–of which Lithuania	4	2	2

Social investments per engagement, %	Sweden	Estonia	Latvia	Lithuania
Sponsorship of social activities	47	98	15	61
Staff volunteering in paid time	6	0	2	39
Management costs	0	2	3	0
Gifts from customers via the bank's products and services	47	0	80	0

Distribution of financial value creation in relation to total income, %	2016	
	SEKm	%
Total income	41 635	42
Interest paid to the public (deposits)	1 100	1
Interest paid on other funding/financing	14 259	14
Deposit guarantee fees	466	0,5
Fee to government stabilisation fund	646	0,5
Tax for the year	4 036	4
Non-deductible VAT[1]	1 255	1
Social insurance costs and pensions	2 716	3
Salaries and fees incl shares in Swedbank	6 217	6
Payments to suppliers, home markets	8 052	8
Proposed shareholder dividend	14 695	15
Profit for the year reinvested in the bank	4 844	5

1) Refers to non-deductible VAT expensed by Swedbank.

GRI Standard Disclosures

GRIR =GRI Report 2016
AR = Annual Report 2016

		Page/reference	Global Compact (principle no.)
Strategy and analysis			
G4-1	Statement from the CEO	6–7	
Organisational profile			
G4-3	Name of the organisation	Front cover	
G4-4	Primary brands, products, and/or services	97 note G6	
G4-5	Location of the organisation's headquarters	63 note G1	
G4-6	Number of countries where the organisation operates	2, 98 note G7	
G4-7	Nature of ownership and legal form	38–48	
G4-8	Markets served	2, 98 note G7	
G4-9	Scale of the organisation	2–3	
G4-10	Employee data	102 note G13, 174–175	1–6
G4-11	Percentage of total employees covered by collective bargaining agreements	102 note G13	3
G4-12	The organisation's supply chain	174, GRIR 3	1–6
G4-13	Significant changes during the reporting period	63 note G2	1–10
G4-14	Whether and how the precautionary approach or principle is addressed by the organisation	63 note G2, GRIR 3	7–9
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	GRIR 4	
G4-16	Memberships of associations and national or international advocacy organisations	GRIR 4	
Identified Material Aspects and Boundaries			
G4-17	Organisational structure including list of entities included or excluded	38–55	
G4-18	Explanation of the process for defining the report content and the aspect boundaries and how the organisation has implemented the reporting principles for defining report content	GRIR 5	1–10
G4-19	Material aspects identified in the process for defining report content	GRIR 5	
G4-20	For each material aspect, report the aspect boundary within the organisation	GRIR 6	
G4-21	For each material aspect, report the aspect boundary outside the organisation	GRIR 6	
G4-22	The effect of and reasons for any restatements of information provided in previous reports, and the reason for such restatements	GRIR 6	
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	GRIR 6	
Stakeholder Engagement			
G4-24	List of stakeholder groups engaged by the organisation	GRIR 7	
G4-25	The basis for identification and selection of stakeholders	GRIR 7	
G4-26	The organisation's approach to stakeholder engagement	GRIR 7	
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics	GRIR 8	1–10
Report Profile			
G4-28	Reporting period	186, GRIR 2	
G4-29	Date of most recent previous report	GRIR 8	
G4-30	Reporting cycle	GRIR 8	
G4-31	Provide the contact point for questions regarding the report or its contents	Back cover, GRIR 19	
G4-32	Report the 'in accordance' option the organisation has chosen, the GRI Content Index for the chosen option and reference to external assurance	170, 179	
G4-33	Policy and current practice with regard to seeking external assurance for the report	170, 186	1–10
Governance			
G4-34	Governance structure of the organisation	38–55	
Ethics and Integrity			
G4-56	The organisation's values, principles, standards, and norms of behaviour such as codes of conduct and codes of ethics	1, GRIR 9	1–10

Reporting according to G4-DMA

Description		Pages
G4-DMA-a	Report why the identified aspects are material for Swedbank's sustainability work	GRIR 10–13
G4-DMA-b	Report how the organisation manages the material aspects	GRIR 10–13
G4-DMA-c	Report the evaluation of the management approach	GRIR 10–13

GRI Specific Standard Disclosures

The GRI indicators tied to the material aspects as defined by the bank's materiality analysis and how these material aspects align with GRI's indicators and specific standard disclosures are shown below. The same table shows how our work supports the Global Compact's ten principles.

One or more indicators are reported for each material aspect. We have used one or more of GRI's indicators where available and reported them in the table below using GRI's designations. For aspects that lack GRI disclosures, we have used our own disclosures. For all our material aspects at least one disclosure/specific standard disclosure is reported in accordance with GRI G4.

GRIR =GRI Report 2016 AR = Annual Report 2016

Material Aspects	Indicator	Indicator name/disclosure	Page/reference	Global Compact (principle no.)
	Economic impacts			
	Economic performance			
Sound compensation culture		Compensation within Swedbank	102 note G13	6
Social engagement	G4-EC1	Direct economic value generated and distributed	177	
Sound lending culture		Households with loan-to-value ratio over 70% of property value	172	
		Share of households with loan-to-value ratio over 70% that amortise	172	
Financial stability		Results and ROE	3, 58-59	
		Capital adequacy ratio	90 note G4	
		Profit for the year	3	
		Dividend per share	3	
Low risk profile		Risk exposure amount	90 note G4	
Competitive prices		Market shares private market and corporate market	13	
	Indirect economic impacts			
Sustainability integrated in internal processes	G4-EC8	Significant indirect economic impacts, including the extent of impacts	177, GRIR 14	
	Environmental impacts			
	Energy			
Responsible resource management	G4-EN5	Internal energy consumption	176	8
	Greenhouse gas			
	G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	176, GRIR 14	8
	G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	176, GRIR 15	7–8
	G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	176, GRIR 15	8
	G4-EN18	Greenhouse gas (GHG) emission intensity	176, GRIR 15	8
	Supplier Environmental Assessment			
	G4-EN32	Percentage of new suppliers that were screened using environmental criteria	174, GRIR 3, 15	7–8
	Social impacts – Working conditions			
	Hiring			
Attractive employer	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region.	174–175	
	Diversity and gender equality			
Gender equality and diversity	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	174–175, GRIR 15	6
	Equal pay for men and women			
	G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	175	6
	Skills development			
Competent personnel	G4-LA9	Average hours of training per year per employee by gender, and by employee category	174	

