Swedbank

2017 Annual and Sustainability Report

Contents

Financial information 2018

Q1 Interim report	24 April
Q2 Interim report	18 July
Q3 Interim report	23 October

Annual General Meeting 2018

The Annual General Meeting will be held at Cirkus, Djurgårdsslätten 43–45, Stockholm, Sweden at 11 am on Thursday, 22 March. The proposed record day for the dividend is 26 March 2018. The last day for trading in Swedbank's shares including the right to the dividend is 22 March 2018. For more information, see page 203 and the notice of the AGM at www.swedbank.com. While every care has been taken in the translation of this annual and sustainability report, readers are reminded that the original annual and sustainability report, signed by the Board of Directors, is in Swedish.

▶ Vision

We enable people, businesses and society to grow.

▶ Purpose

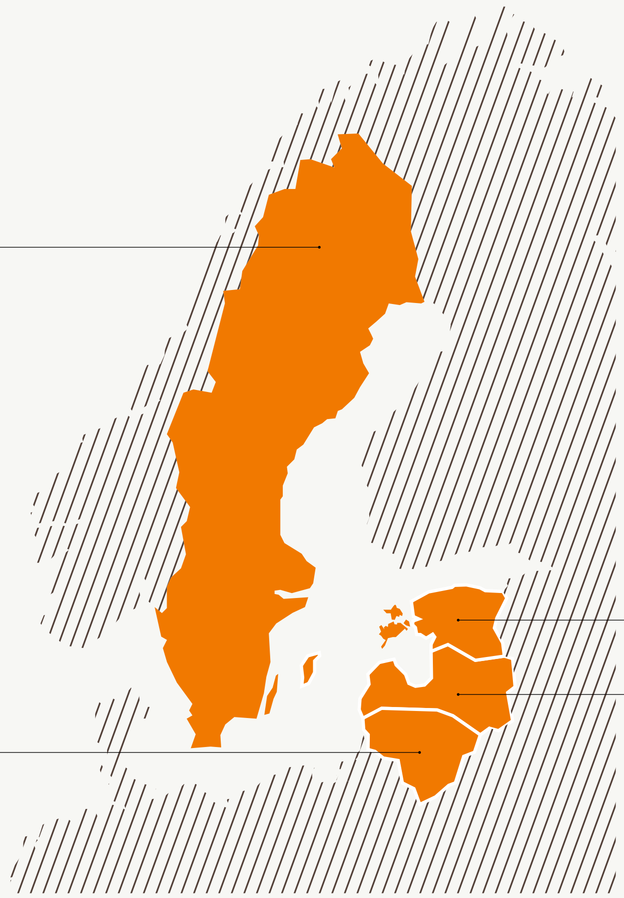
We promote a sound and sustainable financial situation for the many households and businesses.

▶ Values

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

Available full-service bank in four home markets

With over seven million private customers and 600 000 corporate customers, Swedbank is the leading bank for the many households and businesses in our four home markets: Sweden, Estonia, Latvia and Lithuania. We are active mainly in the product areas loans, payments and savings and serve customers with simple as well as more complex needs.



Sweden
Population: 10.1 million
Private customers: 4.1 million
Corporate customers: 270 000
Organisations: 68 000
Branches: 218
Digitally active customers: 3.1 million
Cards: 4.2 million
Employees: 8 127

Estonia
Population: 1.3 million
Private customers: 0.9 million
Corporate customers: 135 000
Branches: 34
Digitally active customers: 0.6 million
Cards: 1.1 million
Employees: 2 400

Latvia
Population: 2.0 million
Private customers: 0.9 million
Corporate customers: 83 000
Branches: 36
Digitally active customers: 0.7 million
Cards: 1.0 million
Employees: 1 564

Lithuania
Population: 2.9 million
Private customers: 1.5 million
Corporate customers: 69 000
Branches: 63
Digitally active customers: 0.7 million
Cards: 1.7 million
Employees: 2 100

Sustainable financing
Established framework for green bonds, issued amount in 2017

EUR 500 M

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

24.6 %

Digitised customer offerings
Number of digitally active customers

5.1 MILLION

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

15.1 %

Low risk
Credit impairment ratio

0.08 %

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

0.39

Stable result

- Increased volumes boosted net interest income
- Positive stock market development benefitted net commission income
- Proposed dividend of SEK 13.00 per share

Key figures	2017	2016
Total income, SEKm	42 438	40 821
Total expenses, SEKm	16 415	15 627
Profit for the year, SEKm[1]	19 350	19 539
Return on equity, %	15.1	15.8
Cost/income ratio	0.39	0.38
Total assets, SEKbn	2 213	2 154
Lending to the public, SEKbn[2]	1 502	1 453
Deposits from the public, SEKbn[2]	847	782
Credit impairment ratio, %	0.08	0.09
Share of impaired loans, gross, %	0.55	0.52
Common Equity Tier 1 capital ratio, %	24.6	25.0
Earnings per share, SEK[3]	17.30	17.50
Cash dividend per share, SEK[4]	13.00	13.20
Yield per year-end, %, Swedbank share	6.6	6.0
Full-time employees	14 588	14 061

1) Continuing operations
2) Excluding the Swedish National Debt Office and repos
3) Continuing operations after dilution
4) Board of Directors' proposal for 2017

The year in brief

A selection of value-creating activities during the year.

9 JANUARY

SEK 680 m

The sale of Fastighetsbyrån's holding in Hemnet is finalised. For Fastighetsbyrån's owner, Swedbank, it generates a tax-exempt capital gain of about SEK 680m.

2 FEBRUARY

Fifth year in a row

In connection with the year-end report for 2016, Swedbank's Board of Directors proposes that 75 per cent of profit for the year be distributed to shareholders – for the fifth year in a row.

2 FEBRUARY

Personalised services

Aet Altroff is appointed head of the new unit Customer Value Management (CVM), which will build customer loyalty through proactive, personalised offers based on customer data.

14 FEBRUARY

SEK 42 m

Investors in Swedbank's Humanfond donate SEK 42m to charity. Since the fund's inception in 1990 investors have donated over SEK 1bn.

4 APRIL

My Services

Swedbank invests in the fintech company Mina Tjänster ("My Services"), whose app makes it easier for people to manage subscription services and maintain a better overview of their personal finances.

25 APRIL

Strong financial result

Swedbank reports a return on equity of 15.9 per cent for the first quarter of the year.

10 MAY

Acquisition of PayEx

Swedbank acquires the payment service provider PayEx to complement its e-commerce payment solutions.

19 JUNE

Strategic partnership

Swedbank enters into a strategic partnership with Europe's leading independent equity broker, Kepler Cheuvreux, to strengthen distribution capacity and broaden the range of analysis services.

19 JULY
Strong capitalisation
The Common Equity Tier 1 capital ratio increased to 24.6 per cent in the second quarter, compared with the capital requirement of 22 per cent.

19 SEPTEMBER
Thousands of business ideas
Ten business ideas with the potential to contribute to a better society are selected as winners in a contest Swedbank called Rivstart ("Flying Start").

Each winner receives

SEK 250 000

in seed capital and personalised support to implement their ideas. In all, 4 321 entries are submitted.

29 SEPTEMBER
Swedbank named industry best in Nordic region's largest sustainability study
Swedbank is named the most sustainable bank in the Sustainable Brand Index B2B Study. Decision-makers in Sweden's largest companies make the decision in the Nordic region's largest sustainability study.

11 OCTOBER
Five of Swedbank Robur's funds among the first to receive Swan Ecolabel
Five of Swedbank Robur's sustainability funds meet the stringent requirements for the Nordic Swan Ecolabel, now being awarded in the fund market. With over 6 000 funds in the Nordic market, the Swan Ecolabel makes it easy to find and select those that encourage companies to take sustainable action.

24 OCTOBER
Increased lending volumes supported net interest income
Higher lending volumes, primarily of Swedish mortgages, contributed to an increase in net interest income of 2 per cent in the third quarter compared with the second quarter.

31 OCTOBER
Swedbank issues its first green bond
On 30 October Swedbank issues its inaugural EUR 500m green bond to accelerate the transition to a more sustainable society.

6 NOVEMBER
Open Banking
Swedbank launches Open Banking to take advantage of opportunities created by the new EU Payment Services Directive 2 (PSD2). The purpose of PSD2 is to encourage innovation in payment services and improve online payment security.

20 NOVEMBER
Award-winning work
Anna's Gender Equality Prize was awarded to Swedbank for its dedicated and long-term commitment, which has led to concrete success in the field of gender equality and diversity.

29 NOVEMBER
Accelerator program for fintech companies
In 2018 Swedbank is arranging "Wise Guys Fintech hosted by Swedbank" - an accelerator program for fintech companies together with the investment company Startup Wise Guys. The program will be held at Swedbank's Latvian head office in Riga. Ten international startups will have the opportunity to spend up to six months building their businesses with the help of experts from Swedbank and Startup Wise Guys.

A year full of activity

2017 was a year full of activity for Swedbank. To meet our customers' needs and expectations, we acquired and entered into collaborations with a number of companies such as the payment service provider PayEx, the equity broker Kepler Cheuvreux and the subscription service Mina Tjänster. We have launched a variety of solutions that make it easier for customers to do their daily banking, including a digital consumer loan process and a new version of our Internet Bank. We have improved our positions in the area of sustainability by issuing our first green bond and building a greater understanding of how Swedbank can contribute to the UN's sustainable development goals (SDG). Internally, we have continued to establish a unified vision of the bank we want to be and crafted strategies how we are going to get there. Against this backdrop, it is also gratifying to see that satisfaction among our employees is rising.

Strong financial result

Swedbank has a strong financial position. Our profitability, measured by return on equity, was 15.1 per cent during the year, compared with the target of 15 per cent. Net interest income, our largest revenue source, continued to rise during the year largely thanks to higher mortgage volumes. At the end of the year we saw a slowdown in housing prices in Sweden. This is welcome, since price increases of over 10 per cent a year are not sustainable. To date, however, the measures that have been introduced to slow the trend have tried to limit consumer demand, but too little has been done to stimulate new construction of housing for less-affluent segments, where there are still shortages. Our net commission income also increased during the year, driven by a strong stock market, which benefitted our asset management operations, at the same time that the high level of activity in the economy led to higher card income.

Our cost efficiency is high. With a cost/income ratio of 0.39, we are one of Europe's most efficient banks. Adjusted for the restructuring reserve allocated in the fourth quarter, costs were in line with our overall target of around SEK 16.1 billion for the full-year 2017.

Our risks are low. The credit impairment ratio totalled 0.08 per cent. Most of the credit impairments reported during the year were attributable to a few oil-related commitments, while the credit quality in the rest of our portfolio is high.

Our capitalisation is solid with a healthy buffer vis-à-vis the minimum requirements. Against this backdrop, the Board of Directors is proposing for the sixth consecutive year that 75 per cent of profit be distributed to the shareholders. At the end of the year the Basel Committee published a proposal with updated capital adequacy regulations for banks. Though it is still too early to assess the consequences for Swedbank, since the proposal has to be evaluated at both an EU and a national level before being implemented, we are well-positioned to handle any changes.

High expectations create opportunities

While I am naturally proud of Swedbank's strong position and what we accomplished in the last year, we do not lack challenges. Customer satisfaction is still at low levels despite rising among corporate customers. To ensure that we have loyal and satisfied customers who trust us, it is important that we deliver faster. Changing customer preferences, with more people choosing to bank through digital channels, together with new competition and changing regulations, are a challenge to traditional banking models. Expectations with regard to functionality, speed and availability are only getting higher. This means great opportunities for a bank such as ours. Swedbank is the largest bank in terms of both private and corporate customers in our home markets: Sweden, Estonia, Latvia and Lithuania. For example, we have over 7 million private customers, and with new digital contact points it is becoming much easier to stay in touch with them. And they can be more active too, if we can proactively provide them with offers suited to their unique situation. This does not mean that face-to-face interactions have no value. On the contrary, for certain types of transactions a human relationship is always important, which is why we see our physical distribution network – our branches and those of the savings banks – as an important complement to the digital channel and a differentiating factor in an increasingly digital banking landscape.

A digital transformation

To facilitate Swedbank's work during the digital transformation now sweeping the banking sector, I have since taking over as CEO just over two years ago created two new Group functions: Digital Banking, which is responsible for developing and managing our digital channels and the tools used in interacting with customers, and Customer Value Management, which is responsible for coordinating strategies, developing offers and principles, generating data-driven customer insight, and developing and managing campaigns. These two units work with the business and product areas to increase availability and ensure that we meet our customers' needs. We have also decided to merge our IT development unit with the business areas and the Group functions to increase IT efficiency.

> **"To ensure that we have loyal and satisfied customers who trust us, it is important that we deliver faster."**

High cost efficiency

One of our most important projects in 2018 is the digitisation of the loan process, especially for mortgages. As the processing for each loan gets faster, the customer experience should improve and internal efficiency will increase through less manual processing. Among other initiatives I can mention are a stronger payment offer for e-commerce, which was possible thanks to the acquisition of PayEx, and further improvements to virtual assistants and robots to increase efficiency. As previously announced, these initiatives are expected to lead to slightly higher costs going forward, since we are investing in both our employees and customer offerings. Our goal is to keep costs below SEK 17bn in both 2018 and 2019.

Cost efficiency will however always be a cornerstone of our strategy since it is critical if we are going to remain the leading bank for the many households and businesses in our home makets and maintain our strong financial position.

Stockholm, February 2018

Birgitte Bonnesen
CEO and President

Strategy to promote a sound financial situation

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

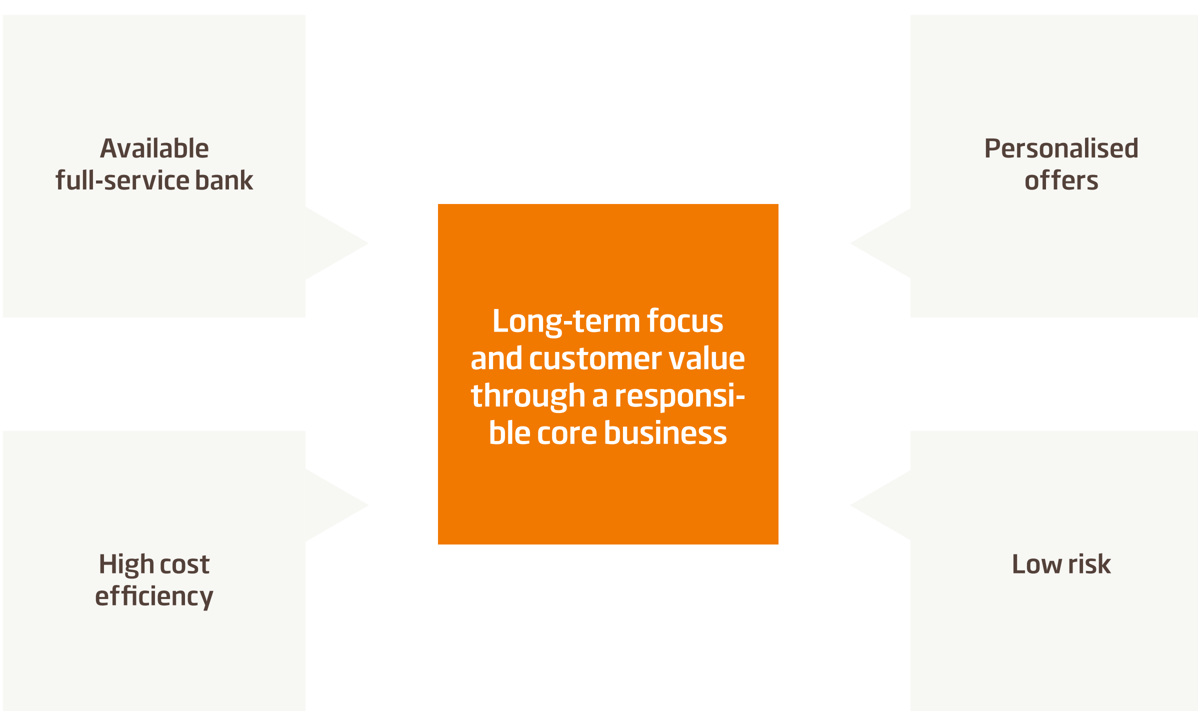
Throughout its nearly 200-year history, Swedbank has successfully built strong relationships with private and corporate customers in our home markets. Today we are the largest bank measured by number of customers in Sweden and the Baltic countries. The bank works systematically to integrate economic, environmental, ethical and social responsibility in business decisions and business development to build long-term financial value.

A changing world

The financial landscape is changing rapidly. Customers are increasingly banking through digital channels. This places high demands on being able to adapt products and distribution channels and on the stability of IT systems. At the same time it has become easier to compare offers from different providers, and customers can easily and quickly switch banks. New, often agile, companies are challenging banks mainly in the areas of payments and savings.

The transformation is not only digital, however. We are facing a necessary shift to a more sustainable society, where we have to think differently and modify established structures and ways of working.

The banking sector is also affected by an array of regulations. Much of what is happening is ultimately aimed at empowering customers by stimulating competition and increasing transparency. The Markets in Financial Instruments Directive (MiFID II) affects how the financial sector prices and informs about various products. The Payment Services Directive (PSD2) opens up the payment area to new competitors that, with customers' approval, can link their various services to the customers' accounts in the bank. Higher capital and liquidity requirements to make the financial sector more resilient during times of economic crisis are expected to lead to greater financial stability, but also higher costs for the banking sector and customers, while raising the barriers to entry in lending.



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

Customer-centric strategy

To live up to our vision to enable people, businesses and society to grow in an ever-changing world, we apply a strategy that rests on four pillars. As a major financial player, we want to do our part to drive development toward a more sustainable society and meet customers' expectations and needs. With the UN's global sustainability goals, Agenda 2030, as a guide, we are integrating sustainability in our business.

Available full-service bank

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

Personalised offers

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

High cost efficiency

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

Low risk

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

Increased customer focus…

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

Customers

GOAL: Increased customer value

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

Employees

GOAL: Increased employee engagement

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

Return on equity

GOAL: Return on equity of at least 15 per cent

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

Cost efficiency

GOAL: Market-leading cost efficiency

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

Capitalisation

GOAL: Solid capitalisation

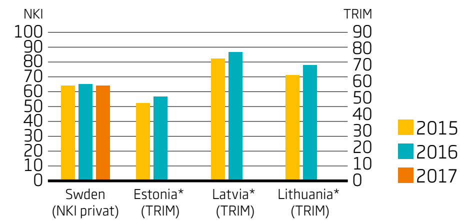
WHY: Swedbank's capitalisation should ensure that it can withstand a stressed scenario while still exceeding capital requirements by a safe margin. Strong capitalisation is also necessary to guarantee access to competitive capital market funding. The majority of Swedish capital requirements have been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

...improves our competitiveness

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

RESULT: Customer satisfaction in Sweden is mainly measured by the NKI survey, which comprises around 35 000 of the bank's customers. Satisfaction among private customers decreased slightly in 2017, from a score of 65 to 64, but increased among corporate customers. In the Baltic countries customer satisfaction is measured by the TRIM survey. No TRIM survey was conducted in 2017. In 2016 satisfaction increased among private customers in all three of our Baltic home markets. Among corporate customers it increased in Lithuania and was unchanged in Estonia and Latvia.

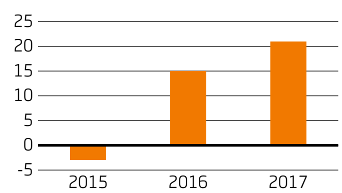
Customer satisfaction, private customers



* No survey conducted in the Baltic countries in 2017.

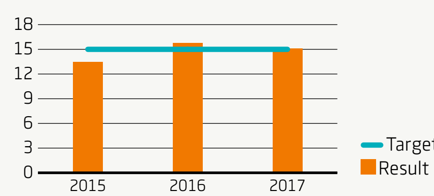
RESULT: The recommendation index, i.e. the likelihood of recommending Swedbank as an employer, further improved during the year.

Recommendation index



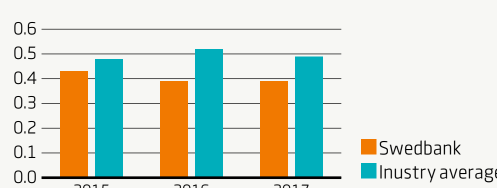
RESULT: The return on equity was 15.1 per cent (15.8) during the year, compared with the target of 15 per cent.

Return on equity, %



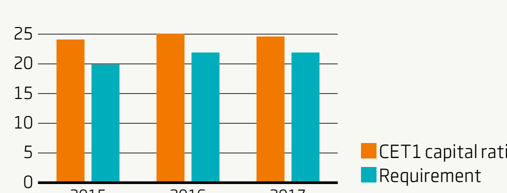
RESULT: Cost control was good during the year and total costs amounted to SEK 16.4bn (15.6). Swedbank's cost/income ratio in 2017 was 0.39 (0.38). The average for Sweden's three other major banks – Nordea, SEB and Handelsbanken – was 0.49. Since Swedbank intends to strengthen its customer offering through further digitisation and automation of everyday banking services, the rate of investment is expected to rise in the years to come. The goal is to keep costs below SEK 17bn in both 2018 and 2019.

Cost/income ratio compared with industry average



RESULT: The Common Equity Tier 1 capital ratio as of 31 December 2017 was 24.6 per cent (25.0). This compares with a total Common Equity Tier 1 capital requirement, including all announced increases in the countercyclical buffer, of 21.9 per cent.

Common Equity Tier 1 capital ratio, %



A competitive offer

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

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

Finance

Swedbank offers a variety of financing solutions for households and businesses. Of our total lending to the public of SEK 1 535bn, excluding the Swedish National Debt Office and repurchase agreements, more than half is mortgages, the majority in Sweden. We are the leader in mortgage lending in all our home markets.

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

Lending has been affected by a series of regulations in recent years. In 2017, a tighter mortgage amortisation requirement was introduced in Sweden effective March 2018, where new borrowers who loan more than 4.5 times their gross income must amortise at least 1 per cent of their debt annually beyond the existing amortisation requirement. Swedbank already applies the requirement in its lending.

Our products and services are also affected by digitisation. Swedbank is working actively to digitise its mortgage lending to reduce manual work and thereby free up resources and simplify the process for customers.

Pay

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

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

For Swedbank and other financial players, PSD2 offers new opportunities. The aim is to provide our customers with a comprehensive overview of their personal finances through our digital channels regardless of whether they have a payment account in another bank as well.

The payment service provider PayEx was acquired in 2017 to strengthen our digital payment solutions.

Save

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

Market shares, %

	Lending (private)[1]	Lending (corporate)[1]	Deposits (private)	Deposits (corporate)	Payments[2]	Funds
Sweden	23	17	21	20	36	21
Estonia	46	37	55	43	59	42
Latvia	31	17	32	15	50	42
Lithuania	34	18	40	23	49	37

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

Competition in Swedbank's home markets

In Sweden, Swedbank, Handelsbanken, Nordea and SEB accounted for about 70 per cent of deposits and lending in 2017. Swedbank is biggest in retail banking and has a leading position in lending to private customers (23 per cent), deposits from private customers (21 per cent) and fund management (21 per cent). In the Swedish corporate market the bank's share was 17 per cent for lending and 20 per cent for deposits at the end of 2017.

The Estonian banking sector is more concentrated than Sweden's. The market is dominated by foreign companies, with Swedbank, SEB, Luminor (DNB och Nordea) and Danske Bank together controlling around 90 per cent. Swedbank had a market share of 55 per cent for deposits from private customers, 46 per cent for lending and 42 per cent for fund management. In the Estonian corporate market the bank's share was 37 per cent for lending and 43 per cent for deposits.

Latvia has a more fragmented market where local banks account for 30 to 70 per cent of the various segments. In 2017 Swedbank accounted for 32 per cent of deposits, 42 per cent of fund assets under management and 31 per cent of lending to private customers. In the corporate market the bank's share was 17 per cent for lending and 15 per cent for deposits.

Like in Sweden, the banking market in Lithuania is dominated by a few major players. Among private customers, Swedbank accounted for 40 per cent of deposits, 37 per cent of fund volumes and 34 per cent of lending. In the corporate market the bank's share was 18 per cent for lending and 23 per cent for deposits.

Value creation and sustainable business model

Swedbank's business model is essentially to convert savings to loans. By offering customers with money left over secure and effective solutions to manage their capital at the same time that those who need funds can meet their financing needs, we promote a sound and sustainable financial situation for the many households and companies.

An important part of society

Swedbank is part of the financial infrastructure, also making us an important part of society. By promoting savings and lending money to consumers and businesses with investment needs, we support the national economy and help to create jobs. Lending is financed through deposits from companies and individuals, but also through capital market funding. In this way, we are able to offer customers with excess capital a safe and effective way to manage their capital.

We receive interest on the capital we lend out, while we pay interest on deposits and funding. The difference between interest income and interest expenses is called net interest income and is our largest revenue source.

It is important to us that the money we lend contributes to sustainable development. During the year we therefore issued our first green bond. The money will be used to finance sustainable investments in real estate and renewable energy sources that reduce society's carbon footprint.

One of our most important roles, in order to contribute to the stability of the financial system, is to understand and price risks correctly. It is also essential to our survival. The margin we earn on our lending has to be high enough to cover credit impairments for borrowers who cannot pay their interest or amortise their loans, but also cover administrative expenses and provide a return on shareholders' equity.

While we are an inclusive bank, if the risk is considered too high we may decide not to lend to a customer. By maintaining our risks at low levels, our financing costs are positively affected as well.

Net interest income and credit impairments are strongly tied to the real economy and are affected by factors such as GDP growth, interest rates and unemployment. To limit the impact of a severe recession without relying on outside sources and to continue to support our customers regardless of economic conditions, we also maintain capital for unforeseen losses. This largely consists of the capital that our shareholders invest.

Funds and cards are important to net commission income

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

The large part of net commission income comes from asset management and cards. In our asset management business, Robur, we manage SEK 1 252bn, the majority of which relates to Swedish mutual funds. To manage capital and cover costs, including for personnel, we charge a fee based on a percentage of the invested amount. Consequently, the income generated by the fund business largely depends on the growth in assets under management, which in turn is affected by the performance of the stock market, since the majority of the assets in the funds consists of equities. Sustainability aspects are important in asset management as well. Among other things, five of the funds Swedbank Robur offers have received the Nordic Swan Eco-label, which means that they have to exclude companies that do not follow international norms and conventions in areas such as fair labour, human rights, corruption and serious environmental crime.

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

Personnel and IT are our largest operating expenses

Swedbank's biggest operating expense is salaries. Other major expense items include IT and properties and rents, which are partly a result of the distribution network in the form of branches and digital channels for our customers. Swedbank is also a major taxpayer in the markets where we operate.

Simplified income statement

+ Our income	SEKm

Net interest income (interest income – interest expenses) — 24 595

Lending generates interest income. Interest expenses are incurred for deposits (savings) and the bank's capital market funding.

Net commission income — 12 030

Fees charged for services such as cards and payments, asset management, loan commissions, equity trading, insurance and corporate finance.

Net gains and losses on financial items at fair value — 1 934

Result of the market valuation of lending, funding, currencies and securities held by the bank. Arises through trading in financial instruments by customers and the bank itself and as a result of valuation effects in the accounts, primarily from interest and exchange rate movements.

Other income — 3 879

Share of result from associated companies, services sold to cooperating savings banks, net insurance, capital gains.

Total income	42 438

– Our expenses	SEKm

–Staff costs — 9 945

To develop the best services and give professional advice, we have to be a relatively personnel-intensive business dependent on attracting and developing people with the right skills as customer needs change.

– Other expenses — 6 470

An effective customer offering generates development, production and distribution expenses. IT expenses are incurred for development, systems and licences. Production expenses are to develop new and existing products and maintain product platforms. Distribution expenses through the retail network are significantly higher than when transactions are executed through digital channels.

= Profit before impairment	26 023

– Impairments — 1 481

Credit impairments are natural for a bank and arise, for example, when a borrower cannot pay the interest or amortise their loan. All lending carries a risk. Assessing, monitoring and working proactively with credit risks are critical to minimise impairments. Impairments on tangible and intangible assets are also included.

– Tax — 5 178

Swedbank is one of the biggest corporate taxpayers in Sweden. Together with the country's other banks, we account for about 10 per cent of total corporate income tax collected.

– Non-controlling interests and profit from discontinued operations — 14

= Our profit attributable to shareholders	19 350

Earnings distribution

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

Dividend	Equity

Simplified balance sheet

Our assets	SEKbn

Cash, treasury bills and bonds — 345

Swedbank maintains a liquidity buffer in the form of cash and liquid securities to meet its commitments even if access to financing is closed for an extended period.

Loans to the public — 1 535

About half of Swedbank's lending to the public consists of mortgages in Sweden. Swedbank is one of the biggest lenders to private and corporate customers in its four home markets.

Loans to credit institutions — 31

As part of the financial system, Swedbank also offers lending and deposits to other banks and credit institutions.

Derivatives — 56

To protect the bank and its customers against unwanted movements in interest or exchange rates, for example, the bank uses and offers various types of derivatives, mainly swaps, which are reported on both the asset and liability sides of the balance sheet.

Other assets — 246

Total assets	2 213

Our liabilities and equity	SEKbn

Deposits and borrowings from the public — 856

Customer deposits finance a significant share of lending. Swedbank has a large, stable base of deposits in its home markets.

Debt securities in issue — 844

Lending not financed with deposits is funded through the capital markets. Swedbank's market financing is almost exclusively long-term and mainly consists of covered bonds.

Derivatives — 46

See comment under assets above.

Other liabilities — 333

Equity — 134

The rules on how much capital a bank must maintain have been tightened to ensure that it can continue to operate even under unfavourable conditions.

Total liabilities & equity	2 213

Engaged and competent employees mean satisfied customers

Engaged, proud and competent employees are critical to our success. We therefore offer our employees opportunities to develop and interesting work with inspiring leaders in an inclusive and values-based corporate culture.

Swedbank has around 15 000 employees in 11 countries, where our home markets are Sweden, Estonia, Latvia and Lithuania. These countries all face different conditions and challenges in terms of attracting employees and customers. The common denominator for the entire Swedbank Group is a strong, values-based corporate culture with engaged and competent employees who build long-term, value-enhancing customer relationships.

"Simple, open and caring."

Values-based corporate culture built on engagement and cooperation

Our corporate culture is guided by three core values: simple, open and caring. This applies on a daily basis between employees as well as in interactions with customers. With engaged employees inspired by contributing to our purpose and living our values, we want to create positive customer experiences. During the year we focused on cooperation throughout the bank to foster engagement, efficiency, skills development and a greater understanding of the big picture and what we can accomplish together.

A survey called Engagement Pulse is conducted regularly to support efforts to build engagement in the bank. Engagement Pulse is based on factors that are important to a high level of commitment and a positive work environment. All teams in the bank work together with the results to determine what can be done even better. Employee loyalty as measured by Swedbank's employee Net Promoter Score (eNPS) improved during the year from 15 to 21.

"The feeling of developing drives engagement."

Employees who develop also develop the bank

Rapid developments in the finance industry, new regulations and other market factors require us to continuously and quickly adapt to the changes in order to remain an attractive bank and employer with stable profitability. At the same time this gives us an opportunity to help our employees to develop as professionals, which we know is an important factor that builds engagement. Development can mean different things to different people. Some of us like to explore, learn and try new things, while others are driven by socialising and collaborating. The biggest potential for development, we believe, is in daily work, and our goal is to give our employees the flexibility to develop in a way that best motivates them.

Employees who continuously develop and add skills and experiences from different parts of the bank gain a better understanding of our customers and their needs, which lays the groundwork for competitive offerings. We therefore encourage internal mobility and always announce available positions internally first. When recruiting, we are more interested in an ability and willingness to develop than full-fledged skills. For our employees, internal mobility offers a variety of career paths in an international job market, at the same time that it makes them more valuable both internally and externally.

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

Strong leaders who support employees

Our goal is to have strong, inspiring and responsive leaders who strengthen the business by supporting and encouraging their employees to meet the challenges we face. Our leaders foster a values-based culture where the role of coach is crucial to successfully and effectively lead employees through change. Individual feedback from managers to employees plays an important role with the goal to spur on higher performance and long-term profitability. Other important aspects of leadership are contributing to a positive work environment, ensuring that employees can balance work with their personal lives, and encouraging and creating opportunities for development and internal mobility. The bank has clearly defined leadership criteria to guide our daily work, and we annually track how well our leaders meet them. We have many leadership activities at various levels and areas based on need and strategy. For example, managers in the Baltic countries received training during the year in gender equality and diversity, similar to the previous training for managers in Sweden.

Strong focus on occupational health and safety for sustainable employees

Our aim is to have a safe and healthy work environment that underpins strong performance, sustainable employees and lasting relationships, both internally and externally. We want our employees to feel good and have the right opportunities on a daily basis with a balance between work and their personal lives.

We work continuously and systematically throughout the bank to create a positive organisational and social environment. We have an established structure for occupational health and safety strengthened by the deeply rooted commitment of locally engaged employees around the organisation who are involved in a range of activities to support a healthy lifestyle.

We regularly measure our progress through an index for sustainable employees, and during the year improved our score. We also work continuously to keep employees healthy by tracking sick leave and being proactive when we see early signs of illness.

Long-term measures to increase gender equality and diversity

Gender equality and diversity are important contributors to our work environment, corporate culture, skills development and interactions with customers. By embracing differences, we create a dynamism that increases opportunities for dialogue and acceptance between employees and with customers. The long-term goal is that our employees will reflect our home markets e.g. in terms of gender, age and ethnic background. We are an inclusive bank and are convinced that diversity generates more business through a bigger network and a better understanding of each individual's specific needs.

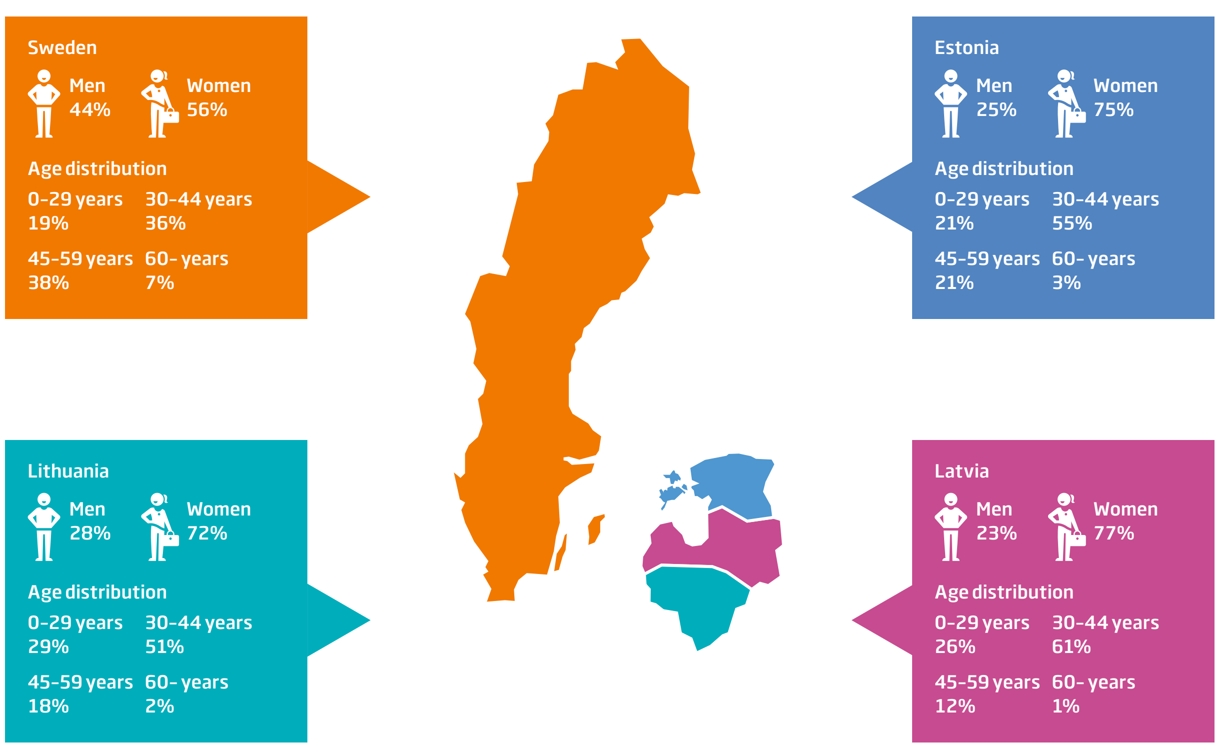
We take a long-term approach to promoting gender equality and diversity and have three-year goals to complement our day-to-day efforts. The goal for 2017 was to better integrate this perspective in interactions with customers. On a daily basis we always work toward equal wages, zero tolerance for discrimination, an equal gender distribution in various positions within the bank, and greater diversity in general. The systematic work is described in its entirety in our gender equality and diversity policy. We monitor the results on a regular basis by business area based on five discrimination areas: salary & benefits, recruiting, occupational health and safety, parental leave and careers, and skills development.

In 2017 we won Anna's Gender Equality Prize for our dedicated commitment to gender equality and diversity. The prize is awarded annually in Sweden to a person or organisation in the finance industry for outstanding efforts in gender equality and diversity work. Swedbank also ranked high in two international gender equality indexes. In Equileap, which measures how well the world's largest companies perform in terms of gender equality, the Swedbank Group came in 12th in competition with 3 000 listed companies from 23 countries. In the Bloomberg Gender Equality Index we were ranked as one of the 26 best companies in the world. This index provides investors and organisations with statistics and information on policy statements, product offerings and social engagement that they can draw upon to assess gender equality performance.

High response rate and positive results in the annual employee survey

The Human Capital Report (HCR) is our annual employee survey, where we gauge how employees feel about the bank in strategically important areas such as leadership, employeeship, corporate culture, health, gender equality and diversity. This year had a high response rate, with 9 of 10 employees replying to the survey.

All our employee index scores improved during the year at the Group level. The leadership index, which is based on our five leadership criteria, stayed at a high level (86 per cent compared with 85 per cent in 2016). The employeeship index, which measures whether employees feel engaged in their daily work, increased from 82 per cent to 84 per cent. The sustainable employee index also rose, from 77 per cent to 79 per cent. The latter summarises how employees feel and whether they are able to balance work with their private lives. There was also an increase, from 78 to 80 per cent, in the index that measures how proud our employees feel about working at Swedbank.



Sustainability is critical to creating financial value

A strong commitment to sustainability is fundamental to Swedbank's operations. Our aim is to contribute to sound and sustainable development for customers, employees, owners and society as a whole.

The bank has been working systematically for many years to integrate economic, environmental, ethical and social responsibilities in its business decisions and business development. Only in this way can we build sustainable financial value.

As one of the largest banks in all four of our home markets, we are an important part of the community and financial infrastructure. This means we have an opportunity but also a big responsibility to contribute to society's transformation according to the UN's global sustainable development goals. We have committed to the UN's Global Compact and to integrating sustainability in our business strategy and strategic decisions. Swedbank's aim is to promote sustainable development in society and help people and businesses make sustainable choices. For us this means how and which companies we finance and how we manage savings and pension capital. It can also mean teaching students about personal finance, promoting entrepreneurship or placing sustainability demands on the services and products we buy.

Investment transparency

Our aim is to make our savings products simple and transparent. Customers should clearly understand the risk they are taking and have reasonable expectations about the return. A growing focus is being placed on the sustainability of savings and investments. Swedbank Robur is Sweden's largest and one of the Nordic region's leading asset managers and has spent a long time working with responsible investments. The environment, human rights, business ethics and anti-corruption are integrated in its investment processes and ownership work. We exercise our influence as a shareholder by participating in nomination committees and general meetings as well as through continuous dialogue with boards and executive management. In this way we can encourage companies to develop in the areas of sustainability and corporate governance. We can also exclude companies from our funds for sustainability reasons, although our main principle is to remain an owner and try to have a positive impact. In a number of funds we have taken sustainability a step further. This includes our Ethica & Talenten funds, which do not invest in fossil fuels such as oil, gas or coal.

Responsible and sustainable lending

Responsibility and sustainability also apply to lending to individuals as well as large companies. It is important that our customers are financially sustainable and prepared for unforeseen events. This is our basic assumption when granting a mortgage. In corporate lending Swedbank's credit policy requires the borrower to be sound and sustainable and the loan to be based on familiarity with the company, its business, future prospects and an assessment of its environmental impact. A sustainability risk analysis is conducted in connection with all business loan applications exceeding SEK 5m in Sweden and EUR 0.8m in the Baltic countries. In it, we discuss general sustainability risks with the customer based on a risk assessment model with questions on human rights, the environment and climate change, taxes and corruption. Sustainability risks are evaluated by a credit committee in the same way as financial risks. If the company is assessed to have significant sustainability risks, the case can be escalated to the Swedbank's Business Ethics Committee for further recommendation and guidance.

Sustainability is an important part of procurement

Swedbank has a large supplier base and awards a number of contracts every year. Often they involve substantial volumes, where sustainability is an important aspect and is taken into account in the contractual requirements and in risk and supplier assessments. Purchases exceeding EUR 50 000 per year that are managed by the bank's central procurement unit undergo a risk classification of the supplier based on country- and industry-specific sustainability risks. The bank's code of conduct is part of a binding contract that must be signed by all suppliers and places requirements on human rights, labour rights, business ethics and the environment. Compliance is obviously important and is monitored through site visits and in-depth checks.

Risk management in central processes

Keeping risks low is fundamental to building public trust, and to the bank's continued survival. We feel that sustainability risks cannot be separated from financial risks and are committed therefore to comprehensive risk management. In addition to stress tests of our credit portfolio and sustainability risk analysis in our lending, it is important that we minimise risks in the payments area to combat money laundering and terrorism financing. Through the bank's Know Your Customer (KYC) process, we perform the statutory customer due diligence, and with system support we monitor transactions and screen customer databases against sanction lists.

The bank's sector guidelines are another way to make all our core processes more sustainable. The purpose is to clarify our expectations and recommendations on key sustainability aspects in various industries and direct attention to the international standards and norms we have chosen to follow. We also clearly set out what we expect of companies in terms of human rights, the environment, anti-corruption and transparency.

Anti-corruption work is ingrained in the bank's business processes and integrated in loan assessments, the supply chain, payment flows and investments. All employees receive anti-corruption training, and guidelines have been established for gifts and events based on Swedbank's code of conduct and anti-corruption policy. A register has been set up as well where events are reported using a traffic light model. The policy on conflicts of interest was updated last year, when new employee guidelines were developed on outside assignments and the approval process for second jobs was tightened. Swedbank also has an internal whistleblowing routine where employees can anonymously report violations of internal or external rules.

Measures to prevent climate change

We are concerned about global warming and the serious consequences for people and nature. Melting glaciers, extreme weather and increasing refugee streams are just a few examples. As a large financial company, Swedbank is able to have an impact both indirectly through our customers and directly through our own operations, where we work actively to reduce consumption of the Earth's finite resources and promote a stable climate and energy transformation. Our goal is to reduce our own greenhouse gas emissions by 60 per cent between 2010 and 2018, mainly by reducing travel and improving energy consumption in our offices.

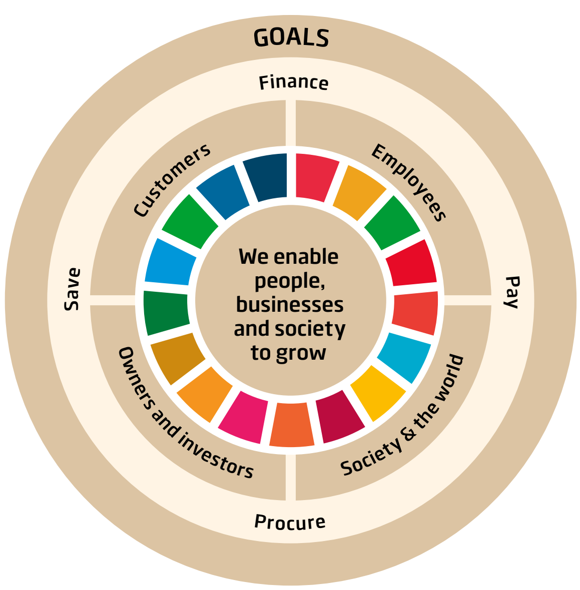
Swedbank's Swedish operations received ISO 14001 environmental certification back in 2003, the first listed bank in the Nordic region to do so. Since then the bank's environmental work has been steered by the environmental management system the standard requires, which has helped us in a structured way to reduce our environmental impact. The environmental policy, goals and strategies guide and help us to focus where the bank can make the biggest difference. The work is driven by operating managers, who are supported by a network of sustainability ambassadors around the bank, and is monitored and reviewed annually through both internal and external audits. We are convinced that successful environmental work not only reduces impacts but also risks, at the same time that it strengthens our brand.

The bank has reduced its exposure to coal both in its investments and in new financing. We will not invest in companies that generate over 30 per cent of their revenue from coal production. The reduction in the exposure to coal has been gradual, and divested companies are not eligible for new financing. We have also decided not to directly finance coal-fired power plants. Moreover, we have continued to encourage the companies we invest in and our corporate customers to integrate sustainability in their businesses and do more to combat climate change. By signing the Montreal Carbon Pledge, we have committed to disclose our funds' carbon footprint and make it easier for customers to make sustainable choices. In addition, Swedbank has made it a priority to continue to finance investments in renewable energy and promote reductions in coal extraction and greenhouse gas emissions. In 2017 we broadened our range of sustainable financial products by launching a framework for green financing and issuing the bank's first green bond.

Strong commitment to social issues

Helping to solve the challenges we face as a society was a critical reason why the savings banks were founded nearly 200 years ago. Since then social engagement has been a common thread running through our business. Our company has an important impact on the communities where we do business, which gives us an opportunity but also a responsibility to address issues that contribute to sustainable growth. We promote and are involved in several constructive programmes and projects aimed at children and young adults. Personal finance, housing opportunities, entrepreneurship and innovation are the areas that the bank has mainly engaged in. This applies to all four of our home markets.

The Young Economy Initiative in Sweden has been a recurring feature in Swedish schools and includes lectures on personal finance. Swedbank has similar initiatives called "Back to School" in Estonia and "Ready for Life" in Latvia. In Lithuania, the bank helped to initiate the programme "I will be", which helps students with their future careers. We also promote entrepreneurship among young people together with local partners in our markets.



Through **our vision** to enable people, businesses and society to grow, we use the UN's sustainable development goals (SDG) as a framework to understand how our business and value chain can contribute to meeting our goals.

We meet the needs of our stakeholders – **customers**, **employees**, **owners/investors** and **society** & the world – and evaluate how they are linked to the SDG framework.

We draw on our core areas – **pay**, **finance**, **save/invest** and **procure** – to promote sustainable business, create solutions that meet our stakeholders' needs and set goals for our core businesses that create maximum value for Swedbank and society as a whole.

Sustainability goals 2017	Results 2017
Raise our score in Dow Jones Sustainability Indices by 3 points, from 77 to 80.	Swedbank improved its score this year in the prestigious Dow Jones Sustainability Indices from 77 to 84 compared with last year.
Reduce direct greenhouse gas emissions by 60 per cent by 2018 using 2010 as a base year.	Swedbank cut its direct greenhouse gas emissions by 59 per cent between 2010 and 2017.
Increase financial awareness and knowledge among children and young adults by lecturing in schools in our home markets.	Swedbank's employees in the Baltic countries, working together with other social partners, arranged over 1 900 finance lectures during the year. Through the Young Economy initiative, Swedbank and the savings banks lectured to around 58 000 upper secondary students in Sweden.
Issue our own green bond and be lead manager of at least 7 green bonds.	During the year Swedbank issued its first green bond and was the lead manager for 12 green bonds valued at SEK 29.6bn.
Offer at least 12 equity-linked bonds (SPAX) with a sustainability profile.	Swedbank launched 28 equity-linked bonds with a sustainability profile and an aggregate value of SEK 540m in 2017.

Stability and predictability create value for our shareholders

Low risk in combination with a continued focus on cost efficiency contributed together with higher lending volumes to a strong profit in 2017. For the sixth consecutive year Swedbank distributed 75 per cent of profit to the shareholders.

Swedbank's strategy – to be an available full-service bank with personalised offers, high cost efficiency and low risk – creates stability and predictability for our shareholders.

In 2017 the return on equity was 15.1 per cent, compared with a target of 15 per cent. Together with the bank's strong capital situation, this helps to reaffirm the proposed dividend of SEK 13.00 per share for the full-year 2017. This marked the sixth consecutive year that Swedbank honoured its dividend policy to distribute 75 per cent of profit. The total return was –4.2 per cent due to a decline in the share price during the year. In total, Swedbank's market capitalisation amounted to SEK 224bn at year-end 2017, compared with SEK 245bn at the end of 2016.

Trading on several markets

Swedbank has one class of share, ordinary shares (A shares), which have been listed on NASDAQ OMX Stockholm's Large Cap list since 1995. The bank also has an American Depositary Receipt (ADR) programme, which enables US investors to invest in Swedbank's share on the US OTC market via depository receipts without having to register with Euroclear, the Swedish central securities depository, or buy SEK. Swedbank's shares are trading on a number of different marketplaces, with Nasdaq OMX Stockholm generating the highest turnover. On average, shares with a value of SEK 538m were traded per day on Nasdaq OMX Stockholm.

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

Ownership and information

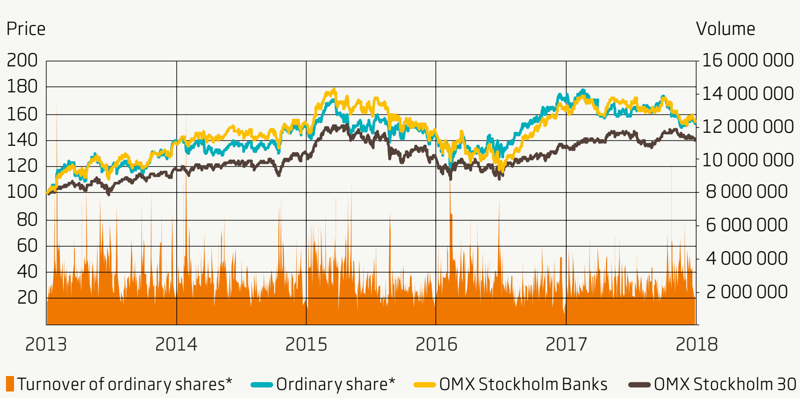
Swedbank had 1 132 005 722 shares in issue at year-end 2017, of which 40.5 per cent was owned by international investors and 59.5 per cent by Swedish investors, whereof 8.6 per cent are individual investors.

Holding of own shares

Swedbank held 18 376 101 of its own shares as of 31 December 2017 to secure the commitments in its performance and share-based remuneration programmes. Remuneration is paid in the form of deferred shares with the aim of building long-term engagement among employees through share ownership. In total, 2 897 801 shares were transferred in 2017, resulting in a dilution effect of about 0.3 per cent based on the number of outstanding shares and votes as of 31 December 2016.

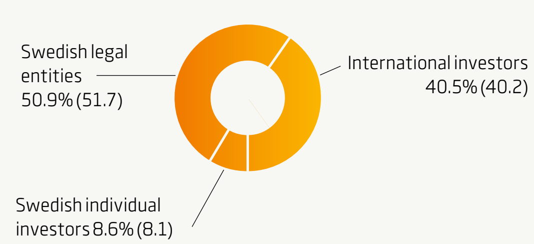
The 2017 AGM resolved to adopt new performance and share-based remuneration programmes for 2017 and to transfer

Swedbank's share performance compared with indices



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

Shareholder categories, %
as of 31 December 2017, figures in brackets refer to 2016



Source: Euroclear Sweden AB

ordinary shares under these and previously approved programmes. The programmes call for the transfer of up to 1.8 million ordinary shares (including the shares transferred in 2016), corresponding to a total dilution effect of about 0.2 per cent based on the number of outstanding shares and votes as 31 December 2016.

To continuously adapt the bank's capital structure to prevailing capital requirements, the Board was authorised by the 2017 AGM to resolve to repurchase up to 10 per cent of the total number of shares (including shares repurchased by the securities operations – see below). The Board was also authorised to issue promissory notes that can be converted to shares. In early 2015 and late 2016 the bank utilised the Board's mandate and issued promissory notes that can be converted to shares in the event that the bank's Tier 1 capital falls below a certain level. The issue was part of the capital requirements set by the Swedish Financial Supervisory Authority.

In its capacity as a securities institution, Swedbank engages in securities operations, including trading in financial instruments on its own account. As such, it needs to acquire its own shares. Accordingly, the 2017 AGM resolved that the bank, until the 2018 AGM, may acquire its own shares on an ongoing basis such that the total holding does not exceed 1 per cent of outstanding shares, and that this is done at the prevailing market price.

Largest shareholders, 31 December 2017, by owner group

Share of capital and votes, %	2017
Sparbanksgruppen	10.3
Folksam	7.0
AMF-insurance and funds	5.5
Alecta Pensionsförsäkring	4.5
Swedbank Robur funds	4.1
Sparbanksstiftelser – not Sparbanksgruppen	3.3
BlackRock	2.5
Vanguard	2.4
Norges Bank	2.0
SEB funds	1.8
10 largest shareholders	43.6
Total number of shareholders	302 522

Source: Modular Finance AB/Euroclear Sweden AB

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

Data per share

SEK	2017	2016	2015	2014	2013
Earnings per share before dilution[1, 2]	17.38	17.60	14.23	14.93	11.76
Earnings per share before dilution, continuing operations[1, 2]			14.24	15.17	13.89
Earnings per share after dilution[1, 2]	17.30	17.50	14.13	14.81	11.66
Earnings per share after dilution, continuing operations[1, 2]			14.14	15.05	13.79
Equity per share	119.8	116.60	114.40	106.35	99.82
Cash dividend per ordinary share	13.00[3]	13.20	10.70	11.35	10.10
P/E	11.4	12.5	13.15	13.09	15.39
Price/equity per share	1.65	1.89	1.64	1.84	1.81

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

Share statistics, A share	2017	2016	2015	2014	2013
High price, SEK	231.40	229.30	223.90	199.80	182.80
Low price, SEK	194.20	150.80	177.20	165.70	127.90
Closing price, 31 Dec., SEK	197.90	220.30	187.10	195.50	181.00
Average number of trades per listed day	6 090	5 413	4 869	4 907	5 060
Average turnover per listed day, SEKm,	538	526	564	531	505
Total market capitalisation, 31 Dec., SEKbn	224	245	207	215	199
ISIN code A share: SE0000242455					

1) Turnover data include turnover on Nasdaq Stockholm.

Sources: NASDAQ OMX, www.nasdaqomxnordic.com

Number of shareholders, 31 December 2017

Size of holding	No. of shareholders	No. of shares	Holding, %
1–500	253 173	32 094 653	2.8
501–1 000	26 952	19 955 047	1.8
1 001–5 000	18 911	36 951 034	3.3
5 001–10 000	1 449	10 450 678	0.9
10 001–15 000	427	5 293 560	0.5
15 001–20 000	249	4 455 297	0.4
20 001–	1 361	1 022 805 453	90.4
Total	302 522	1 132 005 722	100

Source: Euroclear Sweden AB

Financial analysis

The annual 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 annual report can be found on page 171.

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

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

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

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

FX changes raised income by SEK 152m.

Increased lending volumes positively affected income

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

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

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

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

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

Stable credit quality

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

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

Strong liquidity position

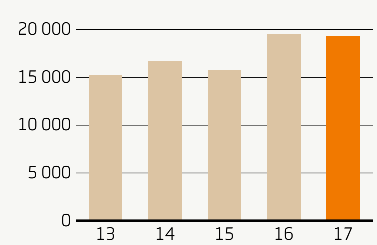
Funding needs were slightly larger during the year due to higher long-term funding maturities in 2017 than in 2016. During the year Swedbank issued SEK 181bn in long-term debt, of which SEK 20bn related to issues in the fourth quarter. Covered bond issues accounted for the majority, with SEK 132bn.

Total issuance volume for 2018 is expected to be lower than in 2017. Maturities for the full-year 2018 amount nominally to

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

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

Profit for the period, SEKm



Swedbank's profit amounted to SEK 19 350m, compared with SEK 19 539m in the previous year. Excluding non-recurring items regarding Visa and Hemnet, profit increased.

SEK 111bn from the beginning of the year. Issuance plans are based on future long-term funding maturities and are mainly affected by changes in deposit volumes and lending growth, and are therefore adjusted over the course of the year.

Outstanding short-term funding, commercial paper and Certificates of Deposit included in debt securities in issue amounted to SEK 150bn as of 31 December (SEK 102bn as of 31 December). At the same time, cash and balance with central banks and Swedish National debt Office amounted to SEK 208bn (126). The liquidity reserve amounted to SEK 349bn (326) as of 31 December.

The Group's liquidity coverage ratio (LCR) was 173 per cent (156), and for USD and EUR was 362 and 374 per cent respectively. The net stable funding ratio (NSFR) was 110 per cent (108).

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

Strong capitalisation

Swedbank's Common Equity Tier 1 capital ratio was 24.6 per cent on 31 December (25.0 per cent on 31 December 2016). Common Equity Tier 1 capital increased SEK 1.8bn during the year to SEK 100.5bn. Profit, after deducting the proposed dividend, positively affected Common Equity Tier 1 capital by SEK 4.7bn. The revaluation of the estimated pension liability according to IAS 19 reduced Tier 1 capital by approximately SEK 1.6bn. Swedbank's leverage ratio on 31 December 2017 was 5.25 per cent (5.4 per cent on 31 December 2016).

In 2017 the risk exposure amount (REA) increased by SEK 14.3bn to SEK 408.4bn (SEK 394.1bn on 31 December 2016). In the beginning of 2017, it was noted that the model for exposures to large corporates underestimated the default frequency for oil related exposures and leases. To account for this, Swedbank has chosen to increase REA by SEK 27.6bn in accordance with article 3 CRR, pending approval of the updated model by the Swedish Financial Supervisory Authority.

REA for operational risks increased by SEK 1.3bn, mainly due to the acquisition of PayEx. The increase was mitigated by lower REA for credit risks, market risk and credit valuation adjustments (CVA).

REA for credit risks decreased by SEK 12.4bn. Lower exposures, mainly explained by Swedbank receiving a cash distribution from Visa Sweden, decreased REA with SEK 2.2bn. Increased collateral values had a positive effect on Loss Given Default (LGD), reducing REA for credit risks by SEK 3.4bn. Decreased probability of default (PD) decreased REA by SEK 1.0bn. REA for Other credit risks decreased by a total of SEK 5.8bn, mainly related to lower REA for defaulted exposures.

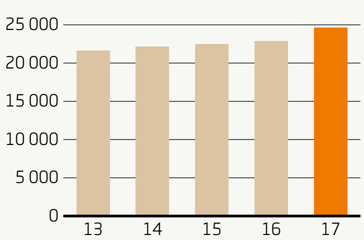
REA for CVA decreased by SEK 1.5bn due to lower exposures. REA for market risks decreased by SEK 0.7bn.

Swedbank's total Common Equity Tier 1 capital requirement was unchanged in 2017 and amounted to 21.9 per cent at year-end. The total requirement takes into account Swedbank's Common Equity Tier 1 capital requirement for individual Pillar 2 risks of 1.8 per cent as well as all announced increases in the countercyclical buffer values, including the increase in the Swedish countercyclical buffer value to 2.0 per cent in March 2017.

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

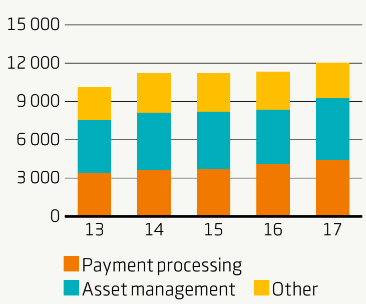
The Resolution Act enables the Swedish National Debt Office (SNDO) to write down a bank's liabilities in a crisis in order to absorb losses or convert the debt to equity. On 20 December 2017 the SNDO published MREL requirements for 2018 for the ten banks in Sweden that are considered systemically critical.

Net interest income, SEKm



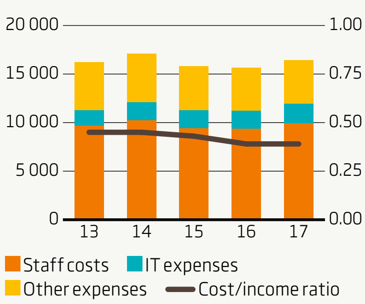
Net interest income increased 8 per cent, to SEK 24 595m, mainly due to increased lending volumes.

Net commission income, SEKm



Net commission income rose 6 per cent, mainly due to increased asset management income resulting from a bouyant equity market.

Expenses, SEKm



Total expenses rose 5 per cent due to among other things a restructuring reserve of SEK 300m allocated in the fourth quarter.

The SNDO's view at the time was that Swedbank meets the MREL requirement by a wide margin. Expressed as a percentage of risk-weighted assets, Swedbank has an MREL requirement of 34.8 per cent. As a percentage of total liabilities and the capital base, the requirement amounts to 7.3 per cent. As of 2022, banks' eligible liabilities must be subordinated to the liabilities that are exempt from write-down or conversion. To make it easier for Swedish banks to issue debt instruments that meet this requirement, Sweden has to amend its Right of Priority Act in 2018. In December the Basel Committee presented a proposal to finalise Basel III, the aim of which is to harmonise capital requirements for banks and strengthen the global financial system. It includes a package of reforms for various types of risks, including changes in the standardised approach for credit risk. The package also introduces an REA floor at the aggregate level amounting to 72.5 per cent of REA calculated according to the standardised approach. Until the new rules are fully implemented, it remains uncertain exactly how Swedbank will be affected. With its robust profitability and strong capitalisation, however, Swedbank is well positioned to meet future changes in capital requirements.

Other events

On 9 January Swedbank announced that the sale of Fastighetsbyrån's holding in Hemnet had been completed. For the owner of Fastighetsbyrån, Swedbank, the sale resulted in a tax-free capital gain of SEK 680m. The capital gain was recognised in the first quarter in other income.

On 2 February Aet Altroff was appointed Head of Customer Value Management (CVM) and a new member of the Group Executive Committee. CVM is a new Group function that will drive customer loyalty with proactive, relevant and personalised offers distributed to the right channel at the right time based on customer insights.

On 22 February Swedbank's Board of Directors announced that it had decided not to file a claim for damages against the bank's former CEO or former Chair, both of whom were denied discharge from liability for the financial year 2015 at the 2016 Annual General Meeting. Based on information known at the time of the decision, the Board found no grounds for the bank to bring legal action for damages against either of them.

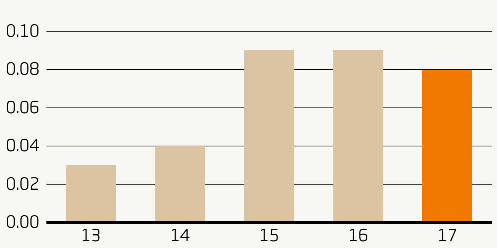
Resolutions of the Annual General Meeting on 30 March

Swedbank's Annual General Meeting re-elected Lars Idermark, Ulrika Francke, Bodil Eriksson, Peter Norman and Siv Svensson as Board members. The number of Board members was increased from eight to nine and Mats Granryd, Bo Johansson, Annika Poutiainen and Magnus Uggla were elected as new members. Lars Idermark was elected by the Annual General Meeting as Chair of the Board of Directors. The Annual General Meeting granted discharge from liability to all members of the Board of Directors for their service in 2016 or portions thereof, including the Chair and the CEO. The former Chair and former CEO were also granted discharge from liability for the periods in 2016 that they were in service.

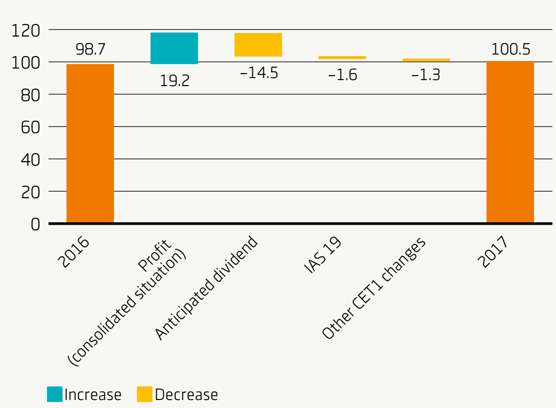
It was resolved that the dividend distributed to the shareholders for the 2016 financial year would be SEK 13.20 per share. The record day was 3 April 2017. The Board of Directors' authorisation to decide to acquire the bank's own shares was renewed. The total holding of its own shares (including shares acquired for the bank's trading book) may not exceed ten per cent of the total number of shares in the bank. The Board of Directors was granted a mandate to issue convertibles that can be converted to shares. Not more than 110 million new ordinary shares can be issued by conversion, or a corresponding number due to a bonus issue, share issue, conversion of convertibles, split or reverse share split, or similar corporate actions. Lastly, the Annual General Meeting approved a common and an individual performance and share based remuneration programme for 2017. It also resolved to transfer shares as a result of these programmes as well as those adopted by previous general meetings.

On 4 April Swedbank announced that it had entered into a partnership with and invested in the fintech company Mina Tjänster ("My Services"). Mina Tjänster's personal finances app makes it easier for people to manage their subscriptions to the

Credit impairment ratio, %



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



services they use in their everyday lives. The partnership will give Swedbank's customers access to the tool.

On 5 May Swedbank announced that it had signed an agreement to acquire the payment service provider PayEx. The acquisition complements Swedbank's e-commerce payment solutions and creates good opportunities to continue to develop comprehensive payment solutions for retailers and their customers.

