Q2 2018

Interim report Q2 2018, 18 July 2018

Interim report for the second quarter 2018

Second quarter 2018 compared with first quarter 2018

- Lending growth remains strong
- Higher net commission income due to higher income from cards and asset management
- Sale of UC produced capital gain
- Costs in line with expectations
- Good credit quality
- High capitalisation

"We are maintaining a high level of activity while working intensely to improve our offerings and ensure the bank's future competitiveness."

Birgitte Bonnesen,
President and CEO

Financial information SEKm	Q2 2018[1)]	Q1 2018[1)]	%	Jan-Jun 2018[1)]	Jan-Jun 2017[2)]	%
Total income	**11 797**	**10 740**	**10**	**22 537**	**21 044**	**7**
Net interest income	6 273	6 294	0	12 567	12 061	4
Net commission income	3 236	3 081	5	6 317	5 909	7
Net gains and losses on financial items at fair value	635	559	14	1 194	1 053	13
Other income[3)4)5)]	1 653	806		2 459	2 021	22
Total expenses	**4 262**	**4 169**	**2**	**8 431**	**7 969**	**6**
Profit before impairments	7 535	6 571	15	14 106	13 075	8
Impairment of intangible and tangible assets	282			282	3	
Credit impairments	-135	127		-8	739	
Tax expense	1 369	1 410	-3	2 779	2 457	13
Profit for the period attributable to the shareholders of Swedbank AB	**6 014**	**5 033**	**19**	**11 047**	**9 870**	**12**
Earnings per share, SEK, after dilution	5.37	4.50		9.87	8.83	
Return on equity, %	19.2	15.4		17.1	15.7	
C/I ratio	0.36	0.39		0.37	0.38	
Common Equity Tier 1 capital ratio, %	23.6	24.8		23.6	24.6	
Credit impairment ratio, %	-0.03	0.03		0.00	0.10	

[1)] Results from Q1 2018 and onwards reflect the adoption of IFRS 9 Financial instruments and prior periods have not been restated. Refer to Note 1 for further information.
[2)] 2017 results have been restated for changed presentation of commission income. Refer to Note 1 for further information.
[3)] Includes income from sale of UC of SEK 677m in second quarter 2018.
[4)] Includes income from sale of Hemnet of SEK 680m in first quarter 2017.
[5)] Other income in the table above includes the items Net insurance, Share of profit or loss of associates, and Other income from the Group income statement.

CEO Comment

The level of activity remained high during the quarter. We continue to build on our collaborations with third parties and have invested EUR 3m in the fintech company Meniga to strengthen the digital experience for our customers, who will eventually have a more personalised activity flow in the bank's digital channels and a better overview of their finances.

The strategic partnership with Kepler Cheuvreux was further refined in the quarter and produced a number of deals, including the Port of Tallinn's IPO. The IPO was completed through close collaboration between our colleagues at Baltic Banking and Large Corporates & Institutions as well as with Kepler Cheuvreux.

Our fintech accelerator programme, where ten startups received support and financing to develop their businesses, is going to be repeated. Another ten fintech startups with innovative business ideas will be accepted to the programme, which starts again in Riga this autumn. Besides access to the bank's experts, these startups will have the opportunity to reach Swedbank's seven million customers in our Open Banking platform. Our hope is that some of their ideas will come to fruition and simplify banking for our customers.

Political risks resurfaced during the quarter. The market was able to handle both increased trade tensions between major trade partners in North America, Europe and Asia as well as disagreement over the European refugee policy. Sweden's robust growth is continuing with investment still high albeit slightly lower than in recent years. The Baltic economies' strong domestic demand continues to drive growth together with improved global conditions.

Continued focus on sustainability
During the quarter we launched a new fund, Swedbank Robur Global Impact, which will invest in companies that are actively working to meet the UN's 17 sustainable development goals. We are convinced that companies that contribute to a sustainable world have great potential to create long-term value for our customers.

That we as a bank are in the forefront in the area of sustainability and have the right customer focus is reflected in the confidence our customers place in us. So far this year we have helped clients with ten green bond issues. In all three Baltic countries Swedbank has been voted the most popular brand in the banking sector. One reason is our strong social commitment in each country, including educating students and the public on managing their money.

Even stronger offers based on customer needs
Swedbank today has the most private and corporate customers of any bank in our home markets. As more customers interact with us through our digital channels, it enables us to develop better products and solutions to meet their needs.

Some time ago we created a unit within the Group called Customer Value Management (CVM) that works proactively to create offerings for our customers based on their digital activity.

Our continued work with CVM will be a priority in the next few years. During the quarter we also began a major recruiting effort where we will hire up to 500 employees as a result of the merger of IT and business development earlier in the year. Our savings offering will be one of the product areas that will benefit. Pensions, for example, will continue to have significant growth potential.

House prices in Sweden have stabilised
House prices in Sweden have stabilised, but we are still seeing differences between various parts of the country. New residential construction has not yet fully adapted to building cheaper housing around major metropolitan regions, where demand is high. If this does not happen in the near future, there is a risk it could stifle the country's long-term economic development.

Strong profit thanks to high customer activity
Profit for the second quarter was strong, supported by high customer activity. Corporate and private customers sought out financing in all our home markets. Mortgage lending volumes in Sweden continue to steadily grow, but it is also gratifying that lending volumes are growing in both our corporate and Baltic operations.

The solid macroeconomic conditions in our home markets continue to benefit commission income. During the quarter card and asset management income increased. Our long-term focus on pension advice for customers has resulted in strong inflows to pension solutions and funds. We think pensions are an extremely important issue for our customers and will continue to develop our offering to suit their needs.

We are investing as planned and within the cost targets we set for the Group i.e. total expenses of below SEK 17bn in both 2018 and 2019.

Credit quality remains high in all our home markets.

Our capital position remains strong and we are maintaining a good buffer to the minimum requirements set by the Swedish Financial Supervisory Authority.

I am very pleased with the past quarter. We are maintaining a high level of activity while working intensely to improve our offerings and ensure the bank's future competitiveness. Our employees continue to do a fantastic job and are our most important resource in the transformation that Swedbank and the banking sector are undergoing.

Birgitte Bonnesen
President and CEO

Table of contents

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

Financial overview

Income statement SEKm	Q2 2018	Q1 2018	% 	Q2 2017	% 	Jan-Jun 2018	Jan-Jun 2017	%
Net interest income	6 273	6 294	0	6 090	3	12 567	12 061	4
Net commission income	3 236	3 081	5	3 050	6	6 317	5 909	7
Net gains and losses on financial items at fair value	635	559	14	567	12	1 194	1 053	13
Other income[1)]	1 653	806		686		2 459	2 021	22
Total income	**11 797**	**10 740**	**10**	**10 393**	**14**	**22 537**	**21 044**	**7**
Staff costs	2 613	2 632	-1	2 386	10	5 245	4 834	9
Other expenses	1 649	1 537	7	1 580	4	3 186	3 135	2
Total expenses	**4 262**	**4 169**	**2**	**3 966**	**7**	**8 431**	**7 969**	**6**
Profit before impairments	**7 535**	**6 571**	**15**	**6 427**	**17**	**14 106**	**13 075**	**8**
Impairment of intangible assets	282					282		
Impairment of tangible assets				1			3	
Credit impairments, net	-135	127		400		-8	739	
Operating profit	**7 388**	**6 444**	**15**	**6 026**	**23**	**13 832**	**12 333**	**12**
Tax expense	1 369	1 410	-3	1 276	7	2 779	2 457	13
Profit for the period	6 019	5 034	20	4 750	27	11 053	9 876	12
Profit for the period attributable to the shareholders of Swedbank AB	**6 014**	**5 033**	**19**	**4 746**	**27**	**11 047**	**9 870**	**12**

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

Key ratios and data per share	Q2 2018	Q1 2018	Q2 2017	Jan-Jun 2018	Jan-Jun 2017
Return on equity, %	19.2	15.4	15.6	17.1	15.7
Earnings per share before dilution, SEK[1)]	5.39	4.51	4.26	9.90	8.87
Earnings per share after dilution, SEK [1)]	5.37	4.50	4.24	9.87	8.83
C/I ratio	0.36	0.39	0.38	0.37	0.38
Equity per share, SEK [1)]	114.7	109.7	111.3	114.7	111.3
Loan/deposit ratio, %	160	163	166	160	166
Common Equity Tier 1 capital ratio, %	23.6	24.8	24.6	23.6	24.6
Tier 1 capital ratio, %	26.3	27.5	27.8	26.3	27.8
Total capital ratio, %	30.4	31.2	32.5	30.4	32.5
Credit impairment ratio, %	-0.03	0.03	0.10	0.00	0.10
Share of Stage 3 loans, gross, %	0.67	0.70		0.67	
Share of impaired loans, gross, %			0.53		0.53
Total credit impairment provision ratio, %	0.33	0.35		0.33	
Liquidity coverage ratio (LCR), %	145	140	121	145	121
Net stable funding ratio (NSFR), %	110	110	110	110	110

[1)] The number of shares and calculation of earnings per share are specified on page 51.

Balance sheet data SEKbn	30 Jun 2018	31 Dec 2017	% 	30 Jun 2017	%
Loans to the public, excluding the Swedish National Debt Office and repurchase agreements	1 563	1 502	4	1 470	6
Deposits and borrowings from the public, excluding the Swedish National Debt Office and repurchase agreements	975	847	15	888	10
Shareholders' equity	128	133	-4	124	3
Total assets	2 646	2 213	20	2 426	9
Risk exposure amount	434	408	6	407	7

Definitions of all key ratios can be found in Swedbank's Fact book on page 79.
Results from Q1 2018 and onwards reflect the adoption of IFRS 9 Financial instruments and prior periods have not been restated. Refer to Note 1 for further information.

Overview

Market

The global economy continues to generate solid growth despite increased trade tensions between the US, the EU and China. The US tariffs on steel and aluminium and threats to also include European cars have rattled global stock markets, however. Politics have also taken centre stage in Europe, especially in Italy, which now has a new euro-critical government, and in Germany, which is wrestling with disunity on immigration policy. Oil prices continued to rise in the second quarter and OPEC decided to raise production. On average, Brent crude rose to USD 75 a barrel in the second quarter from USD 67 in the first quarter.

The US Federal Reserve continued its rate hike cycle and in June it raised its benchmark rate for the seventh time since the end of 2015, to a range of 1.75–2.00 per cent. The rate was raised against the backdrop of solid growth and the lowest unemployment since the 1970s. The European Central Bank (ECB) decided at its latest monetary policy meeting in June to stop buying bonds by the close of the year. Interest rates will not be hiked before the summer of 2019, however. At the same time GDP data for the first quarter saw slowing growth, while confidence indicators have fallen, albeit from high levels.

The Swedish economy also continues to generate robust growth despite concerns about the escalating global trade war. GDP grew 0.7 per cent in the first quarter compared with the preceding quarter and 3.3 per cent on an annual basis. Investment strengthened in the quarter, driven by increased spending on buildings and installations as well as intangible assets. While housing investment rose at the start of the year, the number of housing starts and number of building permits began to decline. A cold winter and spring helped to boost household spending, which continued to rise in the spring with support from a strong labour market. Consumer confidence, on the other hand, continued to weaken in the second quarter. Total growth in household lending slowed and in May was 6.6 per cent on an annual basis, down from 7.0 per cent at the beginning of the year. Consumer credit saw the biggest drop, but mortgages increased at a slower pace as well, growing 6.8 per cent on an annual basis. Stricter amortisation requirements, a weaker housing market and increased cautiousness among homebuyers are contributing to lower growth in mortgage lending. House prices have stabilised in recent months after dropping at the end of last year. Business confidence indicators also dropped in the spring and early summer, but remain at high levels.

The CPIF inflation rate and the market's inflation expectations are in line with the Riksbank's target of 2 per cent. Underlying inflation (CPIF excluding energy) remains at a low level, however, and the repo rate was held unchanged at -0.5 per cent in the latest monetary policy decision. Short-term interest rates rose on average in the quarter, while longer maturities fell. The krona weakened in the second quarter against a number of currencies in the wake of the growing trade conflict.

The Baltic economies continue to report stronger growth than the eurozone average in the wake of improved market conditions and strong domestic demand. The highest growth rate in the first quarter was in Latvia, where GDP rose 4.2 per cent on an annual basis, followed by Estonia (3.8 per cent) and Lithuania (3.7 per cent). Falling unemployment in the Baltic countries is contributing to a continued rapid rise in wage growth in the region. The inflation rate has fallen in recent months, however. In May inflation was 3.0 per cent in Estonia, followed by Lithuania (2.9 per cent) and Latvia (2.3 per cent).

Important to note

The interim report contains alternative performance measures that Swedbank considers valuable information for the reader, since they are used by the executive management for internal governance and performance measurement as well as for comparisons between reporting periods. Further information on the alternative performance measures used in the interim report can be found on page 68.

Group development

Result second quarter 2018 compared with first quarter 2018

Swedbank's profit rose 19 per cent in the second quarter to SEK 6 014m (5 033). The sale of the associated company UC to the credit information provider Asiakastieto raised profit by SEK 677m and explains the large part of the increase.

The table below shows profit excluding the gain on the UC sale. Adjusted for this income, profit rose 6 per cent, as a result of higher net commission income and lower credit impairments.

Income statement, SEKm	Q2 2018	Q2 2018 excl. income UC	Q1 2018
Net interest income	6 273	6 273	6 294
Net commission income	3 236	3 236	3 081
Net gains and losses on financial items at fair value	635	635	559
Share of profit or loss of associates	382	382	235
Other income[1]	1 271	594	571
of which UC	*677*		
Total income	**11 797**	**11 120**	**10 740**
Total expenses	**4 262**	**4 262**	**4 169**
Impairments	147	147	127
Operating profit	**7 388**	**6 711**	**6 444**
Tax expense	1 369	1 369	1 410
Profit for the period attributable to the shareholders of Swedbank AB	**6 014**	**5 337**	**5 033**
Non-controlling interests	5	5	1
Return on equity	19.2	17.1	15.4
Cost/Income ratio	0.36	0.38	0.39

[1] Other income in the table above includes the items Net insurance and Other income from the Group income statement.

FX changes increased profit by SEK 41m, mainly because the Swedish krona weakened on average against the euro in the quarter.

The return on equity was 19.2 per cent (15.4) and the cost/income ratio was 0.36 (0.39).

Income increased in total by 10 per cent, to SEK 11 797m (10 740). Excluding the gain from UC, income rose 4 per cent. FX changes positively affected income by SEK 100m.

Net interest income was stable at SEK 6 273m (6 294). A higher resolution fund fee of SEK 64m and slightly lower margins due to increased interest expenses for funding lowered net interest income. Increased lending volumes, positive FX effects and an extra day in the quarter contributed positively.

Net commission income rose 5 per cent to SEK 3 236m (3 081) mainly due to higher card commissions, as the warm weather led to increased card usage. Asset management income, which benefited from rising equity prices and strong inflows, as well as lending and guarantees, also contributed positively.

Net gains and losses on financial items at fair value rose to SEK 635m (559). The main reason was an improved result within Group Treasury after the first quarter was adversely affected by volatility in the currency swap market at the turn of the year. Net gains and losses on financial items fell within Large Corporates & Institutions. Demand for currency and interest rate hedges was generally good, but customer activity was slowed by market turbulence related to political developments in Italy.

Other income including the share of profit or loss of associates rose to SEK 1 653m (806). In addition to the sale of UC, income was positively affected by SEK 85m because Swedbank's interest in Visa Sweden, which owns shares in Visa Inc., increased in the quarter thanks to a positive outcome in a previous dispute. In addition, Visa Inc's positive share price development during the quarter affected income positively by SEK 50m.

Expenses rose to SEK 4 262m (4 169) due to higher development activity during the quarter. Staff costs were stable while other expenses rose due to higher expenses for IT and consultants. FX effects increased expenses by SEK 42m.

Credit impairments according to IFRS 9 amounted to income of SEK 135m (SEK 127m in credit impairments in the first quarter). The reasons were reversals of previous provisions within Baltic Banking and Large Corporates & Institutions and a slightly improved outlook for some oil-related sectors.

Impairment of intangible assets related to the development of a new data warehouse and a risk management system amounted to SEK 282m (0). Swedbank has decided among other things that parts of this development will instead be built on a Baltic solution already established in the Group.

The tax expense amounted to SEK 1 369m (1 410), corresponding to an effective tax rate of 18.5 per cent (21.9). The difference in the effective tax rate between quarters is largely due to the tax-exempt sale of shares in UC as well as an effect of SEK 96m attributable to the recalculation of deferred tax assets and liabilities as a result of the upcoming reductions in the Swedish corporate tax rate as of 2019. The Group's effective tax rate is estimated at 20-22 per cent in the medium term.

Result January-June 2018 compared with January-June 2017

Profit rose 12 per cent to SEK 11 047m (9 870). The increase is due to higher net interest income and net commission income as well as an increase in other income. Lower credit impairments also contributed positively.

The table below shows profit excluding the gain on the sales of UC in 2018 and Hemnet in 2017. Adjusted for these items profit rose 13 per cent. FX changes increased profit SEK 148m.

Income statement, SEKm	**Jan-Jun 2018**	**Jan-Jun 2018 excl. income UC**	**Jan-Jun 2017**	**Jan-Jun 2017 excl. income Hemnet**
Net interest income	12 567	12 567	12 061	12 061
Net commission income	6 317	6 317	5 909	5 909
Net gains and losses on financial items at fair value	1 194	1 194	1 053	1 053
Share of profit or loss of associates	617	617	379	379
Other income[1]	1 842	1 165	1 642	962
of which UC	*677*			
of which Hemnet			*680*	
Total income	**22 537**	**21 860**	**21 044**	**20 364**
Total expenses	**8 431**	**8 431**	**7 969**	**7 969**
Impairments	274	274	742	742
Operating profit	**13 832**	**13 155**	**12 333**	**11 653**
Tax expense	2 779	2 779	2 457	2 457
Profit for the period attributable to the shareholders of Swedbank AB	**11 047**	**10 370**	**9 870**	**9 190**
Non-controlling interests	6	6	6	6
Return on equity	17.1	16.1	15.7	14.6
Cost/Income ratio	0.37	0.39	0.38	0.39

[1] Other income in the table above includes the items Net insurance and Other income from the Group income statement.

The return on equity was 17.1 per cent (15.7) and the cost/income ratio was 0.37 (0.38).

Income increased 7 per cent to SEK 22 537m (21 044). FX effects increased income by SEK 260m.

Net interest income increased 4 per cent to SEK 12 567m (12 061). The increase is mainly due to higher lending volumes, the large part of which relates to Swedish mortgages. An increased resolution fund fee of SEK 224m had a negative effect on net interest income.

Net commission income rose 7 per cent to SEK 6 317m (5 909), mainly because of higher asset management income as a result of rising equity prices and the acquisition of PayEx.

Net gains and losses on financial items at fair value rose to SEK 1 194m (1 053). The increase is mainly due to an improved result within Group Treasury as a result of lower covered bond repurchasing activity.

Other income including the share of profit or loss of associates rose to SEK 2 459m (2 021) mainly due to higher net insurance and because Swedbank's interest in Visa Sweden, which owns shares in Visa Inc., has increased in 2018 thanks to a positive outcome in a previous dispute.

Expenses rose to SEK 8 431m (7 969) largely due to increased staff costs following the acquisition of PayEx. FX effects increased expenses by SEK 108m.

Impairment of intangible assets related to the development of a new data warehouse and a risk management system amounted to SEK 282m (0). Swedbank has decided among other things that parts of this development will instead build on a Baltic solution already established in the Group. Impairment of tangible assets amounted to SEK 0m (3).

Credit impairments according to IFRS 9 amounted to income of SEK 8m. See note 28 for more information on the transition to IFRS 9.

The tax expense amounted to SEK 2 779m (2 457), corresponding to an effective tax rate of 20.1 per cent (19.9). The 2018 period was affected by the tax-exempt sale of shares in UC, similar to the tax-exempt sale of Hemnet in 2017. The 2018 period also includes an effect attributable to the recalculation of deferred tax assets and liabilities as a result of the upcoming reductions in the Swedish corporate tax rate as of 2019. The Group's effective tax rate is estimated at 20-22 per cent in the medium term.

Volume trend by product area

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

Lending

Total lending to the public, excluding repos and lending to the Swedish National Debt Office, rose SEK 35bn to SEK 1 563bn (1 528) compared with the end of the first quarter 2018. Compared with the end of the second quarter 2017 the increase was SEK 93bn, corresponding to growth of 6 per cent. FX changes positively affected lending by SEK 6bn compared with the first quarter 2018 and by SEK 19bn compared with the second quarter 2017.

Loans to the public excl. the Swedish National Debt Office and repurchase agreements, SEKbn	30 Jun 2018	31 Mar 2018	30 Jun 2017
Loans, private mortgage	858	844	802
of which Swedish Banking	781	771	737
of which Baltic Banking	76	73	65
Loans, private other incl tenant-owner associations	155	153	152
of which Swedish Banking	140	138	139
of which Baltic Banking	15	14	12
of which Large Corporates & Inst.	1	1	1
Loans, corporate	550	531	516
of which Swedish Banking	255	255	249
of which Baltic Banking	76	72	65
of which Large Corporates & Inst.	219	204	202
Total	**1 563**	**1 528**	**1 470**

Lending to mortgage customers within Swedish Banking increased by SEK 10bn to SEK 781bn (771) compared with the end of the first quarter 2018. The total market share was 24 per cent (24). Other private lending including lending to tenant-owner associations increased by SEK 2bn. Swedish consumer finance volume amounted to SEK 30bn (30), corresponding to a market share of about 9 per cent. Consumer finance includes unsecured loans as well as loans secured by a car or a boat.

In Baltic Banking mortgage volume grew 2 per cent in local currency to the equivalent of SEK 76bn.

The Baltic consumer finance portfolio grew to the equivalent of SEK 9bn at the end of the second quarter 2018.

Corporate lending rose SEK 19bn in the quarter to SEK 550bn. The increase was evident in a number of sectors. In terms of business segments, lending primarily rose in Large Corporates & Institutions, although it was also visible in Baltic Banking. Corporate lending was stable in Swedish Banking, but was negatively affected after SEK 2bn in volume was transferred to Large Corporates & Institutions. Excluding these volumes corporate lending rose slightly within Swedish Banking.

In Sweden the market share was 18 per cent as of 31 May (18 per cent as of 31 December 2017).

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

Payments

The total number of Swedbank cards in issue at the end of the quarter was 8.0 million, unchanged compared with the end of the first quarter. Compared with the second quarter 2018 the number of cards in issue rose1 per cent.

In Sweden 4.2 million Swedbank cards were in issue at the end of the second quarter. Compared with the same period in 2017 corporate card issuance rose 4 per cent and consumer card issuance rose 2 per cent. The increase in consumer cards is largely driven by young people who sign up for new cards. The bank's many small business customers offer further growth potential in the corporate card issuance business. In the Baltic countries 3.8 million Swedbank cards were in issue.