Material Aspects	Indicator	Indicator name/disclosure	Page/reference	Global Compact (principle no.)
	Social impacts – Human rights			
	Investments			
Sustainability integrated in internal processes	G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	173	1–6
	Supplier assessments for human rights			
	G4-HR10	Percentage of new suppliers that were screened using human rights criteria	174, GRIR 3	1–6
	Social impacts – Organisation's role in society			
	Local communities			
Accessibility	G4-FS13	Access points in low-populated or economically disadvantaged areas by types	171	6
High quality products	G4-FS14	Initiatives to improve access to financial services for disadvantaged people	171	6
	Anti-corruption			
Fight corruption and money laundering	G4-SO3	Number/percentage of operations assessed for risks related to corruption and the significant risks identified	18, 171, GRIR 17	10
		Share of suppliers undergoing business ethics risk assessments	174	1–10
		Share of holdings in fund portfolios undergoing business ethics risk assessments	173	1–10
		Number of corporate customers undergoing business ethics risk assessments	172	1–10
Transparent reporting		Reporting of taxes for the year	107 note G18, GRIR 18	10
		Reporting of profit for the year	3, 58	10
	Social impacts – Product responsibility			
	Product and service labelling			
Customised advice	G4-PR5	Results of surveys measuring customer satisfaction	11	
Secure IT systems		Reliability of IT systems	GRIR 18	1–2
High service level		Results of surveys measuring customer satisfaction	11	
	Product portfolio			
Sustainable products and services	G4-FS6	Percentage of the portfolio for business line by specific region, size and by sector	172, GRIR 18	1–10
	G4-FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	172	1–10
	G4-FS8	Monetary value of products and services designed to deliver environmental benefit for each business line broken down by purpose	172	1–10
	Active ownership			
Responsible owner	G4-FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	173, GRIR 18	1–10
Sustainable products and services	G4-FS11	Percentage of assets subject to positive and negative environmental or social screening	173, GRIR 19	1–10

Signatures of the Board of Directors and the CEO

The Board of Directors and the President hereby affirm that the annual report has been prepared in accordance with the Act on Annual Accounts in Credit Institutions and Securities Companies (ÅRKL), the instructions and general guidelines of the Swedish Financial Supervisory Authority (FFFS 2008:25) and the Swedish Financial Accounting Standards Council's recommendation RFR 2 Accounting for Legal Entities, and provides an accurate portrayal of the Parent Company's position and earnings and that the Board of Directors' Report provides an accurate review of trends in the company's operations, position and earnings, as well as describes significant risks and instability factors faced by the company.

The Board of Directors and the President hereby affirm that the consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and provide an accurate portrayal of the Group's position and earnings and that the Board of Directors' report for the Group provides an accurate review of trends in the Group's operations, position and earnings, as well as describes significant risks and instability factors faced by the Group.

Stockholm, 22 February 2017

Lars Idermark
Chair

Ulrika Francke
Vice Chair

Bodil Eriksson

Göran Hedman

Peter Norman

Pia Rudengren

Karl-Henrik Sundström

Siv Svensson

Camilla Linder
Employee representative

Roger Ljung
Employee representative

Birgitte Bonnesen
President and CEO

Our auditors' report was submitted on 22 February 2017

Deloitte AB

Svante Forsberg
Authorised Public Accountant

Auditors' report

To the annual meeting of the shareholders of Swedbank AB (publ), corporate identity number 502017-7753

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Swedbank AB (publ) for the financial year 2016-01-01–2016-12-31 except for the corporate governance statement on pages 38–55. The annual accounts and consolidated accounts of the company are included on pages 22–37 and 56–168 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. Our opinions do not cover the corporate governance statement on pages 38–55. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Judgments and estimates with respect to valuation of loan receivables

Recognition and measurement of financial instruments as regulated in IAS 39 is a complex and significant area with large impact on Swedbank's business and financial reporting. Management exercises significant judgment when determining both when and how much to record as loan loss provisions. Example of various assumptions and judgments includes the financial condition of the counterparty, expected future cash flow, observable market prices and expected net selling prices. The use of different modelling techniques and assumptions could produce significantly different estimates of loan loss provisions. Furthermore, the associated disclosures are complex and dependent on high quality data.

At December 31, 2016, gross loans to the public amounted to SEK 1 507 247 million, with loan loss provisions of SEK 3 755 million. Given the significance of loans to the public (representing 70% of total assets) as well as the impact from the inherent uncertainty and subjectivity involved in assessing loan loss provisions, we consider this to be a key audit matter for our audit.

Refer to critical judgments and estimates in note G2 and P1 in the financial statement and related disclosures of credit risk in note G3 and P2.