On 16 May the SFSA announced its decision to close the ongoing supervision case against Swedbank involving conflicts of interest without taking any measures. Initiated in December 2015, the case was a result of private investments made by a few members of the former Group Executive Committee. Since December 2015 Swedbank has taken measures to improve the internal procedures on conflicts of interest.

On 19 June Swedbank announced that it had entered into a strategic partnership with Europe's leading independent equity broker, Kepler Cheuvreux. The partnership combines Swedbank's advisory skills and Equity Capital Markets ("ECM") relationships with Kepler Cheuvreux's research expertise and distribution reach. Through the partnership, the bank's customers gain access to one of the market's largest high-quality research footprints in the Nordics, covering over 900 European stocks, including 300 Nordic. Swedbank is investing in a 6 per cent equity stake in Kepler Cheuvreux and will have one seat on the board of directors.

On 26 June Carina Strand was appointed Head of Group HR and a member of the Group Executive Committee. She took on her new role at Swedbank on 1 October and was most recently Head of HR at IBM Sweden.

On 30 June Charlotte Elsnitz was appointed Head of the business area Baltic Banking and joined the Group Executive Committee. She was previously CFO for Baltic Banking.

On 16 August it was announced that Swedbank's acquisition of the payment service provider PayEx had been approved after the customary review by competition authorities in Sweden and Norway as well as the SFSA.

On 6 September it was announced that Swedbank's Annual General Meeting will be held on Thursday, 22 March 2018 in Stockholm. The Nomination Committee consists of the following members:

- Lennart Haglund, appointed by the owner-group Föreningen Sparbanksintressenter, Chair of the Nomination Committee
- Jens Henriksson, appointed by the owner-group Folksam
- Ramsay Brufer, appointed by Alecta
- Johan Sidenmark, appointed by AMF
- Peter Karlström, appointed by the owner-group Sparbanksstiftelserna
- Lars Idermark, Chair of the Board of Directors of Swedbank AB

On 29 September Ragnar Gustavii was appointed as the new Head of the CEO Office at Swedbank and a member of Swedbank's Group Executive Committee. The previous head of the CEO Office, Mikael Björknert, has been appointed head of the new unit Group Strategy.

On 25 October the Board of Directors of Swedbank AB decided to cease guaranteeing future debt instruments issued by Swedbank Mortgage AB since this is no longer necessary from a rating perspective. The decision has no effect on the rating of Swedbank Mortgage AB (rated Aa3/AA-) or its issued debt instruments. The mortgage company is operationally fully integrated with the bank, partly through an agreement that gives the mortgage company access to the liquidity it needs to fulfil its payments obligations and regulatory liquidity requirements. The decision only affects debt instruments issued after 8 November 2017. According to the guarantee conditions, the guarantee will remain in effect with respect to debt instruments already in issue until they have been repaid.

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

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

Events after 31 December 2017

On 15 February 2018, following an inspection of Swedbank in Lithuania, the Bank of Lithuania issued a warning to Swedbank and obliged Swedbank to remedy identified deficiencies in internal control systems for money laundering prevention, processes and documentation. Swedbank takes the findings by Bank of Lithuania very seriously and has already initiated actions to implement a series of measures aiming to improve its internal control systems, to ensure relevant customer due diligence data and to enhance processes and routines. And thereby, the deficiencies pointed out by Bank of Lithuania, has partly already been corrected. A warning is the lowest level of sanction that the Bank of Lithuania can issue.

Sustainability report

Swedbank's sustainability reporting is in accordance with the requirements of the Annual Accounts Act (chapter 6, paragraph 12) on sustainability reporting. The scope is defined on pages 174 and 196.

Products and services that simplify the customer experience

Swedish Banking maintained a strong focus on its customers' needs in 2017. We have improved our offering to make it easier to manage every-day finances and entered into new partnerships in the digital area.

We offer customers a convenient way to manage their finances through the Internet Bank and our apps for private customers, but also through personal contact by phone and our branches as well as partners such as the savings banks and franchisees. With our retail network, we want to be an active part of the local community, where we are also engaged in issues that have a positive impact, such as Young Jobs and Junior Achievement.

New partnerships and acquisitions improve and simplify

Swedbank is always looking to partner with others to create digital innovations that help customers on a daily basis. In 2017 a cooperation was established with the app "My Services", which customers can use to easily manage their subscriptions. Starting last fall, My Services is available in Swedbank's and the savings banks' app for private customers under the name "Subscription help". Another cooperation is with Samsung Pay, which customers can use to pay by phone. To improve our services for retail customers, Swedbank acquired the payment service provider PayEx during the year. This acquisition and the partnership with Samsung Pay are in line with our strategy to develop card and mobile payment solutions to meet customer needs.

> **"Swedbank is always looking to partner with others to create digital innovations that help our customers on a daily basis."**

Both private and corporate customers want to be able to do their banking whenever and wherever they like. This is why we are improving our digital services and telephone service. During the year we launched a new Internet and app for private customers and added services for corporate customers and round-the-clock digital support by phone. In this way we free up time to advise customers on more complex issues, and to guide them in our self-service channels.

A bank for entrepreneurs and businesses

New and growing businesses are essential to create new jobs. We therefore support innovation to encourage more people to start their own companies. One way is a contest called Swedbank-Rivstart ("Flying Start"), which was held in September. To inspire entrepreneurs, we invited them to submit ideas with business potential as well as the potential to create positive change. The contest generated a huge response with over 4 000 entries, and ten winners were selected with ideas that are also designed to benefit society in areas such as the environment, diversity, infrastructure and health. The winners each received SEK 250 000 in seed capital and personalised support to realise their ideas. During the year we also implemented a corporate strategy to better meet the needs of businesses.

Sustainability builds long-term financial value

Sustainability is well integrated in our business. By helping people and companies make sustainable choices, we hope to contribute to society's long-term development. This includes our efforts to promote savings, which is an important part of our heritage and drew attention during the year. We won Guldkanten, the National Government Employee Pensions Board (SPV) award for Sweden's best pension information, for the campaign "First Pension Aid". Swedbank was also named the most sustainable bank in the Nordic region's largest sustainability study, Sustainable Brand Index B2B.

Share of group profit before impairments

62%

Including gender and diversity issues in our day-to-day work comes naturally for us, and for that Swedbank was awarded Anna's Gender Equality Prize by the Financial Sector Union of Sweden, among others.

Swedbank is engaged in society in many ways. One is with the organisation Friends, which we have now partnered with for fifteen years. We also want our customers to better understand their personal finances, and together with the savings banks have a project called Young Economy to reach students. In 2017 Young Economy ambassadors met almost 60 000 young people to teach them about managing money.

More satisfied corporate customers

In the Swedish Quality Index (SKI) survey, where around 600 of Swedbank's private and corporate customers participated, we lost ground slightly compared to the previous year. The result was in line with the entire banking sector, however. Our interpretation is that the survey reflects the finance industry's rapid change. It shows that bigger firms are having a harder time satisfying customers than smaller ones, especially among customers who have neither a mortgage nor savings. We continue to work toward our goal of higher customer satisfaction. To obtain detailed support

Swedish Banking in brief

Swedish Banking is Swedbank's largest business area, accounting for just over half of the Group's overall profit. With around 4 million private customers, we are Sweden's largest private bank. Together with Large Corporates & Institutions, we have over 300 000 corporate and organisational customers. By number of customers, this makes Swedbank Sweden's largest commercial bank.

Financial overview

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

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

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

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

Total expenses increased. Staff costs were in line with the previous year. The number of employees declined but was offset by higher payroll expenses. The consolidation of PayEx increased expenses together with increased allocated expenses from other business areas and Group functions.

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

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

Condensed income statement, SEKm	**2017**	**2016**
Net interest income	15 103	13 969
Net commission income	7 448	6 932
Net gains and losses on financial items at fair value	398	306
Other income	2 180	1 398
Total income	**25 129**	**22 605**
Staff costs	3 239	3 242
Other expenses	5 689	5 620
Total expenses	**8 928**	**8 862**
Profit before impairments	16 201	13 743
Impairments	493	–51
Operating profit	**15 708**	**13 794**
Tax expense and non-controlling interests	**3 174**	**2 972**
Profit for the year attributable to: Shareholders in Swedbank AB	12 534	10 822
Business volumes, SEKbn		
Lending[1]	1 150	1 135
Deposits[1]	525	496
Key ratios		
Return on allocated equity, %	22.4	20.5
Cost/income ratio	0.36	0.39
Credit impairment ratio[2], %	0.04	0.00
Full-time employees	3 980	4 090

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

for improvements, we conducted a broad-based customer survey last autumn in which around 5 000 private and corporate customers were interviewed. It showed that satisfaction had risen among corporate customers. Among private customers, the result was unchanged. In the periodic internal surveys we conduct on among other things customer service in our branches and by phone, we generally receive very high marks. As a step to increase satisfaction and build better relationships, we have launched a CRM system. Customers can now receive individualised offers directly in the Internet Bank. We have also started a pilot project at a number of branches where advisors now can quickly get an overview of the customer's needs and wants and adapt their advice accordingly.

Strong development continues in the Baltic countries

Swedbank in the Baltics continues to see robust development. A number of services were introduced during the year to make banking easier for our customers.

Strong business activity

In 2017 economic growth was strong in all three Baltic countries. Business confidence and consumer spending rose. This contributed to increased customer activity in all areas, from lending and everyday banking to insurance. The Baltic banking sector continues to change and develop. The biggest change recently has been the merger of the Baltic operations of two of our competitors. We see this as positive, since it shows confidence in the Baltic banking market. Increased competition will also mean better solutions for customers. Swedbank's strategy remains to be an available full-service bank, and our goal is to have a strong position in every key banking product and service area in all three markets.

Expanded digital functions and services

To support customers' changing preferences and improve their experience, we developed several new digital solutions during the year. In early 2017 we launched Smart ID, a digital mobile app used for identification and authorisation. This enables our customers to use the Internet and Mobile Bank securely and conveniently, make payments and sign documents digitally. The number of Smart ID users grew during the year to 386 000 in December 2017. We also added push notifications in the Mobile Bank for bills and loan payments, and customers can quickly and easily apply for a loan through the mobile app. To offer our customers the relevant products and services based on their needs, we continue to work with customer data in a structured way. By analysing variables such as customer life, their financial habits and how they use our products, we can be more proactive when in contact with them. As a result, around half of the sales are through digital channels today.

> "To offer our customers relevant products and services, we continue to work with customer data in a structured way."

Corporate customers can benefit from the Swedbank Gateway service, which makes it easy to digitally link a company's accounting system and bank account. Starting from 2017 smaller companies can also use the Swedbank Gateway functions through a third party operator. We have also launched a digital accounting tool that is available through the Internet Bank in collaboration with a third-party provider, to simplify accounting for small businesses. Corporate card holders are able to manage cards limits through their mobile app. Leasing providers can benefit from new vendor management tool, which makes the lease process quicker and more convenient.

Working to improve customer satisfaction

Share of group profit before impairments

18%

Swedbank is also helping customers to better understand digital developments, therefore we are teaching them to use the Mobile Bank. All branches are equipped with smartphones, which has contributed to an increase in the number of customers who actively use the Mobile Bank. In 2017 the number of active Mobile Bank users nearly doubled to 789 000.

Our goal is to provide our customers with the highest service regardless of where they are. In 2017 we therefore focused on improving the way we serve our mortgage customers. The majority of our customers have chosen to receive mortgage advice by phone. We have also improved the advisory process for more affluent customers to enable them to contact us remotely.

As in previous years Swedbank has a strong reputation in the Baltic countries and remains one of the most popular brands among customers. According to an independent study by Kantar Emor in May 2017, Swedbank is one of the ten most popular brands in all three Baltic countries. In Latvia Swedbank was the most popular brand for the third year in a row. In Estonia Swedbank is the third most popular brand in the country, while we ranked eighth in Lithuania.

Changes in tax laws

Estonia's government has changed its tax laws on corporate profits and dividends. The new rules, which will be phased in between 2018 and 2020, mean among other things that the tax on stable dividends will gradually decline from 20 to 14 per cent. Banks will also have to pay a tax on their current year's profit of 14 per cent,

Baltic Banking in brief

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

Financial overview

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

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

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

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

Total expenses rose 3 per cent in local currency mainly due to higher staff costs and marketing expenses.

Condensed income statement, SEKm	**2017**	**2016**
Net interest income	4 221	3 994
Net commission income	2 364	2 074
Net gains and losses on financial items at fair value	220	220
Other income	621	520
Total income	**7 426**	**6 808**
Staff costs	908	892
Other expenses	1 768	1 659
Total expenses	**2 676**	**2 551**
Profit before impairments	4 750	4 257
Impairments	–76	–14
Operating profit	**4 826**	**4 271**
Tax expense and non-controlling interests	827	586
Profit for the year attributable to: Shareholders in Swedbank AB	**3 999**	**3 685**
Business volumes, SEKbn		
Lending[1]	149	140
Deposits[1]	185	170
Key ratios		
Return on allocated equity, %	19.2	18.0
Cost/income ratio	0.36	0.37
Credit impairment ratio[2], %	–0.07	–0.03
Full-time employees	3 476	3 642

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

Expenses for premises and rents as well as depreciation decreased. Net recoveries amounted to SEK 97m, compared with net recoveries of SEK 35m in 2016.

which can then be offset against the tax on dividends. Since the Estonian subsidiary is very well capitalised, Swedbank has decided to raise the dividend policy from 60 to 100 per cent. The change affects profits as of January 2017. In Latvia a new tax reform will be implemented in 2018, with one of the objectives being to increase transparency in the economy. The principal changes are that the tax on corporate profits that are reinvested in the business will be 0 per cent, while the tax on dividends rises from 15 to 20 per cent. The progressive income tax for individuals has also changed in favour of low income earners..

Advice adapted to clients' needs

Large Corporates & Institutions (LC&I) continued to refine its business model during the year. New regulations, digitisation and changing client needs are affecting our business, as is an uncertain macro climate.

To meet changing client needs and increase customer satisfaction, Large Corporates & Institutions has continued to adapt its operations.

In IT we are using Agile processes to work more proactively and effeciently with product and service development. We have also continued to develop digital platforms for FX trading and cash management.

In June Swedbank entered into a strategic partnership with Kepler Cheuvreux, one of Europe's leading independent equity brokers, to develop the bank's offering for Equity Capital Markets (ECM). We can thereby offer our institutional clients the Nordic region's broadest analysis coverage, a MiFID-compliant execution platform and global distribution for ECM transactions. As part of the partnership, part of Swedbank's analysis team transferred to Kepler Cheuvreux's organisation in Stockholm and Oslo.

A new service model has been developed for corporate clients to further strengthen the bank's position as a leading supplier to medium-sized and large companies. The goal is to adapt the offering to the specific lifetime needs of the largest client groups. We have also established a new client organisation, Client Coverage, headed by Lars Ljungälv, to meet the needs of corporate, organisational and institutional clients in a single unit.

To stay close to clients and be more available, most of Large Corporates & Institutions' employees moved in the spring from Sundbyberg to central Stockholm.

"A new corporate strategy has been developed together with Swedish Banking to further strengthen the bank's position as a leading supplier to medium-sized and large companies."

New regulations and an uncertain macro climate

Large Corporates & Institutions is affected by many new and amended regulations and standards such as GDPR and IFRS 9. One of the most important for our business is the financial instruments directive MiFID II, which will improve investor protection and set requirements that affect many parts of our business. Several major projects are underway to adapt the bank's IT development, product sales, distribution, information management and data aggregation to the regulations.

The macroeconomic climate was distinguished during the year by both opportunities and challenges. The oil and offshore markets still face pressure. The willingness of oil and gas producers to invest has decreased greatly as they have adapted to a lower revenue environment. Investment levels are expected to stay low in 2018, with a cautious increase late in the year.

We are strengthening our positions

Several strategic recruitments were made in Norway during the year. Specialists have been added in the large corporates organisation, Corporate Finance, Debt Capital Markets (DCM) and credit analysis.

Share of group profit before impairments

17%

There were several very popular client events during the year. Swedbank celebrated its tenth anniversary in Shanghai together with local clients and those based in the Nordic or Baltic regions.

Our annual Swedbank Energy Summit in Oslo, with many national and international speakers, attracted a record audience of 900, proof of our strong position in the energy market. In addition, Swedbank Summit was held in Berlin, where Nordic and Baltic executives gathered to be inspired by and share knowledge on geopolitical changes, sustainability and the future of the EU.

Swedbank was an advisor in several major deals during the year, including with Intrum Justitia, where the bank served as Mandatory Lead Arranger (MLA); Karo Pharma's acquisition of the Norwegian healthcare company Weifa ASA, which the bank helped to finance; and the refinancing of Health & Fitness Nordic.

The bank also made major gains in Prospera's surveys during the year. Swedbank won Prospera's Corporate Banking Real Estate Sweden Award in 2017 and ranked first in Commercial Paper Sweden.

Moreover, Swedbank won a tender from the National Debt Office for a payment solution for all 235 Swedish authorities and state enterprises. In tight competition Swedbank became the leading supplier in the Swedish payment market, with a market share of about 90 per cent of all transactions.

Since early September we offer FX trading round-the-clock, so customers can secure currencies whenever they like. Corporate and institutional customers can now access our service any time of day through e-channels to track and execute orders.

Large Corporates & Institutions in brief

Large Corporates & Institutions (LC&I) is responsible for Swedbank's products and services for the largest companies and financial institutions. We offer everything from traditional bank lending and funding advice to liquidity management, trading in financial instruments and analysis. We are also responsible for developing corporate and capital market products for Swedish and Baltic Banking and the savings banks. The majority of LC&I's 1 173 employees are in Sweden, but we are also represented in the Baltic countries, Norway, Finland, Luxembourg, China, the US and South Africa.

Condensed income statement, SEKm	2017	2016
Net interest income	3 546	3 334
Net commission income	2 348	2 336
Net gains and losses on financial items at fair value	1 853	2 068
Other income	123	77
Total income	**7 870**	**7 815**
Staff costs	1 530	1 696
Other expenses	1 986	1 830
Total expenses	**3 516**	**3 526**
Profit before impairments	4 354	4 289
Impairments	969	1 525
Operating profit	**3 385**	**2 764**
Tax expense and non-controlling interests	727	449
Profit for the year attributable to: Shareholders in Swedbank AB	**2 658**	**2 315**
Business volumes, SEKbn		
Lending[1]	203	178
Deposits[1]	128	116
Key ratios		
Return on allocated equity, %	12.0	11.9
Cost/income ratio	0.45	0.45
Credit impairment ratio[2], %	0.40	0.59
Full-time employees	1 173	1 218

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

Financial overview

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

Net interest income increased 6 per cent to SEK 3 546m (3 334). Net interest income from lending rose due to increased volumes attributable to the transfer of a number of corporate customers from Swedish Banking to Large Corporates & Institutions as well as improved margins. Excluding the internally transferred customers, lending decreased partly because customers chose to obtain financing to a greater extent through the bond market.

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

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

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

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

Continued focus on sustainability

Sustainable growth is a high priority for Swedbank. In October Swedbank issued its first green bond, with Swedbank Debt Capital Markets as advisor for green structuring. We also improved our positions in EUR bonds through issues for Swedish and Norwegian companies. In January Swedbank joined the Climate Bonds Partners Program to capitalise on opportunities to promote, support and finance sustainable development. Demand for CO^2 analysis of customer portfolios increased during the year, and through the strategic partnership with Kepler Cheuvreux we more strongly focused on environmental, social and governance (ESG) analysis.

Central functions support the business operations

Swedbank's Group functions support the CEO and the Group's business operations. In 2017 a new function, Customer Value Management (CVM), was formed to strengthen customer loyalty.

New unit to strengthen customer loyalty

A new Group function, Customer Value Management (CVM), was created in March 2017 to develop and increase the bank's data-driven sales and service functions. CVM is responsible for coordinating customer strategies, developing customer offers and principles, generating data-driven customer intelligence, and developing and managing customer offers and campaigns. In 2017 the focus was on developing new tools and processes to aggregate and analyse large amounts of data and obtain intelligence used for proactive customer offers and communication in our channels.

Digitisation of everyday services

Digital Banking is a Group function responsible for developing and managing the digital channels as well as the tools used to interact with customers. In 2017 a new Mobile and Internet Bank was introduced in Sweden, along with an external homepage for the Open Banking collaboration and a third-party partnership with the fintech firm Mina Tjänster ("My Services"). We also developed fully digital consumer loans and enabled new customers to sign up online. The launch of Smart ID in the Baltic countries has significantly increased the use of mobile services. At the same time a unit with responsibility for the bank's channels was started together with the business areas to optimise the launch and implementation of digital tools.

Focused work in the product areas

Group Savings and Group Lending & Payments were formed in 2016 to address the major changes in each area. The product areas focus on supporting the business and digitising the product range. Group Savings is responsible for the bank's savings products in our four home markets. This includes all products except equities and structured products, where Group Savings instead works closely with Large Corporates & Institutions. Group Payments & Lending is responsible for the bank's loan and payment offers. The product area works closely with the business areas, the IT organisation and Digital Banking.

Group Treasury — a bank within the bank

The majority of the income generated within Group Functions & Other is from Group Treasury. Among its responsibilities is ensuring that the bank always has sufficient liquidity, capital market funding and capital planning. The unit also manages market and liquidity risks that arise in the business areas. This is done by having Group Treasury pay the business areas an internal rate of interest for the liquidity they provide the bank (deposits) and charge them for the liquidity they utilise (mainly lending). The internal rate of interest on an individual transaction depends on factors such as maturity, currency, fixed interest period and external market interest rates. Group Treasury essentially serves as a form of internal bank. Although Group Treasury does not earn or lose money over time on the fund transfer pricing system, net interest income will fluctuate as a natural part of operations. Group Treasury also has a mandate to take interest rate risks, which makes it possible to generate a positive result. The unit's income is affected as well when market movements change the value of the bank's liquidity portfolio, consisting of interest-bearing assets, and any covered bond repurchases.

Share of group profit before impairments

3%

Group functions support the business operations

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

- Group Compliance, with responsibility for ensuring that the bank complies with external and internal regulations.
- Group IT, which sets long-term IT priorities and adapts them to the bank's business strategies. Group IT also provides a number of IT services to the bank, including development and maintenance.
- Group Risk ensures that risks are managed effectively and in accordance with Group-wide routines.
- CEO Office coordinates units with responsibility for strategy, HR, legal, communication, sustainability (Swedbank's sustainability report is presented on pages 173–194) and branding.
- CFO Office coordinates units with responsibility for financial control and reporting (including Group Treasury) and procurement. Complementing the Group functions is Internal Audit, which reports to the Board of Directors and reviews and evaluates the organisation's risk management, governance and control systems (For more information, see page 45.)

Group functions & Other in brief

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

Financial overview

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

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

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

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

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

Condensed income statement, SEKm	**2017**	**2016**
Net interest income	1 734	1 554
Net commission income	–187	–41
Net gains and losses on financial items at fair value	–537	–363
Other income	1 234	2 573
Total income	**2 244**	**3 723**
Staff costs	4 268	3 546
Other expenses	–2 742	–2 728
Total expenses	**1 526**	**818**
Profit before impairments	718	2 905
Impairments	95	–27
Operating profit	**623**	**2 932**
Tax expense and non-controlling interests	464	215
Profit for the year attributable to: Shareholders in Swedbank AB	**159**	**2 717**
Full-time employees	5 959	5 111

Low risk in a rapidly changing world

Swedbank has a sound and structured risk management process that is well integrated in every part of our operations. Careful and consistent monitoring of risk is an integral cornerstone in Swedbank's work to create long-term value for all our stakeholders.

Risks arise naturally in all financial businesses. Managing and pricing risks correctly is therefore an essential part of Swedbank's daily work to create value. Risk, in this context, refers to a potentially negative impact on the bank's value that can arise due to internal processes or future internal or external events. Risk management takes place at several levels in the bank, including through the independent risk organisation.

A diversified credit portfolio

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

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

To maintain a well-diversified credit portfolio with a low risk profile and a good balance between risk and return, Swedbank works continuously to understand customers and their market prerequisites. As a responsible financial partner, it is in Swedbank's interest that customers don't take unnecessary risks. This is ensured by considering each customer's financial situation, ability to repay and resilience in both the short and long term.

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

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

Credit risk remains low

Swedbank's credit impairments and impaired loans remain at low levels. The strong economic growth in Swedbank's home markets has contributed to generally low risk in the credit portfolio. The low risks in the portfolio are confirmed by internal and external stress tests.

The majority of Swedbank's lending consists of mortgages to private customers in Sweden. During the autumn, after years of a longer rise, prices started to decline in the Swedish housing market.

To ensure the quality of its credit portfoliocustomers' long-term ability to pay back their loans, Swedbank always makes an analysis of the customer's repayment ability, also at a significantly higher interest rate level. When lending to tenant-owner rights, the analysis also includes an increased fee to the tenant-owner association. Furthermore, Swedbank has amortisation requirements and limits on debt-to-income levels. Swedbank continuously reassesses its lending criteria for homebuyers. The credit impairments recognised during the year are mainly attributable to oil-related commitments, which account for nearly 1.5 per cent of total lending.

Investments in the oil-related sector remained at a low level. The close dialogue with oil-related customers continued according to plan as they restructure and reconstruct. In cases where reconstructions are not considered sustainable, the bank has allocated provisions for anticipated losses as a precaution.

Stable market and counterparty risks

Despite growing macroeconomic uncertainty at times, Swedbank's market risks remained at low and stable levels.

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

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

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

Greater focus on operational risk in a digital world

Swedbank is exposed to operational risks in all its businesses.

An increased number of regulations and digitisation are making it more complex to work with these operational risks, not least because of the growing number of places and ways in which the bank interacts with its customers. The aim is to minimise operational risks to the extent possible.

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

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

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

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

Strong position in the capital market

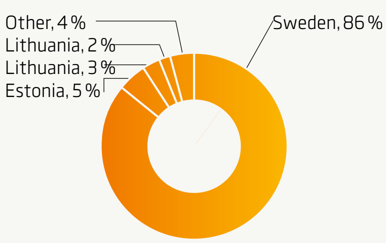
Since a significant share of Swedbank's lending has a maturity of several years, while the majority of deposits can be paid out directly to customers upon request, a liquidity risk arises.

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

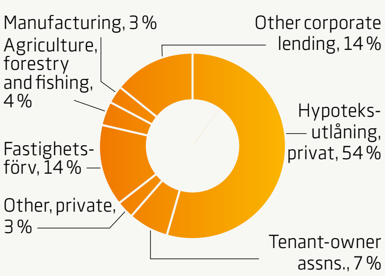
Swedbank also has a liquidity reserve of SEK 349bn, comprised of interest-bearing securities and balances with central banks, to manage liquidity risks. Group Treasury is responsible within Swedbank for managing the Group's liquidity risks. To monitor these risks, it uses a so-called survival horizon, which shows how long the bank can manage a period of stress without access to funding. As of 31 December 2017 Swedbank would be able to survive for more than 12 months with the capital markets completely shut down.

Liquidity Coverage Ratio (LCR) and net stable funding ratio (NSFR) are monitored as well. LCR ensures that Swedbank has a liquidity reserve to meet its liquidity needs in stressed situations in the next 30 days. As of 1 January 2013 Sweden mandates a minimum level of 100 per cent in total and for USD and EUR indi-

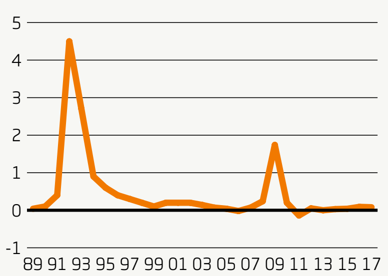
Loans per country



Lending per sector



Credit impairment ratio, %



vidually. As of 31 December 2017 the Group's LCR was 173 per cent, and for USD and EUR was 362 per cent and 374 per cent, respectively.

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

Swedbank had, according to the latest proposal of the Basel Committee, an NSFR of 110 per cent on 31 December 2017.

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

Capital buffer creates stability

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

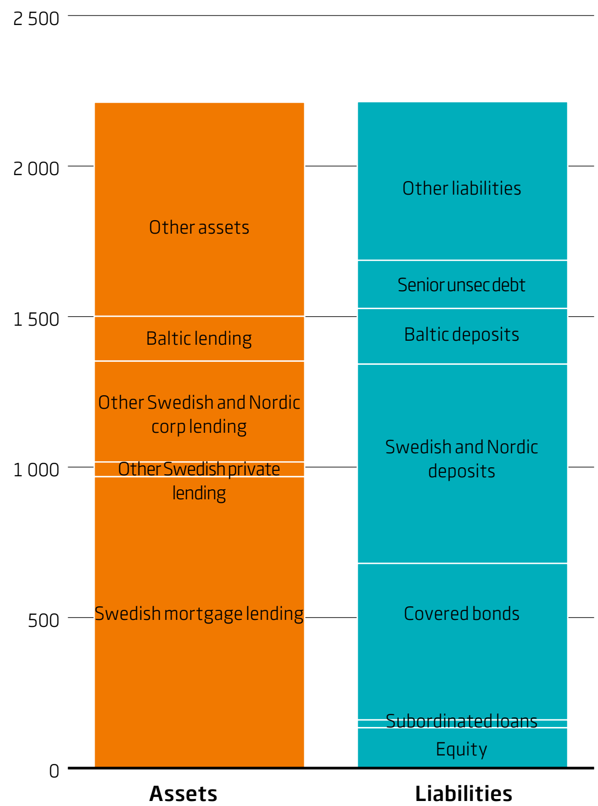
To cover lending-related risks, but also other risks such as market risks and operational risk, rules require banks to maintain a certain amount of capital in relation to their risk exposure amount (REA).

The capital largely consists of Common Equity Tier 1 capital i.e. shareholders' equity adjusted for items such as goodwill and anticipated dividends. REA is the sum of the value of the bank's assets based on their anticipated level of risk. In the risk adjustment, the value of each asset is multiplied by various risk weights, which vary depending on the type of customer, historical credit impairments and collateral received.

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

The capital requirement for Swedish banks is determined by both EU regulations and the SFSA's assessment of whether Swedbank's capital is sufficient, which entails an annual Supervisory Review and Evaluation Process (SREP). This process relies in part on a self-assessment of Swedbank's capital needs, taking into account the bank's current and future risk profile, internal risk measures and an evaluation of future capital needs. Swedbank's Common Equity Tier 1 capital requirement including all announced increases in the countercyclical buffer was 21.9 per cent at year-end 2017, compared with the reported Common Equity Tier 1 capital ratio of 24.6 per cent. For more information on risks, please refer to note G3 on page 74.

Swedbank – simplified balance sheet, SEKbn



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

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

Swedbank's risk profile

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

Description	Risk profile	Risk management
Credit risk The risk that a borrower will fail to meet their contractual obligations to Swedbank and the risk that pledged collateral will not cover the claim. Credit risk also includes counterparty risk, concentration risk and settlement risk.	Swedbank has a well-diversified and balanced credit portfolio with a low risk profile. Lending to the public consists largely of mortgages and loans to small and medium-sized companies with a low risk level. The majority of lending is to customers in our four home markets, of which about 86 per cent in Sweden and about 10 per cent in the Baltic countries.	Responsible lending is critical to a well-functioning bank. This means taking into consideration each customer's long-term finances, ability to repay and resilience. Swedbank works proactively with customers who are facing financial difficulties. Corporate customers undergo a special assessment of sustainability risks, including risks related to corruption and the environment.
Market risk The risk that the value of Swedbank's share or its results or equity will decrease due to changes in risk factors in financial markets. Market risk includes interest rate risk, currency risk, share price risk and commodity risk as well as risks from changes in volatility or correlation.	Swedbank's market risks are low. The predominant risks are of a structural or strategic nature and relate to the interest rate risk that arises as a natural part of the Group's core business e.g. when customers demand different fixed interest terms on deposits and loans. Market risk also arises when the bank offers its customers various types of financial products.	Swedbank centralises all interest rate risk to a few risk-taking units with risk mandates from the CEO and Board of Directors. Effective risk management is achieved by matching maturities and with the help of derivatives.
Liquidity risk The risk that the bank cannot fulfil its payment commitments at maturity. Liquidity risk arises because the maturity structures on the asset and liability sides of the balance sheet do not coincide.	Swedbank's liquidity risk is low. The bank maintains a liquidity reserve to ensure its resilience in the event of disruptions to the capital markets. The reserve consists of balances with central banks and securities with a high level of creditworthiness that can be pledged to central banks or divested on very short notice. Swedbank tries to match the maturities in its funding with the corresponding maturities in its assets.	Access to long-term financing is critical to adequately manage liquidity risk. Swedbank has therefore diversified its funding through short- and long-term programmes in various capital markets and in different currencies. Liquidity risk is limited in terms of survival horizon.
Operational risk The risk of losses resulting from inadequate or failed internal processes or routines, human error, system error or external events. Operational risk also includes legal risk and information risk (i.e. the risk of losses due to insufficient protection of information in terms of confidentiality, accuracy and accessibility).	Operational risks occur in all businesses. It is not possible or cost effective to try to eliminate all of them. Swedbank's goal, however, is to minimise the risks given the nature of its operations, strategy, risk appetite and market. Minor losses are a normal part of the bank's operations. The bank works actively to avoid larger losses and incidents that affect many of its customers, so such events are rare. To minimise information risk, it is critical that the bank's employees are aware and prepared. Measures involving IT, processes and routines are also important to reduce intentional or unintentional access to or changes in information. Security policies are updated as threat scenarios change.	Swedbank has internal regulations to manage operational risk and works diligently to prevent incidents and losses from occurring. Risk analyses and risk-reducing measures are performed on a continuous basis and in connection with major changes in operations and offerings. Through continuity planning the bank is prepared to minimise the effects of incidents as quickly as possible if they do occur. Swedbank also has internal rules describing how information should be protected. Based on an annual threat and risk analysis, we define adequate protection for various categories of information. Moreover, the bank uses a management system as a tool to lead and coordinate the Group's short- and-long term efforts in a structured and methodical manner.
Insurance risk The risk of a change in value due to a deviation between actual and anticipated insurance costs, which may be due e.g. to projected longevity, mortality, morbidity or claim frequency.	Swedbank has insurance operations in Sweden, Estonia, Latvia and Lithuania offering risk insurance and savings products such as endowment insurance, variable universal life insurance and pension products. The largest risks in these operations are market risk and insurance risk. Market risk is limited since the large part of the portfolio consists of products where the risk is borne by customers.	Insurance risk is managed by basing premiums on statistical assumptions and through close monitoring and analysis e.g. to identify new trends. To further limit risk exposure, some insurance risks are reinsured.
Reputational risk Reputational risk refers to the risk that the trust of customers, shareholders, investors and the public will be damaged by perceived weaknesses in business methods that potentially affect the bank's results and tangible and intangible assets.	The Group shall act in an exemplary manner and actively manage threats to the bank's reputation with respect to its core business and stakeholders as well as ensure that measures are taken in line with Swedbank's values.	Reputational risk is managed in a large number of Swedbank's operational risk management processes, such as the New Product Approval Process (NPAP), but is also an integral part of the credit approval process.

Value creation and trust through sound corporate governance

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

Foundation for corporate governance at Swedbank

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

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

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

The internal and external rules regulate the delegation of responsibility for governance, control and monitoring of operations between the shareholders, the Board of Directors and the CEO. No deviations from the Swedish Code of Corporate Governance (the Code) or the rules of the stock exchange (NASDAQ OMX Stockholm) were reported in 2017.

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

The Group structure provides a framework for roles, functions and reporting channels. Swedbank is organised in three business areas, which are supported by Group Functions and the product areas Group Savings and Group Lending & Payments, as well as Digital Banking and Customer Value Management (CVM). The Group Functions serve as strategic and administrative support, with responsibility for maintaining effective, uniform standards and routines. The functions for Compliance and Risk are included here as well. Group Savings and Group Lending & Payments are responsible for offering competitive products and services and for providing business support for employees who interact with customers. Digital Banking is responsible for developing and managing the digital channels and the tools used in customer interactions. CVM is responsible for customer strategies, developing customer offers and principles, generating insight based on customer data, and developing and managing campaigns.

The diagram on page 39 shows the formal corporate governance structure. The number in each box refers to the corresponding section in the corporate governance report.

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

1 The shareholders in corporate governance

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

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

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

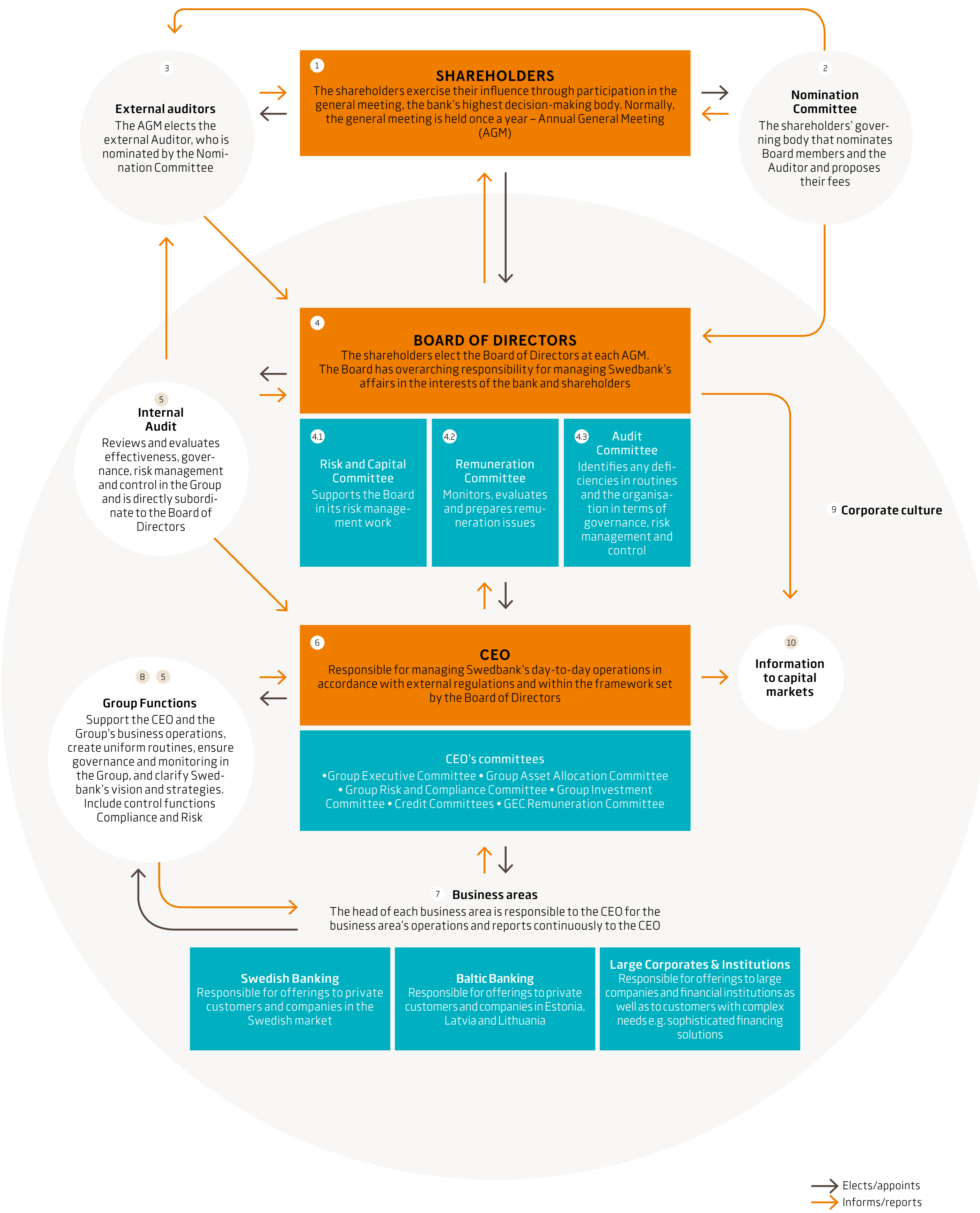
Shareholders wishing to have an item brought before the AGM must submit a written request to the Board not later than seven weeks prior to the AGM for the item to be included in the notice. Shareholders with a total of at least one tenth of the votes in the bank may request an extraordinary general meeting.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

Shareholders' power of decision

The AGM's resolutions include:

- election of the Board of Directors and remuneration for Board members, including for committee work

Swedbank's corporate governance structure



- discharge from liability for Board members and the CEO
- amendments to the Articles of Association
- election of the Auditor
- adoption of the income statement and balance sheet
- allocation of the bank's profit or loss
- remuneration principles and guidelines for the CEO and certain other senior executives

AGM resolutions are normally decided by vote and require a special majority. Swedbank has one class of share, ordinary shares, also called A shares. The shares carry one vote each.

All material for the meetings, as well as the minutes, is made available on the website in Swedish and English. The general meetings are held in Swedish and interpreted to English.

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

Annual General Meeting 2017

The 2017 AGM was held in Stockholm on Thursday, 30 March. A total of 1 441 shareholders attended personally or by proxy, representing about 54 per cent of the votes in the bank.

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

Among the 2017 AGM resolutions were the following:

- adoption of the annual report
- dividend for the 2016 financial year of SEK 13.20 per share
- decision to elect nine Board members. Five Board members were re-elected and four new members were elected. Lars Idermark was elected as the Chair
- remuneration to the Board members and the Auditor
- repurchase of shares by the securities operations and authorisation of the Board to resolve to repurchase additional shares to adjust the bank's capital structure to prevailing capital needs
- mandate to issue convertibles that can be converted to shares, so-called cocos
- remuneration guidelines for senior executives
- Group-level performance- and share-based remuneration programme for 2017. As a result of this and previously approved programmes, it was resolved to transfer ordinary shares (or other financial instruments in the bank) to employees covered by the programmes
- principles for appointing the Nomination Committee
- the Board's members were discharged from liability

2 Nomination Committee

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

The 2017 AGM decided on the principles for the appointment of the Nomination Committee prior to the 2018 AGM. They include that the committee comprise six members: The Chair of the Board and representatives of the five largest shareholders (based on known data on the last business day in August 2017), on the condition that they wish to appoint a member. Under certain circumstances a member may also represent a group of shareholders. Swedbank's Nomination Committee represents the shareholders, and normally only one person from the Board participates on the committee. If a member leaves the Nomination Committee before its work is completed, the committee may decide to replace them with another representative of the same shareholder or with a person representing the next largest shareholder that has not already appointed a committee member. If a new shareholder becomes one of the bank's four largest after the Nomination Committee has been constituted, the committee has the right to co-opt a member appointed by that shareholder. A co-opted member cannot participate in the Nomination Committee's decisions. The Nomination Committee appoints a Chair from among its members, though not the Chair of the Board. The committee's mandate extends until a new Nomination Committee has been constituted. Members of the Nomination Committee are not remunerated for their work or costs incurred. However, the Nomination Committee has the right, at the bank's expense, to engage a recruitment consultant or other external consultants as deemed necessary to fulfil its assignment.

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

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

During its term the Nomination Committee also:

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

Current composition of Nomination Committee prior to the 2018 AGM (announced on 6 September 2017).

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

3 External Auditor

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

At the AGM the Auditor presents the Auditors' report and describes the audit work. The Auditor presented its review and comments to the Board five times in 2017. On one of these occasions no one from the executive management was present. The Auditor regularly meets the Chair of the Board, the Chair of the Audit Committee, the executive management and other operating managers. The Auditor normally also meets representatives of the Swedish Financial Supervisory Authority (SFSA) during the financial year. Swedbank's interim reports are reviewed by the Auditor. The sustainability report has been reviewed as well, in accordance with the definition on page 185. According to the Articles of Association, the bank shall have no less than one and no more than two authorised public accountants. Deloitte AB is the only accounting firm since 2007. The Chief Auditor is Authorised Public Accountant Patrick Honeth, who has been in charge of auditing duties for Swedbank since 2017. Aside from Swedbank, he has material auditing assignments with the following companies: Bluestep, SBAB and Skandiabanken. Patrick Honeth has no assignments with other companies that would affect his independence as an auditor of Swedbank. The Auditor's term is normally four years, and at the 2017 AGM Deloitte was re-elected as accounting firm with Patrick Honeth as Chief Auditor. A decision to replace the Auditor can be made before the four-year period expires. Remuneration for the Group's Auditor is reported in note G14. The SFSA is entitled to appoint an auditor of the bank, but has not done so in several years, and did not in 2017. In addition to its assignment as elected auditor, Deloitte has also performed audit-related services mainly involving accounting issues and IT. Assignments closely associated with the audit normally do not constitute a threat to the Auditor's independence. In accordance with current rules on auditor independence, all consulting services must be approved in advance by the Audit Committee and may not commence until then. The Audit Committee annually evaluates the Auditor's objectivity and independence. The Auditor annually confirms his independence in the audit report.

4 Board of Directors

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

The Board consists of nine members elected by the AGM for one year. It also includes two employee representatives and two deputies in accordance with special agreements with the Financial Sector Union of Sweden and Akademikerföreningen. The Board meets the requirements of the Code with respect to its members' independence. All members except Bo Johansson are considered independent in relation to the bank, its executive management and its major shareholders. Bo Johansson is not considered independent in relation to the bank and its executive management. Bo Johansson is, however, considered independent in relation to the bank's major shareholders.

An even gender distribution on the Board is encouraged. The current distribution is 44 per cent women and 56 per cent men.

The 2017 AGM re-elected Ulrika Francke, Lars Idermark, Siv Svensson, Bodil Eriksson and Peter Norman. Mats Granryd, Bo Johansson, Annika Poutiainen and Magnus Uggla were elected as new members. Lars Idermark was elected as Chair. The CEO, the CFO and the Company Secretary are not members of the Board. They attend Board meetings, however, except when issues are discussed where they could have a vested interest or it is otherwise inappropriate. The deputy employee representatives normally do not attend Board meetings. The composition of the Board is presented on pages 50–53.

The Board's responsibilities and their delegation

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

In addition to appointing the Board, Swedbank's AGM decides whether to discharge the Board and CEO from liability for the financial period covered in the accounting documents presented to the AGM. This means that the 2018 AGM will decide whether to discharge the Board and CEO from liability for the financial year 2017. A discharge is granted if shareholders representing a majority of the votes at the AGM support the proposal, provided that shareholders representing at least one tenth of all shares in the bank do not vote against the proposal. If the AGM decides to discharge from liability, the bank generally may not sue the individuals in question for damages. There are certain circumstances, however, where the bank may still file suit even if a discharge has been granted e.g. if the AGM has not received accurate and material information, in the annual report or in the auditors' report or elsewhere, on the decision or the action on which the suit is based or if the suit is based on a criminal offence. Further, a decision to discharge from liability does not prevent a shareholder from filing suit on their own behalf.

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

The Chair of the Board has specific responsibilities, which include:

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

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

The division of tasks between the Board, the Chair of the Board and the CEO is determined annually through the Board's rules of procedure, the corporate governance policy and the instruction for the CEO, among other things. Instructions are also in place for the Board's committees. In August 2017 an evaluation of the Board's work was conducted to obtain input on the Board's performance. A summary of the results was presented to the Board and reported to the Nomination Committee.

The Board's work

In 2017 the Board held 16 meetings, 4 of which were by correspondence. 11 meetings were held in Stockholm/Sundbyberg and one on the premises of Region Stockholm . The Board was unanimous in its decisions, and no dissenting opinions were noted during the year. Each year the Board establishes a work plan where it decides, based on the processes in the bank as shown in the diagram on the following page, which issues to treat in depth.

Other major issues in 2017 included:

- the bank's strategic five-year plan with underlying strategies
- greater focus on customers and digital channels
- cybersecurity
- macroeconomic developments and their impact on the bank and its limits and exposures
- capital and liquidity issues with an emphasis on the new capital requirements
- implementation of sustainability issues such as anti-corruption and human rights in the bank's main processes: fund management, payments, lending and procurement processes
- liquidity strategies and funding issues
- the current risk and capital situation, including the Internal Capital Adequacy Assessment Process (ICAAP) and other stress tests
- increased focus on information risk, not least due to digitisation
- credit decisions where the total Group credit limit exceeds SEK 10 bn as well as limits for credit risk concentrations
- customer satisfaction in the bank
- major projects ongoing within the bank
- competition and business intelligence
- regulatory issues such as GDPR, PSD2 and Mifid 2

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

The following points are usually brought up at every Board meeting:

- minutes from previous meeting
- information on issues dealt with by the Board's committees
- report from the Chief Executive Officer
- report from the Chief Financial Officer
- report from the Chief Risk Officer
- quarterly report on Internal Audit's review and any action plans
- strategic issues
- decisions on special cases
- training needs

The Board's competence

The Board made a study trip in autumn 2017 to gain better insight into the challenges and opportunities facing the financial sector in a disruptive and innovative future with changing customer preferences. The Board's training plan for 2017 focused on regulatory changes. Short training was provided on the new Anti-Money Laundering Directive (AML4), the new Payment Services Directive (PSD2) and the new General Data Protection Regulation (GDPR) . A review of corporate governance issues was conducted as well, where the EBA's new guidelines for internal corporate governance from September 2017 were covered. The Board's members also received detailed information concerning risks and the new reporting standard IFRS9. On a number of occasions during the year the Chair accompanied investor trips and met shareholders and debt investors. This gives the Board deeper insight into topical issues being discussed by the bank's owners and investors at the same time that the Board, through direct dialogue, gets feedback on the bank's operations and the direction it is taking.

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

4.1 Risk and Capital Committee

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

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

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

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

4.2 Remuneration Committee

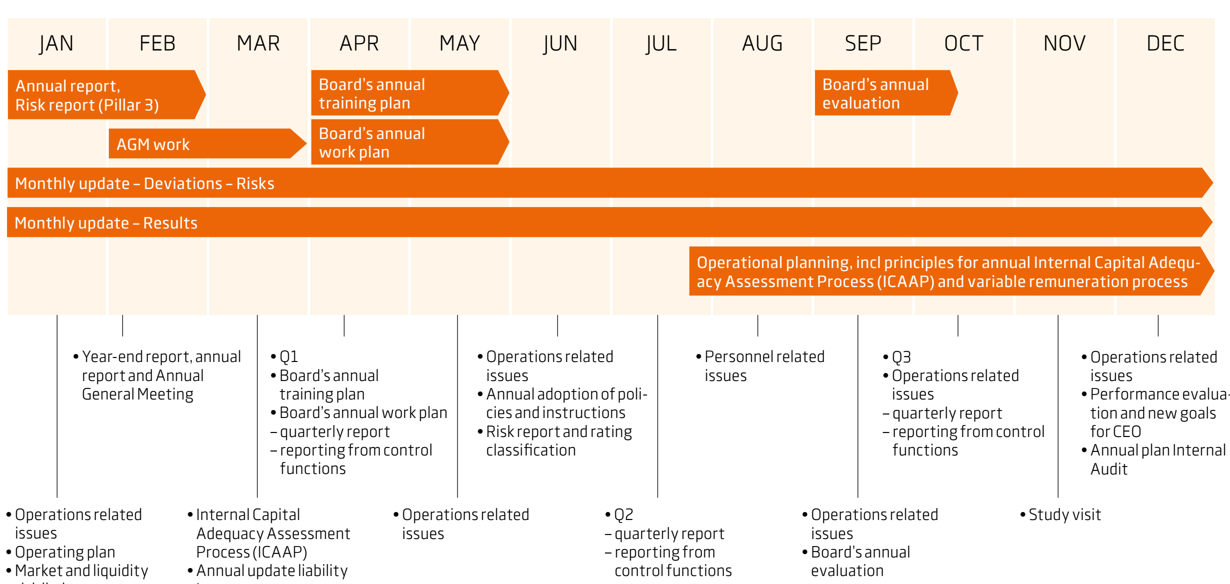
The Board's Remuneration Committee verifies that the bank's remuneration systems generally conform to effective risk management practices and are designed to reduce the risk of excessive risk-taking.

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

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

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

Board work 2017



4.3 Audit Committee

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

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

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

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

5 Internal control and risk management

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

5.1 First line of defence – risk management by business operations

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

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

5.2 Second line of defence – independent control functions

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

Compliance

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

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

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

Risk control

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

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

5.3 Third line of defence – Internal Audit

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

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

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

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

6 CEO

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

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

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

Swedbank's risk management

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

Board of Directors

CEO

Risk management (operational)	Control (operational)	Evaluation (not operational)
First line of defence	**Second line of defence**	**Third line of defence**
Own and manage risks • Business and operations (line) • Support function	Establish frameworks and monitor risks • Risk • Compliance	Evaluate and validate the effect of the first and second lines of defence • Internal Audit

Group Executive Committee, other committees and forums

The Group Executive Committee (GEC) is the CEO's decision management forum and consists of 19 members: the Chief Executive Officer, the Chief Financial Officer, the Chief Risk Officer, the Chief Credit Officer, the Head of the CEO Office, the Chief Strategy Officer, the Chief Compliance Officer, the Head of Human Resources, the Heads of the business areas Swedish Banking, Baltic Banking and Large Corporates & Institutions, and the Heads of Group Savings, Group Lending & Payments, Group IT, Digital Banking, Group Customer Value Management, Large Corporates and Strategy Digital Banking. A large number of the members have direct business responsibility, and the GEC plays an important role as a forum for sharing information and ideas. The GEC normally meets seven times a year.

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

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

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

Focus areas in 2017:

- Update of Swedbank's desired position with 7 supporting strategies for corporates, consumers, payments, lending, savings, capital market and channel strategy
- Further clarification of the operating model and key performance indicators
- Analysis and implementation of efficiency improvements through Robotics Process Automation (RPA)
- Investor meetings
- New members of the Group Executive Committee (Head of Group CVM, Head of Group HR, Head of CEO Office)
- Improved customer offering through development of digital services and expanded advisory services
- IT development and security in view of increased digitisation
- Know Your Customer (KYC) and Anti-Money laundering (AML)
- Acquisition of the payment service provider PayEx
- Collaboration with Mina Tjänster, a subscription management service
- Strategic partnership in Equity Capital Markets (ECM) with KeplerChevreaux
- Implementation of the Open Banking concept through the launch of an open testing environment, a so-called sandbox, for third parties
- Implementation of new Internet and Mobile Bank
- Introduction of SMART-ID in the Baltic countries (equivalent to MobiltBank-ID)

7 Business areas

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

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

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

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

8 Group Functions

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

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

Responsibility for products and product development rests with the product areas Group Savings and Group Lending & Payments, while responsibility for developing and managing the digital channels as well as the tools used in customer interactions rests with Digital Banking. Responsibility for coordinating customer strategies. developing customer offers and principles, generating insight based on customer data, and developing and managing campaigns rests with CVM.

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

9 Corporate culture based on simplicity, openness and caring

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

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

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

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

10 Information to capital markets

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

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

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

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

Further information on Swedbank's corporate governance

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

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

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

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

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

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

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

Risk analysis: Risk assessment based on essentiality and complexity

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

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

Control activities: Controls at different levels

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

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

Information and communication

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

Monitoring

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

ICFR controls are monitored to ensure that the process is reliable. Self assessment is done regularly and the results are reported to Group Finance.

Board of Directors

	Lars Idermark	Ulrika Francke	Bodil Eriksson
Year of birth	Born 1957 Chair since 2016, Deputy Chair 2013–2016, Chair 2010–2013	Born 1956 Deputy Chair since 2016, Board member since 2002	Born 1953 Board member since 2016
Shareholdings in Swedbank[1]	Own and closely related parties: 38	Own and closely related parties: 14 350	Own and closely related parties: 0
In Swedbank as	■ Board of Directors, Chair ■ Remuneration Committee, Chair ■ Risk and Capital Committee, member **Attendance:** ■ 16/16 ■ 12/12 ■ 14/14 **Total annual fees:** ■ 2 460 000 ■ 100 000 ■ 225 000 In addition to extensive knowledge of the banking world, including from his time at FöreningsSparbanken, Lars Idermark has experience from a number of other industries, both operational and strategic. As Chair, he provides continuity and support to others participating in the Board's work.	■ Board of Directors, Deputy Chair ■ Remuneration Committee, member ■ Risk and Capital Committee, member ■ Audit Committee, member **Attendance:** ■ 16/16 ■ 12/12 ■ 13/14 ■ 6/6 **Total annual fees:** ■ 825 000 ■ 100 000 ■ 225 000 ■ 225 000 Ulrika Francke provides expertise in real estate and development as well as long experience from the bank's board. In her current role as president and CEO of one of Sweden's leading consulting firms, she also adds knowledge of urban planning.	■ Board of Directors, member ■ Remuneration Committee, member **Attendance:** ■ 15/16 ■ 11/12 **Total annual fees:** ■ 550 000 ■ 100 000 Bodil Eriksson holds the position as Executive Vice President at Volvo Cars US with responsibility for product, marketing and communication in North- and South America and has a broad and thorough brand competence. She also has experience from the retail business and has been a member of Axfood's group executive team, and has also worked within SCA.
Board member's independence	Independent in relation to the bank and executive management and independent in relation to the bank's major shareholders.	Independent in relation to the bank and executive management and independent in relation to the bank's major shareholders.	Independent in relation to the bank and executive management and independent in relation to the bank's major shareholders.
Education	Master of Business Administration	University studies	University studies
Bank specific experience	Operational: 11 years. Board: 17 years	Board: 23 years	Board: 2 years (2016)
Professional experience	**President and CEO, Södra Skogsägarna** President and CEO, PostNord AB • President and CEO, KF/Coop • President, AP2 • Deputy President and CEO, Capio AB • Executive Vice President, Deputy President and CEO, FöreningsSparbanken (Swedbank) • CFO and Executive Vice President, Föreningsbanken AB • President and CEO, LRF Holding AB	**Full-time working director** President and CEO, Tyréns AB • President and CEO, SBC Sveriges Bostadsrättscentrum AB • Head of Administration, City of Stockholm • President and CEO, Fastighets AB Brommastaden	**Chief Executive, Volvo Cars Mobility** Executive Vicew President, Volvo Cars USA, LLC • Senior Vice President, Volvo Car Corporation • ExecutiveVice President, Apotek Hjärtat • Senior Vice President, SCA • Executive Vice President, Axfood
Non-executive assignments		Tyréns AB, Board member • Knightec AB, Board member • Almega trade organisation, Board member • Hexagon AB, Board member • IVA Dept III, Chair • BIM Alliance, Chair • SIS, Board member	

1) Holdings as of 31 December 2017.

			
	Mats Granryd	**Bo Johansson**	**Camilla Linder**
Year of birth	Born 1962 Board member since 2017	Born 1965 Board member since 2017	Born 1968 Employee representative since 2015 and deputy since 2013
Shareholdings in Swedbank[1]	Own and closely related parties: 0	Own and closely related parties: 0	Own and closely related parties: 540
In Swedbank as	■ Board of Directors, member ■ Audit Committee, member **Attendance:** ■ 13/13 ■ 4/5 **Total annual fees:** ■ 550 000 ■ 225 000 Mats Granryd comes from the telecom industry and, through his experience at Ericsson and Tele 2, is used to leading large companies in a regulated environment.	■ Board of Directors, member ■ Risk and Capital Committee, member **Attendance:** ■ 13/13 ■ 11/11 **Total annual fees:** ■ 550 000 ■ 225 000 Bo Johansson har a strong background in the Swedish savings bank movement and at Swedbank, where he has worked for a large part of his professional life. Today he leads a savings bank.	■ Board of Directors, member, employee representative **Total annual fees:** No fees Camilla Linder is an employee representative and has long experience in banking, including retail banking.
Board member's independence	Independent in relation to the bank and executive management and independent in relation to the bank's major shareholders.	Bo Johansson is the CEO of Swedbank Sjuhärad, which is, according to the Swedish Corporate Governance Code, a company closely related to Swedbank. Thus, Bo Johansson is not considered to be independent in relation to Swedbank and the bank's management. Bo Johansson is considered independent in relation to the bank's major shareholders.	Not applicable.
Education	M.Sc. Royal Institute of Technology in Stockholm	M.Sc. Business & Economics	Upper secondary school
Bank specific experience	Board: 1 year (2017)	Operational: 21 years Board: 1 year (2017)	Operational: 23 years
Professional experience	**Director General, GSMA** President and CEO Tele 2 • Senior positions within Ericsson	**CEO, Swedbank Sjuhärad AB** Bank Manager Swedbank AB Jämtland/Härjedalen • Head of Trade Finance, Swedbank Markets • Bank Manager Härjedalen • Acting branch manager Sparbanken Sveg	**Employee, Swedbank AB** • Sparbanken Alfa • Föreningssparbanken
Non-executive assignments	COOR, Chair		Finansförbundets koncernklubb Swedbank, Chair • SPK, Board member

1) Holdings as of 31 December 2017.

Board of Directors

			
	Roger Ljung	**Peter Norman**	**Annika Poutiainen**
Year of birth	Born 1967 Employee representative since 2015	Born 1958 Board member since 2016	Born 1970 Board member since 2017
Shareholding[1]	Own and closely related parties: 167	Own and closely related parties: 0	Own and closely related parties: 0
In Swedbank as	■ Board of Directors, member, employee representative **Total annual fees:** No fees Roger Ljung is an employee representative and has broad experience at Swedbank.	■ Board of Directors, member ■ Risk and Capital Committee, member ■ Audit Committee, member **Attendance:** ■ 16/16 ■ 14/14 ■ 6/6 **Total annual fees:** ■ 550 000 ■ 225 000 ■ 225 000 Peter Norman is an economist with an extensive financial background. He has previously been Financial Markets Minister and CEO for the Seventh Public Pension Fund and a director at the Riksbank. In addition, he has twenty years of experience in asset management in leading positions.	■ Board of Directors, member ■ Audit Committee, member **Attendance:** ■ 13/13 ■ 5/5 **Total annual fees:** ■ 550 000 ■ 225 000 Annika Poutiainen has worked with compliance monitoring for most of her career, including as head of market surveillance at Nasdaq Nordic and the head of a unit at the Swedish Financial Supervisory Authority.
Board member's independence	Not applicable.	Independent in relation to the bank and executive management and independent in relation to the bank's major shareholders.	Independent in relation to the bank and executive management and independent in relation to the bank's major shareholders.
Education	Uppersecondary school	B.Sc. Economics	Jur Kand, Universitet of Helsinki and LL.M. Banking and Finance, King's College, London
Bank specific experience	Operational: 31 years	Swedbank's Board: 2 years (2016) Carnegie Bank's Board: 2 years (2008–2009)	Board: 1 year (2017)
Professional experience	**Business advisor, Swedbank AB** • Retail advisor, branch manager, Swedbank	**Full-time working director** Minister for Financial Markets • CEO, AP7 • CEO, Alfred Berg Asset Management • Director, Riksbank	**Self-employed, Alpha Leon AB.** Head of Market Surveillance, Nasdaq Nordics • Head of Unit, Swedish Financial Supervisory Authority • Solicitor at Linklaters London
Non-executive assignments	Finansförbundets förbundsstyrelse, Board member • Finansförbundets koncernklubb Swedbank, Deputy Chair • Finans och försäkringsbranschens A-kassa, Board member • SPK, Deputy Chair	Ambrosia Asset Management AB, Chair • COIN - Investment Consulting Group AB, Chair • Pepins Group AB, Chair • Svenska Taxiförbundet, Chair • Stockholm Resilience Center, Board member • Royal Academy of Music, Stockholm • Board member	eQ Abp, Board member • Saferoad AS, Board member • Carpe Diem Foundation, whose mission is to run Fredrikshovs Slotts Skola AB, Board member • Nasdaq Helsinki Listing Committee

1) Holdings as of 31 December 2017.

	Siv Svensson	Magnus Uggla
Year of birth	Born 1957 Board member since 2010	Born 1952 Board member since 2017
Shareholding[1]	Own and closely related parties: 1 500	Own and closely related parties: 10 000
In Swedbank as	■ Board of Directors, member ■ Audit Committee, Chair **Attendance:** ■ 16/16 ■ 6/6 **Total annual fees:** ■ 550 000 ■ 350 000 Siv Svensson has a wealth of experience in banking and financial services, both strategic and operational, and contributes insight into customer relationship management and HR issues as well as an in-depth knowledge of Nordic business.	■ Board of Directors, member ■ Risk and Capital Committee, Chair **Attendance:** ■ 13/13 ■ 11/11 **Total annual fees:** ■ 550 000 ■ 400 000 Magnus Uggla has an extensive background from Handelsbanken, including as Vice President of Handelsbanken International,Head of Handelsbanken's UK region and Head of the Stockholm region.
Board member's independence	Independent in relation to the bank and executive management and independent in relation to the bank's major shareholders.	Independent in relation to the bank and executive management and independent in relation to the bank's major shareholders.
Education	B. Sc. International Economics	M.Sc. Royal Institue of Technology in Stockholm, MBA Stockholm School of Economics. Stanford Executive Program
Bank specific experience	Operational: 29 years, Board: 8 years	Operational: 32 years Board: 1 year (2017)
Professional experience	**Full-time working director** CEO, Sefina Finance AB • CEO, Sefina Svensk Pantbelåning AB • Executive Vice President and Regional Head, Nordea AB • Group Controller and Nordic Head of Global Operation Services, Nordea AB • Group Controller, Merita Nordbanken AB • Administrative Head, PK Fondkommission AB	**Full-time working director** Vice President, Handelsbanken • Axel Johnson AB • Swedish Ministry of Industry • Sveriges Riksbank
Non-executive assignments	SJ AB, Board member • Allba Holding AB, Board member • Karolinska University Hospital, Board member	

1) Holdings as of 31 December 2017.