Number of cards	30 Jun 2018	31 Mar 2018	30 Jun 2017
Issued cards, millon	8.0	8.0	8.0
of which Sweden	4.2	4.2	4.2
of which Baltic countries	3.8	3.8	3.8

A total of 344 million purchases were made in Sweden with Swedbank cards in the second quarter, an increase of 9 per cent compared with the second quarter 2017. In the Baltic countries there were 139 million Swedbank card purchases, an increase of 15 per cent. Swish had more transactions than in the same period in 2017. The number of acquired card transactions also rose year-on-year. In the Nordic countries acquired card transactions totalled 1 319 million in the first half year, up 13 per cent compared with the first half of 2017. In the Baltic countries the corresponding figures were 187 million and 11 per cent.

The share of store payments made by card for the market as a whole was over 85 per cent in Sweden and over 50 per cent in Estonia, while the shares in Latvia and Lithuania were slightly lower. Swedbank is working actively to increase card payments in stores by encouraging more retailers to accept cards and advising customers to pay by card in stores instead of withdrawing cash.

To make it easier for customers to pay for small purchases by card, Swedbank offers contactless cards. In Sweden contactless functionality has been added to all replacement cards and newly issued cards as of 2017. At the same time payment terminals in stores are being upgraded to accept contactless cards. In the Baltic countries the majority of terminals support contactless payments. In Sweden the corresponding figure is currently over 50 per cent. The number of domestic payments rose 4 per cent compared with both the first quarter 2018 and the second quarter 2017. Swedbank's market share of payments through the Bankgiro system was 36 per cent. The number of international payments increased by 8 per cent compared with the first quarter 2018 and by 12 per cent on an annual basis.

Savings

Total deposits within the business segments – Swedish Banking, Baltic Banking and Large Corporates & Institutions – rose SEK 31bn to SEK 899bn (868) compared with the end of the first quarter 2018. Compared with the end of the second quarter 2017 the increase was SEK 94bn, corresponding to growth of 12 per cent. Total deposits from the public, including volumes attributable to Group Treasury within Group Functions & Other, amounted to SEK 975bn (940). Exchange rates positively affected deposits by SEK 5bn compared with the end of the first quarter 2018 and by SEK 19bn compared with the end of the second quarter 2017.

Deposits from the public excl. the Swedish National Debt Office and repurchase agreements, SEKbn	**30 Jun 2018**	**31 Mar 2018**	**30 Jun 2017**
Deposits, private	500	484	457
of which Swedish Banking	377	367	355
of which Baltic Banking	123	117	102
Deposits, corporate	475	456	431
of which Swedish Banking	167	156	155
of which Baltic Banking	84	78	67
of which Large Corporates & Inst.	148	150	126
of which Group Functions & Other	76	72	83
Total	**975**	**940**	**888**

Swedbank's deposits from private customers rose SEK 16bn in the quarter to SEK 500bn (484). In Swedish Banking deposits were positively affected by the tax return.

Corporate deposits in the business segments rose in total by SEK 19bn in the quarter due to increased volumes in Swedish Banking and Baltic Banking, while deposits within Large Corporates & Institutions fell slightly.

Deposits within Group Treasury rose SEK 4bn.

Market shares in Sweden were stable in the quarter. The market share for household deposits was 20 per cent as of 31 May 2018 (20 per cent as of 31 December 2017) and for corporate deposits was 16 per cent (17). For more information on deposits, see page 37 of the Fact book.

Asset management, SEKbn	**30 Jun 2018**	**31 Mar 2018**	**30 Jun 2017**
Total Asset Management	**1 366**	**1 300**	**1 226**
Assets under management	**944**	**890**	**840**
Assets under management, Robur	938	884	835
of which Sweden	891	840	796
of which Baltic countries	48	45	39
of which Norway			
of which eliminations	-1	-1	
Assets under management, Other, Baltic countries	6	5	5
Discretionary asset management	**422**	**410**	**386**

Assets under management by Swedbank Robur continued to rise to SEK 938bn (884) at the end of the quarter, of which SEK 890bn related to the Swedish fund business and SEK 49bn to the Baltic fund business. The Swedish and Baltic increases are both due to positive net flows as well as higher asset values.

The net flow in the Swedish fund market rose in the period to SEK 13.2bn (8.1). As in the first quarter the largest flows were in mixed funds and index funds at SEK 6.0bn (4.0) and SEK 8.5bn (6.6) respectively. Inflows to fixed income funds accounted for SEK 4.5bn (1.9) and hedge funds and other funds SEK -0.2bn (3.0), while actively managed equity funds had an outflow of SEK -5.6bn (-7.4).

The strong net flows for Swedbank Robur's Swedish operations in the first quarter continued in the second quarter and amounted to SEK 5.8bn (SEK 5.3bn in the first quarter). The biggest increases were in Swedbank's insurance business and third party distribution. At the same time net flows within the institutional business turned negative during the period. Swedbank Robur is number one in the market with a market share of 44 per cent of net flows for the quarter.

The net flow in the Baltic countries fell slightly to SEK 0.9bn (SEK 1.3bn in the first quarter).

By assets under management Swedbank Robur is the largest player in the Swedish and Baltic fund markets. As of 30 June the market share in Sweden was 21 per cent. In Estonia and Latvia it was 42 per cent and in Lithuania 37 per cent.

Assets under management, life insurance SEKbn	**30 Jun 2018**	**31 Mar 2018**	**30 Jun 2017**
Sweden	189	180	170
of which collective occupational pensions	89	83	76
of which endowment insurance	67	64	63
of which occupational pensions	24	23	21
of which other	10	9	9
Baltic countries	6	5	5

Life insurance assets under management in Sweden rose 5 per cent in the quarter to SEK 189bn. Swedbank has a market share of about 6 per cent in premium payments excluding capital transfers. Total transferred capital amounts to SEK 32.9bn. The market share for transferred capital remains at 13 per cent, ranking Swedbank second in the total transfer market. Swedbank is the largest life insurance company in Estonia and the second largest in Lithuania and Latvia. The market shares as of 31 March were 39 per cent in Estonia, 24 per cent in Lithuania and 22 per cent in Latvia.

Credit and asset quality

Swedbank's credit portfolio is well-balanced with low risk and low credit impairments. In the second quarter credit impairments amounted to income of SEK 135m (SEK 127m in impairments in the first quarter). Baltic Banking and Large Corporates & Institutions both reported positive credit impairments, partly due to reversals, while Swedish Banking reported credit impairments. The credit impairment ratio was -0.03 per cent (0.03). The share of loans in stage 3 (gross) was 0.67 per cent (0.70). The provision ratio for loans in stage 3 was 29 per cent (28). For more information on asset quality, see pages 39-46 of the Fact book.

Credit impairments, net by business segment SEKm	Q2 2018	Q1 2018	Q2 2017
Swedish Banking	84	253	86
Baltic Banking	-87	-26	7
Estonia	-61	-12	10
Latvia	-3	-9	2
Lithuania	-23	-5	-5
Large Corporates & Institutions	-126	-100	307
Group Functions & Other	-6		
Total	**-135**	**127**	**400**

House prices in Sweden stabilised somewhat after declining in the fourth quarter 2017. Many larger locations still face a housing shortage and uncertainty how far prices could fall has made some buyers hesitant, which has affected sales for some new residential projects. Residential development represents a limited share of Swedbank's total credit portfolio and lending is primarily to large, established companies with which Swedbank has a long-term relationship. When lending for residential development, Swedbank requires new tenant-owner associations to have sold a large percentage of units and be financially sound.

Swedish mortgages rose 1 per cent in the quarter, or at an annual rate of 6 per cent. The average loan-to-value ratio of Swedbank's mortgages was 56 per cent (55) in Sweden, 46 per cent (47) in Estonia, 73 per cent (78) in Latvia and 61 per cent (62) in Lithuania, based on property level. For new lending in the quarter the loan-to-value ratio was 69 per cent in Sweden, 69 per cent in Estonia, 75 per cent in Latvia and 76 per cent in Lithuania. Amortisations in the Swedish mortgage portfolio amounted to approximately SEK 14bn in the latest 12-month period. For more information, see pages 45-46 of the Fact book.

Operational risks

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

Funding and liquidity

Volatility increased and credit spreads widened in the second quarter partly due to political concerns in parts of southern Europe. Swedbank has been active in private placements, where demand has been good. Swedbank issued SEK 43bn in long-term debt, of which SEK 30bn related to covered bonds. For the first half of 2018 long-term debt issuance amounted to SEK 83bn. Total issuance volume for 2018 is expected to be lower than in 2017. Maturities for the full-year 2018 amount nominally to SEK 111bn from the beginning of the year. Issuance plans are based on future long-term funding maturities and are mainly affected by changes in deposit volumes and lending growth, and are therefore adjusted over the course of the year. Outstanding short-term funding, commercial paper and Certificates of Deposit included in debt securities in issue amounted to SEK 287bn (183) as of 30 June. At the same time cash and balances with central banks amounted to SEK 435bn (404). The liquidity reserve amounted to SEK 626bn (532) as of 30 June. The Group's liquidity coverage ratio (LCR) was 145 per cent (140), and for USD and EUR was 166 per cent and 161 per cent respectively. The net stable funding ratio (NSFR) was 110 per cent (110). For more information on funding and liquidity, see notes 15-17 on pages 41-42 and pages 55–71 of the Fact book.

Ratings

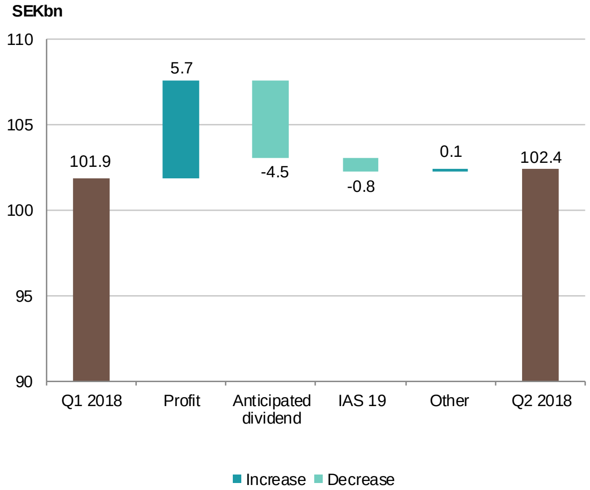
In the second quarter Moody's Investors Service upgraded the long-term deposit and senior unsecured debt ratings of Swedbank to Aa2 from Aa3. The upgrade reflects Moody's expectations of the issuance of additional loss-absorbing debt that fulfils MREL subordination requirements. Moody's also placed the high trigger AT1 ratings of Swedbank AB on review for downgrade as there will be negative pressure on these if the Swedish FSA adopts the current proposal to move the risk-weight floor for mortgages from Pillar II to Pillar I.

Capital and capital adequacy

Capital ratio

The Common Equity Tier 1 capital ratio was 23.6 per cent at the end of the quarter (24.8 per cent as of 30 March 2018), compared with the requirement of 21.7 per cent (22.0 per cent as of 31 March 2018). Common Equity Tier 1 capital increased to SEK 102.4bn (SEK 101.9bn as of 31 March 2018). The increase is mainly due to profit after deducting the proposed dividend, which raised the Common Equity Tier 1 capital by SEK 1.2bn. The revaluation of the estimated pension liability (IAS 19) reduced Common Equity Tier 1 capital by SEK 0.8bn.

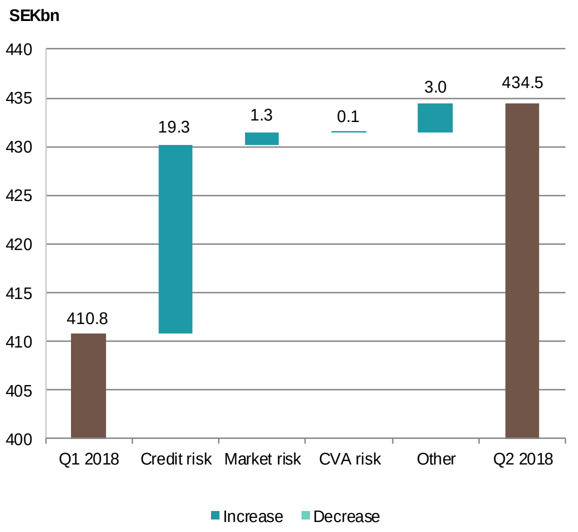
Change in Common Equity Tier 1 capital 2018, Swedbank consolidated situation



REA rose to SEK 434.5bn (SEK 410.8bn as of 31 March 2018). REA for credit risk increased SEK 19.3bn, driven by increased lending, mainly to corporates, as well as FX effects. Higher lending contributed to an increase in REA for credit risk of SEK 17.4bn. Corporate lending within the business areas Large Corporates & Institutions and Baltic Banking mainly drove the increase. FX effects from a stronger euro and US dollar against the Swedish krona in the quarter contributed to raising REA for credit risk by SEK 2.9bn. Other factors offset these increases and reduced REA for credit risk by SEK 1.0bn.

Additional risk exposures due to article 3 of the CRR also contributed SEK 3.0bn to the increase in total REA. REA for market risk rose by SEK 1.3bn due to increased positions in interest-bearing instruments, while REA for Credit Valuation Adjustment (CVA) rose by SEK 0.1bn.

Change in REA 2018, Swedbank consolidated situation



The leverage ratio was 4.5 per cent (4.7 per cent as of 31 March 2018). The ratio decreased because total assets were higher at the end of the second quarter 2018 than at the end of the first quarter 2018.

Capital requirement

The total Common Equity Tier 1 capital requirement, as a percentage of REA, was 21.7 per cent (22.0 per cent as of 31 March 2018). The requirement decreased because the capital requirement with respect to the risk weight floor for mortgages in Pillar 2 decreased due to the increase in REA. The total requirement takes into account Swedbank's Common Equity Tier 1 capital requirement for individual Pillar 2 risks of 1.7 per cent as well as all announced increases in the countercyclical buffer values.

Future capital regulations

In February 2018 the Swedish Ministry of Finance presented a proposal for a new order of priority for repayment of creditors in the Resolution Act effective 29 December 2018. The purpose is to simplify issues of debt instruments that comply with the future terms for subordinated debt in the minimum requirement for own funds and eligible liabilities (MREL). A number of parties have offered feedback on the draft, which is now expected to be implemented as scheduled.

On 28 March the Swedish FSA published a proposal to change the method for the application of the risk weight floor for Swedish mortgages to ensure a level playing field in the Swedish mortgage market. The proposal would replace the current risk weight floor, which today is applied within the overall capital assessment in Pillar 2 with a capital requirement in Pillar 1. For Swedbank the proposal, if implemented, would lead to an increase in REA and thus a decrease in the reported Common Equity Tier 1 capital ratio and the capital requirement expressed as a percentage of REA. In SEK terms, however, Swedbank's capital requirement and capital base would only change marginally. The Swedish FSA's proposal has now been accepted by a number of European authorities and is therefore expected to be implemented as scheduled on 31 December 2018.

In May the Swedish FSA published a report on internal credit risk modelling in which it indicated major upcoming changes. Swedbank continuously reviews its credit models and looks forward to a constructive dialogue on their improvement in order to strengthen financial stability in our home markets.

Other events

On 23 April Swedbank announced an investment of EUR 3m in the fintech firm Meniga. Swedbank and Meniga have collaborated since 2017 to improve Swedbank's digital customer experience. One outcome of this partnership is that Swedbank's customers will eventually be able to engage in a more personalised way with the bank's digital channels and have better control over their daily finances.

On 11 June Swedbank announced that Lars Ljungälv, who had been Head of Client Coverage and a member of the Group Executive Committee, had decided to leave the bank.

Events after 30 June 2018

On 6 July Ola Laurin was appointed Head of Large Corporates & Institutions. Ola Laurin had previously shared the role with Elisabeth Beskow, who decided to leave the bank.

Swedish Banking

- Mortgage lending growth remained high
- Capital gain from the sale of UC positively affected profit
- Higher income from cards and asset management strengthened net commission income

Income statement

SEKm	Q2 2018	Q1 2018	%	Q2 2017	%	Jan-Jun 2018	Jan-Jun 2017	%
Net interest income	3 840	3 877	-1	3 792	1	7 717	7 430	4
Net commission income	1 927	1 884	2	1 889	2	3 811	3 654	4
Net gains and losses on financial items at fair value	119	96	24	105	13	215	202	6
Share of profit or loss of associates	213	202	5	208	2	415	352	18
Other income[1)]	915	185		127		1 100	956	15
Total income	**7 014**	**6 244**	**12**	**6 121**	**15**	**13 258**	**12 594**	**5**
Staff costs	775	794	-2	779	-1	1 569	1 584	-1
Variable staff costs	-2	32		31		30	62	-52
Other expenses	1 425	1 432	0	1 386	3	2 857	2 735	4
Depreciation/amortisation	14	14	0	17	-18	28	33	-15
Total expenses	**2 212**	**2 272**	**-3**	**2 213**	**0**	**4 484**	**4 414**	**2**
Profit before impairments	**4 802**	**3 972**	**21**	**3 908**	**23**	**8 774**	**8 180**	**7**
Credit impairments	84	253	-67	86	-2	337	83	
Operating profit	**4 718**	**3 719**	**27**	**3 822**	**23**	**8 437**	**8 097**	**4**
Tax expense	862	800	8	820	5	1 662	1 581	5
Profit for the period	3 856	2 919	32	3 002	28	6 775	6 516	4
Profit for the period attributable to the shareholders of Swedbank AB	**3 851**	**2 918**	**32**	**2 998**	**28**	**6 769**	**6 510**	**4**
Non-controlling interests	5	1		4	25	6	6	0
Return on allocated equity, %	25.0	19.7		21.5		22.4	23.5	
Loan/deposit ratio, %	216	222		221		216	221	
Credit impairment ratio, %	0.03	0.09		0.03		0.06	0.01	
Cost/income ratio	0.32	0.36		0.36		0.34	0.35	
Loans, SEKbn[2)]	1 176	1 164	1	1 125	5	1 176	1 125	5
Deposits, SEKbn[2)]	544	523	4	510	7	544	510	7
Full-time employees	3 865	3 901	-1	4 044	-4	3 865	4 044	-4

1)Other income in the table above includes the items Net insurance and Other income from the Group income statement.
2) Excluding the Swedish National Debt Office and repurchase agreements.

Result

Second quarter 2018 compared with first quarter 2018

Swedish Banking reported profit of SEK 3 851m (2 918). Quarterly profit was positively affected by the sale of UC. Higher net commission income, lower expenses, and lower credit impairments also contributed to the higher profit.

Net interest income decreased slightly to SEK 3 840m (3 877). A higher resolution fund fee, coupled with slightly lower lending margins due to higher short-term interest rates, negatively affected net interest income. The decrease was largely offset by higher deposit margins and volumes.

Residential mortgage volume amounted to SEK 781bn at the end of the quarter, corresponding to an increase of SEK 10bn. Corporate lending was stable at SEK 255bn (255). Lending was negatively affected by the transfer of SEK 2bn in commitments to customers with complex needs to Large Corporates & Institutions.

Household deposit volume increased by SEK 10bn in the quarter partly as a result of a tax refund. Corporate deposits increased by SEK 11bn.

Net commission income rose 2 per cent to SEK 1 927m (1 884) mainly due to higher asset management income and card income.

The share of profit or loss of associates increased mainly due to higher profit posted by partly owned savings banks.

Other income increased by SEK 730m mainly due to a capital gain of SEK 677m in connection with the sale of UC as well as higher income from the life insurance business.

Total expenses fell 3 per cent. Staff costs decreased together with other outsourced services and variable staff costs.

Credit impairments of SEK 84m (253) were recognised in the quarter, according to IFRS 9, largely related to individually assessed loans in Stage 3.

January-June 2018 compared with January-June 2017

Profit increased 4 per cent to SEK 6 769m (6 510) mainly due to higher net interest income from lending and increased net commission income from fund management. This was partly offset by higher credit impairments.

Net interest income increased 4 per cent to SEK 7 717m (7 430) due to higher volumes in the mortgage portfolio and slightly higher corporate margins. This was partly offset by a higher resolution fund fee compared with 2017.

Net commission income increased 4 per cent to SEK 3 811m (3 654). The increase was mainly due to higher asset management income, but also increased income from service concepts following the acquisition PayEx as well as higher card income. This was partly offset by lower brokerage income.

Other income increased due to a higher profit in the life insurance business, a higher profit from Entercard and the consolidation of PayEx. The gain on the sale of UC is comparable with the gain on last year's Hemnet sale.

Total expenses increased partly due to the consolidation of PayEx in August 2017. Staff costs decreased slightly together with variable staff costs and expenses for premises.

Credit impairments of SEK 337m were recognised in the period, according to IFRS 9, largely related to individually assessed loans in Stage 3.

Business development

We are continuing to develop digital services and at the same time make it easier for our customers to manage their finances. During the quarter we enabled our corporate and private customers to update their customer due diligence data in the digital channels. Growth in digital applications for mortgage commitments and consumer loans remained strong.

Swedbank has collaborated with other banks and the Swedish Police in a campaign to inform customers of the importance of protecting their digital identity.

A campaign was launched in the quarter with the aim of making customers better aware of the importance of saving for both the short and long term in order to be financially secure and prepared if something unforeseen were to happen. At the same time an advisory offering called "Boendekollen" was introduced for mortgage customers that includes help with loans, insurance, savings and legal matters.

In June we participated in Järvaveckan (Järva Week), an initiative to bring together people from different backgrounds, where we among other things invited foreign-born academics to meet with Swedbank managers. We also presented the results of the small business survey "Småföretagsbarometern" together with the savings banks and the business organisation Företagarna. It showed that a majority of companies expect continued growth and improved profitability, but that growth expectations decreased compared with last year.

Measures to improve customer satisfaction are continuing. During the quarter we introduced our CRM system for retail advisors. It makes it easier for them to get a better overview of the entire relationship with each customer, and to be more proactive in their advice and offerings.