Our audit procedures included, but were not limited to:

- We assessed key controls over the approval, recording and monitoring of loans and receivables, and evaluating the methodologies, inputs and assumptions used in determining and calculating the loan loss provisions.
- For provisions calculated on an individual basis we examined a selection of individual loan exposure in detail, and evaluated management assessment of the recoverable amount. We tested the assumptions underlying the impairment, including forecast of future cash flows, valuation of underlying collateral and estimates of recovery on default. We applied professional judgment in selecting the loan exposure for our detailed testing with an emphasis on exposures in sectors that pose an increased uncertainty for recovery in the current market circumstances, for example shipping & offshore industry, agriculture and dairy farmers in Sweden. To assess whether impairments had been identified in a timely manner, we also examined a selection of loans that had not been identified by management as potentially impaired.
- We examined, supported by our specialists, the sufficiency of the underlying models, assumptions and data used to measure loan loss provisions for portfolios of loans with similar credit characteristics. Likewise we have examined the models, assumptions and data used for the collective impairment for incurred but not identified loss events.
- Finally, we assessed the completeness and accuracy of the disclosures relating to loan loss provision to assess compliance with disclosure requirements included in IFRS.

Valuation of complex or illiquid financial instruments

The valuation of financial instruments is a key area of focus of our audit given the degree of complexity involved in valuing some of the financial instruments and the judgments and estimates made by management.

At December 31st, 2016, financial instruments measured at fair value, comprised of assets of SEK 556 189 million and liabilities of SEK 292 259 million. For financial instruments that are actively traded and for which quoted market prices are available, there is a high objectivity in determining the market price (level 1 instruments). When observable market prices are not available, the fair value of such financial instrument is subject to significant estimation uncertainty (level 2 and 3 instruments). The valuation of such instruments is determined through different valuation techniques, which often includes significant judgments and estimates made by management. In our audit we had a specific focus on the instruments in level 2 and 3, where estimation uncertainty is particularly high, which is why these instruments are considered to be a key audit matter for our audit.

Refer to critical judgments and estimates in note G2 and P1 in the financial statement and related disclosures of financial instruments at fair value in note G44 and P40.

Our audit procedures included, but were not limited to:

- We tested identified key controls in the valuation processes, which included controls over data inputs into valuation models, validation of valuation models and changes to existing models.
- For level 1 instruments, we tested the fair value by comparing recorded fair values with publicly available market data. For the level 2 and 3 instruments, we assessed the appropriateness of the models and inputs. This work included valuing a sample of financial instruments using independent models and source data and comparing the results to the Group's valuations.
- For instruments with significant and unobservable inputs, mainly certain derivatives, we used internal valuation experts to assess and challenge the different assumptions used.
- We also evaluated the methodology and inputs used by management to determine the valuation adjustments in the derivatives portfolio.
- Finally, we assessed the completeness and accuracy of the disclosures relating to financial instruments at fair value to assess compliance with disclosure requirements included in IFRS.

Impairment of goodwill

At December 31, 2016, goodwill amounted to SEK 12 408 million, primarily related to Baltic Banking. According to IAS 36 Impairment of assets, an assessment is required annually to establish whether an impairment of goodwill is required.

The impairment assessment is based on future cashflow discounted at an appropriate discount rate. The estimation of future cash flows and the level to which they are discounted is inherently uncertain and requires significant judgments. Given the extent of judgments and the size of the goodwill, we consider this to be a key audit matter for our audit.

Refer to critical judgments and estimates in Note G2 and P1 in the financial statement and related disclosures of goodwill in note G29 and P26.

Our audit procedures included, but were not limited to:

- We assessed that the methodology and impairment model used are in accordance with IAS 36.
- We assessed, together with our valuation experts, the different judgment areas and assumptions in the discounted cashflow model, for example discount rates, long-term growth, credit impairments and cost levels.
- Key inputs in the model were agreed to supporting documents, such as business/financial plans. We also performed lookback testing to ensure historical accuracy.
- We performed independent sensitivity analysis, making adjustments to a number of model assumptions, such as discount rates, long-term growth and cost / income ratio, to identify any further risk of impairment.
- We evaluated the governance over the process by ensuring the involvement of appropriate competencies in the assessments and that decisions were taken at the correct level.
- Finally, we assessed the completeness and accuracy of the disclosures relating to goodwill to assess compliance with disclosure requirements included in IFRS.

IT-systems that support complete and accurate financial reporting

Swedbank is dependent on their IT-systems to (1) serve customers, (2) support their business processes, (3) ensure complete and accurate processing of financial transactions and (4) support the overall internal control framework. Many of Swedbank's internal controls over financial reporting are depending upon automated application controls and completeness and integrity of reports generated by the IT-systems. Given the high dependency on technology, we consider this to be a key audit matter for our audit.

Swedbank categorizes their key IT-risk and control domains relating to financial reporting in the following sections:

- Modifications to the IT-environment
- Operations and monitoring of the IT-environment
- Information security

Modifications to the IT-environment

Inappropriate modifications to the IT-environment may result in systems that do not function as expected and result in unreliable data processing with impact on financial reporting. Hence management has implemented processes and controls to support that changes to the IT-environment are appropriately implemented and function consistently with management's intentions.

Our audit procedures included, but were not limited to:

- ,We assessed management principles and processes for modifications to the IT-environment.
- We assessed management testing and monitoring of modifications in the IT-environment.
- We evaluated segregations of duties for personnel working with development and production environment.

Operations and monitoring of the IT-environment

Inappropriate operation and monitoring of the IT- environment may result in the inability to prevent or detect incorrect data processing. Hence management has implemented processes and controls to support that IT environment is monitored continuously and that incorrect data processing is identified and corrected.

Our audit procedures included, but were not limited to:

- We evaluated the appropriateness of IT-System job scheduling and alarm configuration capabilities.
- We evaluated the appropriateness of IT-System and job monitoring capabilities and alarm monitoring.