Group Executive Committee

Birgitte Bonnesen

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

Aet Altroff

Head of Group Customer Value Management
Born 1972. Employed since 1994
Shareholdings in Swedbank:[1] 826
Education: BBA Marketing and Foreign Economy

Ģirts Bērziņš

Head of Strategy Digital Banking
Born 1973. Employed 1996–2007 and since 2011
Shareholdings in Swedbank:[1] 585
Education: MA Economics

Elisabeth Beskow

Head of Large Corporates & Institutions
Born 1967. Employed since 2011
Shareholdings in Swedbank:[1] 300
Education: MBA

Mikael Björknert

Chief Strategy Officer
Born 1966. Employed since 2010
Shareholdings in Swedbank:[1] 3 000
Education: M. Sc. Business and Economics
Directorships: NASDAQ Nordic, Board member • UC, Board member

Lars-Erik Danielsson

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

Anders Ekedahl

Head of Group IT
Born 1960. Employed since 1987
Shareholdings in Swedbank:[1] 17 176
Education: M. Sc. Business and Economics

Björn Elfstrand

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

Charlotte Elsnitz

Head of Baltic Banking
Born 1969. Employed since 2007
Shareholdings in Swedbank:[1] 2 736
Education: M.Sc. Business and Economics

1) Holdings as of 31 December 2017.

Ragnar Gustavii
Head of CEO Office
Born 1961. Employed since 2017
Shareholdings in Swedbank:[1]
31 039
Education: Macroeconomics & Business Administration, Uppsala University

Cecilia Hernqvist
Head of Compliance
Born 1960. Employed since 1990
Shareholdings in Swedbank:[1]
11 525
Education: LL.M.

Anders Karlsson
Group Financial Officer (CFO)
Born 1966. Employed since 2010
Shareholdings in Swedbank:[1]
5 571
Education: M. Sc. Business and Economics

Leif Karlsson
Head of Lending & Payments
Born: 1966. Employed since 1990
Shareholdings in Swedbank:[1]
1 728
Education: M. Sc. Business and Economics
Directorships: Bankgirot, Board member

Ola Laurin
Head of Large Corporates & Institutions
Born 1971. Employed since 2000
Shareholdings in Swedbank:[1]
5 303
Education: M. Sc. Business and Economics

Lars Ljungälv
Head of Large Corporates
Born 1969. Employed since 2014
Shareholdings in Swedbank:[1]
25 000
Education: M. Sc. Business and Economics
Directorships: Honorary consul of Denmark in Sweden • Lund University, Deputy Chair • Malmö FF, Board member

Lotta Lovén
Head of Digital Banking
Born 1967. Employed 1986–1999, 2004–
Shareholdings in Swedbank:[1]
1 866
Education: Diploma in business administration
Directorships: Finansiell ID-teknik, Board member

Helo Meigas
Chief Risk Officer (CRO)
Born 1965. Employed since 2004
Shareholdings in Swedbank:[1]
11 196
Education: M.A.L.D. focus on International Business Law and Finance

Carina Strand
Head of HR
Born 1964. Employed since 2017
Shareholdings in Swedbank:[1] 0

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

1)) Holdings as of 31 December 2017.

Proposed disposition of earnings and statement of the Board of Directors

In accordance with the balance sheet of Swedbank AB, SEK 56 305m is at the disposal of the Annual General Meeting: The Board of Directors recommends that the earnings be disposed as follows (SEKm):

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

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

Unrealised changes in the value of assets and liabilities at fair value have had a positive effect on equity of SEK 922m.

The proposed record day for the dividend is 26 March 2018. The last day for trading in Swedbank's shares with the right to the dividend is 22 March 2018. If the Annual General Meeting accepts the Board's proposal, the dividend is expected to be paid by Euroclear on 29 March 2018. The financial companies group's capital base surpassed the statutory capital requirement as of year-end by SEK 50 037m. Surplus capital in Swedbank AB amounted to SEK 75 997m.

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

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

Financial statements and notes – Group

Income statement, Group

SEKm	Note	2017	2016
Interest income		34 494	32 914
Negative yield on financial assets		–2 306	–1 543
Interest income, including negative yield on financial assets		**32 188**	**31 371**
Interest expenses		–8 382	–9 256
Negative yield on financial liabilities		789	735
Interest expenses, including negative yield on financial liabilities		**–7 593**	**–8 521**
Net interest income	G8	**24 595**	**22 850**
Commission income		17 366	16 011
Commission expenses		–5 336	–4 678
Net commission income	G9	**12 030**	**11 333**
Net gains and losses on financial items at fair value	G10	1 934	2 231
Insurance premiums		2 600	2 137
Insurance provisions		–1 663	–1 383
Net insurance	G11	**937**	**754**
Share of profit or loss of associates	G27	971	2 467
Other income	G12	1 971	1 186
Total income		**42 438**	**40 821**
Staff costs	G13	9 945	9 376
Other general administrative expenses	G14	5 870	5 622
Total general administrative expenses		**15 815**	**14 998**
Depreciation/amortisation of tangible and intangible fixed assets	G15	600	629
Total expenses		**16 415**	**15 627**
Profit before impairments		**26 023**	**25 194**
Impairments of intangible assets	G29	175	35
Impairments of tangible assets	G16	21	31
Credit impairments	G17	1 285	1 367
Operating profit		**24 542**	**23 761**
Tax expense	G18	5 178	4 209
Profit for the year		19 364	19 552
Profit for the year attributable to:			
Shareholders of Swedbank AB		**19 350**	**19 539**
Non-controlling interests		14	13
SEK			
Earnings per share	G19	17.38	17.60
after dilution	G19	17.30	17.50

Profit for the year attributable to shareholders of Swedbank AB decreased to SEK 19 350m (19 539), mainly because the 2016 result was positively affected by a gain of SEK 2 115m on the sale of Visa Europe.

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

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

The share of profit or loss of associates decreased due to the disposal of shares in VISA Europe in 2016.

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

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

The tax expense amounted to SEK 5 178m (4 209), corresponding to an effective tax rate of 21.1 per cent (17.7).

Statement of comprehensive income, Group

SEKm	Note	2017	2016
Profit for the year reported via income statement		**19 364**	**19 552**
Items that will not be reclassified to the income statement			
Remeasurements of defined benefit pension plans	G38	–1 928	–3 110
Share related to associates		–63	–76
Income tax	G20	438	701
Total		**–1 553**	**–2 485**
Items that may be reclassified to the income statement			
Exchange rate differences, foreign operations			
Gains/losses arising during the year		1 077	1 644
Reclassification adjustments to income statement, net gains and losses on financial items at fair value		4	–3
Hedging of net investments in foreign operations:			
Gains/losses arising during the year		–732	–1 337
Reclassification adjustments to income statement, net gains and losses on financial items at fair value		81	
Cash flow hedges:			
Gains/losses arising during the year		–76	59
Reclassification adjustments to income statement,net interest income		13	16
Share of other comprehensive income of associates:			
Exchange rate differences, foreign operations		–80	124
Cash flow hedges			2
Income tax:	G20		
Income tax		161	280
Reclassification adjustments to income statement, income tax		–3	–4
Total		**445**	**781**
Other comprehensive income for the year net of tax		**–1 108**	**–1 704**
Total comprehensive income for the year		**18 256**	**17 848**
Total comprehensive income for the year attributable to: Shareholders of Swedbank AB		**18 242**	**17 835**
Non-controlling interests		14	13

Balance sheet, Group

SEKm	Note	2017	2016	1/1/2016
Assets				
Cash and balances with central banks		200 371	121 347	186 312
Treasury bills and other bills eligible for refinancing with central banks, etc.	G21	85 903	107 571	76 552
Loans to credit institutions	G22	30 746	32 197	86 418
Loans to the public	G23	1 535 198	1 507 247	1 413 955
Value change of interest hedged item in portfolio hedge		789	1 482	1 009
Bonds and other interest-bearing securities	G24	59 131	74 501	88 610
Financial assets for which the customers bear the investment risk	G25	180 320	160 114	153 442
Shares and participating interests	G26	19 850	23 897	11 074
Investments in associates	G27	6 357	7 319	5 382
Derivatives	G28	55 680	87 811	86 107
Intangible fixed assets	G29	16 329	14 279	13 690
Investment properties				8
Tangible assets	G30	1 955	1 864	1 981
Current tax assets		1 375	1 796	1 662
Deferred tax assets	G18	173	160	192
Pension assets	G38			1 274
Other assets	G31	14 499	8 067	14 677
Prepaid expenses and accrued income	G32	3 960	4 551	6 362
Group of assets classified as held for sale				148
Total assets		**2 212 636**	**2 154 203**	**2 148 855**
Liabilities and equity				
Liabilities				
Amounts owed to credit institutions	G33	68 055	71 831	150 493
Deposits and borrowings from the public	G34	855 609	792 924	748 271
Financial liabilities for which the customers bear the investment risk	G35	181 124	161 051	157 836
Debt securities in issue	G36	844 204	841 673	826 535
Short positions securities	G37	14 459	11 614	8 191
Derivatives	G28	46 200	85 589	68 681
Current tax liabilities		1 980	992	105
Deferred tax liabilities	G18	2 182	2 438	3 071
Pension provisions	G38	3 200	1 406	17
Insurance provisions	G39	1 834	1 820	1 728
Other liabilities and provisions	G40	25 059	14 989	22 715
Accrued expenses and prepaid income	G41	9 650	10 917	13 243
Subordinated liabilities	G42	25 508	27 254	24 613
Liabilities directly associated with group of assets classified as held for sale				14
Total liabilities		**2 079 064**	**2 024 498**	**2 025 513**
Equity	G43			
Non-controlling interests		200	190	179
Equity attributable to shareholders of the parent company		133 372	129 515	123 163
Total equity		**133 572**	**129 705**	**123 342**
Total liabilities and equity		**2 212 636**	**2 154 203**	**2 148 855**

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

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

Statement of changes in equity, Group

	Equity attributable to shareholders of Swedbank AB							Non-controlling interests	Total equity
SEKm	**Share capital**	**Other contributed equity[1]**	**Exchange differences, subsidiaries and associates**	**Hedging of net investments in foreign operations**	**Cash flow hedges**	**Retained earnings**	**Total**		
Opening balance 1 January 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 year			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, before tax			1 001	–651	–63	–1 991	–1 704		–1 704
of which income tax reported through other comprehensive income				144	14	438	596		596
Closing balance 31 December 2017	**24 904**	**17 275**	**3 602**	**–2 255**	**28**	**89 818**	**133 372**	**200**	**133 572**
Opening balance 1 January 2016	**24 904**	**17 275**	**836**	**–704**	**17**	**80 835**	**123 163**	**179**	**123 342**
Dividends						–11 880	–11 880	–5	–11 885
Share based payments to employees						378	378		378
Deferred tax related to share based payments to employees						–15	–15		–15
Current tax related to share based payments to employees						34	34		34
Contribution								3	3
Total comprehensive income for the year			1 765	–1 044	60	17 054	17 835	13	17 848
of which reported through profit or loss						19 539	19 539	13	19 552
of which reported through other comprehensive income, before tax			1 765	–1 337	77	–3 186	–2 681		–2 681
of which income tax reported through other comprehensive income				293	–17	701	977		977
Closing balance 31 December 2016	**24 904**	**17 275**	**2 601**	**–1 748**	**77**	**86 406**	**129 515**	**190**	**129 705**

1) Other contributed equity consists mainly of share premiums.

Statement of cash flow, Group

SEKm	Note	2017	2016
Operating activities			
Operating profit		24 542	23 761
Loss for the period from discontinuing operations			
Adjustments for non-cash items in operating activities	G46	–1 248	–2 174
Income taxes paid		–3 714	–3 583
Increase/decrease in loans to credit institution		1 819	54 341
Increase/decrease in loans to the public		–26 994	–90 692
Increase/decrease in holdings of securities for trading		43 195	–29 220
Increase/decrease in deposits and borrowings from the public including retail bonds		59 559	38 245
Increase/decrease in amounts owed to credit institutions		–4 513	–79 929
Increase/decrease in other assets		25 279	7 829
Increase/decrease in other liabilities		–59 577	27 777
Cash flow from operating activities		**58 348**	**–53 645**
Investing activities			
Business combinations	G52	–1 268	–19
Business disposals		6	20
Acquisitions of and contributions to associates		–88	–7
Disposal of shares in associates		650	
Acquisition of other fixed assets and strategic financial assets		–504	–451
Disposals of/matured other fixed assets and strategic financial assets		407	763
Cash flow from investing activities		**–797**	**306**
Financing activities			
Issuance of interest-bearing securities	G3	187 220	165 004
Redemption of interest-bearing securities	G3	–215 173	–149 897
Issuance of commercial paper	G3	1 048 804	811 729
Redemption of commercial paper	G3	–985 582	–828 900
Dividends paid		–14 699	–11 885
Cash flow from financing activities		**20 570**	**–13 949**
Cash flow for the year		**78 121**	**–67 288**
Cash and cash equivalents at the beginning of the year		**121 347**	**186 312**
Cash flow for the year		78 121	–67 288
Exchange rate differences on cash and cash equivalents		903	2 323
Cash and cash equivalents at end of the year		**200 371**	**121 347**

Comments on the consolidated cash flow statement

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

Operating activities

Cash flow from operating activities is based on operating profit for the year. Adjustments are made for items not included in cash flow from operating activities. Changes in assets and liabilities from operating activities consist of items which are part of normal business activities, such as loans to and deposits and borrowings from the public and credit institutions, and which are not attributable to investing and financing activities. Cash flow includes interest receipts of SEK 33 146 m (35 042) and interest payments of SEK 5 376 m (6 314). Capitalised interest is included.

Investing activities

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

On August 15, 2017 the Group acquired all the shares in PayEx Holdings AB for SEK 1 268m. On January 9, 2017, the shares in associated company Hemnet AB was sold. for SEK 863m, of which SEK 650m received in cash. For the year 2016, the Norwegian company sold Swedbank Asset Management AS and has received an additional purchase price of 6mkr in 2017. In the case of strategic shareholdings acquired on April 4, 2017 15 per cent of the shares in the fintech company Mina Tjänster AB for SEK 15m and on June 19, 2017 Swedbank initiated the strategic partnership with Kepler Chevreaux through an acquisition of 6 per cent for SEK 173m. On May 3, 2017 a shareholding of 5 per cent was also acquired in Nordic Credit Rating AS of SEK 3m. During 2017 divested the shares in New Star Financial Inc for SEK 23m and condominiums were sold for SEK 13m. 2016 Swedbank acquired all shares in the Lithuanian fund management company UAB Danske Bank Capital investiciju valdymas for SEK 21 m, of which SEK 2 m acquired cash. 2016 Swedbank sold all shares in Swedbank Asset Management AS in Norway for SEK 20 m, resulting in a realisation loss of SEK 11m.

Capital contributions of SEK 88 m were paid to BGC Holding AB. During the year other tangible assets were acquired for SEK 313 m (442) and other tangible assets were divested for SEK 371 m (502).

Cash and cash equivalents

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

Notes

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

G1 Corporate information

The consolidated financial statements and the annual report for Swedbank AB (publ) for the financial year 2017 were approved by the Board of Directors and the CEO for publication on 23 February 2018. The parent company, Swedbank AB, maintains its registered office in Stockholm at the following address: Landsvägen 40, 172 63 Stockholm, Sweden. The company's shares are traded on the NASDAQ OMX Nordic Exchange in Stockholm in the Nordic Large Cap segment. The Group offers financial services and products in its home markets of Sweden, Estonia, Latvia and Lithuania. The operations are described more extensively in the Board of Directors' report.

The consolidated financial statements and the annual report will ultimately be adopted by the parent company's Annual General Meeting on 22 March 2018.

G2 Accounting policies

CONTENTS

1 BASIS OF ACCOUNTING

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

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

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

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

2 CHANGES IN ACCOUNTING POLICIES

The following adoption of accounting pronouncements and changes are applied in the financial reports during 2017.

IFRS changes

New or amended IFRS standards or interpretations which have been adopted during 2017 have had no or immaterial impacts on the Group's financial position, results, cash flows or disclosures.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Presentation of financial statements (IAS 1)

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

Changed presentation of the compensation to the Savings banks for mortgage loans

Swedbank and the Savings banks, as of 1 January 2017, changed their bilateral contract regarding how the compensation will be divided between brokerage services and on-going administrative services for mortgages. Brokerage services costs for loans are added to the loans acquisitions value and are part of the loans effective interest. The result is that the transaction cost is reported as a reduction of the interest income during the term of the loans. Costs for administrative services are reported as an expense. Restatement of the historical comparative figures has been made according to the new agreement to better illustrate the comparative trends between periods. The change affects the interest income and expenses, but not the total profit for the year. The change in presentation is presented in the note 57.

3.2 Consolidated financial statements (IFRS 3, IFRS 10)

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

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

3.3 Assets and liabilities in foreign currency (IAS 21)

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

3.4 Financial instruments, general (IAS 32, IAS 39)

A large part of the Group's balance sheet items represents financial instruments. A financial instrument is any contract which gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity. Cash and contractual rights to receive cash are examples of financial assets, wheareas a contractual obligation to deliver cash or another financial asset is an example of a financial libility. Financial instruments are classified on relevant lines of the balance sheet depending on the nature of the instrument and the counterparty. If a financial instrument does not have a specific counterparty or it is listed on the market, the instrument is classified on the balance sheet as securities. Financial liabilities where the creditor has a lower priority than others are classified on the balance sheet as Subordinated liabilities. A derivative is a financial instrument that is distinguished by the fact that its value changes, for example, due to exchange rates, interest rates or share prices, it requires little or no initial net investment and it is settled on a future date. Contractually accrued interest regarding financial instruments other than derivatives is recognised on separate lines as prepaid or accrued income or expenses in the balance sheet.

Recognition and derecognition

Financial assets and financial liabilities are recognised on the balance sheet on the trade day, which is the date when the Group becomes a party to the instrument's contractual provisions, with the exception of loans and receivables at amortised cost, which are recognised on the settlement day. Financial assets are derecognised when the right to obtain the cash flows from a financial instrument has expired or has been transferred to another party.

Financial liabilities are removed from the balance sheet when the obligation in the agreement has been discharged, cancelled or expired.

Embedded derivatives

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

Repos

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

Securities loans

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

Offsetting

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

Presentation of negative yield

The Group holds some financial assets and liabilities with negative yields, which are presented as separate lines within Net interest income in the income statement.

3.5 Financial instruments, measurement (IAS 39)

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

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

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

Valuation category, fair value through profit or loss

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

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

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

Valuation category, loans and receivables

Loans to credit institutions and the public, categorised as loans and receivables, are recognised on the balance sheet on the settlement day. Loans are initially recognised at fair value and subsequently measured at amortised cost. Fair value is normally the loan amount paid out less fees received and any costs that constitute an integral part of the return. The interest rate that produces the loan's fair value at initial recognition as a result of the calculation of the present value of future payments is considered the effective interest rate. The loan's amortised cost is calculated by discounting the remaining future payments by the effective interest rate. Interest income includes interest payments received and changes in a loan's amortised cost during the period, which produces a consistent return over the life of a loan, the effective interest rate. On the closing day, it is determined whether there is objective evidence to indicate an impairment need for a loan or group of loans. If, after the loan is initially recognised, one or more events have occurred that negatively impact the estimated future cash flows, and the impact can be estimated reliably, impairment is made. The impairment is calculated as the difference between the loan's carrying amount and the present value of estimated future cash flows, discounted by the loan's original effective interest rate. The Group determines first whether there is objective evidence for impairment of each individual loan. Loans for which such evidence is lacking are included in portfolios with similar credit risk characteristics. These portfolios are subsequently measured for impairment on a collective basis, in the event that objective evidence of impairment exists. Any impairment is calculated for the portfolio as a whole. Homogenous groups of loans with limited value and similar credit risk that have been individually identified as having objective evidence of impairment are measured individually based on the loss risk in the portfolio as a whole. If the impairment decreases in subsequent periods, previously recognised impairment losses are reversed. However, loans are never recognised at a value higher than what the amortised cost would have been if the write-down had not occurred. Loan impairments are recognised in profit or loss as credit impairments. Credit impairments include provisions for individually impaired loans, portfolio provisions and write-offs of impaired loans. Write-offs are recognised as credit impairments when the amount of loss is ultimately determined and represent the amount before the utilisation of any previous provisions. Provisions utilised in connection with write-offs are recognised on a separate line within credit impairments. Repayments of write-offs and recovery of provisions are recognised within credit impairments. The carrying amount of loans is the amortised cost less write-offs and provisions. Individual provisions and portfolio provisions are recognised in a separate provision account in the balance sheet, while write-offs reduce the amount of outstanding loans. Provisions for assumed losses on guarantees and other contingent liabilities are recognised on the liability side. Impaired loans are those for which it is likely that payment will not be received in accordance with the contract terms. A loan is not impaired if there is collateral that covers the principal, unpaid interest and any late fees by a satisfactory margin.

Valuation category, held-to-maturity

Certain financial assets are categorised as held-to-maturity investments where Swedbank has an intention to hold them until the maturity date. Such instruments have fixed maturities, are not derivatives and are quoted on an active market. These investments are initially recognised on their trade day at fair value, which is normally the amount paid less fees received, with the addition for costs that are directly attributable to the acqusition of the asset. Subsequently the financial assets are valued at amortised cost less any impairment, in the same way as for loans and receivables.

Reclassification of financial assets

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

Valuation category, other financial liabilities

Financial liabilities that are not recognised as financial instruments at fair value through profit or loss are initially recognised on the trade day at fair value, which is normally the amount borrowed less fees paid, with the addition for costs that are directly attributable to the acqusition of the liability. Subsequently the financial liabilities are valued at amortised cost. Amortised cost is calculated in the same way as for loans and receivables.

Hedge accounting at fair value

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

Cash flow hedges

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

Hedging of net investments in foreign operations

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

3.6 Leases (IAS 17)

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

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

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

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

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

3.8 Intangible assets (IAS 38)

Goodwill

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

Other intangible assets

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

3.9 Tangible assets (IAS 2, IAS 16)

For protection of claims

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

For own use

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

3.10 Borrowing costs (IAS 23)

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

3.11 Provisions (IAS 37)

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

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

3.12 Pensions (IAS 19)

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

3.13 Insurance contracts (IFRS 4)

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

3.14 Revenues (IAS 18)

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

3.15 Share-based payment (IFRS 2)

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

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

3.16 Impairment (IAS 36)

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

3.17 Tax (IAS 12)

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

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

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

3.19 Cash and cash equivalents (IAS 7)

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

3.20 Operating segments (IFRS 8)

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

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

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

4 CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The presentation of consolidated financial statements in conformity with IFRS requires the executive management to make judgments and estimates that affect the recognised amounts for assets, liabilities and disclosures of contingent assets and liabilities as of the closing day as well as recognised income and expenses during the report period. The executive management continuously evaluates these judgments and estimates, including those that affect the fair value of financial instruments, provisions for impaired loans, impairment of intangible assets, deferred taxes, pension provisions and share based payments. The executive management bases its judgments and assumptions on previous experience and several other factors that are considered reasonable under the circumstances. Actual results may deviate from judgments and estimates.

4.1 Judgments

Investment funds

Entities in the Group have established investment funds for their customers' savings needs. The Group manages the assets of these funds on behalf of customers in accordance with predetermined provisions approved by the Swedish Financial Supervisory Authority. The return generated by these assets, as well as the risk of a change in value, accrues to customers. Within the framework of the approved fund provisions, the Group receives management fees as well as, in certain cases, application and withdrawal fees for the management duties it performs. The decisions regarding the management of an investment fund are governed by the fund's provisions; however the Group has power over the decision making of the relevant activities of the investment funds. The Group's exposure to variable returns from its involvement with those funds is primarily related to the fees charged and therefore the Group is considered to act as agent on behalf of the investment funds' investors. In certain cases, Group entities also invest in the investment funds to fulfil their obligations to customers. The Group's holdings in the investment funds represent an additional variable exposure in the investment funds. The Group's interests in total are seen as principal activity for the Group's own benefit where such interests exceed 35 per cent and, consequently, the investment fund would be controlled and consolidated. The Group considers that holdings in investment funds through unit-linked mutual insurance contracts do not result in a variable exposure and therefore are excluded from the assessment of control over such investment funds. Holdings in investment funds through unit-linked mutual insurance contracts of SEK 130bn (112) are recognised as Financial assets for which the customer bears the investment risk and the corresponding liabilities of SEK 130bn (112) are recognised as Financial liabilities for which the customer bears the investment risk. If the Group had considered such holdings to be a variable exposure and that it had control over such investment funds, additional financial assets and financial liabilities corresponding to SEK 56bn (63) respectively would have been recognised in the Group's balance sheet.

Financial instruments

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

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

Tax

For the parent company's Estonian subsidiary, Swedbank AS, income taxation is triggered only if dividends are paid. The parent company determines the dividend payment and does not intend to deduct dividends from the subsidiary's accumulated earnings before 2017 and no deferred tax is reported for this part. Accumulated earnings before 2017 amounted to SEK 15 260m (14 135). The unrecognized deferred tax liability amounted to SEK 2 636m (2 594).

4.2 Estimates

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

Provisions for credit impairments

Loans and receivables measured at amortised cost are tested if loss events have occurred. Individual loans are tested initially, followed by groups of loans with similar credit terms and which are not identified individually. A loss event refers to an event that occurred after the loan was paid out and which has a negative effect on projected future cash flows. Determining loss events for a group of loans carries greater uncertainty, since a number of different events, such as macroeconomic factors, may have had an impact. Loss events include late or non-payments, concessions granted due to the borrower's financial difficulties, bankruptcy or other financial restructures, and local economic developments linked to non-payments, such as an increase in unemployment or decreases in real estate or commodity prices. Where a loss event has occurred, individual loans are classified as impaired loans. The executive management considers that loans whose terms have been significantly changed due to the borrower's economic difficulties and loans that have been non-performing for more than 90 days should automatically be treated as impaired. Such a loan is not considered impaired if there is collateral which covers the capital, accrued and future interest and fees by a satisfactory margin. When a loss event has occurred, a determination is made when in the future the loan's cash flows will be received and the estimated size. For impaired loans, interest is not considered to be received, only capital or portions thereof. For groups of loans, estimates are based on historical values and experience-based adjustments to the current situation. Provisions for impaired loans are made on the difference between estimated value, i.e. estimated future cash flows discounted by the loan's original effective interest rate, and amortised cost. Amortised cost refers to contractual cash flows discounted by the loan's original effective interest rate. Assumptions about when in time a cash flow will be received as well as its size determine the size of the provisions. Decisions on provisions are therefore based on various calculations and the executive management's assumptions of current market conditions. The executive management is of the opinion that provision estimates are important because of their significant size as well as the complexity of making these estimates. The Group's total provisions for credit impairments amounted to SEK 3 886m (3 755) at year-end. An overall decrease in borrowers' payment ability of an additional 10 per cent would have increased provisions by SEK 388m (375).

Impairment testing of goodwill

Goodwill is tested at least annually for impairment. Testing is conducted by calculating the recoverable amount i.e. the highest of value in use or the selling price less costs to sell. If the recoverable amount is lower than the carrying amount, the asset is reduced to its recoverable amount. Goodwill impairment does not affect either cash flow or the capital adequacy ratio, since goodwill is a deduction in the calculation of the capital base. The executive management's tests are done by calculating value in use. The calculation is based on estimated future cash flows from the cash generating unit that the goodwill relates to and has been allocated to as well as when the cash flows are received. The first three years' cash flows are determined on the basis of the financial plans the executive management has established. Subsequent determinations of the size of future cash flows require more subjective estimates of future growth, margins and profitability levels. The Group estimates perpetual cash flows, since all cash generating units are part of the Group's home markets, which it has no intention of leaving. In addition, a discount rate is determined that in addition to reflecting the time value of money also reflects the risk that the asset is associated with. Different discounting factors are used for different time periods. As far as possible, the discount rate and assumptions, or portions of the assumptions, are based on external sources. Nevertheless, a large part of the calculation is dependent on the executive management's own assumptions. The executive management considers the assumptions to be significant to the Group's results and financial position. The Group's goodwill amounted to SEK 13 100m (12 408) at year-end, of which SEK 9 964m (9 701) relates to the investment in the Baltic banking operations. The executive management's assumptions in the calculation of value in use as of year-end 2017 did not lead to any impairment losses. Until 2001, 60 per cent of the Baltic banking operations had been acquired. In 2005 the remaining 40 per cent was acquired. The majority, or SEK 10 723m (10 440) of the goodwill before impairments arose through the acquisition of the remaining non-controlling interest and at the time corresponded to 40 per cent of the operation's total value. If the discount rate had been increased by one percentage point or the growth assumption had been reduced by one percentage point, it would not have created any impairment losses for the investments in the Baltic operations.

Financial instruments at fair value

When financial instruments are measured at fair value according to valuation models, a determination is made on which observable market data should be used in those models. The assumption is that quoted prices for financial instruments with similar activity will be used. When such prices or components of prices cannot be identified, the executive management must make its own assumptions. Note G44 shows financial instruments at fair value divided into three valuation levels: quoted prices, valuation models with observable market inputs and valuation models with significant assumptions. As of year-end the value of financial instruments measured with significant assumptions amounted to SEK 475m (223). An estimate of valuation parameters has to be made, for example, for volatilities for certain illiquid options.

Defined benefit pensions

For pension provisions for defined benefit obligations, the executive management uses a number of actuarial assumptions to estimate future cash flows. The assumptions are assessed and updated, if necessary, at each reporting date. Changes in assumptions are described in Note G38. Important estimates are made with regard to the final salary the employee has at the time of retirement, the size of the benefit when it relates to the income base amount and the payment period and economic life. Estimated future cash flows are projected at present value using an assumed discount rate. When actual outcomes deviate from the assumptions made, an experience-based actuarial gain or loss arises. Actuarial gains or losses also arise when assumptions change. In total, the Group's actuarial gains and losses for 2017 amounted to a loss of SEK 1 854m

(–2 628). The result is recognised as Remeasurements of defined benefit pension plans within other comprehensive income. The expense 2017 was mainly due to the fact that the discount rate decreased and that inflation expectations rose compared to last year end. At year end the discount rate, which are used in the calculation of the pension liability, was 2.56 % as per year end 2017 compared to 2.79 per cent last year end. The inflation assumption was 1.95 per cent compared with 1.84 per cent last year end. The pension liability exceeded the fair value of the assets managed by the Swedish defined benefit pension plans by SEK 3 200m (1 406).

5 NEW STANDARDS AND INTERPRETATIONS

5.1 Standards issued but not yet adopted

The International Accounting Standards Board (IASB) and IFRS Interpretations Committee (IFRIC) have issued the following standards, amendments to standards and interpretations that apply in or after 2017. The IASB permits earlier application. For Swedbank to apply them also requires that they have been approved by the EU if the amendments are not consistent with previous IFRS rules. Consequently, Swedbank has not applied the following amendments in the 2017 annual report.

Financial instruments (IFRS 9)

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 standard was approved by the EU in November 2016 for application to the financial year beginning on 1 January 2018.

The impacted areas and the estimated impacts from the adoption of IFRS 9 are summarised below. The significant accounting policies that will be applied by the Group from 1 January 2018 are also disclosed in section 5.2.

Changes to classification and measurement

Financial assets will be classified as either amortised cost or fair value through profit or loss. The Group will not have any financial assets classified as fair value through other comprehensive income. The classification assessment for debt instruments will be based on two criteria: (a) the Group's business model for managing financial assets and (b) whether the contractual cash flows of instruments represent solely payments of principal and interest. The introduction of the contractual cash flow characteristics test removed the requirements to assess for and separate embedded derivatives, where instruments are financial assets.

The Group performed business model assessments based on how financial asset portfolios are managed and evaluated. The contractual cash flow characteristics tests have been performed on standard contracts, samples of contracts from populations with homogeneous contractual features and individual contracts considered to have non-homogeneous features or clauses that required specific evaluation. The assessment of the business models and the contractual cash flow characteristics will not result in significant changes in the classification of financial assets as compared to the classification under IAS 39.

The Group designates financial assets at fair value through profit or loss under IAS 39, primarily to avoid an accounting mismatch. IFRS 9 provides a one-time ability to reevaluate these fair value designations and whether they should be ceased, either mandatorily or voluntarily, or elected to be continued where the designation criterion are still met. The Group will revoke previous designations made under IAS 39 for loans to the public of approximately SEK 93bn, due to that there is no longer an elimination or significant reduction of an accounting mismatch. These loans to the public will be reclassified to amortised cost, as the business model and cash flow characteristics assessments are also met. Other financial assets designated at fair value through profit or loss under IAS 39, namely financial assets for which the customers bear the investment risk and certain equity instruments, will be mandatorily classified as fair value through profit or loss under IFRS 9 due to the business model under which those financial assets are managed.

The classification and measurement requirements for financial liabilities remain largely unchanged from IAS 39. The primary change relates to financial liabilities designated at fair value through profit or loss. IFRS 9 requires the fair value changes due to own credit risk on these financial liabilities to be presented in other comprehensive income, rather than in profit or loss. The financial liabilities designated by the Group at fair value through profit or loss under IFRS 9 are unchanged compared to IAS 39. Adjustment for own credit risk recognised in profit or loss under IAS 39 is disclosed in Note G45.

Changes to impairment

IFRS 9 introduces an expected credit loss model for the measurement of impairment, where credit impairment provisions are recognised on financial assets classified as amortised cost, as well as irrevocable loan commitments and financial guarantees. Expected credit losses are measured based on whether there has been a significant increase in credit risk since initial recognition of an instrument and on unbiased forward-looking information, even if no actual loss events have taken place. Expected credit losses are estimated considering a broad range of information, including past events, current conditions and reasonable and supportable forecasts of future economic conditions that could affect the expected collectability of the future cash flows. Consequently, credit impairment provisions are more sensitive to changes in the future economic outlook and are likely to be more volatile as compared to IAS 39.

Changes to hedge accounting

The IFRS 9 hedge accounting requirements are aimed at better reflecting risk management activities in the financial statements and introduce a less rules-based approach to assessing hedge effectiveness. An accounting policy choice is provided regarding electing the IFRS 9 hedge accounting requirements or remaining with IAS 39.
The Group will adopt the IFRS 9 hedge accounting requirements for all hedge relationships, except the portfolio hedge of interest rate risk, for which IAS 39 will still be applicable. Hedging relationships that exist under IAS 39 qualify in accordance with IFRS 9. Additionally, the Group has elected to retrospectively apply the exclusion of the currency basis spread component from the hedging relationships. The primary impact will be a reclassification from the cash flow hedge reserve to the new foreign currency basis spread reserve within equity.

Adoption impacts

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

The current estimates of the total impacts from adopting IFRS 9 that equity will decrease by SEK 2.1bn and is that the Common Equity Tier 1 capital ratio will decrease by 0,06 percentage points as at 1 January 2018. Under the Capital Requirements Regulation (CRR), any shortfall of accounting credit impairment provisions as compared with expected losses calculated according to the capital adequacy rules for IRB portfolios is a deduction from Common Equity Tier 1 capital. If accounting credit impairment provisions exceed expected losses according to the capital adequacy rules, the excess amount is included as Tier 2 capital. According to transitional rules that apply until the end of 2022, a portion of the increase in credit impairment provisions may be included in Common Equity Tier 1 capital. These transitional rules are not mandatory and the Group has decided not to apply them.

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

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

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

Impact on governance and controls

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

Revenues from Contracts with Customers (IFRS 15)

IFRS 15 was issued in May 2014 and further clarifications were issued in April 2016. The standard establishes the principles for reporting useful information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard introduces a five-step model to determine how and when to recognise revenue, but it does not impact the recognition of income from financial instruments in the scope of IAS 39 or IFRS 9. Revenue recognition will occur at the point in time when control of the product or service is transferred to the customer. The standard also establishes new disclosures to provide more relevant information.

IFRS 15 and associated clarifications are applicable from 1 January 2018 and have been approved by the EU. The Group will adopt the requirements using the modified retrospective method, with the effect of initial application recognised on the date of initial application and no restatement of the comparative periods. The adoption will not have any impact on the Group's financial position, results or cash flows. The significant accounting policies that will be applied by the Group from 1 January 2018 are also disclosed in section 5.2.

Leases (IFRS 16)

IFRS 16 was issued in January 2016 and replaces IAS 17 Leases. The standard was approved by the EU in November 2017 for application to the financial year beginning on 1 January 2019. The new standard significantly changes the way lessee entities should account for leases. For lessees, the standard eliminates the distinction between finance and operating leases and requires entities to recognize right-of-use assets and lease liabilities arising from most leases on the balance sheet. In the income statement general administrative expenses will be replaced by depreciation of the right-of-use asset and interest expenses on the lease liability. For lessors, the requirements remain largely unchanged and maintain the distinction between finance and operating leases. The impacts on the Group's financial reports are still being assessed by the Group.

Insurance (IFRS 17)

IFRS 17 was issued in May 2017 and is applicable from 1 January 2021. The standard has not yet been approved by the EU. The new standard establishes principles for recognition, presentation, measurement and disclosure of insurance contracts issued. Insurance contracts in scope will be measured at current value, based on the current estimates of amounts expected to be collected from premiums and pay out for claims, benefits and expenses plus expected profit for providing insurance coverage. The impacts on the Group's financial reports are still being assessed by the Group.

Other IFRS changes

No other new or amended IFRS standards or interpretations issued and not yet adopted are expected to have a significant impact on the Group's financial position, results, cash flows or disclosures.

5.2 Significant accounting policies to be applied from 1 January 2018

Swedbank has elected to present the Group's significant accounting policies for new standards that will be adopted on 1 January 2018. Consequently, these significant accounting policies will only be applicable for the Group from that adoption date.

5.2.1 Financial instruments, general (IAS 32, IFRS 9)

Financial instruments represent the largest part of the Group's balance sheet. A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity. Cash and contractual rights to receive cash are examples of financial assets, whereas a contractual obligation to deliver cash or another financial asset is an example of a financial liability. A derivative is a financial instrument that is distinguished by the fact that its value changes in response to the change in a specified variable, such as foreign exchange rates, interest rates or share prices, it requires little or no initial net investment and it is settled on a future date.

Financial instruments are classified on relevant lines of the balance sheet depending on the nature of the instrument and the counterparty. If a financial instrument does not have a specific counterparty or it is listed on the market, the instrument is classified on the balance sheet as securities. Financial liabilities where the creditor has a lower priority than others are classified on the balance sheet as Subordinated liabilities.

Recognition and derecognition

Financial assets and liabilities are recognised on the balance sheet on the trade day, which is the date when the Group becomes a party to the instrument's contractual provisions, with the exception of financial assets measured at amortised cost, which are recognised on the settlement day. Financial assets are derecognised when the right to obtain the cash flows from a financial instrument has expired or has been transferred to another party.

When a financial asset is modified, the Group assesses whether the modification results in derecognition. A financial asset is considered modified where the contractual terms governing the cash flows are amended versus the original agreement, for example due to forbearance measures being applied, changes in market conditions, customer retention reasons or other factors unrelated to the credit deterioration of a borrower. Modified financial assets are derecognised from the balance sheet and a new loan recognised where an agreement is cancelled and replaced with a new agreement on substantially different terms or where the terms of an existing agreement are substantially modified. Modifications due to financial difficulties, including forbearance measures, are not considered substantial on their own.

Financial liabilities are derecognised when the obligation in the agreement has been discharged, cancelled or expired.

Embedded derivatives

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract, with the effect such that some of the cash flows vary in a manner similar to a stand-alone derivative. Derivatives embedded in financial liabilities, financial assets not in scope of IFRS 9, such as lease receivables and insurance contracts, or non-financial items are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss. Financial assets in the scope of IFRS 9 are not assessed for the existence of embedded derivatives, but rather the entire contract, including any features which alter the contractual cash flows, is assessed for classification.

Repos

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

Securities loans

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

Offsetting

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

Net interest income

Interest income on financial assets and interest expenses on financial liabilities include interest payments received or paid and changes in an instrument's amortised cost during the period, which produces a constant rate of return over the instrument's life, referred to as the effective interest rate. The effective interest rate is the rate that discounts future cash flows to the gross carrying amount of a financial instrument, taking into account transaction costs, premiums or discounts and fees paid or received that are an integral part of the return.

Interest income on financial assets is generally calculated by applying the effective interest rate to the gross carrying amount, with two exceptions. Where financial assets measured at amortised cost have become credit-impaired subsequent to initial recognition (Stage 3 financial assets), interest income is calculated by applying the effective interest rate to the amortised cost, which is the gross carrying amount less credit impairment provisions. If such financial assets are no longer credit-impaired, the calculation of interest income reverts back to the gross carrying amount basis. Where financial assets measured at amortised cost are credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost until the financial asset is derecognised from the balance sheet. The credit-adjusted effective interest rate is calculated based on the amortised cost of the financial asset rather than the gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

Interest expense is calculated by applying the effective interest rate to the amortised cost of financial liabilities.

Interest income and interest expense on financial instruments which are held for trading financial instruments and related interests within the LC&I segment are excluded from Net interest income and reported as Net gains and losses on financial items at fair value.

The Group holds some financial assets and liabilities at amortised cost with negative yields, which are presented as separate lines within Net interest income in the income statement.

5.2.2 Financial instruments, classification and measurement (IFRS 9)
Financial assets are classified as measured at either amortised cost or fair value through profit or loss, based on the business model for managing the assets and the asset's contractual terms. The Group does not have any financial assets classified as fair value through other comprehensive income (managed under a hold to collect and sell business model).

The business model reflects how the Group manages portfolios of financial assets in order to generate cash flows. The factors considered in determining the business model for a portfolio of financial assets include past experience on how the cash flows have been collected, how the financial assets' performance is evaluated and reported to management, how risks are assessed and managed and how compensation is linked to performance. The Group assesses the contractual terms of financial assets to identify whether the contractual cash flows are solely payments of principal and interest. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement. Principal is defined as the fair value of a financial asset on initial recognition. Interest is defined as the compensation for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is not compliant with the solely payments of principal and interest criterion.

Financial liabilities are classified as measured at either amortised cost or fair value through profit or loss.

Financial assets at amortised cost
Financial assets which are debt instruments are classified as measured at amortised cost if they are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows and if the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the issue or acquisition of financial assets and subsequently measured at amortised cost. Fair value is normally the amount advanced, including fees and commissions. The amortised cost is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any credit impairment provisions. Accounting policies regarding credit impairment provisions are disclosed in section 5.2.3.

Financial assets at fair value through profit or loss
Financial assets classified as measured at fair value through profit or loss is comprised of:
• Debt instruments that are mandatorily classified at fair value through profit or loss
• Equity instruments
• Derivative assets that are not designated for hedge accounting

The mandatory classification includes debt instruments in a business model other than held to collect the contractual cash flows, including those that are held for trading or that are managed and whose performance is evaluated on a fair value basis. Financial instruments held for trading are acquired for the purpose of selling in the near term or are part of a portfolio for which there is evidence of a pattern of short-term profit-taking. The mandatory classification also includes debt instruments with contractual cash flows that are not solely payments of principal and interest.

Financial assets at fair value through profit or loss are initially recognised and subsequently measured at fair value. Transaction costs that are directly attributable to the issue or acquisition of financial assets at fair value through profit or loss are expensed in profit or loss. The fair value of financial instruments is determined based on quoted prices in active markets. When such market prices are not available, generally accepted valuation models such as discounted future cash flows are used. The valuation models are based on observable market data, such as quoted prices in active markets for similar instruments or quoted prices for identical instruments in inactive markets. Differences that arise at initial recognition between the transaction price and the fair value according to a valuation model, so-called 'day 1-profits or losses', are recognised in the income statement only when the valuation model is based entirely on observable market data. In all other cases the difference is amortised during the financial instrument's remaining maturity.

Changes in fair value and share dividends are recognised through profit or loss in Net gains and losses on financial items at fair value. Changes in fair value due to changes in exchange rates are recognised as changes in exchange rates in the same profit or loss line. Decreases in fair value attributable to debtor insolvency are recognised as credit impairments.

Financial liabilities at amortised cost
Financial liabilities classified as measured at amortised cost include those that are not classified as fair value through profit or loss. Such financial liabilities are recognised on the trade day at fair value, which is typically the amount borrowed, and subsequently measured at amortised cost using the effective interest method. The amortised cost measurement is analogous to that which is applied to financial assets, however it does not include adjustments for credit impairment provisions.

Financial liabilities at fair value through profit or loss
Financial liabilities classified as measured at fair value through profit or loss is comprised of:
• Financial liabilities held for trading
• Derivatives that are not designated for hedge accounting
• Financial liabilities designated at fair value through profit or loss at initial recognition

The Group applies the option to irrevocably designate financial liabilities at fair value through profit or loss for:
• Financial liabilities in insurance operations, where the customer bears the investment risk and the corresponding financial assets are measured at fair value through profit or loss. The contractual amount due to investors is determined on the basis of the fair value of the corresponding financial assets.
• Debt securities in issue, which have fixed contractual interest rates, and for which the portfolio's aggregate interest rate risk is essentially eliminated with derivatives that are measured at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are initially recognised at fair value on the trade day and subsequently measured at fair value. The determination of fair value and the accounting for gains or losses on initial recognition are analogous to financial assets at fair value through profit or loss. Changes in fair value are recognised in profit or loss within Net gains and losses on financial items at fair value, with the exception of changes in fair value due to changes in the Group's own credit risk. Such changes are presented in other comprehensive income, with no subsequent reclassification to the income statement.

Reclassification of financial assets and liabilities
The Group does not reclassify its financial assets unless the business model under which the financial assets are held changes, which is expected to be very exceptional. Financial liabilities are never reclassified.

5.2.3 Financial instruments, credit impairment (IFRS 9)
Credit impairment provisions are recognised on the following financial instruments: financial assets that are measured at amortised cost, lease receivables, irrevocable loan commitments issued, financial guarantee contracts issued and contract assets. Credit impairment provisions are measured according to an expected credit loss model and reflect an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes and considering all reasonable and supportable information available without undue cost or effort at the reporting date. Such provisions are measured according to whether there has been a significant increase in credit risk since initial recognition of an instrument.
• Stage 1 includes financial instruments that have not experienced a significant increase in credit risk since initial recognition and those within the Group's policy to assess for low credit risk at the reporting date, which is defined as having an investment grade equivalent rating.
• Stage 2 includes financial instruments that have deteriorated significantly in credit quality since the initial recognition but for which there is no objective evidence of credit impairment.
• Stage 3 includes financial instruments which are credit-impaired and for which there is objective evidence of impairment.

12-month expected credit losses are recognized on instruments in Stage 1 and lifetime expected credit losses are recognized on instruments in Stage 2 and Stage 3. The lifetime expected credit losses represent losses from all possible default events over the remaining life of the financial instrument. The 12-month expected credit losses are the portion of the lifetime expected credit losses resulting from the default events that are possible within 12 months after the reporting date.

Measurement of expected credit losses

Expected credit losses are measured for each individual exposure as the discounted product of a probability of default (PD), an exposure at default (EAD), and a loss given default (LGD). The PD represents the likelihood that a borrower will default on its obligation, during the next 12 months or during the remaining lifetime of the obligation. The EAD is an expected exposure at the time of default, taking into account scheduled repayments of principal and interest, and expected further drawdowns on irrevocable facilities. The LGD represents the expected loss on a defaulted exposure, taking into account such factors as counterparty characteristics, collateral and product type.

Expected credit losses are determined by projecting the PD, LGD and EAD for each future month over the expected lifetime of an exposure. The three parameters are multiplied together and adjusted for the probability of survival, or the likelihood that the exposure has not been prepaid or has not defaulted in an earlier month. This effectively calculates monthly expected credit losses, which are discounted back to the reporting date using the original effective interest rate and summed. The sum of all months over the remaining expected lifetime results in the lifetime expected credit losses and the sum of the next 12 months results in the 12-month expected credit losses.

When estimating expected credit losses, the Group considers at least three scenarios (a base case, an upside and a downside), represented by relevant macroeconomic variables, such as GDP, house prices, and unemployment rates. The risk parameters used to estimate expected credit losses incorporate the effects of the macroeconomic forecasts and associated expected probabilities, to measure an unbiased probability weighted average. In cases where the impacts of relevant factors are not captured in the modelled expected credit loss results, the Group uses its experienced credit judgement to incorporate such effects.

The Group assesses material 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, which consider macroeconomic and non-macroeconomic (borrower-specific) scenarios.

Definition of default and credit-impaired assets

Default is an input to the PD, which affects both the identification of a significant increase in credit risk and the measurement of the expected credit losses. Financial assets classified as credit-impaired are included in Stage 3.

The Group's IFRS 9 definitions of default and credit-impaired assets are aligned to the Group's regulatory definition of default, as this is what is used for risk management purposes. Default and credit-impairment are triggered when one of the following occurs: an exposure is more than 90 days past due, an exposure is declared in bankruptcy or similar order, a non-performing forbearance measure is applied towards the borrower or there is an assessment that the borrower is unlikely to pay its obligations as agreed. When assessing whether a borrower is unlikely to pay its obligations, the Group takes into account both qualitative and quantitative factors including but not limited to the overdue status or non-payment on other obligations of the same borrower, expected bankruptcy and breaches of financial covenants. The Group has elected to rebut the presumption that instruments which are 90 days past due are in default or credit-impaired for instruments in the sovereign and financial institutions exposure classes only.

An instrument is no longer considered to be in default or credit-impaired when all overdue amounts are repaid, there is sufficient evidence to demonstrate that there is a significant reduction in the risk of non-payment of future cash flows and there are no other indicators of credit-impairment.

Determining a significant increase in credit risk since initial recognition

The Group assesses changes in credit risk using a combination of individual and collective information and reflects significant increases in credit risk at the individual financial instrument level. For financial instruments with an initial recognition date of 1 January 2018 or later, the primary indicator used to assess changes in credit risk is changes in the forward-looking lifetime probability of default since initial recognition, which incorporates the effects of past and current forecasted economic conditions. Changes in Swedbank internal credit ratings since initial recognition, where each rating corresponds to a 12-month probability of default, is used as a secondary indicator of significant increase in credit risk. The estimation of the forward-looking lifetime probabilities of default for initial recognition dates prior to the adoption of IFRS 9 would not have been possible without the use of hindsight and would have required undue cost and effort. Consequently, for those instruments with an initial recognition date prior to 1 January 2018, changes in Swedbank internal credit ratings since initial recognition is used as the primary indicator.

Qualitative indicators are also considered in the stage allocation assessment; for example whether a borrower is monitored on the watch list or has been extended performing forbearance measures. Furthermore, a significant increase in credit risk is considered to have occurred for all financial instruments which are 30 days past due.

The Group considers that certain financial instruments with low credit risk at the reporting date, have not experienced a significant increase in credit risk. The Group applies this policy to financial instruments issued to sovereign and financial institutions only.

A financial instrument is no longer considered to have experienced a significant increase in credit risk when all indicators are no longer breached.

Expected lifetime

The lifetime of a financial instrument is relevant for both the assessment of significant increase in credit risk, which considers changes in the probability of default over the expected lifetime, and the measurement of lifetime expected credit losses. 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.

The only exception to this general principle applies for certain revolving facilities, such as credit cards, where the expected lifetime is estimated based on the period over which the Group is exposed to credit risk and where the credit losses would not be mitigated by risk management actions. This so-called behavioural life is determined using product-specific historical data and ranges up to 10 years.

Modifications

Where a loan is modified but is not derecognised, significant increases in credit risk continue to be assessed for impairment purposes as compared to the initial recognition credit risk. Modifications do not automatically lead to a decrease in credit risk and all quantitative and qualitative indicators will continue to be assessed. Further to this, a modification gain or loss is recognised in the income statement within Credit impairments, which represents the difference in the present value of the contractual cash flows, discounted at the original effective interest rate.

Where a loan is modified and derecognised, the date of the modification is the initial recognition date of the new loan for credit impairment purposes, including for the assessment of significant increases in credit risk. Where the new loan is considered to be credit-impaired on initial recognition, it is classified as a purchased or originated credit-impaired asset and therefore in Stage 3 until the loan is repaid or written-off.

Purchased or originated credit impaired assets

Instruments which are credit impaired on initial recognition are accounted for as purchased or originated credit-impaired assets. The expected credit losses for such assets are always measured at an amount equal to the lifetime expected credit losses. However, the expected credit loss on initial recognition are considered as part of the gross carrying amount and therefore the recognized credit impairment provision represents only the changes in the lifetime expected credit losses from the initial recognition date. Favourable changes in the lifetime expected credit losses are recognised as an impairment gain, even if those changes are more than the amount previously recognised as credit impairments.

Presentation of credit impairments

For financial assets measured at amortised cost, credit impairment provisions are presented in the balance sheet as a reduction of the gross carrying amount of the assets. For loan commitments and financial guarantee contracts, such provisions are presented as a liability within Other liabilities and provisions. Where a financial instrument includes both a loan and a loan commitment component, such as revolving credit facilities, the Group recognises the credit impairment provisions separately for the loan and the loan commitment components.

A write-off reduced the gross carrying amount of a financial asset. Credit impairment losses and write-offs are presented as Credit impairments in the income statement. Write-offs are recognised when the amount of loss is ultimately determined and represent the amount before the utilisation of any previous provisions. Any subsequent recoveries of write-offs or impairment provisions are recognised as gains within Credit impairments.

5.2.4 Financial instruments, hedge accounting (IAS 39, IFRS 9)

Fair value hedges (IFRS 9)

Hedge accounting at fair value is applied in certain cases when the interest rate exposure in a recognised financial asset or financial liability is hedged with derivatives. Where hedge accounting is applied, the hedged risk in the individual hedged item is also measured at fair value. The value of the hedged risk in an individual financial asset or financial liability is recognised on the same line in the balance sheet as the financial instrument. Both the change in the value of the derivative hedging instruments and the change in the value of the hedged risk are recognised through profit or loss in net gains and losses on financial items at fair value.

In order to apply hedge accounting, the hedge relationship has been formally identified and documented. The hedge's effectiveness is proven to remain prospectively effective. There is an economic relationship between the hedged item and the hedging instrument and the effect of credit risk does not dominate the value changes resulting from that relationship. Also, the hedge ratio is the same as that resulting from the quantity of both the hedged item and the hedging instrument actually used.

Portfolio fair value hedges (IAS 39)

Portfolio hedge accounting at fair value is applied by the Group in certain cases where the interest rate exposure in loan portfolios is hedged with derivatives. Where hedge accounting is applied, the hedged risk in the hedged portfolio is also measured at fair value. The value of the hedged risk in the hedged portfolio is recognised on a separate line in the balance sheet as Value change of interest hedged item in portfolio hedge. The item is recognised in connection with Loans to the public. Both the change in the value of the derivative hedging instruments and the change in the value of the hedged risk are recognised through profit or loss in Net gains and losses on financial items at fair value.

In order to apply hedge accounting, the hedge relationship has been formally identified and documented. The hedge's effectiveness must be measurable in a reliable way and must be proven to remain very effective, both prospectively and retrospectively, in offsetting changes in the fair value of the hedged risk.

Cash flow hedges (IFRS 9)

Derivative transactions are sometimes entered into to hedge the exposure to variations in future cash flows resulting from changes in exchange rates. These hedges can be recognised as cash flow hedges, whereby the effective portion of the change in the value of the derivative hedging instrument, is recognised directly in other comprehensive income. Where the derivative hedging instrument is a currency swap, the Group excludes the foreign currency basis spread from the hedging relationship. The changes in fair value of the currency swap are recognised in other comprehensive income; however the changes related to the effective portion of the hedge relationship and the foreign currency basis spread component are recognised separately in the cash flow hedge reserve and the foreign currency basis reserve, respectively. The amounts accumulated in the respective reserves are subsequently reclassified to profit or loss in the same periods that the hedged future cash flows or the foreign currency basis spread cash flows affect profit or loss. Any ineffective portion is recognised through profit or loss in Net gains and losses on financial items at fair value.

In order to apply hedge accounting, the hedge relationship has been formally identified and documented. The hedge's effectiveness is proven to remain prospectively effective. There is an economic relationship between the hedged item and the hedging instrument and the effect of credit risk does not dominate the value changes resulting from that relationship. Also, the hedge ratio is the same as that resulting from the quantity of both the hedged item and the hedging instrument actually used.

Hedging of net investments in foreign operations (IFRS 9)

Hedges of net investments in foreign operations are applied to protect the Group from translation differences that arise from the translation of operations in a functional currency other than the presentation currency. Financial liabilities reported in the foreign operation's functional currency are translated at the closing-day exchange rate. The portion of the exchange rate result from hedging instruments that are effective is recognised in other comprehensive income. Any ineffective portion is recognised in profit or loss in Net gains and losses on financial items at fair value. When a foreign operation is divested, the gain or loss from the hedging instrument is reclassified from other comprehensive income and recognised in profit or loss.

In order to apply hedge accounting, the hedge relationship has been formally identified and documented. The hedge's effectiveness is proven to remain prospectively effective.

5.2.5 Net commission and other incomes

Revenues from contracts with customers consist primarily of service related fees and are reported as Commission income, including Asset Management, Cards and Payment processing, or as Other income, including IT services. Such revenues are recognised when a performance obligation is satisfied, which is when control of the products or services are transferred to the customer. The revenues typically reflect the consideration which is expected to be received in exchange for those products or services. Where the consideration includes a variable component, for example due to discounts, refunds or performance-based elements, revenue is only recognised when it is highly probable that a significant reversal in the amount will not occur. The total consideration is allocated to each service and is dependent on whether the services are satisfied at a point in time or accrued over a period of time. The Group presents contract assets for services which have been provided but not charged and contract liabilities for short-term advances received but where the service has not yet been provided.

Commission expenses are transaction-dependent and are directly related to the transactions for which income is recognised in Commission income.

Other income includes capital gains and losses on the sale of ownership interests in subsidiaries and associates, to the extent they do not represent an independent service line or a significant business conducted within a geographical area. Other income also includes capital gains and losses on the sale of tangible assets.

G3 Risks

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

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

To ensure that Swedbank's risk profile maintains a low level also in the long-term perspective, the Board has set an overall risk appetite. In line with this appetite, individual CEO limits have been established for the types of risks that the Group is exposed to. The CEO limits are complemented by limits at lower levels as well as risk indicators, which are closely monitored and designed to provide early warning signals should the prerequisites in the risk landscape change.

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

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

Credit risks

DEFINITION

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

Credit risk also includes counterparty risk, concentration risk and foreign exchange (FX) settlement risk. Counterparty risk is the risk that a counterparty in a trading transaction will not meet its financial obligations towards Swedbank and that the collateral received will not be enough to cover the claim against the counterparty. In this context, trading transactions refer to repos, derivatives and security financing transactions. Concentration risk comprises, among other things, large exposures or concentrations in the credit portfolio to specific counterparties, sectors or geographies.

Foreign exchange (FX) settlement risk is the risk that a counterparty fails to meet its obligations as Swedbank has already fulfilled its agreement at the time of the executed transaction (delivery/payment).

Risk management

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

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

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

Risk measurement

Swedbank's internal risk classification system is the basis for:
- Risk assessment and credit decisions
- Calculating risk-adjusted returns (including RAROC)
- Calculating portfolio provisions
- Monitoring and managing credit risks (including migrations)
- Reporting credit risks to the Board, CEO and Group Executive Management
- Developing credit strategies and associated risk management activities
- Calculating capital requirements and capital allocation

The risk classification is a key part of the monitoring of individual credit exposures. The risk class is assessed and assigned in connection with the credit decision. The assigned risk class affects not only the requirements on the scope of the analysis and documentation, but also how monitoring of customers shall be performed. In this way, transactions categorised as low-risk can be approved through a smoother and faster credit process.

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

The goal of the risk classification is to predict defaults within one year. It is expressed on a scale of 23 classes, where 0 represents the highest risk and 21 represents the lowest risk of default, with one class for defaulted exposures. The table below describes the Group's risk classification and how this relates to the calculated theoretical probability of default within 12 months (PD) as well as an indicative rating from Standard & Poor's. Of the total IRB-assessed exposures, 82 per cent (81) fall in the risk classes 13–21, i.e. investment grade, where the risk of default is considered low. Of the exposures, 53 per cent (47) have a risk grade of 18 or higher which corresponds to a rating of A from the major rating agencies. The exposures relate to the Group's consolidated situation.

Risk grade according to IRB methodology

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

To ensure the most accurate internal rating possible, various risk classification models have been developed. There are primarily two types of models; one is based on statistical methods, requiring access to a large amount of information on counterparties and sufficient information regarding counterparties that have entered into default. In cases where statistical methods are not applied, models are created where the evaluation criteria are based on expert opinions.

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

Maximum credit risk exposure distributed by rating 2017	Risk grade according to the IRB methodology							
	Low risk PD <0,5	Normal risk PD 0,5–2,0	Augmented risk PD 2,0–5,7	High risk PD >5,7	Default PD 100,0	Non-rated exposures	Standardised methodology	EAD
Total exposure	**1 696 574**	**205 258**	**60 847**	**29 071**	**9 955**	**8 211**	**60 271**	**2 070 187**

	Swedish Banking	%	Large corporates & Institutions	%	Baltic Banking	%	Other	%	Total	%
EAD										
Low risk	1 028 671	49.7	271 259	13.1	80 616	3.9	316 028	15.3	1 696 574	82.0
Normal risk	135 205	6.5	24 326	1.2	45 616	2.2	111	0.0	205 258	9.9
Augmented risk	36 919	1.8	7 336	0.4	16 441	0.8	151	0.0	60 847	2.9
High risk	12 401	0.6	7 306	0.4	9 353	0.5	11	0.0	29 071	1.4
Defaults	2 681	0.1	5 323	0.3	1 951	0.1			9 955	0.5
Non-rated exposures	461	0.0	2 612	0.1	5 053	0.2	85	0.0	8 211	0.4
Standardised method	23 716	1.1	15 592	0.8	10 549	0.5	10 414	0.5	60 271	2.9
Total	**1 240 054**	**59.9**	**333 754**	**16.1**	**169 579**	**8.2**	**326 800**	**15.8**	**2 070 187**	**100.0**

	Public	%	Corporates	%	Institutions	%	States	%	Other	%	Total	%
EAD												
Low risk	954 225	46.1	356 311	17.2	63 842	3.1	322 196	15.6			1 696 574	82.0
Normal risk	103 438	5.0	101 630	4.9	190	0.0					205 258	9.9
Augmented risk	34 076	1.6	26 654	1.3	39	0.0	78	0.0			60 847	2.9
High risk	13 646	0.7	15 425	0.7							29 071	1.4
Defaults	2 247	0.1	7 706	0.4			2	0.0			9 955	0.5
Non-rated exposures			1 169	0.1					7 042	0.3	8 211	0.4
Standardised method											60 271	2.9
Total	**1 107 632**	**53.5**	**508 895**	**24.6**	**64 071**	**3.1**	**322 276**	**15.6**	**7 042**	**0.3**	**2 070 187**	**100.0**

The above table refers to Swedbank Consolidated Situation.

Maximum credit risk exposure distributed by rating 2016	Risk grade according to the IRB methodology							
	Low risk PD <0,5	Normal risk PD 0,5–2,0	Augmented risk PD 2,0–5,7	High risk PD >5,7	Default PD 100,0	Non-rated exposures	Standardised methodology	EAD
Total exposure	**1 320 338**	**204 572**	**63 476**	**24 997**	**10 230**	**13 591**	**351 879**	**1 989 083**

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

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

The above table refers to Swedbank Consolidated Situation.