Christer Trägårdh
Head of Swedish Banking

Sweden is Swedbank's largest market, *with around 4 million private customers and over 250 000 corporate customers. This makes Swedbank Sweden's largest bank by number of customers. Through our digital channels (Internet Bank and Mobile Bank), the Telephone Bank and branches, and with the cooperation of the savings banks and franchisees, we are always available. Swedbank is part of the community. Branch managers have a strong mandate to act in their local communities. The bank's presence and engagement are expressed in various ways. A project called "Young Jobs", which has created several thousand trainee positions for young people, has played an important part in recent years. Swedbank has 191 branches in Sweden.*

Baltic Banking

- Solid lending growth in both corporate and household sectors
- FX effects positively impacted profit
- Swedbank remains the most popular brand in the banking sector in all three Baltic countries

Income statement

SEKm	Q2 2018	Q1 2018	%	Q2 2017	%	Jan-Jun 2018	Jan-Jun 2017	%
Net interest income	1 181	1 103	7	1 044	13	2 284	2 045	12
Net commission income	634	593	7	561	13	1 227	1 088	13
Net gains and losses on financial items at fair value	65	55	18	52	25	120	105	14
Other income[1]	167	154	8	156	7	321	292	10
Total income	**2 047**	**1 905**	**7**	**1 813**	**13**	**3 952**	**3 530**	**12**
Staff costs	240	210	14	212	13	450	415	8
Variable staff costs	13	14	-7	10	30	27	26	4
Other expenses	454	413	10	409	11	867	799	9
Depreciation/amortisation	23	24	-4	25	-8	47	52	-10
Total expenses	**730**	**661**	**10**	**656**	**11**	**1 391**	**1 292**	**8**
Profit before impairments	**1 317**	**1 244**	**6**	**1 157**	**14**	**2 561**	**2 238**	**14**
Impairment of tangible assets				1			3	
Credit impairments	-87	-26		7		-113	-59	92
Operating profit	**1 404**	**1 270**	**11**	**1 149**	**22**	**2 674**	**2 294**	**17**
Tax expense	212	180	18	154	38	392	311	26
Profit for the period	1 192	1 090	9	995	20	2 282	1 983	15
Profit for the period attributable to the shareholders of Swedbank AB	**1 192**	**1 090**	**9**	**995**	**20**	**2 282**	**1 983**	**15**
Return on allocated equity, %	20.6	19.2		19.7		19.8	19.5	
Loan/deposit ratio, %	81	82		84		81	84	
Credit impairment ratio, %	-0.21	-0.07		0.02		-0.14	-0.09	
Cost/income ratio	0.36	0.35		0.36		0.35	0.37	
Loans, SEKbn[2]	167	159	5	142	18	167	142	18
Deposits, SEKbn[2]	207	195	6	169	22	207	169	22
Full-time employees	3 550	3 499	1	3 572	-1	3 550	3 572	-1

1)Other income in the table above includes the items Net insurance and Other income from the Group income statement.
2) Excluding the Swedish National Debt Office and repurchase agreements.

Result

Second quarter 2018 compared with first quarter 2018

Profit increased to SEK 1 192m (1 090) driven by increased income and higher reversals. FX effects positively affected profit by SEK 47m.

Net interest income increased 3 per cent in local currency mainly due to higher lending volumes and one more day in the quarter. Mortgage margins continued to rise somewhat, while corporate lending margins were stable. FX effects positively affected net interest income by SEK 45m.

Lending volumes increased 3 per cent in local currency. Household lending increased 3 per cent driven by continued wage growth. Corporate lending increased 4 per cent. FX effects positively affected lending by SEK 3bn.

Deposits increased 5 per cent in local currency thanks to increased deposits from both households and corporates. FX effects positively affected deposits by SEK 3bn.

Net commission income increased 3 per cent in local currency. Card income positively contributed due to seasonally higher customer activity.

Net gains and losses on financial items increased 13 per cent mainly due to higher currency trading activity.

Other income increased 4 per cent in local currency mainly due to higher income from the insurance business.

Total expenses increased 6 per cent in local currency as a result of seasonally lower expenses in the previous quarter.

Credit impairments amounted to income of SEK 87m, according to IFRS 9, the large part of which is attributable to a few commitments in the Estonian business. Underlying credit quality remained solid.

January-June 2018 compared with January-June 2017

Profit increased to SEK 2 282m (1 983) due to higher income and higher reversals of previous provisions. FX effects positively affected profit by SEK 132m.

Net interest income rose 5 per cent in local currency. The increase is mainly due to higher lending volumes. FX effects positively contributed to net interest income by SEK 133m.

Lending volumes grew 8 per cent in local currency. Growth was evident in all the major portfolios: mortgages, consumer finance, corporate lending and leasing. Total lending grew in all three Baltic countries. FX effects positively affected lending by SEK 13bn.

Deposits increased 13 per cent in local currency. Deposits increased from both private and corporate customers. FX effects positively affected deposits by SEK 17bn.

Net commission income grew 6 per cent in local currency mainly due to higher income from cards and payments.

Net gains and losses on financial items increased 8 per cent in local currency due to higher trading-related income.

Other income increased 3 per cent in local currency due to increased income from the insurance business.

Total expenses increased 1 per cent in local currency. The increase is due to higher staff costs and regulatory costs, partly offset by lower expenses for marketing and depreciation.

Credit impairments amounted to income of SEK 113m, according to IFRS 9.

Business development

Swedbank is working continuously to improve customer experience in its digital channels. In the second quarter we launched a more mobile friendly and easy to navigate Internet Bank in all three countries. In doing so we have taken into account the feedback we have received from customers.

To make banking easier for our customers, we have joined with Estonia's largest supermarket chain, Coop, to provide cash withdrawals in its stores. We have also launched the E-smart index, which measures customer usage of the bank's digital products and is engaging them to start use new digital products and services.

Our first successful accelerator programme for fintech companies in the Baltic countries has ended. Ten fintech startups have developed their businesses with support from 130 international mentors, including 50 from Swedbank. All the companies that were selected also received EUR 20 000 to further develop their businesses. Half of the participants launched their products on the market while the programme was still underway and several already have paying customers. Our second accelerator was launched in June and will get started this autumn.

In the second quarter Swedbank continued its social initiatives. In Latvia the "Ready for Life" programme has reached more than 10 000 high school pupils with practical workshops from Swedbank volunteers. In Estonia a year-long collaboration involving online guest lectures together with the "Back to School" initiative has ended, 124 000 pupils participated in digital lectures on various topics at Estonian-speaking schools around the world. In Lithuania Swedbank recently opened the Financial Laboratory at its head office. It is equipped with modern interactive monitors and pedagogical tools and offers free activities for groups of school children. Nearly 700 pupils per month have participated since the start.

The bank's long-term contributions to social initiatives and responsible business have been noted at the highest level. In Latvia Swedbank was included in the platinum category of the Sustainability Index, in Estonia we reached gold level in the Responsible Business Index, and in Lithuania we were named the most social responsible company in the country.

In addition, Swedbank remains the most popular brand in the banking sector in all three Baltic countries and among the 10 favourite brands in all. In Latvia Swedbank tops the list for the fourth consecutive year. Estonians rank Swedbank as the sixth favourite brand, and in Lithuania Swedbank remains in eighth place.

Charlotte Elsnitz
Head of Baltic Banking

***Swedbank is the largest bank** by number of customers in Estonia, Latvia and Lithuania, with around 3.3 million private customers and around 300 000 corporate customers. According to surveys, Swedbank is also the most respected company in the financial sector. Through its digital channels (Telephone Bank, Internet Bank and Mobile Bank) and branches, the bank is always available. Swedbank is part of the local community. Its local social engagement is expressed in many ways, with initiatives to promote education, entrepreneurship and social welfare. Swedbank has 33 branches in Estonia, 33 in Latvia and 59 in Lithuania.*

Large Corporates & Institutions

- Diversified lending growth
- Higher card and bond issuance customer activity strengthened net commission income
- Advisors in a number of green bond issues

Income statement

SEKm	Q2 2018	Q1 2018	%	Q2 2017	%	Jan-Jun 2018	Jan-Jun 2017	%
Net interest income	992	930	7	893	11	1 922	1 716	12
Net commission income	640	621	3	587	9	1 261	1 167	8
Net gains and losses on financial items at fair value	438	564	-22	515	-15	1 002	967	4
Other income[1]	54	22		21		76	49	55
Total income	**2 124**	**2 137**	**-1**	**2 016**	**5**	**4 261**	**3 899**	**9**
Staff costs	368	363	1	382	-4	731	767	-5
Variable staff costs	45	57	-21	42	7	102	114	-11
Other expenses	571	514	11	444	29	1 085	897	21
Depreciation/amortisation	22	25	-12	18	22	47	34	38
Total expenses	**1 006**	**959**	**5**	**886**	**14**	**1 965**	**1 812**	**8**
Profit before impairments	**1 118**	**1 178**	**-5**	**1 130**	**-1**	**2 296**	**2 087**	**10**
Credit impairments	-126	-100	26	307		-226	715	
Operating profit	**1 244**	**1 278**	**-3**	**823**	**51**	**2 522**	**1 372**	**84**
Tax expense	275	270	2	177	55	545	280	95
Profit for the period	969	1 008	-4	646	50	1 977	1 092	81
Profit for the period attributable to the shareholders of Swedbank AB	**969**	**1 008**	**-4**	**646**	**50**	**1 977**	**1 092**	**81**
Return on allocated equity, %	15.4	16.9		11.4		16.1	10.2	
Loan/deposit ratio, %	149	137		160		149	160	
Credit impairment ratio, %	-0.19	-0.16		0.43		-0.19	0.59	
Cost/income ratio	0.47	0.45		0.44		0.46	0.46	
Loans, SEKbn[2]	220	205	7	203	8	220	203	8
Deposits, SEKbn[2]	148	150	-1	126	17	148	126	17
Full-time employees	1 230	1 236	0	1 298	-5	1 230	1 298	-5

1)Other income in the table above includes the items Net insurance and Other income from the Group income statement.
2) Excluding the Swedish National Debt Office and repurchase agreements.

Result

Second quarter 2018 compared with first quarter 2018
Profit decreased to SEK 969m (1 008). The main reasons were lower net gains and losses on financial items and increased expenses.

Net interest income increased 7 per cent to SEK 992m (930m). Lending volumes grew in a number of sectors, and were also positively affected by a customer transfer from Swedish Banking as well as FX effects. More days in the quarter had a positive effect on net interest income, while margins were stable.

Net commission income increased 3 per cent to SEK 640m (621m) driven by higher card income. Bond issuance commissions also increased between quarters.

Net gains and losses on financial items at fair value decreased to SEK 438m (564m). Market turbulence following the Italian election had a negative effect on customer activity. Value adjustments of the derivatives portfolio (CVA) also had a negative effect.

Compared with the previous quarter total expenses rose 5 per cent to SEK 1 006m (959) mainly due to increased IT expenses and staff costs.

Credit impairments amounted to income of SEK 126m in the second quarter, according to IFRS 9. The main reasons were the sale of a claim during the quarter and a slightly improved outlook for some oil-related sectors.

January-June 2018 compared with January-June 2017
Profit increased to SEK 1 977m (1 092) due to higher income and lower credit impairments.

Net interest income increased 12 per cent to SEK 1 922m (1 716) due to increased margins and lending volumes.

Net commission income increased 8 per cent to SEK 1 261m (1 167) mainly due to income from PayEx, which was acquired in 2017. Brokerage and funding-related commissions decreased.

Net gains and losses on financial items at fair value increased 4 per cent to SEK 1 002m (967m). FX effects had a positive effect while valuation adjustments of the derivatives portfolio (CVA) had a negative effect.

Total expenses increased 8 per cent to SEK 1 965m

(1 812m) mainly due to the acquisition of PayEx in 2017. The partnership with Kepler Cheuvreux led to lower staff costs but higher other expenses.

Credit impairments amounted to income of SEK 226m, according to IFRS 9.

Business development

Swedbank continues to focus on the importance of sustainability. During the quarter Swedbank's sustainable products, e.g. green bonds and loans, were classified according to the UN environmental programmes definition of "Sustainable and Positive Impact Finance". These products have a positive impact on the economy, society and the environment. Moreover, the second edition of Swedbank's sustainability indicators, which measure progress relative to the UN's global Agenda 2030 for Sustainable Development by country, was launched.

So far this year Swedbank has helped customers to issue ten green bonds. A milestone in the second quarter was the issuance of Landesbank Baden-Württemberg of Germany's EUR 500m, four-year green mortgage bond. In the second quarter Swedbank arranged a very popular conference with the theme "Beyond Green: The Emergence of Social & Sustainable Bonds" at Nasdaq in Stockholm, which was attended by banks, financial institutions and investors.

In the area of savings Swedbank has a strong focus on sustainability. This year the bank has launched 23 sustainability-oriented products, including 14 in the second quarter. Customers, for example, can now invest in structured products which track listed companies that meet gender equality standards or Swedbank's sustainability requirements.

A year ago Swedbank entered a strategic partnership with Kepler Cheuvreux, Europe's leading independent equity broker. The collaboration is continuously being refined, and the combination of Kepler Cheuvreux's strong distribution and analysis capacity and Swedbank's large customer base has produced a number of deals. One example is the IPO of the Port of Tallinn, a company owned by the Republic of Estonia, on Nasdaq Tallinn in May.

In the second quarter Swedbank signed a framework agreement with the Swedish Trade Union Confederation (LO) and all its affiliates. The agreement comprises cash management and member benefits for LO's 1.5 million members.

Ola Laurin
Head of Large Corporates & Institutions

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

Group Functions & Other

Income statement

SEKm	Q2 2018	Q1 2018	%	Q2 2017	%	Jan-Jun 2018	Jan-Jun 2017	%
Net interest income	264	387	-32	363	-27	651	874	-26
Net commission income	23	-28		3		-5	-22	-77
Net gains and losses on financial items at fair value	13	-157		-106		-144	-220	-35
Share of profit or loss of associates	169	33		-4		202	27	
Other income[1)]	189	260	-27	249	-24	449	475	-5
Total income	**658**	**495**	**33**	**505**	**30**	**1 153**	**1 134**	**2**
Staff costs	1 119	1 111	1	896	25	2 230	1 779	25
Variable staff costs	55	51	8	34	62	106	87	22
Other expenses	-927	-949	-2	-738	26	-1 876	-1 459	29
Depreciation/amortisation	113	105	8	81	40	218	157	39
Total expenses	**360**	**318**	**13**	**273**	**32**	**678**	**564**	**20**
Profit before impairments	**298**	**177**	**68**	**232**	**28**	**475**	**570**	**-17**
Impairment of intangible assets	282					282		
Credit impairments	-6					-6		
Operating profit	**22**	**177**	**-88**	**232**	**-91**	**199**	**570**	**-65**
Tax expense	20	160	-88	125	-84	180	285	-37
Profit for the period	2	17	-88	107	-98	19	285	-93
Profit for the period attributable to the shareholders of Swedbank AB	**2**	**17**	**-88**	**107**	**-98**	**19**	**285**	**-93**
Full-time employees	6 050	5 969	1	5 272	15	6 050	5 272	15

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

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

Second quarter 2018 compared with first quarter 2018

Profit decreased to SEK 2m (17) mainly due to impairment of intangible assets related to the development of a new data warehouse and a risk management system. Profit within Group Treasury decreased to SEK 189m (214).

Net interest income fell to SEK 264m (387). Net interest income within Group Treasury fell to SEK 287m (397) partly as a result of less favourable conditions in short-term foreign funding.

Net gains and losses on financial items improved to SEK 13m (-157). Net gains and losses on financial items within Group Treasury improved to SEK 20m (-157) after the first quarter was weighed down by valuation effects on currency swaps.

Expenses increased to SEK 360m (318).

Impairment of intangible assets amounted to SEK 282m (0).

Credit impairments amounted to income of SEK 6m (0).

January-June 2018 compared with January-June 2017

Profit decreased to SEK 19m (285). Group Treasury's profit increased to SEK 403m (378).

Net interest income fell to SEK 651m (874). Group Treasury's net interest income fell to SEK 684m (909) mainly due to lower covered bond repurchases in the quarter.

Net gains and losses on financial items at fair value increased to SEK -144m (-220). Net gains and losses on financial items within Group Treasury increased to SEK -137m (-218) due to lower covered bond repurchases and because some loans to the public are no longer recognised at fair value through profit or loss due to the transition to IFRS 9.

Expenses increased to SEK 678m (564) mainly due to PayEx acquisition in the second half of 2017.

Impairment of intangible assets amounted to SEK 282m (0). Credit impairments amounted to income of SEK 6m (0).

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

Eliminations

Income statement

SEKm	Q2 2018	Q1 2018	%	Q2 2017	%	Jan-Jun 2018	Jan-Jun 2017	%
Net interest income	-4	-3	33	-2	100	-7	-4	75
Net commission income	12	11	9	10	20	23	22	5
Net gains and losses on financial items at fair value		1		1		1	-1	
Other income[1)]	-54	-50	8	-71	-24	-104	-130	-20
Total income	**-46**	**-41**	**12**	**-62**	**-26**	**-87**	**-113**	**-23**
Staff costs								
Variable staff costs								
Other expenses	-46	-41	12	-62	-26	-87	-113	-23
Depreciation/amortisation								
Total expenses	**-46**	**-41**	**12**	**-62**	**-26**	**-87**	**-113**	**-23**

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

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

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

Income statement, condensed

Group SEKm	Q2 2018[1]	Q1 2018[1]	%	Q2 2017[2]	%	Jan-Jun 2018[1]	Jan-Jun 2017[2]	%
Interest income	9 214	8 779	5	8 688	6	17 993	17 022	6
Negative yield on financial assets	-749	-645	16	-592	27	-1 394	-1 016	37
Interest income, including negative yield on financial assets	**8 465**	**8 134**	**4**	**8 096**	**5**	**16 599**	**16 006**	**4**
Interest expenses	-2 393	-2 021	18	-2 208	8	-4 414	-4 295	3
Negative yield on financial liabilities	201	181	11	202	0	382	350	9
Interest expenses, including negative yield on financial liabilities	**-2 192**	**-1 840**	**19**	**-2 006**	**9**	**-4 032**	**-3 945**	**2**
Net interest income (note 5)	**6 273**	**6 294**	**0**	**6 090**	**3**	**12 567**	**12 061**	**4**
Commission income	4 786	4 469	7	4 367	10	9 255	8 440	10
Commission expenses	-1 550	-1 388	12	-1 317	18	-2 938	-2 531	16
Net commission income (note 6)	**3 236**	**3 081**	**5**	**3 050**	**6**	**6 317**	**5 909**	**7**
Net gains and losses on financial items at fair value (note 7)	635	559	14	567	12	1 194	1 053	13
Insurance premiums	723	698	4	671	8	1 421	1 311	8
Insurance provisions	-423	-443	-5	-464	-9	-866	-908	-5
Net insurance	**300**	**255**	**18**	**207**	**45**	**555**	**403**	**38**
Share of profit or loss of associates	382	235	63	204	87	617	379	63
Other income	971	316		275		1 287	1 239	4
Total income	**11 797**	**10 740**	**10**	**10 393**	**14**	**22 537**	**21 044**	**7**
Staff costs	2 613	2 632	-1	2 386	10	5 245	4 834	9
Other expenses (note 8)	1 477	1 369	8	1 439	3	2 846	2 859	0
Depreciation/amortisation	172	168	2	141	22	340	276	23
Total expenses	**4 262**	**4 169**	**2**	**3 966**	**7**	**8 431**	**7 969**	**6**
Profit before impairments	**7 535**	**6 571**	**15**	**6 427**	**17**	**14 106**	**13 075**	**8**
Impairment of intangible assets (note 14)	282					282		
Impairment of tangible assets				1			3	
Credit impairments (note 9)	-135	127		400		-8	739	
Operating profit	**7 388**	**6 444**	**15**	**6 026**	**23**	**13 832**	**12 333**	**12**
Tax expense	1 369	1 410	-3	1 276	7	2 779	2 457	13
Profit for the period	6 019	5 034	20	4 750	27	11 053	9 876	12
Profit for the period attributable to the shareholders of Swedbank AB	**6 014**	**5 033**	**19**	**4 746**	**27**	**11 047**	**9 870**	**12**
Non-controlling interests	5	1		4	25	6	6	0
SEK								
Earnings per share, SEK	5.39	4.51		4.26		9.90	8.87	
after dilution	5.37	4.50		4.24		9.87	8.83	

[1] Results from Q1 2018 and onwards reflect the adoption of IFRS 9 Financial instruments and prior periods have not been restated. Refer to Note 1 for further information.
[2] 2017 results have been restated for changed presentation of commission income. Refer to Note 1 for further information.

Statement of comprehensive income, condensed

Group SEKm	Q2 2018[1)]	Q1 2018[1)]	%	Q2 2017	%	Jan-Jun 2018[1)]	Jan-Jun 2017	%
Profit for the period reported via income statement	**6 019**	**5 034**	**20**	**4 750**	**27**	**11 053**	**9 876**	**12**
Items that will not be reclassified to the income statement								
Remeasurements of defined benefit pension plans	-965	-148		-511	89	-1 113	-1 115	0
Share related to associates, Remeasurements of defined benefit pension plans	-33	-6		-16		-39	-36	8
Change in fair value attributable to changes in own credit risk of financial liabilities designated at fair value	3	6	-50			9		0
Income tax	199	32		116	72	231	253	-9
Total	**-796**	**-116**		**-411**	**94**	**-912**	**-898**	**2**
Items that may be reclassified to the income statement								
Exchange rate differences, foreign operations								
Gains/losses arising during the period	713	1 963	-64	298		2 676	211	
Hedging of net investments in foreign operations:								
Gains/losses arising during the period	-589	-1 565	-62	-176		-2 154	-95	
Cash flow hedges:								
Gains/losses arising during the period	5	14	-64			19	-113	
Reclassification adjustments to income statement, net interest income				4			7	
Foreign currency basis risk:								
Gains/losses arising during the period	-26	-36	-28			-62		
Share of other comprehensive income of associates	52	92	-43	-42		144	-56	
Income tax								
Income tax	80	341	-77	40		421	47	
Reclassification adjustments to income statement, tax				-1			-2	
Total	**235**	**809**	**-71**	**123**	**91**	**1 044**	**-1**	
Other comprehensive income for the period, net of tax	**-561**	**693**		**-288**	**95**	**132**	**-899**	
Total comprehensive income for the period	**5 458**	**5 727**	**-5**	**4 462**	**22**	**11 185**	**8 977**	**25**
Total comprehensive income attributable to the shareholders of Swedbank AB	**5 453**	**5 726**	**-5**	**4 459**	**22**	**11 179**	**8 971**	**25**
Non-controlling interests	5	1		3	67	6	6	0

1) Results from Q1 2018 and onwards reflect the adoption of IFRS 9 Financial instruments and prior periods have not been restated. Refer to Note 1 for further information.

For January-June 2018 an expense of SEK 912m (898) after tax was recognised in other comprehensive income, including remeasurements of defined benefit pension plans in associates. As per June 30 the discount rate, which is used to calculate the closing pension obligation, was 2.40 per cent, compared with 2.56 per cent at year end. The inflation assumption was 2.00 per cent compared with 1.95 per cent at year end. The fair value of plan assets decreased during the first six month 2018 by SEK 141m. As a whole, the obligation for defined benefit pension plans exceeded the fair value of plan assets by SEK 4 091m (2 374).

For January-June 2018 an exchange difference of SEK 2 686m (211) was recognised for the Group's foreign net investments in subsidiaries. In addition, an exchange rate difference of SEK 144m (-56) for the Group's foreign net investments in associates is included in Share related to associates. The gain related to subsidiaries mainly arose because the Swedish krona weakened during the year against the euro. The total gain of SEK 2 820m is not taxable. Since the large part of the Group's foreign net investments is hedged against currency risk, a loss of SEK 2 154m before tax arose for the hedging instruments, compared with a year-earlier loss of SEK 95m.