Information security

If physical and logical security tools and controls are not implemented and configured appropriately, key control activities may be ineffective, desired segregation of duties may not be maintained, and information may be modified inappropriately, become unavailable or disclosed inappropriately. This is of particular importance considering the current cyber threat level. Hence management has implemented processes and controls to support that information is safeguarded through access controls and that known vulnerabilities are managed timely.

Our audit procedures included, but were not limited to:

- We evaluated the process for identity and access management, including access granting, change and removal.
- We evaluated the appropriateness of processes and tools to ensure availability of data as per user requests and business requirements, including data back-up and restore procedures.
- We evaluated the appropriateness of controls for security governance and system hardening to protect systems and data from unauthorised use, including logging of security events and procedures to identify known vulnerabilities.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–21, 169–180 and 187–197. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Swedbank AB (publ) for the financial year 2016-01-01–2016-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's Responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The Auditor's Examination of the Corporate Governance Statement

The Board of Directors is responsible for that the corporate governance statement on pages 38–55 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm, February 22, 2017
Deloitte AB

Svante Forsberg
Authorised public accountant

Auditor's Limited Assurance Report on Swedbank AB's Sustainability Report

To Swedbank AB
This is the translation of the auditor's report in Swedish.

Introduction
We have been engaged by the Board of Directors and President of Swedbank AB to undertake a limited assurance engagement of Swedbank AB's Sustainability Report for the year 2016. The Company has defined the scope of the Sustainability Report on page 170.

Responsibilities of the Board of Directors and the Executive Management for the Sustainability Report
The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, as explained on page 170 in the Sustainability Report, and are the parts of the Sustainability Reporting Guidelines (published by The Global Reporting Initiative (GRI)) which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the auditor
Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed.

We conducted our limited assurance engagement in accordance with RevR 6 Assurance of Sustainability Reports issued by FAR. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and Quality Control and other generally accepted auditing standards in Sweden. The audit firm applies International Standard on Quality Control (ISQC) 1 and has a comprehensive system of quality control comprising documented guidelines and routines for complying with ethical requirements, professional standards, and applicable laws and regulations.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion
Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report, is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

Stockholm, 22 February, 2017

Deloitte AB

Svante Forsberg Authorised Public Accountant	Elisabeth Werneman Authorised Public Accountant	Andreas Drugge Expert Member of FAR

Annual General Meeting

The Annual General Meeting will be held at Folkets Hus, Barnhusgatan 14, Stockholm on Thursday, 30 March 2017.

Notification of attendance

Shareholders who wish to attend the Annual General Meeting must:

- be recorded in the share register maintained by Euroclear Sweden AB (Euroclear) on 24 March 2017.
- notify the company of their intention to participate and the number of persons who will accompany them (max. 2) well before and preferably not later than 24 March 2017.

Notification may be submitted in writing to Swedbank, c/o Euroclear, Box 7839, SE-103 98 Stockholm, Sweden marking the envelope "Swedbank's AGM" or by telephone +46 8 402 90 60, or online at www.swedbank.com/ir under Corporate Governance/ Annual General Meeting. When notifying the company, please indicate your name, personal/company registration number (for Swedish citizens or companies), address and telephone number. Participation by proxy is permitted, provided the proxy is no more than one year old and is submitted to Swedbank well in advance of the meeting, preferably not later than 24 March 2017. If issued by a legal entity, the proxy must be accompanied by a certified registration certificate or other document attesting to the authority of the signatory.

Nominee-registered shares

To be entitled to attend the meeting, shareholders whose shares are nominee-registered must request to have them temporarily re-registered in their own names in the shareholders' register maintained by Euroclear. The re-registration process must be completed by the nominee well in advance of the record day 24 March 2017.

Notice and agenda

A list of the items on the agenda for the Annual General Meeting is included in the notice of the meeting. The notice will be published no later than 2 March 2017 at http://www.swedbank.com/ir under the heading Annual General Meeting and in Post och Inrikes Tidningar (The Official Swedish Gazette). An announcement of notice publication was also published in Dagens Nyheter and elsewhere.

Dividend

The Board of Directors recommends that shareholders receive a dividend of SEK 13,20 per ordinary share. The proposed record day for the dividend is 3 April 2017. The last day for trading in Swedbank's shares including the right to the dividend is 30 March 2017. If the Annual General Meeting adopts the Board of Directors' recommendation, the dividend is expected to be paid by Euroclear on 6 April 2017.

Market shares

Sweden	Market shares, per cent 2016	2015	2014	2013	2012	Volumes, SEKbn 2016	2015	2014	2013	2012
Private Market										
Deposits	21	21	21	21	22	337	310	286	270	268
Lending	23	23	24	24	24	825	770	731	690	673
of which mortgage lending	25	25	25	25	26	720	665	627	591	575
Bank Cards (thousands)	n.a.	n.a.	n.a.	n.a.	n.a.	4 152	4 066	3 903	3 836	3 835
Corporate Market										
Deposits	20	19	19	18	16	206	183	163	151	131
Lending	18	19	19	17	17	408	397	388	340	335

Baltic countries	Market shares, per cent 2016	2015	2014	2013	2012	Volumes, SEKbn 2016	2015	2014	2013	2012
Private Market										
Estonia										
Deposits	55	55	54	54	54	35	30	29	25	23
Lending	47	47	46	46	46	33	30	30	27	26
of which mortgage lending	46	46	45	46	46	30	27	27	25	24
Bank Cards (thousands)	60	60	60	60	61	1 108	1 104	1 100	1 088	1 095
Latvia										
Deposits	31	28	28	29	28	24	20	19	16	13
Lending	29	29	29	29	30	16	15	16	16	17
of which mortgage lending (as of 2016-09)	34	31	31	31	28	14	13	14	14	13
Bank Cards (thousands) (as of 2016-09)	43	43	42	42	41	984	982	978	1 000	993
Lithuania (as of 2016-09)										
Deposits	40	37	37	37	36	40	34	34	26	24
Lending	34	28	28	27	27	25	19	18	17	16
of which mortgage lending	33	26	27	26	25	23	16	16	15	14
Bank Cards (thousands)	50	48	49	51	50	1 700	1 659	1 700	1 821	1 869