Maximum credit risk exposure, geographical distribution 2017

	Note	Sweden	Estonia	Latvia	Lithuania	Norway	Denmark	Finland	USA	Other	Total
Assets											
Cash and balances with central banks		89 464	21 957	16 475	25 818	4 284	67	2 076	40 123	107	200 371
Treasury bills and other bills eligible for refinancing with central banks	G21	80 086		1 168	714	609	267	1 840		1 219	85 903
Swedish central bank		65 003									65 003
Governments		10 081		1 168	714	609	267	1 840		1 219	15 898
Municipalities		4 449									4 449
Other		553									553
Loans to credit institutions	G22	24 704	1 625	1 280	1 137	–30	41	9	132	1 848	30 746
Banks		7 036	1 604	1 256	1 107	–30	41	9	132	1 096	12 251
Other credit institutions		13 931								752	14 683
Repurchase agreements, banks[1]		45									45
Repurchase agreements, other credit institutions[1]		466									466
Cash collateral		3 226	21	24	30						3 301
Loans to the public	G23	1 321 100	71 366	31 849	45 945	49 469	2 771	9 691	753	2 254	1 535 198
Swedish National Debt Office		8 500									8 500
Repurchase agreements, Swedish National Debt Office[1]		2 862									2 862
Repurchase agreements, other public[1]		22 155			31						22 185
Real Estate Residential		914 294	31 387	13 593	24 282		1 234				984 790
Real Estate Commercial		155 528	16 561	6 886	8 668	2 080	1 128		120		190 971
Guarantees		29 102	2 436	318	587	435		153	205	704	33 940
Cash		4 380	351	500	442	33					5 706
Other collateral		107 300	13 388	6 680	7 223	9 271	386		313		144 561
Unsecured		76 980	7 243	3 872	4 712	37 649	22	9 539	115	1 550	141 682
Bonds and other interest-bearing securities	G24	41 359	35		1	4 283	930	2 301	3 321	6 901	59 131
Mortgage institutions		30 141									30 141
Banks		3 879				3 191	165	1 164	3 300	3 560	15 259
Other financial companies		5 050							6	287	5 343
Non-financial companies		2 289	35		1	1 092	765	1 137	15	3 054	8 388
Derivatives	G28	25 468	121	48	106	3 276	1 102	1 716	442	23 400	55 680
Other financial assets	G31	13 428	598	325	513	1 531		63	67	247	16 772
Contingent liabilities and commitments											
Guarantees		30 360	2 410	970	1 340	4 934	160	400	3 350	133	44 057
Commitments		198 353	7 708	5 317	10 331	22 012		17 598	1 269	333	262 921
Total		**1 824 321**	**105 820**	**57 432**	**85 905**	**90 368**	**5 338**	**35 694**	**49 457**	**36 443**	**2 290 779**
% of total		80	5	3	4	4	0	2	2	2	100

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

Derivatives, netting gains and collateral held 2017

	Sweden	Estonia	Latvia	Lithuania	Norway	Denmark	Finland	USA	Other	Total
Positive fair value of contracts, balance sheet	25 468	121	48	106	3 276	1 102	1 716	442	23 400	55 680
Netting agreements, related amount not offset in the balance sheet	8 340		1		1 009	743	1 148	333	13 152	24 726
Credit exposure, after offset of netting agreements	**17 128**	**121**	**47**	**106**	**2 267**	**359**	**568**	**109**	**10 249**	**30 954**
Collateral held[1]	1 464		9		460	107	5		7 465	9 510
Net credit exposures after collateral held	**15 664**	**121**	**39**	**106**	**1 808**	**252**	**563**	**109**	**2 784**	**21 445**

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

Maximum credit risk exposure, geographical distribution 2016

	Note	Sweden	Estonia	Latvia	Lithuania	Norway	Denmark	Finland	USA	Other	Total
Assets											
Cash and balances with central banks		18 361	21 951	13 829	21 305	581	63	27 821	17 311	125	121 347
Treasury bills and other bills eligible for refinancing with central banks	G21	99 498		2 222	1 649	865	268	1 994		1 075	107 571
States		9 908		2 222	1 649	33	268	1 978		1 075	17 133
Swedish central bank		85 005									85 005
Municipalities		4 585				832		16			5 433
Loans to credit institutions	G22	27 374	1 434	1 018	568	–81	18	–311	107	2 069	32 197
Repurchase agreements, banks[1]		617									617
Repurchase agreements, other credit institutions[1]		235									235
Loans to the public	G23	1 308 673	65 228	31 016	44 041	41 753	2 116	11 424	775	2 220	1 507 247
Swedish National Debt Office		5 079									5 079
Repurchase agreements, Swedish National Debt Office[1]		3 797									3 797
Repurchase agreements, other public[1]		45 028	11		24						45 063
Real Estate Residential		882 305	29 017	13 894	20 917	95	1 171				947 399
Real Estate Commercial		143 799	16 212	7 080	8 889	3 669	632		274		180 555
Guarantees		28 810	3 345	362	322	436		180		568	34 023
Cash		13 016	15	621	378						14 030
Other collateral		106 215	8 817	6 901	6 812	9 981	285		392		139 403
Unsecured		80 625	7 811	2 158	6 699	27 572	28	11 244	109	1 652	137 898
Bonds and other interest-bearing securities	G24	48 294	41	7		7 550	843	2 059	4 228	11 479	74 501
Housing finance institution		34 839									34 839
Banks		5 654				4 919	186	1 393	4 215	5 765	22 132
Other financial companies		6 161								1 920	8 081
Non-financial companies		1 640	41	7		2 631	657	666	13	3 794	9 449
Derivatives	G28	38 559	196	64	124	5 288	1 472	5 670	593	35 843	87 811
Other financial assets	G31	7 412	581	346	345	1 276		571	28	294	10 853
Contingent liabilities and commitments											
Guarantees		28 816	2 201	1 191	1 287	5 316	104	167	3 645	23	42 750
Commitments		203 341	9 812	5 224	7 719	16 555		17 684	2 000	366	262 701
Total		**1 780 329**	**101 445**	**54 918**	**77 038**	**79 103**	**4 884**	**67 079**	**28 688**	**53 494**	**2 246 978**
% of total		79	5	2	3	4	0	3	1	2	100

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

Derivatives, netting gains and collateral held 2016

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

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

Credit derivatives	**2017**	**2016**
Credit derivatives, nominal amounts	**982**	**2 002**

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

GIIPS exposure, carrying amount	2017						2016					
	Greece	Ireland	Italy	Portugal	Spain	Total	Greece	Ireland	Italy	Portugal	Spain	Total
Bonds					95	95					315	315
Loans (money market and certificates)			23			23			22	5		27
Derivatives net[1]		6	3	2	83	94		10	16		94	120
Other[2]		1	18		1	20		23	11			34
Total		**7**	**44**	**2**	**179**	**232**		**33**	**49**	**5**	**409**	**496**

1) Derivatives at market value taking into account netting and collateral agreements. Considering Swedbank's internal risk add-ons for counterparty risk at potential future change in prices, the derivative exposures amount to: Ireland SEK 24m (13), Italy SEK 374m (397), Portugal 10m (10), and Spain SEK 395m (325). Total SEK 802m (744).

2) Includes trade finance and mortgage loans.

Loans to the public and credit institutions, carrying amount 2017

	Loans individually assessed as not impaired				Loans individually assessed as impaired			Total
	Before portfolio provisions		Portfolio provisions	After portfolio provisions	Before provisions	Provisions	After provisions	
	Performing	Past due						
Geographical distribution								
Sweden	1 285 842	1 234	460	1 286 616	1 900	932	968	1 287 584
Estonia	70 221	660	163	70 718	984	336	648	71 366
Latvia	31 125	524	123	31 526	527	204	323	31 849
Lithuania	44 586	897	64	45 419	672	177	495	45 914
Norway	46 339	10	148	46 201	4 492	1 225	3 267	49 468
Denmark	2 768			2 768	4	2	2	2 770
Finland	9 696		4	9 692				9 692
USA	764		11	753				753
Other	2 291		37	2 254				2 254
Loans to the public excluding the Swedish National Debt Office and repurchase agreements	**1 493 632**	**3 325**	**1 010**	**1 495 947**	**8 579**	**2 876**	**5 703**	**1 501 650**
Sector/industry								
Private customers	977 790	2 219	279	979 730	1 415	496	919	980 649
Mortgage loans, private	826 457	1 872	156	828 173	1 056	305	751	828 924
Tenant owner association	109 166	23	47	109 142	32		32	109 174
Other, private	42 167	324	76	42 415	327	191	136	42 551
Corporate customers	515 842	1 106	731	516 217	7 164	2 380	4 784	521 001
Agriculture, forestry, fishing	67 481	103	41	67 543	226	64	162	67 705
Manufacturing	47 846	133	102	47 877	354	160	194	48 071
Public sector and utilities	21 178	12	18	21 172	62	3	59	21 231
Construction	19 967	48	38	19 977	121	65	56	20 033
Retail	28 502	242	52	28 692	322	145	177	28 869
Transportation	16 956	71	16	17 011	38	9	29	17 040
Shipping and offshore	20 103		122	19 981	4 509	1 236	3 273	23 254
Hotels and restaurants	7 369	60	15	7 414	43	16	27	7 441
Information and communications	10 875	39	11	10 903	167	106	61	10 964
Finance and insurance	12 321	11	13	12 319	7	7		12 319
Property management	218 328	183	139	218 372	478	122	356	218 728
Residential properties	66 391	69	33	66 427	122	21	101	66 528
Commercial	83 356	81	65	83 372	66	29	37	83 409
Industrial and warehouse	43 486	4	24	43 467	87	12	75	43 542
Other property management	25 095	28	17	25 106	203	60	143	25 249
Professional services	25 923	164	135	25 952	661	364	297	26 249
Other corporate lending	18 993	40	29	19 004	176	83	93	19 097
Loans to the public excluding the Swedish National Debt Office and repurchase agreements	**1 493 632**	**3 325**	**1 010**	**1 495 947**	**8 579**	**2 876**	**5 703**	**1 501 650**
Loans to credit institutions excluding the Swedish National Debt Office and repurchase agreements	**64 294**			**64 294**				**64 294**
Loans to the public and credit institutions	**1 557 926**	**3 325**	**1 010**	**1 560 241**	**8 579**	**2 876**	**5 703**	**1 565 944**

Loans to the public and credit institutions, carrying amount 2016

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

Impaired, past due and forborne loans 2017

	Sweden	Estonia	Latvia	Lithuania	Norway	Denmark	USA	Total
Impaired loans								
Carrying amount before provisions	1 900	984	527	672	4 492	4		8 579
Provisions	932	336	204	177	1 225	2		2 876
Carrying amount after provisions	968	648	323	495	3 267	2		5 703
Share of impaired loans, net, %	0.07	0.91	1.01	1.08	6.61	0.07		0.36
Share of impaired loans, gross, %	0.14	1.37	1.64	1.46	8.84	0.14		0.55
Past due loans that are not impaired								
Valuation category, loans and receivables								
Loans with past due amount,	657	660	524	897	10			2 748
5-30 days	175	528	440	483				1 626
31-60 days	118	107	50	189	10			474
61-90 days	340	24	18	69				451
more than 90 days	24	1	16	156				197
Valuation category, fair value through profit or loss								
Loans with past due amount,	577							577
5-30 days	99							99
31-60 days	254							254
61-90 days	102							102
more than 90 days	122							122
Total	**1 234**	**660**	**524**	**897**	**10**	**0**	**0**	**3 325**
Forborne loans								
Performing	2 732	870	589	136	7 768		129	12 224
Non-performing	300	878	506	490	4 499			6 673

Impaired, past due and forborne loans 2016

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

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

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

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

Loans provisions 2017

	Sweden	Estonia	Latvia	Lithuania	Norway	Denmark	USA	Other	Total
Opening balance	**1 176**	**628**	**432**	**287**	**1 180**	**4**	**5**	**43**	**3 755**
New provisions	400	36	19	1	535				991
Utilisation of previous provisions	–103	–138	–111	–19	–60				–431
Reversal of previous provisions	–69	–18	–2	–36	–140	–2			–267
Portfolio provisions for loans that are not impaired	–16	–13	–20	2	3		6	–2	–40
Change in exchange rates and other adjustments	4	4	9	6	–145				–122
Closing balance	**1 392**	**499**	**327**	**241**	**1 373**	**2**	**11**	**41**	**3 886**
Total provision ratio for impaired loans, %	73	51	62	36	31	50			45
Provision ratio for impaired loans, %	49	34	39	26	27	50			34

Loans provisions 2016

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

Concentration risk, customer exposure
At end of 2017, the Group did not have any exposures against individual counterparties that exceeded 10 per cent of the capital base.

Collateral that can be sold or pledged even if the counterparty fulfils its contractual obligations
Granting repos implies that the Group receives securities that can be sold or pledged. The fair value of these securities covers the carrying amount of the repos. The Group also receives collateral in terms of securities that can be sold or pledged for derivatives and other exposures. The fair value of such collateral as of year-end amounted to SEK 482m (1 218). None of this collateral had been sold or repledged as of year-end.

Assets taken over for protection of claims and cancelled leases

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

	2017				2016			
	Number	Carrying amount, over-taken during 2017	Carrying amount	Fair value	Number	Carrying amount, over-taken during 2016	Carrying amount	Fair value
Total								
Buildings and land	125	35	141	180	184	57	257	330
Shares and other participating interests	1	0	0	0	1		3	3
Other	64	2	80	104	78	137	145	170
Total	**190**	**37**	**221**	**284**	**263**	**194**	**405**	**503**

Capital requirement for credit risks

The capital requirement for credit risks in Swedbank (consolidated situation) on 31 December 2017 amounted to SEK 24 318m (25 313). For more information, see note G4 Capital.

Liquidity risk

DEFINITION

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

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

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

Financing and liquidity strategy

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

The share of unsecured funding is determined by Swedbank's aim to maintain a conservative stable funding profile by a diversified set of funding sources as well as the upcoming regulatory MREL requirement.

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

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

Liquidity reserve

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

Liquidity reserve[1]

According to the template defined by the Swedish Bankers association	
Cash and balances with central banks and Swedish National debt Office	208 370
Deposits in other banks, available over night	3
Securities issued or guaranteed by sovereigns, central banks or multinational development banks	88 006
Securities issued or guaranteed by municipalities or Public sector entities	5 636
Covered bonds	46 621
Issued by other institutions	44 349
Own issued	2 272
Securities issued by non-financial corporates	292
Securities issued by financial corporates excl. Covered bonds	409
Total	**349 337**

1) 95% of the securities in the liquidity reserve as of December 31 2017 are rated AAA.

Summary of maturities

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

	Undiscounted contractual cash flows							
Remaining maturity 2017	**Payable on demand**	**< 3 mths.**	**3 mths.–1 yr**	**1–5 yrs**	**5–10 yrs**	**> 10 yrs**	**No maturity/ discount effect**	**Total**
Assets								
Cash and balances with central banks	200 371							200 371
Treasury bills and other bills eligible for refinancing with central banks		68 321	2 984	9 201	185	2 329	2 883	85 903
Loans to credit institutions	2 817	12 272	4 794	9 867	850	146		30 746
Loans to the public		62 796	132 879	327 523	126 471	868 305	17 224	1 535 198
Bonds and other interest-bearing securities		6 995	25 593	23 371	1 918	66	1 188	59 131
Financial assets for which the customers bear the investment risk		37 375	2 217	15 376	20 810	72 334	32 208	180 320
Shares and participating interests							26 207	26 207
Derivatives		14 183	14 148	24 435	2 225	137	552	55 680
Intangible fixed assets							16 329	16 329
Tangible assets							1 955	1 955
Other assets		17 932	2 019	57			788	20 796
Total	**203 188**	**219 874**	**184 634**	**409 830**	**152 459**	**943 317**	**99 334**	**2 212 636**
Liabilities								
Amounts owed to credit institutions	25 106	40 024	2 533	385			7	68 055
Deposits and borrowings from the public	787 980	40 664	24 981	1 822	133	29		855 609
Debt securities in issue		134 576	113 316	513 121	49 155	13 796	20 240	844 204
Financial liabilities where customers bear the investment risk		63 916	2 387	16 091	21 777	74 756	2 197	181 124
Derivatives		9 793	8 317	14 192	1 594	433	11 871	46 200
Other liabilities		43 708	7 208	3 136	1 575	2 737		58 364
Subordinated liabilities					14 308	11 094	106	25 508
Equity							133 572	133 572
Total	**813 086**	**332 681**	**158 742**	**548 747**	**88 542**	**102 845**	**167 993**	**2 212 636**

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

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

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

Risk measurement

Group Risk is responsible for defining independent methods to measure the Group's liquidity risk as well as for reviewing and approving methods defined by Group Treasury. All liquidity risk is identified and measured. Swedbank uses a range of risk measures to capture different perspectives of the liquidity risk profile. A number of liquidity risk measures allows to assess short-term liquidity risks, including intraday, as well as the long-term structural liquidity risks, both under a normal and stressed assumptions. The liquidity metrics are either defined internally or developed based on the external regulatory requirements.

As part of the Group's ERM policy, a Survival Horizon limit is established. The limit represents the number of days with a positive cumulative net cash flow, taking into account future cash flows. Cash flows from liquid assets are modelled based on conservative estimates of when, at the earliest, they could occur. The risk measure is conservative in the sense that it assumes that there is no access to the credit markets and that there are large outflows of deposits from the bank's customers within a short period of time.

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

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

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

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

Stress tests

Stress tests are conducted regularly to increase preparedness for possible disruptions in the financial markets. These stress tests focus on both Swedbank-specific and market-related disruptions. These analyses also take into account the combined effects that would occur if all these disruptions would occur at the same time.

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

The table below provides a snapshot of the cover pool as of 31 December 2017 ("Current") and illustrates the effects on Swedbank Mortgage's OC given various price declines of the mortgages in the pool which could occur over a period of time. The more prices fall, the more difficult it becomes to issue bonds. Swedbank's ERM Policy stipulates that the cover pool must have an OC level that ensures that the highest rating from at least one rating agency and the compliance with the legal requirements is maintained in a scenario where house prices fall by 20 per cent. The purpose of the level is to ensure that there is sufficient cover to protect investors even if house prices should fall substantially.

Cover pool sensitivity analysis, house price decline

31 December 2017

House price decline	Current	–5%	–10%	–15%	–20%	–25%	–30%	–35%	–40%
Total assets in the cover pool, SEKbn	928.6	924.9	918.6	908.7	895.0	876.9	854.1	825.6	791.2
Total outstanding covered bonds, SEKbn	500.6	500.6	500.6	500.6	500.6	500.6	500.6	500.6	500.6
Over collateralisation level, %	85.5	84.8	83.5	81.5	78.8	75.2	70.6	64.9	58.0

LCR, FFFS 2012:6 %	31 Dec 2017	31 Dec 2016
Liquidity coverage ratio (LCR), Total	173	156
Liquidity coverage ratio (LCR), EUR	374	330
Liquidity coverage ratio (LCR), USD	362	160
Liquidity coverage ratio (LCR), SEK[1]	76	85

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

Liquidity coverage ratio (LCR), FFFS 2012:6, Total SEKbn	31 Dec 2017	31 Dec 2016
Liquid assets level 1	290	239
Liquid assets level 2	38	58
Liquidity reserve[1]	**328**	**297**
Customer deposits	118	103
Market borrowing	65	83
Other cash outflows	46	40
Cash outflows	**229**	**226**
Inflow from maturing lending to non-financial customers	7	6
Other cash inflow	33	30
Cash inflows	**40**	**36**

1) Liquidity reserve according to FFFS 2012:6 definition

Liquidity and funding ratios	31 Dec 2017	31 Dec 2016
Net stable funding ratio (NSFR)	**110**	**108**

Debt securities issuance

In 2017, Swedbank issued a total of SEK 181bn (160) in long-term debt instruments. Swedbank has remained active in several capital markets to diversify its funding. The majority of the issues were covered bonds, though also in the form of uncovered bonds, where a new funding programme was introduced primarily for US investors (under rule 144a of the US Securities Act).

Debt securities in issue

Turnover during the year	2017	2016
Commercial papers		
Opening balance	**102 225**	**107 046**
Issued	1 048 802	811 729
Repaid	–985 583	–828 900
Change in market values		26
Change in exchange rates	–15 470	12 324
Closing balance	**149 974**	**102 225**
Covered bonds		
Opening balance	**558 295**	**550 669**
Issued	132 465	125 364
Repurchased	–90 789	–40 931
Repaid	–70 038	–78 165
Change in market values or hedged item in hedge accounting at fair value	–10 523	–6 657
Change in exchange rates	435	8 015
Closing balance	**519 845**	**558 295**

Turnover during the year	2017	2016
Senior unsecured bonds		
Opening balance	**166 161**	**154 244**
Issued	45 538	31 415
Repurchased	–275	–1 528
Repaid	–44 385	–23 233
Change in market values	–1 420	–1 992
Change in exchange rates	–6 083	7 255
Closing balance	**159 536**	**166 161**
Structured retail bonds		
Opening balance	**14 992**	**14 576**
Issued	2 833	3 695
Repurchased	–3	
Repaid	– 2 504	–3 537
Change in market values	–469	258
Closing balance	**14 849**	**14 992**
Total debt securities in issue	**844 204**	**841 673**

Subordinated liabilities

Turnover during the year	2017	2016
Subordinated liabilities		
Opening balance	**27 254**	**24 613**
Issued	6 386	4 530
Repurchased	–7 183	–2 504
Change in market values	–60	125
Change in exchange rates	–889	490
Closing balance	**25 508**	**27 254**
Total subordinated liabilities	**25 508**	**27 254**

Capital requirement for liquidity risk

Currently banks and financial institutions are not subject to capital requirements for liquidity risk. However, disruptions to liquidity may arise due to imbalances between risk and capital. The purpose of the internal capital adequacy assessment process is to prevent these types of imbalances.

Market risk

Definition

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

Risk management

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

The majority of the Group's market risks is of structural or strategic nature and is managed primarily by Group Treasury. Structural interest rate risks are a natural part in a bank that manages deposits and loans. Interest rate risk arises primarily when there is a difference in maturity between the Group's assets and liabilities. Group Treasury manages the risk within given mandates, primarily by matching maturities either directly or through the use of various derivatives such as interest rate swaps. Interest rate risk also arise in the trading operations. The Group's currency risk is comprised of structural currency risk in the banking operations, currency risk as a result of the trading operations, and strategic currency risk arising through the Baltic operations. Share price risks arise only in the trading operations. All market risks are managed within given mandates, for example by using forward contracts.

Risk measurement

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

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

Since VaR is a model based on a number of assumptions, Swedbank evaluates the VaR model's accuracy on a daily basis using backtesting.

Ordinary VaR and Stressed VaR (SVaR) differ slightly in that the stressed model applies market data from a one-year period of considerable stress. The period selected by Swedbank covers spring 2008 and one year forward.

Non-statistical measures such as sensitivity analyses are an important complement to VaR and SVaR, since they, in some cases, provide a deeper understanding of the market risk factors being measured.

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

Risk exposure

Swedbank's market risks primarily arise within the Group's banking operations managed by Group Treasury, and in the trading operations as a result of customer transactions executed within the business area Large Corporates & Institutions (LC&I).

Value-at-Risk (VaR)

During the year, the Group maintained its market risks, measured in terms of VaR, at a low and stable level. The Group's total VaR does not include strategic currency positions, since a VaR measure based on one holding day is not relevant to apply on positions that the Group intends to hold for longer periods.

	Jan-dec 2017 (2016)			2017	2016
SEKm	**Max**	**Min**	**Average**	**31 dec**	**31 dec**
Interest rate risk	80 (131)	41 (44)	57 (80)	45	46
Currency risk	15 (13)	2 (2)	7 (6)	7	4
Share price risk	7 (12)	2 (2)	4 (5)	4	2
Diversification			−12 (−13)	−11	−9
Total	**83 (128)**	**41 (43)**	**56 (79)**	**45**	**43**

Interest rate risk

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

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

An increase in all market interest rates of one percentage point would have reduced the value of the Group's assets and liabilities, including derivatives, by SEK –156m (–651) as of 31 December 2017. The effect on positions in SEK would have been a reduction of SEK –1 423m (–1 154), while positions in foreign currency would have increased by SEK 1 266m (503).

The Group's net gains and losses on financial items at fair value would have been affected by SEK 969m (446) as of 31 December 2017. The Group uses derivatives for so-called cash flow hedges. A change in market interest rates, as indicated above, would affect the Group's other comprehensive income by SEK 22m (20).

Credit spread risk

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

An increase in all issuer-specific spreads of 1bp as of 31 December 2017 would have reduced the value of the Group's interest-bearing assets, including derivatives, by SEK 8 (11).

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

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

2017	< 3 mths.	3–6 mths.	6–12 mths.	1–2 yrs	2–3 yrs	3–4 yrs	4–5 yrs	5–10 yrs	> 10 yrs	Total
SEK	–884	–146	189	–145	–192	230	–577	71	31	–1 423
Foreign currency	582	867	–80	14	6	–4	–110	–90	80	1 266
Total	**–302**	**721**	**109**	**–131**	**–186**	**226**	**–687**	**–19**	**111**	**–156**

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

2017	< 3 mths.	3–6 mths.	6–12 mths.	1–2 yrs	2–3 yrs	3–4 yrs	4–5 yrs	5–10 yrs	> 10 yrs	Total
SEK	129	–44	–257	–106	–93	130	–133	–3	5	–371
Foreign currency	377	923	–115	44	13	0	51	–38	85	1 340
Total	**506**	**880**	**–372**	**–62**	**–80**	**130**	**–82**	**–41**	**90**	**969**

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

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

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

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

Currency risk

Currency risk refers to the risk that the value of the Group's assets and liabilities, including derivatives, will be negatively affected by changes in exchange rates or other relevant risk factors.

The Group has a strategic currency position in EUR through goodwill in the Baltic operations. This position is financed in SEK and is not hedged since it does not affect either profit or the capital base. In addition, the Group has structural currency risks that arise in the banking operations due to deposits and lending in different currencies. Currency risks also arise in the trading operations e.g. due to customer transactions. Currency risks that arise in the banking operations or that are strategic in nature are managed by Group Treasury by limiting the total value of assets and liabilities (including derivatives) in one currency to a desired level using derivatives, such as cross currency swaps and forward exchange agreements. The currency risks arising in the trading operations are also managed by using currency derivatives.

The Group's exposure to currency risks with the probability to affect earnings, i.e. excluding exposures related to investments in foreign operations and related hedges, is limited. A shift in exchange rates between foreign currencies and the Swedish krona of +5 per cent at year-end would have a direct effect on the Group's reported profit of SEK –10m (18). Moreover, a shift in exchange rates between foreign currencies and the Swedish krona of –5 per cent at year-end would have a direct effect on the Group's reported profit of SEK 39m (18).

A shift in exchange rates between the Swedish krona and foreign currencies of +/–5 per cent, with respect to net investments in foreign operations and related hedges, would have a direct effect on other comprehensive income of SEK +/– 809m after tax (+/– 791).

The Group recognises certain currency derivatives as cash flow hedges. An increase in the basis spread, (i.e. the price to swap cash flows in one currency for another) of one basis point would have had a positive effect on these derivatives in other comprehensive income of SEK 6m (7) after tax as of 31 December 2017.

Currency distribution

2017	SEK	EUR	USD	GBP	DKK	NOK	Other	Total
Assets								
Cash and balances with central banks	1 658	153 931	40 230	32	76	4 297	147	200 371
Loans to credit institutions	11 451	8 611	3 689	167	1 728	2 931	2 171	30 746
Loans to the public	1 285 453	174 527	36 388	3 421	4 856	28 989	1 564	1 535 198
Interest-bearing securities	121 929	8 363	9 105	649	267	4 722		145 034
Other assets, not distributed	301 287							301 287
Total	**1 721 777**	**345 431**	**89 411**	**4 268**	**6 927**	**40 939**	**3 882**	**2 212 636**
Liabilities								
Amounts owed to credit institutions	24 386	13 380	26 083	1 015	2 043	1 012	135	68 055
Deposits and borrowings from the public	630 405	185 073	29 813	1 324	1 781	4 897	2 317	855 609
Debt securities in issue, etc.	389 851	196 864	219 915	41 249		6 870	14 963	869 712
Other liabilities, not distributed	285 688							285 688
Equity	133 572							133 572
Total	**1 463 902**	**395 317**	**275 811**	**43 589**	**3 825**	**12 779**	**17 415**	**2 212 636**
Other assets and liabilities, including positions in derivatives		59 397	186 329	39 372	–3 065	–27 996	13 515	
Net position in currency		9 512	–71	51	37	165	–18	9 676

Net funding in foreign currency with a corresponding recognised amount of SEK 28 051m (26 999) is used as a hedging instrument to hedge the net investment in foreign operations. The above net position in currencies pertains mainly to parts of net investments in foreign operations that are not hedged. Exchange rate changes to this position are recognised in other comprehensive income (OCI) as translation difference.

Currency distribution

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

Market risks in the trading operations

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

	Jan–Dec 2017 (2016)			2017	2016
SEKm	Max	Min	Average	31 dec	31 dec
Value-at-Risk	18 (22)	7 (9)	11 (14)	12	9
Stressed Value-at-Risk	59 (82)	27 (23)	38 (40)	43	30

Swedbank evaluates the VaR model's reliability on a daily basis with actual and hypothetical backtesting. Actual backtesting uses the trading operations' actual daily results to determine the accuracy of the VaR model, while hypothetical backtesting compares the portfolio's value at the end of the day with its estimated value at the end of the subsequent day. The estimated value is obtained by using market movements during the day for which the test is performed, but with the assumption that the positions in the portfolio remain unchanged during this time period. The hypothetical backtesting that the Group conducted in 2017 showed that the model serves its purpose well, since none of the hypothetical losses exceeded the actual VaR level.

In addition to the VaR model applied in the calculation of Swedbank's capital requirement, the Group uses a VaR model in its internal risk management. This model also captures credit spread risk.

The trading operations' total VaR averaged SEK 16m in 2017, which compares with total VaR of SEK 17m for 2016. During the year, the risk (measured as VaR) between the various asset classes remained well balanced and, on an aggregate level, well-diversified.

	Jan–Dec 2017 (2016)			2017	2016
SEKm	Max	Min	Average	31 dec	31 dec
Credit spread risk	18 (14)	8 (6)	13 (11)	9	10
Share price risk	7 (12)	2 (2)	4 (5)	4	3
Currency risk	17 (14)	2 (2)	6 (7)	5	6
Interest rate risk	15 (21)	6 (9)	9 (13)	9	9
Diversification			–16 (–18)	–13	–17
Total	**22 (27)**	**11 (11)**	**16 (17)**	**14**	**11**

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

Capital requirement for market risks

The capital requirement for market risks in Swedbank amounted to SEK 695m (754) as of 31 December 2017, and is presented by risk type in note G4 under Capital adequacy.

Share price risk

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

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

As of year-end the worst-case scenario would have affected the value of the trading operations' positions by SEK –29m (–15).

Commodity risk

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

Operational risks

DEFINITION

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

Risk management

Group Risk is responsible for uniform and Group-wide measurement and reporting of operational risk. Analyses of the bank's risks are performed in connection with major changes as well as at least once a year. Reporting is conducted periodically and, when needed, to local management and to the Group's Board of Directors, CEO and Swedbank's executive management.

Risk assessments

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

Incident management and reporting

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

New Product Approval Processes (NPAP)

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

Continuity, crisis management and security

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

Process and control management

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

A process universe has been established and Swedbank is working on integrating the process dimension into the bank's governance model. The purpose of Swedbank's process universe is to clarify responsibility for the Group's significant processes as well as for the controls in the processes, and to ensure that they are effective and appropriate. To create a process-based method for risk management, Swedbank uses the process universe as a basis for all risk management and risk control performed within the Group.

Information risk

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

Capital requirements for operational risks

Swedbank applies the standardised approach to calculate the capital requirement for operational risks. Swedbank's capital requirement for operational risk as of 31 December 2017 amounted to SEK 5 079m (4 972).

Insurance risks

DEFINITION

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

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

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

Risk management

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

Swedbank's insurance operations offer a broad range of products and are active in the entire Swedish market (life insurance) as well as in the three Baltic countries (life and property and casualty insurance). This provides diversification of the insurance risk, with respect to market, product, age and gender.

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

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

Risk exposure and risk measurement

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

According to the latest risk assessment, the most important risks are lapse, expense and catastrophe risk i.e. the risk of major damage due to a single event.

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

Capital requirement for insurance risk

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

As of 1 January 2016, the solvency requirements in the insurance companies are calculated according to Solvency II. The capital base (Own Funds, OF) is calculated through a market valuation of the net of the insurance company's future cash flows, and capital requirement (Solvency Capital Requirement, SCR) by stressing OF in various scenarios. The solvency ratio is OF divided by SCR.

The capital base in Swedbank's Swedish insurance operations amounted to SEK 7 672m on 30 September 2017 (6 824). This compares with the Solvency Capital Requirement of SEK 5 129m (4 127). The solvency ratio was 1.50 (1.65).

The capital base in the Baltic life insurance operations amounted to SEK 1 607m as of 30 September 2017 (1 441). The solvency ratio was 2.05 (1.98). The capital base in the Baltic property and casualty insurance operations amounted to SEK 484m as of 30 September 2017 (377). The solvency ratio was 2.18 (2.12).

G4 Capital

Internal capital assessment

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

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

Risk types according to the ICAAP process

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

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

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

ICAAP 2017
As in previous years, Swedbank's ICAAP for 2017 shows that the bank is exposed to limited risks and is expected to remain well capitalised even in the event of unfavourable macroeconomic development. Swedbank's strong credit quality and capital situation is reaffirmed by external stress tests.

Description of 2017 adverse scenario
The 2017 ICAAP evaluated the impact on Swedbank's balance sheet in case of a major recession, both in its home markets and globally. In the three-year scenario uncertainty surrounding the long-term consequences of Brexit leads to increased protectionism and doubts about the future of global trade. Trade volumes, investment and growth will fall, which in turn squeezes profitability in the banking system, and a global systemically important bank fails. This results in a global financial and economic crisis, affecting Sweden and the Baltic countries implicating falling equity markets, increased unemployment and rapidly falling property prices. Central banks respond to the crisis by lowering their benchmark rates and strengthening stimulus measures. Interest rates fall further below zero than ever before, placing greater pressure on unprofitable banks.

Stress test ICAAP-scenario – parameters[1]

Sweden	2016	2017	2018	2019
GDP-growth, %	3.2	-4.5	-0.6	1.0
Unemployment, %	6.4	12.8	13.4	12.3
Inflation, %	1.5	-1.5	-0.8	0.8
Residential real estate price index	100.0	72.2	68.4	73.1
Estonia	**2016**	**2017**	**2018**	**2019**
GDP-growth, %	1.3	-3.6	-0.7	1.2
Unemployment, %	6.6	14.0	13.1	9.0
Inflation, %	1.2	-1.2	-0.7	1.4
Residential real estate price index	100.0	71.6	68.5	74.1
Latvia	**2016**	**2017**	**2018**	**2019**
GDP-growth, %	1.1	-3.8	-0.7	1.4
Unemployment, %	9.6	15.0	14.4	10.3
Inflation, %	1.2	-1.3	-0.6	1.5
Residential real estate price index	100.0	71.6	68.5	74.1
Lithuania	**2016**	**2017**	**2018**	**2019**
GDP-growth, %	2.0	-3.9	-0.9	1.5
Unemployment, %	7.2	14.5	13.6	9.5
Inflation, %	1.2	-1.6	-0.9	1.8
Residential real estate price index	100.0	71.6	68.5	74.1
Interest Rates	**2016**	**2017**	**2018**	**2019**
3M government rates SEK, %	-0.70	-1.20	-0.70	-0.40
3M government rates EUR, %	-0.80	-1.40	-0.90	-0.60
FX	**2016**	**2017**	**2018**	**2019**
USD/SEK	9.10	11.60	11.60	9.40
EUR/SEK	9.60	10.50	10.60	10.00

1) Figures for Q4 2016 are based on preliminary estimates due to final figures being published first after the submission of the ICAAP report.

Stress test ICAAP scenario

Triggers	Outcome in Swedbank´s home markets
Negative long-term effects of Brexit and increased protectionism. Economic and financial crisis after a global systemically important bank fails. Central banks cut their benchmark rates and increase stimulus measures. Property prices fall. Unemployment rises significantly. The economy stagnates and the recovery is delayed until the end of the scenario.	In Sweden, GDP falls by a maximum of 5.1 per cent, unemployment increases to a maximum of 13.4 per cent and house prices fall by a maximum of 32.6 per cent. In Estonia, GDP falls by a maximum of 4.3 per cent, unemployment increases to a maximum of 14.0 per cent and house prices fall by a maximum of 32.5 per cent. In Latvia, GDP falls by a maximum of 4.5 per cent, unemployment increases to a maximum of 15.0 per cent and house prices fall by a maximum of 32.5 per cent. In Lithuania, GDP falls by a maximum of 4.8 per cent, unemployment increases to a maximum of 14.5 per cent and house prices fall by a maximum of 32.5 per cent.

Income statement under ICAAP-Scenario[1]

SEKbn	2016	2017	2018	2019
Net interest income	24.5	23.6	23.1	23.8
Total income	**43.2**	**38.7**	**37.9**	**38.2**
Total expenses	**16.9**	**16.9**	**17.0**	**17.0**
Profit before impairments	**26.3**	**21.7**	**20.8**	**21.2**
Credit impairments	1.5	4.8	10.2	5.6
Operating profit	**24.8**	**16.9**	**10.7**	**15.5**
Tax expense	4.2	3.7	2.3	3.4
Profit for the period	**20.6**	**13.2**	**8.3**	**12.1**
Profit for the period attributable to:				
Shareholders of Swedbank AB	**20.6**	**13.2**	**8.3**	**12.1**
Non-controlling interests	0.0	0.0	0.0	0.0

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

Swedbank in the scenario

In a scenario where a recession is expected to occur once every 25 years, net interest income falls due to lower benchmark rates, adversely affecting lending income. The decrease is offset, but only partly, by lower interest expenses for deposits and funding. Net interest income recovers when benchmark rates rise and interest incomes increases. Provisions for credit impairments amount to SEK 20.6bn in the scenario. The credit portfolio in Swedish Banking accounts for 51per cent of the cumulative losses, Large Corporates & Institutions for 30 per cent and Baltic Banking for 19 per cent. A significant share of the losses is attributable to sectors such as property management, shipping, offshore and oil-related businesses.

Credit Impairments per Business area[1]

	EAD[2] SEKbn 2016	Credit Impairment ratio, % 2017	2018	2019
Swedish Banking	1 216.7	2.0	5.4	3.1
Large Corporates & Institutions	318.8	1.6	3.0	1.6
Estonia	93.6	0.4	0.6	0.4
Latvia	49.4	0.3	0.6	0.2
Lithuania	71.4	0.5	0.6	0.3
Other	239.2			
Total	**1 989.1**	**4.8**	**10.2**	**5.6**

1) The ICAAP calculations are based on the consolidated situation, which in some cases differs from the Swedbank Group. For example, the insurance operations are not included in the consolidated situation.
2) Exposure at Default.

Internal capital requirement

In its ICAAP, Swedbank takes into account known changes which will take effect during the simulation period. In order to distinguish between the scenario impacts and the known changes, which are independent from scenario assumptions, Swedbank adjusts the initial values. The initial risk exposure amount (REA) value has been adjusted for future changes in the calculation of Probability of Default (PD), according to the SFSA's memorandum "FI's supervision of banks' calculation of risk weights for exposures to corporates", the effects of the sale of shares of Visa Sweden, and other effects related to the new reporting standard IFRS9.

REA and Capital	2016	2017	2018	2019
REA, SEKbn	412.3	467.5	451.8	423.2
Common Equity Tier 1, SEKbn	96.3	99.7	101.2	102.9
Common Equity Tier 1 ratio, %	23.4	21.3	22.4	24.3

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

REA increases by a maximum of 13.4 per cent over the scenario horizon, driven by migration effects in the credit portfolio. This is offset at the same time by credit impairments, which reduce the credit portfolio.

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

As of 31 December 2017, the internally measured internal capital requirement for Swedbank's consolidated situation amounted to SEK 29.8bn. The capital that meets the internal capital requirement, i.e. the capital base, amounted to SEK 125.3bn.

External stress tests

In 2017, as in previous years, Swedbank re-established its strong position through external stress tests. The principal external stress tests in 2017 were a stress test initiated by the Swedish Financial Supervisory Authority (SFSA) to determine the size of the capital buffer and a stress test/sensitivity analysis of interest rate risk in the banking book orchestrated by the European Central Bank (ECB). The latter concerned Swedbank's three Baltic subsidiaries, which fall under the supervision of the ECB. The stress tests were part of the Supervisory Review and Evaluation Process (SREP), the supervisory authority's response to the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP). The stress tests reaffirmed the relatively low interest rate risk profile in Swedbank's Baltic subsidiaries and the quality of Swedbank's internal interest rate risk models and systems. The results did not require the Baltic units to provide additional capital within the framework of Pillar 2 rules.

Capital adequacy analysis

The capital adequacy regulation is the legislator's requirement of how much capital, designated as the own funds, a bank must have in relation to the size of the risks it faces. The rules strengthen the connection between risk taking and required capital in the Group's operations. Swedbank's legal requirement is based on Capital Requirements Regulation (CRR), but more specifically limited by the Basel 1 floor within CRR. The SFSA has clarified that the Basel 1 floor, i.e. 80 per cent of the capital requirement according to the Basel 1 rules, will no longer apply from the 1st of January 2018. The consolidated situation on 31 December 2017 included the Swedbank Group with the exception of insurance companies. In addition, Entercard Group was included through the proportional consolidation method.

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

Since the 30th of January 2017, Swedbank must also comply with a capital requirement at the financial conglomerate level in accordance with the Special Supervision of Financial Conglomerates Act (2006:531), see capital adequacy for the financial conglomerate below.

	Consolidated situation	
Capital adequacy	**2017**	**2016**
Common Equity Tier 1 capital	**100 510**	**98 679**
Additional Tier 1 capital	11 050	14 281
Tier 1 capital	**111 560**	**112 960**
Tier 2 capital	13 696	12 229
Total own funds	**125 256**	**125 189**
Risk exposure amount	**408 351**	**394 135**
Common Equity Tier 1, capital ratio, %	**24.6**	**25.0**
Tier 1 capital ratio, %	**27.3**	**28.7**
Total capital ratio, %	**30.7**	**31.8**

	Consolidated situation	
Capital adequacy	**2017**	**2016**
Shareholders' equity according to the Group's balance sheet	133 372	129 515
Non-controlling interests	67	78
Anticipated dividend	–14 515	–14 695
Deconsolidation of insurance companies	–109	96
Value changes in own financial liabilities including derivatives	39	–2
Cash flow hedges	–28	–77
Additional value adjustments[1]	–596	–598
Goodwill	–12 479	–11 788
Goodwill in significant investments	–709	–709
Deferred tax assets	–142	–114
Intangible assets after deferred tax liabilities	–2 697	–1 601
Net provisions for reported IRB credit exposures	–1 648	–1 376
Shares deducted from CET1 capital	–45	–50
Common Equity Tier 1 capital	**100 510**	**98 679**
Additional Tier 1 capital	11 050	14 281
Total Tier 1 capital	**111 560**	**112 960**
Tier 2 capital	13 696	12 229
Total own funds	**125 256**	**125 189**
Minimum capital requirement for credit risks, standardised approach	3 046	3 800
Minimum capital requirement for credit risks, IRB	21 245	21 478
Minimum capital requirement for credit risk, default fund contribution	27	34
Minimum capital requirement for settlement risks	0	0
Minimum capital requirement for market risks	695	754
Trading book	669	732
of which VaR and SVaR	486	563
of which risks outside VaR and SVaR	183	169
FX risk other operations	26	22
Minimum capital requirement for credit value adjustment	299	424
Minimum capital requirement for operational risks	5 079	4 972
Additional minimum capital requirement, Article 3 CRR[2]	2 277	69
Minimum capital requirement	**32 668**	**31 531**
Risk exposure amount credit risks, standardised approach	38 074	47 503
Risk exposure amount credit risks, IRB	265 563	268 473
Risk exposure amount default fund contribution	343	431
Risk exposure amount settlement risks	0	0
Risk exposure amount market risks	8 684	9 419
Risk exposure amount credit value adjustment	3 745	5 297
Risk exposure amount operational risks	63 482	62 152
Additional risk exposure amount, Article 3 CRR [2]	28 460	860
Risk exposure amount	**408 351**	**394 135**
Common Equity Tier 1 capital ratio, %	**24.6**	**25.0**
Tier 1 capital ratio, %	**27.3**	**28.7**
Total capital ratio, %	**30,7**	**31,8**

	Consolidated situation	
Capital buffer requirement[3], %	**2017**	**2016**
CET1 capital requirement including buffer requirements	11.3	11.0
of which minimum CET1 requirement	4.5	4.5
of which capital conservation buffer	2.5	2.5
of which countercyclical capital buffer	1.3	1.0
of which systemic risk buffer	3.0	3.0
CET 1 capital available to meet buffer requirement[4]	20.1	20.5

	Consolidated situation	
Capital adequacy Basel 1 floor[5]	**2017**	**2016**
Capital requirement Basel 1 floor	76 867	75 749
Own funds Basel 3 adjusted according to rules for Basel 1 floor	126 904	126 565
Surplus of capital according to Basel 1 floor	**50 037**	**50 816**

	Consolidated situation	
Leverage ratio	**2017**	**2016**
Tier 1 Capital	111 560	112 960
Leverage ratio exposure	2 126 851	2 098 179
Leverage ratio, %	5.2	5.4

	Financial conglomerate
Capital adequacy for the financial conglomerate[6]	**2017**
Own funds after adjustments and deductions	131 998
Capital requirement	82 617
Surplus	**49 381**
Financial conglomerate solvency ratio, %[7]	**159.8**

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 value 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 per cent (excluding buffer requirements) and less any CET1 items used to meet the Tier 1 and total capital requirements.
5) Basel 1 floor based on the higher of the Basel 3 capital requirement and 80% of Basel 1 capital requirement. In the latter case the own funds is adjusted according to CRR article 500.4.
6) The own funds and capital requirement for the financial conglomerate are calculated according to the accounting consolidation method in the Special Supervision of Financial Conglomerates Act (2006:531).
7) Calculated as the financial conglomerate's own funds after adjustment and deductions divided with the capital requirement for the financial conglomerate.

Credit risks, IRB	2017 Exposure amount	2017 Average risk weight, %	2017 Minimum capital requirement
Central government or central banks exposures	322 276	2	394
Institutional exposures	64 071	18	899
Corporate exposures	508 895	33	13 584
Retail exposures	1 107 632	7	6 065
of which mortgage lending	1 002 551	5	3 812
of which other lending	105 081	27	2 253
Non credit obligation	7 042	54	303
Total credit risks, IRB	**2 009 916**	**13**	**21 245**

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

	Consolidated situation	
Minimum capital requirements for market risks	**2017**	**2016**
Interest rate risk	640	745
of which for specific risk	182	165
of which for general risk	458	580
Equity risk	127	100
of which for specific risk	1	1
of which for general risk	126	99
Currency risk in trading book	218	202
Total minimum capital requirement for risks in trading book[1]	**669**	**732**
of which stressed VaR	374	435
Currency risk outside trading book	26	22
Total	**695**	**754**

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

	Consolidated situation	
Minimum capital requirement for operational risks	**2017**	**2016**
Standardised approach	4 988	4 972
of which trading and sales	210	322
of which retail banking	2 993	2 966
of which commercial banking	1 038	965
of which payment and settlement	258	278
of which retail brokerage	2	2
of which agency services	42	39
of which asset management	405	358
of which corporate finance	40	42
Basic indicator approach	91	
Total	**5 079**	**4 972**

Exposure amount, Risk exposure amount and Minimum capital requirement	Consolidated situation 2017 Exposure amount	Consolidated situation 2017 Risk exposure amount	Consolidated situation 2017 Minimum capital requirement	Consolidated situation 2016 Exposure amount	Consolidated situation 2016 Risk exposure amount	Consolidated situation 2016 Minimum capital requirement
Credit risks, STD	**60 271**	**38 074**	**3 046**	**351 879**	**47 503**	**3 800**
Central government or central banks exposures	149			245 746	449	36
Regional governments or local authorities exposures	1 884	221	18	32 453	276	22
Public sector entities exposures	3 882	111	9	5 551	60	5
Multilateral development banks exposures	3 835	1	0	6 411	20	2
International organisation exposures	428			609		
Institutional exposures	13 429	357	28	5 456	127	10
Corporate exposures	5 174	4 752	380	4 909	4 630	370
Retail exposures	14 039	10 262	821	14 315	10 485	839
Exposures secured by mortgages on immovable property	6 000	2 102	168	23 884	8 361	669
Exposures in default	511	521	42	391	403	32
Exposures in the form of covered bonds	122	12	1	69	7	1
Exposures in the form of collective investment undertakings (CIUs)	10	10	1			
Equity exposures	7 127	16 974	1 358	8 088	19 691	1 575
Other items	3 681	2 751	220	3 997	2 994	240
Credit risks, IRB	**2 009 916**	**265 563**	**21 245**	**1 637 204**	**268 473**	**21 478**
Central government or central banks exposures	322 276	4 921	394			
Institutional exposures	64 071	11 241	899	83 959	13 406	1 072
Corporate exposures	508 895	169 802	13 584	508 765	175 810	14 065
of which specialized lending in category 1	19	13	1	13	9	1
of which specialized lending in category 2	326	273	22	321	274	22
of which specialized lending in category 3	317	365	29	555	638	51
of which specialized lending in category 4	194	486	39	261	654	52
of which specialized lending in category 5	312			260		
Retail exposures	1 107 632	75 811	6 065	1 032 298	72 151	5 772
of which mortgage lending	1 002 551	47 646	3 812	936 542	45 410	3 633
of which other lending	105 081	28 165	2 253	95 756	26 741	2 139
Non-credit obligation	7 042	3 788	303	12 182	7 106	568
Credit risks, Default fund contribution		**343**	**27**		**431**	**34**
Settlement risks	**0**	**0**	**0**	**0**	**0**	**0**
Market risks		**8 684**	**695**		**9 419**	**754**
Trading book		8 364	669		9 147	732
of which VaR and SVaR		6 074	486		7 033	563
of which risks outside VaR and SVaR		2 290	183		2 114	169
FX risk other operations		320	26		272	22
Credit value adjustment	**16 291**	**3 745**	**299**	**21 393**	**5 297**	**424**
Operational risks		**63 482**	**5 079**		**62 152**	**4 972**
of which Standardised approach		62 345	4 988		62 152	4 972
of which Basic indicator method		1 137	91			
Additional risk exposure amount, Article 3 CRR		**28 460**	**2 277**		**860**	**69**
Total	**2 086 478**	**408 351**	**32 668**	**2 010 476**	**394 135**	**31 531**

G5 Operating segments

2017	Swedish Banking	Baltic Banking	Large corporates & Institutions	Group Functions & Other	Eliminations	Total
Income statement						
Net interest income	15 103	4 221	3 546	1 734	-9	24 595
Net commissions	7 448	2 364	2 348	-187	57	12 030
Net gains and losses on financial items at fair value	398	220	1 853	-537		1 934
Share of the profit or loss of associates	869			102		971
Other income	1 311	621	123	1 132	-279	2 908
Total income	**25 129**	**7 426**	**7 870**	**2 244**	**-231**	**42 438**
of which internal income	102		47	692	-841	
Staff costs	3 136	858	1 384	4 107		9 485
Variable staff costs	103	50	146	161		460
Other expenses	5 622	1 666	1 910	-3 097	-231	5 870
Depreciation/amortisation	67	102	76	355		600
Total expenses	**8 928**	**2 676**	**3 516**	**1 526**	**-231**	**16 415**
Profit before impairments	**16 201**	**4 750**	**4 354**	**718**		**26 023**
Impairment of intangible assets	80			95		175
Impairment of tangible assets		21				21
Credit impairments	413	-97	969			1 285
Operating profit	**15 708**	**4 826**	**3 385**	**623**		**24 542**
Tax expense	3 160	827	727	464		5 178
Profit for the year	12 548	3 999	2 658	159		19 364
Profit for the year attributable to the shareholders of Swedbank AB	**12 534**	**3 999**	**2 658**	**159**		**19 350**
Non-controlling interests	14					14
Balance sheet						
Cash and balances with central banks		2 910	8 015	189 446		200 371
Loans to credit institutions	4 937	7	54 144	190 838	-219 180	30 746
Loans to the public	1 149 814	149 130	228 206	8 048		1 535 198
Interest-bearing securities	251	1 534	27 418	118 075	-2 244	145 034
Financial assets for which customers bear inv. risk	176 170	4 150				180 320
Investments in associates	3 858			2 499		6 357
Derivatives		15	62 792	23 573	-30 700	55 680
Tangible and intangible assets	2 184	11 164	651	4 285		18 284
Other assets	9 078	41 313	38 118	453 991	-501 854	40 646
Total assets	**1 346 292**	**210 223**	**419 344**	**990 755**	**-753 978**	**2 212 636**
Amounts owed to credit institutions	25 847		179 429	74 130	-211 351	68 055
Deposits and borrowings from the public	530 280	184 994	138 472	9 753	-7 890	855 609
Debt securities in issue			17 723	831 060	-4 579	844 204
Financial liabilities for which customers bear inv. risk	177 057	4 067				181 124
Derivatives			59 958	18 358	-32 116	46 200
Other liabilities	555 956		183	467	-498 042	58 564
Subordinated liabilities				25 508		25 508
Total liabilities	**1 289 140**	**189 061**	**395 765**	**959 276**	**-753 978**	**2 079 264**
Allocated equity	57 152	21 162	23 579	31 479		133 372
Total liabilities and equity	**1 346 292**	**210 223**	**419 344**	**990 755**	**-753 978**	**2 212 636**
Key figures						
Return on allocated equity, total operations, %	22.4	19.2	12.0	0.6		15.1
Cost/income ratio	0.36	0.36	0.45	0.68		0.39
Credit impairment ratio, %[1]	0.04	-0.07	0.40	0.00		0.08
Loans/deposits	219	81	158			177
Loans, excl. repurchase agreements and Swedish National Debt Office	1 149 848	149 130	202 659	14		1 501 651
Deposits, excl. repurchase agreements and Swedish National Debt Office	524 706	184 926	128 033	8 962		846 627
Risk exposure amount	171 258	81 902	137 164	18 027		408 351
Full-time employees	3 980	3 476	1 173	5 959		14 588
Allocated equity, average	55 941	20 836	22 090	28 889		127 756

1) For more information about the Credit impairment ratio see page 42 of the Factbook.

The operating segment report is based on Swedbank's accounting policies, organisation and management accounts. Market–based transfer prices are applied between operating segments, while all expenses for Group functions and Group staffs are transfer priced at cost to the operating segments. Cross–border transfer pricing is applied according to OECD transfer pricing guidelines.The Group's equity attributable to shareholders is allocated to each operating segment based on capital adequacy rules and estimated capital requirements based on the bank's internal Capital Adequacy Assessment Process (ICAAP). The return on allocated equity for the operating segments is calculated based on profit for the year for the operating segment (operating profit less estimated tax and non–controlling interests), in relation to average monthly allocated equity for the operating segment.

Swedish Banking, Swedbank's dominant operating segment, is responsible for all Swedish customers except for large corporates and financial institutions. The operating segment's services are sold through Swedbank's own branch network, the Telephone Bank, the Internet Bank and the distribution network of the independent savings banks. The operating segment also includes a number of subsidiaries. Baltic Banking operates in Estonia, Latvia and Lithuania. Its services are sold through its own branch network, the Telephone Bank and the Internet Bank. The effects of Swedbank's ownership interests in the Baltic companies Swedbank AS (Estonia), Swedbank AS (Latvia) and Swedbank AB (Lithuania) are also reported in Baltic Banking in the form of financing costs, Group goodwill and Group amortisation on surplus values in the lending and deposit portfolios identified at the time of acquisition in 2005. Large Corporates & Institutions is responsible for large corporates, financial institutions and banks as well as for trading and capital market products. Operations are carried out by the parent bank in Sweden, branch offices in Norway, Finland, the US and China, and through the trading and capital market operations in subsidiary banks in Estonia, Latvia and Lithuania. The Group Functions operate across the business areas and serve as strategic and administrative support for them. The Group Functions are Group Lending & Payments, Group Savings, Digital Banking, Group IT, Accounting & Finance (including Group Treasury), CEO Office (including Corporate Affairs, HR and Legal.), Risk, Compliance, The Group Executive Committee and Internal Audit are also included in Group Functions. During 2017 Swedbank's operating segments were changed slightly to coincide with the organisational changes made in Swedbank's business area organisation. Comparative figures have been restated. Figures for 2016 have also been restated due to the changed presentation of the compensation to the Savings banks. For more information see Note 2 and Note 57.

2016	Swedish Banking	Baltic Banking	Large corporates & Institutions	Group Functions & Other	Eliminations	Total
Income statement						
Net interest income	13 969	3 994	3 334	1 554	-1	22 850
Net commissions	6 932	2 074	2 336	-41	32	11 333
Net gains and losses on financial items at fair value	306	220	2 068	-363		2 231
Share of the profit or loss of associates	815			1 652		2 467
Other income	583	520	77	921	-161	1 940
Total income	**22 605**	**6 808**	**7 815**	**3 723**	**-130**	**40 821**
of which internal income	101	-3	54	652	-804	
Staff costs	3 106	828	1 466	3 349		8 749
Variable staff costs	136	64	230	197		627
Other expenses	5 523	1 546	1 757	-3 074	-130	5 622
Depreciation/amortisation	97	113	73	346		629
Total expenses	**8 862**	**2 551**	**3 526**	**818**	**-130**	**15 627**
Profit before impairments	**13 743**	**4 257**	**4 289**	**2 905**		**25 194**
Impairment of intangible assets			35			35
Impairment of tangible assets		21	8	2		31
Credit impairments	-51	-35	1 482	-29		1 367
Operating profit	**13 794**	**4 271**	**2 764**	**2 932**		**23 761**
Tax expense	2 959	586	449	215		4 209
Profit for the year	10 835	3 685	2 315	2 717		19 552
Profit for the year attributable to the shareholders of Swedbank AB	**10 822**	**3 685**	**2 315**	**2 717**		**19 539**
Non-controlling interests	13					13
Balance sheet						
Cash and balances with central banks		2 720	2 262	116 365		121 347
Loans to credit institutions	5 081		42 973	194 488	-210 345	32 197
Loans to the public	1 134 712	140 250	228 243	4 042		1 507 247
Interest-bearing securities	251	1 306	33 759	151 660	-4 904	182 072
Financial assets for which customers bear inv. risk	156 357	3 757				160 114
Investments in associates	3 650			3 669		7 319
Derivatives		26	96 685	34 465	-43 365	87 811
Tangible and intangible assets	2 293	11 040	391	2 419		16 143
Other assets	3 818	36 293	32 599	504 336	-537 093	39 953
Total assets	**1 306 162**	**195 392**	**436 912**	**1 011 444**	**-795 707**	**2 154 203**
Amounts owed to credit institutions	24 057		164 017	90 183	-206 426	71 831
Deposits and borrowings from the public	500 023	170 972	127 374		-5 445	792 924
Debt securities in issue		311	17 868	831 025	-7 531	841 673
Financial liabilities for which customers bear inv. risk	157 154	3 897				161 051
Derivatives	6		102 971	25 845	-43 233	85 589
Other liabilities	571 937		5 004	497	-533 072	44 366
Subordinated liabilities				27 254		27 254
Total liabilities	**1 253 177**	**175 180**	**417 234**	**974 804**	**-795 707**	**2 024 688**
Allocated equity	52 985	20 212	19 678	36 640		129 515
Total liabilities and equity	**1 306 162**	**195 392**	**436 912**	**1 011 444**	**-795 707**	**2 154 203**
Key figures						
Return on allocated equity, total operations, %	20.5	18.0	11.9	8.9		15.8
Cost/income ratio	0.39	0.37	0.45	0.22		0.38
Credit impairment ratio, %[1]	0.00	-0.03	0.59	-0.13		0.09
Loans/deposits	229	83	148			186
Loans, excl. repurchase agreements and Swedish National Debt Office	1 134 753	140 250	178 305			1 453 308
Deposits, excl. repurchase agreements and Swedish National Debt Office	495 758	169 992	116 281			782 031
Risk exposure amount	182 374	79 400	111 883	20 479		394 136
Full-time employees	4 090	3 642	1 218	5 111		14 061
Allocated equity, average	52 837	20 441	19 527	30 497		123 302

1) For more information about the Credit impairment ratio see page 42 of the Factbook.

G6 Products

2017	Financing	Savings & Investments	Payments & Cards	Trading & Capital markets	Other	Total
Net interest income	21 567	86	1 471	59	1 412	24 595
Net commissions	1 042	5 236	4 545	815	392	12 030
Net gains and losses on financial items at fair value	2	147	13	2 043	-271	1 934
Share of the profit or loss of associates			586		385	971
Other income	48	1 063	224	21	1 552	2 908
Total income	**22 659**	**6 532**	**6 839**	**2 938**	**3 470**	**42 438**

2016	Financing	Savings & Investments	Payments & Cards	Trading & Capital markets	Other	Total
Net interest income	19 604	320	1 379	19	1 528	22 850
Net commissions	1 030	4 737	4 159	773	634	11 333
Net gains and losses on financial items at fair value	10	22	9	2 528	-338	2 231
Share of the profit or loss of associates			534		1 933	2 467
Other income	49	867	209	19	796	1 940
Total income	**20 693**	**5 946**	**6 290**	**3 339**	**4 553**	**40 821**

In the product area report income has been distributed among five principal product areas. The Group does not have a single customer which accounts for more than 10 per cent of its total income. During 2017 Swedbank's products structure was changed slightly. Comparative figures have been restated. Figures for 2016 have also been restated due to the changed presentation of the compensation to the Savings banks. For more information see Note 2 and Note 57.

(1) Financing
private residential lending
consumer financing
corporate lending
leasing
other financing products
trade finance
factoring

(2) Savings & Investments
savings accounts
mutual funds and insurance savings
pension savings
institutional asset management
other savings and investment products

(3) Payments & Cards
current accounts (incl. cash management)
cash handling
domestic payments
international payments
mobile payments
document payments
debit cards
credit cards (incl. EnterCard)
card acquiring
other payment products

(4) Trading & Capital Market Products
equity trading
structured products
corporate finance
custody services
fixed income trading
currency trading
other capital market products

(5) Other
administrative services
treasury operations
Ektornet
real estate brokerage
real estate management
legal services
safe deposit boxes
other

(5) Other also includes income from all countries apart from Sweden, Baltics and Norway

G7 Geographical distribution

The geographical distribution is primarily based on where the business is carried out and is not comparable to the operating segment reporting. In the geographical distribution, intangible assets, mainly goodwill related to acquisitions, has been allocated to the country where the operations were acquired. The column Other includes operations in Finland, Denmark, Luxembourg and China. The Swedish figures for 2016 have been restated due to the changed presentation of the compensation to the Savings banks. For more information see Note 2 and Note 57.