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

Balance sheet, condensed

Group SEKm	30 Jun 2018[1)]	31 Dec 2017	Δ SEKm	%	30 Jun 2017	%
Assets						
Cash and balance with central banks	435 440	200 371	235 069		432 540	1
Loans to credit institutions (note 10)	39 565	30 746	8 819	29	38 624	2
Loans to the public (note 10)	1 618 972	1 535 198	83 774	5	1 521 973	6
Value change of interest hedged item in portfolio hedge	1 418	789	629	80	1 007	41
Interest-bearing securities	213 647	145 034	68 613	47	127 112	68
Financial assets for which customers bear the investment risk	193 506	180 320	13 186	7	173 051	12
Shares and participating interests	3 856	19 850	-15 994	-81	12 501	-69
Investments in associates	6 393	6 357	36	1	7 211	-11
Derivatives (note 18)	85 595	55 680	29 915	54	76 372	12
Intangible fixed assets (note 14)	16 953	16 329	624	4	14 795	15
Tangible assets	1 978	1 955	23	1	1 867	6
Current tax assets	1 487	1 375	112	8	1 326	12
Deferred tax assets	174	173	1	1	155	12
Other assets	24 160	14 499	9 661	67	12 408	95
Prepaid expenses and accrued income	2 889	3 960	-1 071	-27	5 179	-44
Total assets	**2 646 033**	**2 212 636**	**433 397**	**20**	**2 426 121**	**9**
Liabilities and equity						
Amounts owed to credit institutions (note 15)	106 449	68 055	38 394	56	154 974	-31
Deposits and borrowings from the public (note 16)	1 000 205	855 609	144 596	17	909 223	10
Financial liabilities for which customers bear the investment risk	194 179	181 124	13 055	7	173 859	12
Debt securities in issue (note 17)	1 026 652	844 204	182 448	22	891 296	15
Short positions, securities	33 632	14 459	19 173		21 269	58
Derivatives (note 18)	65 446	46 200	19 246	42	70 813	-8
Current tax liabilities	1 122	1 980	-858	-43	1 303	-14
Deferred tax liabilities	1 329	2 182	-853	-39	2 045	-35
Pension provisions	4 091	3 200	891	28	2 374	72
Insurance provisions	1 928	1 834	94	5	1 872	3
Other liabilities and provisions	48 282	25 059	23 223	93	30 934	56
Accrued expenses and prepaid income	3 773	9 650	-5 877	-61	9 459	-60
Subordinated liabilities (note 17)	30 673	25 508	5 165	20	32 522	-6
Total liabilities	**2 517 761**	**2 079 064**	**438 697**	**21**	**2 301 943**	**9**
Equity						
Non-controlling interests	203	200	3	2	192	6
Equity attributable to shareholders of the parent company	128 069	133 372	-5 303	-4	123 986	3
Total equity	**128 272**	**133 572**	**-5 300**	**-4**	**124 178**	**3**
Total liabilities and equity	**2 646 033**	**2 212 636**	**433 397**	**20**	**2 426 121**	**9**

1) Balances from Q1 2018 and onwards reflect the adoption of IFRS 9 Financial instruments and prior periods have not been restated. Refer to Note 1 for further information.

Balance sheet analysis

Total assets have increased by SEK 433bn from 1 January 2018. Assets increased mainly due to higher cash and balances with central banks, which rose by SEK 235bn. The increase is mainly attributable to higher deposits with central banks in the euro system and also the US Federal Reserve. . Deposits and borrowings from the public, excluding the National Debt Office and repos, rose by a total of SEK 129bn. Interest-bearing securities, Treasury bills, increased by SEK 68bn. Lending to the public, excluding the National Debt Office and repos, increased by SEK 61bn. Swedish mortgages increased by SEK 22bn. Amounts owed to credit institutions increased by SEK 38bn. 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 related to other liabilities and provisions was mainly a result of higher securities settlement liabilities. The increase in securities in issue was mainly a result of higher issued volumes compared with repaid short-term securities funding of SEK 128bn and long-term securities funding by SEK 40bn as an effect of higher issued volumes compared with repaid funding. The increase of Securities in issue was offset by repurchased covered bond loans of SEK 17bn.

Statement of changes in equity, condensed

Group SEKm	Shareholders' equity									Non-controlling interests	Total equity
	Share capital	Other contri-buted equity[1]	Exchange differences, subsidiaries and associates	Hedging of net investments in foreign operations	Cash flow hedges	Foreign currency basis reserve	Own credit risk reserve	Retained earnings	Total		
January-June 2018											
Closing balance 31 December 2017	**24 904**	**17 275**	**3 602**	**-2 255**	**28**			**89 818**	**133 372**	**200**	**133 572**
Amendments due to the adoption of IFRS 9					**-38**	**38**	**-36**	**-2 105**	**-2 141**	**2**	**-2 139**
Opening balance 1 January 2018	**24 904**	**17 275**	**3 602**	**-2 255**	**-10**	**38**	**-36**	**87 713**	**131 231**	**202**	**131 433**
Dividends								-14 517	**-14 517**	-5	**-14 522**
Share based payments to employees								171	**171**		**171**
Deferred tax related to share based payments to employees								-13	**-13**		**-13**
Current tax related to share based payments to employees								18	**18**		**18**
Total comprehensive income for the period			2 820	-1 729	15	-62	7	10 128	**11 179**	6	**11 185**
of which reported through profit or loss								11 047	**11 047**	6	**11 053**
of which reported through other comprehensive income			2 820	-1 729	15	-62	7	-919	**132**		**132**
Closing balance 30 June 2018	**24 904**	**17 275**	**6 422**	**-3 984**	**5**	**-24**	**-29**	**83 500**	**128 069**	**203**	**128 272**
January-December 2017											
Opening balance 1 January 2017	**24 904**	**17 275**	**2 601**	**-1 748**	**77**			**86 406**	**129 515**	**190**	**129 705**
Dividends								-14 695	**-14 695**	-4	**-14 699**
Share based payments to employees								307	**307**		**307**
Deferred tax related to share based payments to employees								-35	**-35**		**-35**
Current tax related to share based payments to employees								38	**38**		**38**
Total comprehensive income for the period			1 001	-507	-49			17 797	**18 242**	14	**18 256**
of which reported through profit or loss								19 350	**19 350**	14	**19 364**
of which reported through other comprehensive income			1 001	-507	-49			-1 553	**-1 108**		**-1 108**
Closing balance 31 December 2017	**24 904**	**17 275**	**3 602**	**-2 255**	**28**			**89 818**	**133 372**	**200**	**133 572**
January-June 2017											
Opening balance 1 January 2017	**24 904**	**17 275**	**2 601**	**-1 748**	**77**	**0**	**0**	**86 406**	**129 515**	**190**	**129 705**
Dividends								-14 695	**-14 695**	-4	**-14 699**
Share based payments to employees								188	**188**		**188**
Deferred tax related to share based payments to employees								-31	**-31**		**-31**
Current tax related to share based payments to employees								38	**38**		**38**
Total comprehensive income for the period			155	-74	-82			8 972	**8 971**	6	**8 977**
of which reported through profit or loss								9 870	**9 870**	6	**9 876**
of which reported through other comprehensive income			155	-74	-82			-898	**-899**		**-899**
Closing balance 30 June 2017	**24 904**	**17 275**	**2 756**	**-1 822**	**-5**			**80 878**	**123 986**	**192**	**124 178**

[1] Other contributed equity consists mainly of share premiums.

Cash flow statement, condensed

Group SEKm	Jan-Jun 2018	Full-year 2017	Jan-Jun 2017
Operating activities			
Operating profit	13 832	24 542	12 333
Adjustments for non-cash items in operating activities	-4 376	-1 248	-2 780
Taxes paid	-4 030	-3 714	-1 841
Increase/decrease in loans to credit institutions	-8 441	1 819	-6 413
Increase/decrease in loans to the public	-74 033	-26 994	-15 153
Increase/decrease in holdings of securities for trading	-53 346	43 195	66 160
Increase/decrease in deposits and borrowings from the public including retail bonds	132 343	59 559	115 237
Increase/decrease in amounts owed to credit institutions	36 392	-4 513	83 066
Increase/decrease in other assets	-38 989	25 279	8 090
Increase/decrease in other liabilities	92 710	-59 577	-9 988
Cash flow from operating activities	**92 062**	**58 348**	**248 711**
Investing activities			
Business combinations		-1 268	
Business disposals		6	6
Acquisitions of and contributions to associates		-88	
Disposal of shares in associates	708	650	650
Acquisitions of other fixed assets and strategic financial assets	-6 257	-504	-384
Disposals/maturity of other fixed assets and strategic financial assets	5 274	407	286
Cash flow from investing activities	**-275**	**-797**	**558**
Financing activities			
Issuance of interest-bearing securities	82 995	180 835	114 864
Redemption of interest-bearing securities	-60 626	-207 991	-108 521
Issuance of commercial paper etc.	566 606	1 055 189	542 845
Redemption of commercial paper etc.	-435 270	-992 764	-472 926
Dividends paid	-14 522	-14 699	-14 699
Cash flow from financing activities	**139 183**	**20 570**	**61 563**
Cash flow for the period	**230 970**	**78 121**	**310 832**
Cash and cash equivalents at the beginning of the period	**200 371**	**121 347**	**121 347**
Cash flow for the period	230 970	78 121	310 832
Exchange rate differences on cash and cash equivalents	4 099	903	361
Cash and cash equivalents at end of the period	**435 440**	**200 371**	**432 540**

During the second quarter of 2018, the associated company UC AB was sold. Swedbank received a payment of SEK 708m. The capital gain was SEK 677 million. In connection with the divestment, shares of 7.4 per cent of the Finnish credit information company Asiakastieto Group Plc (Asiakastieto) was received corresponding SEK 502 million.

During the first quarter of 2017, the associated company Hemnet AB was sold. Swedbank received a payment of SEK 650m. The capital gain was SEK 680 million.

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

Note 1 Accounting policies

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

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

The accounting policies applied in the interim report conform to those applied in the Annual and Sustainability Report for 2017, which was prepared in accordance with International Financial Reporting Standards as adopted by the European Union and interpretations thereof. There have been no significant changes to the Group's accounting policies set out in the 2017 Annual and Sustainability Report, except for the changes as set out below.

Financial Instruments (IFRS 9)

On 1 January 2018, the Group adopted IFRS 9 *Financial Instruments.* IFRS 9 replaces 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 related accounting policies applied from 1 January 2018 are set out in the 2017 Annual and Sustainability Report on pages 70-73.

The classification, measurement and impairment requirements were applied retrospectively. The hedge accounting requirements were applied prospectively, except for the retrospective application of the exclusion of the currency basis spread component from cash flow hedging relationships. As permitted by IFRS 9, the Group did not restate comparative periods and, accordingly, all comparative period information is presented in accordance with the accounting policies as set out in the 2017 Annual and Sustainability Report. Furthermore, new or amended interim disclosures are presented for the current period according to IFRS 9, where applicable, while comparative period disclosures are consistent with those made in the prior year. Adjustments to carrying amounts of financial assets and liabilities at the date of initial application of 1 January 2018 were recognized in the opening equity in the current period. The adoption impacts are disclosed in note 28.

Revenue from contracts with customers (IFRS 15)

On 1 January 2018, the Group adopted IFRS 15 *Revenue from contracts with customers*. The standard introduces a five-step approach to determine how and when to recognise revenue, but it does not impact the recognition of income from financial instruments, insurance contracts or leasing contracts. The standard also establishes principles for reporting useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Group adopted the requirements using the modified retrospective method, with the effect of initial application recognised on the date of initial application and without restatement of the comparative periods. The adoption did not have any impact on the Group's financial position, results or cash flows. The significant accounting policies that are applied by the Group from 1 January 2018 are set out in the 2017 Annual and Sustainability Report on page 73.

Changed presentation of Commission income

The Group has restated the 2017 income statement for a changed presentation of certain revenues from savings banks which were previously reported as IT services within Other income. These revenues are now presented in relevant lines within Commission income in order to better represent the different services provided to the Savings banks. Restatement of the historical comparative figures has been made to better illustrate the comparative trends between periods. The change affected the Commission income and Other income lines, but has not had any impact on the total profit for the year. The change in presentation is presented in the Note 29.

Changed presentation of accrued interest

From 1 January 2018, the Group presents contractually accrued interest on financial assets and financial liabilities as part of the carrying amount of the related asset or liability the balance sheet. Previously, the contractually accrued interest was presented within Prepaid expenses and accrued income or Accrued expenses and prepaid income. The balance sheet as of 31 December 2017 adjusted for this changed presentation of accrued interest is presented in note 28. The balance sheets for comparative periods have not been restated.

Changes in Swedish regulations

The amended Swedish regulations that have been implemented from 1 January 2018 have not had a significant impact on the Group's financial position, results, cash flows or disclosures.

Note 2 Critical accounting estimates

Presentation of consolidated financial statements in conformity with IFRS requires the executive management to make judgments and estimates that affect the recognised amounts for assets, liabilities and disclosures of contingent assets and liabilities as of the closing day as well as the recognised income and expenses during the report period. The executive management continuously evaluates these judgments and estimates, including assessing control over investment funds, the fair value of financial instruments, provisions for credit impairments, impairment testing of goodwill, deferred taxes and defined benefit pension provisions. There have been no significant changes to the basis upon which the critical accounting judgments and estimates have been determined compared with 31 December 2017, except for estimates of credit impairment provisions in accordance with the IFRS 9 expected credit loss model, which was adopted from 1 January 2018. Key judgements related to these estimates are described in Note 9.

Note 3 Changes in the Group structure

No significant changes to the Group structure occurred during the first half year 2018.

Note 4 Operating segments (business areas)

Acc Jan-Jun 2018 SEKm	Swedish Banking	Baltic Banking	Large Corporates & Institutions	Group Functions & Other	Eliminations	Group
Income statement						
Net interest income	7 717	2 284	1 922	651	-7	12 567
Net commission income	3 811	1 227	1 261	-5	23	6 317
Net gains and losses on financial items at fair value	215	120	1 002	-144	1	1 194
Share of profit or loss of associates	415			202		617
Other income[1]	1 100	321	76	449	-104	1 842
Total income	**13 258**	**3 952**	**4 261**	**1 153**	**-87**	**22 537**
of which internal income	28		60	236	-324	
Staff costs	1 569	450	731	2 230		4 980
Variable staff costs	30	27	102	106		265
Other expenses	2 857	867	1 085	-1 876	-87	2 846
Depreciation/amortisation	28	47	47	218		340
Total expenses	**4 484**	**1 391**	**1 965**	**678**	**-87**	**8 431**
Profit before impairments	**8 774**	**2 561**	**2 296**	**475**		**14 106**
Impairment of intangible assets				282		282
Credit impairments	337	-113	-226	-6		-8
Operating profit	**8 437**	**2 674**	**2 522**	**199**		**13 832**
Tax expense	1 662	392	545	180		2 779
Profit for the period	6 775	2 282	1 977	19		11 053
Profit for the period attributable to the shareholders of Swedbank AB	**6 769**	**2 282**	**1 977**	**19**		**11 047**
Non-controlling interests	6					6
Net commission income						
Commission income						
Payment processing	365	340	193	125	-9	1 014
Cards	1 194	735	953	-3	-188	2 691
Asset management and custody	2 508	201	585	-10	-20	3 264
Lending and Guarantees	141	117	354	1	7	620
Other commission income[1]	1 048	155	490	-26	-1	1 666
Total	**5 256**	**1 548**	**2 575**	**87**	**-211**	**9 255**
Commission expenses	**1 445**	**321**	**1 314**	**92**	**-234**	**2 938**
Net commission income	**3 811**	**1 227**	**1 261**	**-5**	**23**	**6 317**

1) Other commission income include Service concepts, corporate finance, securities, deposits, real estate brokerage, life and non-life insurance

Balance sheet, SEKbn	Swedish Banking	Baltic Banking	Large Corporates & Institutions	Group Functions & Other	Eliminations	Group
Cash and balances with central banks		3	3	429		435
Loans to credit institutions	5		86	180	-231	40
Loans to the public	1 176	168	275			1 619
Interest-bearing securities		2	61	155	-4	214
Financial assets for which customers bear inv. risk	189	5				194
Investments in associates	4			2		6
Derivatives			88	35	-37	86
Total tangible and intangible assets	2	12	1	4		19
Other assets	3	48	24	456	-498	33
Total assets	**1 379**	**238**	**538**	**1 261**	**-770**	**2 646**
Amounts owed to credit institutions	30		193	104	-221	106
Deposits and borrowings from the public	550	208	173	76	-7	1 000
Debt securities in issue		2	14	1 017	-6	1 027
Financial liabilities for which customers bear inv. risk	189	5				194
Derivatives			86	16	-37	65
Other liabilities	548		46		-499	95
Subordinated liabilities				31		31
Total liabilities	**1 317**	**215**	**512**	**1 244**	**-770**	**2 518**
Allocated equity	62	23	26	17		128
Total liabilities and equity	**1 379**	**238**	**538**	**1 261**	**-770**	**2 646**
Key figures						
Return on allocated equity, %	22.4	19.8	16.1	0.2		17.1
Cost/income ratio	0.34	0.35	0.46	0.59		0.37
Credit impairment ratio, %	0.06	-0.14	-0.19	-0.06		0.00
Loan/deposit ratio, %	216	81	149			160
Loans, SEKbn[2]	1 176	167	220			1 563
Deposits, SEKbn[2]	544	207	148	76		975
Risk exposure amount, SEKbn	172	84	154	24		434
Full-time employees	3 865	3 550	1 230	6 050		14 695
Allocated equity, average, SEKbn	60	23	25	21		129

1) Other income in the table above includes the items Net insurance and Other income from the Group income statement.
2) Excluding the Swedish National Debt Office and repurchase agreements.

Acc Jan-Jun 2017 SEKm	Swedish Banking	Baltic Banking	Large Corporates & Institutions	Group Functions & Other	Eliminations	Group
Income statement						
Net interest income	7 430	2 045	1 716	874	-4	12 061
Net commission income	3 654	1 088	1 167	-22	22	5 909
Net gains and losses on financial items at fair value	202	105	967	-220	-1	1 053
Share of profit or loss of associates	352			27		379
Other income[1]	956	292	49	475	-130	1 642
Total income	**12 594**	**3 530**	**3 899**	**1 134**	**-113**	**21 044**
of which internal income	50	-1	21	183	-253	
Staff costs	1 584	415	767	1 779		4 545
Variable staff costs	62	26	114	87		289
Other expenses	2 735	799	897	-1 459	-113	2 859
Depreciation/amortisation	33	52	34	157		276
Total expenses	**4 414**	**1 292**	**1 812**	**564**	**-113**	**7 969**
Profit before impairments	**8 180**	**2 238**	**2 087**	**570**		**13 075**
Impairment of tangible assets		3				3
Credit impairments	83	-59	715			739
Operating profit	**8 097**	**2 294**	**1 372**	**570**		**12 333**
Tax expense	1 581	311	280	285		2 457
Profit for the period	6 516	1 983	1 092	285		9 876
Profit for the period attributable to the shareholders of Swedbank AB	**6 510**	**1 983**	**1 092**	**285**		**9 870**
Non-controlling interests	6					6
Net commission income						
Commission income						
Payment processing	367	317	151	101	-6	930
Cards	1 093	630	876		-175	2 424
Asset management and custody	2 254	197	550	-4	-19	2 978
Lending and Guarantees	156	103	326	4	-5	584
Other commission income[1]	1 045	141	339		-1	1 524
Total	**4 915**	**1 388**	**2 242**	**101**	**-206**	**8 440**
Commission expenses	**1 261**	**300**	**1 075**	**123**	**-228**	**2 531**
Net commission income	**3 654**	**1 088**	**1 167**	**-22**	**22**	**5 909**

1) Other commission income include Service concepts, corporate finance, securities, deposits, real estate brokerage, life and non-life insurance

Balance sheet, SEKbn	Swedish Banking	Baltic Banking	Large Corporates & Institutions	Group Functions & Other	Eliminations	Group
Cash and balances with central banks		3	8	422		433
Loans to credit institutions	5		57	196	-219	39
Loans to the public	1 125	143	253	1		1 522
Interest-bearing securities		1	44	85	-3	127
Financial assets for which customers bear inv. risk	169	4				173
Investments in associates	4			3		7
Derivatives			86	26	-36	76
Total tangible and intangible assets	2	11	1	3		17
Other assets	7	32	25	477	-509	32
Total assets	**1 312**	**194**	**474**	**1 213**	**-767**	**2 426**
Amounts owed to credit institutions	27		172	169	-213	155
Deposits and borrowings from the public	515	170	148	82	-6	909
Debt securities in issue			18	879	-6	891
Financial liabilities for which customers bear inv. risk	170	4				174
Derivatives			82	25	-36	71
Other liabilities	544		31		-506	69
Subordinated liabilities				33		33
Total liabilities	**1 256**	**174**	**451**	**1 188**	**-767**	**2 302**
Allocated equity	56	20	23	25		124
Total liabilities and equity	**1 312**	**194**	**474**	**1 213**	**-767**	**2 426**
Key figures						
Return on allocated equity, %	23.5	19.5	10.2	2.0		15.7
Cost/income ratio	0.35	0.37	0.46	0.50		0.38
Credit impairment ratio, %	0.01	-0.09	0.59	0.00		0.10
Loan/deposit ratio, %	221	84	160			166
Loans, SEKbn[2]	1 125	142	203			1 470
Deposits, SEKbn[2]	510	169	126	83		888
Risk exposure amount, SEKbn	167	79	135	26		407
Full-time employees	4 044	3 572	1 298	5 272		14 186
Allocated equity, average, SEKbn	55	20	21	29		126

1) Other income in the table above includes the items Net insurance and Other income from the Group income statement.
2) Excluding the Swedish National Debt Office and repurchase agreements.

During the first quarter 2018 Swedbank's operating segments were changed slightly to coincide with the organisational changes made in Swedbank's business area organization. Comparative figures have been restated.

Operating segments accounting policies

Operating segment reporting is based on Swedbank's accounting policies, organisation and management accounting. Market-based transfer prices are applied between operating segments, while all expenses within Group functions are transfer priced at cost to the operating segments. The net of services purchased and sold internally is recognised as other expenses in the income statements of the operating segments. Cross-border transfer pricing is applied according to OECD transfer pricing guidelines.