Baltic countries	Market shares, per cent 2016	2015	2014	2013	2012	Volumes, SEKbn 2016	2015	2014	2013	2012
Corporate Market										
Estonia										
Deposits	43	41	36	37	38	34	31	27	24	23
Lending	34	34	34	35	35	34	30	30	28	26
Latvia										
Deposits	15	12	12	14	13	19	18	17	17	14
Lending (as of 2016-12)	16	17	17	17	18	15	17	17	17	17
Lithuania (as of 2016-09)										
Deposits	26	24	22	25	27	15	12	14	12	12
Lending	18	23	23	21	21	19	20	20	18	18

Five-year summary

Key ratios	2016	2015	2014	2013	2012
Profit					
Return on equity, %	15,8	13,5	15,0	12,5	14,6
Return on equity continuing operations, %	15,8	13,5	15,2	14,7	15,6
Return on total assets, %	0,82	0,67	0,80	0,68	0,76
Cost/income ratio	0,39	0,43	0,45	0,45	0,46
Net interest margin before trading interest is deducted, %[1]	1,05	1,01	1,13	1,17	1,12
Capital adequacy					
Common Equity Tier 1 ratio, %	25,0	24,1	21,2	18,3	
Tier 1 capital ratio, %	28,7	26,9	22,4	19,6	
Total capital ratio, %	31,8	30,3	25,5	20,7	
Common Equity Tier 1 capital	98 679	93 926	87 916	80 826	
Tier 1 capital	112 960	104 550	92 914	86 371	
Own Funds	125 189	117 819	105 588	91 026	
Risk exposure amount	394 135	389 098	414 214	440 620	
Credit quality					
Credit impairment ratio, %	0,09	0,04	0,03	0,00	-0,01
Share of impaired loans, gross, %	0,52	0,40	0,41	0,55	1,05
Provision ratio for impaired loans, %	33	40	35	38	51
Total provision ratio for impaired loans, %	46	56	53	54	62

Other data	2016	2015	2014	2013	2012
Private customers, million[2]	7,3	7,2	7,29	7,18	7,16
Corporate customers, thousands	651	640	642	624	616
Internet banking customers, million[3]	7,3	7,1	7,5	7,2	7,0
Full-time employees	14 061	13 893	14 583	14 265	14 861
Branches[3]	603	658	709	721	753
ATMs[3]	1 238	1 290	1 397	1 396	2 051

1) 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.
2) Number of private customers in the baltic countries are reported according to a new definition as from 2015, lowering the reported number of customers by approximately 0.8 million for 2014. Historical figures have been restated accordingly.
3) Including savings banks and partly owned banks.

Comments to five-year summary

2016 – 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.

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). 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.

2015 – The result for the year decreased by 4 per cent, mainly due to lower net gains and losses on financial items at fair value and a one-off tax expense. Expenses decreased by 7 per cent and was due to one-off expenses of SEK 615m in connection with the acquisition of Sparbanken Öresund in 2014, but also due to efficiencies. Impairment of intangible assets consisted of an IT system writedown and the writedown of a previously acquired asset management assignment. Total lending to the public, excluding repos and the Swedish National Debt Office, increased by 3 per cent, primarily driven by private mortgage lending. Swedbank's increased deposits were mainly driven by Swedish Banking

2014 – Profit before credit impairments increased by 7 per cent. All business segments, as well as the acquisition of Sparbanken Öresund, contributed to higher income. Stronger commission income and net interest income contributed the most. Net gains and losses on financial items also increased, while other income decreased excluding the one-off effect of SEK 461m from the acquisition of Sparbanken Öresund. Expenses increased by 6 per cent to SEK 17 602m, slightly below the expense target. Of these expenses, SEK 615m were one-off expenses attributable to the acquisition of Sparbanken Öresund during the second quarter 2014. Excluding Sparbanken Öresund, expenses decreased slightly.

2013 – Profit increased by 3 per cent from stronger net interest income due to repricing and lower funding costs, but also higher commission income and largely unchanged expenses. Swedish Banking was the biggest contributor to the higher profit. During the year Swedbank sold its Ukrainian subsidiary, which resulted in a cumulative negative translation difference of SEK 1 875m in profit. This and the remaining Russian operations are recognised as discontinued operations. The reclassification did not affect Swedbank's capital, capitalisation, cash flow or the Board's proposed dividend for 2013. During the year the phase-out of Ektornet continued.

2012 – Profit increased due to improved net interest income and a cost reduction of 8 per cent, with every unit of the bank contributing.
Net interest income rose mainly as a result of the repricing of lending and lower funding costs. The credit impairments were mainly from Ukraine, while the Baltic countries reported recoveries. Swedbank's capital position was further strengthened and the Board of Directors amended the bank's dividend policy to 75 per cent of net profit.