2017	Sweden	Estonia	Latvia	Lithuania	Norway	USA	Other	Eliminations	Total
Income statement									
Net interest income	18 941	1 994	1 064	1 161	941	166	324	4	24 595
Net commissions	8 918	821	822	837	391	37	189	15	12 030
Net gains and losses on financial items at fair value	1 174	132	97	103	421		7		1 934
Share of the profit or loss of associates	593	2			298		78		971
Other income	2 667	789	102	234	22	2	2	–910	2 908
Total income	**32 293**	**3 738**	**2 085**	**2 335**	**2 073**	**205**	**600**	**–891**	**42 438**
Staff costs	7 303	769	404	540	300	45	124		9 485
Variable staff costs	350	44	22	29	11		4		460
Other expenses	4 976	520	377	464	306	–12	129	–890	5 870
Depreciation/amortisation	439	61	48	43	7		2		600
Total expenses	**13 068**	**1 394**	**851**	**1 076**	**624**	**33**	**259**	**–890**	**16 415**
Profit before impairments	**19 225**	**2 344**	**1 234**	**1 259**	**1 449**	**172**	**341**	**–1**	**26 023**
Impairment of intangible fixed assets	175								175
Impairment of tangible fixed assets			19	2					21
Credit impairments	522	–32	–21	–45	856	6	–1		1 285
Operating profit	**18 528**	**2 376**	**1 236**	**1 302**	**593**	**166**	**342**	**–1**	**24 542**
Tax expense	4 096	426	177	190	201	11	77		5 178
of which current tax	4 140	252	180	205	157	42	78		5 054
of which paid tax	2 760	257	210	150	277	3	83		3 740
Profit for the period	14 432	1 950	1 059	1 112	392	155	265	–1	19 364
Profit for the year attributable to the shareholders of Swedbank AB	**14 418**	**1 950**	**1 059**	**1 112**	**392**	**155**	**265**	**–1**	**19 350**
Non-controlling interests	14								14
Balance sheet									
Cash and balances with central banks	89 463	21 957	16 475	25 818	4 284	40 123	2 251		200 371
Loans to credit institutions	27 357	1 957	1 368	2 687	2 850	35 595	2 366	–43 434	30 746
Loans to the public	1 321 063	71 375	31 849	45 946	49 468	753	15 465	–721	1 535 198
Interest-bearing securities	130 447	3 195	1 601	888	4 748	3 277	878		145 034
Financial assets for which customers bear inv. risk	176 170	4 150							180 320
Investments in associates	5 045	10			1 003		299		6 357
Derivatives	45 854	135	54	122	14 012		560	–5 057	55 680
Tangible and intangible fixed assets	6 714	4 421	2 606	4 307	233	1	2		18 284
Other assets	36 298	1 001	459	676	1 759	135	390	–72	40 646
Total assets	**1 838 411**	**108 201**	**54 412**	**80 444**	**78 357**	**79 884**	**22 211**	**–49 284**	**2 212 636**
Amounts owed to credit institutions	61 537	1 819	231	28	49 589	8 034	17 134	–70 317	68 055
Deposits and borrowings from the public	650 892	77 583	43 209	68 004	4 855	8 706	3 203	–843	855 609
Debt securities in issue	781 626	11				62 567			844 204
Financial liabilities for which customers bear inv. risk	176 657	4 467							181 124
Derivatives	38 146	147	65	104	12 240		597	–5 099	46 200
Other liabilities	76	15 116	5 520	5 324	5 519	23	11	26 975	58 564
Subordinated liabilities	25 508								25 508
Total liabilities	**1 734 442**	**99 143**	**49 025**	**73 460**	**72 203**	**79 330**	**20 945**	**–49 284**	**2 079 264**
Allocated equity	103 969	9 058	5 387	6 984	6 154	554	1 266		133 372
Total liabilities and equity	**1 838 411**	**108 201**	**54 412**	**80 444**	**78 357**	**79 884**	**22 211**	**–49 284**	**2 212 636**

2016	Sweden	Estonia	Latvia	Lithuania	Norway	USA	Other	Eliminations	Total
Income statement									
Net interest income	17 500	1 871	1 075	1 031	812	242	318	1	22 850
Net commissions	8 498	771	715	709	416	43	178	3	11 333
Net gains and losses on financial items at fair value	1 684	142	89	78	242	3	–7		2 231
Share of the profit or loss of associates	2 212				255				2 467
Other income	1 613	670	72	147	2	2	78	–644	1 940
Total income	**31 507**	**3 454**	**1 951**	**1 965**	**1 727**	**290**	**567**	**–640**	**40 821**
Staff costs	6 692	694	380	471	333	47	132		8 749
Variable staff costs	444	47	30	31	63	3	9		627
Other expenses	4 712	464	323	348	311	–4	108	–640	5 622
Depreciation/amortisation	425	88	52	47	15		2		629
Total expenses	**12 273**	**1 293**	**785**	**897**	**722**	**46**	**251**	**–640**	**15 627**
Profit before impairments	**19 234**	**2 161**	**1 166**	**1 068**	**1 005**	**244**	**316**		**25 194**
Impairment of intangible fixed assets	35								35
Impairment of tangible fixed assets		2	12	7	8		2		31
Credit impairments	76	54	–10	–76	1 352	1	–30		1 367
Operating profit	**19 123**	**2 105**	**1 164**	**1 137**	**–355**	**243**	**344**		**23 761**
Tax expense	3 739	251	172	166	–137	–42	60		4 209
of which current tax	3 507	238	160	152	–134	59	54		4 036
of which paid tax	2 098	228	217	146		15	66		2 770
Profit for the period	15 384	1 854	992	971	–218	285	284		19 552
Profit for the year attributable to the shareholders of Swedbank AB	**15 371**	**1 854**	**992**	**971**	**–218**	**285**	**284**		**19 539**
Non-controlling interests	13								13
Balance sheet									
Cash and balances with central banks	18 361	21 951	13 828	21 305	582	17 311	28 009		121 347
Loans to credit institutions	20 086	1 696	962	525	3 252	38 478	2 255	–35 057	32 197
Loans to the public	1 308 627	65 250	31 016	44 042	41 753	775	16 409	–625	1 507 247
Interest-bearing securities	158 359	4 430	3 537	2 884	8 788	3 623	451		182 072
Financial assets for which customers bear inv. risk	156 556	3 558							160 114
Investments in associates	6 322	8			989				7 319
Derivatives	73 820	208	98	134	18 854		13	–5 316	87 811
Tangible and intangible fixed assets	3 547	4 333	2 681	4 215	1 365		2		16 143
Other assets	35 333	1 116	428	545	1 630	65	946	–110	39 953
Total assets	**1 781 011**	**102 550**	**52 550**	**73 650**	**77 213**	**60 252**	**48 085**	**–41 108**	**2 154 203**
Amounts owed to credit institutions	25 720	1 175	162	66	45 353	3 432	43 784	–47 861	71 831
Deposits and borrowings from the public	608 328	74 617	42 126	61 851	3 382	339	2 720	–439	792 924
Debt securities in issue	785 749	11		40	98	55 775			841 673
Financial liabilities for which customers bear inv. risk	157 155	3 896							161 051
Derivatives	75 661	269	64	110	15 663		109	–6 287	85 589
Other liabilities	9	14 044	4 808	4 778	6 752	282	214	13 479	44 366
Subordinated liabilities	27 254								27 254
Total liabilities	**1 679 876**	**94 012**	**47 160**	**66 845**	**71 248**	**59 828**	**46 827**	**–41 108**	**2 024 688**
Allocated equity	101 135	8 538	5 390	6 805	5 965	424	1 258		129 515
Total liabilities and equity	**1 781 011**	**102 550**	**52 550**	**73 650**	**77 213**	**60 252**	**48 085**	**–41 108**	**2 154 203**

G8 Net interest income

	2017			2016		
	Average balance	Interest income/ expense	Average annual interest rate, %	Average balance	Interest income/ expense	Average annual interest rate, %
Loans to credit institutions	38 206	60	0.16	89 523	64	0.07
Loans to the public	1 532 472	30 022	1.96	1 497 557	30 031	2.01
Interest-bearing securities	172 551	182	0.11	161 071	651	0.40
Total interest-bearing assets	**1 743 229**	**30 264**	**1.74**	**1 748 151**	**30 746**	**1.76**
Derivatives	75 474	1 026		95 730	1 093	
Other assets	603 728	1 241		530 049	764	
Total assets	**2 422 431**	**32 531**	**1.34**	**2 373 930**	**32 603**	**1.37**
deduction of trading interests reported in net gains and losses on financial items at fair value		343			1 232	
Interest income, including negative yield on financial assets, according to income statement		**32 188**			**31 371**	
Amounts owed to credit institutions	138 757	821	0.59	154 798	269	0.17
Deposits and borrowings from the public	907 184	1 281	0.14	907 906	1 100	0.12
of which deposit guarantee fees		442			466	
Debt securities in issue	910 780	12 095	1.33	876 536	13 013	1.48
of which commissions for funding with state guarantee						
Subordinated liabilities	29 026	1 193	4.11	23 567	977	4.15
Total Interest-bearing liabilities	**1 985 747**	**15 390**	**0.78**	**1 962 807**	**15 359**	**0.78**
Derivatives	66 422	−9 334		80 177	−7 638	
Other liabilities	242 505	1 225		207 461	689	
of which government resolution fund fee		1 205			646	
Total liabilities	**2 294 674**	**7 281**	**0.32**	**2 250 445**	**8 410**	**0.37**
Equity	**127 757**			**123 485**		
Total liabilities and equity	**2 422 431**	**7 281**	**0.30**	**2 373 930**	**8 410**	**0.35**
deduction of trading interests reported in net gains and losses on financial items at fair value		−312			−111	
Interest expenses, including negative yield on financial liabilities, according to income statement		**7 593**			**8 521**	
Net interest income		**24 595**			**22 850**	
Net interest margin before trading interest are deducted			1.04			1.02
Interest income impaired loans		110			95	
Interest income on financial assets at amortised cost		28 828			27 205	
Interest expenses on financial liabilities at amortised cost		15 276			14 701	

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

G9 Net commission income

	2017	2016
Commission income		
Payment processing	1 772	1 745
Cards	5 065	4 715
Service concepts	807	522
Asset management and custody	6 240	5 425
Life insurance	660	648
Securities	557	581
Corporate finance	137	277
Lending	938	982
Guarantee	231	215
Deposits	200	131
Real estate brokerage	198	226
Non-life insurance	80	69
Other commission income	481	475
Total	**17 366**	**16 011**

	2017	2016
Commission expenses		
Payment processing	–1 078	–1 002
Cards	–2 115	–1 883
Service concepts	–70	–15
Asset management and custody	–1 368	–1 180
Life insurance	–189	–176
Securities	–279	–211
Lending and guarantees	–60	–73
Non-life insurance	–23	–14
Other commission expenses	–154	–124
Total	**–5 336**	**–4 678**

	2017	2016
Net commission income		
Payment processing	694	743
Cards	2 950	2 832
Service concepts	737	507
Asset management and custody	4 872	4 245
Life insurance	471	472
Securities	278	370
Corporate finance	137	277
Lending	878	909
Guarantee	231	215
Deposits	200	131
Real estate brokerage	198	226
Non-life insurance	57	55
Other commission income	327	351
Total	**12 030**	**11 333**

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

G10 Net gains and losses on financial items at fair value

	2017	2016
Valuation category, measured at fair value through profit or loss		
Trading and derivatives		
Shares and share related derivatives	534	512
of which dividend	282	56
Interest-bearing instruments and interest related derivatives	436	1 190
Other financial instruments	–2	–295
Total	**968**	**1 407**
Designated		
Shares	36	433
of which dividend	1	11
Loans to the public	–1 029	–1 494
Financial liabilities	264	200
Total	**–729**	**–861**
Hedge accounting at fair value		
Ineffective part in hedge accounting at fair value		
Hedging instruments	–5 188	–812
Hedged item	5 280	752
Total	**92**	**–60**
Ineffective part in portfolio hedge accounting at fair value		
Hedging instruments	660	–465
Hedged item	–694	473
Total	**–34**	**8**
Financial liabilities at amortised cost	**–385**	**–414**
Loan receivables at amortised cost	**112**	**142**
Trading related interest		
Interest income	343	1 232
Interest expense	312	111
Total trading related interest	**655**	**1 343**
Change in exchange rates	1 255	666
Total	**1 934**	**2 231**
Distribution by business purpose		
Financial instruments for trading related business	2 710	2 694
Financial instruments intended to be held until contractual maturity	–776	–463
Total	**1 934**	**2 231**

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

G11 Net insurance

	2017	2016
Insurance premiums		
Life insurance	1 834	1 531
of which loan protection	223	199
of which other	1 611	1 332
Non-life insurance	766	606
Total	**2 600**	**2 137**

	2017	2016
Insurance provisions		
Life insurance	–1 137	–978
of which loan protection	–98	–80
of which other	–1 039	–898
Non-life insurance	–526	–405
Total	**–1 663**	**–1 383**

	2017	2016
Net insurance		
Life insurance	697	553
of which loan protection	125	119
of which other	572	434
Non-life insurance	240	201
Total	**937**	**754**

G12 Other income

	2017	2016
Profit from sale of subsidiaries and associates	686	
Income from real estate operations	17	14
Profit from sale of condominiums	8	36
Sold inventories	69	32
of which revenues	383	348
of which carrying amount	–314	–316
IT services	894	796
Other operating income	298	309
Total	**1 971**	**1 186**

During 2017 the shares in the associated company Hemnet AB was sold giving a capital gain of SEK 680m.

G13 Staff costs and other staff–related key ratios

1 COMPENSATION WITHIN SWEDBANK

The majority of employees at Swedbank have fixed and variable compensation components, which, together with pension and other benefits, represent their total compensation. Total compensation is market based and designed to achieve a sound balance between the fixed and variable components.

Information on compensation according to the SFSA's regulations and general guidelines on compensation policies (FFFS 2011:1) is published on Swedbank's website.

Total staff costs	2017	2016
Salaries and Board fees	5 951	5 840
Compensation through shares in Swedbank AB	314	377
Social insurance charges	2 028	1 933
Pension costs[1]	947	783
Training costs	121	117
Other staff costs	584	326
Total	**9 945**	**9 376**
of which variable staff costs	460	627
of which personnel redundancy costs	255	41

1) The Group's pension cost for the year is specified in note G38.

2 VARIABLE COMPENSATION

Swedbank currently has four share–based variable compensation programmes: Programme 2014, Programme 2015, Programme 2016 and Programme 2017. In 2017 shares associated with Programme 2013 were transferred.

2.1 Programme 2017

Programme 2017 consists of three parts: a general programme (Eken), an individual programme and an individual programme (IP) for employees in asset management (IPAM). Eken covers the majority of employees in the Group and consists of share-based compensation that is deferred for 3 years (5 years for the Group Executive Committee). IP covers approx. 650 participants and consists of equal parts share-based and cash compensation. At least 40 per cent of the variable compensation is deferred for 3 years. IPAM covers around 60 employees and consists of half fund unit-based compensation and half cash compensation. At least 40 per cent of the variable compensation is deferred for 3–5 years.

Further information on Programme 2017 as well as Programmes 2014–2016 can be found in Swedbank's Factbook, which is published on the bank's website in connection with its quarterly reports as well as in the detailed agenda items that serve as a basis for resolutions by the AGM.

2.2 Reporting of share-based compensation

Share-based compensation is alloted in the form of so-called performance rights (future shares in Swedbank) and accrued over the duration of each programme. Delivery of shares is conditional on continued employment.

Each programme comprises i) the initial performance year, followed by ii) allotments and a deferral period before iii) final transfer of the shares to participants in the year after the conclusion of the deferral period and publication of the year-end report. During the initial performance year the compensation is expressed and measured in the form of a monetary value corresponding to the performance amount. Thereafter, the compensation is expressed in terms of the number of performance rights until the delivery date.

Performance rights for each programme are valued in the accounts based on the estimated price of shares in Swedbank on the valuation date i.e. the date when the company and the counterparty agree to the contractual terms and conditions in each programme. Each performance right entitles its holder to one share in Swedbank plus compensation for any dividends distributed that the performance rights did not qualify for during the programme's duration. The reported cost of each programme can change during the period until the delivery date if the performance amount changes or because the performance rights are forfeited. The reported cost excluding social insurance charges does not change when the market value of the performance rights changes. Social insurance charges are calculated and recognised continuously based on market value and ultimately determined at the time of delivery.

Variable Compensation Programme 2013–2017	2017	2016
Programme 2013		
Recognised expense for compensation that is settled with shares in Swedbank AB	11	26
Recognised expense for social insurance charges related to the share settled compensation	7	–33
Programme 2014		
Recognised expense for compensation that is settled with shares in Swedbank AB	78	95
Recognised expense for social insurance charges related to the share settled compensation	20	55
Programme 2015		
Recognised expense for compensation that is settled with shares in Swedbank AB	50	119
Recognised expense for social insurance charges related to the share settled compensation	14	48
Programme 2016		
Recognised expense for compensation that is settled with shares in Swedbank AB	69	63
Recognised expense for social insurance charges related to the share settled compensation	15	24
Recognised expense for cash settled compensation	–8	3
Recognised expense for payroll overhead costs related to the cash settled compensation	18	5
Programme 2017		
Recognised expense for compensation that is settled with shares in Swedbank AB	99	75
Recognised expense for social insurance charges related to the share settled compensation	20	17
Recognised expense for cash settled compensation	44	94
Recognised expense for fund compensation	8	
Recognised expense for payroll overhead costs related to the cash settled compensation and fund shares	15	36
Total recognised expense	**460**	**627**

Number of performance rights that establish the recognised share based expense, millions	2017	2016
Outstanding at the beginning of the period	**9**	**13**
Allotted	1	2
Forfeited	0	1
Excercised	3	5
Outstanding at the end of the period	**7**	**9**
Exercisable at the end of the period	0	0
Weighted average fair value per performance right at measurement date, SEK	184	151
Weighted average remaining contractual life, months	11	9
Weighted average exercise price per performance right, SEK	0	0

3 COMPENSATION TO THE CEO

Birgitte Bonnesen was appointed as CEO on 9 February 2016. Birgitte Bonnesen's employment terms do not contain any variable compensation. Her fixed salary is SEK 13 650 thousand.

Birgitte Bonnesen's ordinary retirement age is 65 and she receives a premium equivalent to 35 per cent of her salary for pension insurance. . The maximum pensionable salary is determined to SEK 13 million.

If the employment is terminated by Swedbank, Birgitte Bonnesen receives 75 per cent of her salary during a 12–month term of notice and in addition here to severance pay equivalent to 75 per cent of her salary during 12 months. A deduction against salary and severance pay is made for income earned from new employment.

If Birgitte Bonnesen resigns, the term of notice is six months and no severance pay is paid.

SEK Thousands	2017	2016
Birgitte Bonnessen		
Fixed compensation, salary	13 433	11 409
Other compensation/benefits	673	653
Total	**14 106**	**12 062**
Pension cost, excluding payroll tax	4 550	3 887

Michael Wolf was CEO until the beginning of February 2016. After his employment was terminated by Swedbank, Michael Wolf received 75 per cent of his salary during a 12-month term of notice. Subsequently he receives severance pay equivalent to 75 per cent of his salary during a period of 12 months. A deduction against severance pay is made for income earned from new employment.

SEK Thousands	2017	2016
Michael Wolf		
Fixed compensation, salary		1 393
Other compensation/benefits		15
Termination compensation		23 054
Total		**24 462**
Pension cost, excluding payroll tax		488

4 COMPENSATION TO OTHER SENIOR EXECUTIVES

4.1 General on other senior executives

Members of the Group Executive Committee excluding the CEO are defined in this context as other senior executives. Compensation to other senior executives includes compensation paid by all Group companies during the year, Swedish as well as foreign, and refers to compensation paid during the period during which these individuals were active as senior executives.

All senior executives are eligible for Eken except for the Chief Executive Officer and three other senior executives.

A total of 18 individuals were members of the Group Executive Committee at the end of the year: Aet Altroff, Ģirts Bērziņš, Elisabeth Beskow, Mikael Björknert, Lars-Erik Danielsson, Anders Ekedahl, Björn Elfstrand, Charlotte Elsnitz, Ragnar Gustavii, Cecilia Hernqvist, Anders Karlsson, Leif Karlsson, Ola Laurin, Lars Ljungälv, Lotta Lovén, Helo Meigas, Christer Trägårdh and Carina Strand. Fifteen of them were active as other senior executives throughout the entire year: Aet Altroff, Ģirts Bērziņš, Elisabeth Beskow, Mikael Björknert, Lars-Erik Danielsson, Anders Ekedahl, Björn Elfstrand, Cecilia Hernqvist, Anders Karlsson, Leif Karlsson, Ola Laurin, Lars Ljungälv, Lotta Lovén, Helo Meigas and Christer Trägårdh. Four were active as senior executives during part of the year: Charlotte Elsnitz, Ragnar Gustavii, Priit Perens and Carina Strand.

	2017	2016
Fixed compensation, salary	65	65
Variable compensation, cash		4
Variable compensation, share based	5	6
Other compensation/benefits[1]	9	9
Compensation at terminated contract[2]		15
Total	**79**	**99**
Pension cost, excluding payroll tax	20	22
Number of performance rights share based compensation used for the annual cost	24 391	31 839
Total number of allotted performance rights share based compensation	94 788	115 491
No. of persons as of 31 December	18	15

1) Includes holiday pay, employee loan interest benefit, share benefit, lunch subsidy, health care insurance benefit, telephone and fund discount.
2) Includes salary during term of notice, severance pay, pension costs and benefits, if any.

4.2 Pension and other contractual terms to other senior executives

4.2.1 Pension

Swedbank applies the BTP collective pension for employees in Sweden. The BTP plan is a complement to the national pension for Swedish employees and consists of BTP1, a defined contribution pension plan, and BTP2, primarily a defined benefit pension plan. BTP1 applies to all employees hired as of 1 February 2013. The pensionable salary is capped at 30 income base amounts (the income base amount for 2017 was SEK 61 500).

In a defined benefit pension the employer promises a future pension, often expressed as a percentage of salary. In a defined contribution pension the employer allocates a specific percentage of the employee's salary to a premium.

Twelve senior executives are eligible for BTP2 and two senior executives are eligible for BTP1. In addition, an individual defined contribution pension is paid on fixed salaries exceeding 30 income base amounts for 14 senior executives. Two senior executives receive a wholly premium–based pension solution (individual contracts).

The maximum pensionable salary for the defined contribution portion for all senior executives is determined by the Board of Directors.

4.2.2 Other contractual terms to other senior executives

	Term of notice	Severance pay	Resignation
10 persons	12 months	12 months	6 months
5 persons	12 months	6 months	6 months
1 person	6 months	12 months	6 months
1 person	3 months	12 months	1 month
1 person	1 month	6 months	1 month

Conditions within the framework of the contractual terms:

- In case of termination, salary and benefits are paid during the term of notice
- In case of termination by Swedbank, severance is paid
- If new work is found, a deduction is made for salary income during the term of notice and during the period when severance is paid for those employed in Sweden.

5 COMPENSATION TO THE BOARD OF DIRECTORS

5.1 General information on remuneration to the entire Board of Directors

Compensation to the members of the Board of Directors, as indicated in the table below, is determined by the AGM and refers to annual fees from the AGM 2017 to the AGM 2018. Board compensation consists of fixed compensation for board work as well as fixed compensation for any committee work. The three committees are the Audit Committee, the Risk and Capital Committee and the Remuneration Committee. During the year no costs were recognised for previous Board members beyond what is indicated below. The Group does not have any pension entitlements for Board members.

Compensation to the Board of Directors, corresponds to the annual fees up to the AGM 2017 SEK thousands	2017 Board fees	2017 Committee work	2017 Total	2016 Board fees	2016 Committee work	2016 Total
Lars Idermark, Chair	2 460	325	2 785	2 430	315	2 745
Ulrika Francke, Deputy Chair	825	550	1 375	815	530	1 345
Bodil Eriksson, Director	550	100	650	525	100	625
Mats Granryd, Director	550	225	775			
Göran Hedman, Director				525	290	815
Bo Johansson, Director	550	225	775			
Peter Norman, Director	550	450	1 000	525	430	955
Annika Poutiainen, Director	550	225	775			
Pia Rudengren, Director				525	215	740
Karl-Henrik Sundström, Director				525	215	740
Siv Svensson, Director	550	350	900	525	290	815
Magnus Uggla, Director	550	400	950			
Summa	**7 135**	**2 850**	**9 985**	**6 395**	**2 385**	**8 780**

5.2 Compensation to the Chair

The Chair receives fixed compensation for board work as well as fixed compensation for committee work i.e. no variable compensation, pension or other benefits.
The following table discloses the costs for 2017 and 2016.

SEK thousands	2017	2016
Within framework of Board fees set by the Board		
Lars Idermark	2 775	2 037
Anders Sundström		797
Total	**2 775**	**2 834**

6 SUMMARY – COMPENSATION TO THE BOARD OF DIRECTORS, CEO AND OTHERS IN THE GROUP EXECUTIVE COMMITTEE (KEY MANAGEMENT)

The table below shows the costs recognised for 2017 and 2016 for the Board of Directors, CEO and others in the Group Executive Committee. The costs exclude social insurance charges and payroll taxes.

	2017	2016
Short-term employee benefits	98	100
Post employment benefits, pension costs	25	26
Termination benefits, severance pay		38
Share-based payments	5	6
Total	**128**	**170**
Granted loans	84	89

7 SUMMARY – PENSIONS AND LOANS TO BOARDS OF DIRECTORS AND EQUIVALENT SENIOR EXECUTIVES IN THE ENTIRE GROUP

Pension costs reported in the table below refer to current Directors, CEOs, Vice Presidents and equivalent senior executives in the Group. The costs exclude social insurance charges and payroll taxes.

	2017	2016
Cost for the year related to pensions and similar benefits	45	40
No. of persons	65	57
Granted loans	416	364
No. of persons	150	140

Pension obligations for former CEOs and Vice Presidents have been funded through insurance and pension foundations. The latter's obligations amounted to SEK 341m (347). The Group has not pledged any assets or other collateral or committed to contingent liabilities on behalf of any of the above–mentioned group of senior executives.

8 SUMMARY – COMPENSATION TO BOARDS OF DIRECTORS AND EQUIVALENT SENIOR EXECUTIVES IN THE ENTIRE GROUP

Shown here are the salaries and other compensation for Boards of Directors, CEOs, Vice Presidents and equivalent senior executives in the Group. This group includes current employees. Fees to CEOs and other senior executives for internal board duties are deducted against their salaries, unless otherwise agreed. The costs exclude social insurance charges and payroll taxes.

	2017					2016				
	Boards of Directors, CEOs, Vice Presidents and equivalent senior executives			Other employees	All employees	Boards of Directors, CEOs, Vice Presidents and equivalent senior executives			Other employees	All employees
Country	Number of persons	Salaries and Board fees	Variable compensation	Salaries and variable compensation	Total	Number of persons	Salaries and Board fees	Variable compensation	Salaries and variable compensation	Total
Sweden	75	121		4 458	4 579	66	122	10	4 424	4 556
Estonia	35	23	3	565	591	28	19	3	520	542
Latvia	15	11	2	313	326	16	10	2	304	316
Lithuania	20	18	5	398	421	20	15	2	350	367
Norway	1	2		213	215				289	289
USA	1	5		30	35				39	39
Other countries	3	4		95	99	2	2		106	108
Total	**150**	**184**	**10**	**6 071**	**6 265**	**132**	**168**	**17**	**6 032**	**6 217**

9 KEY RATIOS

Average number of employees based on 1 585 hours per employee	2017	2016
Sweden	7 407	8 143
Estonia	2 626	2 580
Latvia	1 749	1 764
Lithuania	2 430	2 359
Norway	178	239
USA	21	20
Other countries	126	127
Total	**14 536**	**15 232**
Number of hours worked (thousands)	23 040	24 141
Number of Group employees at year-end excluding long-term absentees in relation to hours worked expressed as full-time positions	14 588	14 061

Employee turnover excluding retired staff, %	2017	2016
Swedish Banking	7.0	5.6
Large Corporates & Institutions	8.2	6.1
Baltic Banking	12.6	13.3
Group Functions	7.7	6.9
Total	**8.8**	**8.2**

Employee turnover including retired staff, %	2017	2016
Swedish Banking	9.8	9.2
Large Corporates & Institutions	10.9	7.1
Baltic Banking	12.6	13.3
Group Functions	9.0	8.2
Total	**10.3**	**9.9**

Employee turnover is calculated as the number of employees who terminated their employment during the year divided by the number of employees as of 31December of the previous year.

Other key ratios	2017	2016
Average number of employees	14 536	15 231
Number of employees at year-end	15 108	15 060
Number of full-time positions	14 588	14 061

Sick leave, %	2017	2016
Sick leave Sweden	3.6	3.6
Sick leave Estonia	1.5	1.1
Sick leave Latvia	2.3	2.2
Sick leave Lithuania	1.6	1.8
Long-term healthy employees, %[1]	70.6	71.0

1) Refers to the Swedish operations. Long–term healthy refer to employees with a maximum of five working days of sick leave during a rolling 12 month period.

Parental leave women/men, %	2017	2016
Sweden	73/27	74/26
Estonia	99/1	99/1
Latvia	99/1	100/0
Lithuania	99/1	99/1

	2017		2016	
Gender distribution by country, %	Female	Male	Female	Male
Sweden	56	44	56	44
Estonia	75	25	76	24
Latvia	77	23	77	23
Lithuania	72	28	74	26
Norway	32	68	28	72
USA	21	79	20	80
Other countries	54	46	55	45

	2017		2016	
Gender distribution for all employees, Group Executive Committee and Boards of Directors, %	Female	Male	Female	Male
All employees	64	36	64	36
Swedbank's Board of Directors	45	55	50	50
Group Executive Committee incl. CEO	42	58	31	69
Group Executive Committee and their respective management teams	41	59	32	68
Boards of Directors in the entire Group incl. subsidiaries	46	54	45	55
Senior executives in the entire Group incl. subsidiaries	41	59	41	59

	2017		2016	
Gender distribution, management positions by country, %	Female	Male	Female	Male
Management positions, total[1]	53	47	52	48
Management positions, Sweden	46	54	44	56
Management positions, Estonia	67	33	63	37
Management positions, Latvia	71	29	70	30
Management positions, Lithuania	52	48	54	46

1) Applicable for Swedbank's home markets: Sweden, Estonia, Latvia and Lithuania.

G14 Other general administrative expenses

	2017	2016
Expenses for premises	16	
Rents, etc.	1 136	1 131
IT expenses	1 963	1 834
Telecommunications, postage	133	118
Consulting	326	314
Compensation to savings banks	223	236
Other purchased services	777	708
Travel	238	226
Entertainment	53	51
Office supplies	95	103
Advertising, public relations, marketing	306	285
Security transports, alarm systems	71	72
Maintenance	115	111
Other administrative expenses	332	302
Other operating expenses	86	131
Total	**5 870**	**5 622**

Remuneration to auditors	2017	2016
Remuneration to auditors elected by Annual General Meeting, Deloitte		
Statutory audit	35	30
Other audit	7	6
Other	1	6
Remuneration to other auditors elected by Annual General Meeting		
Statutory audit	1	1
Total	**43**	**43**
Internal Audit, not Deloitte	69	65

G15 Depreciation/amortisation of tangible and intangible fixed assets

Depreciation/amortisation	2017	2016
Equipment	287	285
Owner-occupied properties	37	35
Intangible fixed assets	276	309
Total	**600**	**629**

G16 Impairments of tangible assets including repossessed lease assets

Impairments	2017	2016
Properties measured as inventory	20	31
Repossessed leasing assets	1	
Total	**21**	**31**

G17 Credit impairments

Credit impairments	2017	2016
Provisions for loans that individually are assessed as impaired		
Provisions	987	1 444
Reversal of previous provisions	–267	–455
Provision for homogenous groups of impaired loans, net	4	–69
Total	**724**	**920**
Portfolio provisions for loans that individually are not assessed as impaired	**-40**	**97**
Write-offs		
Established losses	801	1 214
Utilisation of previous provisions	–431	–850
Recoveries	–271	–253
Total	**99**	**111**
Credit impairments for contingent liabilities and other credit risk exposures	**502**	**239**
Credit impairments	**1 285**	**1 367**

Credit impairments by valuation category	2017	2016
Loans and receivables	801	1 210
Fair value through profit or loss	484	157
Total	**1 285**	**1 367**

Credit impairments by borrower category	2017	2016
Credit institutions	–2	2
General public	1 287	1 365
Total	**1 285**	**1 367**

G18 Tax

Tax expense	2017	2016
Tax related to previous years	–8	–125
Current tax	5 054	4 036
Deferred tax	132	298
Total	**5 178**	**4 209**

The difference between the Group's tax expense and the tax expense based on current tax rates is explained below:

	2017		2016	
	SEKm	per cent	SEKm	per cent
Results	5 178	21.1	4 209	17.7
22.0% of pre-tax profit	5 399	22.0	5 227	22.0
Difference	**221**	**0.9**	**1 018**	**4.3**
The difference consists of the following items:				
Tax previous years	8		125	0.5
Tax -exempt income/non-deductible expenses	–171	–0.7	307	1.3
Tax-exempt capital gains and appreciation in value of shares and participating interest	1		102	0.4
Other tax basis in insurance operations	142	0.6	122	0.5
Deviating tax rates in other countries	243	1.0	381	1.6
Other, net	–2		–19	
Total	**221**	**0.9**	**1 018**	**4.3**

The 2017 tax expense corresponds to an effective tax rate of 21.1 per cent (17.7). The Group recognizes tax on all profits in Estonia earned since 2017 and which will be taxed when they are distributed as dividends, when these might be distributed to the parent company Swedbank AB. The change resulted in an increased effective tax rate of 0.6.

2017

Deferred tax assets	Opening balance	Income statement	Other comprehensive income	Business combination	Equity	Exchange rate differences	Closing balance
Deductible temporary differences							
Other	41	6		2			49
Share-based payment	5				–4		1
Unused tax losses	125	–14		13		4	128
Unrecognised deferred tax assets	–11	8		–2			–5
Total	**160**	**0**		**13**	**–4**	**4**	**173**
Deferred tax liabilities							
Taxable temporary differences							
Untaxed reserves	2 480	–54		17			2 443
Hedge of net investment in foreign operations	–212	–9	–147				–368
Provision for pensions	–388	46	–424	–18			–784
Cash flow hedges	65	–111	–14				–60
Intangible fixed assets	315	141		129			585
Share-based payment	–54				31		–23
Owner-occupied properties				17			17
Other	232	129		8		3	372
Total	**2 438**	**142**	**–585**	**153**	**31**	**3**	**2 182**
Deferred tax in associates		–9	–14				
Total		**133**	**–599**				

Deferred tax related to the hedging of net investments in foreign operations and cash flow hedging is recognised directly in other comprehensive income, since the change in the value of the hedging instrument is also recognised directly in other comprehensive income. Deferred tax related to untaxed reserves in associates is included on the balance sheet line Investments in associates.

The unrecognised portion of deferred tax assets amounted to SEK 5m (11). The assets are not recognised due to uncertainty when and if sufficient taxable earnings will be generated.

Unused tax losses and unused tax credits according to tax calculation

Maturity	Total deduction	Deduction for which deferred tax is recognised				Deduction for which deferred tax is not recognised
		Latvia	Lithuania	Denmark	Norway	
2018	32	32				
2019	26	26				
2020	13	13				
Without maturity	745		670	6	40	29
Total	**816**	**71**	**670**	**6**	**40**	**29**

As a result of new tax, legislation in Latvia, previous unused tax losses without maturity dates have obtained maturity dates. When the Group determines the deferred tax assets it will recognise, it forecasts future taxable profits that can be utilised against tax loss carryforwards or other future tax credits. Deferred tax assets are recognised only to the extent such profits are probable. The Group expects that about 46 per cent (56) of the taxable losses that serve as the basis for recognised deferred tax assets will be utilised before the end of 2020 i.e. within the framework of the Group's three–year financial plan. The losses for which deferred tax assets are recognised derive from the Group's home markets.

2016

Deferred tax assets	Opening balance	Income statement	Other comprehensive income	Equity	Exchange rate differences	Closing balance
Deductible temporary differences						
Provision for credit impairments	20	–21			1	
Other	73	–41			9	41
Share-based payment	8			–3		5
Unused tax losses	123	–3			5	125
Unrecognised deferred tax assets	–32	21				–11
Total	**192**	**–44**		**–3**	**15**	**160**

Deferred tax liabilities						
Taxable temporary differences						
Untaxed reserves	2 439	41				2 480
Hedge of net investment in foreign operations	50	1	–263			–212
Provision for pensions	203	93	–684			–388
Cash flow hedges	35	13	17			65
Intangible fixed assets	263	52				315
Share-based payment	–67			13		–54
Other	148	48			36	232
Total	**3 071**	**248**	**–930**	**13**	**36**	**2 438**
Deferred tax in associates		6	–16			
Total		**254**	**–946**			

Unused tax losses and unused tax credits according to tax calculation

Maturity	Total deduction	Deduction for which deferred tax is recognised		Deduction for which deferred tax is not recognised
		Latvia	Lithuania	
Without maturity	833	111	632	90
Total	**833**	**111**	**632**	**90**

G19 Earnings per share

Earnings per share are calculated by dividing profit for the year, after adjustments, attributable to holders of ordinary shares in the parent company by a weighted average number of ordinary shares outstanding. Earnings per share after dilution is calculated by dividing profit for the year, after adjustments, attributable to holders of ordinary shares in the parent company by the average of the number of ordinary shares outstanding, adjusted for the dilution effect of potential shares. Swedbank's share-related compensation programmes, Programme 2014, Programme 2015, Programme 2016 and Programme 2017, give rise to potential ordinary shares from the grant date for these shares from an accounting perspective. Grant date refers here to the date when the parties agreed to the terms and conditions of the programmes. The grant dates from an accounting perspective for Programme 2013 was 27 March 2013, for Programme 2014 the grant date was 19 March 2014, for Programme 2015 was 26 March 2015, for Programme 2016 was 5 April 2016 and for Programme 2017 it was 30 March 2017. The rights are treated as options in the calculation of earnings per share after dilution.

	2017	2016
Average number of shares		
Weighted average number of shares before adjustments for shares acquired by associates, before dilution	1 113 223 329	1 110 031 401
Weighted average number of shares, before dilution	1 113 223 329	1 110 031 401
Weighted average number of shares for dilutive potential ordinary shares resulting from share-based compensation programme	5 547 365	6 271 302
Weighted average number of shares, after dilution	1 118 770 693	1 116 302 703
Earnings per share		
Profit for the year attributable to the shareholders of Swedbank AB	19 350	19 539
Profit for the year used for calculating earnings per share	19 350	19 539
Earnings per share total operations before dilution, SEK	17.38	17.60
Earnings per share total operations after dilution, SEK	17.30	17.50

G20 Tax for each component in other comprehensive income

	2017				2016			
	Pre-tax amount	Deferred tax	Current tax	Total tax amount	Pre-tax amount	Deferred tax	Current tax	Total tax amount
Items that will not be reclassified to the income statement								
Remeasurements of defined benefit pension plans	–1 928	424		424	–3 110	684		684
Share of other comprehensive income of associates	–63	14		14	–76	17		17
Total	**–1 991**	**438**	**0**	**438**	**–3 186**	**701**	**0**	**701**
Items that may be reclassified to the income statement								
Exchange differences, foreign operations	1 081				1 641			
Hedging of net investments in foreign operations	–651	147	–3	144	–1 337	262	31	293
Cash flow hedges	–63	14		14	75	–16		–16
Share of other comprehensive income of associates	–80	–0			126	–1		–1
Total	**287**	**161**	**–3**	**158**	**505**	**245**	**31**	**276**
Other comprehensive income	**–1 704**	**599**	**–3**	**596**	**–2 681**	**946**	**31**	**977**

G21 Treasury bills and other bills eligible for refinancing with central banks etc.

	Carrying amount			Amortised cost			Nominal amount		
	2017	2016	1/1/2016	2017	2016	1/1/2016	2017	2016	1/1/2016
Governments	80 901	102 138	70 963	79 844	100 833	70 476	79 106	99 895	67 945
Municipalities	4 449	4 585	3 644	4 412	4 543	3 656	4 392	4 514	3 634
Other	553	848	1 945	553	850	1 944	550	844	1 930
Total	**85 903**	**107 571**	**76 552**	**84 809**	**106 226**	**76 076**	**84 048**	**105 253**	**73 509**

G22 Loans to credit institutions

	2017	2016	1/1/2016
Loans and advances	26 934	23 558	74 971
Loans and advances, change in value due to hedge accounting at fair value	0	7	36
Repurchase agreements	511	852	1 739
Cash collaterals	3 301	7 780	9 672
Total	**30 746**	**32 197**	**86 418**

	2017	2016	1/1/2016
Subordinated loans			
Associates	620	620	
Other companies	50	53	48
Total	**670**	**673**	**48**

G23 Loans to the public

	2017	2016	1/1/2016
Loans and advances	1 481 284	1 430 887	1 363 909
Loans and advances, change in value due to hedge accounting at fair value	8	27	47
Repurchase agreements	25 047	48 860	34 665
Leasing	27 601	24 832	11 209
Cash collaterals	1 258	2 641	4 125
Total	**1 535 198**	**1 507 247**	**1 413 955**

The maximum credit risk exposure for lending measured at fair value corresponds to the carrying amount

Finance lease agreements distributed by maturity

2017	< 1 yr.	1–5 yrs.	> 5 yrs.	Total
Gross investment	8 506	16 429	3 890	28 825
Unearned finance income	353	700	171	1 224
Net investment	8 153	15 729	3 719	27 601
Provisions for impaired claims related to minimum lease payments				16

The residual value of the leases in all cases are guaranteed by the lessees or third party. The lease income did not include any contingent rents. Finance leases are included in Loans to the public and relates to vehicles, machinery, boats etc.

2016	< 1 yr.	1–5 yrs.	> 5 yrs.	Total
Gross investment	7 643	14 365	3 979	25 987
Unearned finance income	327	649	159	1 135
Net investment	7 316	13 716	3 820	24 852
Provisions for impaired claims related to minimum lease payments				12

G24 Bonds and other interest-bearing securities

Issued by other than public agencies	Carrying amount			Amortised cost			Nominal amount		
	2017	2016	1/1/2016	2017	2016	1/1/2016	2017	2016	1/1/2016
Mortgage institutions	30 141	34 839	37 576	30 085	34 756	37 420	29 288	33 623	36 362
Banks	15 259	22 132	30 427	15 217	22 020	30 237	15 092	21 840	29 956
Other financial companies	5 343	8 081	10 140	5 248	7 951	9 960	5 192	7 836	9 780
Non-financial companies	8 388	9 449	10 467	8 366	9 382	10 153	8 284	9 284	10 229
Total	**59 131**	**74 501**	**88 610**	**58 916**	**74 109**	**87 770**	**57 856**	**72 583**	**86 327**

G25 Financial assets for which the customers bear the investment risk

	2017	2016	1/1/2016
Fund units	164 555	144 566	127 055
Interest-bearing securities	3 336	3 104	14 883
Shares	12 429	12 444	11 504
Total	**180 320**	**160 114**	**153 442**

G26 Shares and participating interests

	Carrying amount			Cost		
	2017	2016	1/1/2016	2017	2016	1/1/2016
Trading equities	18 206	12 093	8 659	17 608	11 426	8 900
Trading fund shares	1 256	11 547	2 232	1 196	10 973	2 032
For protection of claims		3	17			27
Condominiums	2	9	47	2	7	45
Other	387	245	119	357	233	116
Total	**19 850**	**23 897**	**11 074**	**19 164**	**22 639**	**11 120**

G27 Investments in associates and joint ventures

	2017	2016	1/1/2016
Fixed assets			
Credit institutions – Associates	2 736	2 612	2 530
Credit institutions – Joint Venture	2 822	2 622	2 451
Other associates	799	2 085	401
Total	**6 357**	**7 319**	**5 382**
Opening balance	**7 319**	**5 382**	**4 924**
Additions during the year	88	1 654	18
Change in accumulated profit shares, total comprehensive income	605	682	567
Dividends received	–1 544	–399	–53
Disposals during the year	–111		–74
Closing balance	**6 357**	**7 319**	**5 382**

2017 **Associates** **Corporate identity, domicile**	**Corporate identity number**	**Number**	**Carrying amount**	**Cost**	**Share of capital, %**	**Year's share of associate's pre-tax profit**
Credit institutions						
Sparbanken Skåne, Lund	516401-0091	3 670 342	1 203	1 070	22.00	61
Sparbanken Rekarne AB, Eskilstuna	516401-9928	865 000	376	125	50.00	65
Swedbank Sjuhärad AB, Borås	516401-9852	950 000	1 073	288	47.50	142
Vimmerby Sparbank AB, Vimmerby	516401-0174	340 000	84	41	40.00	8
Total credit institutions			**2 736**	**1 524**		**276**
Other associates						
Babs Paylink AB, Stockholm	556567-2200	4 900	93	20	49.00	31
BGC Holding AB, Stockholm	556607-0933	29 177	170	98	29.17	-12
Finansiell ID-Teknik BID AB, Stockholm	556630-4928	12 735	23	24	28.30	1
Getswish AB	556913-7382	10 000	19	21	20.00	2
Rosengård Invest AB, Malmö	556756-0528	5 625	6	10	25.00	3
UC AB, Stockholm	556137-5113	2 000	31		20.00	2
VISA Sweden, ek för, Stockholm	769619-6828	–	380		38.90	98
Owned by subsidiaries						
Bankomat AB, Stockholm	556817-9716	150	66	66	20.00	4
AS Sertifitseerimiskeskus, Tallin	10747013	16	10	9	25.00	2
Other						1
Total other associates			**798**	**248**		**132**
Total associates			**3 534**	**1 772**		**408**

The share of the voting rights in each entity corresponds to the share of its equity. All shares are unlisted. Swedbank does not have any individual material interests in associates. During the year Swedbank received a dividend of SEK 1 348m from VISA Sweden. Swedbank's cumulative share of associates' other comprehensive income for the year amounted to SEK –41m (–57) and the share of the year's total comprehensive income amounted to SEK 273m (1 828). As of 31 December 2017 Swedbank's share of associates' commitments and contingent liabilities amounted to SEK 430m (1 129) and SEK 2 427m (2 385), respectively.

2017 **Joint venture** **Corporate identity, domicile**	**Corporate identity number**	**Number**	**Carrying amount**	**Cost**	**Share of capital, %**	**Year's share of joint venture's pre-tax profit**
Credit institutions						
EnterCard Group AB, Stockholm	556673-0585	3 000	2 823	420	50.00	563
Total joint ventures			**2 823**	**420**		**563**
Total associates and joint ventures			**6 357**	**2 192**		**971**

EnterCard Holdings AB's subsidiaries EnterCard Sverige AB and EnterCard Norge AS have merged with the parent company during 2017. The operations of the Norwegian company are subsequently conducted as a branch. EnterCard Holding AB has in connection with the merger changed name to EnterCard Group AB. Swedbank AB received dividends of SEK 133m (333) during the year. Condensed financial information for the EnterCard Group AB is shown below:

	2017	2016
Loans to the public	24 187	21 573
Total assets	29 308	26 379
Amounts owed to credit institutions	22 967	20 388
Total liabilities	23 675	21 163
Net interest income	2 591	2 290
Total income	3 031	2 700
Total expenses	1 394	1 340
Credit impairments	–513	–347
Operating profit	1 124	1 014
Tax expense	–280	–258
Profit for the year	844	756
Total comprehensive income	**667**	**709**

All shares are unlisted.

G28 Derivatives

The Group trades in derivatives in the normal course of business and for the purpose of hedging certain positions that are exposed to share price, interest rate, credit and currency risks. Interest rate swaps that hedge the interest rate risk component in loan portfolios or in certain debt securities in issue and subordinated liabilities are sometimes recognised as hedging instruments in hedge accounting at fair value. The derivatives are recognised at fair value with changes in value through profit or loss in the same manner as for other derivatives. In note G10 Net gains and losses on financial items at fair value, any ineffectiveness of the hedges is recognised as the change in value of the derivative together with the change in value of the hedged risk component. Currency swaps sometimes also hedge projected future currency payments, so-called cash flow hedges. Future estimated cash flows hedged by the swaps are disclosed below. Since the derivatives are recognised as hedging instruments, the effective portion of the change in fair value is recognised in other comprehensive income. Any ineffectiveness in hedge accounting is recognised in net gains and losses on financial items at fair value. The carrying amount of derivatives included in hedge accounting is reported separately below. The carrying amounts of all derivatives refer to fair value including accrued interest. The amounts offset for derivative assets and derivative liabilities include cash collateral offsets of SEK 3 531m (2 482) and SEK 261m (614), respectively.

	Nominal amount 2017 Remaining contractual maturity			Nominal amount		Positive fair value			Negative fair value		
	< 1 yr.	1–5 yrs.	> 5 yrs.	2017	2016	2017	2016	1/1/2016	2017	2016	1/1/2016
Derivatives in hedge accounting											
Fair value hedges, interest rate swaps	47 915	398 283	57 874	504 072	531 489	10 514	16 676	18 038	977	587	452
Portfolio fair value hedges, interest rate swaps	36 500	191 230	13 175	240 905	171 230	278	223	166	1 392	2 063	1 601
Cash flow hedges, foreign currency swaps		1 729	7 578	9 307	9 364	12			334	494	2 303
Total	**84 415**	**591 242**	**78 627**	**754 284**	**712 083**	**10 804**	**16 899**	**18 204**	**2 703**	**3 144**	**4 356**
Non-hedging derivatives	**5 618 013**	**4 187 422**	**858 062**	**10 663 497**	**9 614 077**	**54 489**	**82 749**	**81 854**	**56 381**	**96 150**	**79 167**
Gross amount	**5 702 428**	**4 778 664**	**936 689**	**11 417 781**	**10 326 160**	**65 293**	**99 648**	**100 058**	**59 084**	**99 294**	**83 523**
Offset amount (reference to note G46)	–1 745 771	–1 603 820	–388 745	–3 738 336	–3 332 268	–9 613	–11 837	–13 951	–12 884	–13 705	–14 842
Total	**3 956 657**	**3 174 844**	**547 944**	**7 679 445**	**6 993 892**	**55 680**	**87 811**	**86 107**	**46 200**	**85 589**	**68 681**
Non-hedging derivatives											
Interest-related contracts											
Options	203 969	379 957	128 737	712 663	477 372	616	1 228	1 361	1 550	2 288	2 012
Forward contracts	2 488 655	994 013		3 482 668	3 387 207	376	580	1 429	360	547	1 613
Swaps	1 563 486	2 439 982	662 146	4 665 614	3 187 717	28 843	40 537	45 560	30 418	42 469	49 576
Other	54			54	4						
Currency-related contracts											
Options	59 954	319		60 273	74 486	316	632	859	338	749	971
Forward contracts	1 069 829	21 134	12	1 090 975	1 075 620	7 927	12 501	8 272	10 126	15 369	11 320
Swaps	160 875	335 081	56 395	552 351	371 106	7 288	9 794	21 483	6 651	9 275	12 057
Other	3			3	38		1	4		1	4
Equity-related contracts											
Options	42 952	15 665	10 772	69 389	1 018 213	8 684	17 266	2 450	6 528	25 018	1 067
Forward contracts	10 448			10 448	7 733	190	68	81	96	64	160
Swaps	13 534	496		14 030	8 762	124	16	132	198	246	142
Other	41			41	78						
Credit-related contracts											
Swaps	295	687		982	2 002	30	14	37	25	15	65
Commodity-related contracts											
Options								1			1
Forward contracts	3 918	88		4 006	3 739	95	112	185	91	109	179
Total	**5 618 013**	**4 187 422**	**858 062**	**10 663 497**	**9 614 077**	**54 489**	**82 749**	**81 854**	**56 381**	**96 150**	**79 167**

Maturity distribution regarding future hedged cash flows in cash flow hedge accounting

	< 1 yr.	1–3 yrs.	3–5 yrs.	5–10 yrs.	>10 yrs.
Negative cash flows (liabilities)	**15**	**405**	**1 044**	**4 119**	**3 017**

Future cash flows above, expressed in SEKm, are exposed to variability attributable to changed currency rates.

These future cash flows are hedged with derivatives, recognised as cash flow hedges, with opposite cash flows that eliminate the variability.

G29 Intangible fixed assets

	Indefinite useful life		Definite useful life			
2017	**Goodwill**	**Brand**	**Customer base**	**Internally developed software**	**Other**	**Total**
Cost, opening balance	**14 463**		**1 793**	**1 999**	**1 520**	**19 775**
Additions through business combinations	429	161	39	415		1 044
Additions through internal development				1 004		1 004
Additions through separate acquisitions					164	164
Sales and disposals					–67	–67
Exchange rate differences	319		26		32	377
Cost, closing balance	**15 211**	**161**	**1 858**	**3 418**	**1 649**	**22 297**
Amortisation, opening balance			**–1 078**	**–689**	**–1 157**	**–2 924**
Amortisation for the year			–76	–82	–118	–276
Sales and disposals					50	50
Exchange rate differences			–20		–17	–37
Amortisation, closing balance			**–1 174**	**–771**	**–1 242**	**–3 187**
Impairments, opening balance	**–2 055**		**–156**	**–321**	**–40**	**–2 572**
Impairments for the year			–57	–96	–22	–175
Sales and disposals					22	22
Exchange rate differences	–56					–56
Impairments, closing balance	**–2 111**		**–213**	**–417**	**–40**	**–2 781**
Carrying amount	**13 100**	**161**	**471**	**2 230**	**367**	**16 329**

For intangible assets with a finite useful life, the amortisable amount is allocated systematically over the useful life. Systematic amortisation relates to both straight line and increasing or decreasing amortisation. The original useful life is between 3 and 20 years.

	Indefinite useful life	Definite useful life			
2016	**Goodwill**	**Customer base**	**Internally developed software**	**Other**	**Total**
Cost, opening balance	**13 981**	**1 789**	**1 547**	**1 479**	**18 796**
Additions through business combinations		15			15
Additions through internal development			452		452
Additions through separate acquisitions				70	70
Sales and disposals		–43		–51	–94
Exchange rate differences	482	32		22	536
Cost, closing balance	**14 463**	**1 793**	**1 999**	**1 520**	**19 775**
Amortisation, opening balance		**–1 016**	**–631**	**–1 006**	**–2 653**
Amortisation for the year		–78	–123	–108	–309
Sales and disposals		43	65	–18	90
Exchange rate differences		–27		–25	–52
Amortisation, closing balance		**–1 078**	**–689**	**–1 157**	**–2 924**
Impairments, opening balance	**–1 971**	**–156**	**–286**	**–40**	**–2 453**
Impairments for the year			–35		–35
Exchange rate differences	–84				–84
Impairments, closing balance	**–2 055**	**–156**	**–321**	**–40**	**–2 572**
Carrying amount	**12 408**	**559**	**989**	**323**	**14 279**

Specification of intangible assets with indefinite useful life	Acquisition year	Carrying amount 2017	2016	1/1/2016
Goodwill				
Swedbank Robur AB	1995	328	328	328
Föreningsbanken AB	1997	1 342	1 342	1 342
Swedbank Försäkring AB	1998	651	651	651
Kontoret i Bergsjö	1998	13	13	13
Ölands Bank AB	1998	9	9	9
FSB Bolåndirekt Bank AB	2002	159	159	159
Söderhamns Sparbank AB	2007	24	24	24
PayEx	2017	429		
Sweden		**2 955**	**2 526**	**2 526**
of which banking operations		1 547	1 547	1 547
of which other		1 408	979	979
Swedbank AS	1999	1 189	1 158	1 111
Swedbank AS	2000	12	12	11
Swedbank AS	2001	140	136	131
Swedbank AS	2005	8 623	8 395	8 050
Baltic countries		**9 964**	**9 701**	**9 303**
of which allocated to:				
Banking operations in Estonia		4 170	4 060	3 894
Banking operations in Latvia		2 147	2 090	2 005
Banking operations in Lithuania		3 647	3 551	3 404
First Securities ASA	2005	181	181	181
Norway		**181**	**181**	**181**
Total		**13 100**	**12 408**	**12 010**

Value in use

Goodwill acquired in business combinations has been allocated to the lowest possible cash generating unit. Recoverable amount has been determined based on value in use. This means that the assets' estimated future cash flows are calculated at present value using a discount rate. Estimated future cash flows are based on the Group's established three-year financial plans. The most important assumptions in the three-year plan are the executive management's estimate of net profit, including credit impairments; growth in each economy, both GDP and industry growth; and the trend in risk weighted assets. Financial planning is done at a lower level than the cash generating unit. The necessary assumptions in the planning are based as far as possible and appropriate on external information. Future cash flows are subsequently estimated with the help of long-term growth assumptions for risk weighted assets as well as on net profit in relation to risk weighted assets. Due to the long-term nature of the investments, cash flow is expected to continue indefinitely. Use of an indefinite cash flow is motivated by the fact that all cash generating units are part of the Group's home markets, which it has no intention of leaving. Net cash flow refers to the amount that theoretically could be received as dividends or must be contributed as capital to comply with capital adequacy or solvency rules. The Group currently believes that a Common Equity Tier 1 capital ratio of 14 per cent (14) is reasonably the lowest level for the cash generating unit, because of which any surpluses or deficits calculated in relation to this level are theoretically considered payable as dividends or will have to be contributed as capital and therefore constitute net cash flow. The discount rate is determined based on the market's risk-free rate of interest and yield requirements, the unit's performance in the stock market in relation to the entire market, and the asset's specific risks. The discount rate is adapted to various periods if needed. Any adjustments needed to the discount factor are determined based on the economic stage the cash generating unit is in and means that each year's cumulative cash flow is discounted by a unique discounting factor. Projected growth in risk weighted assets corresponds to estimated inflation, projected real GDP growth and any additional growth expected in the banking sector, depending on the economic stage the sector is in. In accordance with IAS 36, the long-term growth estimate does not include any potential increase in market share. Long-term growth estimates are based on external projections as well as the Group's experience and growth projections for the banking sector in relation to GDP growth and inflation. Estimated net profit in relation to risk weighted assets is based on historical experience and adjusted based on the economic stage the cash generating unit is in. The adjustment is also based on how the composition of the cash generating unit's balance sheet is expected to change. The parameters are based as far as possible on external sources. The most important assumptions and their sensitivity are described in the table on the following page.

Cash-generating unit	Annual average REA growth %		Annual REA growth %		Annual average REA growth %		Annual REA growth %	
	2017	2016	2017	2016	2017	2016	2017	2016
	2018–2020	2017–2019	2021–2048	2020–2048	2021--2048	2020–2048	2049–	2049–
Banking operations								
Estonia	0.2	2.0	3.7–3.0	5.0–3.1	3.0	3.8	3.0	3.0
Latvia	1.7	4.0	3.6–3.0	5.0–3.1	3.2	4.2	3.0	3.0
Lithuania	2.0	5.9	4.5–2.3	4.9–3.1	3.7	4.2	3.0	3.0
Sweden	2.0	2.0	2.0	3.0	2.0	3.0	2.0	3.0

Cash-generating unit	Annual average discount rate %		Average discount rate %		Annual average discount rate %		Average discount rate %	
	2017	2016	2017	2016	2017	2016	2017	2016
	2018–2020	2017–2019	2021–2048	2020–2048	2021–2048	2020–2048	2049–	2049–
Banking operations								
Estonia	9.9	10.7	9.9–9.0	10.7–9.0	9.3	9.5	9.0	9.0
Latvia	10.5	11.4	10.5–9.0	11.4–9.0	9.6	9.8	9.0	9.0
Lithuania	10.5	11.4	10.4–9.0	11.4–9.0	9.6	9.8	9.0	9.0
Sweden	5.0	5.7	5.0	5.7–5.7	5.0	5.7	5.0	5.7

Sensitivity analysis, change in recoverable amount

Cash-generating unit	Net asset including goodwill, carrying amount, SEKm		Recoverable amount, SEKm		Decrease in assumption of yearly growth by 1 percentage point		Increase in discount rate by 1 percentage point	
	2017	2016	2017	2016	2017	2016	2017	2016
Banking operations								
Estonia	21 143	19 844	31 334	27 380	–1 513	–1 815	–2 354	–2 602
Latvia	9 625	8 977	11 317	12 596	–193	–449	–674	–952
Lithuania	11 137	10 298	14 886	15 751	–770	–1 487	–1 293	–2 063
Sweden[1]	57 488	54 450	74 596	65 143	–2 120	–2 026	–10 498	–8 578

1) The cash-generating unit is part of the segment Swedish Banking.

Sensitivity analysis

Given a reasonable change in any of the above assumptions there would be no impairment loss for any cash generating unit. For the other cash generating units there is still room for a reasonable change if both assumptions were to occur simultaneously as indicated in the table i.e. both an increase in the discount rate of 1 percentage point and a decrease in the growth assumption of 1 percentage point. The Group is also confident there is room for a reasonable change in the net profit margin assumption for these units without causing an impairment loss.

Banking operations in Baltic countries

Recognised goodwill totalled SEK 9 964m (9 701). Goodwill is tested for impairment separately for each country. Essentially the same assumptions were used in the impairment testing for 2017 as at the previous year-end. The three-year financial plans have been updated, as a result of which the initial growth assumptions after the planning period have been reduced. The discounting factor has been updated with new country-specific risk premiums. No impairments were identified on the balance sheet date. The three-year financial plans have been updated based on conditions in each country. Initial growth assumed in the established three-year financial plans is based on management's best estimate of inflation, real GDP growth and growth in the banking sector in each market. The assessments are based on external sources. After the planning period a linear reduction in annual growth is assumed in principle during the period between 2019 and 2048 from 5 per cent down to 3 per cent, which is considered sustainable growth for a mature market. The initial discount rate for each period reflects a country-specific risk premium that will converge on a straight-line basis to 5 per cent, which is considered relevant for a mature market. Risk premiums are derived from external sources. The discount rate before tax for the period 2017–2019 was approximately 13 per cent (13).

Other cash generating units, excluding banking operations

Other recognised goodwill totalled SEK 1 589m (1 160). No impairments were needed as of the closing day. Average annual growth for other cash generating units has been assumed to be 3 per cent (3) and the lowest discount rate was 6 per cent (6), or 7 per cent (7) before tax.

G30 Tangible assets

2017	Current assets Properties	Fixed assets Equipment	Fixed assets Owner-occupied properties	Total
Cost, opening balance	**655**	**3 018**	**1 306**	**4 979**
Additions	50	402	201	653
Sales and disposals	–160	–347	–102	–609
Exchange rate differences	4	22	35	61
Cost, closing balance	**549**	**3 095**	**1 440**	**5 084**
Amortisation, opening balance		**–2 246**	**–471**	**–2 717**
Amortisation for the year		–286	–38	–324
Sales and disposals		309	33	342
Exchange rate differences		–12	–10	–22
Amortisation, closing balance		**–2 235**	**–486**	**–2 721**
Impairments, opening balance	**–398**			**–398**
Impairments for the year	–21			–21
Sales and disposals	13			13
Exchange rate differences	–2			–2
Impairments, closing balance	**–408**	**0**	**0**	**–408**
Carrying amount	**141**	**860**	**954**	**1 955**

The useful life of equipment is deemed to be between three and ten years and its residual value is deemed to be zero as in previous years. The depreciable amount is recognised linearly in profit or loss over the useful life. There was no change in useful lives in 2017. No indications of impairment were identified on the balance sheet date for equipment and owner-occupied properties. Individual structural components are deemed to have useful lives of between 12 and 25 years. The residual value is deemed to be zero. The depreciable amount is recognised linearlyin profit or loss over the useful life. Land has an indefinite useful life and is not depreciated. Estimated useful lives have been changed in individual cases.

2016	Current assets Properties	Fixed assets Equipment	Fixed assets Owner-occupied properties	Total
Cost, opening balance	**773**	**3 137**	**1 252**	**5 162**
Additions	77	442	7	526
Sales and disposals	–202	–591	–5	–798
Exchange rate differences	7	30	52	89
Cost, closing balance	**655**	**3 018**	**1 306**	**4 979**
Amortisation, opening balance		**–2 386**	**–422**	**–2 808**
Amortisation for the year		–285	–35	–320
Sales and disposals		450	4	454
Exchange rate differences		–25	–18	–43
Amortisation, closing balance		**–2 246**	**–471**	**–2 717**
Impairments, opening balance	**–373**			**–373**
Impairments for the year	–31			–31
Sales and disposals	8			8
Exchange rate differences	–2			–2
Impairments, closing balance	**–398**	**0**	**0**	**–398**
Carrying amount	**257**	**772**	**835**	**1 864**

G31 Other assets

	2017	2016	1/1/2016
Security settlement claims	9863	4659	11497
Other financial assets[1]	4635	3408	3180
Total	**14 499**	**8 067**	**14 677**

1) Property taken over to protect claims amounted to SEK 80m (145) in the Group.

G32 Prepaid expenses and accrued income

	2017	2016	1/1/2016
Prepaid expenses and other accrued income	1 607	1 621	2 598
Accrued interest income	2 353	2 930	3 764
Total	**3 960**	**4 551**	**6 362**

G33 Amounts owed to credit institutions

	2017	2016	1/1/2016
Swedish banks	20 379	23 788	85 574
Swedish credit institutions	2 623	1 216	1 131
Foreign central banks	23 199	22 079	7 704
Foreign banks	21 229	23 978	55 045
Foreign credit institutions	625	757	223
Swedish credit institutions, repurchased agreements			816
Foreign banks, repurchase agreements		13	
Total	**68 055**	**71 831**	**150 493**

G34 Deposits and borrowings from the public

	2017	2016	1/1/2016
Deposits from Swedish public	640 328	593 784	548 798
Deposits from foreign public	206 574	188 248	194 721
Funding			468
Deposits from Swedish public, repurchase agreements	8 707	10 892	2 798
Deposits from foreign public, repurchase agreements			1 485
Total	**855 609**	**792 924**	**748 271**

The row Deposits from Swedish public includes deposits from Swedish National Debt Office of SEK 275m (1).

G35 Financial liabilities for which customers bear the investment risk

	2017	2016	1/1/2016
Investment contracts, unit-link	162 938	142 921	130 403
Investment contracts, life	18 186	18 130	17 718
Fund savings			9 715
Total	**181 124**	**161 051**	**157 836**

G36 Debt securities in issue

	2017	2016	1/1/2016
Commercial Papers	149 976	102 225	107 047
Covered bonds	512 074	545 594	537 840
Change in value due to hedge accounting at fair value	7 772	12 700	12 830
Senior unsecured bonds	158 060	164 761	154 076
Change in value due to hedge accounting at fair value	1 475	1 401	168
Structured retail bonds	14 847	14 992	14 574
Total	**844 204**	**841 673**	**826 535**

G37 Short positions in securities

	2017	2016	1/1/2016
Shares	234	96	246
Interest-bearing securities	14 225	11 518	7 945
Total	**14 459**	**11 614**	**8 191**
of which own issued shares	199	33	77

G38 Pensions

Defined benefit pension plans are recognised in the balance sheet as a provision and in the income statement in their entirety as a pension cost in staff costs. Revaluations of defined benefit pension plans are recognised in other comprehensive income. The provision in the balance sheet is a net of the pension obligations and the fair value of the assets allocated to fund the obligations, so-called plan assets. The Group calculates provisions and costs for defined benefit pension obligations based on the obligations' significance and assumptions related to future development. The pension obligations as well as the cost of services rendered and interest expense for the pension obligations include payroll tax, which is calculated according to an actuarial method.

Nearly all employees hired in the Swedish part of the Group before 2013 are covered by the BTP2 defined benefit pension plan (a multi-employer occupational pension for Swedish banks). According to this plan, employees are guaranteed a lifetime pension corresponding to a specific percentage of their salary and mainly comprising retirement pension, disability pension and survivor's pension. Remuneration levels differ for salaries with different income base amounts. For salaries over 30 income base amounts, there is no pension according to BTP2. Consequently, the Group's provision and pension cost are affected by each employee's anticipated longevity, final salary and income base amounts. The pension plan also contains a complementary retirement pension which has been defined contribution since 2001 rather than defined benefit. In 2012 BTP was renegotiated as entirely a defined contribution pension plan for all new employees as of 2013. The defined benefit pension plan therefore covers only those employed before 2013 and hence is being dissolved. The defined benefit portion of the BTP2 pension plan is funded by purchasing pension insurance from the insurance company SPK (Sparinstitutens PensionsKassa Försäkringsforening). SPK administers pensions and manages pension assets for Swedbank and other employers. The Group has to determine its share of the plan assets held by SPK. The share amounted to 79 per cent. This is done using the metric SPK is likely to have used on the closing day to distribute assets if the plan were immediately dissolved or if a situation arose that required an additional payment from employers due to insufficient assets. The employers are responsible for ensuring that SPK has sufficient assets to meet the pension plan's obligations measured on the basis of SPK's legal obligations. There is no such deficit. SPK's asset management is mainly based on the regulations it faces. The Group's provision and other comprehensive income are therefore affected by SPK's return on assets.

For individuals who have been in executive positions, there are complementary individual defined benefit pension obligations. They are funded through provisions to pension funds which comply with the Act on Safeguarding Pension Benefits. During the year, PayEx was acquired. It's Swedish part provides defined benefit pension according to the so-called ITP plan (Industry and Trade Supplementary Pension). The benefits mainly correspond to the benefits in BTP 2. The provision in the balance sheet was at the end of the year of SEK 189m. The pension commitments are secured in own balance sheet in accordance with the Guarantee Act "Tryggandelagen".

The small defined benefit pension plan for employees of Swedbank AB's Norwegian branch was closed in 2016. The settlement effect amounted to SEK 11m. The Group has no other defined benefit plans.