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

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

Note 5 Net interest income

Group SEKm	Q2 2018	Q1 2018	%	Q2 2017	%	Jan-Jun 2018	Jan-Jun 2017	%
Interest income								
Loans to credit institutions	23	17	35	8		40	9	
Loans to the public	7 795	7 548	3	7 523	4	15 343	14 986	2
Interest-bearing securities	39	21	86	50	-22	60	120	-50
Derivatives	417	423	-1	209	100	840	498	69
Other	222	186	19	367	-40	408	641	-36
Total interest income including negative yield on financial assets	**8 496**	**8 195**	**4**	**8 157**	**4**	**16 691**	**16 254**	**3**
deduction of trading interests reported in net gains and losses on financial items at fair value	31	61	-49	61	-49	92	248	-63
Interest income, including negative yield on financial assets, according to income statement	**8 465**	**8 134**	**4**	**8 096**	**5**	**16 599**	**16 006**	**4**
Interest expenses								
Amounts owed to credit institutions	-207	-289	-28	-175	18	-496	-323	54
Deposits and borrowings from the public	-343	-295	16	-339	1	-638	-605	5
of which deposit guarantee fees	-107	-104	3	-119	-10	-211	-237	-11
Debt securities in issue	-3 455	-2 920	18	-2 935	18	-6 375	-6 064	5
Subordinated liabilities	-248	-241	3	-311	-20	-489	-615	-20
Derivatives	2 551	2 330	9	2 089	22	4 881	4 429	10
Other	-459	-390	18	-263	75	-849	-613	38
of which government resolution fund fee	-446	-382	17	-261	71	-828	-604	37
Total interest expenses including negative yield on financial liabilities	**-2 161**	**-1 805**	**20**	**-1 934**	**12**	**-3 966**	**-3 791**	**5**
deduction of trading interests reported in net gains and losses on financial items at fair value	31	35	-11	72	-57	66	154	-57
Interest expenses, including negative yield on financial liabilities, according to income statement	**-2 192**	**-1 840**	**19**	**-2 006**	**9**	**-4 032**	**-3 945**	**2**
Net interest income	**6 273**	**6 294**	**0**	**6 090**	**3**	**12 567**	**12 061**	**4**
Net interest margin before trading interest is deducted	**1.00**	**1.06**		**1.01**		**1.03**	**1.03**	
Average total assets	**2 544 690**	**2 400 397**	**6**	**2 464 936**	**3**	**2 477 700**	**2 419 633**	**2**

Note 6 Net commission income

Group SEKm	Q2 2018	Q1 2018	%	Q2 2017	%	Jan-Jun 2018	Jan-Jun 2017	%
Commission income								
Payment processing	518	496	4	477	9	1 014	930	9
Cards	1 441	1 250	15	1 283	12	2 691	2 424	11
Service concepts	304	296	3	157	94	600	304	97
Asset management and custody fees	1 674	1 590	5	1 524	10	3 264	2 978	10
Life insurance	133	153	-13	168	-21	286	337	-15
Securites	122	111	10	144	-15	233	312	-25
Corporate finance	25	29	-14	49	-49	54	94	-43
Lending	267	241	11	239	12	508	461	10
Guarantees	60	52	15	68	-12	112	122	-8
Deposits	42	49	-14	51	-18	91	100	-9
Real estate brokerage	50	39	28	57	-12	89	100	-11
Non-life insurance	24	16	50	20	20	40	33	21
Other	126	147	-14	130	-3	273	245	11
Total commission income	**4 786**	**4 469**	**7**	**4 367**	**10**	**9 255**	**8 440**	**10**
Commission expenses								
Payment processing	-301	-261	15	-268	12	-562	-512	10
Cards	-620	-539	15	-533	16	-1 159	-1 002	16
Service concepts	-46	-45	2	-3		-91	-5	
Asset management and custody fees	-391	-371	5	-352	11	-762	-676	13
Life insurance	-43	-44	-2	-48	-10	-87	-94	-7
Securites	-79	-74	7	-60	32	-153	-136	13
Lending and guarantees	-17	-14	21	-15	13	-31	-26	19
Non-life insurance	-10	-6	67	-5	100	-16	-9	78
Other	-43	-34	26	-33	30	-77	-71	8
Total commission expenses	**-1 550**	**-1 388**	**12**	**-1 317**	**18**	**-2 938**	**-2 531**	**16**
Net commission income								
Payment processing	217	235	-8	209	4	452	418	8
Cards	821	711	15	750	9	1 532	1 422	8
Service concepts	258	251	3	154	68	509	299	70
Asset management and custody fees	1 283	1 219	5	1 172	9	2 502	2 302	9
Life insurance	90	109	-17	120	-25	199	243	-18
Securites	43	37	16	84	-49	80	176	-55
Corporate finance	25	29	-14	49	-49	54	94	-43
Lending and guarantees	310	279	11	292	6	589	557	6
Deposits	42	49	-14	51	-18	91	100	-9
Real estate brokerage	50	39	28	57	-12	89	100	-11
Non-life insurance	14	10	40	15	-7	24	24	0
Other	83	113	-27	97	-14	196	174	13
Total Net commission income	**3 236**	**3 081**	**5**	**3 050**	**6**	**6 317**	**5 909**	**7**

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

Group SEKm	Q2 2018	Q1 2018	%	Q2 2017	%	Jan-Jun 2018	Jan-Jun 2017	%
Fair value through profit or loss								
Shares and share related derivatives	190	343	-45	373	-49	533	306	74
of which dividend	108	60	80	126	-14	168	224	-25
Interest-bearing securities and interest related derivatives	10	-137		10	0	-127	303	
Loans to the public	-3	4		-258	-99	1	-635	
Financial liabilities	80	68	18	53	51	148	133	11
Other financial instruments	-5	-8	-38			-13		
Total fair value through profit or loss	**272**	**270**	**1**	**178**	**53**	**542**	**107**	
Hedge accounting								
Ineffective part in hedge accounting at fair value	-17	-45	-62	22		-62	39	
of which hedging instruments	754	-845		-1 319		-91	-3 384	-97
of which hedged items	-771	800		1 341		29	3 423	-99
Ineffective part in portfolio hedge accounting at fair value	10	26	-62	29	-66	36	-2	
of which hedging instruments	-377	-217	74	251		-594	474	
of which hedged items	387	243	59	-221		630	-475	
Total hedge accounting	**-7**	**-19**	**-63**	**51**		**-26**	**37**	
Derecognition gain or loss for loans at amortised cost	**34**	**26**	**31**	**30**	**13**	**60**	**56**	**7**
Derecognition gain or loss for financial liabilities at amortised cost	**-75**	**-17**		**-42**	**79**	**-92**	**-286**	**-68**
Trading related interest								
Interest income	31	61	-49	61	-49	92	248	-63
Interest expense	31	35	-11	72	-57	66	154	-57
Total trading related interest	**62**	**96**	**-35**	**133**	**-53**	**158**	**402**	**-61**
Change in exchange rates	**349**	**203**	**72**	**217**	**61**	**552**	**737**	**-25**
Total net gains and losses on financial items at fair value	**635**	**559**	**14**	**567**	**12**	**1 194**	**1 053**	**13**

Note 8 Other expenses

Group SEKm	Q2 2018	Q1 2018	%	Q2 2017	%	Jan-Jun 2018	Jan-Jun 2017	%
Premises and rents	287	284	1	279	3	571	566	1
IT expenses	529	464	14	475	11	993	966	3
Telecommunications and postage	34	35	-3	30	13	69	70	-1
Advertising, PR and marketing	60	68	-12	74	-19	128	144	-11
Consultants	75	51	47	90	-17	126	160	-21
Compensation to savings banks	56	56	0	56	0	112	112	0
Other purchased services	206	184	12	169	22	390	346	13
Security transport and alarm systems	15	13	15	19	-21	28	33	-15
Supplies	31	19	63	21	48	50	39	28
Travel	65	56	16	67	-3	121	126	-4
Entertainment	13	10	30	11	18	23	22	5
Repair/maintenance of inventories	21	32	-34	41	-49	53	72	-26
Other expenses	85	97	-12	107	-21	182	203	-10
Total other expenses	**1 477**	**1 369**	**8**	**1 439**	**3**	**2 846**	**2 859**	**0**

Note 9 Credit impairments

Group SEKm	Q2 2018 (IFRS 9)	Q1 2018 (IFRS 9)	Jan-Jun 2018 (IFRS 9)
Loans at amortised cost			
Credit impairment provisions - Stage 1	25	89	114
Credit impairment provisions - Stage 2	-297	-201	-498
Credit impairment provisions - Stage 3	-96	205	109
Credit impairment provisions - Credit impaired, Purchased or originated	-3	-2	-5
Total	**-371**	**91**	**-280**
Write-offs	374	97	471
Recoveries	-70	-61	-131
Total	**304**	**36**	**340**
Total loans at amortised cost	**-67**	**127**	**60**
Commitments and financial guarantees			
Credit impairment provisions - Stage 1	11	4	15
Credit impairment provisions - Stage 2	-10	-37	-47
Credit impairment provisions - Stage 3	-2	15	13
Total	**-1**	**-18**	**-19**
Write-offs	1	18	19
Total	**1**	**18**	**19**
Total commitments and financial guarantees	**0**	**0**	**0**
Financial assets at fair value through profit or loss	**-68**		**-68**
Total Credit impairments	**-135**	**127**	**-8**
Credit impairment ratio, %	-0.03	0.03	0.00

Credit impairment provisions are estimated using quantitative models, which incorporate inputs, assumptions and methodologies that involve a high degree of management judgement. In particular, the following can have a significant impact on the level of impairment provisions:

- determination of a significant increase in credit risk;
- incorporation of forward-looking macroeconomic scenarios; and
- measurement of both 12-month and lifetime expected credit losses.

Further details on the key inputs and assumptions used as at 30 June 2018 are provided below.

Determination of a significant increase in credit risk

The Group uses both quantitative and qualitative indicators for assessing a significant increase in credit risk. The criteria are disclosed in the Annual and Sustainability Report of 2017 on page 72. The table below shows the quantitative thresholds, namely changes in 12-month PD and internal risk rating grades, which have been applied for the portfolio of loans originated before 1 January 2018. Internal risk ratings are assigned according to the risk management framework outlined in Note G3 Risks in the 2017 Annual and Sustainability Report. For instance, for exposures originated with a risk grade between 0 and 5, a downgrade by 1 to 2 grades from initial recognition is assessed as a significant change in credit risk. Alternatively, for exposures originated with a risk grade between 13 and 21, a downgrade by 5 to 7 grades from initial recognition is considered significant. These limits reflect a lower sensitivity to change in the low risk end of the risk scale and a higher sensitivity to change in the high risk end of the scale.

The Group has performed a sensitivity analysis on how credit impairment provisions would change if the 12-month PD thresholds applied were increased or decreased by 1 rating grade. A threshold lower by 1 grade would increase the number of loans that have migrated from Stage 1 to Stage 2 and also increase the estimated credit impairment provisions. A threshold higher by 1 grade would have the opposite effect. The table below discloses the impacts of this sensitivity analysis on the 30 June 2018 credit impairment provisions. Positive amounts represent higher credit impairment provisions that would be recognised.

Financial instruments originated on or after 1 January 2018 are excluded from the sensitivity analysis due to that the portfolio is relatively small as of 30 June 2018 and the impact of changing lifetime PD thresholds in the assessment of significant increase in credit risk on those loans is negligible due to a short period since origination.

Significant increase in credit risk, financial instruments with initial recognition before 1 January 2018

			Impairment provision impact of			
Internal risk rating grade at initial recognition	**PD band at initial recognition**	**Threshold, rating downgrade[1) 2) 3)]**	**Increase in threshold by 1 grade**	**Decrease in threshold by 1 grade**	**Recognised credit impairment provisions 30 June 2018**	**Share of total portfolio (%) in terms of gross carrying amount 30 June 2018**
13-21	< 0.5%	3 - 8 grades	-6.0%	13.9%	937	52%
9-12	0.5-2.0%	1 - 5 grades	-9.4%	13.1%	873	12%
6-8	2.0-5.7%	1 - 3 grades	-5.4%	5.0%	337	4%
0-5	>5.7% and <100%	1 - 2 grades	-2.4%	0.0%	221	1%
			-7.0%	10.8%	2 367	70%
Financial instruments subject to the low credit risk exemption					11	19%
Stage 3 financial instruments					3 497	1%
Financial instruments with initial recognition after 1 January 2018					272	11%
Total provisions[4)]					**6 147**	**100%**

1) Downgrade by 2 grades corresponds to approximately 100% increase in 12-month PD.
2) Thresholds vary within given ranges depending on the borrower's geography, segment and internal risk rating.
3) The threshold used in the sensitivity analyses is floored to 1 grade
4) Of which provisions for off-balance exposures are SEK 673m.

Incorporation of forward-looking macroeconomic scenarios

Forward-looking information is incorporated into both the assessment of significant increase in credit risk and calculation of expected credit losses.

From analyses of historical data, the Group's risk management function has identified and reflected in the models relevant macroeconomic variables that contribute to credit risk and losses for different portfolios based on geography, borrower, and product type. The most highly correlated variables are GDP growth, housing and property prices, unemployment, oil prices and interest rates. Swedbank continuously monitors the global macroeconomic environment, with particular focus on Sweden and other home markets. This includes defining forward-looking macroeconomic scenarios for different jurisdictions and translating those scenarios into macroeconomic forecasts. The macroeconomic forecasts consider internal and external information and are consistent with the forward-looking information used for other purposes such as budgeting and forecasting. The base scenario is based on the assumptions corresponding to the bank's budget scenario and alternative scenarios reflecting more positive as well as more negative outlook are developed accordingly.

In general, a worsening of an economic outlook on forecasted macroeconomic variables for each scenario or an increase in the probability of the worst case scenario occurring will both increase the number of loans migrating from Stage 1 to Stage 2 and increase the estimated credit impairment provisions. In contrast, an improvement in the outlook on forecasted macroeconomic variables or an increase in the probability of the best case scenario occurring will have the opposite impact. It is not possible to meaningfully isolate the impact of changes in the various macroeconomic variables for a particular scenario due to the interrelationship between the variables as well as the interrelationship between the level of pessimism inherent in a particular scenario and its probability of occurring.

Set out below are the credit impairment provisions as at 30 June 2018 that would result from the worst-case and best-case scenarios, which are considered reasonably possible, being assigned probabilities of 100%.

Business area	Scenario	Credit impairment provisions resulting from the scenario	Difference from the recognised probability-weighted credit impairment provisions, %
Swedish Banking	Worst case scenario	1 792	19%
	Best case scenario	1 316	-13%
Baltic Banking	Worst case scenario	1 151	33%
	Best case scenario	701	-19%
LC&I	Worst case scenario	5 776	53%
	Best case scenario	2 127	-44%
Group[1)]	Worst case scenario	8 719	42%
	Best case scenario	4 145	-33%

1) Including Group Functions & Other

Measurement of 12-month and lifetime expected credit losses

The key inputs used for measuring expected credit losses are:

- probability of default;
- loss given default;
- exposure at default; and
- expected lifetime.

These estimates are derived from internally developed statistical models, which reflect both historical data and probability-weighted forward-looking scenarios.

Probability of default (PD)

The 12-month and lifetime PDs represent the probability of a default occurring over the next 12 months and the expected lifetime of a financial instrument respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk. The developed PD models are based on homogeneous sub-segments of the total credit portfolio, such as country, business area, or product group, and are used to derive both the 12-month and lifetime PDs. Internal risk rating grades from IRB PD models are an input to the IFRS 9 PD models and historic default rates are used to generate the PD term structure, which is adjusted to derive point-in-time forward-looking PDs. A worsening of an economic outlook on forecasted macroeconomic variables for each scenario or an increase in the probability of the worst case scenario occurring results in higher PDs, which increases both the number of loans migrating from Stage 1 to Stage 2 and the estimated credit impairment provisions.

Loss given default (LGD)

LGD represents an estimate of the loss arising on default, taking into account the probability that the default is real, the expected value of future recoveries including realization of collateral, the time when those recoveries are anticipated and the time value of money. The modelling of LGD accounts for the type of collateral, type of obligor and contractual information as a minimum. LGD estimates are based on historically collected loss data within homogeneous sub-segments of the total credit portfolio, such as country, collateral type, and product. Forward-looking macroeconomic variables are reflected in the LGD estimates via their effect on the loan-to-collateral value. A worsening of an economic outlook on forecasted macroeconomic variables for each scenario or an increase in the probability of the worst case scenario occurring increases LGD and thus credit impairment provisions, and vice versa.

Exposure at default (EAD)

The EAD represents an estimated exposure at a future default date, considering expected changes in the exposure after the reporting date. The Group's modelling approach for EAD reflects current contractual terms of principal and interest payments, contractual maturity date and expected utilisation of undrawn limits on revolving facilities and irrevocable off-balance sheet commitments.

Expected lifetime

The Group measures expected credit losses considering the risk of default over the expected life. The expected lifetime is generally limited by the maximum contractual period over which the Group is exposed to credit risk, even if a longer period is consistent with business practice. All contractual terms are considered when determining the expected lifetime, including prepayment options and extension and rollover options that are binding to the Group. For certain revolving facilities, such as credit cards, the lifetime of the facility is the expected behavioural life, which is determined using product-specific historical data and ranges up to 10 years. For the mortgage portfolio, the Group uses a behavioural life model which predicts the likelihood that an exposure will still be open and not defaulted at any point during its remaining life (accounting for the probability of early repayment).

IFRS 9 vs Regulatory capital framework

The measurement of expected credit losses according to IFRS 9 is different to the expected loss calculation for regulatory purposes. Although Swedbank's regulatory IRB models serve as a base for the IFRS 9 expected credit loss models, adjustments are made and, in some instances, separate models are used in order to meet the objectives of IFRS 9. The main differences 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-month PD for Stage 1 and 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
Expected lifetime	• Not applicable	• Early repayment behaviour in portfolios with longer maturities but predominant prepayments, e.g. mortgages. • Estimating maturities for certain revolving credit facilities, such as credit cards.
Discounting	• No discounting, except in LGD models	• Expected credit losses discounted to reporting date, using the instrument specific effective interest rate
Significant increase in credit risk	• Not applicable	• Relative measure of increase in credit risk since initial recognition • Identification of significance thresholds

Individually assessed provisions

The Group assesses significant credit-impaired exposures individually and without the use of modelled inputs. The credit impairment provisions for these exposures are established using the discounted expected cash flows and considering a minimum of two possible outcomes, one of which is a loss outcome. The possible outcomes consider both macroeconomic and non-macroeconomic (borrower-specific) scenarios. The estimation of future cash flows takes into account a range of relevant factors such as the amount and sources of cash flows, the level and quality of the borrower’s earnings, the realisable value of collateral, the Group’s position relative to other claimants, the likely cost and duration of the work-out process and current and future economic conditions. The amount and timing of future recoveries depend on the future performance of the borrower and the valuation of collateral, both of which might be affected by future economic conditions; additionally, collateral may not be readily marketable. Judgements change as new information becomes available or as work-out strategies evolve, resulting in regular revisions to the credit impairment provisions. The change in credit impairment provisions recognised in the income statement in relation to individually assessed loans is SEK 167m.

Credit impairments, historical values IAS 39

Group SEKm	Q1 2017 (IAS 39)	Q2 2017 (IAS 39)	Q3 2017 (IAS 39)	Q4 2017 (IAS 39)	Jan-Jun 2017 (IAS 39)	Jan-Dec 2017 (IAS 39)
Provision for loans individually assessed as impaired						
Provisions	384	2	282	319	386	987
Reversal of previous provisions	-47	-23	-23	-174	-70	-267
Provision for homogenous groups of impaired loans, net	11	6	1	-14	17	4
Total	**348**	**-15**	**260**	**131**	**333**	**724**
Portfolio provisions for loans individually assessed as not impaired	**-57**	**16**	**-38**	**39**	**-41**	**-40**
Write-offs						
Established losses	105	252	121	323	357	801
Utilisation of previous provisions	-50	-197	-57	-127	-247	-431
Recoveries	-114	-44	-51	-62	-158	-271
Total	**-59**	**11**	**13**	**134**	**-48**	**99**
Credit impairments for contingent liabilities and other credit risk exposures	**107**	**388**	**0**	**7**	**495**	**502**
Credit impairments	**339**	**400**	**235**	**311**	**739**	**1 285**
Credit impairment ratio, %	0.09	0.10	0.06	0.08	0.10	0.08

The effects of changes in accounting policies from IAS 39 to IFRS 9 are presented in note 28.

Note 10 Loans

Group SEKm	30 Jun 2018 Gross carrying amount (IFRS 9)	Credit Impairment Provision (IFRS 9)	Carrying amount (IFRS 9)	31 Dec 2017 Carrying amount (IAS 39)	%	30 Jun 2017 Carrying amount (IAS 39)	%
Loans to credit institutions							
Banks	19 319	7	19 312	15 499	25	20 959	-8
Repurchase agreements, banks	419		419	45		1 893	-78
Other credit institutions	19 076		19 076	14 736	29	13 908	37
Repurchase agreements, other credit institutions	758		758	466	63	1 864	-59
Loans to credit institutions	**39 572**	**7**	**39 565**	**30 746**	**29**	**38 624**	**2**
Loans to the public							
Private customers	1 014 138	903	1 013 235	980 649	3	954 552	6
Private, mortgage	858 202	567	857 635	828 924	3	802 167	7
Tenant owner association	109 178	40	109 138	109 174	0	110 025	-1
Private,other	46 758	296	46 462	42 551	9	42 360	10
Corporate customers	554 677	4 559	550 118	521 001	6	515 725	7
Agriculture, forestry, fishing	68 109	152	67 957	67 705	0	68 544	-1
Manufacturing	46 239	308	45 931	48 071	-4	44 172	4
Public sector and utilities	21 487	55	21 432	21 231	1	22 712	-6
Construction	19 842	101	19 741	20 033	-1	18 674	6
Retail	32 498	281	32 217	28 869	12	28 475	13
Transportation	15 209	33	15 176	17 040	-11	14 907	2
Shipping and offshore	26 326	2 282	24 044	23 254	3	24 838	-3
Hotels and restaurants	8 155	34	8 121	7 441	9	7 495	8
Information and communications	14 113	137	13 976	10 964	27	10 669	31
Finance and insurance	14 899	22	14 877	12 319	21	13 590	9
Property management	235 572	605	234 967	218 728	7	218 009	8
Residential properties	73 131	147	72 984	66 528	10	64 203	14
Commercial	87 301	185	87 116	83 409	4	83 654	4
Industrial and Warehouse	47 885	78	47 807	43 542	10	44 881	7
Other	27 255	195	27 060	25 249	7	25 271	7
Professional services	33 930	449	33 481	26 249	28	24 228	38
Other corporate lending	18 298	100	18 198	19 097	-5	19 412	-6
Loans to the public excluding the Swedish National Debt Office and repurchase agreements	**1 568 815**	**5 462**	**1 563 353**	**1 501 650**	**4**	**1 470 277**	**6**
Swedish National Debt Office	270		270	8 501	-97	2 818	-90
Repurchase agreements, Swedish National Debt Office	17 128		17 128	2 862		7 560	
Repurchase agreements, public	38 221		38 221	22 185	72	41 318	-7
Loans to the public	**1 624 434**	**5 462**	**1 618 972**	**1 535 198**	**5**	**1 521 973**	**6**
Loans to the public and credit institutions	**1 664 006**	**5 469**	**1 658 537**	**1 565 944**	**6**	**1 560 597**	**6**
of which accrued interest	2 565						

The effects of changes in accounting policies from IAS 39 31 December 2017 to IFRS 9 1 January 2018 are presented in note 28.