Income statement, SEKm	**2016**	**2015**	**2014**	**2013**	**2012**
Net interest income	23 664	22 993	22 642	22 029	20 361
Net commissions	11 333	11 199	11 204	10 132	9 614
Net gains and losses on financial items at fair value	2 231	571	1 986	1 484	3 073
Net insurance	754	708	581	647	595
Share of profit or loss of associates	2 467	863	980	852	798
Other income	1 186	1 290	1 911	1 794	1 827
Total income	**41 635**	**37 624**	**39 304**	**36 938**	**36 268**
Staff costs	9 376	9 395	10 259	9 651	9 238
Other expenses	6 436	6 266	6 625	6 258	6 470
Depreciation/amortisation of tangible and intangible fixed assets	629	672	718	739	852
Total expenses	**16 441**	**16 333**	**17 602**	**16 648**	**16 560**
Profit before impairments	**25 194**	**21 291**	**21 702**	**20 290**	**19 708**
Impairments of intangible fixed assets	35	254	1	182	20
Impairments of tangible fixed assets	31	72	256	693	407
Credit impairments	1 367	594	419	60	-185
Operating profit	**23 761**	**20 371**	**21 026**	**19 355**	**19 466**
Tax expense	4 209	4 625	4 301	4 099	4 157
Profit from continuing operations	19 552	15 746	16 725	15 256	14 312
Profit for the period from discontinued operations, after tax		-6	-262	-2 340	-997
Profit for the year	19 552	15 740	16 463	12 916	14 312
Profit for the year attributable to:					
Shareholders in Swedbank AB	**19 539**	**15 727**	**16 447**	**12 901**	**14 304**
Non-controlling interests	13	13	16	15	8

Balance sheet, SEKm	2016	2015	2014	2013	2012
Loans to credit institutions	32 197	86 418	113 820	82 278	85 480
Loans to the public	1 507 247	1 413 955	1 404 507	1 264 910	1 238 864
Interest-bearing securities					
Treasury bills and other bills eligible for refinancing with central banks	107 571	76 552	46 225	56 814	20 483
Bonds and other interest-bearing securities	74 501	88 610	124 455	125 585	115 324
Shares and participating interests					
Financial assets for which customers bear the investment risk	160 114	153 442	143 319	122 743	104 194
Shares and participating interests	23 897	11 074	9 931	7 109	8 106
Shares and participating interests in associates	7 319	5 382	4 924	3 640	3 552
Derivatives	87 811	86 107	123 202	64 352	102 265
Others	153 546	227 315	150 914	96 671	168 592
Total assets	**2 154 203**	**2 148 855**	**2 121 297**	**1 824 102**	**1 846 860**
Amounts owed to credit institutions	71 831	150 493	171 453	121 621	122 202
Deposits and borrowings from the public	792 924	748 271	676 679	620 608	579 663
Debt securities in issue	841 673	826 535	835 012	726 275	767 454
Financial liabilities for which customers bear the investment risk	161 051	157 836	146 177	125 548	105 104
Derivatives	85 589	68 681	85 694	55 011	92 141
Other	44 176	49 084	69 952	55 175	62 803
Subordinated liabilities	27 254	24 613	18 957	10 159	14 307
Equity	129 705	123 342	117 373	109 705	103 186
Total liabilities and equity	**2 154 203**	**2 148 855**	**2 121 297**	**1 824 102**	**1 846 860**

Three-year summary

Swedish Banking

SEKm	2016	2015	2014
Income statement			
Net interest income	14 780	13 449	13 358
Net commissions	6 938	7 188	6 980
Net gains and losses on financial items at fair value	306	264	233
Share of profit or loss of associates	815	862	980
Other income	590	693	1 045
Total income	**23 429**	**22 456**	**22 596**
Staff costs	3 222	3 419	3 980
Variable staff costs	141	155	206
Other expenses	6 244	6 138	6 315
Depreciation/amortization	99	106	91
Total expenses	**9 706**	**9 818**	**10 592**
Profit before impairments	**13 723**	**12 638**	**12 004**
Impairment of intangible assets			
Impairment of tangible assets			
Credit impairments	-51	482	246
Operating profit	**13 774**	**12 156**	**11 758**
Tax expense	2 943	2 826	2 412
Profit for the year attributable to: Shareholders of Swedbank AB	**10 818**	**9 317**	**9 332**
Non-controlling interests	13	13	14
Balance sheet, SEKbn			
Cash and balances with central banks			
Loans to credit institutions	5	42	58
Loans to the public	1 135	1 065	1 025
Bonds and other interest-bearing securities			
Financial assets for which customers bear inv. risk	156	153	142
Derivatives			
Other assets	10	10	12
Total assets	**1 306**	**1 270**	**1 237**
Amounts owed to credit institutions	24	89	94
Deposits and borrowings from the public	500	457	416
Debt securities in issue			2
Financial liabilities for which customers bear inv. risk	157	155	143
Derivatives			0
Other liabilities	572	518	530
Subordinated liabilities			
Total liabilities	**1 253**	**1 219**	**1 185**
Allocated equity[1]	53	51	52
Total liabilities and equity	**1 306**	**1 270**	**1 237**
Income items			
Income from external customers	23 324	22 354	22 488
Income from transactions with other business areas	105	102	108
Key ratios			
Return on allocated equity, %[1]	20,5	18,1	25,6
Loans/deposits	229	235	249
Loans, excluding repurchase agreements, SEKbn[2]	1135	1066	1025
Deposits, excluding repurchase agreements, SEKbn[2]	496	453	412
Credit impairment ratio, %	0,00	0,04	0,03
Loans to credit institutions and the public, opening balance, SEKbn	1107	1083	977
Cost/income ratio	0,41	0,44	0,47
Risk exposure amount	182	183	185
Full-time employees	4 187	4 401	4 955
Allocated equity, average, SEKbn[1]	53	52	36

1) 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.
2) Excluding the Swedish National Debt Office and repurchase agreements.