Amount reported in balance sheet for defined benefit pension plans	**2017**	**2016**	**1/1/2016**
Funded pension obligations and payroll tax	22 918	20 900	18 129
Unfunded pension obligations and payroll tax	189		
Fair value of plan assets	–19 907	–19 494	–19 385
Total	**3 200**	**1 406**	**–1 256**
of which reported as plan assets			1 274
of which reported as a pension liability	3 200	1 406	18

Changes in defined benefit pension plans, including payroll tax	**2017**	**2016**
Opening obligations	**20 900**	**18 129**
Business combinations	152	
Current service cost and payroll tax	581	511
Interest expense on pension obligations	571	622
Pension payments	–776	–757
Payroll tax payments	–175	–174
Remeasurement	1 854	2 628
Settlements		–57
Exchange rate differences		–2
Closing obligations	**23 107**	**20 900**

Pension obligations, including payroll tax	**2017**	**2016**	**2017 Number of**
Active members	8 942	7 736	5 857
Deferred members	5 433	3 932	10 012
Pensioners	8 732	9 232	12 646
Total	**23 107**	**20 900**	**28 515**
Vested benefits	20 665	18 846	
Non-vested benefits	2 442	2 054	
Total	**23 107**	**20 900**	
of which attributable to future salary increases	2 530	1 973	

Changes in plan assets	**2017**	**2016**
Opening fair value	**19 494**	**19 385**
Interest income on plan assets	542	670
Contributions by the employer	721	721
Pension payments	–776	–757
Remeasurement	–74	–482
Settlements		–46
Exchange rate differences		3
Closing fair value	**19 907**	**19 494**

Fair value of plan assets	**2017**	**of which quoted market price in an active market**	**2016**	**of which quoted market price in an active market**
Bank balances	359	359	344	344
Derivatives, currency-related	36	36	44	44
Investment funds, interest	12 352	12 352	8 523	8 523
Investment funds, shares	3 801	3 801	2 784	2 784
Investment funds, other	3 359	1 694	7 799	6 260
Total	**19 907**	**18 242**	**19 494**	**17 955**

Remaining maturity 2017	< 1 yr	1–5 yrs	5–10 yrs	> 10 yrs	No maturity/ discount-effect	Total
	Undiscounted cash flows					
Pension obligations, including payroll tax	984	3 335	4 407	46 044	–31 663	23 107
Plan assets	359				19 548	19 907
Expected contributions by the employer	733					

Remaining maturity 2016	< 1 yr	1–5 yrs	5–10 yrs	> 10 yrs	No maturity/ discount-effect	Total
	Undiscounted cash flows					
Pension obligations, including payroll tax	949	3 274	4 104	43 216	–30 643	20 900
Plan assets	344				19 150	19 494
Expected contributions by the employer	784					

Pension costs reported in income statement	2017	2016
Current service cost and payroll tax	581	511
Interest expense on pension obligations	571	622
Interest income on plan assets	–542	–670
Settlements		–11
Pension cost defined benefit pension plans	**610**	**452**
Premiums paid for defined contribution pension plans and payroll tax	337	331
Total	**947**	**783**

Remeasurements of defined benefit pension plans reported in other comprehensive income	2017	2016
Actuarial gains and losses based on experience	–262	491
Actuarial gains and losses arising from changes in financial assumptions	–1 592	–3 052
Actuarial gains and losses arising from changes in demographic assumptions		
Return on plan assets, excluding amounts included in interest income	–74	–482
Total	**–1 928**	**–3 110**

Actuarial assumptions, per cent	2017	2016
Financial		
Discount rate, 1 January	2.79	3.53
Discount rate, 31 December	2.56	2.79
Future annual salary increases, 1 January	3.00	2.84
Future annual salary increases, 31 December	3.39	3.00
Future annual pension indexations/inflation, 1 January	1.84	1.63
Future annual pension indexations/inflation, 31 December	1.95	1.84
Future annual changes in income base amount, 1 January	3.74	3.63
Future annual changes in income base amount, 31 December	3.73	3.74
Demographic		
Entitled employees who choose early retirement option	50.00	50.00
Future annual employee turnover	3.50	3.50
Expected remaining life for a 65 years old man	22	22
Expected remaining life for a 65 years old woman	24	24

Sensitivity analysis, pension obligations	2017	2016
Financial		
Change in discount rate –25 bps	1 059	847
Change in salary assumption +25 bps	483	411
Change in pension indexation/inflation assumption +25 bps	1 044	908
Change in income base amount assumption -25 bps	213	180
Demographic		
All entitled employees choose early retirement option at maximum	762	904
Change in employee turnover assumption –25 bps	38	17
Expected remaining life for a 65 years old man and woman +2 year	1 623	1 411

When the cost of defined benefit pension plans is calculated, financial and demographic assumptions have to be made for factors that affect the size of future pension payments. The discount rate is the interest rate used to discount the value of future payments. The interest rate is based on a market rate of interest for first-class corporate bonds traded on a functioning market with remaining maturities and currencies matching those of the pension obligations. The Group considers Swedish covered mortgage bonds as such bonds, because of which the discount rate is based on their quoted prices. The Group's own issues are excluded. Quoted prices are adjusted for remaining maturities with the help of prices for interest rate swaps. The weighted average maturity of the defined benefit obligation is nearly 20 years. A reduction in the discount rate of 0.25 bp would increase the pension provision by approximately SEK 1 059m (847) and the pension cost by SEK 54 m (56). Future annual salary increases reflect projected future salary increases as an aggregate effect of both contractual wage increases and wage drift. Because the defined benefit pension plan no longer covers new employees, only those employed before 2013, the salary increase assumption has been adapted to assume that the plan is closed. As of 2014 an age-based salary increase assumption is therefore used instead. This means that a unique salary increase assumption is set for each age group of employees. As of 2014 the inflation assumption is based on quoted prices for nominal and index-linked government bonds. For longer maturities that lack quoted prices, the inflation assumption is gradually adapted to the Riksbank's target of 2.00 percentage points. The final benefits under BTP are determined on the basis of the income base amount. Therefore, future changes in the income base amount have to be estimated. The assumption is based on historical outcomes. Annual pension indexation has to be determined as well, since indexation historically has always been necessary. The indexation is assumed to correspond to the inflation assumption. BTP2 gives employees born in 1966 or earlier the option to choose a slightly earlier retirement age than normal in exchange for a slightly lower benefit level. Since this option is totally voluntary on the part of those employees, an estimate is made of the future outcome. Early retirements jointly agreed to by the employer and employee are recognised as they arise rather than estimated among actuarial assumptions. The assumed remaining lifetime of beneficiaries is updated annually.

G39 Insurance provisions

	Life insurance			Non-life insurance			Total		
	2017	2016	1/1/2016	2017	2016	1/1/2016	2017	2016	1/1/2016
Opening balance	**1 592**	**1 537**	**1 584**	**228**	**191**	**161**	**1 820**	**1 728**	**1 745**
Provisions	1 137	978	972	526	405	321	1 663	1 383	1 293
Payments	–1 264	–966	–981	–418	–375	–285	–1 682	–1 341	–1 266
Exchange rate differences	26	43	–38	7	7	–6	33	50	–44
Closing balance	**1 491**	**1 592**	**1 537**	**343**	**228**	**191**	**1 834**	**1 820**	**1 728**

Provisions for insurance contracts

The Group allocates provisions for the insurance contracts or parts of contracts where significant insurance risks are transferred from the policyholder to the Group. Insurance risks differ from financial risks and mean that the Group compensates the policyholder if a specified uncertain future event adversely impacts the policyholder. The Group is compensated through premiums received from policyholders. Provisions are allocated for established claims and correspond to the amount that will be paid out. Provisions are also made for damages incurred but not reported. A statistical assessment of anticipated claims based on previous years' experience with each type of insurance contract is used as a basis for the provision. Assumptions are made with regard to interest rates, morbidity, mortality and expenses.

G40 Other liabilities and provisions

	2017	2016	1/1/2016
Security settlement liabilities	6 564	4 894	11 978
Other liabilities	18 001	9 860	10 380
Provisions for financial guarantees	132	128	45
Restructuring provision	315	62	265
Other provisions	47	44	46
Total	**25 059**	**14 989**	**22 715**

When it acquired Sparbanken Öresund AB in 2014, Swedbank AB recognised a restructuring reserve of SEK 591m. The acquisition analysis included additional provisions of SEK 1 025m, which largely related to onerous contracts, 2016 a restucturing provision was recognised to the business segment Large Corporates & Institutions.

Of the allocated reserves, so have SEK 47m (129) utilised and SEK 0m (118) were reversed due to lower staff costs. In 2017 a new restructuring provision of SEK 300m was established due to changes in the IT organisation.

G41 Accrued expenses and prepaid income

	2017	2016	1/1/2016
Accrued interest expenses	6 654	7 769	9 238
Prepaid income and accrued expenses	2 395	3 148	4 005
Total	**9 650**	**10 917**	**13 243**

G42 Subordinated liabilities

	2017	2016	1/1/2016
Subordinated loans	14 349	12 703	12 382
Change in the value due to hedge accounting at fair value	73	222	265
Total subordinated loans	**14 422**	**12 925**	**12 647**
Undated subordinated loans	11 053	14 116	11 585
of which Tier 1 capital contribution	11 053	14 116	11 585
Change in the value due to hedge accounting at fair value	33	213	381
Total undated subordinated loans	**11 086**	**14 329**	**11 966**
Total	**25 508**	**27 254**	**24 613**

Swedbank has outstanding USD 1 250m Additional Tier 1 capital (AT1), which is perpetual with a call option after five years. The instrument has a mandatory conversion feature to ordinary shares if the Swedbank AB's regulatory capital decreases to a certain level.

G43 Equity

	2017	2016	1/1/2016
Restricted equity			
Share capital, ordinary shares	24 904	24 904	24 904
Statutory reserve	9 458	9 389	9 648
Other reserve[1]	23 997	20 728	19 563
Total	**58 359**	**55 021**	**54 115**
Non-restricted equity			
Currency translation from foreign operations	1 347	853	132
Cash flow hedges	28	77	17
Share premium reserve	13 206	13 206	13 206
Retained earnings	60 432	60 358	55 693
Total	**75 013**	**74 494**	**69 048**
Non-controlling interest	200	190	179
Total equity	**133 572**	**129 705**	**123 342**

The quote value per share is SEK 22.

1) Of which development fund for internally developed software SEK 1 739m (771).

Ordinary shares

Number of shares	**2017**	**2016**	**1/1/2016**
Number of shares authorized, issued and fully paid	1 132 005 722	1 132 005 722	1 132 005 722
Own shares	–18 376 101	–21 273 902	–26 601 972
Number of outstanding shares	**1 113 629 621**	**1 110 731 820**	**1 105 403 750**
Opening balance	**1 110 731 820**	**1 105 403 750**	**1 102 088 934**
Share delivery due to Equity-settled share based programmes	2 897 801	5 328 070	3 148 605
Disposal of own shares for trading purposes			166 211
Closing balance	**1 113 629 621**	**1 110 731 820**	**1 105 403 750**

The quote value per share is SEK 22.

Changes in equity for the year and the distribution according to IFRS are indicated in the statement of changes in equity. Ordinary shares each carry one vote and a share in profits. Treasury shares are not eligible for dividends.

G44 Valuation categories of financial instruments

Financial assets — 2017

Valuation categories	Fair value through profit or loss		Hedging instruments	Available for sale	Loans and receivables	Held to maturity	Total
SEKm	Trading	Designated					
Cash and balances with central banks					200 371		200 371
Treasury bills and other bills eligible for refinancing with central banks	20 492					65 411	85 903
Loans to credit institutions	511				30 235		30 746
Loans to the public	25 016	92 803			1 417 379		1 535 198
Bonds and other interest-bearing securities	55 006	802				3 323	59 131
Financial assets for which customers bear the investment risk		180 320					180 320
Shares and participating interests	19 382	459		9			19 850
Derivatives	44 876		10 804				55 680
Other financial assets					16 772		16 772
Total	**165 283**	**274 384**	**10 804**	**9**	**1 664 757**	**68 734**	**2 183 971**

Financial liabilities — 2017

Valuation categories	Fair value through profit or loss		Hedging instruments	Amortised cost	Total
SEKm	Trading	Designated			
Amounts owed to credit institutions				68 055	68 055
Deposits and borrowings from the public	8 707			846 902	855 609
Financial liabilities for which customers bear the investment risk		181 124			181 124
Debt securities in issue[1]	14 836	7 677		821 691	844 204
Short position securities	14 459				14 459
Derivatives	43 497		2 703		46 200
Subordinated liabilities				25 508	25 508
Other financial liabilities				31 219	31 219
Total	**81 499**	**188 801**	**2 703**	**1 793 375**	**2 066 378**

Financial assets — 2016

Valuation categories	Fair value through profit or loss		Hedging instruments	Available for sale	Loans and receivables	Held to maturity	Total
SEKm	Trading	Designated					
Cash and balances with central banks					121 347		121 347
Treasury bills and other bills eligible for refinancing with central banks	22 169					85 402	107 571
Loans to credit institutions	852				31 345		32 197
Loans to the public	48 825	141 687			1 316 735		1 507 247
Bonds and other interest-bearing securities	70 833					3 668	74 501
Financial assets for which customers bear the investment risk		160 114					160 114
Shares and participating interests	23 643	237		17			23 897
Derivatives	70 912		16 899				87 811
Other financial assets					10 851		10 851
Total	**237 234**	**302 038**	**16 899**	**17**	**1 480 278**	**89 070**	**2 125 536**

Financial liabilities — 2016

Valuation categories	Fair value through profit or loss		Hedging instruments	Amortised cost	Total
SEKm	Trading	Designated			
Amounts owed to credit institutions	13			71 818	71 831
Deposits and borrowings from the public	10 892			782 032	792 924
Financial liabilities for which customers bear the investment risk		161 051			161 051
Debt securities in issue [1]	14 980	8 120		818 573	841 673
Short position securities	11 614				11 614
Derivatives	83 525		2 064		85 589
Subordinated liabilities				27 254	27 254
Other financial liabilities				22 524	22 524
Total	**121 024**	**169 171**	**2 064**	**1 722 201**	**2 014 460**

1) Nominal amount of Debt securities, identified as Fair value through profit or loss, Designated, amounted to SEK 6 897m (7 030).

G45 Fair value of financial instruments

Carrying amounts and fair values of financial instruments
A comparison between the carrying amount and fair value of the Group's financial assets and financial liabilities according to the definition in IAS 39 is presented below.

Determination of fair values of financial instruments
The Group uses various methods to determine the fair value of financial instruments depending on the degree of observable market data in the valuation and activity in the market. An active market is considered a regulated or reliable marketplace where quoted prices are easily accessible and which demonstrates regularity. Activity is continuously evaluated by analysing factors such as differences in bid and ask prices.

The methods are divided in three different levels:
- Level 1: Unadjusted, quoted price on an active market
- Level 2: Adjusted, quoted price or valuation model with valuation parameters derived from an active market
- Level 3: Valuation model where a 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. For any open net positions, bid and ask rates are applied based on what is applicable i.e. bid rates for long positions and ask rates for short positions.

In cases that lack an active market, fair value is determined with the help of established valuation methods and models. In these cases assumptions that cannot be directly attributed to a market may be applied. These assumptions are based on experience and knowledge of the valuation of financial markets. The goal, however, is to always maximise the use of data from an active market. All valuation methods and models and internal assumptions are validated continuously by the independent risk control unit. In cases where it is considered necessary, adjustments are made to reflect fair value, so-called fair value adjustments. This is done to correctly reflect the parameters in the financial instruments and which should be considered in their valuations. For OTC derivatives, for example, where the counterparty risk is not settled with cash collateral, the fair value adjustment is based on the current counterparty risk (CVA and DVA).

The Group has a continuous process that identifies financial instruments which indicate a high level of internal assumptions or low level of observable market data. The process determines how to make the calculation based on how the internal assumptions are expected to affect the valuation. In cases where internal assumptions have a significant impact on fair value, the financial instrument is reported in level 3. The process also includes an analysis based on the quality of valuation data and whether any types of financial instruments will be transferred between the various levels.

For floating rate lending and deposits, the carrying amount equals the fair value.

	2017			2016			1/1/2016		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Assets									
Financial assets covered by IAS 39									
Cash and balances with central banks	200 371	200 371		121 347	121 347		186 312	186 312	
Treasury bills etc.	85 961	85 903	58	107 647	107 571	76	76 628	76 552	76
of which fair value through profit or loss	20 492	20 492		22 169	22 169		76 084	76 084	
of which held to maturity	65 469	65 411	58	85 478	85 402	76	544	468	76
Loans to credit institutions	30 746	30 746		32 197	32 197		86 418	86 418	
of which loans receivables	30 235	30 235		31 345	31 345		84 679	84 679	
of which fair value through profit or loss	511	511		852	852		1 739	1 739	
Loans to the public	1 532 977	1 535 198	−2 221	1 512 686	1 507 247	5 439	1 419 486	1 413 955	5 531
of which loan receivables	1 415 158	1 417 379	−2 221	1 322 174	1 316 735	5 439	1 188 510	1 182 979	5 531
of which fair value through profit or loss	117 819	117 819		190 512	190 512		230 976	230 976	
Value change of interest hedged items in portfolio hedge	789	789		1 482	1 482		1 009	1 009	
Bonds and interest-bearing securities	59 136	59 131	5	74 508	74 501	7	88 618	88 610	8
of which fair value through profit or loss	55 809	55 809		70 833	70 833		84 692	84 692	
of which investments held to maturity	3 327	3 322	5	3 675	3 668	7	3 926	3 918	8
Financial assets for which the customers bear the investment risk	180 320	180 320		160 114	160 114		153 442	153 442	
Shares and participating interest	19 850	19 850		23 897	23 897		11 074	11 074	
of which fair value through profit or loss	19 841	19 841		23 880	23 880		11 005	11 005	
of which available for sale	9	9		17	17		69	69	
Derivatives	55 680	55 680		87 811	87 811		86 107	86 107	
Other financial assets	16 772	16 772		10 851	10 851		18 425	18 425	
Total	**2 182 602**	**2 184 760**	**−2 158**	**2 132 540**	**2 127 018**	**5 522**	**2 127 519**	**2 121 904**	**5 615**
Investment in associates		6 357			7 319			5 382	
Financial assets held for sale								148	
Non-financial assets		21 519			19 866			21 421	
Total		**2 212 636**			**2 154 203**			**2 148 855**	

	2017			2016			1/1/2016		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Liabilities									
Financial liabilities covered by IAS 39									
Amounts owed to credit institutions	68 055	68 055		71 615	71 831	–216	150 302	150 493	–191
of which other financial liabilities	68 055	68 055		71 602	71 818	–216	149 486	149 677	–191
of which fair value through profit or loss				13	13		816	816	
Deposits and borrowings from the public	855 597	855 609	–12	792 905	792 924	–19	748 254	748 271	–17
of which other financial liabilities	846 890	846 902	–12	782 013	782 032	–19	743 806	743 823	–17
of which fair value through profit or loss	8 707	8 707		10 892	10 892		4 447	4 447	
Debt securities in issue	851 908	844 204	7 704	849 097	841 673	7 424	832 196	826 535	5 661
of which other financial liabilities	829 395	821 691	7 704	825 997	818 573	7 424	811 773	806 112	5 661
of which fair value through profit or loss	22 513	22 513		23 100	23 100		20 423	20 423	
Financial liabilities for which the customers bear the investment risk	181 124	181 124		161 051	161 051		157 836	157 836	
Subordinated liabilities	25 525	25 508	17	27 254	27 254		24 627	24 613	14
of which other financial liabilities	25 525	25 508	17	27 254	27 254		24 627	24 613	14
Derivatives	46 200	46 200		85 589	85 589		68 681	68 681	
Short positions securities	14 459	14 459		11 614	11 614		8 191	8 191	
of which fair value through profit or loss	14 459	14 459		11 614	11 614		8 191	8 191	
Other financial liabilities	31 219	31 219		22 524	22 524		31 596	31 596	
Total	**2 074 087**	**2 066 378**	**7 709**	**2 021 649**	**2 014 460**	**7 189**	**2 021 683**	**2 016 216**	**5 467**
Financial liabilities held for sale								14	
Non-financial liabilities		12 686			10 038			9 283	
Total		**2 079 064**			**2 024 498**			**2 025 513**	

Financial instruments recognised at fair value

The following tables present fair values of financial instruments recognised at fair value split between the three valuation hierarchy levels.

Level 1 primarily contains equities, fund shares, bonds, treasury bills, commercial paper and standardised derivatives, where the quoted price is used in the valuation. Securities in issue traded on an active market are included in this category as well.

Level 2 primarily contains less liquid bonds that are valued on a curve, lending, funding, liabilities in the insurance operations whose value is directly linked to a specific asset value, and derivatives measured on the basis of observable inputs. For less liquid bond holdings, an adjustment is made for the credit spread based on observable market inputs such as the market for credit derivatives. For loans to the public where there are no observable market inputs for credit margins at the time of measurement, the credit margin of the last transaction executed with the same counterparty is used. This includes the majority of mortgage lending and certain other fixed-rate lending in Swedish Banking at fair value. Securities in issue that are not quoted but measured according to quoted prices for similar quoted bonds are also included in level 2.

Level 3 contains other financial instruments where internal assumptions have a significant effect on the calculation of fair value. Level 3 primarily contains unlisted equity instruments and illiquid options. . Level 3 includes the strategic equity positions which were purchased 2017 in Mina Tjänster AB, Kepler Chevreaux and Nordic Credit Rating AS. In connection with the sale of shares in VISA Europe convertible preference shares in VISA Inc. were obtained. The shares are subject to selling restrictions for a period of up to 12 years and under certain conditions may have to be returned. Because liquid quotes are not available for the instrument, its fair value is established with significant elements of own internal assumptions and reported in level 3 as equity instruments. The options hedge changes in the market values of combined debt instruments, so-called structured products. Structured products consist of a corresponding option element and a host contract, which in principle is an ordinary interest-bearing bond. When the Group evaluates the level on which the financial instruments are reported, the entire instrument is assessed on an individual basis. Since the bond portion of structured products represents the majority of the financial instrument's fair value, the internal assumptions used to value the illiquid option element normally do not have a significant effect on the valuation and the financial instrument is typically reported in level 2. However, the Group typically hedges the market risks that arise in structured products by holding individual options. The internal assumptions in the individual options are of greater significance to the individual instrument and these are reported as derivatives in level 3. Based on the historical volatility of the underlying prices of options in level 3, it is unlikely that the fair value would be effected more than +/– SEK 3m.

When valuation models are used to determine the fair value of financial instruments in level 3, the transaction price paid or received is assessed as the best evidence of fair value at initial recognition. Due to the possibility that a difference could arise between the transaction price and the fair value calculated at the time using the valuation model, so called day 1 profit or loss, the valuation model is calibrated against the transaction price. As of year-end there were no cumulative differences that were not recognised through profit or loss.

Transfers between fair value hierarchy levels are reflected as taking place at the end of each quarter. During the years ended 2016 and 2015, there were no transfers of financial instruments between valuation levels 1 and 2. Financial instruments are transferred to or from level 3 depending on whether the internal assumptions have changed in significance for the valuation.

Changes in the value of loans to the public, measured according the fair value option and attributable to changes in credit risk, amounted to SEK –6m (–3) during the period and are recognised as credit impairments. Cumulative value changes of that kind amounted to SEK –12m (–14). The amount is determined as the difference between current estimated creditworthiness and estimated creditworthiness of the borrower on the lending date. Other changes in fair value are considered attributable to changes in market risks. The change in the value of securities in issue in level 2, which are measured according to the fair value option and attributable to changes in Swedbank's own creditworthiness, amounted to SEK 3m (36) during the period. The value change is recognised in net gains and losses on financial items at fair value. Cumulative value changes amounted to SEK –46m (–49). The change due to Swedbank's own credit risk has been determined by calculating the difference in value based on current prices from external dealers for Swedbank's own credit risk in its own unquoted issues and the value based on prices of its own credit risk for its own unquoted issues on the origination date. The following table shows financial instruments measured at fair value as per 31 December distributed by valuation level.

	2017			
	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills and other bills eligible for refinancing with central banks, etc	15 731	4 761		20 492
Loans to credit institutions		511		511
Loans to the public		117 819		117 819
Bonds and interest-bearing securities	31 651	24 158		55 809
Shares and participating interest	19 401		449	19 850
Financial assets for which the customers bear the investment risk	180 320			180 320
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**

	2016			
	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills and other bills eligible for refinancing with central banks, etc	16 740	5 429		22 169
Loans to credit institutions		852		852
Loans to the public		190 512		190 512
Bonds and interest-bearing securities	42 650	28 183		70 833
Shares and participating interest	23 604	135	158	23 897
Financial assets for which the customers bear the investment risk	160 115			160 115
Derivatives	138	87 608	65	87 811
Total	**243 247**	**312 719**	**223**	**556 189**
Liabilities				
Amounts owed to credit institutions		13		13
Deposits and borrowings from the public		10 892		10 892
Debt securities in issue	3 270	19 830		23 100
Financial liabilities for which the customers bear the investment risk		161 051		161 051
Derivatives	75	85 514		85 589
Short positions securities	11 614			11 614
Total	**14 959**	**277 300**		**292 259**

Changes in Level 3	2017		
	Assets		
	Equity instruments	Derivatives	Total
Opening balance	**158**	**65**	**223**
Purchases	204		204
Sales of assests	–9		–9
Maturities		–37	–37
Transferred from Level 2 to Level 3	68		68
Transferred from Level 3 to Level 2		–14	–14
Gains or losses	28	12	40
of which in the income statement, net gains and losses on financial items at fair value	28	12	40
of which changes in unrealised gains or losses for items held at closing day	0	3	3
Closing balance	**449**	**26**	**475**

Changes in Level 3

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

Financial instruments at amortised cost

The following tables distribute fair value by the three different valuation levels for financial instruments at amortised cost.

	2017				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Assets					
Treasury bills and other bills eligible for refinancing with central banks, etc.	65 411	65 469			65 469
Loans to credit institutions	30 235		30 235		30 235
Loans to the public	1 417 379		1 415 158		1 415 158
Bonds and other interest-bearing securities	3 322	51	3 276		3 327
Total	**1 516 347**	**65 520**	**1 448 669**		**1 514 189**
Liabilities					
Amounts owed to credit institutions	68 055		68 055		68 055
Deposits and borrowing from the public	846 902		846 890		846 890
Debts securities in issue	821 691	307 388	522 007		829 395
Subordinated liabilities	25 508		25 525		25 525
Total	**1 762 156**	**307 388**	**1 462 477**		**1 769 865**

	2016				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Assets					
Treasury bills and other bills eligible for refinancing with central banks, etc.	85 402	85 478			85 478
Loans to credit institutions	31 345		31 345		31 345
Loans to the public	1 316 735		1 322 174		1 322 174
Bonds and other interest-bearing securities	3 668	52	3 623		3 675
Total	**1 437 150**	**85 530**	**1 357 142**		**1 442 672**
Liabilities					
Amounts owed to credit institutions	71 818		71 602		71 602
Deposits and borrowing from the public	782 032		782 013		782 013
Debts securities in issue	818 573	516 222	309 775		825 997
Subordinated liabilities	27 254		27 254		27 254
Total	**1 699 677**	**516 222**	**1 190 644**		**1 706 866**

G46 Financial assets and liabilities which have been offset or are subject to netting or similar agreements

The tables below present recognised financial instruments that have been offset in the balance sheet under IAS 32 and those that are subject to legally enforceable master netting or similar agreements but do not qualify for offset. Such financial instruments relate to derivatives, repurchase and reverse repurchase agreements, securities borrowing and lending transactions. Collateral amounts represent financial instruments or cash collateral received or pledged for transactions that are subject to a legally enforceable master netting or similar agreements and which allow for the netting of obligations against the counterparty in the event of a default. Collateral amounts are limited to the amount of the related instruments presented in the balance sheet; therefore any over-collateralisation is not included. Amounts that are not offset in the balance sheet are presented as a reduction to the Net financial assets or liabilities in order to derive net asset and net liability exposures. The amounts offset for derivative assets and derivative liabilities include cash collateral offsets of SEK 3 531m (2 482) and SEK 261m (614), respectively.

Assets	2017				2016			
	Derivatives	Reverse repurchase agreements	Securities borrowing	Total	Derivatives	Reverse repurchase agreements	Securities borrowing	Total
Financial assets, which not have been offset or are subject to netting or similar agreements	1 771			1 771	2 201			2 201
Financial assets, which have been offset or are subject to netting or similar agreements	53 909	25 558	40	79 507	85 610	49 713	435	135 758
Net amount presented in the balance sheet	**55 680**	**25 558**	**40**	**81 278**	**87 811**	**49 713**	**435**	**137 959**
Financial assets, which have been offset or are subject to netting or similar agreements								
Gross amount	63 522	34 966	40	98 528	97 447	54 216	435	152 098
Offset amount	–9 613	–9 408		–19 021	–11 837	–4 503		–16 340
Net amount presented in the balance sheet	**53 909**	**25 558**	**40**	**79 507**	**85 610**	**49 713**	**435**	**135 758**
Related amount not offset in the balance sheet								
Financial instruments, netting agreements	24 726	7 797		32 523	36 308	10383		46 691
Financial instruments, collateral	482	17 633	40	18 155	1 089	39 329	435	40 853
Cash, collateral	9 028	97		9 125	12 676			12 676
Total amount not offset in the balance sheet	**34 236**	**25 527**	**40**	**59 803**	**50 073**	**49 712**	**435**	**100 220**
Net amount	**19 673**	**31**		**19 704**	**35 537**	**1**		**35 538**

Liabilities	2017				2016			
	Derivatives	Repurchase agreements	Securities lending	Total	Derivatives	Repurchase agreements	Securities lending	Total
Financial liabilities, which have not been offset or are subject to netting or similar agreements	1 677			1 677	2 847			2 847
Financial liabilities, which have been offset or are subject to netting or similar agreements	44 523	8 707	74	53 304	82 742	10 905	10	93 657
Net amount presented in the balance sheet	**46 200**	**8 707**	**74**	**54 981**	**85 589**	**10 905**	**10**	**96 504**
Financial liabilities, which have been offset or are subject to netting or similar agreements								
Gross amount	57 407	18 115	74	75 596	96 447	15 408	10	111 865
Offset amount	–12 884	–9 408		–22 292	–13 705	–4 503		–18 208
Net amount presented in the balance sheet	**44 523**	**8 707**	**74**	**53 304**	**82 742**	**10 905**	**10**	**93 657**
Related amount not offset in the balance sheet								
Financial instruments, netting agreements	24 726	7 797		32 523	36 308	10383		46 691
Financial instruments, collateral	2 912	905	74	3 891	3 860	521	10	4 391
Cash, collateral	9 340			9 340	13 775			13 775
Total amount not offset in the balance sheet	**36 978**	**8 702**	**74**	**45 754**	**53 943**	**10 904**	**10**	**64 857**
Net amount	**7 545**	**5**		**7 550**	**28 799**	**1**		**28 800**

G47 Specification of adjustments for non-cash items in operating activities

	2017	2016
Amortised origination fees	–684	–707
Unrealised changes in value/currency changes	–1 692	–2 305
Capital gains/losses on sale of subsidiaries and associates	–686	11
Capital gains/losses on sale of condominiums	-8	
Undistributed share of equity in associates	–776	–2 068
Depreciation and impairment of tangible fixed assets including repossessed leased assets	325	320
Amortisation and impairment of goodwill and other intangible fixed assets	451	344
Credit impairment	1 556	1 619
Changes to provisions for insurance contracts		–12
Prepaid expenses and accrued income	682	1 895
Accrued expenses and prepaid income	–736	–1 609
Share-based payment	307	378
Other	13	–40
Total	**–1 248**	**–2 174**

G48 Dividend paid and proposed

	2017		2016	
Ordinary shares	**SEK per share**	**Total**	**SEK per share**	**Total**
Dividend paid	13,20	14 695	10,70	11 880
Proposed dividend	13,00	14 515	13,20	14 695

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

For more information see parent company note P42.

G49 Assets pledged, contingent liabilities and commitments

Assets pledged

Assets pledged for own liabilities	**2017**	**2016**	**1/1/2016**
Government securities and bonds pledged with the Riksbank	8 047	8 121	9 675
Government securities and bonds pledged with foreign central banks	6 229	6 434	12 772
Government securities and bonds pledged for liabilities to credit institutions, repurchase agreements	3 621	2 728	1 241
Government securities and bonds pledged for deposits from the public, repurchase agreements	7 260	5 687	2 310
Loans used as collateral for covered bonds.1	518 805	542 278	517 904
Financial assets pledged for investment contracts	177 317	157 804	145 410
Cash	4 484	10 320	13 697
Total	**725 763**	**733 372**	**703 009**

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

The carrying amount of liabilities for which assets are pledged amounted to SEK 707 677 m (724 519) for the Group in 2017.

Other assets pledged	**2017**	**2016**	**1/1/2016**
Securities loans	16	10	13
Government securities and bonds pledged for other commitments	2 857	3 776	3 194
Cash	506	470	459
Total	**3 379**	**4 256**	**3 666**

Companies in the Group regularly pledge financial assets as collateral for their obligations to central banks, stock exchanges, central securities depositories, clearing organisations and other institutions with similar or closely related functions, as well as to insurance policyholders. The transactions can be made by one or more companies in the Group depending on the operations of each company. These financial assets are recognised as assets pledged. Companies in the Group also participate in arrangements that are not pledges but where financial assets are used for similar purposes. Such financial assets are also recognised as assets pledged. One example of assets pledged is when financial assets of a certain value are transferred to derivative counterparties to offset their credit risk vis-à-vis the Group. Another example involves certain transfers of financial assets that the Group is obligated to repurchase, so-called repos. A third example is that certain types of credit can be included in the cover pool for covered bonds and thereby give preferential rights to the assets to investors who hold such bonds. Because of the pledges and other arrangements mentioned above, the value of the financial assets in question cannot be utilised in any other way as long as the pledge or arrangement remains in effect. The transactions are made on commercial terms.

Contingent liabilities

Nominal amount	**2017**	**2016**	**1/1/2016**
Loan guarantees	6 268	5 405	5 535
Other guarantees	34 171	33 886	27 777
Accepted and endorsed notes	439	159	140
Letters of credit granted but not utilised	2 830	3 015	2 321
Other contingent liabilities	349	285	185
Total	**44 057**	**42 750**	**35 958**
Provision for anticipated credit impairments	–132	–128	–47

Commitments

Nominal amount	**2017**	**2016**	**1/1/2016**
Loans granted but not paid	196 333	191 783	168 803
Overdraft facilities granted but not utilised	66 588	70 918	66 509
Total	**262 921**	**262 701**	**235 312**

G50 Transferred financial assets

The Group transfers ownership of financial assets in connection with repos and security loans. Although ownership has been transferred in these transactions, the asset remains on the balance sheet since the Group is still exposed to the asset's risk of fluctuating in value. This is because the agreement stipulates at the time of transfer that the asset will be restored. The sales proceeds received in connection with repos are recognised as liabilities. Related liabilities are reported in the note before any off-setting in the balance sheet. All assets and related liabilities are recognised at fair value and included in the valuation category fair value through profit and loss, trading.

Liabilities related to securities lending refer to collateral received in the form of cash. These liabilities are reported in the valuation category other financial liabilities. In addition to what is indicated in the table for securities lending, collateral is received in the form of other securities to cover the difference between the fair value of the transferred assets and the recognised liability's fair value. As of year-end the Group had no transfers of financial assets that had been derecognised and where the Group has continuing involvement.

	Transferred assets			Associated liabilities		
2017	**Carrying amount**	**Of which repurchase agreements**	**Of which securities lending**	**Carrying amount**	**Of which repurchase agreements**	**Of which securities lending**
Equity instruments	1 398		1 398	36		36
Debt securities	11 138	11 138		11 143	11 143	
Total	**12 536**	**11 138**	**1 398**	**11 179**	**11 143**	**36**

	Transferred assets			Associated liabilities		
2016	**Carrying amount**	**Of which repurchase agreements**	**Of which securities lending**	**Carrying amount**	**Of which repurchase agreements**	**Of which securities lending**
Equity instruments	884		884	366		366
Debt securities	8 749	8 749		8 702	8 702	
Total	**9 633**	**8 749**	**884**	**9 068**	**8 702**	**366**

G51 Operational leasing

The agreements mainly relate to premises in which the Group is the lessee. The terms of the agreements comply with customary practices and include clauses on inflation and property tax. The combined amount of future minimum lease payments that relate to non-cancellable agreements is allocated on the due dates as follows.

2017	**Expenses**	**Income subleasing**	**Total**
2018	862	13	849
2019	738	12	726
2020	632	8	624
2021	493	1	492
2022	434	1	433
2023	419	1	418
2024	381	1	380
2025	360	1	359
2026	321	1	320
2027 or later	2 034	8	2 026
Total	**6 674**	**47**	**6 627**

2016	**Expenses**	**Income subleasing**	**Total**
2017	815	11	804
2018	672	10	662
2019	530	8	523
2020	424	7	418
2021	315	4	311
2022	298	4	294
2023	288	4	284
2024	255	4	251
2025	242	3	239
2026 or later	1 903	23	1 880
Total	**5 743**	**78**	**5 665**

G52 Business Combinations

	Recognised in the group at aquisition date 15 August 2017
Cash and balances with central banks	
Loans to credit institutions	330
Loans to the public	271
Interest-bearing securities	28
Intangible fixed assets	653
of which goodwill	17
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	
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

Business combinations refer to acquisitions of businesses in which the parent company directly or indirectly obtains control of the acquired business.

Business combinations in 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.

The business combination is mainly due to the payment solutions for internet, mobile and physical commerce PayEx offers. The recognized goodwill represents expected synergies. 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 2017 and contributed with about SEK –37m profit after tax.

Business combinations in 2016

On July 15 2016 the Group acquired all shares in the Lithuanian fund management company UAB Danske Capital investiciju valdymas for SEK 21m. If it had been acquired at the beginning of the financial year, it would have contributed SEK 6m to profit after taxes.

Acquisitions 2016	Carried in the Group on acquisition date	Carried in the acquired entity on acquisition date
Cash	2	2
Intangible assets	15	
Other assets	4	
Assets	21	2
Liabilities	6	
Identifiable net assets	**15**	**2**
Purchase price paid in cash	21	
Cash flow		
Acquired cash and cash equivalents in subsidiary	2	
Cash paid	–21	
Net	**–19**	

G53 Related parties and other significant relationships

	Associates		Other related parties	
Assets	**2017**	**2016**	**2017**	**2016**
Loans to credit institutions	11 483	10 408		
Loans to the public	23	1 380		
Other assets	5			30
Total assets	**11 511**	**11 788**		**30**
Liabilities				
Amount owed to credit institutions	2 928	2 060		
Deposits and borrowing from the public		2	476	460
Debt securities in issue, etc.	470	601		
Other liabilities	19			
Accrued expenses and prepaid income	1			
Total liabilities	**3 418**	**2 663**	**476**	**460**
Contingent liabilities				
Derivatives, nominal amount	2 221	1 227		
Income and expenses				
Interest income	76	88		
Dividends received	1 544	399		
Commission income	294	6		
Commission expenses	226			
Other income	11	9		
Other general administrative expenses	1			

Associates

Investments in associates are specified in note G27.

During the year the Group provided capital injections of SEK 0m (7). As of 31 December associates have issued guarantees and pledged assets of SEK 700m (691) on behalf of Swedbank.

The Group has sold services to associates that are not credit institutions primarily in the form of product and systems development as well as marketing. The Group's expenses to, and purchases of services from, associates that are not credit institutions mainly consist of payment services and cash management.
The partly owned banks that are associates sell products that are provided by the Group and receive commissions for servicing the products. The cooperation between the partly owned banks and Swedbank is governed by the agreement described in the section, Other significant relationships.

Joint ventures

The Group's holding in EnterCard is a joint venture. EnterCard issues debit and credit cards in Sweden and Norway to Swedbank's customers. Swedbank AB finances EnterCard's corresponding holding.

Key persons

Disclosures regarding Board members and the Group Executive Committee can be found in note G13 Staff costs.

Other related parties

Swedbank's pension funds and Sparinstitutens Pensionskassa secure employees' postemployment benefits. They rely on Swedbank for traditional banking services.

Other significant relationships

Swedbank has close cooperation with the savings banks in Sweden. The cooperation between Swedbank and the 58 savings banks, including five of Swedbank's partly owned banks, is governed by a master agreement to which a number of other agreements are attached regarding specific activities. On 1 July 2015 the agreement was extended until 1 July 2020. The extended agreement, it presumes like earlier that the savings banks have a certain basic range of services and products as well as access to competency in certain areas. One saving bank currently do not fulfil the requirements and instead has signed a clearing agreement with Swedbank.

Through the cooperation Swedbank's Swedish customers gain access to a nationwide network. At the same time the savings banks and partly owned banks are able to offer the products and services of Swedbank and its subsidiaries to their customers.

Together, the savings banks and partly owned banks account for about 30 per cent of the Group's product sales in the Swedish market. In addition to marketing and product issues, close cooperation exists in a number of administrative areas. Swedbank is the clearing bank for the savings banks and partly owned banks and provides a wide range of IT services. The cooperation also offers the possibility to distribute development costs over a larger business volume.

The savings banks, savings bank foundations and partly owned banks together represent one of the largest shareholder groups in Swedbank, with a total of 13.7 per cent (13.4) of the voting rights.

Swedbank has 1.4 per cent (1.4) of the voting rights in a non-profit association, the Swedish Savings Banks Academy. The Group does not have loans, guarantees or assets pledged to this association.

G54 Interests in unconsolidated structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when all voting rights relate to administrative tasks and the relevant activities are directed by means of contractual arrangements. In 2016 Swedbank owned interests in structured entities that were not consolidated since Swedbank did not control the entities. Information on the Group's interests in unconsolidated structured entities is provided below.

Sponsor definition

Swedbank is a sponsor of structured entities when the Group sets up and determines the design of a structured entity and when the structured entity's products are associated with Swedbank's brand.

Investment funds

Swedbank is a primary sponsor of investment funds where the Group serves as a manager. Swedbank's interests in such funds mainly refer to capital investments by the Group's insurance operations, starting capital and fees received to manage the funds' investments. Asset management fees are based on the fair value of the funds' net assets. Consequently, these fees expose Swedbank to a variable return based on the funds' performance. Swedbank has provided unused loan guarantees to these investment funds, which entails a financial claim against the investment funds.

Swedbank's interests in unconsolidated structured entities are shown below. The interests do not include ordinary derivatives such as interest rate and currency swaps and transactions where Swedbank creates rather than receives variable returns from the structured entity.

	2017		
	Group Sponsored Investment Funds	**Non Sponsored Investment Funds**	**Total**
Financial assets of which the customers bear the investment risk	17 588		17 588
Shares and participating interests	140	43	183
Total assets recognised in the balance sheet	**17 728**	**43**	**17 771**
Total income from interests [1]	7 023	4	7 027
Total assets of the structured entities [2]	870 707		

	2016		
	Group Sponsored Investment Funds	**Non Sponsored Investment Funds**	**Total**
Loans to the public		0	0
Financial assets of which the customers bear the investment risk	17 356		17 356
Shares and participating interests	130	68	198
Total assets recognised in the balance sheet	**17 486**	**68**	**17 554**
Total income from interests[1]	5 990	−17	5 973
Total assets of the structured entities[2]	789 159		

1) The result from interests in unconsolidated structured entities includes asset management fees, changes in fair value and interest income.

Swedbank's maximum exposure to losses corresponds to the investments' carrying amounts recognised in the balance sheet. In addition, Swedbank has exposure to notional SEK 2 160m (1 275) for unused loan commitments provided to the Group's Sponsored Investment Funds. During the year Swedbank did not provide any non-contractual financial or other support to unconsolidated structured entities and as of the closing day had no intention to provide such support.

G55 Sensitivity analysis

	Change	2017	2016
Net interest income, 12 months,[1]			
Increased interest rtates	+ 1 % point	5 484	4 043
Decreased interest rates	–1 % point	–3 941	–3 391
Change in value,[2]			
Market interest rate	+ 1 % point	969	446
	–1 % point	–835	–705
Stock prices	+10%	10	32
	–10%	31	38
Exchange rates	+5%	–10	18
	–5%	39	17
Other			
Stock market performance,[3]	+/– 10 %	+/–388	+/–276
Staff changes	+/– 100 persons	+/–69	+/–67
Payroll changes	+/– 1 % point	+/–86	+/–82
Credit impairment ratio	+/– 0.1 % point	+/–1 566	+/–1 539

1) The NII sensitivity calculation covers all interest bearing assets and liabilities, on and off balance, on a contractual level in the banking book. It is a static analysis with parallel shifts across the interest rate curve that takes place over-night, and illustrates the effect on NII for a 12 month period. Maturing assets and liabilities during the 12 month period are assumed to be repriced to the existing contractual interest rate +/- the shift. The assets that are re-priced are assumed to have the same interest rate throughout the remaining part of the 12-month period. Contractual reference rate floors on floating asset contracts are taken into account in the sensitivity calculation. In the positive shift transaction accounts are assumed to have 0% elasticity (i.e. there is no adjustment made to the paid interest) while all other deposits have a 100% elasticity to changes in the market rate (i.e. adjustments are made to the interest paid). In the negative shift scenario a floor of 0% on contractual rates for deposits from private individuals is applied. All other balance sheet items allow for negative contractual rates.
2) The calculation refers to the immediate effect on profit of each scenario for the Group's interest rate positions at fair value and its equity and currency positions.
3) Refers to the effect on net commission income from a change in value of Swedbank Robur's equity funds.

G56 Events after 31 December 2017

On 15 February 2018, following an inspection of Swedbank in Lithuania, the Bank of Lithuania issued a warning to Swedbank and obliged Swedbank to remedy identified deficiencies in internal control systems for money laundering prevention, processes and documentation. Swedbank takes the findings by Bank of Lithuania very seriously and has already initiated actions to implement a series of measures aiming to improve its internal control systems, to ensure relevant customer due diligence data and to enhance processes and routines. And thereby, the deficiencies pointed out by Bank of Lithuania, has partly already been corrected. A warning is the lowest level of sanction that the Bank of Lithuania can issue.

G57 Effects of changed presentation of the compensation to the Savings banks for mortgage loans

Income statement	New reporting 2016	Change	Previous reporting 2016
Interest income	32 914	–814	33 728
Negative yield on financial assets	–1 543		–1 543
Interest income, including negative yield on financial assets	**31 371**	**-814**	**32 185**
Interest expenses	–9 256		–9 256
Negative yield on financial liabilities	735		735
Interest expenses, including negative yield on financial liabilities	**-8 521**		**-8 521**
Net interest income	**22 850**	**-814**	**23 664**
Net commission income	**11 333**		**11 333**
Net gains and losses on financial items at fair value	2 231		2 231
Net insurance	**754**		**754**
Share of profit or loss of associates	2 467		2 467
Other income	1 186		1 186
Total income	**40 821**	**-814**	**41 635**
Staff costs	9 376		9 376
Other general administrative expenses	5 622	–814	6 436
Total general administrative expenses	**14 998**	**-814**	**15 812**
Depreciation/amortisation of tangible and intangible fixed assets	629		629
Total expenses	**15 627**	**-814**	**16 441**
Profit before impairments	**25 194**		**25 194**
Impairments of intangible assets	35		35
Impairments of tangible assets	31		31
Credit impairments	1 367		1 367
Operating profit	**23 761**		**23 761**
Tax expense	4 209		4 209
Profit for the year	19 552		19 552
Profit for the year attributable to: Shareholders of Swedbank AB	**19 539**		**19 539**
Non-controlling interests	13		13
SEK			
Earnings per share	17.60		17.60
after dilution	17.50		17.50

Net interest income	New reporting 2016		Change		Previous reporting 2016	
	Interest income/ expense	Average annual interest rate, %	Interest income/ expense	Average annual interest rate, %	Interest income/ expense	Average annual interest rate, %
Loans to credit institutions	64	0.07			64	0.07
Loans to the public	30 031	2.01	–814	–0.05	30 845	2.06
Interest-bearing securities	651	0.40			651	0.40
Total interest-bearing assets	**30 746**	**1.76**	**–814**	**–0.05**	**31 560**	**1.81**
Derivatives	1 093				1 093	
Other assets	764				764	
Total assets	**32 603**	**1.37**	**–814**	**–0.03**	**33 417**	**1.41**
deduction of trading interests reported in net gains and losses on financial items at fair value	1 232				1 232	
Interest income, including negative yield on financial assets, according to income statement	**31 371**		**–814**		**32 185**	
Amounts owed to credit institutions	269	0.17			269	0.17
Deposits and borrowings from the public	1 100	0.12			1 100	0.12
of which deposit guarantee fees	466				466	
Debt securities in issue	13 013	1.48			13 013	1.48
of which commissions for funding with state guarantee						
Subordinated liabilities	977	4.15			977	4.15
Total Interest-bearing liabilities	**15 359**	**0.78**			**15 359**	**0.78**
Derivatives	–7 638				–7 638	
Other liabilities	689				689	
of which stability fee	646				646	
Total liabilities	**8 410**	**0.37**			**8 410**	**0.37**
Equity						
Total liabilities and equity	**8 410**	**0.35**			**8 410**	**0.35**
deduction of trading interests reported in net gains and losses on financial items at fair value	–111				–111	
Interest expenses, including negative yield on financial l iabilities, according to income statement	**8 521**				**8 521**	
Net interest income	**22 850**		**–814**		**23 664**	
Net interest margin before trading interest are deducted		1.02		–0.03		1.05
Interest income on financial assets at amortised cost	27 205		–814		28 019	

Other expenses	New reporting 2016	Change	Previous reporting 2016
Expenses for premises			
Rents, etc.	1 131		1 131
IT expenses	1 834		1 834
Telecommunications, postage	118		118
Consulting	314		314
Compensation to savings banks	236	–814	1 050
Other purchased services	708		708
Travel	226		226
Entertainment	51		51
Office supplies	103		103
Advertising, public relations, marketing	285		285
Security transports, alarm systems	72		72
Maintenance	111		111
Other administrative expenses	302		302
Other operating expenses	131		131
Total	**5 622**	**–814**	**6 436**

Financial statements and notes – Parent company

Income statement, Parent company

SEKm	Note	2017	2016
Interest income		13 556	12 874
Negative yield on financial assets		–2 132	–1 496
Leasing income		4 361	4 012
Interest income, including negative yield on financial liabilities		**15 785**	**15 390**
Interest expenses		–4 273	–3 946
Negative yield on financial liabilities		746	706
Interest expenses, including negative yield on financial liabilities		**–3 527**	**–3 240**
Net interest income	**P5**	**12 258**	**12 150**
Dividends received	P6	17 005	19 571
Commission income		9 644	9 259
Commission expenses		–3 195	–2 875
Net commissions	**P7**	**6 449**	**6 384**
Net gains and losses on financial items at fair value	P8	2 142	1 130
Other income	P9	1 603	1 308
Total income		**39 457**	**40 543**
Staff costs	P10	8 147	7 855
Other general administrative expenses	P11	5 146	4 633
Total general administrative expenses		**13 293**	**12 488**
Depreciation/amortisation and impairments of tangible and intangible fixed assets	P12	4 544	4 438
Total expenses		**17 837**	**16 926**
Profit before impairments		**21 620**	**23 617**
Credit impairments, net	P13	1 308	1 399
Impairments of financial fixed assets	P14	13	80
Operating profit		**20 299**	**22 138**
Appropriations	P15	368	186
Tax expense	P16	3 725	2 494
Profit for the year		**16 206**	**19 458**

Statement of comprehensive income, Parent company

SEKm	Note	2017	2016
Profit for the period reported via income statement		**16 206**	**19 458**
Total comprehensive income for the period		**16 206**	**19 458**

Balance sheet, Parent company

SEKm	Note	2017	2016	1/1/2016
Assets				
Cash and balances with central banks		136 061	64 193	131 859
Treasury bills and other bills eligible for refinancing with central banks, etc.	P17	82 779	102 618	70 531
Loans to credit institutions	P18	449 733	409 763	425 095
Loans to the public	P19	398 666	430 406	416 482
Bonds and other interest-bearing securities	P20	58 543	73 247	86 881
Shares and participating interests	P21	19 569	23 654	10 880
Investments in associates	P22	2 087	1 999	1 995
Investments in Group entities	P23	62 016	56 614	57 450
Derivatives	P24	62 153	96 243	98 300
Intangible fixed assets	P25	375	435	900
Leasing equipment	P26	15 466	14 016	12 956
Tangible assets	P27	592	523	526
Current tax assets		1 361	1 774	1 629
Deferred tax assets	P16	141	133	197
Other assets	P28	24 450	15 699	20 134
Prepaid expenses and accrued income	P29	2 399	2 857	3 253
Total assets		**1 316 391**	**1 294 174**	**1 339 068**
Liabilities and equity				
Liabilities				
Amounts owed to credit institutions	P30	95 106	129 276	220 983
Deposits and borrowings from the public	P31	671 323	617 704	599 476
Debt securities in issue	P32	322 684	282 369	275 845
Derivatives	P24	65 704	114 620	98 508
Current tax liabilities		951	374	239
Other liabilities	P33	33 984	23 314	27 686
Accrued expenses and prepaid income	P34	2 957	3 530	4 070
Provisions	P35	422	172	245
Subordinated liabilities	P36	25 508	27 254	24 613
Total liabilities		**1 218 639**	**1 198 613**	**1 251 665**
Untaxed reserves	P37	10 575	10 206	10 021
Equity	P38			
Share capital		24 904	24 904	24 904
Other funds		5 968	5 968	5 968
Retained earnings		56 305	54 483	46 510
Total equity		**87 177**	**85 355**	**77 382**
Total liabilities and equity		**1 316 391**	**1 294 174**	**1 339 068**

The balance sheet and income statement will be adopted at the Annual General Meeting on 22 March 2018.

Statement of changes in equity, Parent company

SEKm	Share capital	Share premium reserve	Statutory reserve	Retained earnings	Total
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 year				16 206	16 206
of which through the Profit and loss account				16 206	16 206
Closing balance 31 December 2017	**24 904**	**13 206**	**5 968**	**43 099**	**87 177**
Opening balance 1 January 2016	**24 904**	**13 206**	**5 968**	**33 304**	**77 382**
Dividend				–11 880	–11 880
Share based payments to employees				378	378
Deferred tax related to share based payments to employees				–13	–13
Current tax related to share based payments to employees				30	30
Total comprehensive income for the year				19 458	19 458
of which through the Profit and loss account				19 458	19 458
Closing balance 31 December 2016	**24 904**	**13 206**	**5 968**	**41 277**	**85 355**

Statement of cash flow, Parent company

SEKm	Note	2017	2016
Operating activities			
Operating profit		20 300	22 138
Adjustments for non-cash items in operating activities	P41	–7 745	1 451
Taxes paid		–2 764	–2 451
Increase/decrease in loans to credit institution		–39 973	15 360
Increase/decrease in loans to the public		31 221	–14 835
Increase/decrease in holdings of securities for trading		38 867	–30 725
Increase/decrease in deposits and borrowings from the public including retail bonds		53 577	18 226
Increase/decrease in amounts owed to credit institutions		–34 171	–91 705
Increase/decrease in other assets		574	9 594
Increase/decrease in other liabilities		–38 255	11 768
Cash flow from operating activities		**21 630**	**–61 179**
Investing activities			
Acquisition of/contribution to Group entities and associates		–5 367	–2 539
Disposal of/repayment from Group entities and associates			3 767
Acquisition of other fixed assets and strategic financial assets		–16 454	–7 579
Disposals of other fixed assets and strategic financial assets		10 798	2 765
Dividends and Group contributions received		12 244	17 079
Cash flow from investing activities		**1 221**	**13 493**
Financing activities			
Issuance of interest-bearing securities		51 925	39 640
Redemption of interest-bearing securities		–51 568	–30 800
Issuance of commercial papers		1 048 895	811 657
Redemption of commercial papers		–985 541	–828 597
Dividends paid		–14 695	–11 880
Cash flow from financing activities		**49 016**	**–19 980**
Cash flow for the year		**71 868**	**–67 666**
Cash and cash equivalents at the beginning of the year		**64 193**	**131 859**
Cash flow for the year		71 868	–67 666
Cash and cash equivalents at end of the year		**136 061**	**64 193**

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

Operating activities
Cash flow from operating activities is based on operating profit for the year. Adjustments are made for items not included in cash flow from operating activities. Changes in assets and liabilities from operating activities consist of items which are part of normal business activities such as loans to and deposits from the public and credit institutions, and which are not attributable to investing and financing activities. Cash flow includes interest receipts of SEK 16 195m (16 624) and interest payments of SEK 3 157m (3 225). Capitalised interest is included.

Investing activities
Investing activities consist of the purchase and sale of strategic financial assets, contributions to and repayments from subsidiaries and associated companies, and other fixed assets. In 2017 all shares were acquired in the subsidiary PayEx holding AB for SEK 1 272m including transaction costs. Contributions were paid to the subsidiaries Swedbank Hypotek AB of SEK 4 000m, Swedbank Management Company of 7 m and to associated company BGC Holding AB of SEK 88m.

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

Notes

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

P1 Accounting policies

BASIS OF ACCOUNTING

As a rule, the parent company follows IFRS and the accounting principles applied in the consolidated financial statements, as reported on pages 63–73. In addition, the parent company is required to consider and prepare its annual report in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies, the regulations and general advice of the Swedish Financial Supervisory Authority FFFS 2008:25 and recommendation RFR 2 Reporting for Legal Entities issued by the Swedish Financial Reporting Board. The parent company's annual report is therefore prepared in accordance with IFRS to the extent the standards are compatible with the Annual Accounts Act for Credit Institutions and Securities Companies, RFR 2 and the Swedish Financial Supervisory Authority regulations. The most significant differences in principle between the parent company's accounting and the Group's accounting policies relate to the recognition of:

- the currency component in currency hedges of investments in foreign subsidiaries and associates
- associates
- goodwill and internally generated intangible assets
- finance leases
- pensions
- untaxed reserves and Group contributions, and
- operating segments

The headings in the financial statements follow the Annual Accounts Act for Credit Institutions and Securities Companies and the Swedish Financial Supervisory Authority's regulations, due to which they differ in certain cases from the headings in the Group's accounts.

CHANGES IN ACCOUNTING POLICIES

No new or amended IFRS, interpretations or other regulatory changes have been applied or had a significant effect on the parent company's financial position, results or disclosures.

SIGNIFICANT DIFFERENCES IN THE PARENT COMPANY'S ACCOUNTING POLICIES COMPARED WITH THE GROUP'S ACCOUNTING POLICIES

Hedging of net investment in foreign operations

The currency component of liabilities that constitute currency hedges of net investments in foreign subsidiaries and associates is valued in the parent company at cost.

Associates

Investments in associates are recognised in the parent company at cost less any impairment. All dividends received are recognised in profit or loss in Dividends received.

Subsidiaries

Investments in subsidiaries are recognised according to the acquisition cost method. The investments' value is tested for impairment if there is any indication of diminished value. In cases where the value has decreased, it is written down to its value at the Group level. All dividends received are recognised through profit and loss in Dividends received.

Intangible assets

The parent company amortises goodwill systematically based on estimated useful life. All expenditures, including for development, which are attributable to internally generated intangible assets are expensed through profit and loss.

Leasing equipment

The parent company recognises finance leases as operating leases. This means that the assets are recognised as equipment with depreciation within depreciation/amortisation of tangible and intangible assets in the income statement. Rent income is recognised as leasing income within net interest income in the income statement.

Pensions

The parent company recognises pension costs for Swedish defined benefit pension plans according to the Act on Safeguarding Pension Benefits, which means that they are recognised as defined contribution plans. Premiums paid to defined contribution plans are expensed when an employee has rendered his/her services.

Untaxed reserves and Group contributions

Due to the connection between reporting and taxation, the deferred tax liability attributable to untaxed reserves is not recognised separately in the parent company. The reserves are instead recognised, gross, in the balance sheet and income statement. Group contributions received are recognised through profit and loss in Dividends received.

Operating segments

The parent company does not provide segment information, which is provided in the Group. A geographical distribution of revenue is reported, however.

P2 Risks

Swedbank's risk management is described in note G3. Specific information on the parent company's risks is presented in the following tables.

Credit risks

Impaired, past due and foreborne loans	2017	2016
Impaired loans		
Carrying amount before provisions	6 000	5 095
Provisions	2 077	1 685
Carrying amount after provisions	3 923	3 410
Share of impaired loans, net %	0.46	0.41
Share of impaired loans, gross %	0.71	0.60
Past due loans that are not impaired		
Valuation category, loans and receivables		
Loans with past due amount,		
5–30 days	22	18
31–60 days	88	145
61–90 days	36	17
more than 90 days	51	29
Total	**197**	**208**
Foreborne loans		
Performing	9 214	14 972
Non-performing	4 788	4 065

Impaired loans are loans for which it is likely that payments will not be fulfilled in accordance with the terms of the contract. A loan is not impaired if there is collateral which covers capital, interest and fees for any delays by a satisfactory margin. Provisions for impaired loans as well as other elements of lending where losses have occurred but individual claims have not yet been identified are specified above. Loss events include non-payments or delayed payments where it is likely the borrower will become bankrupt and domestic or local economic conditions that are tied to non-payments, such as declines in asset values. The carrying amount of impaired loans largely corresponds to the value of collateral in cases where collateral exists. Forborne loans refer to loans where a change has been made to the terms of the contract as a result of the customer's reduced ability to pay.

Provisions	2017	2016
Opening balance	**2 271**	**1 724**
New provisions	859	1 343
Recoveries of provisions	−151	−545
Utilisation of previous provisions	−174	−323
Portfolio provisions for loans that are not impaired	−16	114
Change in exchange rates and other adjustments	−142	−42
Closing balance	**2 647**	**2 271**
Total provision ratio for impaired loans, %	44	45
Provision ratio for impaired loans, %	35	33

Concentration risk, customer exposure

At end of 2017 the Group did not have any exposures against single counterparties that exceeded 10% of the capital base.

Collateral that can be sold or pledged even if the counterparty fulfils its contractual obligations

When it grants repos, the parent company receives securities that can be sold or pledged. The fair value of these securities covers the carrying amount of the repos. The parent company also receives collateral in the form of securities that can be sold or pledged for derivatives and other exposures. The fair value of such collateral as of year-end amounted to SEK 482m (1 218). None of this collateral has been sold or pledged.

Liquidity risks

In the summary of maturities, undiscounted contractual cash flows are distributed on the basis of remaining maturities until the agreed time of maturity. For lending to the public, amortising loans are distributed based on the amortisation schedule. Liabilities whose repayment date may depend on various options have been distributed based on the earliest date on which repayment could be demanded. Differences between nominal amount and carrying amount, discounted cash flows, are reported together with items without an agreed maturity date where the anticipated realisation date has not been determined in the column No maturity/discount effect.