Note 11 Loan stage allocation and credit impairment provisions

Group SEKm	30 Jun 2018 (IFRS 9)	31 Mar 2018 (IFRS 9)
Credit institutions		
Stage 1		
Gross carrying amount	39 237	35 736
Credit impairment provisions	7	12
Carrying amount	**39 230**	**35 724**
Stage 2		
Gross carrying amount	335	299
Credit impairment provisions		2
Carrying amount	**335**	**297**
Total carrying amount for credit institutions	**39 565**	**36 021**
Public, private customers		
Stage 1		
Gross carrying amount	957 059	942 558
Credit impairment provisions	76	68
Carrying amount	**956 983**	**942 490**
Stage 2		
Gross carrying amount	54 559	52 912
Credit impairment provisions	350	325
Carrying amount	**54 209**	**52 587**
Stage 3		
Gross carrying amount	2 520	2 597
Credit impairment provisions	477	506
Carrying amount	**2 043**	**2 091**
Total carrying amount for public, private customers	**1 013 235**	**997 168**
Public, corporate customers		
Stage 1		
Gross carrying amount	548 207	520 715
Credit impairment provisions	440	412
Carrying amount	**547 767**	**520 303**
Stage 2		
Gross carrying amount	53 501	52 591
Credit impairment provisions	1 404	1 644
Carrying amount	**52 097**	**50 947**
Stage 3		
Gross carrying amount	8 588	8 653
Credit impairment provisions	2 715	2 638
Carrying amount	**5 873**	**6 015**
Total carrying amount for public, corporate customers[1)]	**605 737**	**577 265**
Totals		
Gross carrying amount Stage 1	1 544 503	1 499 009
Gross carrying amount Stage 2	108 395	105 802
Gross carrying amount Stage 3	11 108	11 250
Total Gross carrying amount	**1 664 006**	**1 616 061**
Credit impairment provisions Stage 1	523	492
Credit impairment provisions Stage 2	1 754	1 971
Credit impairment provisions Stage 3	3 192	3 144
Total credit impairment provisions	**5 469**	**5 607**
Total carrying amount	**1 658 537**	**1 610 454**
Share of Stage 3 loans, gross, %	0.67	0.70
Share of Stage 3 loans, net, %	0.48	0.50
Credit impairment provision ratio Stage 1 loans	0.03	0.03
Credit impairment provision ratio Stage 2 loans	1.62	1.86
Credit impairment provision ratio Stage 3 loans	28.74	27.95
Total credit impairment provision ratio	0.33	0.35

1) Includes loans to the Swedish National Debt Office and repurchase agreements.

Reconciliation of credit impairment provisions for loans

Loans to the public and credit institutions	Non Credit-Impaired		Credit-Impaired	
SEKm	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
Gross carrying amount as of 1 January 2018	**1 440 894**	**120 226**	**10 194**	**1 571 313**
Gross carrying amount as of 30 June 2018	**1 544 503**	**108 395**	**11 108**	**1 664 006**
Credit impairment provisions				
Credit impairment provisions as of 1 January 2018	**399**	**2 140**	**2 861**	**5 401**
New and derecognosed financial assets, net	99	-63	-4	32
Changes in risk factors	88	-188	-53	-153
Changes in macroeconomic scenarios	14	-23	-1	-10
Changes due to expert credit judgement (individual assessments and manual adjustments)	1	4	-142	-137
Stage transfers	-95	-231	376	50
from stage 1 to stage 2	*-103*	*331*		*228*
from stage 1 to stage 3	*-32*		*45*	*13*
from stage 2 to stage 1	*39*	*-159*		*-120*
from stage 2 to stage 3		*-412*	*442*	*30*
from stage 3 to stage 2		9	-64	-55
from stage 3 to stage 1	1		-47	-46
Change in exchange rates	8	116	152	276
Other	8	-1	3	10
Credit impairment provisions as of 30 June 2018	**523**	**1 754**	**3 192**	**5 469**
Carrying amount				
Opening balance as of 1 January 2018	**1 440 494**	**118 085**	**7 332**	**1 565 912**
Closing balance as of 30 June 2018	**1 543 980**	**106 641**	**7 916**	**1 658 537**

Impaired loans, historical values IAS 39

Group SEKm	31 Mar 2017 (IAS 39)	30 Jun 2017 (IAS 39)	30 Sept 2017 (IAS 39)	31 Dec 2017 (IAS 39)
Impaired loans, gross	7 867	8 225	8 655	8 579
Provisions for individually assessed impaired loans	2 412	2 169	2 388	2 419
Provision for homogenous groups of impaired loans	573	547	494	457
Impaired loans, net	**4 882**	**5 509**	**5 773**	**5 703**
of which private customers	1 025	981	964	919
of which corporate customers	3 857	4 528	4 809	4 784
Portfolio provisions for loans individually assessed as not impaired	988	996	971	1 010
Share of impaired loans, gross, %	0.50	0.53	0.55	0.55
Share of impaired loans, net, %	0.31	0.35	0.37	0.36
Provision ratio for impaired loans, %	38	33	33	34
Past due loans that are not impaired	**3 519**	**3 626**	**3 427**	**3 325**
of which past due 5-30 days	2 034	2 326	2 132	1 725
of which past due 31-60 days	917	765	732	728
of which past due 61-90 days	318	285	297	553
of which past due more than 90 days	250	250	266	319

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

Group SEKm	30 Jun 2018	31 Dec 2017	%	30 Jun 2017	%
Buildings and land	131	142	-8	213	-38
Shares and participating interests				31	
Other	82	79	4	148	-45
Total	**213**	**221**	**-4**	**392**	**-46**

Note 13 Credit exposures

Group SEKm	30 Jun 2018	31 Dec 2017	%	30 Jun 2017	%
Assets					
Cash and balances with central banks	435 440	200 371		432 540	1
Interest-bearing securities	213 647	145 034	47	127 112	68
Loans to credit institutions	39 565	30 746	29	38 624	2
Loans to the public	1 618 972	1 535 198	5	1 521 973	6
Derivatives	85 595	55 680	54	76 372	12
Other financial assets	24 078	16 772	44	14 855	62
Total assets	**2 417 297**	**1 983 801**	**22**	**2 211 476**	**9**
Contingent liabilities and commitments					
Guarantees	49 035	44 057	11	43 233	13
Commitments	283 754	262 921	8	265 607	7
Total contingent liabilities and commitments	**332 789**	**306 978**	**8**	**308 840**	**8**
Total credit exposures	**2 750 086**	**2 290 779**	**20**	**2 520 316**	**9**

Note 14 Intangible assets

Group SEKm	30 Jun 2018	31 Dec 2017	%	30 Jun 2017	%
With indefinite useful life					
Goodwill	13 737	13 100	5	12 463	10
Brand name	161	161	0		
Total	**13 898**	**13 261**	**0**	**12 463**	**12**
With finite useful life					
Customer base	441	471	-6	523	-16
Internally developed software	2 233	2 230	0	1 394	60
Other	381	367	4	415	-8
Total	**3 055**	**3 068**	**0**	**2 332**	**31**
Total intangible assets	**16 953**	**16 329**	**0**	**14 795**	**15**

Impairment of intangible assets

During the second quarter, a write-down of SEK 280m was made for previously internally developed software relating to a new data warehouse and risk system, that were under development. Swedbank has decided instead that the parts of the development will be built on a solution already established in the Baltics.

Note 15 Amounts owed to credit institutions

Group SEKm	30 Jun 2018	31 Dec 2017	%	30 Jun 2017	%
Amounts owed to credit institutions					
Central banks	26 828	23 200	16	15 783	70
Banks	74 343	41 609	79	136 243	-45
Other credit institutions	3 189	3 246	-2	2 693	18
Repurchase agreements - banks	1 466			234	
Repurchase agreements - other credit institutions	623			21	
Amounts owed to credit institutions	**106 449**	**68 055**	**56**	**154 974**	**-31**

Note 16 Deposits and borrowings from the public

Group SEKm	30 Jun 2018	31 Dec 2017	%	30 Jun 2017	%
Deposits from the public					
Private customers	499 948	473 404	6	456 657	9
Corporate customers	475 435	373 223	27	431 032	10
Deposits from the public excluding the Swedish National Debt Office and repurchase agreements	**975 383**	**846 627**	**15**	**887 689**	**10**
Swedish National Debt Office	2 201	275		250	
Repurchase agreements - Swedish National Debt Office	7 053				
Repurchase agreements - public	15 568	8 707	79	21 284	-27
Deposits and borrowings from the public	**1 000 205**	**855 609**	**17**	**909 223**	**10**

Note 17 Debt securities in issue and subordinated liabilities

Group SEKm	30 Jun 2018	31 Dec 2017	%	30 Jun 2017	%
Commercial papers	286 761	149 974	91	159 016	80
Covered bonds	565 286	519 845	9	540 357	5
Senior unsecured bonds	162 234	159 536	2	176 884	-8
Structured retail bonds	12 371	14 849	-17	15 039	-18
Total debt securities in issue	**1 026 652**	**844 204**	**22**	**891 296**	**15**
Subordinated liabilities	30 673	25 508	20	32 522	-6
Total debt securities in issue and subordinated liabilities	**1 057 325**	**869 712**	**22**	**923 818**	**14**

Turnover during the period	Jan-Jun 2018	Full year 2017	%	Jan-Jun 2017	%
Closing balance	**869 712**				
Changed presentation of accrued interest [1]	**6 361**				
Opening balance	**876 073**	**868 927**	**1**	**868 927**	**1**
Issued	649 602	1 236 024	-47	657 711	-1
Repurchased	-17 455	-91 067	-81	-48 263	-64
Repaid	-478 442	-1 109 693	-57	-533 186	-10
Change in market value or in hedged item in fair value hedge accounting	-5 654	-12 472	-55	-6 647	-15
Changes in exchange rates	33 201	-22 007		-14 724	
Closing balance	**1 057 325**	**869 712**	**22**	**923 818**	**14**

1) See further information in note 28.

Note 18 Derivatives

Group SEKm	Nominal amount Remaining contractual maturity < 1 yr.	 1-5 yrs.	 > 5 yrs.	Nominal amount 2018 30 Jun	 2017 31 Dec	Positive fair value 2018 30 Jun	 2017 31 Dec	Negative fair value 2018 30 Jun	 2017 31 Dec
Derivatives in hedge accounting	**128 969**	**620 919**	**93 175**	**843 063**	**754 284**	**11 269**	**10 804**	**3 363**	**2 703**
Fair value hedges, interest rate swaps	73 919	410 859	73 266	558 044	504 072	10 939	10 514	1 500	977
Portfolio fair value hedges, interest rate swaps	55 050	208 255	12 175	275 480	240 905	117	278	1 829	1 392
Cash flow hedges, foreign currency swaps		1 805	7 734	9 539	9 307	213	12	34	334
Non-hedging derivatives	**6 425 961**	**4 092 236**	**931 899**	**11 450 096**	**10 663 497**	**90 316**	**54 489**	**81 056**	**56 381**
Gross amount	**6 554 930**	**4 713 155**	**1 025 074**	**12 293 159**	**11 417 781**	**101 585**	**65 293**	**84 419**	**59 084**
Offset amount (see also note 21)	-2 407 389	-2 162 549	-564 835	-5 134 773	-3 738 336	-15 990	-9 613	-18 973	-12 884
Total	**4 147 541**	**2 550 606**	**460 239**	**7 158 386**	**7 679 445**	**85 595**	**55 680**	**65 446**	**46 200**

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

The amounts offset for derivative assets and derivative liabilities include cash collateral offsets of SEK 3 960m and SEK 976m respectively.

Note 19 Fair value of financial instruments

Group SEKm	30 Jun 2018 Fair value	 Carrying amount	 Difference	31 Dec 2017 Fair value	 Carrying amount	 Difference
Assets						
Financial assets						
Cash and balances with central banks	435 440	435 440		200 371	200 371	
Treasury bills and other bills eligible for refinancing with central banks	135 745	135 692	53	85 961	85 903	58
Loans to credit institutions	39 565	39 565		30 746	30 746	
Loans to the public	1 622 800	1 618 972	3 828	1 532 977	1 535 198	-2 221
Value change of interest hedged items in portfolio hedge	1 418	1 418		789	789	
Bonds and interest-bearing securities	77 960	77 955	5	59 136	59 131	5
Financial assets for which the customers bear the investment risk	193 506	193 506		180 320	180 320	
Shares and participating interest	3 856	3 856		19 850	19 850	
Derivatives	85 595	85 595		55 680	55 680	
Other financial assets	24 077	24 077		16 772	16 772	
Total	**2 619 961**	**2 616 076**	**3 885**	**2 182 602**	**2 184 760**	**-2 158**
Investment in associates		**6 393**			**6 357**	
Non-financial assets		**23 564**			**21 519**	
Total		**2 646 033**			**2 212 636**	
Liabilities						
Financial liabilities						
Amounts owed to credit institutions	105 444	106 449	-1 005	68 055	68 055	
Deposits and borrowings from the public	1 000 196	1 000 205	-9	855 597	855 609	-12
Debt securities in issue	1 034 756	1 026 652	8 104	851 908	844 204	7 704
Financial liabilities for which the customers bear the investment risk	194 179	194 179		181 124	181 124	
Subordinated liabilities	30 681	30 673	8	25 525	25 508	17
Derivatives	65 446	65 446		46 200	46 200	
Short positions securities	33 632	33 632		14 459	14 459	
Other financial liabilities	47 265	47 265		31 219	31 219	
Total	**2 511 600**	**2 504 501**	**7 099**	**2 074 087**	**2 066 378**	**7 709**
Non-financial liabilities		**13 260**			**12 686**	
Total		**2 517 761**			**2 079 064**	

Financial instruments recognised at fair value

Group 30 Jun 2018 SEKm	Instruments with quoted market prices in active markets (Level 1)	Valuation techniques using observable market data (Level 2)	Valuation techniques using non-observable market data (Level 3)	Total
Assets				
Treasury bills etc.	14 865	5 394		20 259
Loans to credit institutions		1 177		1 177
Loans to the public		55 558		55 558
Bonds and other interest-bearing securities	32 640	41 688		74 328
Financial assets for which the customers bear the investment risk	193 506			193 506
Shares and participating interests	2 824		1 032	3 856
Derivatives	495	85 082	18	85 595
Total	**244 330**	**188 899**	**1 050**	**434 279**
Liabilities				
Amounts owed to credit institutions		623		623
Deposits and borrowings from the public		22 621		22 621
Debt securities in issue	3 016	16 635		19 651
Financial liabilities for which the customers bear the investment risk		194 179		194 179
Derivatives	405	65 041		65 446
Short positions, securities	33 632			33 632
Total	**37 053**	**299 099**		**336 152**

The table above contains financial instruments measured at fair value by valuation level. The Group uses various methods to determine the fair value for financial instruments depending on the degree of observable market data in the valuation and activity in the market. Market activity is continuously evaluated by analysing factors such as differences in bid and ask prices.

The methods are divided into three different levels:
• Level 1: Unadjusted, quoted price on an active market
• Level 2: Adjusted, quoted price or valuation model with valuation parameters derived from an active market
• Level 3: Valuation model where significant valuation parameters are non-observable and based on internal assumptions.

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

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

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

Group **31 Dec 2017** **SEKm**	**Instruments with quoted market prices in an active market (Level 1)**	**Valuation techniques using observable market data (Level 2)**	**Valuation techniques using non-observable market data (Level 3)**	**Total**
Assets				
Treasury bills etc.	15 731	4 761		20 492
Loans to credit institutions		511		511
Loans to the public		117 819		117 819
Bonds and other interest-bearing securities	31 651	24 158		55 809
Financial assets for which the customers bear the investment risk	180 320			180 320
Shares and participating interests	19 401		449	19 850
Derivatives	162	55 492	26	55 680
Total	**247 265**	**202 741**	**475**	**450 481**
Liabilities				
Amounts owed to credit institutions				
Deposits and borrowings from the public		8 707		8 707
Debt securities in issue	3 082	19 431		22 513
Financial liabilities for which the customers bear the investment risk		181 124		181 124
Derivatives	204	45 996		46 200
Short positions, securities	14 459			14 459
Total	**17 745**	**255 258**		**273 003**

Changes in level 3 **Group** **SEKm**	**Assets**		
	Equity instruments	**Derivatives**	**Total**
January-June 2018			
Opening balance 1 January 2018	**449**	**26**	**475**
Purchases	534		**534**
Sale of assets	-2		**-2**
Maturities		-13	**-13**
Settlements	-1		**-1**
Gains or losses	52	5	**57**
of which in the income statement, net gains and losses on financial items at fair value	7	5	**12**
of which changes in unrealised gains or losses for items held at closing day	46	2	**48**
Closing balance 30 June 2018	**1 032**	**18**	**1 050**

Level 3 primarily contains unlisted equity instruments and illiquid options. In connection with the sale of shares in VISA Europe convertible preference shares in VISA Inc. were obtained. The shares are subject to selling restrictions for a period of up to 12 years and under certain conditions may have to be returned. Because liquid quotes are not available for the instrument, its fair value is established with significant elements of own internal assumptions and reported in level 3 as equity instruments. The options hedge changes in the market value of hybrid debt instruments, so-called structured products. Structured products consist of a corresponding option element and a host contract, which in principle is an ordinary interest-bearing bond. When the Group evaluates the level on which the financial instruments are reported, the entire instrument is assessed on an individual basis. Since the bond portion of the structured products represents the majority of the financial instrument's fair value, the internal assumptions used to value the illiquid option element normally do not have a significant effect on the valuation and the financial instrument is typically reported in level 2. However, the Group typically hedges the market risks that arise in structured products by holding individual options. The internal assumptions used to in the valuation of the individual financial instruments are therefore of greater significance, because of which several are reported as derivatives in level 3.

For all options included in level 3 an analysis is performed based on historical movements in contract prices. Given this, it is not likely that future price movements will affect the market value for options in level 3 with more than +/- SEK 2m.

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

Changes in level 3	**Assets**		
Group **SEKm**	**Equity instruments**	**Derivatives**	**Total**
January-June 2017			
Opening balance 1 January 2017	**158**	**65**	**223**
Purchases	204		**204**
Sale of assets	-1		**-1**
Maturities		-19	**-19**
Transferred from Level 2 to Level 3	64		**64**
Transferred from Level 3 to Level 2		-14	**-14**
Gains or losses	2	9	**11**
of which in the income statement, net gains and losses on financial items at fair value	2	9	**11**
of which changes in unrealised gains or losses for items held at closing day		2	**2**
Closing balance 30 June 2017	**427**	**41**	**468**

Note 20 Pledged collateral

Group **SEKm**	**30 Jun 2018**	**31 Dec 2017**	**%**	**30 Jun 2017**	**%**
Loan receivables[1]	553 151	518 805	7	537 087	3
Financial assets pledged for policyholders	190 007	177 317	7	170 497	11
Other assets pledged	56 000	33 020	70	48 247	16
Pledged collateral	**799 158**	**729 142**	**10**	**755 831**	**6**

[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.

Note 21 Offsetting financial assets and liabilities

	Assets			**Liabilities**		
Group **SEKm**	**30 Jun 2018**	**31 Dec 2017**	**%**	**30 Jun 2018**	**31 Dec 2017**	**%**
Financial assets and liabilities, which have been offset or are subject to netting or similar agreements						
Gross amount	164 236	98 528	67	113 111	75 596	50
Offset amount	-23 350	-19 021	23	-26 333	-22 292	18
Net amounts presented in the balance sheet	**140 886**	**79 507**	**77**	**86 778**	**53 304**	**63**
Related amounts not offset in the balance sheet						
Financial instruments, netting arrangements	45 288	32 523	39	45 288	32 523	39
Financial Instruments, collateral	32 547	18 155	79	6 076	3 891	56
Cash, collateral	20 503	9 125		14 969	9 340	60
Total amount not offset in the balance sheet	**98 338**	**59 803**	**64**	**66 333**	**45 754**	**45**
Net amount	**42 548**	**19 704**		**20 445**	**7 550**	

The amounts offset for financial assets and financial liabilities include cash collateral offsets of SEK 3 960m and SEK 976m respectively.

Note 22 Capital adequacy, consolidated situation

Capital adequacy SEKm	30 Jun 2018	31 Dec 2017	30 Jun 2017
Shareholders' equity according to the Group's balance sheet	128 069	133 372	123 986
Non-controlling interests	67	67	73
Anticipated dividend	-8 285	-14 515	-7 402
Deconsolidation of insurance companies	55	-109	346
Value changes in own financial liabilities	16	39	40
Cash flow hedges	-2	-28	5
Additional value adjustments [1]	-848	-596	-629
Goodwill	-13 827	-13 188	-12 551
Deferred tax assets	-125	-142	-110
Intangible assets	-2 702	-2 697	-1 997
Net provisions for reported IRB credit exposures		-1 648	-1 496
Shares deducted from CET1 capital	-43	-45	-46
Common Equity Tier 1 capital	**102 375**	**100 510**	**100 219**
Additional Tier 1 capital	11 850	11 050	12 949
Total Tier 1 capital	**114 225**	**111 560**	**113 168**
Tier 2 capital	17 975	13 696	18 828
Total capital	**132 200**	**125 256**	**131 996**
Minimum capital requirement for credit risks, standardised approach	3 275	3 046	3 185
Minimum capital requirement for credit risks, IRB	22 450	21 245	21 330
Minimum capital requirement for credit risk, default fund contribution	34	27	49
Minimum capital requirement for settlement risks	0	0	0
Minimum capital requirement for market risks	1 159	695	778
Trading book	1 119	669	750
of which VaR and SVaR	655	486	489
of which risks outside VaR and SVaR	464	183	261
FX risk other operations	40	26	28
Minimum capital requirement for credit value adjustment	381	299	381
Minimum capital requirement for operational risks	5 182	5 079	4 988
Additional minimum capital requirement, Article 3 CRR [2]	2 277	2 277	1 829
Minimum capital requirement	**34 758**	**32 668**	**32 540**
Risk exposure amount credit risks, standardised approach	40 939	38 074	39 812
Risk exposure amount credit risks, IRB	280 629	265 563	266 619
Risk exposure amount default fund contribution	426	343	609
Risk exposure amount settlement risks	0	0	0
Risk exposure amount market risks	14 485	8 684	9 723
Risk exposure amount credit value adjustment	4 761	3 745	4 782
Risk exposure amount operational risks	64 779	63 482	62 345
Additional risk exposure amount, Article 3 CRR [2]	28 460	28 460	22 860
Risk exposure amount	**434 479**	**408 351**	**406 750**
Common Equity Tier 1 capital ratio, %	**23.6**	**24.6**	**24.6**
Tier 1 capital ratio, %	**26.3**	**27.3**	**27.8**
Total capital ratio, %	**30.4**	**30.7**	**32.5**

Capital buffer requirement [3] %	30 Jun 2018	31 Dec 2017	30 Jun 2017
CET1 capital requirement including buffer requirements	11.3	11.3	11.3
of which minimum CET1 requirement	4.5	4.5	4.5
of which capital conservation buffer	2.5	2.5	2.5
of which countercyclical capital buffer	1.3	1.3	1.3
of which systemic risk buffer	3.0	3.0	3.0
CET 1 capital available to meet buffer requirement [4]	19.1	20.1	20.1

Leverage ratio	30 Jun 2018	31 Dec 2017	30 Jun 2017
Tier 1 Capital, SEKm	114 225	111 560	113 168
Leverage ratio exposure, SEKm	2 542 282	2 126 851	2 336 422
Leverage ratio, %	4.5	5.2	4.8

[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] To rectify for underestimation of default frequency in the model for corporate exposures, Swedbank has decided to hold more capital until the updated model has been approved by the Swedish FSA. The amount also includes planned implementation of EBA's Guideline on new default definition and increased safety margins.
[3] Buffer requirement according to Swedish implementation of CRD IV
[4] CET1 capital ratio as reported, less minimum requirement of 4.5% (excluding buffer requirements) and less any CET1 items used to meet the Tier 1 and total capital requirements.