Three-year summary

Baltic Banking

SEKm	2016	2015	2014
Income statement			
Net interest income	3 994	3 558	3 496
Net commissions	2 074	2 052	1 956
Net gains and losses on financial items at fair value	220	202	239
Share of profit or loss of associates			
Other income	524	475	415
Total income	**6 812**	**6 287**	**6 106**
Staff costs	895	827	766
Variable staff costs	68	73	76
Other expenses	1 479	1 445	1 529
Depreciation/amortization	114	136	144
Total expenses	**2 556**	**2 481**	**2 515**
Profit before impairments	**4 256**	**3 806**	**3 591**
Impairment of intangible assets			1
Impairment of tangible assets	21	8	10
Credit impairments	-35	-172	-186
Operating profit	**4 270**	**3 970**	**3 766**
Tax expense	586	1 510	565
Profit for the year attributable to: Shareholders of Swedbank AB	**3 684**	**2 460**	**3 201**
Non-controlling interests			
Balance sheet, SEKbn			
Cash and balances with central banks	3	2	3
Loans to credit institutions			
Loans to the public	140	125	126
Bonds and other interest-bearing securities	1	1	1
Financial assets for which customers bear inv. risk	4	3	3
Derivatives			
Other assets	47	37	31
Total assets	**195**	**168**	**164**
Amounts owed to credit institutions			
Deposits and borrowings from the public	171	145	139
Debt securities in issue			1
Financial liabilities for which customers bear inv. risk	4	3	3
Derivatives			
Other liabilities			
Subordinated liabilities			
Total liabilities	**175**	**148**	**143**
Allocated equity[1]	20	20	21
Total liabilities and equity	**195**	**168**	**164**
Income items			
Income from external customers	6 812	6 287	6 106
Income from transactions with other business areas			
Key ratios			
Return on allocated equity, %[1]	18,0	12,3	14,6
Loans/deposits	83	86	91
Loans, excluding repurchase agreements, SEKbn[2]	140	124	126
Deposits, excluding repurchase agreements, SEKbn[2]	170	145	138
Credit impairment ratio, %	-0,03	-0,14	-0,16
Loans to credit institutions and the public, opening balance, SEKbn	125	126	120
Cost/income ratio	0,38	0,39	0,41
Risk exposure amount	79	74	81
Full-time employees	3 839	3 811	3 876
Allocated equity, average, SEKbn[1]	20	20	22

1) 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.
2) Excluding the Swedish National Debt Office and repurchase agreements.

Three-year summary

Large Corporates & Institutions

SEKm	2016	2015	2014
Income statement			
Net interest income	3 332	3 416	3 476
Net commissions	2 334	2 011	2 216
Net gains and losses on financial items at fair value	2 068	1 892	1 927
Share of profit or loss of associates			
Other income	77	140	121
Total income	**7 811**	**7 459**	**7 740**
Staff costs	1 518	1 430	1 360
Variable staff costs	232	228	290
Other expenses	1 703	1 596	1 606
Depreciation/amortization	73	63	66
Total expenses	**3 526**	**3 317**	**3 322**
Profit before impairments	**4 285**	**4 142**	**4 418**
Impairment of intangible assets	35		
Impairment of tangible assets	8		
Credit impairments	1 482	284	381
Operating profit	**2 760**	**3 858**	**4 037**
Tax expense	489	629	882
Profit for the year attributable to: Shareholders of Swedbank AB	**2 271**	**3 229**	**3 155**
Non-controlling interests			
Balance sheet, SEKbn			
Cash and balances with central banks	2	5	5
Loans to credit institutions	43	4	120
Loans to the public	228	217	239
Bonds and other interest-bearing securities	34	33	59
Financial assets for which customers bear inv. risk			
Derivatives	97	92	123
Other assets	33	92	19
Total assets	**437**	**443**	**565**
Amounts owed to credit institutions	164	198	233
Deposits and borrowings from the public	127	121	118
Debt securities in issue	18	17	15
Financial liabilities for which customers bear inv. risk			
Derivatives	103	88	119
Other liabilities	5	0	61
Subordinated liabilities			
Total liabilities	**417**	**424**	**546**
Allocated equity[1]	20	19	19
Total liabilities and equity	**437**	**443**	**565**
Income items			
Income from external customers	7 757	7 343	7 627
Income from transactions with other business areas	54	116	113
Key ratios			
Return on allocated equity, %[1]	11,6	16,3	19,4
Loans/deposits	148	149	164
Loans, excluding repurchase agreements, SEKbn[2]	178	181	174
Deposits, excluding repurchase agreements, SEKbn[2]	120	121	106
Credit impairment ratio, %	0,59	0,10	0,18
Loans to credit institutions and the public, opening balance, SEKbn	221	359	576
Cost/income ratio	0,45	0,44	0,43
Risk exposure amount	110	112	123
Full-time employees	1 270	1 235	1 216
Allocated equity, average, SEKbn[1]	20	20	16

1) 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.
2) Excluding the Swedish National Debt Office and repurchase agreements.

Definitions

CAPITAL REQUIREMENT REGULATIONS, CRR, STATED IN EU REGULATION NO 575/2013

Additional Tier 1 capital
Capital instruments and related share premium accounts that fulfill certain regulatory conditions after considering regulatory adjustments.

Average risk weight
Total risk exposure amount divided by the total exposure value for a number of exposures.

Common Equity Tier 1 capital
Capital consisting of capital instruments, related share premium accounts, retained earnings and other comprehensive income after considering regulatory adjustments.

Common Equity Tier 1 capital ratio
Common Equity Tier 1 capital in relation to the total risk exposure amount.

Expected loss (EL)
Expected loss shall provide an indication of the mean value of the credit losses that Swedbank may reasonably be expected to incur. The expected loss (EL) is the product of the parameters PD, LGD and exposure value.