	Undiscounted contractual cash flows							
Remaining maturity 2017	**Payable on demand**	**< 3 mths.**	**3 mths.–1 yr**	**1–5 yrs**	**5–10 yrs**	**> 10 yrs**	**No maturity/ discount effect**	**Total**
Assets								
Cash and balances with central banks	136 061							136 061
Treasury bills and other bills eligible for refinancing with central banks		67 327	2 682	7 524	72	2 292	2 882	82 779
Loans to credit institutions	2 015	16 382	416 692	13 638	860	146		449 733
Loans to the public		48 679	100 905	207 205	33 947	7 930		398 666
Bonds and other interest-bearing securities		6 572	24 820	24 062	1 827	37	1 225	58 543
Shares and participating interests							83 672	83 672
Derivatives		14 870	16 462	27 797	3 371	642	–989	62 153
Intangible fixed assets							375	375
Tangible assets							16 058	16 058
Other assets		14 367	1 717				12 267	28 351
Total	**138 076**	**168 197**	**563 278**	**280 226**	**40 077**	**11 047**	**115 490**	**1 316 391**
Liabilities								
Amounts owed to credit institutions	51 842	40 444	2 510	310				95 106
Deposits and borrowings from the public	628 109	31 801	10 303	1 110				671 323
Debt securities in issue		125 554	46 959	145 552	5 019	246	–646	322 684
Derivatives		12 401	13 260	23 382	3 125	674	12 862	65 704
Other liabilities		35 857	2 358	99			10 575	48 889
Subordinated liabilities					14 308	11 094	106	25 508
Equity							87 177	87 177
Total	**679 951**	**246 057**	**75 390**	**170 453**	**22 452**	**12 014**	**110 074**	**1 316 391**

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

	Undiscounted contractual cash flows							
Remaining maturity 2016	**Payable on demand**	**< 3 mths.**	**3 mths.–1 yr**	**1–5 yrs**	**5–10 yrs**	**> 10 yrs**	**No maturity/ discount effect**	**Total**
Assets								
Cash and balances with central banks	64 193							64 193
Treasury bills and other bills eligible for refinancing with central banks		85 023	1 046	12 065	107	1 169	3 208	102 618
Loans to credit institutions	1 771	20 602	370 003	12 236	5 044	107		409 763
Loans to the public		81 657	88 088	206 226	41 685	12 750		430 406
Bonds and other interest-bearing securities		4 361	17 109	49 404	447	1	1 925	73 247
Shares and participating interests							82 267	82 267
Derivatives		22 504	28 351	41 419	4 997	952	–1 980	96 243
Intangible fixed assets							435	435
Tangible assets							14 539	14 539
Other assets		8 801	2 204	1			9 457	20 463
Total	**65 964**	**222 948**	**506 801**	**321 351**	**52 280**	**14 979**	**109 851**	**1 294 174**
Liabilities								
Amounts owed to credit institutions	80 212	46 197	2 698	169				129 276
Deposits and borrowings from the public	565 844	32 641	18 062	1 157				617 704
Debt securities in issue		85 389	62 424	119 409	13 966	239	942	282 369
Derivatives		20 033	26 961	40 073	5 378	1 160	21 015	114 620
Other liabilities		25 482	1 805	99	1	3	10 206	37 596
Subordinated liabilities					12 902	14 198	154	27 254
Equity							85 355	85 355
Total	**646 056**	**209 742**	**111 950**	**160 907**	**32 247**	**15 600**	**117 672**	**1 294 174**

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

Debt securities in issue

Turnover during the year	2017	2016
Commercial paper		
Opening balance	**102 186**	**106 811**
Issued	1 048 803	811 657
Repaid	–985 541	–828 597
Change in exchange rates	–15 472	12 315
Closing balance	**149 976**	**102 186**
Other interest-bearing bond loans		
Opening balance	**165 205**	**154 473**
Issued	45 539	31 415
Repurchased	–275	–1 528
Repaid	–44 386	–23 233
Change in market values	–1 419	–1 992
Change in exchange rates	–6 792	6 070
Closing balance	**157 872**	**165 205**
Structured products		
Opening balance	**14 978**	**14 561**
Issued	2 833	3 695
Repaid	–2 504	–3 535
Change in market values	–471	257
Closing balance	**14 836**	**14 978**
Total debt securities in issue	**322 684**	**282 369**

Subordinated liabilities

Turnover during the year	2017	2016
Subordinated liabilities		
Opening balance	**27 254**	**24 613**
Issued	6 386	4 530
Repaid	–7 183	–2 504
Change in market values	–60	124
Change in exchange rates	–889	491
Total subordinated liabilities	**25 508**	**27 254**

Market risks

Interest rate risks

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

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

2017	< 3 mths.	3–6 mths.	6–12 mths.	1–2 yrs	2–3 yrs	3–4 yrs	4–5 yrs	5–10 yrs	> 10 yrs	Total
SEK	–752	–147	435	36	–178	206	–587	177	–45	–855
Foreign currency	772	981	–107	49	16	3	–88	–60	86	1 651
Total	**19**	**833**	**328**	**85**	**–162**	**209**	**–675**	**117**	**41**	**796**

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

2017	< 3 mths.	3–6 mths.	6–12 mths.	1–2 yrs	2–3 yrs	3–4 yrs	4–5 yrs	5–10 yrs	> 10 yrs	Total
SEK	–55	–52	–19	–23	–69	141	–95	–30	–17	–220
Foreign currency	389	937	–119	34	–28	–27	52	–40	85	1 283
Total	**335**	**885**	**–138**	**11**	**–98**	**114**	**–44**	**–70**	**68**	**1 063**

2016	< 3 mths.	3–6 mths.	6–12 mths.	1–2 yrs	2–3 yrs	3–4 yrs	4–5 yrs	5–10 yrs	> 10 yrs	Total
SEK	–371	33	–182	–240	48	–64	–170	24	30	–892
Foreign currency	829	11	68	136	–77	–1	–132	–77	92	849
Total	**458**	**43**	**–114**	**–104**	**–29**	**–65**	**–302**	**–53**	**122**	**–43**

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

2016	< 3 mths.	3–6 mths.	6–12 mths.	1–2 yrs	2–3 yrs	3–4 yrs	4–5 yrs	5–10 yrs	> 10 yrs	Total
SEK	95	234	–138	–538	471	58	–592	283	–114	–240
Foreign currency	484	–6	54	117	–33	28	–100	–33	90	601
Total	**579**	**228**	**–84**	**–421**	**438**	**86**	**–692**	**250**	**–24**	**361**

Currency risks

Currency distribution

2017	SEK	EUR	USD	GBP	DKK	NOK	Other	Total
Assets								
Cash and balances with central banks	1 629	89 903	40 070		67	4 284	108	136 061
Loans to credit institutions	428 250	8 365	3 549	160	1 634	5 871	1 904	449 733
Loans to the public	297 837	26 389	35 664	3 391	4 846	28 983	1 556	398 666
Interest-bearing securities	123 680	6 057	6 539		267	4 779		141 322
Other assets, not distributed	190 609							190 609
Total	**1 042 005**	**130 714**	**85 822**	**3 551**	**6 814**	**43 917**	**3 568**	**1 316 391**
Liabilities								
Amounts owed to credit institutions	48 752	13 771	26 071	1 107	2 041	1 037	2 327	95 106
Deposits and borrowings from the public	634 008	8 982	20 062	551	1 707	4 309	1 704	671 323
Debt securities in issue and subordinated liabilities	32 266	75 549	203 591	23 972		1 104	11 710	348 192
Other liabilities, not distributed	114 593							114 593
Equity	87 177							87 177
Total	**916 796**	**98 302**	**249 724**	**25 630**	**3 748**	**6 450**	**15 741**	**1 316 391**
Other assets and liabilities, including positions in derivatives		42 197	−163 973	−22 102	3 062	37 679	−12 172	
Net position in currency		9 785	−71	−23	−3	211		9 900

Currency distribution

2016	SEK	EUR	USD	GBP	DKK	NOK	Other	Total
Assets								
Cash and balances with central banks	18 353	27 821	17 250		63	581	125	64 193
Loans to credit institutions	376 698	13 981	4 383	150	51	4 719	9 781	409 763
Loans to the public	326 241	28 293	37 553	871	5 539	4 719	27 190	430 406
Interest-bearing securities	154 219	5 253	7 197		268	8 928		175 865
Other assets, not distributed	213 947							213 947
Total	**1 089 458**	**75 348**	**66 383**	**1 021**	**5 921**	**18 947**	**37 096**	**1 294 174**
Liabilities								
Amounts owed to credit institutions	82 792	12 098	26 709	950	1 326	3 876	1 525	129 276
Deposits and borrowings from the public	594 628	9 999	7 772	440	1 299	1 199	2 367	617 704
Debt securities in issue and subordinated liabilities	35 553	79 602	162 737	22 114		1 158	8 459	309 623
Other liabilities, not distributed	152 216							152 216
Equity	85 355							85 355
Total	**950 544**	**101 699**	**197 218**	**23 504**	**2 625**	**6 233**	**12 351**	**1 294 174**
Other assets and liabilities, including positions in derivatives		−16 504	−130 954	−22 410	3 293	12 882	24 746	
Net position in currency		9 847	−119	73	−2	168		9 967

P3 Capital adequacy analysis

Swedbank's legal capital requirement is based on CRR, but is more specifically limited by the Basel 1 floor within CRR. TThe SFSA has clarified that the Basel 1 floor, i.e. 80 per cent of the capital requirement according to the Basel 1 rules, will no longer apply from the 1st of January 2018. The capital requirement for the parent company calculated according to CRR exceeds the capital requirement according to the Basel 1 floor. For the parent company, the Basel 1 floor therefore does not represent a minimum requirement. The parent company calculates an internally estimated capital requirement. As of 31 December 2017 the internal capital requirement amounted to SEK 25.6bn. The capital base amounted to SEK 103.4bn.

	Parent company	
Capital adequacy	**2017**	**2016**
Common Equity Tier 1 capital	**78 687**	**73 361**
Additional Tier 1 capital	11 040	14 270
Tier 1 capital	**89 727**	**87 631**
Tier 2 capital	13 683	12 204
Total own funds	**103 410**	**99 835**
Risk exposure amount	**312 647**	**294 210**
Common Equity Tier 1 capital ratio, %	**25.2**	**24.9**
Tier 1 capital ratio, %	**28.7**	**29.8**
Total capital ratio, %	**33.1**	**33.9**

	Parent company	
Capital adequacy	**2017**	**2016**
Shareholders' equity according to the balance sheet	87 177	85 355
Anticipated dividend	−14 515	−14 695
Share of capital of accrual reserve	8 248	4 251
Value changes in own financial liabilities	−12	−51
Additional value adjustments[1]	−563	−482
Goodwill	−725	−72
Intangible assets after deferred tax liabilities	−348	−329
Net provisions for reported IRB credit exposures	−530	−567
Shares deducted from CET1 capital	−45	−49
Common Equity Tier 1 capital	**78 687**	**73 361**
Additional Tier 1 capital	11 040	14 270
Total Tier 1 capital	**89 727**	**87 631**
Tier 2 capital	13 683	12 204
Total own funds	**103 410**	**99 835**
Minimum capital requirement for credit risks, standardised approach	6 197	6 122
Minimum capital requirement for credit risks, IRB	12 721	13 327
Minimum capital requirement for credit risks, default fund contribution	27	35
Minimum capital requirement for market risks	692	743
Trading book	668	722
of which VaR and SVaR	487	562
of which risks outside VaR and SVaR	181	160
FX risk other operations	24	21
Minimum capital requirement for credit value adjustment	305	420
Minimum capital requirement for operational risks	2 825	2 853
Additional minimum capital requirement, Article 3 CRR[2]	2 245	37
Minimum capital requirement	**25 012**	**23 537**
Risk exposure amount credit risks, standardised approach	77 459	76 530
Risk exposure amount credit risks, IRB	159 018	166 590
Risk exposure amount credit risks, default fund contribution	343	431
Risk exposure amount market risks	8 655	9 291
Risk exposure amount credit value adjustment	3 797	5 252
Risk exposure amount operational risks	35 317	35 659
Additional risk exposure amount, Article 3 CRR[2]	28 058	458
Risk exposure amount	**312 647**	**294 210**
Common Equity Tier 1 capital ratio, %	**25.2**	**24.9**
Tier 1 capital ratio, %	**28.7**	**29.8**
Total capital ratio, %	**33.1**	**33.9**

	Parent company	
Capital buffer requirement[3], %	**2017**	**2016**
CET1 capital requirement including buffer requirements	8.5	8.3
of which minimum CET1 requirement	4.5	4.5
of which capital conservation buffer	2.5	2.5
of which countercyclical capital buffer	1.5	1.3
CET 1 capital available to meet buffer requirement[4]	20.7	20.4

	Parent company	
Capital adequacy Basel 1 floor[5]	**2017**	**2016**
Capital requirement Basel 1 floor	27 943	29 553
Own funds Basel 3 adjusted according to rules for Basel 1 floor	103 940	100 318
Surplus of capital according to Basel 1 floor	**75 997**	**70 765**

	Parent company	
Leverage ratio[6]	**2017**	**2016**
Tier 1 Capital	89 727	87 631
Total exposure	979 217	1 004 780
Leverage ratio, %	9.2	8.7

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 large 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 implementtion 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.
5) Basel 1 floor based on the higher of the Basel 3 capital requirement and 80% of the Basel 1 capital requirement. In the latter case, the own funds are adjusted according to CRR article 500.4.
6) Taking into account exemption according to CRR article 429.7, excluding certain intragroup exposures.

	2017		
Credit risks, IRB	**Exposure amount**	**Average risk weight, %**	**Minimum capital requirement**
Central government or central banks exposures	249 271	1	294
Institutional exposures	65 945	18	934
Corporate exposures	408 710	29	9 575
Retail exposures	97 650	22	1 709
Non credit obligation	2 759	95	209
Total credit risks, IRB	**824 335**	**19**	**12 721**

	2016		
Credit risks, IRB	**Exposure amount**	**Average risk weight, %**	**Minimum capital requirement**
Institutional exposures	90 999	16	1 189
Corporate exposures	409 505	30	9 956
Retail exposures	91 458	23	1 714
Non credit obligation	8 223	71	468
Total credit risks, IRB	**600 185**	**28**	**13 327**

Minimum capital requirements for market risks	Parent company 2017	2016
Interest rate risk	641	739
of which for specific risk	181	159
of which for general risk	460	580
Equity risk	125	98
of which for general risk	125	98
Currency risk in trading book	217	202
Total minimum capital requirement for risks in trading book[1]	**668**	**722**
of which stressed VaR	375	435
Currency risk outside trading book	24	21
Total	**692**	**743**

1) The parent company's capital requirement for general interest-rate risk, Equity risk and currency risk in the trading-book are calculated in accordance with the VaR model.

Minimum capital requirement for operational risks	Parent company 2017	2016
Standardised approach	2 825	2 853
of which trading and sales	106	158
of which retail banking	1 715	1 764
of which commercial banking	791	711
of which payment and settlement	177	167
of which retail brokerage	2	2
of which agency services	27	26
of which asset management	–32	–17
of which corporate finance	39	42
Total	**2 825**	**2 853**

	Parent company 2017			Parent company 2016		
Exposure amount, risk exposure amount and minimum capital requirement	**Exposure amount**	**Risk exposure amount**	**Minimum capital requirement**	**Exposure amount**	**Risk exposure amount**	**Minimum capital requirement**
Credit risks, STD	**1 043 965**	**77 459**	**6 197**	**1 230 996**	**76 530**	**6 122**
Central government or central banks exposures	17			185 049	70	6
Regional governments or local authorities exposures	69	14	1	23 475	60	5
Public sector entities exposures	2 646			4 034	46	4
Multilateral development banks exposures	3 439			3 890	1	
International organisation exposures	273			20		
Institutional exposures	966 482	654	52	944 642	753	60
Corporate exposures	3 453	3 323	266	3 734	3 665	293
Retail exposures	385	287	23	656	490	39
Exposures secured by mortgages on immovable property	2 495	873	70	2 317	811	65
Exposures in default				2	2	
Equity exposures	64 012	71 624	5 730	62 321	69 787	5 583
Other items	694	684	55	856	846	68
Credit risks, IRB	**824 335**	**159 018**	**12 271**	**600 185**	**166 590**	**13 327**
Central government or central banks exposures	249 271	3 678	294			
Institutional exposures	65 945	11 680	934	90 999	14 860	1 189
Corporate exposures	408 710	119 682	9 575	409 505	124 448	9 956
Retail exposures	97 650	21 366	1 709	91 458	21 429	1 714
of which mortgage lending	12 871	2 610	209	13 949	3 014	241
of which other lending	84 779	18 756	1 500	77 509	18 415	1 473
Non-credit obligation	2 759	2 612	209	8 223	5 853	468
Credit risks, Default fund contribution		**343**	**27**		**431**	**35**
Market risks		**8 655**	**692**		**9 291**	**743**
Trading book		8 350	668		9 026	722
of which VaR and SVaR		6 086	487		7 030	562
of which risks outside VaR and SVaR		2 264	181		1 996	160
FX risk other operations		305	24		265	21
Credit value adjustment	**15 351**	**3 797**	**305**	**20 138**	**5 252**	**420**
Operational risks		**35 317**	**2 825**		**35 659**	**2 853**
of which standardised approach		35 317	2 825		35 659	2 853
Additional risk exposure amount, Article 3 CRR		**28 058**	**2 245**		**458**	**37**
Total	**1 883 651**	**312 647**	**25 012**	**1 851 319**	**294 210**	**23 537**

P4 Geographical distribution of revenue

2017	Sweden	Norway	Denmark	Finland	USA	Other	Total
Interest income	7 682	2 033	76	–355	1 849	139	11 424
Leasing income	4 361						4 361
Dividends received	17 005						17 005
Commission income	9 136	326	13	90	46	33	9 644
Net gains and losses on financial items at fair value	1 997	–600	6	745		–6	2 142
Other income	1 555	1	1		1	45	1 603
Total	**41 736**	**1 760**	**96**	**480**	**1 896**	**211**	**46 179**

2016	Sweden	Norway	Denmark	Finland	USA	Other	Total
Interest income	7 881	2 205	64	27	1 070	131	11 378
Leasing income	4 012						4 012
Dividends received	19 571						19 571
Commission income	8 676	390	13	89	52	39	9 260
Net gains or losses on financial items at fair value	–208	1 398	4	–88	2	22	1 129
Other income	1 288	–2	1		1	20	1 308
Total	**41 220**	**3 991**	**82**	**28**	**1 125**	**212**	**46 658**

The geographical distribution has been allocated to the country where the business was carried out.

P5 Net interest income

	2017	2016
Interest income	11 424	11 378
Leasing income	4 361	4 012
Interest expenses	3 527	3 240
Net interest income before depreciation for financial leases	**12 258**	**12 150**
Depreciation according to plan finance leases	4 113	3 805
Net interest income after depreciation for financial leases	**8 145**	**8 345**

	2017			2016		
	Average balance	Interest income/ expense	Average annual interest rate, %	Average balance	Interest income/ expense	Average annual interest rate, %
Loans to credit institutions	434 230	257	0.06	437 938	90	0.02
Loans to the public	428 797	10 380	2.42	463 391	9 691	2.09
Interest-bearing securities	174 884	55	0.03	162 112	653	0.40
Total interest-bearing assets	**1 037 911**	**10 692**	**1.03**	**1 063 441**	**10 434**	**0.98**
Derivatives	83 200	542		106 692	771	
Other assets	426 345	4 551		372 160	4 185	
Total assets	**1 547 456**	**15 785**	**1.02**	**1 542 293**	**15 390**	**1.00**
Amounts owed to credit institutions	187 985	843	0.45	222 439	335	0.15
Deposits and borrowings from the public	733 760	1 044	0.14	744 241	830	0.11
of which deposit guarantee fees		282			287	
Debt securities in issue	360 419	4 485	1.24	311 003	3 344	1.08
Subordinated liabilities	28 985	1 193	4.12	23 567	977	4.15
Total interest-bearing liabilities	**1 311 149**	**7 565**	**0.58**	**1 301 250**	**5 486**	**0.42**
Derivatives	89 276	–4 655		112 782	–2 647	
Other liabilities	66 152	617		48 544	401	
of which stability fee		607			367	
Total liabilities	**1 466 577**	**3 527**	**0.24**	**1 462 576**	**3 240**	**0.22**
Equity	**80 879**			**79 717**		
Total liabilities and equity	**1 547 456**	**3 527**	**0.23**	**1 542 293**	**3 240**	**0.21**
Net interest income		**12 258**			**12 150**	
Net interest margin			0.79			0.79
Interest income impaired loans		92			53	
Interest income on financial assets at amortised cost		15 235			14 385	
Interest expenses on financial liabilities at amortised cost		8 352			5 987	

P6 Dividends received

	2017	2016
Shares and participating interests	279	58
Investments in associates	1 543	399
Investments in Group entities[1]	15 183	19 114
Total	**17 005**	**19 571**
[1] of which, through Group contributions	12 262	9 455

P7 Net commissions

Commission income	**2017**	**2016**
Payment processing	1 478	1 444
Cards	3 360	3 172
Service concepts	569	519
Asset management and custody	1 771	1 501
Life insurance	437	411
Securities	530	537
Corporate finance	133	272
Lending	739	777
Guarantee	166	143
Deposits	41	44
Non-life insurance	58	55
Other commission income	362	385
Total	**9 644**	**9 259**

Commission expenses	**2017**	**2016**
Payment processing	–917	–846
Cards	–1 777	–1 575
Service concepts	–12	–15
Asset management and custody	–86	–75
Securities	–225	–200
Lending and guarantees	–59	–75
Other commission expenses	–119	–89
Total	**–3 195**	**–2 875**

Net commissions	**2017**	**2016**
Payment processing	561	598
Cards	1 583	1 597
Service concepts	557	504
Asset management and custody	1 685	1 426
Life insurance	437	411
Securities	305	337
Corporate finance	133	272
Lending	680	702
Guarantee	166	143
Deposits	41	44
Non-life insurance	58	55
Other commission income	243	296
Total	**6 449**	**6 384**

P8 Net gains and losses on financial items at fair value

	2017	2016
Valuation category, fair value through profit or loss		
Trading and derivatives		
Shares and related derivatives	239	414
Interest-bearing instruments and related derivatives	916	145
Total	**1 155**	**559**
Other		
Shares and related derivatives	46	460
Loans	–8	–29
Financial liabilities	–3	–2
Total	**35**	**429**
Hedge accounting at fair value		
Hedging instruments	–799	–367
Hedged item	817	337
Total	**18**	**–30**
Financial liabilities valued at amortised cost	**–2**	**–3**
Change in exchange rates	**936**	**175**
Total	**2 142**	**1 130**

P9 Other income

	2017	2016
IT services	1 150	946
Other operating income	453	362
Total	**1 603**	**1 308**

P10 Staff costs

Total staff costs	2017	2016
Salaries and remuneration	4 814	4 581
Compensation through shares in Swedbank AB	213	270
Social insurance charges	1 619	1 545
Pension costs	1 141	1 134
Training costs	94	91
Other staff costs	266	234
Total	**8 147**	**7 855**
of which variable staff costs	324	488

Variable Compensation Programme 2012-2017	2017	2016
Programme 2012		
Recognised expense for compensation that is settled with shares in Swedbank AB		22
Recognised expense for social charges related to the share settled compensation		–30
Programme 2013		
Recognised expense for compensation that is settled with shares in Swedbank AB	8	69
Recognised expense for social charges related to the share settled compensation	7	50
Programme 2014		
Recognised expense for compensation that is settled with shares in Swedbank AB	53	83
Recognised expense for social charges related to the share settled compensation	18	45
Programme 2015		
Recognised expense for compensation that is settled with shares in Swedbank AB	35	44
Recognised expense for social charges related to the share settled compensation	12	22
Recognised expense for cash settled compensation		4
Recognised expense for payroll overhead costs related to the cash settled compensation		6
Programme 2016		
Recognised expense for compensation that is settled with shares in Swedbank AB	47	54
Recognised expense for social charges related to the share settled compensation	13	15
Recognised expense for cash settled compensation	–8	73
Recognised expense for payroll overhead costs related to the cash settled compensation	2	31
Programme 2017		
Recognised expense for compensation that is settled with shares in Swedbank AB	70	
Recognised expense for social charges related to the share settled compensation	20	
Recognised expense for cash settled compensation	33	
Recognised expense for payroll overhead costs related to the cash settled compensation	14	
Total recognised expense	**324**	**488**

Number of performance rights that establish the recognised share based expense, millions	2017	2016
Outstanding at the beginning of the period	**5.3**	**8.7**
Allotted	0.9	1.3
Forfeited	0.5	0.8
Exercised	1.9	3.9
Outstanding at the end of the period	**3.8**	**5.3**
Exercisable at the end of the period	0	0
Weighted average fair value per performance right at measurement date, SEK	185	151
Weighted average remaining contractual life, months	12	9
Weighted average exercise price per performance right, SEK[1]	0	0

1) Applicable for the following groups; outstanding at the beginning of the period, granted during the period, forfeited during the period, exercised during the period, expired during the period, outstanding at the end of the period, exercisable at the end of the period.

2017	Board of directors, President and equivalent senior executives			Other employees	
Countries	Number of persons	Salaries and other remunerations	Variable pay	Salaries and variable pay	Total
Sweden	29	89	9	4 483	4 581
Denmark				22	22
Norway				191	191
USA				28	28
Finland				30	30
Luxemburg				19	19
China				15	15
Estonia				45	45
Latvia				25	25
Lithuania				71	71
Total	**29**	**89**	**9**	**4 929**	**5 027**

2016	Board of directors, President and equivalent senior executives			Other employees	
Countries	Number of persons	Salaries and other remunerations	Variable pay	Salaries and variable pay	Total
Sweden	33	86	10	4 251	4 347
Denmark				21	21
Norway				311	311
USA				29	29
Finland				38	38
Luxemburg				23	23
China				15	15
Estonia				19	19
Latvia				14	14
Lithuania				34	34
Total	**33**	**86**	**10**	**4 755**	**4 851**

Board members, President and equivalent senior executives	2017	2016
Costs during the year for pensions and similar benefits	27	29
No. of persons	17	24
Granted loans, SEKm	84	89
No. of persons	19	19

	2017		2016	
Distribution by gender %	Female	Male	Female	Male
All employees	56	44	56	44
Directors	44	56	50	50
Other senior executives, incl. President	40	60	32	68

P11 Other general administrative expenses

	2017	2016
Rents, etc.	893	860
IT expenses	2 125	1 847
Telecommunications, postage	94	79
Consulting	495	373
Other outside services	628	565
Travel	172	151
Entertainment	33	32
Office supplies	76	88
Advertising, public relations, marketing	215	182
Security transports, alarm systems	44	43
Maintenance	98	97
Other administrative expenses	210	207
Other operating expenses	63	109
Total	**5 146**	**4 633**

Remuneration to Auditors elected by Annual General Meeting, Deloitte AB	2017	2016
Statutory audit	22	18
Other audit	6	6
Other	1	6
Total	**29**	**30**
Internal Audit, not Deloitte AB	61	58

P12 Depreciation/amortisation and impairments of tangible and intangible fixed assets

	2017	2016
Depreciation/amortisation		
Equipment	208	187
Intangible fixed assets	131	440
Lease objeccts	4 113	3 805
Total	**4 452**	**4 432**
Impairments		
Intangible fixed assets	80	
Lease objects	12	6
Total	**92**	**6**
Total	**4 544**	**4 438**

P13 Credit impairments

	2017	2016
Provisions for loans that individually are assessed as impaired		
Provisions	859	1 343
Reversal of previous provisions	–193	–320
Provision for homogenous groups of impaired loans, net	19	–3
Total	**685**	**1 020**
Portfolio provisions for loans that individually are not assessed as impaired	**–16**	**114**
Write-offs		
Established losses	355	627
Utilisation of previous provisions	–150	–545
Recoveries	–67	–50
Total	**138**	**32**
Credit impairments for contingent liabilities and other credit risk exposures	**501**	**233**
Credit impairments	**1 308**	**1 399**
Credit impairments by valuation category		
Loans and receivables	830	1 245
Fair value through profit or loss	478	154
Total	**1 308**	**1 399**
Credit impairments by borrower category		
Credit institutions	–1	
General public	1 309	1 399
Total	**1 308**	**1 399**

P14 Impairments of financial fixed assets

	2017	2016
Investments in Group entities		
Cerdo Bankpartner Aktiebolag, Helsingborg		54
Ektornet AB, Stockholm	4	11
FR &R Invest AB, Stockholm	9	18
FRiR RUS OOO, Moskva		1
Swedbank (Luxembourg) S.A., Luxembourg		5
Total	**13**	**89**
Loans comprising net investment		
FRiR RUS OOO, Moskva		-9
Total		**-9**
Total	**13**	**80**

P15 Appropriations

Untaxed reserves	2017	2016
Accelerated depreciation, equipment	368	214
Tax allocation reserve, reversal/allocation		–28
Total	**368**	**186**

P16 Tax

Tax expense	2017	2016
Tax related to previous years	–17	–132
Current tax	3 779	2 606
Deferred tax	–37	20
Total	**3 725**	**2 494**

	2017		2016	
	SEKm	per cent	SEKm	per cent
Results	3 725	18.7	2 494	11.4
22.0 % of pre-tax profit	4 385	22.0	4 829	22.0
Difference	**660**	**3.3**	**2 335**	**10.6**
The difference consists of the following items				
Tax previous years	17	0.1	132	0.6
Tax -exempt income/non-deductible expenses	–288	–1.5	–90	–0.4
Non-taxable dividends	982	4.9	2 213	10.1
Non-deductible goodwill impairment	–9		–22	–0.1
Tax-exempt capital gains and appreciation in value of shares and participating interests	1		102	0.4
Standard income tax allocation reserve	–4		–6	
Non-deductible impairment of financial fixed assets	–3		7	
Deviating tax rates in other countries	–36	–0.2	–1	
Total	**660**	**3.3**	**2 335**	**10.6**

2017

Deferred tax assets	Opening balance	Income statement	Equity	Exchange rate differences	Closing balance
Deductible temporary differences					
Provisions for pensions	107	17			124
Share related compensation	54		–31		23
Intangible assets	–34	23			–11
Other	6	–3		2	5
Total deferred tax assets	**133**	**37**	**–31**	**2**	**141**

2016

Deferred tax assets	Opening balance	Income statement	Equity	Exchange rate differences	Closing balance
Deductible temporary differences					
Provisions for pensions	105	2			107
Share related compensation	67		–13		54
Intangible assets	–55	21			–34
Other	80	–43		–31	6
Total deferred tax assets	**197**	**–20**	**–13**	**–31**	**133**

P17 Treasury bills and other bills eligible for refinancing with central banks etc.

	Carrying amount			Amortised cost			Nominal amount		
	2017	2016	1/1/2016	2017	2016	1/1/2016	2017	2016	1/1/2016
Valuation category, fair value through profit or loss									
Trading									
Swedish government	10 611	9 902	61 408	10 670	8 620	61 471	8 910	7 818	61 408
Swedish municipalities	4 449	4 584	3 644	4 412	4 543	3 656	4 392	4 514	3 644
Foreign governments	2 163	2 279	3 534	2 159	2 260	2 995	2 155	2 245	3 534
Other non-Swedish issuers	553	848	1 945	553	849	1 944	550	844	1 945
Total	**17 776**	**17 613**	**70 531**	**17 794**	**16 272**	**70 066**	**16 007**	**15 421**	**70 531**
Valuation category, held to maturity[1]									
Swedish central bank	65 003	85 005		65 003	85 005		65 000	85 000	
Total	**65 003**	**85 005**		**65 003**	**85 005**		**65 000**	**85 000**	
Total	**82 779**	**102 618**	**70 531**	**82 797**	**101 277**	**70 066**	**81 007**	**100 421**	**70 531**

1) The fair value of held-to-maturity investments amounted to SEK 65 000m (85 009).

P18 Loans to credit institutions

	2017	2016	1/1/2016
Valuation category, loans and receivables			
Swedish banks	4 097	4 772	59 510
Swedish credit institutions	429 179	384 766	344 668
Change in value due to hedge accounting at fair value		7	36
Foreign banks	10 780	12 866	13 602
Foreign credit institutions	2 444	6 500	5 304
Total	**446 500**	**408 911**	**423 120**
Valuation category, fair value through profit or loss			
Trading			
Swedish credit institutions, repurchase agreements	3 187	235	1 051
Foreign banks, repurchase agreements	46	617	387
Foreign credit institutions, repurchase agreements			537
Total	**3 233**	**852**	**1 975**
Total	**449 733**	**409 763**	**425 095**

Subordinated loans	2017	2016	1/1/2016
Subsidiaries		4 000	
Associates	620	620	
Other companies	50	53	48
Total	**670**	**4 673**	**48**

P19 Loans to the public

	2017	2016	1/1/2016
Valuation category, loans and receivables			
Swedish public	297 984	305 179	306 834
Foreign public	75 544	75 842	73 573
Total	**373 528**	**381 021**	**380 407**
Valuation category, fair value through profit or loss			
Trading			
Swedish public, repurchase agreements	10 669	18 282	4 612
Foreign public, repurchase agreements	14 347	30 543	30 028
Other			
Swedish public	122	560	1 435
Total	**25 138**	**49 385**	**36 075**
Total	**398 666**	**430 406**	**416 482**

The maximum credit risk exposure for lending measured at fair value corresponds to the carrying amount.

P20 Bonds and other interest-bearing securities

Issued by other than public agencies	Carrying amount			Amortised cost			Nominal amount		
	2017	2016	1/1/2016	2017	2016	1/1/2016	2017	2016	1/1/2016
Valuation category, fair value through profit or loss									
Trading									
Swedish mortgage institutions	32 135	39 492	40 044	32 118	39 423	39 898	31 272	38 230	38 613
Swedish financial entities	8 541	11 734	20 589	8 444	11 572	20 293	8 333	11 341	19 926
Swedish non-financial entities	2 608	1 612	2 022	2 614	1 596	1 964	2 586	1 592	2 018
Foreign financial entities	6 646	9 310	12 138	6 612	9 236	12 067	6 565	9 189	11 956
Foreign non-financial entities	5 336	7 475	8 231	5 311	7 427	7 974	5 274	7 345	8 024
Total	**55 266**	**69 623**	**83 024**	**55 099**	**69 254**	**82 196**	**54 030**	**67 697**	**80 537**
Valuation category, held to maturity[1]									
Foreign mortgage institutions			164			164			160
Foreign banks	3 277	3 624	3 693	3 277	3 624	3 693	3 277	3 624	3 693
Total	**3 277**	**3 624**	**3 857**	**3 277**	**3 624**	**3 857**	**3 277**	**3 624**	**3 853**
Total	**58 543**	**73 247**	**86 881**	**58 376**	**72 878**	**86 053**	**57 307**	**71 321**	**84 390**

1) The fair value of held-to-maturity investments amounted to SEK 3 277m (3 624).

P21 Shares and participating interests

	Carrying amount			Cost		
	2017	2016	1/1/2016	2017	2016	1/1/2016
Valuation category, fair value through profit or loss						
Trading						
Trading stock	18 186	12 081	8 637	17 584	11 414	8 880
Fund shares	1 018	11 398	2 113	999	10 846	1 930
Other						
Other shares	356	160	63	331	149	59
Total	**19 560**	**23 639**	**10 813**	**18 914**	**22 409**	**10 869**
Valuation category, available for sale						
Condominiums	2	7	45	2	7	45
Other	7	8	22	7	8	22
Total	**9**	**15**	**67**	**9**	**15**	**67**
Total	**19 569**	**23 654**	**10 880**	**18 923**	**22 424**	**10 936**

Holdings in the valuation category available for sale have been estimated at acquisition cost, since a more reliable fair value is not considered to be available.

P22 Investments in associates

Fixed assets	2017	2016	1/1/2016
Credit institutions	1 944	1 944	1 944
Other associates	143	55	51
Total	**2 087**	**1 999**	**1 995**
Opening balance	**1 999**	**1 995**	**1 986**
Additions during the year	88	7	10
Impairments during the year			–1
Sold during the year		**-3**	
Closing balance	**2 087**	**1 999**	**1 995**

Corporate identity, domicile	Corporate identity number	Number	Carrying amount	Cost	Share of capital, %
Credit institutions					
EnterCard Holding AB, Stockholm	556673-0585	3 000	420	420	60
Sparbanken Skåne AB, Lund	516401-9928	3 670 342	1 070	1 070	22
Sparbanken Rekarne AB, Eskilstuna	516401-0091	865 000	125	125	50
Swedbank Sjuhärad AB, Borås	516401-9852	950 000	288	288	48
Vimmerby Sparbank AB, Vimmerby	516401-0174	340 000	41	41	40
Total			**1 944**	**1 944**	
Other associates					
Babs Paylink AB, Stockholm	556567-2200	4 900	20	20	49
BGC Holding AB, Stockholm	556607-0933	29 177	98	98	29
Finansiell ID-Teknik BID AB, Stockholm	556630-4928	12 735	4	24	28
Getswish AB, Stockholm	556913-7382	10 000	19	21	20
Rosengård Invest AB, Malmö	556756-0528	5 625	3	10	25
Upplysningscentralen, Stockholm	556137-5113	2 000			20
Total			**143**	**174**	
Total			**2 087**	**2 117**	

The share of the voting rights in each entity corresponds to the share of its equity. All shares and participating interests are unlisted.

P23 Investments in Group entities

Fixed assets	2017	2016	1/1/2016
Swedish credit institutions	24 208	20 208	17 806
Foreign credit institutions	29 196	29 109	32 345
Other entities	8 612	7 297	7 299
Total	**62 016**	**56 614**	**57 450**
Opening balance	**56 614**	**57 450**	**58 343**
Additions during the year	5 415	2 623	920
Impairments during the year	–13	–89	–149
Disposals during the year		–3 370	–1 664
Closing balance	**62 016**	**56 614**	**57 450**

Corporate identity, domicile	Corporate identity number	Number	Carrying amount	Cost	Share of capital, %
Swedish credit institutions					
Swedbank Mortgage AB, Stockholm	556003-3283	23 000 000	24 073	24 073	100
Ölands Bank AB, Borgholm	516401-0034	780 000	135	135	60
Total			**24 208**	**24 208**	
Foreign credit institutions					
Swedbank AS, Tallinn	10060701	85 000 000	18 364	18 364	100
Swedbank AS, Riga	40003074764	575 000 000	4 205	4 205	100
Swedbank AB, Vilnius	112029651	164 008 000	6 546	6 546	100
Swedbank First Securities LLC, New York	20-416-7414	100	48	89	100
Swedbank (Luxembourg) S.A., Luxembourg	302018-5066	300 000	15	143	100
Swedbank Management Company S.A., Luxembourg	B149317	250 000	18	27	100
Total			**29 196**	**29 374**	
Other entities					
ATM Holding AB, Stockholm	556886-6692	350	40	47	70
Ektornet AB, Stockholm	556788-7152	5 000 000	152	1 961	100
FR & R Invest AB, Stockholm	556815-9718	10 000 000	34	50	100
Payex Holding AB, Stockholm	556714-2798	500 000	1 272	1 272	100
Sparfrämjandet AB, Stockholm	556041-9995	45 000	5	5	100
Sparia Group Försäkring AB, Stockholm	516406-0963	70 000	146	146	100
Swedbank Franchise AB, Stockholm	556184-2120	1 000	279	279	100
Swedbank Försäkring AB, Stockholm	516401-8292	150 000	3 352	3 351	100
Swedbank och Sparbankernas Mobile Solutions AB, Stockholm	556891-5283	100			100
Swedbank Robur AB, Stockholm	556110-3895	10 000 000	3 306	3 301	100
Other		1 105	26	62	
Total			**8 612**	**10 474**	
Total			**62 016**	**64 055**	

The share of the voting rights in each entity corresponds to the share of its equity. All entities are unlisted.
During 2017 Swedbank aquired the subsidiary PayEx Holding AB for SEK 1 272m transaction cost included. Capital contribution was paid to Swedbank Hypotek AB of SEK 4 000m.
In 2016 a capital contribution was paid to Swedbank Hypotek AB amounted to 2 450 m. Swedbank AS in Latvia repaid share capital of 3 320 m. Moreover Frispar Företagskredit AB was merged.

P24 Derivatives

	Nominal amount/ remaining contractual maturity			Nominal amount			Positive fair value			Negative fair value		
	< 1 yr.	1-5 yrs.	> 5 yrs.	2017	2016	1/1/2016	2017	2016	1/1/2016	2017	2016	1/1/2016
Derivatives in hedge accounting												
Fair value hedges, interest rate swaps	14 743	111 809	3 983	130 535	130 227	122 990	950	1 925	2 227	498	359	152
Non-hedging derivatives	**5 847 591**	**5 268 596**	**1 041 652**	**12 157 839**	**11 016 851**	**10 597 976**	**70 816**	**106 155**	**110 024**	**78 089**	**127 966**	**113 197**
Gross amount	**5 862 334**	**5 380 405**	**1 045 635**	**12 288 374**	**11 147 078**	**10 720 966**	**141 632**	**108 080**	**112 251**	**156 178**	**127 966**	**113 349**
Offset amount (see also note P40)	–1 745 771	–1 603 820	–388 745	–3 738 336	–3 332 268	–3 604 607	–9 613	–11 837	–13 951	–12 884	–13 705	–14 841
Total	**4 116 563**	**3 776 585**	**656 890**	**8 550 038**	**7 814 810**	**7 116 359**	**62 153**	**96 243**	**98 300**	**65 704**	**114 620**	**98 508**
Non-hedging derivatives												
Interest-rate-related contracts												
Options held	203 950	378 797	131 871	714 618	479 254	409 449	1 665	2 402	2 304	1 550	2 287	2 012
Forward contracts	2 488 655	994 013		3 482 668	3 387 207	4 423 320	376	580	1 429	360	547	1 613
Swaps	1 773 682	3 418 511	799 799	5 991 993	4 407 228	4 092 194	41 127	59 579	66 709	43 872	61 691	69 085
Currency-related contracts												
Options held	59 788	289		60 077	74 454	54 807	315	632	858	337	749	970
Forward contracts	1 075 963	21 098	12	1 097 073	1 090 344	950 435	7 973	12 528	8 300	10 151	15 394	11 331
Swaps	178 928	439 444	99 198	717 570	542 486	600 478	10 358	13 101	27 768	14 986	21 962	26 770
Equity-related contracts												
Options held	42 349	15 260	10 772	68 381	1 017 382	47 743	8 659	17 235	2 406	6 515	25 011	1 049
Forward contracts	10 447			10 448	7 733	5 689	190	68	81	96	64	160
Swaps	13 534	496		14 030	8 762	8 597	124	16	132	198	246	142
Credit-related contracts												
Swaps	295	688		982	2 001	5 263	30	14	37	25	15	65
Total	**5 847 591**	**5 268 596**	**1 041 652**	**12 157 839**	**11 016 851**	**10 597 976**	**70 816**	**106 155**	**110 024**	**78 089**	**127 966**	**113 197**

P25 Intangible fixed assets

	2017				2016			
	Goodwill	Customer base	Other	Total	Goodwill	Customer base	Other	Total
Cost, opening balance	**3 439**	**130**	**1 091**	**4 660**	**3 439**	**130**	**1 118**	**4 687**
Additions through separate acquisitions			143	143			53	53
Sales and disposals			–36	–36			–80	–80
Cost, closing balance	**3 439**	**130**	**1 198**	**4 767**	**3 439**	**130**	**1 091**	**4 660**
Amortisation, opening balance	**-3 367**	**-64**	**-570**	**-4 001**	**-3 018**	**-55**	**-491**	**-3 564**
Amortisation for the year	–57	–9	–66	–132	–349	–9	–82	–440
Sales and disposals			21	21			3	3
Amortisation, closing balance	**-3 424**	**-73**	**-615**	**-4 112**	**-3 367**	**-64**	**-570**	**-4 001**
Impairments, opening balance			**-223**	**-223**			**-223**	**-223**
Impairments for the year		–57	–23	–80				
Sales and disposals			23	23				
Impairments, closing balance		**-57**	**-223**	**-280**			**-223**	**-223**
Carrying amount	**15**		**360**	**375**	**72**	**66**	**297**	**435**

Goodwill is amortised over an estimated useful life of 5 to 20 years. For other intangible assets with a finite useful life, the amortisable amount is divided systematically over the useful life. Systematic amortisation refers to both straight-line and increasing or decreasing amortisation. The original useful life is between 3 and 15 years. No need for impairment was found on the closing day.

P26 Leasing equipment

Fixed assets	2017	2016
Cost, opening balance	**22 717**	**21 650**
Additions	8 341	7 357
Sales and disposals	–6 328	–6 290
Cost, closing balance	**24 730**	**22 717**
Depreciation, opening balance	**-8 676**	**-8 647**
Depreciation for the year	–4 113	–3 805
Sales and disposals	3 556	3 777
Depreciation, closing balance	**-9 233**	**-8 676**
Impairments, opening balance	**-25**	**-47**
Impairments for the year	–12	–6
Sales and disposals	6	28
Impairments, closing balance	**-31**	**-25**
Carrying amount	**15 466**	**14 016**

2017	< 1 yr	1–5 yrs	> 5 yrs	Total
Future minimum lease payment	4 578	8 100	3 451	16 129

The residual value of all lease assets is guaranteed by lessees or third parties. The lease assets are depreciated over the lease term according to the annuity method.

The lease assets primarily consist of vehicles and machinery. The lease payments do not contain any variable fee.

P27 Tangible assets

	2017	2016
	Fixed assets	Fixed assets
	Equipment	Equipment
Cost, opening balance	**2 135**	**2 248**
Additions	301	213
Sales and disposals	–125	–326
Cost, closing balance	**2 311**	**2 135**
Depreciation, opening balance	**-1 612**	**-1 722**
Depreciation for the year	–208	–187
Sales and disposals	101	297
Depreciation, closing balance	**-1 719**	**-1 612**
Carrying amount	**592**	**523**

The useful life of equipment is deemed to be between three and ten years; its residual value is zero as in previous years. The depreciable amount is recognised linearly in profit or loss over the useful life. No indications of impairment were found on the closing day. Individual structural components of owner-occupied properties are depreciated over their useful life. The residual value is deemed to be zero. The depreciable amount is recognised linearly in profit or loss over the useful life. Land has an indefinite useful life and is not depreciated.

P28 Other assets

	2017	2016	1/1/2016
Security settlement claims	9 785	4 442	10 816
Group contributions	12 267	9 457	7 624
Other financial assets	2 344	1 685	1 693
Othe non-financial assets	54	115	1
Total	**24 450**	**15 699**	**20 134**

P29 Prepaid expenses and accrued income

	2017	2016	1/1/2016
Accrued interest income	1 074	1 486	2 076
Other	1 325	1 371	1 177
Total	**2 399**	**2 857**	**3 253**

P30 Amounts owed to credit institutions

	2017	2016	1/1/2016
Valuation category, loans and receivables			
Swedish banks	20 532	23 868	85 731
Swedish credit institutions	26 223	58 051	71 038
Foreign banks	47 839	46 719	63 184
Foreign credit institutions	512	625	214
Total	**95 106**	**129 263**	**220 167**
Valuation category, fair value through profit or loss			
Trading			
Swedish credit institutions, repurchase agreements			816
Foreign banks, repurchase agreements		13	
Total		**13**	**816**
Total	**95 106**	**129 276**	**220 983**

P31 Deposits and borrowings from the public

	2017	2016	1/1/2016
Valuation category, other financial liabilities			
Deposits from Swedish public	644 517	596 589	553 631
Deposits from foreign public	18 099	10 223	41 398
Total	**662 616**	**606 812**	**595 029**
Valuation category, fair value through profit or loss			
Trading			
Deposits from Swedish public, repurchase agreements	8 707	10 892	2 798
Deposits from foreign public, repurchase agreements			1 485
Other[1]			
Deposits from Swedish public			164
Total	**8 707**	**10 892**	**4 447**
Total	**671 323**	**617 704**	**599 476**
[1] nominal amount amounts to			156

P32 Debt securities in issue

	2017	2016	1/1/2016
Valuation category, other financial liabilities			
Commercial papers	149 976	102 186	106 811
Other interest-bearing bond loans	158 060	164 761	154 076
Change in value due to hedge accounting at fair value	–188	445	397
Total	**307 848**	**267 392**	**261 284**
Valuation category, fair value through profit or loss			
Trading			
Other	14 836	14 977	14 561
Total	**14 836**	**14 977**	**14 561**
Total	**322 684**	**282 369**	**275 845**

Turnover of debt securities in issue is reported in note P2 Liquidity risks, page 146.

P33 Other liabilities

	2017	2016	1/1/2016
Security settlement liabilities	5 242	4 735	11 876
Short position in shares	234	96	247
of which own issued shares	199	33	78
Short position in interest-bearing securities	14 224	11 519	7 945
Other	14 284	6 964	7 618
Total	**33 985**	**27 686**	**27 685**

P34 Accrued expenses and prepaid income

	2017	2016	1/1/2016
Accrued interest expenses	1 447	1 817	1 831
Other	1 510	1 713	2 239
Total	**2 957**	**3 530**	**4 070**

P35 Provisions

	2017	2016	1/1/2016
Pensions			17
Provisions for guarantees	100	98	21
Restructuring provision	300	44	
Other	22	30	207
Total	**422**	**172**	**245**

In 2017 a new restructuring provision was recognised of SEK 300m due to changes in the IT organisation. In 2016 a new restructuring provision was recognised of SEK 44m related to the business segment Large Corporates & Institutions.

P36 Subordinated liabilities

	2017	2016	1/1/2016
Valuation category, other financial liabilities			
Subordinated loans	14 349	12 703	12 382
Change in the value due to hedge accounting at fair value	73	222	265
Total subordinated loans	**14 422**	**12 925**	**12 647**
Undated subordinated loans	11 053	14 116	11 585
of which Tier 1 capital contribution	11 053	14 116	11 585
Change in the value due to hedge accounting at fair value	33	213	381
Total undated subordinated loans	**11 086**	**14 329**	**11 966**
Total	**25 508**	**27 254**	**24 613**

Swedbank has outstanding USD 1 250m Additional Tier 1 capital (AT1), which is perpetual with a call option after five years. The instrument has a mandatory conversion feature to ordinary shares if the Swedbank AB's regulatory capital decreases to a certain level.

Specification of subordinated liabilities

Fixed-term subordinated loans

Maturity	Right to prepayment for Swedbank AB	Currency	Nominal amount, million	Carrying amount, SEKm	Coupon interest, %
1989/2019		SEK	111	120	11,00
2013/2023	2018	SEK	395	395	3m Stibor
2013/2023	2018	SEK	142	142	3m Stibor
2014/2024	2019	EUR	750	7 442	2,38
2017/2027	2022	EUR	650	6 324	1,00
Total				**14 422**	

Undated subordinated loans approved by the Swedish Financial Supervisory Authority as Tier 1 capital contribution

Maturity	Right to prepayment for Swedbank AB	Currency	Nominal amount, million	Carrying amount, SEKm	Coupon interest, %
2008/undated	2018	SEK	873	1 005	8,28
2015/undated	2020	USD	750	6 066	5,50
2016/undated	2022	USD	500	4 015	6,00
Total				**11 086**	

Certain subordinated loans are used as insurance instruments to hedge the net investment in foreign operations. In the parent company the currency component of these liabilities is recognised at cost, whereas in the Group it is recognised at the closing day rate.

P37 Untaxed reserves

	Accumulated accelerated depreciation	Tax allocation reserve	Total
Opening balance 2016	**4 542**	**5 479**	**10 021**
Allocation/Reversal	214	–28	186
Closing balance 2016	**4 756**	**5 451**	**10 206**
Opening balance 2017	**4 756**	**5 451**	**10 206**
Allocation/Reversal	368		368
Closing balance 2017	**5 124**	**5 451**	**10 575**

Tax allocation reserve	2017	2016	1/1/2016
Allocation 2010			28
Allocation 2011		1 862	1 862
Allocation 2012	3 538	3 538	3 538
Allocation 2013	51	51	51
Allocation 2017	1 862		
Total	**5 451**	**5 451**	**5 479**

P38 Equity

	2017	2016	1/1/2016
Restricted equity			
Share capital, ordinary shares	24 904	24 904	24 904
Statutory reserve	5 968	5 968	5 968
Total	**30 872**	**30 872**	**30 872**
Non-restricted equity			
Share premium reserve	13 206	13 206	13 206
Retained earnings	43 099	41 277	33 304
Total	**56 305**	**54 483**	**46 510**
Total equity	**87 177**	**85 355**	**77 382**

Changes in equity for the period and the distribution according to IFRS are indicated in the statement of changes in equity.

P39 Fair value of financial instruments

Carrying amounts and fair values of financial instruments

A comparison between the carrying amount and fair value of the parent company's financial assets and financial liabilities according to the definition in IAS 39 is presented below.

Determination of fair values of financial instruments

The parent company uses various methods to determine the fair value of financial instruments depending on the degree of observable market data in the valuation and activity in the market. An active market is considered either a regulated or reliable marketplace where quoted prices are easily accessible and which demonstrates regularity. Activity is continuously evaluated by analysing factors such as differences in bid and ask prices.

The methods are divided in three different levels:

- Level 1: Unadjusted, quoted price on an active market
- Level 2: Adjusted, quoted price or valuation model with valuation parameters derived from an active market
- Level 3: Valuation model where 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 their fair values. For any open net positions, bid and ask rates are applied as applicable i.e. bid rates for long positions and ask rates for short positions. When there is no active market, fair value is determined with the help of established valuation methods and models. In these cases, assumptions that cannot be directly attributed to a market may be applied. These assumptions are based on experience and knowledge of the valuation of financial markets. The goal, however, is to always maximise the use of data from an active market. All valuation methods and models and internal assumptions are validated continuously by the independent risk control unit. In cases where it is considered necessary, adjustments are made to reflect fair value, so-called fair value adjustments. This is done to correctly reflect the parameters in the financial instruments and which will be reflected in their valuations. For OTC derivatives, for example, where the counterparty risk is not settled with cash collateral, the fair value adjustment is based on the current counterparty risk (CVA and DVA). In cases where the model risk is considered reliable, an assessment is also made whether a fair value adjustment is necessary given the model risk.

The parent company has a continuous process that identifies financial instruments which indicate a high level of internal assumptions or low level of observable market data. The process determines how to make the calculation based on how the internal assumptions are expected to affect the valuation. In cases where internal assumptions have a significant impact on fair value, the financial instrument is reported in level 3. The process also includes an analysis based on the quality of valuation data and whether any types of financial instruments will be transferred between the various levels.

For floating rate lending and deposits, which are recognised at amortised cost, the carrying amount is assessed to equal the fair value.

	2017			2016			1/1/2016		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Assets									
Financial assets covered by IAS 39									
Cash and balances with central banks	136 061	136 061		64 193	64 193		131 859	131 859	
Treasury bills etc.	82 776	82 779	–3	102 623	102 618	5	70 531	70 531	
of which fair value through profit or loss	17 776	17 776		17 613	17 613		70 531	70 531	
of which investments held to maturity	65 000	65 003	–3	85 010	85 005	5			
Loans to credit institutions	449 733	449 733		409 763	409 763		425 095	425 095	
of which loans receivables	446 501	446 501		408 911	408 911		423 120	423 120	
of which fair value through profit or loss	3 232	3 232		852	852		1 975	1 975	
Loans to the public	398 666	398 666		430 406	430 406		416 482	416 482	
of which loan receivables	373 528	373 528		381 021	381 021		380 407	380 407	
of which fair value through profit or loss	25 138	25 138		49 385	49 385		36 075	36 075	
Bonds and interest-bearing securities	58 543	58 543		73 247	73 247		86 881	86 881	
of which fair value through profit or loss	55 266	55 266		69 623	69 623		83 024	83 024	
of which investments held to maturity	3 277	3 277		3 624	3 624		3 857	3 857	
Shares and participating interest	19 569	19 569		23 654	23 654		10 880	10 880	
of which fair value through profit or loss	19 560	19 560		23 639	23 639		10 813	10 813	
of which available for sale	9	9		15	15		67	67	
Derivatives	62 153	62 153		96 243	96 243		98 300	98 300	
Other financial assets	25 470	25 470		17 154	17 154		22 209	22 209	
Total	**1 232 971**	**1 232 974**	**–3**	**1 217 283**	**1 217 278**	**5**	**1 262 237**	**1 262 237**	

	2017			2016			1/1/2016		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Liabilities									
Financial liabilities covered by IAS 39									
Amounts owed to credit institutions	95 106	95 106		129 276	129 276		220 983	220 983	
of which other financial liabilities	95 107	95 107		129 264	129 264		220 167	220 167	
of which fair value through profit or loss	–1	–1		13	13		816	816	
Deposits and borrowings from the public	671 323	671 323		617 704	617 704		599 476	599 476	
of which other financial liabilities	662 616	662 616		606 812	606 812		595 029	595 029	
of which fair value through profit or loss	8 707	8 707		10 892	10 892		4 447	4 447	
Debt securities in issue, etc	324 662	322 684	1 978	283 452	282 369	1 084	274 952	275 845	–893
of which other financial liabilities	309 826	307 848	1 978	268 475	267 391	1 084	260 391	261 284	–893
of which fair value through profit or loss	14 836	14 836		14 977	14 977		14 561	14 561	
Subordinated liabilities	25 525	25 508	17	27 254	27 254		24 626	24 613	13
of which other financial liabilities	25 525	25 508	17	27 254	27 254		24 626	24 613	13
Derivatives	65 704	65 704		114 620	114 620		98 508	98 508	
Short positions securities	14 459	14 459		11 614	11 614		8 192	8 192	
of which fair value through profit or loss	14 459	14 459		11 614	11 614		8 192	8 192	
Other financial liabilities	20 972	20 972		13 517	13 517		21 327	21 327	
Total	**1 217 751**	**1 215 756**	**1 995**	**1 197 438**	**1 196 354**	**1 084**	**1 248 064**	**1 248 944**	**–880**

Financial instruments recognised at fair value

The following tables present fair values of financial instruments recognised at fair value, split between the three valuation hierarchy levels.

Level 1 primarily contains equities, fund shares, bonds, treasury bills, commercial paper and standardised derivatives, where the quoted price is used in the valuation. Securities in issue traded on an active market are included in this category as well.

Level 2 primarily contains less liquid bonds that are valued on a curve, lending, funding and derivatives measured on the basis of observable inputs. For less liquid bond holdings, an adjustment is made for the credit spread based on observable market inputs such as the market for credit derivatives. For loans to the public where there are no observable market inputs for credit margins at the time of measurement, the credit margin of the last transaction executed with the same counterparty is used. Securities in issue that are not quoted but measured according to quoted prices for similar quoted bonds are also included on level 2.

Level 3 contains other financial instruments where internal assumptions have a significant effect on the calculation of fair value. Level 3 primarily contains unlisted equity instruments and illiquid options. Level 3 includes the strategic equity positions which were purchased 2017 in Mina Tjänster AB, Kepler Chevreaux and Nordic Credit Rating AS. In connection with the sale of shares in VISA Europe convertible preference shares in VISA Inc. were obtained. The shares are subject to selling restrictions for a period of up to 12 years and under certain conditions may have to be returned. Because liquid quotes are not available for the instrument, its fair value is established with significant elements of own internal assumptions and reported in level 3 as equity instruments. The options hedge changes in the market values of combined debt instruments, so-called structured products. Structured products consist of a corresponding option element and a host contract, which in principle is an ordinary interest-bearing bond. When the Group evaluates the level on which the financial instruments are reported, the entire instrument is assessed on an individual basis. Since the bond portion of structured products represents the majority of the financial instrument's fair value, the internal assumptions used to value the illiquid option element normally do not have a significant effect on the valuation and the financial instrument is typically reported in level 2. However, the Group typically hedges the market risks that arise in structured products by holding individual options. The internal assumptions in the individual options are of greater significance to the individual instrument and these are reported as derivatives in level 3. Based on the historical volatility of the underlying prices of options in level 3, it is unlikely that the fair value would be affected more than +/– SEK 3m. When valuation models are used to determine the fair value of financial instruments in level 3, the transaction price paid or received is assessed as the best evidence of fair value at initial recognition. Due to the possibility that a difference could arise between the transaction price and the fair value calculated at the time using the valuation model, so called 'day1-profits or losses', the valuation model is calibrated against the transaction price. As of year-end there were no cumulative differences that were not recognised through profit or loss.

Transfers between fair value hierarchy levels are reflected as taking place at the end of each quarter. During the years ended 2017 and 2016, there were no transfers of financial instruments between valuation levels 1 and 2. Financial instruments are transferred to or from level 3 depending on whether the internal assumptions have changed in significance for the valuation.

The following table shows financial instruments measured at fair value as per year-end distributed by valuation method.

	2017				2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Treasury bills and other bills eligible for refinancing with central banks, etc	13 015	4 761		17 776	12 185	5 429		17 613
Loans to credit institutions		3 232		3 232		852		852
Loans to the public		25 138		25 138		49 385		49 385
Bonds and interest-bearing securities	29 301	25 965		55 266	36 702	32 921		69 623
Shares and participating interest	19 204		366	19 569	23 435	68	152	23 654
Derivatives	148	61 979	26	62 153	125	96 053	65	96 243
Total	**61 668**	**121 075**	**392**	**183 134**	**72 446**	**184 707**	**217**	**257 370**
Liabilities								
Amounts owed to credit institutions		–1		–1		13		13
Deposits and borrowings from the public		8 707		8 707		10 892		10 892
Debt securities in issue, etc		14 836		14 836		14 977		14 977
Derivatives	193	65 511		65 704	72	114 547		114 620
Short positions securities	14 459			14 459	11 614			11 614
Total	**14 652**	**89 053**		**103 705**	**11 687**	**140 429**		**152 116**

Changes in level 3

	2017		
	Assets		
	Equity instruments	Derivatives	Total
Opening balance	**152**	**65**	**217**
Acquisitions	194		194
Sales of assets	–6		–6
Maturities		–37	–37
Transferred from Level 1 to Level 3		–14	–14
Gains or loss	26	12	38
of which in the income statement, net gains and losses on financial items at fair value	26	12	38
of which are changes in unrealised gains or losses for items held at closing day		3	3
Closing balance	**366**	**26**	**392**

Changes in level 3

	2016		
	Assets		
	Equity instruments	Derivatives	Total
Opening balance	**67**	**114**	**181**
Acquisitions	4		4
Received VISA Inc. C shares	62		62
Sales of assets	–55		–55
Maturities		–19	–19
Issued		1	1
Transferred from Level 3 to Level 2		–8	–8
Transferred from Level 1 to Level 3	63		63
Gains or loss	11	–23	–12
of which in the income statement, net gains and losses on financial items at fair value	11	–23	–12
of which are changes in unrealised gains or losses for items held at closing day	17	–19	–2
Closing balance	**152**	**65**	**217**

Financial instruments at amortised cost

The following tables distribute fair values by the three valuation levels for financial instruments at amortised cost.

	2017			
		Fair value		
	Carrying amount	Level 1	Level 2	Total
Assets				
Treasury bills and other bills eligible for refinancing with central banks, etc	65 003	65 000		65 000
Loans to credit institutions	446 500		446 500	446 500
Loans to the public	373 528		373 528	373 528
Bonds and other interest-bearing securities	3 277		3 277	3 277
Total	**888 308**	**65 000**	**823 305**	**888 305**
Liabilities				
Amounts owed to credit institutions	95 106		95 106	95 106
Deposits and borrowing from the public	662 615		662 615	662 615
Debts securities in issue	307 848		309 826	309 826
Subordinated liabilities	25 508		25 525	25 525
Total	**1 091 077**		**1 093 072**	**1 093 072**

	2016			
		Fair value		
	Carrying amount	Level 1	Level 2	Total
Assets				
Treasury bills and other bills eligible for refinancing with central banks, etc	85 005	85 010		85 010
Loans to credit institutions	408 911		408 911	408 911
Loans to the public	381 021		381 021	381 021
Bonds and other interest-bearing securities	3 624		3 624	3 624
Total	**878 561**	**85 010**	**793 556**	**878 566**
Liabilities				
Amounts owed to credit institutions	129 264		129 264	129 264
Deposits and borrowing from the public	606 812		606 812	606 812
Debts securities in issue	267 391		268 475	268 475
Subordinated liabilities	27 254		27 254	27 254
Total	**1 030 721**		**1 031 804**	**1 031 804**

P40 Financial assets and liabilities which have been offset or are subject to netting or similar agreements

The disclosures below refer to recognised financial instruments that have been offset in the balance sheet or are subject to legally binding netting agreements, even when they have not been offset in the balance sheet, as well as to related rights to financial collateral. As of the closing day these financial instruments referred to derivatives, repos (including reverse), security settlement claims and securities loans.

	2017				2016			
Assets	**Derivatives**	**Reverse repurchase agreements**	**Securities borrowing**	**Total**	**Derivatives**	**Reverse repurchase agreements**	**Securities borrowing**	**Total**
Financial assets, which not have been offset or are subject to netting or similar agreements	1 945			1 945	2 483			2 483
Financial assets, which have been offset or are subject to netting or similar agreements	60 209	28 248	40	88 497	93 760	49 677	435	143 872
Net amount presented in the balance sheet	**62 154**	**28 248**	**40**	**90 442**	**96 243**	**49 677**	**435**	**146 355**
Financial assets, which have been offset or are subject to netting or similar agreements								
Gross amount	69 822	37 656	40	107 518	105 597	54 180	435	160 212
Offset amount	–9 613	–9 408		–19 021	–11 837	–4 503		–16 340
Net amount presented in the balance sheet	**60 209**	**28 248**	**40**	**88 497**	**93 760**	**49 677**	**435**	**143 872**
Related amount not offset in the balance sheet								
Financial instruments, netting agreements	31 352	7 797		39 149	44 865	10 383		55 248
Financial instruments, collateral	482	20 354	40	20 876	1 089	39 293	435	40 817
Cash, collateral	9 028			9 028	12 676			12 676
Total amount not offset in the balance sheet	**40 862**	**28 151**	**40**	**69 053**	**58 630**	**49 676**	**435**	**108 741**
Net amount	**19 347**	**97**		**19 444**	**35 130**	**1**		**35 131**

Liabilities	**Derivatives**	**Reverse repurchase agreements**	**Securities borrowing**	**Total**	**Derivatives**	**Reverse repurchase agreements**	**Securities borrowing**	**Total**
Financial liabilities, which not have been offset or are subject to netting or similar agreements	1 724			1 724	2 913			2 913
Financial liabilities, which have been offset or are subject to netting or similar agreements	63 979	8 707	74	72 760	111 707	10 905	10	122 622
Net amount presented in the balance sheet	**65 703**	**8 707**	**74**	**74 484**	**114 620**	**10 905**	**10**	**125 535**
Financial liabilities, which have been offset or are subject to netting or similar agreements								
Gross amount	76 863	18 115	74	95 052	125 412	15 408	10	140 830
Offset amount	–12 884	–9 408		–22 292	–13 705	–4 503		–18 208
Net amount presented in the balance sheet	**63 979**	**8 707**	**74**	**72 760**	**111 707**	**10 905**	**10**	**122 622**
Related amount not offset in the balance sheet								
Financial instruments, netting agreements	31 352	7 797		39 149	44 865	10 383		55 248
Financial instruments, collateral	2 912	905	74	3 891	3 860	521	10	4 391
Cash, collateral	9 340			9 340	13 775			13 775
Total amount not offset in the balance sheet	**43 604**	**8 702**	**74**	**52 380**	**62 500**	**10 904**	**10**	**73 414**
Net amount	**20 375**	**5**		**20 380**	**49 207**	**1**		**49 208**

P41 Specification of adjustments for non-cash items in operating activities

	2017	2016
Amortised origination fees	–542	–570
Unrealised changes in value/currency changes	222	15 411
Depreciation of tangible and intangible fixed assets	4 452	4 438
Impairment of fixed assets	105	80
Credit impairment	1 308	1 399
Dividend Group entities	–13 356	–18 912
Prepaid expenses and accrued income	457	396
Accrued expenses and prepaid income	–573	–540
Share based payments to employees	214	270
Capital gains/losses on financial assets	–22	–504
Other	–10	–17
Total	**–7 745**	**1 451**

P42 Dividend paid and proposed disposition of earnings

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

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

In accordance with the balance sheet of Swedbank AB, SEK 56 305m is at the disposal of the Annual General Meeting:
The Board of Directors recommends that the earnings be disposed as follows (SEKm):

	2017	2016
A cash dividend of SEK 13.00 (13.20) per ordinary share	14 515	14 695
To be carried forward to next year	41 790	39 788
Total disposed	56 305	54 483

The proposed total amounts to be distributed and carried forward to next year have been calculated on all 1 113 629 621 outstanding ordinary shares at 31 December of 2017, plus 2 908 354 outstanding ordinary shares entitled to dividends which have been estimated to be exercised by employees between 1 January to the Annual General Meeting as per 22 March 2018 relating to remuneration programs. The proposed total amounts to be distributed and carried forward to next year are ultimately calculated on the number shares entitled to dividends on the record day. The amounts could change in the event of additional share repurchases or sales of treasury shares before the record day. Unrealised changes in the value of assets and liabilities at fair value have had a positive effect on equity of SEK 922m. The proposed record day for the dividend is 26 March 2018. The last day for trading in Swedbank's shares with the right to the dividend is 22 March 2018. If the Annual General Meeting accepts the Board's proposal, the dividend is expected to be paid by Euroclear on 29 March 2018. The financial companies group's capital base surpassed the statutory capital requirement as of year-end by SEK 50 037m. Surplus capital in Swedbank AB amounted to SEK 75 997m.