The consolidated situation for Swedbank as of 30 June 2018 comprised the Swedbank Group with the exception of insurance companies. The EnterCard Group was included as well through the proportionate consolidation method.

The note contains the information made public according to the Swedish Financial Supervisory Authority Regulation FFFS 2014:12, chap. 8. Additional periodic information according to Regulation (EU) No 575/2013 of the European Parliament and of the Council on supervisory requirements for credit institutions and Implementing Regulation (EU) No 1423/2013 of the European Commission can be found on Swedbank's website: https://www.swedbank.com/investor-relations/financial-information-and-publications/risk-report/index.htm

Swedbank Consolidated situation Credit risk, IRB SEKm	Exposure value 30 Jun 2018	 31 Dec 2017	Average risk weight, % 30 Jun 2018	 31 Dec 2017	Minimum capital requirement 30 Jun 2018	 31 Dec 2017
Central government or central banks exposures	596 038	322 276	1	2	584	394
Institutional exposures	55 912	64 071	19	18	852	899
Corporate exposures	542 293	508 895	33	33	14 398	13 584
Retail exposures	1 152 767	1 107 632	7	7	6 206	6 065
of which mortgage	1 031 046	1 002 551	5	5	3 886	3 812
of which other	121 721	105 081	24	27	2 320	2 253
Non credit obligation	8 629	7 042	59	54	410	303
Total credit risks, IRB	**2 355 639**	**2 009 916**	**12**	**13**	**22 450**	**21 245**

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

30 Jun 2018 SEKm	Exposure amount	Risk exposure amount	Minimum capital requirement
Credit risks, STD	**63 124**	**40 939**	**3 275**
Central government or central banks exposures	127		
Regional governments or local authorities exposures	1 926	222	18
Public sector entities exposures	2 578	90	7
Multilateral development banks exposures	3 467		
International organisation exposures	382		
Institutional exposures	14 551	369	30
Corporate exposures	4 460	4 300	344
Retail exposures	16 611	11 936	955
Exposures secured by mortgages on immovable property	6 244	2 187	175
Exposures in default	528	542	43
Exposures in the form of covered bonds	194	19	2
Exposures in the form of collective investment undertakings (CIUs)	10	10	1
Equity exposures	7 924	18 068	1 445
Other items	4 122	3 196	255
Credit risks, IRB	**2 355 639**	**280 629**	**22 450**
Central government or central banks exposures	596 038	7 295	584
Institutional exposures	55 912	10 654	852
Corporate exposures	542 293	179 970	14 398
of which specialized lending in category 1	2	1	0
of which specialized lending in category 2	348	290	23
of which specialized lending in category 3	328	377	30
of which specialized lending in category 4	127	318	25
of which specialized lending in category 5	160		
Retail exposures	1 152 767	77 581	6 206
of which mortgage lending	1 031 046	48 581	3 886
of which other lending	121 721	29 000	2 320
Non-credit obligation	8 629	5 129	410
Credit risks, Default fund contribution		**426**	**34**
Settlement risks	**0**	**0**	**0**
Market risks		**14 485**	**1 159**
Trading book		13 984	1 119
of which VaR and SVaR		8 186	655
of which risks outside VaR and SVaR		5 798	464
FX risk other operations		501	40
Credit value adjustment	**19 383**	**4 761**	**381**
Operational risks		**64 779**	**5 182**
of which Standardised approach		64 779	5 182
Additional risk exposure amount, Article 3 CRR		**28 460**	**2 277**
Total	**2 438 146**	**434 479**	**34 758**

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

31 Dec 2017 SEKm	Exposure amount	Risk exposure amount	Minimum capital requirement
Credit risks, STD	**60 271**	**38 074**	**3 046**
Central government or central banks exposures	149		
Regional governments or local authorities exposures	1 884	221	18
Public sector entities exposures	3 882	111	9
Multilateral development banks exposures	3 835	1	0
International organisation exposures	428		
Institutional exposures	13 429	357	28
Corporate exposures	5 174	4 752	380
Retail exposures	14 039	10 262	821
Exposures secured by mortgages on immovable property	6 000	2 102	168
Exposures in default	511	521	42
Exposures in the form of covered bonds	122	12	1
Exposures in the form of collective investment undertakings (CIUs)	10	10	1
Equity exposures	7 127	16 974	1 358
Other items	3 681	2 751	220
Credit risks, IRB	**2 009 916**	**265 563**	**21 245**
Central government or central banks exposures	322 276	4 921	394
Institutional exposures	64 071	11 241	899
Corporate exposures	508 895	169 802	13 584
of which specialized lending in category 1	19	13	1
of which specialized lending in category 2	326	273	22
of which specialized lending in category 3	317	365	29
of which specialized lending in category 4	194	486	39
of which specialized lending in category 5	312		
Retail exposures	1 107 632	75 811	6 065
of which mortgage lending	1 002 551	47 646	3 812
of which other lending	105 081	28 165	2 253
Non-credit obligation	7 042	3 788	303
Credit risks, Default fund contribution		**343**	**27**
Settlement risks	**0**	**0**	**0**
Market risks		**8 684**	**695**
Trading book		8 364	669
of which VaR and SVaR		6 074	486
of which risks outside VaR and SVaR		2 290	183
FX risk other operations		320	26
Credit value adjustment	**16 291**	**3 745**	**299**
Operational risks		**63 482**	**5 079**
of which Basic indicator approach		1 137	91
of which Standardised approach		62 345	4 988
Additional risk exposure amount, Article 3 CRR		**28 460**	**2 277**
Total	**2 086 478**	**408 351**	**32 668**

Credit risks

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

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

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

Market risks

Under current regulations capital adequacy for market risks can be based on either a standardised approach or an internal Value at Risk model, which requires the approval of the SFSA. The parent company has received such approval and uses its internal VaR model for general interest rate risks, general and specific share price risks and foreign exchange risks in the trading book. The approval also covers operations in the Baltic countries with respect to general interest rate risks and foreign exchange risks in the trading book. Foreign exchange risks outside the trading book, i.e. in other operations, are mainly of a structural and strategic nature and are less suited to a VaR model.

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

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

Credit value adjustment

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

Operational risk

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

Note 23 Internal capital requirement

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

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

As a complement to the economic capital calculation, scenario-based simulations and stress tests are conducted at least once a year. The analyses provide an overview of the most important risks Swedbank is exposed to by quantifying their impact on the income statement and balance sheet as well as the capital base and risk-weighted assets. The purpose is to ensure efficient use of capital. The methodology serves as a basis of proactive risk and capital management.

As of 30 June 2018 the internal capital assessment for Swedbank's consolidated situation amounted to SEK 32.2bn (SEK 30.2bn as of 31 March 2018). The capital to meet the internal capital assessment, i.e. the capital base, amounted to SEK 132.2bn (SEK 128.0bn as of 31 March 2018) (see Note 22). Swedbank's internal capital assessment using its own models is not comparable with the estimated capital requirement that the SFSA releases quarterly.

The internally estimated capital requirement for the parent company is SEK 27.5bn (SEK 25.8bn as of 31 March 2018) and the capital base is SEK 110.9bn (SEK 107.2bn as of 31 March 2018) (see the parent company's note on capital adequacy).

In addition to what is stated in this interim report, risk management and capital adequacy according to the Basel 3 framework are described in more detail in Swedbank's annual report for 2017 as well as in Swedbank's yearly Risk and Capital Adequacy Report, available on www.swedbank.com.

Note 24 Risks and uncertainties

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

In addition to what is stated in this interim report, detailed descriptions are provided in Swedbank's 2017 annual report and in the annual disclosure on risk management and capital adequacy available on www.swedbank.com

Effect on value of assets and liabilities in SEK and foreign currency, including derivatives if interest rates increase by 100bp, 30 Jun 2018
Group

SEKm	< 5 years	5-10 years	>10 years	Total
Swedbank, the Group	**-1 205**	**555**	**127**	**-523**
of which SEK	-1 444	63	-104	-1 485
of which foreign currency	239	492	231	962
Of which financial instruments at fair value reported through profit or loss	**1 090**	**33**	**-76**	**1 047**
of which SEK	36	53	-78	11
of which foreign currency	1 054	-20	2	1 036

Note 25 Business Combinations 2017

On August 15, 2017 the Group acquired all the shares in PayEx Holdings AB for SEK 1 268m. PayEx Holding AB owns the subsidiaries: PayEx Norge AS and their subsidiaries PayEx Danmark A/S, PayEx Collection AB, PayEx Sverige AB and the subsidiaries PayEx Solution OY, PayEx Suomi OY and PayEx Invest AB and the subsidiaries Faktab B1 AB, Faktab S1 AB and Faktab V1 AB.

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

As from the acquisition date the acquired company contributed SEK 163m to income and SEK -27m to profit after tax. If the company had been acquired at the beginning of the 2017 financial year, the company would have been contributed with about SEK 485m in income through 2017 and contributed with about SEK -37m profit after tax.

Note 26 Related-party transactions

During the period normal business transactions were executed between companies in the Group, including other related companies such as associates. Partly owned savings banks are major associates.

Note 27 Swedbank's share

	30 Jun 2018	31 Dec 2017	%	30 Jun 2017	%
SWED A					
Share price, SEK	191,80	197,90	-3	205,30	-7
Number of outstanding ordinary shares	1 116 672 075	1 113 629 621	0	1 113 629 515	0
Market capitalisation, SEKm	**214 178**	**220 387**	**-3**	**228 628**	**-6**

Number of outstanding shares	30 Jun 2018	31 Dec 2017	30 Jun 2017
Issued shares			
SWED A	1 132 005 722	1 132 005 722	1 132 005 722
Repurchased shares			
SWED A	-15 333 647	-18 376 101	-18 376 207
Repurchase of own shares for trading purposes			
SWED A			
Number of outstanding shares on the closing day	**1 116 672 075**	**1 113 629 621**	**1 113 629 515**

Within Swedbank's share-based compensation programme, Swedbank AB has during the first quarter 2018 transferred 3 042 454 shares at no cost to employees.

Earnings per share	Q2 2018	Q1 2018	Q2 2017	Jan-Jun 2018	Jan-Jun 2017
Average number of shares					
Average number of shares before dilution	1 116 671 142	1 114 909 893	1 113 487 141	1 115 795 383	1 112 810 330
Weighted average number of shares for potential ordinary shares that incur a dilutive effect due to share-based compensation programme	3 004 329	4 271 046	4 598 508	3 872 134	5 248 639
Average number of shares after dilution	1 119 675 472	1 119 180 940	1 118 085 649	1 119 667 517	1 118 058 969
Profit, SEKm					
Profit for the period attributable to shareholders of Swedbank	6 014	5 033	4 746	11 047	9 870
Earnings for the purpose of calculating earnings per share	6 014	5 033	4 746	11 047	9 870
Earnings per share, SEK					
Earnings per share before dilution	5.39	4.51	4.26	9.90	8.87
Earnings per share after dilution	5.37	4.50	4.24	9.87	8.83

Note 28 Effects of changes in accounting policies, IFRS 9 and presentation of accrued interest

Reconciliation of the balance sheet from IAS 39 to IFRS 9

The following table provides the impacts from the changed presentation of accrued interest and the adoption of IFRS 9 on the balance sheet. The impact from the adoption of IFRS 9 consists of the remeasurement due to reclassifications between valuation categories and the remeasurements related to impairment and expected credit losses.

SEKm	31 December 2017	Changed presentation of accrued interest	31 December 2017 adjusted for changed presentation of accrued interest	Remeasurement - classification	Remeasurement - expected credit losses[1]	1 January 2018
Assets						
Cash and balances with central banks	200 371	-7	200 364			200 364
Treasury bills and other bills eligible for refinancing with central banks, etc.	85 903	59	85 962			85 962
Loans to credit institutions	30 746	301	31 047		-27	31 020
Loans to the public	1 535 198	1 656	1 536 854	-627	-1 334	1 534 893
Value change of interest hedged item in portfolio hedge	789		789			789
Bonds and other interest-bearing securities	59 131	316	59 447			59 447
Financial assets for which the customers bear the investment risk	180 320		180 320			180 320
Shares and participating interests	19 850		19 850			19 850
Investments in associates	6 357		6 357		-196	6 161
Derivatives	55 680		55 680			55 680
Intangible fixed assets	16 329		16 329			16 329
Tangible assets	1 955		1 955			1 955
Current tax assets	1 375		1 375			1 375
Deferred tax assets	173		173			173
Other assets	14 499	28	14 527			14 527
Prepaid expenses and accrued income	3 960	-2 353	1 607			1 607
Total assets	**2 212 636**		**2 212 636**	**-627**	**-1 557**	**2 210 452**
Liabilities and equity						
Liabilities						
Amounts owed to credit institutions	68 055	189	68 244			68 244
Deposits and borrowings from the public	855 609	104	855 713			855 713
Financial liabilities for which the customers bear the investment risk	181 124		181 124			181 124
Debt securities in issue	844 204	6 005	850 209			850 209
Short positions securities	14 459		14 459			14 459
Derivatives	46 200		46 200			46 200
Current tax liabilities	1 980		1 980	-138	-463	1 379
Deferred tax liabilities	2 182		2 182		44	2 226
Pension provisions	3 200		3 200			3 200
Insurance provisions	1 834		1 834			1 834
Other liabilities and provisions	25 059	6	25 065		512	25 577
Accrued expenses and prepaid income	9 650	-6 660	2 990			2 990
Subordinated liabilities	25 508	356	25 864			25 864
Total liabilities	**2 079 064**		**2 079 064**	**-138**	**93**	**2 079 019**
Equity						
Non-controlling interests	200		200		2	202
Equity attributable to shareholders of the parent company	133 372		133 372	-489	-1 652	131 231
Total equity	**133 572**		**133 572**	**-489**	**-1 650**	**131 433**
Total liabilities and equity	**2 212 636**		**2 212 636**	**-627**	**-1 557**	**2 210 452**

1) The effect includes a remeasurement of the gross carrying amount of loans to the public amounting to SEK 158m (pre-tax).

Reclassification of financial assets at transition to IFRS 9

The following table reconciles the carrying amounts of financial assets from the valuation categories in accordance with IAS 39 on 31 December 2017 to the new valuation categories in accordance with IFRS 9 on 1 January 2018. The Group's classifications of financial liabilities under IFRS 9 are unchanged compared to IAS 39.

The 31 December 2017 balances presented in the table below have been adjusted for the changed presentation of accrued interest.

		Fair value through profit or loss					
Assets	**Amortised cost[1]**	**Trading**	**Mandatorily**	**Designated**	**Available for sale**	**Hedging instruments**	**Total**
Cash and balances with central banks, 31 December 2017 (IAS 39) and 1 January 2018 (IFRS 9)	**200 364**						**200 364**
Treasury bills and other bills eligible for refinancing with central banks, etc., 31 December 2017 and 1 January 2018	**85 962**						**85 962**
Loans to credit institutions							
31 December 2017 (IAS 39)	30 536	511					31 047
Reclassifications							
Remeasurement - expected credit losses	-27						-27
1 January 2018 (IFRS 9)	**30 509**	**511**					**31 020**
Loans to the public							
31 December 2017 (IAS 39)	1 419 035	25 016		92 803			1 536 854
Reclassifications	92 605		198	-92 803			
Remeasurement - classifications	-627						-627
Remeasurement - expected credit losses	-1 334						-1 334
1 January 2018 (IFRS 9)	**1 509 679**	**25 016**	**198**				**1 534 893**
Bonds and other interest-bearing securities							
31 December 2017 (IAS 39)	3 639	55 006		802			59 447
Reclassifications		-38 242	39 044	-802			
Remeasurement - expected credit losses							
1 January 2018 (IFRS 9)	**3 639**	**16 764**	**39 044**				**59 447**
Financial assets for which the customers bear the investment risk							
31 December 2017 (IAS 39)				180 320			180 320
Reclassifications			180 320	-180 320			
1 January 2018 (IFRS 9)			**180 320**				**180 320**
Shares and participating interests							
31 December 2017 (IAS 39)		19 382		459	9		19 850
Reclassifications			468	-459	-9		
1 January 2018 (IFRS 9)		**19 382**	**468**				**19 850**
Derivatives, 31 December 2017 (IAS 39) and 1 January 2018 (IFRS 9)		**44 876**				**10 804**	**55 680**
Other financial assets, 31 December 2017 (IAS 39) and 1 January 2018 (IFRS 9)	**14 447**						**14 447**
Total	**1 844 600**	**106 549**	**220 030**			**10 804**	**2 181 983**

[1] Under IAS 39, loans and receivables as well as held-to-maturity categories are measured at amortised cost. These valuation categories are presented together as 'Amortised cost' for at 31 December 2017 balances.

Loans to the public

The Group designated a portfolio of mortgage loans at fair value through profit or loss under IAS 39, primarily to avoid an accounting mismatch. Upon the application of IFRS 9, the Group mandatorily revoked previous designations made under IAS 39 for loans to the public of SEK 92 803m, due to that there was no longer an elimination or significant reduction of an accounting mismatch. These loans to the public were reclassified to amortised cost under IFRS 9, as the business model is "hold to collect" and the cash flow characteristics assessments were met.

The Group initiates hire purchase agreements within loans to the public, which are loans to acquire an asset paid by installments, for customers of the Savings banks, which are subsequently sold to the respective Savings banks. This portfolio is part of a "sell" business model and is therefore mandatorily classified as fair value through profit or loss under IFRS 9. The portfolio was classified as loans and receivables under IAS 39.

Financial assets for which customers bear the investment risk

Under IAS 39, the financial assets related to the Group's insurance activities were designated at fair value through profit or loss. These financial assets are part of an "other" business model under IFRS 9 as the portfolio is managed and its performance is evaluated on a fair value basis. Consequently, they are reclassified from designated to mandatorily classified as fair value through profit or loss.

Treasury bills and other bills eligible for refinancing with central banks, Bonds and other interest-bearing securities

The Group's liquidity portfolios are mandatorily classified at fair value through profit or loss under IFRS 9. The financial assets are part of an "other" business model as they are managed and their performance is evaluated on a fair value basis.

Shares and participating interests

Equity instruments of SEK 9m classified as available for sale under IAS 39 are mandatorily classified as fair value through profit or loss under IFRS 9, as the Group did not elect the fair value through other comprehensive income option.

Reclassification from IAS 39 valuation categories, with no change in measurement

Financial assets that were classified as held to maturity and loans and receivables on 31 December 2017, except for hire purchase agreements as previously described, were measured at amortised cost under IAS 39. These financial assets are also classified as amortised cost under IFRS 9, due to that the business model is "hold to collect" and the cash flow characteristics assessments were met.

Impairment provisions according to IAS 39 and IAS 37 compared to IFRS 9

The following table reconciles the closing credit impairment provisions under IAS 39 and provisions for loan commitments and financial guarantee contracts in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* to the opening credit impairment provisions under IFRS 9.

	31 December 2017, IAS 39 and IAS 37			Remeasure-ment	1 January 2018, IFRS 9			
SEKm	Portfolio	Individual	Total		Total	Stage 1	Stage 2	Stage 3
Loans to credit institutions				23	23	9	14	
Loans to the public	1 010	2 876	3 886	1 492	5 378	390	2 126	2 861
Other financial liabilities and Provisions		132	132	513	645	117	261	267
Total	**1 010**	**3 008**	**4 018**	**2 028**	**6 046**	**516**	**2 401**	**3 128**

Credit impairment provisions of loans to the public by operating segments

	31 December 2017, IAS 39 and IAS 37			Remeasure-ment	1 January 2018, IFRS 9			
SEKm	Portfolio	Individual	Total		Total	Stage 1	Stage 2	Stage 3
Swedish Banking	374	750	1 124	267	1 391	144	500	747
Baltic Banking	350	717	1 067	-93	974	32	257	685
LC&I	286	1 409	1 695	1 318	3 013	214	1 369	1 430
Total	**1 010**	**2 876**	**3 886**	**1 492**	**5 378**	**390**	**2 126**	**2 861**

The individual impairment provisions for impaired instruments recognized under IAS 39 have generally been replaced by Stage 3 provisions under IFRS 9, while the collective provisions for non-impaired financial instruments have generally been replaced by either Stage 1 or Stage 2 provisions under IFRS 9.

The increase in credit impairment provisions is mainly driven by Stage 2 provisions, which are recognised for financial assets that are not credit-impaired, but have experienced a significant increase in credit risk since initial recognition. Credit impairment provisions for these financial assets are measured as lifetime expected credit losses, as opposed to measuring 12-month expected credit losses for financial assets in Stage 1.
Large Corporates & Institutions contributes with Stage 2 provisions of SEK 1 369m, the majority of which is attributable to the shipping and offshore portfolio. Stage 2 provisions for the mortgage portfolio within Swedish Banking amount to SEK 100m.

There is a slight increase in credit impairment provisions for Stage 3 credit-impaired assets as compared to individual provisions under IAS 39. This is primarily due to the incorporation of forward-looking scenarios in the expected credit loss calculations.

Impact of adopting IFRS 9 to equity

The impacts of transition to IFRS 9 on equity reserves and retained earnings are presented in the table below.

SEKm	Impact from transition to IFRS 9
Own credit risk reserve	
Closing balance under IAS 39 (31 December 2017)	
Reclassification from Retained earnings, before taxes	-46
Income taxes, reclassification from Retained earnings	10
Opening balance under IFRS 9 (1 January 2018)	**-36**
Cash flow hedge reserve	
Closing balance under IAS 39 (31 December 2017)	28
Reclassification to Foreign currency basis reserve, before taxes	-49
Income tax reported through other comprehensive income	11
Opening balance under IFRS 9 (1 January 2018)	**-10**
Foreign Currency basis reserve	
Closing balance under IAS 39 (31 December 2017)	
Reclassification from cash flow hedges, before taxes	49
Income tax reported through other comprehensive income	-11
Opening balance under IFRS 9 (1 January 2018)	**38**
Retained earnings	
Closing balance under IAS 39 (31 December 2017)	89 818
Reclassification to Own credit risk reserve, before taxes	46
Income taxes, reclassification to Own credit risk reserve	-10
Reclassifications under IFRS 9	-627
Income taxes, reclassifications under IFRS 9	138
Remeasurements under IFRS 9	-1 875
Income taxes, remeasurements under IFRS 9	419
Investments in associates, remeasurements under IFRS 9	-252
Income taxes, investments in associates	56
Opening balance under IFRS 9 (1 January 2018)	**87 713**
Non-controlling interest	
Closing balance under IAS 39 (31 December 2017)	200
Remeasurements under IFRS 9	2
Income taxes, remeasurements under IFRS 9	
Opening balance under IFRS 9 (1 January 2018)	**202**

IFRS 9 requires the fair value changes due to own credit risk on financial liabilities designated at fair value to be presented in other comprehensive income, rather than in profit or loss, with no subsequent reclassification to the income statement.

The Group has elected to retrospectively apply the exclusion of the currency basis spread component from its cash flow hedging relationships. The primary impact is a reclassification from the cash flow hedge reserve to the new foreign currency basis spread reserve within equity.