Exposure value IRB
The exposure after taking into account credit risk mitigation with substitution effects and credit conversion factors, the exposure value is the value to which the risk weight is applied when calculating the risk exposure amount.

Leverage ratio
Tier 1 capital in relation to the total exposure measure, where the exposure measure includes both on- and off-balance sheet items.

Loss given default (LGD)
Loss given default (LGD) measures how large a proportion of the exposure amount that is expected to be lost in the event of default.

Minimum capital requirement
The minimum capital a bank must hold for its credit, market, credit value adjustment, settlement and operational risks according to Pillar I, i.e. 8% of total risk exposure amount.

Own funds
The sum of Tier 1 and Tier 2 capital.

Probability of default (PD)
The probability of default (PD) indicates the risk that a counterparty or contract will default within a 12-month period.

Risk exposure amount
Risk weighted exposure value i.e. the exposure value after considering the risk inherent in the asset.

Tier 1 capital
The sum of Common Equity Tier 1 capital and Additional Tier 1 capital according to article 25 in CRR.

Tier 1 capital ratio
Tier 1 capital in relation to the total risk exposure amount.

Tier 2 capital
Capital instruments and subordinated loans and related share premium accounts that fulfill certain regulatory conditions after considering regulatory adjustments.

Total capital ratio
Own funds in relation to the total risk exposure amount.

OTHER

Cash flow per share
Cash flow for the year in relation to the weighted average number of shares outstanding during the year.

Cost/income ratio
Total expenses in relation to total income.

Credit impairments
Established losses and provisions for the year less recoveries related to loans as well as the year's net expenses for guarantees and other contingent liabilities.

Credit impairment ratio
Credit impairment on loans and other credit risk provisions, net, in relation to the opening balance of loans to credit institutions and loans to public after provisions.

Default
Credit exposures are regarded to be in default if there has been an assessment indicating that the counterpart is unlikely to pay its credit obligations as agreed or if the counterpart is past due more than 90 days.

Duration
The average weighted maturity of payment flows calculated at present value and expressed in number of years.

Earnings per share after dilution
Profit for the year allocated to shareholders in relation to the weighted average number of shares outstanding during the year, rights issue adjustment factor included, adjusted for the dilution effect of potential shares.

Earnings per share before dilution
Profit for the year allocated to shareholders in relation to the weighted average number of shares outstanding during the year, rights issue adjustment factor included.

Equity per share
Shareholders' equity in relation to the number of shares outstanding.

Exposure at default (EAD)
Exposure at default (EAD) measures the utilised exposure at default. For off-balance sheet exposures, EAD is calculated by using a credit conversion factor (CCF) estimating the future utilisation level of unutilised amounts.

Impaired loans
Loans where there is, on individual level, objective evidence of a loss event, and where this loss event has an impact on the cash flow of the exposure. Impaired loans, gross, less specific provisions for loans assessed individually constitute impaired loans, net.

Individual provisions
Provisions for individual exposures classified as impaired.

Interest fixing period
Contracted period during which interest on an asset or liability is fixed.

Liquidity Coverage Ratio (LCR)
The LCR was introduced by the EU through the Delegated act on LCR in October 2015. The LCR according to Swedish definitions and through national SFSA's regulations (FFFR 2012:6) is in force since 2012. The LCR is used to define a quantitative regulatory requirement on European banks' liquidity risk. A LCR ratio above 100% implies that the bank has enough of liquid assets to cover its liquidity over 30 calendar day time horizon under a significantly severe liquidity stress scenario.

Loan/deposit ratio
Lending to the public excluding Swedish National Debt Office and repurchase agreements in relation to deposits from the public excluding Swedish National Debt Office and repurchase agreements.

Maturity
The time remaining until an asset or liability's terms change or its maturity date.

Net asset value per share
Shareholders' equity according to the balance sheet and the equity portion of the difference between the book value and fair value of the assets and liabilities divided by the number of shares outstanding at year-end.

Net interest margin
Net interest income in relation to average (calculated on month-end figures) total assets.

Number of employees
The number of employees at year-end, excluding long-term absences, in relation to the number of hours worked expressed in terms of full-time positions.

P/E ratio
Market capitalisation at year-end in relation to Profit for the financial year allocated to shareholders.

Portfolio provisions
An interim step to individual provisions The provisions are related to a loss event within a group of exposures with similar credit risk characteristics. A loss event has taken place but the impact cannot yet be connected to an individual exposure. The impact of the loss event can be reliably calculated on a group of exposures.

Price/equity
The share price at year-end in relation to the equity per share at year-end.

Provision ratio for impaired loans
Provisions for impaired loans assessed individually in relation to impaired loans, gross.

Restructured loan
A loan where the terms have been modified to more favorable for the borrower, due to the borrower's financial difficulties.

Return on equity
Profit for the financial year allocated to shareholders in relation to average (calculated on month-end figures) shareholders' equity.

Return on total assets
Profit for the year in relation to average (calculated on month-end figures) total assets.

Share of impaired loans, gross
Carrying amount of impaired loans, gross, in relation to the carrying amount of loans to credit institutions and the public excluding provisions.

Share of impaired loans, net
Carrying amount of impaired loans, net, in relation to the carrying amount of loans to credit institutions and the public.

Total provision ratio for impaired loans
All provisions (individually assessed and portfolio) for loans in relation to impaired loans, gross.

Total return
Share price development during the year including the actual dividend, in relation to the share price at the beginning of the year.

VaR
Value at Risk (VaR) is a statistical measure used to quantify market risk. VaR is defined as the expected maximum loss in value of a portfolio with a given probability over a certain time horizon.

Yield
Dividend per share in relation to the share price at year-end.

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