Note 29 Effects of changed presentation of income for certain services to the Savings banks

Income statement

Group SEKm	New reporting 2017 Q2	Change	Previous reporting 2017 Q2	New reporting 2017 Jan-Jun		Previous reporting 2017 Jan-Jun	New reporting 2017 Full-year	Change	Previous reporting 2017 Full-year
Interest income	8 688		8 688	17 022		17 022	34 494		34 494
Negative yield on financial assets	-592		-592	-1 016		-1 016	-2 306		-2 306
Interest income, including negative yield on financial assets	**8 096**		**8 096**	**16 006**		**16 006**	**32 188**		**32 188**
Interest expenses	-2 208		-2 208	-4 295		-4 295	-8 382		-8 382
Negative yield on financial liabilities	202		202	350		350	789		789
Interest expenses, including negative yield on financial liabilities	**-2 006**		**-2 006**	**-3 945**		**-3 945**	**-7 593**		**-7 593**
Net interest income (note 5)	**6 090**		**6 090**	**12 061**		**12 061**	**24 595**		**24 595**
Commission income	4 367	50	4 317	8 440	87	8 353	17 542	176	17 366
Commission expenses	-1 317		-1 317	-2 531		-2 531	-5 336		-5 336
Net commission income (note 6)	**3 050**	**50**	**3 000**	**5 909**	**87**	**5 822**	**12 206**	**176**	**12 030**
Net gains and losses on financial items at fair value (note 7)	567		567	1 053		1 053	1 934		1 934
Net insurance	**207**		**207**	**403**		**403**	**937**		**937**
Share of profit or loss of associates	204		204	379		379	971		971
Other income	275	-50	325	1 239	-87	1 326	1 795	-176	1 971
Total income	**10 393**		**10 393**	**21 044**		**21 044**	**42 438**		**42 438**
Staff costs	2 386		2 386	4 834		4 834	9 945		9 945
Other expenses (note 8)	1 439		1 439	2 859		2 859	5 870		5 870
Depreciation/amortisation	141		141	276		276	600		600
Total expenses	**3 966**		**3 966**	**7 969**		**7 969**	**16 415**		**16 415**
Profit before impairments	**6 427**		**6 427**	**13 075**		**13 075**	**26 023**		**26 023**
Impairment of intangible assets (note 14)							175		175
Impairment of tangible assets	1		1	3		3	21		21
Credit impairments (note 9)	400		400	739		739	1 285		1 285
Operating profit	**6 026**		**6 026**	**12 333**		**12 333**	**24 542**		**24 542**
Tax expense	1 276		1 276	2 457		2 457	5 178		5 178
Profit for the period	4 750		4 750	9 876		9 876	19 364		19 364
Profit for the period attributable to the shareholders of Swedbank AB	**4 746**		**4 746**	**9 870**		**9 870**	**19 350**		**19 350**
Non-controlling interests	4		4	6		6	14		14
C/I-ratio	0.38		0.38	0.38		0.38	0.39		0.39

For more information see note 1 Accounting policies.

Net commission income

Group SEKm	New reporting 2017 Q2	Change	Previous reporting 2017 Q2	New reporting 2017 Jan-Jun	Change	Previous reporting 2017 Jan-Jun	New reporting 2017 Full-year	Change	Previous reporting 2017 Full-year
Commission income									
Payment processing	477	42	435	930	71	859	1 916	144	1 772
Card commissions	1 283	8	1 275	2 424	16	2 408	5 098	33	5 065
Service concepts	157		157	304		304	807		807
Asset management and custody	1 524		1 524	2 978		2 978	6 240		6 240
Life insurance	168		168	337		337	660		660
Securites	144		144	312		312	557		557
Corporate finance	49		49	94		94	137		137
Lending	239		239	461		461	938		938
Guarantees	68		68	122		122	231		231
Deposits	51		51	100		100	200		200
Real estate brokerage	57		57	100		100	198		198
Non-life insurance	20		20	33		33	80		80
Other commission income	130		130	245		245	480	-1	481
Total commission income	**4 367**	**50**	**4 317**	**8 440**	**87**	**8 353**	**17 542**	**176**	**17 366**
Commission expenses									
Payment processing	-268		-268	-512		-512	-1 078		-1 078
Card commissions	-533		-533	-1 002		-1 002	-2 115		-2 115
Service concepts	-3		-3	-5		-5	-70		-70
Asset management and custody	-352		-352	-676		-676	-1 368		-1 368
Life insurance	-48		-48	-94		-94	-189		-189
Securites	-60		-60	-136		-136	-279		-279
Lending and guarantees	-15		-15	-26		-26	-60		-60
Non-life insurance	-5		-5	-9		-9	-23		-23
Other commission income	-33		-33	-71		-71	-154		-154
Total commission expenses	**-1 317**		**-1 317**	**-2 531**		**-2 531**	**-5 336**		**-5 336**
Net commission income									
Payment processing	209	42	167	418	71	347	838	144	694
Card commissions	750	8	742	1 422	16	1 406	2 983	33	2 950
Service concepts	154		154	299		299	737		737
Asset management and custody	1 172		1 172	2 302		2 302	4 872		4 872
Life insurance	120		120	243		243	471		471
Securites	84		84	176		176	278		278
Corporate finance	49		49	94		94	137		137
Lending and guarantees	292		292	557		557	1 109		1 109
Deposits	51		51	100		100	200		200
Real estate brokerage	57		57	100		100	198		198
Non-life insurance	15		15	24		24	57		57
Other commission	97		97	174		174	326	-1	327
Total Net commission income	**3 050**	**50**	**3 000**	**5 909**	**87**	**5 822**	**12 206**	**176**	**12 030**

Swedbank AB

Income statement, condensed

Parent company SEKm	Q2 2018	Q1 2018	%	Q2 2017	%	Jan-Jun 2018	Jan-Jun 2017	%
Interest income	4 939	4 648	6	4 520	9	9 587	8 801	9
Negative yield on financial assets	-790	-646	22	-546	45	-1 436	-929	55
Interest income, including negative yield on financial assets	**4 149**	**4 002**	**4**	**3 974**	**4**	**8 151**	**7 872**	**4**
Interest expenses	-1 397	-1 128	24	-1 111	26	-2 525	-2 156	17
Negative yield on financial liabilities	197	164	20	186	6	361	326	11
Interest expenses, including negative yield on financial liabilities	**-1 200**	**-964**	**24**	**-925**	**30**	**-2 164**	**-1 830**	**18**
Net interest income	**2 949**	**3 038**	**-3**	**3 049**	**-3**	**5 987**	**6 042**	**-1**
Dividends received	3 854	6 552	-41	3 368	14	10 406	6 384	63
Commission income	2 550	2 361	8	2 494	2	4 911	4 820	2
Commission expenses	-939	-806	17	-786	19	-1 745	-1 502	16
Net commission income	**1 611**	**1 555**	**4**	**1 708**	**-6**	**3 166**	**3 318**	**-5**
Net gains and losses on financial items at fair value	582	55		742	-22	637	1 395	-54
Other income	1 053	326		326		1 379	646	
Total income	**10 049**	**11 526**	**-13**	**9 193**	**9**	**21 575**	**17 785**	**21**
Staff costs	2 000	2 062	-3	1 985	1	4 062	4 017	1
Other expenses	1 197	1 120	7	1 313	-9	2 317	2 510	-8
Depreciation/amortisation and impairments of tangible and intangible fixed assets	1 195	1 161	3	1 116	7	2 356	2 209	7
Total expenses	**4 392**	**4 343**	**1**	**4 414**	**0**	**8 735**	**8 736**	**0**
Profit before impairments	**5 657**	**7 183**	**-21**	**4 779**	**18**	**12 840**	**9 049**	**42**
Impairment of financial fixed assets								
Credit impairments	-49	44		385		-5	781	
Operating profit	**5 706**	**7 139**	**-20**	**4 394**	**30**	**12 845**	**8 268**	**55**
Appropriations								
Tax expense	1 091	727	50	992	10	1 818	1 280	42
Profit for the period	**4 615**	**6 412**	**-28**	**3 402**	**36**	**11 027**	**6 988**	**58**

Statement of comprehensive income, condensed

Parent company SEKm	Q2 2018	Q1 2018	%	Q2 2017	%	Jan-Jun 2018	Jan-Jun 2017	%
Profit for the period reported via income statement	**4 615**	**6 412**	**-28**	**3 402**	**36**	**11 027**	**6 988**	**58**
Total comprehensive income for the period	**4 615**	**6 412**	**-28**	**3 402**	**36**	**11 027**	**6 988**	**58**

Balance sheet, condensed

Parent company SEKm	30 Jun 2018	31 Dec 2017	%	30 Jun 2017	%
Assets					
Cash and balance with central banks	366 269	136 061		379 968	-4
Loans to credit institutions	511 068	449 733	14	449 085	14
Loans to the public	439 282	398 666	10	419 186	5
Interest-bearing securities	211 641	141 322	50	123 608	71
Shares and participating interests	67 702	83 672	-19	74 881	-10
Derivatives	89 724	62 153	44	84 496	6
Other assets	46 443	44 784	4	33 344	39
Total assets	**1 732 129**	**1 316 391**	**32**	**1 564 568**	**11**
Liabilities and equity					
Amounts owed to credit institutions	186 797	95 106	96	213 978	-13
Deposits and borrowings from the public	791 686	671 323	18	739 264	7
Debt securities in issue	457 971	322 684	42	349 906	31
Derivatives	92 115	65 704	40	91 160	1
Other liabilities and provisions	79 855	38 314		49 689	61
Subordinated liabilities	30 673	25 508	20	32 522	-6
Untaxed reserves	10 575	10 575	0	10 206	4
Equity	82 457	87 177	-5	77 843	6
Total liabilities and equity	**1 732 129**	**1 316 391**	**32**	**1 564 568**	**11**
Pledged collateral	53 621	29 876	79	43 418	23
Other assets pledged	2 652	3 355	-21	6 938	-62
Contingent liabilities	568 981	556 537	2	574 577	-1
Commitments	239 552	230 690	4	232 027	3

Statement of changes in equity, condensed

Parent company
SEKm

	Share capital	Share premium reserve	Statutory reserve	Retained earnings	Total
January-June 2018					
Closing balance 31 December 2017	**24 904**	**13 206**	**5 968**	**43 099**	**87 177**
Amendments due to the adoption of IFRS 9				**-1 406**	**-1 406**
Opening balance 1 January 2018	**24 904**	**13 206**	**5 968**	**41 693**	**85 771**
Dividend				-14 517	**-14 517**
Share based payments to employees				171	**171**
Deferred tax related to share based payments to employees				-11	**-11**
Current tax related to share based payments to employees				16	**16**
Total comprehensive income for the period				11 027	**11 027**
Closing balance 30 June 2018	**24 904**	**13 206**	**5 968**	**38 379**	**82 457**
January-December 2017					
Opening balance 1 January 2017	**24 904**	**13 206**	**5 968**	**41 277**	**85 355**
Dividend				-14 695	**-14 695**
Share based payments to employees				307	**307**
Deferred tax related to share based payments to employees				-31	**-31**
Current tax related to share based payments to employees				35	**35**
Total comprehensive income for the period				16 206	**16 206**
Closing balance 31 December 2017	**24 904**	**13 206**	**5 968**	**43 099**	**87 177**
January-June 2017					
Opening balance 1 January 2017	**24 904**	**13 206**	**5 968**	**41 277**	**85 355**
Dividend				-14 695	**-14 695**
Share based payments to employees				188	**188**
Deferred tax related to share based payments to employees				-29	**-29**
Current tax related to share based payments to employees				36	**36**
Total comprehensive income for the period				6 988	**6 988**
Closing balance 30 June 2017	**24 904**	**13 206**	**5 968**	**33 765**	**77 843**

Cash flow statement, condensed

Parent company **SEKm**	**Jan-Jun 2018**	**Full-year 2017**	**Jan-Jun 2017**
Cash flow from operating activities	110 066	21 630	238 488
Cash flow from investing activities	13 485	1 221	5 601
Cash flow from financing activities	106 657	49 016	71 686
Cash flow for the period	**230 208**	**71 868**	**315 775**
Cash and cash equivalents at beginning of period	136 061	64 193	64 193
Cash flow for the period	230 208	71 868	315 775
Cash and cash equivalents at end of period	**366 269**	**136 061**	**379 968**

Capital adequacy

Capital adequacy, Parent company SEKm	30 Jun 2018	31 Dec 2017	30 Jun 2017
Common Equity Tier 1 capital	**80 455**	**78 687**	**76 060**
Additional Tier 1 capital	11 839	11 040	12 938
Tier 1 capital	**92 294**	**89 727**	**88 998**
Tier 2 capital	18 608	13 683	18 815
Total capital	**110 902**	**103 410**	**107 813**
Minimum capital requirement	**26 641**	**25 012**	**25 184**
Risk exposure amount	**333 018**	**312 647**	**314 806**
Common Equity Tier 1 capital ratio, %	**24.2**	**25.2**	**24.2**
Tier 1 capital ratio, %	**27.7**	**28.7**	**28.3**
Total capital ratio, %	**33.3**	**33.1**	**34.3**

Capital buffer requirement[1)] %	30 Jun 2018	31 Dec 2017	30 Jun 2017
CET1 capital requirement including buffer requirements	8.5	8.5	8.4
of which minimum CET1 requirement	4.5	4.5	4.5
of which capital conservation buffer	2.5	2.5	2.5
of which countercyclical capital buffer	1.5	1.5	1.4
CET 1 capital available to meet buffer requirement [2)]	19.7	20.7	19.7

Leverage ratio	30 Jun 2018	31 Dec 2017	30 Jun 2017
Tier 1 Capital, SEKm	92 294	89 727	88 998
Total exposure, SEKm [3)]	1 339 028	979 217	1 225 224
Leverage ratio, % [3)]	6.9	9.2	7.3

[1)] Buffer requirement according to Swedish implementation of CRD IV.
[2)] 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.
[3)] Taking into account exemption according to CRR article 429.7 excluding certain intragroup exposures.

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

30 Jun 2018 SEKm	Exposure amount	Risk exposure amount	Minimum capital requirement
Credit risks, STD	**1 099 267**	**78 986**	**6 319**
Central government or central banks exposures	19		
Regional governments or local authorities exposures	45	9	1
Public sector entities exposures	1 970		
Multilateral development banks exposures	3 347		
International organisation exposures	287		
Institutional exposures	1 020 831	564	45
Corporate exposures	3 963	3 834	307
Retail exposures	394	295	24
Exposures secured by mortgages on immovable property	2 768	969	78
Exposures in default	0	0	0
Equity exposures	64 703	72 402	5 792
Other items	940	913	72
Credit risks, IRB	**1 117 161**	**170 851**	**13 668**
Central government or central banks exposures	517 790	5 901	472
Institutional exposures	58 770	11 788	943
Corporate exposures	438 012	129 184	10 335
of which specialized lending			
Retail exposures	98 852	20 382	1 631
of which mortgage lending	12 386	2 430	194
of which other lending	86 466	17 952	1 437
Non-credit obligation	3 737	3 596	287
Credit risks, Default fund contribution		**425**	**34**
Settlement risks	**0**	**0**	**0**
Market risks		**14 797**	**1 184**
Trading book		13 997	1 120
of which VaR and SVaR		8 216	657
of which risks outside VaR and SVaR		5 781	463
FX risk other operations		800	64
Credit value adjustment	**18 088**	**4 700**	**375**
Operational risks		**35 201**	**2 816**
Standardised approach		35 201	2 816
Additional risk exposure amount, Article 3 CRR		**28 058**	**2 245**
Total	**2 234 516**	**333 018**	**26 641**

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

31 Dec 2017 SEKm	Exposure amount	Risk exposure amount	Minimum capital requirement
Credit risks, STD	**1 043 965**	**77 459**	**6 197**
Central government or central banks exposures	17		
Regional governments or local authorities exposures	69	14	1
Public sector entities exposures	2 646		
Multilateral development banks exposures	3 439		
International organisation exposures	273		
Institutional exposures	966 482	654	52
Corporate exposures	3 453	3 323	266
Retail exposures	385	287	23
Exposures secured by mortgages on immovable property	2 495	873	70
Exposures in default	0	0	
Equity exposures	64 012	71 624	5 730
Other items	694	684	55
Credit risks, IRB	**824 335**	**159 018**	**12 721**
Central government or central banks exposures	249 271	3 678	294
Institutional exposures	65 945	11 680	934
Corporate exposures	408 710	119 682	9 575
of which specialized lending			
Retail exposures	97 650	21 366	1 709
of which mortgage lending	12 871	2 610	209
of which other lending	84 779	18 756	1 500
Non-credit obligation	2 759	2 612	209
Credit risks, Default fund contribution		**343**	**27**
Settlement risks	**0**	**0**	**0**
Market risks		**8 655**	**692**
Trading book		8 350	668
of which VaR and SVaR		6 086	487
of which risks outside VaR and SVaR		2 264	181
FX risk other operations		305	24
Credit value adjustment	**15 351**	**3 797**	**305**
Operational risks		**35 317**	**2 825**
Standardised approach		35 317	2 825
Additional risk exposure amount, Article 3 CRR		**28 058**	**2 245**
Total	**1 883 651**	**312 647**	**25 012**

Effects of changes in accounting policies, IFRS 9 and presentation of accrued interest

SEKm	31 December 2017	Changed presentation of accrued interest	31 December 2017 adjusted for changed presentation of accrued interest	Remeasurement - expected credit losses	1 January 2018
Assets					
Cash and balances with central banks	136 061		136 061		136 061
Loans to credit institutions	449 733	301	450 034	-27	450 007
Loans to the public	398 666	422	399 088	-1 233	397 854
Interest-bearing securities	141 322	352	141 674		141 674
Shares and participating interests	83 672		83 672		83 672
Derivatives	62 153		62 153		62 153
Other assets	44 784	-1 075	43 709	-3	43 706
Total assets	**1 316 391**		**1 316 391**	**-1 263**	**1 315 128**
Liabilities and equity					
Amounts owed to credit institutions	95 106	188	95 294		95 294
Deposits and borrowings from the public	671 323	91	671 414		671 414
Debt securities in issue	322 684	812	323 496		323 496
Derivatives	65 704		65 704		65 704
Other liabilities and provisions	38 314	-1 447	36 867	143	37 010
Subordinated liabilities	25 508	356	25 864		25 864
Untaxed reserves	10 575		10 575		10 575
Equity	87 177		87 177	-1 406	85 771
Total liabilities and equity	**1 316 391**		**1 316 391**	**-1 263**	**1 315 128**

Alternative performance measures

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

Measure and definition	Purpose
Net stable funding ratio (NSFR) NSFR aims to have a sufficiently large proportion of stable funding in relation to long-term assets. The measure is governed by the EU's Capital Requirements Regulation (CRR); however no calculation methods have yet been established. Consequently, the measure cannot be calculated based on current rules. NSFR is presented in accordance with Swedbank's interpretation of the Basel Committee's recommendation (BCBS295).	This measure is relevant for investors since it will be required in the near future and as it is already followed as part of internal governance.
Net interest margin before trading interest is deducted Calculated as Net interest income before trading interest is deducted, in relation to average total assets. The average is calculated using month-end figures, including the prior year end. The closest IFRS measure is Net interest income and can be reconciled in Note 5.	The presentation of this measure is relevant for investors as it considers all interest income and interest expense, independent of how it has been presented in the income statement.
Allocated equity Allocated equity is the operating segment's equity measure and is not directly required by IFRS. The Group's equity attributable to shareholders is allocated to each operating segment based on capital adequacy rules and estimated capital requirements based on the bank's internal Capital Adequacy Assessment Process (ICAAP). The allocated equity amounts per operating segment are reconciled to the Group Total equity, the nearest IFRS measure, in Note 4.	The presentation of this measure is relevant for investors since it used by Group management for internal governance and operating segment performance management purposes.
Return on allocated equity Calculated based on profit for the period for the operating segment (operating profit less estimated tax and non–controlling interests), in relation to average allocated equity for the operating segment. The average is calculated using month-end figures, including the prior year end. The allocated equity amounts per operating segment are reconciled to the Group Total equity, the nearest IFRS measure, in Note 4.	The presentation of this measure is relevant for investors since it used by Group management for internal governance and operating segment performance management purposes.
Income statement measures excluding Hemnet and UC income Amount related to other income is presented excluding the income related to Hemnet (2017) and UC (2018). The amounts are reconciled to the relevant IFRS income statement lines on page 6.	The presentation of this measure is relevant for investors as it provides comparability of figures between reporting periods.
Return on equity excluding Hemnet and UC income Represents profit for the period allocated to shareholders excluding Hemnet and UC income in relation to average Equity attributable to shareholders' of the parent company. The average is calculated using month-end figures, including the prior year end. Profit for the period allocated to shareholders excluding Hemnet (2017) and UC (2018) income are reconciled to Profit for the period allocated to shareholders, the nearest IFRS measure, on page 6.	The presentation of this measure is relevant for investors as it provides comparability of figures between reporting periods.
Cost/Income ratio excluding Hemnet and UC income Total expenses in relation to total income excluding Hemnet and UC income. Total income excluding Hemnet (2017) and UC (2018) income is reconciled to Total income, the nearest IFRS measure, on page 6.	The presentation of this measure is relevant for investors as it provides comparability of figures between reporting periods.

Other alternative performance measures

These measures are defined in Fact book on page 79 and are calculated from the financial statements without adjustment.

- Cost/Income ratio
- Credit impairment provision ratio Stage 1 loans
- Credit impairment provision ratio Stage 2 loans
- Credit impairment provision ratio Stage 3 loans
- Credit Impairment ratio
- Loan/Deposit ratio
- Equity per share
- Provision ratio for impaired loans(2017)
- Return on equity
- Return on total assets
- Share of impaired loans, gross (2017)
- Share of impaired loans, net (2017)
- Share of Stage 3 loans, gross
- Share of Stage 3 loans, net
- Total credit impairment provision ratio

The presentation of these measures is relevant for investors since they are used by Group management for internal governance and operating segment performance management purposes.

Signatures of the Board of Directors and the President

The Board of Directors and the President hereby certify that the interim report for January-June 2018 provides a fair and accurate overview of the operations, position and results of the parent company and the Group and describes the significant risks and uncertainties faced by the parent company and the companies in the Group.

Stockholm, 17 July 2018

Lars Idermark
Chair

Ulrika Francke
Deputy Chair

Bodil Eriksson
Board Member

Mats Granryd
Board Member

Bo Johansson
Board Member

Anna Mossberg
Board Member

Peter Norman
Board Member

Annika Poutiainen
Board Member

Siv Svensson
Board Member

Magnus Uggla
Board Member

Camilla Linder
Board Member
Employee Representative

Roger Ljung
Board Member
Employee Representative

Birgitte Bonnesen
President and CEO

Review report

Introduction

We have reviewed the interim report for Swedbank AB (publ) for the period 1 January – 30 June 2018. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2410 Review of Interim Financial Information performed by the company's auditors. A review consists of making inquiries, primarily with persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report for the Group is not, in all material aspects, in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies and as regards the parent company in accordance the Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm, 17 July 2018
Deloitte AB

Patrick Honeth
Authorised Public Accountant

Publication of financial information

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

Financial calendar 2018

Interim report for the third quarter	23 October 2018
Year-end report 2018	29 January 2019

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