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

P43 Assets pledged, contingent liabilities and commitments

Assets pledged

Assets pledged for own liabilities	2017	2016	1/1/2016
Government securities and bonds pledged with the Riksbank	8 047	8 121	10 648
Government securities and bonds pledged with foreign central banks	6 229	6 434	12 772
Government securities and bonds pledged for liabilities to credit institutions, repurchase agreements	3 856	3 062	1 244
Government securities and bonds pledged for deposits from the public, repurchase agreements	7 260	5 687	2 310
Cash	4 484	10 320	13 697
Total	**29 876**	**33 624**	**40 671**

The carrying amount of liabilities for which assets are pledged amounted to SEK 29 876m (33 577) in 2017.

Other assets pledged	2017	2016	1/1/2016
Securities lending	16	10	13
Government securities and bonds pledged for other commitments	2 857	3 776	3 194
Cash	482	455	459
Total	**3 355**	**4 241**	**3 666**

Collateral is pledged in the form of governement securities or bonds to central banks in order to execute transactions with the central banks. In so-called genuine repurchase transactions, where the parent company sells a security and at the samt time agrees to repurchase it, the sold security remains on the balance sheet. The carrying amount of the security is also recognised as a pladged asset. In principle, the parent company cannot dispose of pledged collateral. generally, the assets are also separated behalf of the beneficiaries in the event of the parent company' s insolvency.

Contingent liabilities

Nominal amount	2017	2016	1/1/2016
Loan guarantees	522 334	554 184	547 718
Other guarantees	31 061	30 910	25 229
Accepted and endorsed notes	439	159	140
Letters of credit granted but not utilised	2 697	2 897	2 153
Other contingent liabilities	6	17	51
Total	**556 537**	**588 167**	**575 291**
Provision for anticipated credit impairments	–100	–96	–21

Commitments

Nominal amount	2017	2016	1/1/2016
Loans granted but not paid	163 305	161 040	137 719
Overdraft facilities granted but not utilised	67 385	71 094	68 263
Total	**230 690**	**232 134**	**205 982**

The nominal amount of interest, equity and currency related contracts are shown in note P24 Derivatives.

P44 Transferred financial assets

The parent company transfers ownership of financial assets in connection with repos and security loans. Although ownership has been transferred in these transactions, the asset remains on the balance sheet since the parent company is still exposed to the asset's risk of fluctuating in value. This is because the agreement stipulates at the time of transfer that the asset will be restored. Sales proceeds received in connection with repos are recognised as liabilities. Related liabilities are reported in the note before any offsetting in the balance sheet. All assets and related liabilities are recognised at fair value and included in the valuation category fair value through profit and loss, trading. Liabilities related to securities lending refer to collateral received in the form of cash. These liabilities are reported in the valuation category other financial liabilities. In addition to what is indicated in the table for securities lending, collateral is received in the form of other securities to cover the difference between the fair value of the transferred assets and the recognised liability's fair value. At year-end the parent company had no commitments in financial assets that had been removed from the balance sheet.

	Transferred assets			Associated liabilities		
2017	**Carrying amount**	**Of which repurchase agreements**	**Of which securities lending**	**Carrying amount**	**Of which repurchase agreements**	**Of which securites lending**
Valuation category , fair value through profit or loss						
Trading						
Equity instruments	1 398		1 398	36		36
Debt securities	11 138	11 138		11 143	11 143	
Total	**12 536**	**11 138**	**1 398**	**11 179**	**11 143**	**36**

	Transferred assets			Associated liabilities		
2016	**Carrying amount**	**Of which repurchase agreements**	**Of which securities lending**	**Carrying amount**	**Of which repurchase agreements**	**Of which securites lending**
Valuation category , fair value through profit or loss						
Trading						
Equity instruments	884		884	366		366
Debt securities	8 749	8 749		8 702	8 702	
Total	**9 633**	**8 749**	**884**	**9 068**	**8 702**	**366**

P45 Operational leasing

The agreements mainly relate to premises in which the parent company is the lessee. The terms of the agreements comply with customary practices and include clauses on inflation and property tax. The combined amount of future minimum lease payments that relate to non-cancellable agreements is allocated on the due dates as follows:

2017	**Expenses**	**Income subleasing**	**Total**
2018	768	34	734
2019	696	32	664
2020	606	28	578
2021	477	21	456
2022	422	21	401
2023	410	21	389
2024	372	21	351
2025	350	21	329
2026	321	21	300
2027 or later	2 034	248	1 786
Total	**6 457**	**467**	**5 990**

2016	**Expenses**	**Income subleasing**	**Total**
2017	722	38	684
2018	630	37	593
2019	510	35	475
2020	412	34	378
2021	309	31	278
2022	295	31	264
2023	288	31	257
2024	255	31	224
2025	242	30	212
2026 or later	1 902	239	1 663
Total	**5 565**	**537**	**5 028**

P46 Related parties and other significant relationships

	Subsidiaries		Associates		Other related parties	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Assets						
Loans to credit institutions	419 866	379 199	11 483	10 408		
Loans to the public	451	596				
Bonds and other interest-bearing securities	2 244	4 904				
Derivatives	6 740	8 812				
Other assets	12 296	9 573				30
Prepaid expenses and accrued income	137	187				
Total assets	**441 734**	**403 271**	**11 483**	**10 408**		**30**
Liabilities						
Amount owed to credit institutions	27 357	58 307	2 931	2 060		
Deposits and borrowing from the public	8 012	6 246			476	460
Derivatives	19 646	29 214				
Other liabilities	94	145				
Accrued expenses and prepaid income	12	13	1			
Total liabilities	**55 121**	**93 925**	**2 932**	**2 060**	**476**	**460**
Contingent liabilities						
Guarantees	517 644	550 517				
Derivatives, nominal amount	887 495	838 577	2 221	1 227		
Income and expenses						
Interest income	–1 332	–1 742	70	88		
Interest expenses	2 330	2 229				
Dividends received	2 786	9 456	1 544	399		
Commission income	1 698	1 534	6	6		
Commission expenses	2	9	12			
Other income	255	156	11	9		
Other general administrative expenses	8	29			674	715

P47 Events after 31 December 2017

See Group note G55.

Alternative performance measures

Swedbank prepares its financial statements in accordance with IFRS as issued by the IASB, as set out in Note 1. The annual 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 8.	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 5.	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 5.	The presentation of this measure is relevant for investors since it used by Group management for internal governance and operating segment performance management purposes.
Income statement measures excluding VISA and Hemnet income Amounts related to Net gains and losses on financial items at fair value, Share of profit or loss of associates and other income are presented excluding the income related to the VISA (2016) and Hemnet (2017). The amounts are reconciled to the relevant IFRS income statement lines on page 58.	The presentation of this measure is relevant for investors as it provides comparability of figures between reporting periods.
Return on equity excluding VISA and Hemnet income Represents profit for the period allocated to shareholders excluding VISA and Hemnet income in relation to average Equity attributable to shareholders' of the parent company. The average is calculated using month-end figures, including the prior year end. Profit for the period allocated to shareholders excluding VISA (2016) and Hemnet (2017) income are reconciled to Profit for the period allocated to shareholders, the nearest IFRS measure, on page 58.	The presentation of this measure is relevant for investors as it provides comparability of figures between reporting periods.
Cost/Income ratio excluding VISA and Hemnet income Total expenses in relation to total income excluding VISA and Hemnet income. Total income excluding one-off VISA (2016) and Hemnet (2016) income are reconciled to Total income, the nearest IFRS measure, on page 58.	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 on page 211 and are calculated from the financial statements without adjustment.

- Cost/Income ratio
- Credit Impairment ratio
- Loan/Deposit ratio
- Equity per share
- Net interest margin
- Provision ratio for impaired loans
- Return on equity
- Return on total assets
- Share of impaired loans, gross
- Share of impaired loans, net
- Total provision ratio for impaired loans

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.

Reports and notes – Sustainability

Sustainability report

We are strongly committed to contributing to the sound and sustainable development of our customers, employees and society as a whole. Economic, social, environmental and ethical sustainability are integrated in our business. The results of our sustainability work are presented as an integral part of the annual report. The sustainability report conforms to the Global Reporting Initiative's (GRI) framework, Standards version, Core level, and has been reviewed by the auditing firm Deloitte in accordance with the assurance report on page 202.

For Swedbank, sustainable business is distinguished by responsible business decisions, value creation and transparency. We have committed to follow several international initiatives and have built an integrated sustainability framework for taking responsibility and minimising risks. The UN Global Compact's ten principles and the UN Principles for Responsible Investments (UNPRI) are among the key commitments that guide our work and are the basis of our position statements and the way we act.

The structure of our sustainability work is summarised in the model below. The majority of our commitments, governing documents and reporting are shown here, providing an overview of our management approach and how sustainability is implemented and monitored at Swedbank. In our sustainability report we give our view of responsible banking. The reported information applies to the calendar year 2017 (most recent previous report 2016), unless otherwise indicated, and highlights the most important aspects of our sustainability work.

The sustainability report comprises Swedbank and its subsidiaries (see Note G1 and P24), with the exception that PayEx, acquired during the year, is not included in the presented sustainability data. Our aim is to present areas where we have made progress as well as those where we have more work to do. First and foremost, we want to explain why we think a sound and sustainable world is critical to a sound and sustainable bank.

In our notes we report the results of our sustainability work from the standpoint of our core processes: pay, finance, save/invest and procure. We also present our results based on our work with gender equality and diversity, the environment, taxes, anti-corruption, human rights and social engagement. Sustainability information is found on pages 16–19 and 173–196 and at www.swedbank.com.

Commitments

International commitments
- UN Global Compact
- UN Environmental Programme for the Financial Sector
- UN Guiding Principles on Business and Human Rights
- UN Principles for Responsible Investments
- ICC's Business Charter for Sustainable Development
- Montreal Carbon Pledge
- Global Investment Performance Standards

National commitments
- Swedish Association for Sustainable Business
- Financial Coalition against Commercial Sexual Exploitation of Children

Frameworks

Policies
- Anti-corruption policy
- Anti-money laundering and countering terrorist financing policy
- Credit policy
- Environmental policy
- Financial reporting and tax policy
- Gender equality and diversity policy
- Human rights policy
- Occupational health and safety policy
- Responsible investment policy
- Sustainability policy

Position statements
- Position on defence equipment
- Position on climate change
- Exclusion list

Code of Conduct

Supplier Code of Conduct

Sector guidelines

Governance

Board of Directors
- Ultimately responsible for governance of Swedbank's sustainability work by adopting policies

CEO
- Decides on the Group's position statements

Swedbank's Business Ethics Committee
- Consulted where sustainability and business ethics are critical factors in business decisions

Green Bond Committee
- Decides on green assets in accordance with Swedbank Green Bond Framework

ISO14001
- Certified environmental management system

Sustainability strategy and goals

Reporting

Reporting
- Annual Report including sustainability
- Responsible investments
- Climate report
- Climate impact of funds
- Impact report, green bonds

Materiality analysis

We dialogue on a daily basis with our stakeholders: customers, owners/investors, employees and society at large. Our communication with customers utilises both digital and physical channels. Internally, there is an ongoing dialogue between employees and their managers. We also have continuous contact with authorities and other stakeholders in society that are relevant to us.

Each year we conduct customer surveys, brand surveys and opinion polls and also participate in various industry forums that address current challenges and trends in society. Taken together, this provides guidance for our work and gives us a good idea of whether we are focusing on the right things. It also gives us an opportunity to continuously develop and improve our operations. The feedback we receive from our stakeholders is very valuable to us – in our strategic work and our business planning.

Materiality analysis

A materiality analysis was performed in 2017 to identify which topics our stakeholders consider the most important to our long-term survival – from an ethical, social, environmental and economically sustainable perspective. The analysis was conducted in Sweden, Estonia, Latvia and Lithuania. The previous analysis from 2015 was limited to Sweden.

The results from the 2015 analysis were used as a basis for the 2017 analysis, which began with an internal survey sent out to around 40 key employees of the bank representing different business areas and staff functions in every market, all with a good understanding of our stakeholders. The responses were then used to support the year's materiality analysis. The number of key topics were consolidated from 21 to 15 to increase the focus on what we thought was important to measure and is not captured in other customer surveys.

The year's materiality analysis was constructed on this basis. It consisted of a survey with 30 questions covering everything from economic stability to secure IT systems, climate change, social engagement and gender equality. The questions were sent to over 1 000 private customers, 800 corporate customers, 1 800 employees and 20 social partners (e.g. authorities and stakeholder groups). Interviews were conducted as well with 10 owners/investors. The stakeholders were asked how much they agree with specific statements about Swedbank, such as "Swedbank is a financially stable bank", and how important they considered each question.

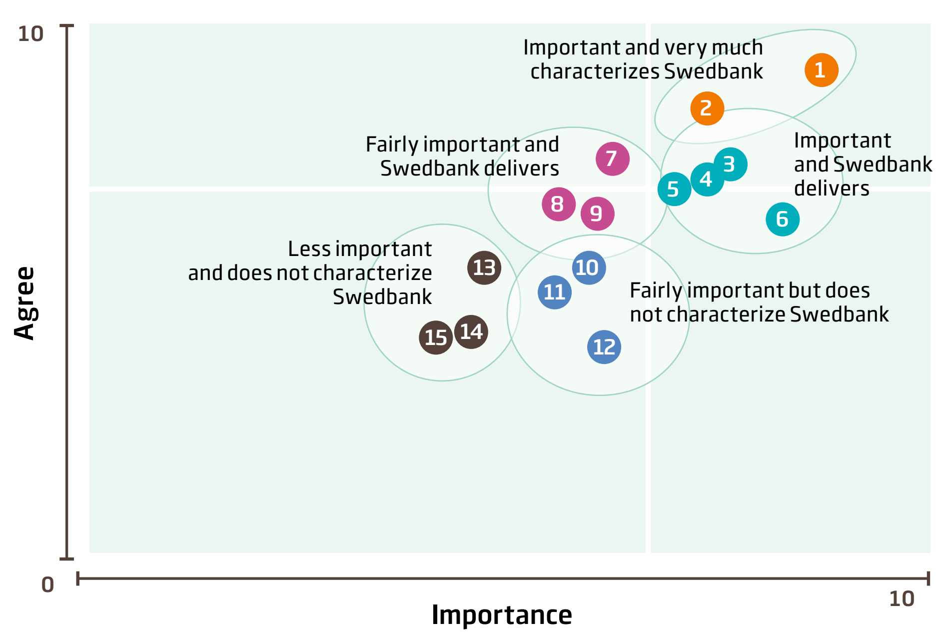
Results

The materiality analysis resulted in 15 key topics. The results indicated great similarities between stakeholders and markets when it comes to what was considered most important. We also saw that all the topics are important to some degree, with the lowest average response for a single question of 8.1 (scale of 1 to 10). That Swedbank is a financially stable bank and has secure and reliable IT systems were considered the most important by respondents regardless of market. Other areas they rated highly were preventing corruption and money laundering; transparent reporting of profits, taxes and fees; easily available products and services; and responsible lending.

Being a financially stable bank is not only considered important, but also the area that Swedbank best lived up to, according to respondents. Taken together, the survey shows that Swedbank has a big impact on the national economy and on stakeholders' assessments and decisions.

Key topics for Swedbank:

1) Financially stable bank
2) Availability
3) Prevent corruption and money laundering
4) Transparent reporting
5) Responsible lending
6) Secure IT systems
7) Profitability and competitive return for investors
8) Social engagement
9) Gender equality and diversity
10) Responsible owner
11) Attractive employer
12) Sound compensation culture
13) Sustainable products and services
14) Sustainable procurement
15) Prevent climate change



Stakeholder engagement

Stakeholder groups

Swedbank's stakeholders are divided into four main categories: Customers, Employees, Owners and investors, and Society & the world around us. In addition to these categories, Swedbank interacts with a large number of other stakeholder groups to varying degrees. They include the following:

- Authorities
- Municipalities and county councils
- Regulators
- Pension managers
- Asset managers
- Analysts
- Journalists
- Unions
- Students
- Foundations
- Not-for-profit organisations
- Stakeholder organisations
- Trade organisations
- Associations
- Primary schools
- Secondary schools
- Colleges
- Universities
- Suppliers
- Subsidiaries
- Group companies
- Competitors
- Ratings agencies
- Sustainability indexes
- Auditors

Identifying and selecting stakeholders

Our stakeholders are those who are materially impacted by and impact our operations. This is the basis for selecting our overarching stakeholder groups. Based on Swedbank's Group-wide framework, market analysis, internal discussions and an active, structured process to create and participate in various forums for dialogue and advocacy, we have developed a process to identify and select relevant stakeholders within each group.

Approach to stakeholder engagement

Swedbank's aim is to make decisions as close to the customer and local community as possible. This applies to business decisions and those related to the bank's other stakeholders. Swedbank's Group-wide Communications, Public Affairs and Sustainability units provide guidelines, support and coaching for stakeholder engagement and dialogue.

Since our home markets span four countries, the stakeholder dialogue has been adapted for local implementation. This makes it impossible to give a general description of the forms of interaction. Local adjustments are necessary and effective, to make it easier for the bank to maintain a wide range of relationships with different stakeholders.

Key topics in 2017

Some of the most important or notable topics in media and in dialogue with stakeholders that Swedbank dealt with during the year are described below.

Availability

An important priority during the year was to further digitise the lending process. We now offer fully digital consumer loans, from application to payment, in all our home markets. In addition, we have a new internet bank and new mobile bank. Smart ID, for digital identification and signatures, was launched in the Baltic countries during the year.

Partnership and acquisitions

The time has passed when banks could offer their customers everything under one roof, which explains why we seek out collaborations, especially in the fintech sector. During the year we invested in the app "My services", which makes it easier for our customers to manage their subscriptions, and created a "Subscription help" service, which has been integrated in the Swedish bank app and is available to our Swedish customers.

During the year we acquired PayEx, a payment service provider comprising a number of companies in Sweden, Norway, Denmark and Finland. PayEx offers payment solutions for internet, mobile and physical trading as well as administrative services for invoicing, factoring and debt collection. We also entered into a partnership with Kepler Cheuvreux, an independent and leading European supplier of financial services specialising in advisory services and equity trading. The collaboration gives the bank's corporate customers access to Kepler Cheuvreux's network of over 1 200 institutional investors, which are managed by Kepler Cheuvreux's 120 brokers in 11 countries.

Savings

Against the backdrop of low interest rates, increased lending and the demographic challenge that is leading to lower pensions, savings are more important than ever. Fortunately, savings are rising in Sweden. In 2016 bank savings grew by 9 per cent compared with 2015. Fund savings are increasing as well. Swedish fund assets amounted to SEK 3 817bn at 30 June 2017. This compares with nearly SEK 3 000bn in Swedish residential mortgages.

Sustainability index

Swedbank's results from external sustainability indexes and investor surveys during the year are shown in the table below. The results provide a measure of Swedbank's performance in the sustainability area based on various stakeholders' priorities.

Sustainability index	2017	2016	2015
Dow Jones Sustainability Index (score)[1]	84	77	78
FTSE4Good ESG rating (score)[2]	4.1	4.3	4.0
CDP (score)[3]	B	B	97B
Fair Finance Guide (score %)[4]	61	55	30
AllBright (ranking)[5]	47	71	57

1) Max score is 100. Companies with the highest scores in each industry qualify for membership. Swedbank is not in DJSI.
2) Swedbank has qualified for FTSE4Good Index. Max score is 5.
3) Max score was 100A in 2014-2015. In 2016 the grading was revised to a max score of A.
4) The Fair Finance Guide gauges how well the bank incorporates sustainability into its investing and financing. Max score is 100%.
5) Swedbank's ranking among 298 companies in 2017. The AllBright Report maps gender equality in the managements and boards of listed Swedish companies.

Awards during the year

Swedbank tops Nordic region's largest sustainability study – Swedbank was named the most sustainable bank in the Sustainable Brand Index B2B Study, based on responses from decision makers in Sweden's largest companies.

Anna's Gender Equality Prize – The award is presented annually in Sweden to a person, company, club, project or work group in the banking and finance industry for efforts to promote gender equality and diversity. This year the prize was given to Swedbank.

Dow Jones Sustainability Index – The index is one of the most prestigious sustainability rankings for global investors, with a limit for inclusion of 85. Swedbank raised its score significantly, from 77 to 84, surpassing our own goal of 80.

Global Finance – Swedbank won the Best Bank Award in 2017.

Guldkanten – Swedbank won the National Government Employee Pensions Board (SPV) award for Sweden's best pension information, for the campaign "First Pension Aid" and the collaboration with KIT.

National Responsible Business Awards in Lithuania – Swedbank Latvia was named the country's most socially engaged company and the one that takes the most social responsibility.

Sustainability Index 2017 – Swedbank in Latvia received an award in the gold category.

Human Development Awards – Swedbank in Latvia won this national award for outstanding contributions to Latvia's educational system.

Gold Label of Responsible Business – Swedbank in Estonia received the highest award for responsible business by the Responsible Business Forum.

Material impacts and strategic policy documents

Material topic	Material impact				Strategic documents supporting the material topics
	Employees	Customers	Society & the world around us	Owners & investors	
Economic impacts					
Sound compensation culture	x			x	Anti-corruption policy Code of Conduct Conflict of interest policy Credit policy Information security strategy Policy on responsible investments Sector guidelines Sustainability policy Sustainability risk analysis in lending
Social engagement	x	x	x	x	
Responsible lending		x	x	x	
Financially stable bank	x	x	x	x	
Profitability and competitive return	x	x	x	x	
Transparent reporting	x	x	x	x	
Secure IT systems		x			
Prevent corruption and money laundering	x	x	x	x	
Environmental impacts					
Prevent corruption and money laundering	x	x	x	x	Code of Conduct Environmental policy Policy on responsible investments Position Statement on Climate Change Sector guidelines Supplier Code of Conduct
Sustainable procurement			x		
Social impacts					
Attractive employer	x		x	x	Code of Conduct Gender equality and diversity policy Human rights policy Occupational health and safety policy Policy on responsible investments Position Statement on Defence Industry Salary principles at Swedbank Sector guidelines Sustainability policy
Gender equality and diversity	x		x		
Availability		x			
Sustainable products and services		x	x	x	
Responsible owner		x	x	x	

Precautionary principle

Swedbank follows the UN Global Compact's 10 principles, which include the precautionary principle. We have integrated sustainability risk analyses in our central processes and take, among others, the following precautionary measures:

- In dialogue with customers and suppliers, sector guidelines are applied with information on specific risks, opportunities and recommendations related to various industries' sustainability problems.
- Sustainability risks are assessed as part of the financial analysis in connection with investments and lending.
- The bank's employees receive mandatory internal training on sustainable banking, the code of conduct, money laundering and terrorist financing, and the environment.
- Through the bank's ISO14001-certified environmental management system, an annual analysis and assessment is made of the Group's environmental impacts and compliance with laws and environmental requirements from authorities and stakeholders.
- In partnership with the Financial Coalition against Child Pornography, we work actively to put an end to commercial child pornography by preventing payments through the financial system.
- Units throughout the Group can escalate sustainability issues related to business ethics, the environment or human rights to Swedbank's Business Ethics Committee for recommendation and guidance.

Swedbank and the Global Goals

In September 2015 a majority of UN member states agreed to the Global Goals. Never before has such an ambitious framework been formulated by so many different participants. To reach the goals, every sector of society must be engaged in and contribute their knowledge and resources.

Swedbank has a long tradition of promoting social development. As a major financial player, we have an opportunity to contribute to the Global Goals by helping to finance sustainable innovations and services. In 2017 we performed an analysis to evaluate our contributions to the Global Goals. The results showed that we are contributing to all the goals, but to different degrees. We believe the greatest value is generated if our work is focused on several specific areas. We have identified five focus areas based on what is most important for Swedbank's long-term business and how we can contribute to and create positive development. We see three main areas where there is a clear connection to our operations and where we have the biggest opportunity to have an impact. In addition, there are two complementary focus areas that include several goals.

A bank for the many

Goal 4:
Quality education
Education has been an important issue for Swedbank since it was founded and is an area that we will continue to promote. Raising public understanding of economics is a key aspect of our engagement. We have several established programmes and initiatives designed to increase financial awareness among children and young adults.

Goal 8:
Decent work and economic growth
Financial stability is important to Swedbank. As a financial company, we play a big role in contributing to sustainable economic growth by promoting entrepreneurship and facilitating sustainable development in society.

Goal 12:
Sustainable consumption and production
Sustainable consumption and production is a key component in our work to prevent climate change. We regard sustainable and responsible consumption as important and place high sustainability demands on the products and services we buy.

Goal 3, 5, 10:
Sustainable employees
Sustainable employees are highly valued by the bank and are the foundation to building a successful long-term business. This requires, among other things, zero tolerance for discrimination, respect for human rights, gender equality in the workplace and opportunities for a work-life balance. Sustainable staffing is fundamental if Swedbank is going to continue to offer products and services of high quality.

Goal 7, 9, 11, 13:
Fossil-free society
We have to transition to a fossil-free society. This transition will entail major investments in renewable energy, smart infrastructure and sustainable transports, among other areas. Here we feel there are big opportunities for the financial sector to contribute.

Sustainability management

Swedbank's vision and values guide its sustainability work. Our governance model and operational structure are designed to support the bank's purpose – a sound and sustainable financial situation for the many households and businesses – and guide sustainability work in the bank. Sustainability governance is therefore largely integrated in the Group's operational controls and comprises the bank's sustainability policies, strategy, Group goals, implementation, monitoring and reporting. The goal is to maximise business and social benefits and minimise the negative effects of Swedbank's business and operations.

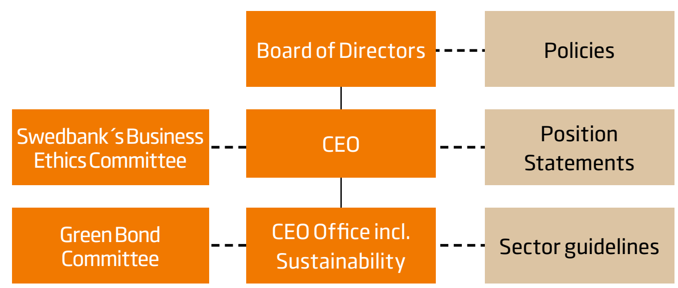
The Board of Directors is ultimately responsible for the governance of Swedbank's sustainability work and adopts policies in the area (the policies are available on swedbank.com /sustainability). The Group's position on nuclear weapons and climate change is decided by the bank's CEO. The Group Sustainability unit is led by Swedbank's Group Head of Sustainability and consists of an expert group of five employees and is part of the CEO Office. The Group Head reports directly to the Group Executive Committee and is responsible for developing the bank's sustainability, environmental and human rights policies, and for the bank's monitoring and reporting in the area. However, responsibility for implementation and performance rests with the entire company. The Group Head also participates in Swedbank's Business Ethics Committee. Swedbank's sustainability strategy is translated, in close collaboration with the business unit managers, into specific unit goals and activities to ensure compliance with the Group's goals and business planning. This is also facilitated through our ISO14001:2015 certified environmental management system.

Our key topics serve as a foundation for creating long-term value

Our sustainability work is largely focused on the Material topics identified in the autumn 2017 materiality analysis and how we, based on our core processes, work with them. The analysis took into account the bank's core business as well as social, environmentally related and economic aspects. An important part of the analysis was to validate our stakeholders' views on these issues and reaffirm that we are working with aspects that are relevant to us and them.

As a major financial institution, Swedbank is an important part of the financial system. We have a responsibility to be a financially stable bank that offers a competitive return and promotes a sustainable financial situation for our customers. As a bank, we have our biggest impact on people and the environment indirectly through our lending, our payments and our investments. It is critical therefore that we integrate sustainability in a transparent way in our business processes, business decisions and reporting.

As a responsible owner, we want contribute to a reliable and effective business climate. This requires the bank's businesses to integrate anti-corruption with a high level of transparency. All employees have a responsibility to live up to the bank's policies and guidelines to prevent corruption and money laundering. Since payment flows are part of our core business, it is important that we prevent illegal activities such as terrorist financing, money laundering, distribution of child pornography etc. The same applies



to lending, where we try to lend responsibly and actively dialogue on sustainability issues with our corporate customers, especially those whose businesses have a significant impact on the environment and society.

Promoting a sound and sustainable economy is important to Swedbank. Through our social engagement we promote and are involved in several constructive projects. Through various initiatives, we spread knowledge and prepare young people for the future in the areas of savings, pension, entrepreneurship and housing.

With the world's growing population and finite resources, businesses are under pressure to contribute to change and adapt to a new reality. New technological possibilities in the form of digitisation create new ways to distribute products and services, and empower consumers, who, thanks to greater transparency, can more easily compare offers. Banks are seeing growing demand for available digital services, especially among younger customers, and demand for digital financial products and services is expected to rise. This makes it critical that Swedbank continues to offer products and services that are sustainable, easily available and competitive. The fast pace of digitisation is also accelerating the shift from branches to mobile and internet banking, raising the demand for stable IT environments and protection against external threats.

Competent employees are the starting point for our customers' success. This is why it is important for us to be an attractive employer with a sound compensation culture. We feel that greater gender equality and diversity are critical to our business. They lead to better work environments, better service for our customers and better opportunities to attract and retain talented people.

Climate change is one of the most serious global challenges facing society today. Businesses have an important role to play in the transition to lower energy consumption and, consequently, lower greenhouse gas emissions. The financial sector has a big impact on the climate through investments and lending. It is important therefore for us to take an active role in reducing our indirect impacts and in that way contribute to a more stable climate. By reducing energy consumption, optimising business travel and placing high sustainability demands on our suppliers, and by financing and investing in companies that strive toward the same goals, we help to prevent climate change and its risks.

Governance and management of key topics internally

In 2017 we continued to focus on customer satisfaction, partly by further improving our availability and efficiency through the increased investments in digital solutions. We launched a new mobile and internet bank during the year at the same time that we expanded our customer centre hours to 24 hours a day for both private and corporate customers. Increased digitisation also requires greater investment in IT security to minimise risks and maintain stability and security for customers and the bank. By continuing to invest in availability, transparency and quality, we make it easier for customers to understand our products and make better informed decisions, creating more value for them. Integrating sustainability in our processes was a priority during the year and enables us to contribute to the transition to a more sustainable society and to help our customers make sustainable choices.

We work at the Group level with anti-corruption. The bank's policy clarifies our commitments, role and routines internally and in relations with customers and partners. A mandatory e-learning programme has been developed in which money laundering, knowing your customer and other guidelines have been clarified. This is to ensure that everyone who works at the bank understands their obligations and what is expected in various situations. To prevent money laundering, we are obligated to be familiar with all our customers. We do so by taking structured measures adapt to the risk of money laundering and terrorist financing.

Lending responsibly and sustainably is important to us. A borrower's solvency, solidity and collateral are always the key factors. When corporate loans exceed SEK 5m in Sweden and EUR 0.8m in the Baltic countries, a sustainability risk analysis is conducted. The analysis covers general sustainability risks based on a risk analysis model comprising the environment, human rights and corruption as well as sector-specific risks based on the bank's sector guidelines. In addition to the risk analysis, Swedbank has a committee to analyse and guide business decisions tied to sustainability risks. Credit decisions escalated to the committee for recommendation overwhelmingly involve questions of business ethics. Swedbank has been debating the importance of responsible loan amortisation for years to mitigate risks by reducing Swedish household debt. We feel that a lower loan-to-value ratio will make our customers more financially secure and encourage a sustainable financial situation for individuals and society as a whole.

It is a priority for us to continuously improve and incorporate environmental considerations into our entire operations. We do so, in among other ways, through training, in analysis models for environmental risk assessments in our investments and lending. We devote great attention to minimising our impact at the supplier level and by reducing impacts from our internal operations. By carefully monitoring our environmental performance, such as greenhouse gas emissions, we can further develop our certified environmental management system and continuously integrate sustainability in our operations.

Our environmental policy and goals address our most significant impacts, show the way and help us to focus on measures where the bank can make the biggest difference for the environment. The work is guided by our environmental management system, which has received ISO14001 certification. Based on this system, we work on a broad basis to responsibly manage resources and reduce our climate impact in several of our core processes. We also work at a Group level to reduce our direct emissions from business travel, energy consumption at our offices and through procurement. The goal is to cut greenhouse gas emissions by 60 per cent by 2018 using 2010 as a base year.

To take advantage of internal and external suggestions for improvements and views of Swedbank's environmental and sustainability work, all employees of the bank have the opportunity to submit them electronically. Group Sustainability is responsible for reviewing these suggestions, forwarding them to those responsible, obtaining feedback and archiving the results. To verify that all suggestions receive a response, a quarterly analysis is done of submitted suggestions. As part of the environmental management system, continuous reporting is provided to the annual "Management Review" and to internal and external audits of the environmental management system.

Our fund management company, Swedbank Robur, works actively with sustainability issues and integrates sustainability assessments in its asset management through risk assessment, exclusion and advocacy. The entire range of funds is managed since April 2017 according to the UNPRI principles for responsible investment. Among other things, we dialogue with the companies we invest in to encourage them to address sustainability issues and responsible corporate governance. Swedbank Robur has signed the Montreal Carbon Pledge, an international initiative whose signatories commit to disclose the carbon footprint of their investment portfolios. In addition, investments are not made in companies that produce coal, oil and gas through the Ethica Global and Sweden sustainability funds.

Swedbank has also adopted a Group-wide position on climate change, whereby we refrain from directly financing coal-fired power plants as well as investing in and financing companies that generate over 30 per cent of their revenue from coal production. We also have a list of companies we completely exclude.

To develop our employees' potential, it is important that we increase competence transfers within the Group. Employees who continuously develop and gain experience from different parts of the bank also pave the way for better customer offerings. We are working as well to eliminate unwarranted wage differences, increase diversity and achieve a balance between women and men in executive positions.

We feel it is important to teach children and young people about personal finance. Since 1926 we have published "Lyckoslanten," a magazine distributed free of charge to 340 000 young teens to teach them how to manage money. To help students better understand the job market, we launched an initiative in Lithuania that brings them together with businesses to learn about possible career options and how to explore them the help of lectures, workshops and company visits.

Tracking and monitoring our key topics

- Results, return on equity and capital adequacy ratios are tracked.
- Customer satisfaction is tracked through our annual customer satisfaction survey.
- Targets tied to priority areas are tracked by all managers in the Group Executive Committee.
- Amortisation levels down to 50 per cent of a property's value are tracked.
- Our commitment to educating about personal finance and to our social initiatives are tracked by measuring the number of lectures held in schools and the number of copies of Lyckoslanten we distribute, among other variables.
- Sustainability analyses of Swedish and internationally listed companies and their results are reported and tracked continuously.
- CO_2 estimates are made for our equity and balanced funds and reported on a semi-annual basis.
- In connection with purchases, we ensure that the Supplier Code of Conduct is signed.
- Suppliers are continuously tracked to ensure compliance with our Code of Conduct and other commitments, including through on-site supplier visits.
- Internal energy consumption, business travel, security transports, resource consumption and waste management are continuously tracked.
- Direct climate impacts are measured, calculated and tracked.
- List of excluded companies is continuously tracked.
- Private and business advisors are tracked continuously through scorecards, where each manager can gauge employee performance against common goals.
- The annual employee survey measures employees' engagement, their likelihood of recommending the bank, leadership indexes etc.
- Each business area's gender distribution and diversity are tracked quarterly.
- Internal training and mandatory e-learning on e.g. sustainable banking, the code of conduct and money laundering guidelines are tracked by each manager.
- The number of loan applications escalated to Swedbank's Business Ethics Committee is tracked. Minutes from the committee meetings are distributed to the CEO and the Group Executive Committee.

S1 Pay

In today's digital society we increasingly communicate and interact with our stakeholders online. Our digital services enable customers to easily come into contact with us and do their banking when it suits them. Addressing social conditions by providing widely available services is important to us and our stakeholders. It is a key therefore that, in addition to local branches, we offer our customer services on digital platforms such as the Mobile Bank, Internet Bank and Facebook, for the benefit of those who for various reasons are unable to visit a branch. Availability is something we continuously work on. We have taken several initiatives to increase the availability and awareness of our services. Over the years we have partnered with organisations that represent the disabled, including Funka.nu, to design our website to work as well as possible for as many customers as possible. We have also launched a security token with larger buttons and sound, folders/product sheets in Braille, "Get Started" videos for the Mobile Bank and Mobile Bank ID in eight languages besides Swedish, security information on the Internet and customer centres in 12 languages, and options that allow the hearing impaired to receive personal service.

Payments and e-commerce

Swedbank processes a large volume of payments every day. The number of electronic payments is steadily rising and during the year new rules were introduced to encourage electronic payments, make the EU's inner market more accessible to individuals and businesses, increase security and consumer protection, and reduce fees.

In the first half of 2018 the General Data Protection Regulation and a new Payment Service Directive will be introduced, which will affect how payments are made. Swedbank proactively launched a beta version of Open Banking in November 2017 that meets these new requirements. We see this as an opportunity to benefit from the new rules while creating customer value through third-party collaborations.

Cards

Today we offer around 8 million customers a convenient, widely available and safe way to pay by debit or credit card. In the cards area we are one of the largest payment processors within the EU, the tenth largest in number of purchases with cards issued by Swedbank and the fifth largest payment acquirer from retailers. Our card payments continued to increase during the year, while the number of cash withdrawals fell. We have developed new services to make it easier to pay for small purchases by card. For payments of less than SEK 200 we now issue contactless cards that are easily scanned at retail terminals. In addition, we have provided a contactless payment option for mobile phones, added SamsungPay to our Swedish cards and issued the Masterpass digital wallet, which ensures safe e-commerce by phone and tablet.

Prepaid cards are another service offered to municipalities, county councils, authorities and state-owned enterprises. They are used to pay out financial assistance and benefits to individuals who lack ID numbers or bank accounts, and as a collective debit card for employees of schools, public housing, social services etc. Prepaid cards enable municipalities to replace cash handling with electronic payments. Considering the large increase in the number of asylum seekers and new arrivals to Sweden, it feels especially important to offer this product and make it easier for municipalities to administer payments. The card can be used in all stores and ATMs. Around 50 per cent of the country's municipalities use the service, in addition to agreements with state-owned enterprises, municipal authorities and county councils.

Card acquiring

Swedbank is also growing in retail card acquiring in its home markets and in Norway, Finland and Denmark. During the year we acquired almost 3 billion card purchases from retailers. Through the acquisition of PayEx, we can now offer retailers a complete range of services for physical stores as well as e-commerce, including a checkout service with all the usual payment and financing options. The first joint products are PayEx e-commerce and PayEx retail account for partial payments in stores.

Partnerships

Together with four other banks we continue to provide the Swish mobile payment service, which has reached a new high in number of processed payments. Swish processes payments between private individuals and retailers. A new e-commerce service launched during the year has been popular with Swedish e-commerce companies.

We also work proactively to assist customers with or facing financial difficulties. By contacting and dialoguing with them early on, we can prevent and address problems as quickly as possible. The bank has a strategic collaboration with Intrum Justitia to support our advisors when working with customers with payment difficulties.

Another partnership with other banks is the Financial Coalition against Child Pornography, where we focus on putting an end to commercial child pornography by preventing payments through the financial system.

Sweden	2017	2016	2015
Population (million)	10.1	10.0	9.6
Private customers (million)	4.1	4.0	4.0
Corporate customers (thousand)	270	266	265
Cards (million)	4.2	4.2	4.1
Branches	218	248	275
Number of digitally active customers (million)[1]	3.1	3.0	
Share of sales in digital channels, (%)[2]	49	47	
– where of Daily Banking products[3]	23	24	
– where of Savings & Pension	81	76	
– where of Private Lending	12	7	
Swish payments (million)	275	156	80
Donations to WWF from WWF cards (SEKm)[4]	0.2	1.1	2.1
Customers with WWF cards[4]	132	36 494	80 121

1) Number of customers that have made a payment, transfer, application, investment or lending activity in the last month. Including savings banks.
2) Share of total distribution per product area.
3) Refers to cards and payments.
4) Sweden Swedbank and the savings banks no longer collaborate with WWF on card products. Donations continue to be paid to WWF from outstanding cards.

Estonia	2017	2016	2015
Population (million)	1.3	1.3	1.3
Private customers (million)	0.9	0.9	0.8
Corporate customers (thousand)	135	141	135
Cards (million)	1.1	1.1	1.1
Branches	34	35	36
Accessible branches	32	33	28
ATMs	392	419	423
Number of digitally active customers (million)[1]	0.6	0.6	
Share of sales in digital channels, (%)[2]	46	43	
– where of Daily Banking products[3]	46	47	
– where of Savings & Pension	52	50	
– where of Private lending	60	54	

1) Number of customers that have made a payment, transfer, application, investment or lending activity in last month.
2) Share of total distribution per product area.
3) Refers to cards and payments.

Latvia	2017	2016	2015
Population (million)	2.0	2.0	2.0
Private customers (million)	0.9	0.9	0.9
Corporate customers (thousand)	83	91	90
Cards (million)	1.0	1.0	1.0
Branches	36	41	41
Accessible branches	26	30	31
ATMs	389	396	413
Number of digitally active customers (million)[1]	0.7	0.7	
Share of sales in digital channels, (%)[2]	43	36	
– whereof Daily Banking products[3]	41	37	
– whereof Savings & Pension	42	40	
– whereof Private lending	58	57	

1) Number of customers that have made a payment, transfer, application, investment or lending activity in last month.
2) Share of total distribution per product area.
3) Refers to cards and payments.

Lithuania	2017	2016	2015
Population (million)	2.9	2.9	3.0
Private customers (million)	1.5	1.5	1.5
Corporate customers (thousand)	69	86	84
Cards (million)	1.7	1.7	1.6
Branches	63	65	67
Accessible branches	59	62	63
ATMs	418	423	454
Number of digitally active customers (million)[1]	0.7	0.7	
Share of sales in digital channels, (%)[2]	51	39	
– whereof Daily Banking products[3]	53	42	
– whereof Savings & Pension	69	58	
– whereof Private lending	42	31	

1) Number of customers that have made a payment, transfer, application, investment or lending activity in last month.
2) Share of total distribution per product area.
3) Refers to cards and payments.

S2 Save/Invest

Responsible and sustainable investments make a difference in the long run. Demand for this type of savings is increasing strongly and through our asset management business we offer various forms of sustainable savings.

In recent years sustainability has become an integral part of asset management. We have worked with sustainability for a long time, but during the year took another step forward.

Sustainability in Swedbank Robur's funds

Swedbank's subsidiary, Swedbank Robur, has as its goal to be a leader in responsible investments. To achieve this, Swedbank Robur makes it easier for customers who want to incorporate sustainability in their investment decisions. Sustainability criteria have been introduced in more funds and new products with more sustainability content have been launched. Openness and simplicity have long been important values for us, and we are happy about the increased interest legislators have now shown in the issue of transparent fund information on sustainability.

As a major owner on the Stockholm Stock Exchange and foreign exchanges, with holdings in over 2 700 companies, Swedbank Robur has a responsibility and an opportunity to have an impact. Through dialogue and active ownership the fund management company encourages companies to address sustainability issues and responsible corporate governance. During the year Swedbank Robur further developed its policy on responsible investment. This serves as the basis for sustainability work and applies to all of the fund management company's funds. Swedbank Robur has also analysed its operations based on the UN's global sustainable development goals, and in 2018 the work will be linked more closely to these goals. In May the Ethica corporate bond fund was launched and in October five of Swedbank Robur's funds were the first in the world to receive the Nordic Swan eco-label. Swan-labelled funds must meet 25 criteria covering exclusion, inclusion, transparency and engagement. The labelling makes it easier for customers to choose funds that contribute to sustainable development.

Integrated asset management

Sustainability is integrated in the investment philosophy. The goal in 2017 was to make it a feature of all fund products regardless of management approach. Sustainable value creation is a cornerstone of the stock analysis and leads to among other things a more robust assessment of companies over time. The team of sustainability analysts within Swedbank Robur visits companies, evaluates their work and gives concrete feedback on improvements. Assessments of their risks and opportunities contribute to the investment analysis and stock selection. Certain funds have actively invested in companies that specifically address the environment and climate change, human rights, fair labour and business ethics.

Impact as an owner

Swedbank Robur is an active owner and maintains continuous contact with the boards and managements of companies in which its funds are major shareholders. The aim is to generate a sustainable return from the stocks that the funds own. Swedbank Robur encourages these companies to reduce their sustainability risks and develop their businesses based on sustainability aspects. Swedbank Robur impacts companies around the world on its own and in collaboration with e.g. PRI's investor groups, analysis service providers and lobbying groups. In addition to working directly with companies, a number of themes have been identified where entire industries can be impacted. Dialogues during the year touched on climate change and energy, human rights, corruption, palm oil production and responsible gambling.

Swedbank Robur attends and votes at annual meetings and participate in the nomination committees of listed Swedish companies. Important issues include board composition, management compensation, including share-related incentive programs, sustainability and that systems in place for governance, control and information disclosure. Swedbank Robur wants boards to have the right combination of competence, experience and diversity, including gender, and to balance independent and non-independent directors. Boards should also actively address relevant sustainability issues. In the companies where Swedbank Robur participated in the nomination committee men and women were equally represented among the newly elected directors for the fourth consecutive year. The share of women on these boards is also higher than the average for listed companies. In US companies the fund management company has voted for several climate and environmentally related shareholder proposals e.g. for more thorough reporting of CO_2 and methane emissions.

Exclusions

Swedbank Robur does not invest in companies that manufacture, modernise, sell or buy cluster bombs, antipersonnel mines, chemical and biological weapons, and nuclear weapons. Companies that generate more than 30 per cent of their revenue from coal production or produce pornographic material are excluded as well. Companies have also been excluded because they have seriously violated international norms and conventions to protect people and the environment, without showing a willingness to change. Several funds have applied more extensive criteria and excluded products such as alcohol, tobacco, gambling, weapons and pornography, as well as companies that produce fossil fuels such as coal, oil and gas, and uranium.

Asset management[1]	2017	2016	2015
Total assets under management (SEKbn)	1 252	1 170	1 090
– of which in funds (SEKbn)	871	789	738
Assets under management with enhanced sustainability work (%)[2]	34	40	39
– of which managed with positive & negative criteria (%)[3]	5	4	2
– of which managed with primarily negative criteria (%)[4]	29	36	36

1) Asset management as of 31 December 2017.
2) Includes sustainability funds and discretionary management with enhanced sustainability work.
3) Share of total asset under management, managed in Ethica, Talenten, Förbundsfond, Stiftelsefond and Humanfond.
4) Share of total assets under management. Exclusions according to Folksam and KPA's criteria.

Engagement funds (no.)	2017	2016	2015
Companies contacted on sustainability issues[1]	299	382	263
– of which companies listed in Sweden	81	65	71
– of which companies listed outside Sweden	218	317	192
– of which companies contacted by own analysts	160	160	170
Participation in nominating committees	336	295	269
– of which in companies listed in Sweden	195	171	140
– of which in companies listed outside Sweden	141	124	129
Participation in annual general meetings in Sweden	81	69	59
– Share of women on corporate boards (%)[2,3,4]	37	36	35

1) Companies are contacted by own analysts (160), by suppliers (75) and through collaborations (64).
2) In boards where Swedbank Robur participated in the nomination committee.
3) Baseline for the years 2015-2017 was 31%, 33% and 34%, an increase per year of 4, 3, and 3 percentage points respectively.
4) Including CEO if elected as board member at AGM.

Analysis for sustainability funds	2017	2016	2015
Sustainability analyses of listed Swedish companies (no.)	17	69	97
Sustainability analyses of listed foreign companies (approx. no.)	2 350	1 800	1 800
Share of investable companies listed in Sweden (%)[1]	63	34	33
Share of investable companies listed outside Sweden (%)[2]	36	43	43

1) Share of analysed companies in OMX Stockholm Benchmark Cap GI approved for investment in our Ethica sustainability funds.
2) Share of companies in MSCI World Index approved for investment in our Ethica funds.

Products with sustainability profile, SEKm	2017	2016	2015
Assets under management in sustainability funds			
– Ethica Sweden	7 866	4 945	4 717
– Ethica Sweden MEGA	2 709	2 473	1 687
– Ethica Global	2 364	2 039	1 978
– Ethica Global MEGA	11 131	4 824	3 407
- Ethica Företagsobligationsfond	1 978	–	–
– Ethica Obligation	9 361	8 433	1 312
– Ethica Obligation Utd	8 840	10 219	
– Humanfond	2 207	2 090	2 149
– Talenten Aktiefond MEGA	1 968	1 689	1 320
– Talenten Räntefond MEGA	1 132	1 134	1 671
– Stiftelsefond Utd	901	–	–
– Stiftelsefond	552	–	–
Charitable donations from Swedbank Robur Humanfond[1]	45	42	43

1) Humanfond had a total of 30 008 investors and 74 affiliated charities.

Carbon footprint of the funds

Climate change is included in our analysis and corporate engagement. We dialog with companies with high emissions and a major impact on climate change to urge them to set climate related targets.

Swedbank Robur publishes information on the carbon footprint[1] of all its equity and balanced funds twice a year, and their footprint has decreased for the last three years. In July, fourteen of Swedbank Robur's funds received the highest rating in the first global survey of funds' carbon footprint by Climetrics[2]. The ranking reflects the footprint of the companies that each fund has invested in as well as the fund management company's overall efforts to address climate change.

1) How much CO_2 the companies in a fund emit in relation to their revenues.
2) CDP, together with ISS-Ethix Climate Solutions, ranks 2 500 European companies based on climate impact.

Climate footprint of selected funds compared with their respective indexes[1]	tonnes CO_2e/ SEKm, fund	tonnes CO_2e/ SEKm, index
Three largest funds (assets under management, SEKm)		
– Allemansfond Komplett (55 603)	10	30
– Aktiefond Pension (38 774)	10	26
– Kapitalinvest (26 798)	12	30
Regional equity funds (assets under management, SEKm)		
– Sverigefond (14 631)	25	16
– Europafond (8 177)	37	33
– Globalfond (3 696)	7	33
– Amerikafond (6 331)	16	29
– Asienfond (3 484)	33	55

1) The calculations are based on fund holdings as of 30 June 2017. Footprint of the fund in relation to footprint of the fund's comparative index.

Climate footprint, Ethica, tonnes of CO_2e/ SEKm[1]	2017	2016	2015
Ethica Global			
– fund	8	7	9
– MSCI World Index	33	37	44
Ethica Sweden			
– fund	13	11	13
– OMX Stockholm Benchmark Cap GI	16	16	18

1) Tonnes CO_2e/SEKm. Calculations based on fund holdings 2017-06-30, 2016-06-30 and 2015-06-30.

Structured products

Swedbank also offers savings in the form of equity-linked bonds with or without capital protection, where the return is tied to various asset classes and markets, so-called SPAX and Aktiebevis. Some have special ethical requirements that exclude companies associated e.g. with a lack of respect for human rights or unfair labour practices. Certain indexes are chosen specifically because they exclude coal and oil production. The investments can focus on companies that benefit from future investments to resolve major global challenges.

Structured products with sustainability profile, SEKm	2017	2016	2015
SPAX Sverige[1]		71	652
SPAX Europa Etik			143
SPAX Europa Hållbar[1]	78		
SPAX Global Hållbar[1]	121		
SPAX Hållbar Horisont[2]	89	28	
SPAX Horisont Sverige/Sverige Horisont		113	
SPAX Norden Hållbar	9		
SPAX Klimatsmart		65	
SPAX Vatten		24	
SPAX Världen Hållbar	243		
SPAX We Effect Refugee		10	10
Aktiebevis Sweden Etik / Balans/ Östersjölax		24	53
Aktiebevis Global Skydd 80		10	
Aktiebevis WinWin Svenska Bolag	80		
Aktiebevis Autocall Svenska Bolag	9		

1) SPAX Europa Hållbar and SPAX Global Hållbar were issued six times in 2017.
2) SPAX Hållbar Horisont was issued four times in 2017.

S3 Finance

We want to promote a sound financial situation and reduce the impacts on people and the environment arising through our own and our customers' businesses. This is essential as a stable and well-functioning bank. By reviewing each customer's long-term financial situation and advising them of any sustainability risks, we promote responsible lending.

Our vision is that the foundation of a sound and sustainable economy will be built on manageable amortisation and debt levels. On 1 June 2016 the Swedish Financial Supervisory Authority (SFSA) introduced new mortgage amortisation requirements to slow the debt build-up in recent years among Swedish households. Swedbank did not wait for the new rules before tightening the requirements in its so-called "left to live on" calculation and introduced amortisation guidelines and debt ceilings. In December 2017 the government approved SFSA's proposal to further tighten amortisation requirements for borrowers who loan more than 4.5 times their gross income. The proposal enters into force on 1 March 2018.

We continue to develop our digital services, and it is gratifying to see how they have made banking easier for our customers. Digital consumer loans were launched in Sweden in early 2017 and today about 27 per cent of consumer loan applications are processed through automated channels. In the Baltic countries similar services have been in use longer and the corresponding figure is about 80 per cent. Mortgage commitments were also automated during the year and we have started preparations to automate and digitise the Swedish mortgage lending process.

Sustainability risks are taken into consideration in all credit decisions. For corporate loan applications over SEK 5m in Sweden and EUR 0.8m in the Baltic countries a detailed sustainability analysis is done with the help of a special risk assessment model. When a loan falls below the limit for a sustainability analysis, an assessment is made of sustainability related factors as part of the customer analysis. As guidance in assessing a company's sustainability risks, we have developed twelve sector guidelines that cover key sustainability risks in various industries, our recommendations to companies, and the global principles and standards to follow. If a case is found to have an increased sustainability risk, it is escalated to Swedbank's Business Ethics Committee for further evaluation and guidance. The committee handles cases involving the environment, human rights, social responsibility, business ethics and corruption.

Swedbank has a Group-wide list of companies excluded from investment. To be excluded, a company must have violated various international norms on human rights, anti-corruption, fair labour and the environment. We were early to take a stance on weapons sales by defence contractors and issued a position statement back in 2013. In 2016 we strengthened our position on climate change by prohibiting the direct financing of coal-fired power plants and excluding from new investment any companies that generate over 30 per cent of their revenue from coal production.

Corporate lending	2017	2016	2015
Corporate lending (SEKm)	521 001	521 638	501 693
Renewable energy lending (SEKm)[1]	7 466	10 131	10 318
Number of customers with renewable energy loans[1]	138	157	135
Sustainability risk analysis in lending			
– Swedish Banking (no. of business loan applications approved)	34 297[2]	39 590	48 404
– Baltic Banking (no. of business loans approved)	1 873	1 513	1 825
– Large Corporates and Institutions (no. of business loans approved/endorsed)[3]	1 291		
No. of credit cases escalated to Swedbank's Business Ethics Committee[4]	2	4	8

1) Total renewable energy lending refers to wind power, biomass district heating, pellet production, biogas and hydropower.
2) Includes analyses by Swedbank Finans from December 2017.
3) Refers to companies and began being measured in 2017.
4) The total number of cases escalated to the Committee, including non-credit-related, was 11 in 2017.

Private lending (Sweden)	2017	2016	2015
Energy loans (SEKm)[1]	42	57	73
Households with loan-to-value ratios above 70% of property value (%)	11	11	14
Share of households with loan-to-value ratios above 70% that amortise (new lending)[2]	99	98	95
Share of households with loan-to-value ratios above 70% that amortise (total portfolio)	96	93	89

1) Energy loans are available to customers in Sweden and used to finance residential energy savings.
2) New lending refers to all mortgages paid out in the fourth quarter of each year.

Share of corporate lending by country, %	2017	2016	2015
Sweden	86	76	77
Estonia	5	6	5
Latvia	2	3	3
Lithuania	3	4	4
Norway	3	8	8
Finland	1	2	2
Other	0[1]	1	1

1) The share is 0.4%.

Share of corporate lending by sector, %	2017	2016	2015
Property management	42	43	42
Agriculture, forestry and fishing	13	13	15
Manufacturing	9	9	8
Retail	6	6	6
Shipping	5	5	6
Public sector and utilities	4	5	5
Construction	4	4	4
Corporate services	5	4	4
Transportation	3	3	2
Finance and insurance	2	2	2
Hotel and restaurant	1	1	1
Information and communications	2	1	1
Other corporate lending	4	4	4

The green bond market has grown significantly in recent years in the Nordic region and the rest of the world. Green bonds create value for the company, investors and society as a whole. During the year Swedbank established a framework for green bonds and in October we issued our first green bond, with a volume of EUR 500m and a five-year maturity. The money from the bond will be used to finance sustainable investments in properties and renewable energy sources that produce less of a carbon footprint, as well as contribute to several of the UN's global sustainable development goals.

Swedbank has also strengthened its focus on green products for capital market customers of the business area Large Corporates and Institutions. During the year the bank formed a dedicated team in Debt Capital Markets to offer green bonds, social bonds, sustainability bonds and related advice. This benefits issuers that seek green financing, e.g. companies and municipalities, as well as investors who actively demand sustainable investments e.g. insurance companies, pension managers and fund managers.

Green bonds	2017	2016	2015
Green bonds (million euro)[1]	500		
Issuing institute for green bonds (number)[2]	12	8	5
Issuing institute for green bonds, total compiled from the start (SEKbn)[2]	29.6	20.4	6.8

1) Swedbank AB issuer (financing of wind power and eco-labeled buildings).
2) Swedbank AB acted as lead manager (financing of e.g. solar, wind and hydroelectric power).

S4 Procure

Swedbank has around 14 000 suppliers and annual procurement costs of SEK 8 bn. The central procurement process governs all reported purchases over EUR 50 000, aggregated on an annual basis, which are managed with support from the bank's central procurement unit. The procurement unit is undergoing a transformation in 2016–2018 to establish a new procedure for procuring products and services. This will facilitate more uniform and clearer oversight of sustainability assessments and the sustainability requirements that Swedbank places on its suppliers.

The risks related to sustainable procurement for Swedbank include reputational and quality risks. To minimise them, the central procurement unit requires all suppliers to sign Swedbank's code of conduct as part of a binding contract. The code governs important areas such as human rights, labour practices, business ethics and the environment. In addition, certain sustainability issues are included directly in the specific tender, such as relevant certifications and process descriptions.

New suppliers are also classified based on industry- and country-specific sustainability risks with the support of Swedbank's sector guidelines. Suppliers whose sustainability risks are identified as high are required to conduct a self-assessment of how well they meet the requirements of Swedbank's code of conduct. In special cases suppliers are visited, so-called look-arounds, and if necessary proposed changes are drawn up together with the supplier and then followed up. If there is any ambiguity, the case can be escalated to Swedbank's Business Ethics Committee for recommendation and guidance.

Existing suppliers are monitored as well, mainly through continuous dialogue and by the bank's internal auditors. Our suppliers are personally visited to ensure that they follow through on agreed commitments. The visits are preceded by a self-assessment by the supplier based on our code of conduct. At the actual look-around we focus on issues that directly or indirectly could have the biggest impact on the bank and where the supplier benefits by following our code. The results of a look-around are summarised in a report that both parties approve. If no deviations are found, no actions are taken. When deviations occur, we come to agreement with the supplier on actions that should be taken to minimise sustainability risks and ensure that our code of conduct is followed. In 2017 the procurement unit performed 30 look-arounds. Since Swedbank's business areas own all supplier agreements and demand specifications locally, agreements can be signed in certain cases without the central procurement unit being involved. If a supplier has been selected without the support of the procurement unit, it cannot be evaluated according to our sustainability criteria. In such cases, it is important to ensure that the supplier meets them e.g. by signing our code of conduct.

Supplier audits	2017	2016	2015
No. of reported purchases over EUR 50 000[1]	414	515	266
No. of reported purchases that have undergone sustainability assessment	375	470	229
Share of reported purchases that have undergone sustainability assessment (%)[2]	91	91	86
Supplier visits conducted (no.)	30	30	30

1) Based on data from the internal procurement system.
2) Procurement at Swedbank is tracked by sector and cumulative volume on an annual basis. This is done through requests submitted using internal tools. These requests are submitted to the procurement committee for approval. This practice limits opportunities to monitor the percentage of new suppliers that are screened for sustainability. The percentage reported is based on the number of purchases where the central procurement unit was involved to any degree.

S5 Environmental impacts

Swedbank works actively to reduce the environmental impacts its operations give rise to. This work builds on an environmental management system that is certified according to ISO14001. It enables us to work in a structured way to continuously reduce our impacts: those generated indirectly through our financing, investments, payments and procurement, and those generated directly through our internal operations. It is our responsibility to the best of our ability to minimise and report the impacts we have on the environment.

Direct environmental impacts

We have cut our own direct greenhouse emissions by more than half since 2010. Our Group goal for 2018 is to reduce emissions by at least 60 per cent based on the 2010 total. Emissions are generated largely through energy consumption and heating our offices as well as through business travel. Swedbank's property department is working to incorporate more energy-efficient and space-saving properties, and continuously encourages property owners to adopt energy conservation measures in the buildings we rent. In Estonia energy production is more CO_2 intensive compared with our other home markets, and in 2017 we therefore tried to significantly increase the share of renewable energy purchased there. This resulted in an emissions reduction in Estonia of 8 351 tonnes, or 28 % of our total emissions. In addition, we have conducted an energy audit to identify potential savings in our Swedish operations in 2017.

Swedbank built a photovoltaic park on Selaön in Lake Mälaren during the year. The park is expected to supply around eleven of the bank's branches with green electricity, corresponding to 3.5 per cent of the bank's total consumption.

In recent years Swedbank has tried to hold more meetings on digital platforms. We are confident this will have positive feedback effects by freeing up more time and resources for our employees and reducing travel times and the impact of our business travel.

Greenhouse gas emissions[1], tonnes CO_2e	2017	2016	2015
Total emissions	29 342	37 357	35 444
Reduction target 2018, 60%[2]	28 912	28 912	28 912
Emissions by scope according to GHG protocol			
Emissions scope 1[3]	780	881	989
Emissions scope 2[4]	7 771	16 583	19 195
Emissions scope 3[5]	20 791	19 893	15 260
Emissions by country			
Emissions, Sweden	16 743	15 841	15 873
Emissions, Estonia[7]	3 940	12 291	12 336
Emissions, Latvia	3 321	3 242	2 600
Emissions, Lithuania	4 391	4 626	3 519
Emissions, other[6]	947	1 357	1 116
Energy-related emissions according to Scope 2			
Market-based[7]	7 771	16 583	
Location-based	23 395	23 322	

1) Carbon dioxide, methane and nitrous oxide. In all our GHG calculations, we have used Ecometrica software through a system called Our Impact, administered by U&We. Emissions are reported in accordance with the Greenhouse Gas Protocol (World Resources Institute).
2) The base year is 2010, when we reported 72 279 tonnes of CO_2 emissions.
3) Our direct emissions. Based on fuel consumption in company cars and refrigerant gas loss. Emissions from cooling equipment are estimated using operational controls (based on weight and type of cooling medium). Emissions from company-owned vehicles are estimated with the help of our financial controls. None of our Scope 1 emissions are biogenic.
4) Our indirect emissions in the form of electricity consumption and heating/cooling. Emissions are estimated based on operational controls in our offices/ buildings. District cooling where we do not have operational control and which has been estimated based on m2 has been eliminated for 2017.
5) Our other indirect emissions from business travel, security transports, paper consumption, water consumption and waste. None of our Scope 3 emissions are biogenic.
6) Norway, Finland, Denmark, USA, Luxembourg and China.
7) The emissions reduction between 2016-2017 is due to procurement of guarantees of origin for the electricity consumed in Estonia.

Emissions by category, tonnes CO_2e	2017	2016	2015
Sweden			
Office premises	3 040	3 550	5 029
Business travel	13 536	12 145	10 659
Other emissions[1]	167	146	185
Estonia			
Office premises	1 888	10 484	11 093
Business travel	1 999	1 753	1 168
Other emissions[1]	53	54	75
Latvia			
Office premises	2 151	2 258	1 561
Business travel	1 084	892	780
Other emissions[1]	86	92	259
Lithuania			
Office premises	1 620	2 228	1 337
Business travel	2 606	2 258	1 508
Other emissions[1]	165	140	674
Other countries			
Office premises	356	429	413
Business travel	588	925	699
Other emissions[1]	3	3	4

1) Security transports and paper consumption.

Other environmental data	2017	2016	2015
Energy consumption in our offices (MWh)	114 658	116 335	130 368
Electricity consumption in our offices (MWh)	65 379	66 158	68 313
Renewable electricity as a share of total electricity consumption (%)[1]	82	69	72
Paper consumption (tonnes)	1 075	929	1 035
Water consumption (m^3/FTE)	7	8	9
Recycled waste (tonnes)	401	473	634
Incinerated waste (tonnes)	317	312	383
Landfill waste (tonnes)	220	363	344

1) Renewable energy refers to wind, biomass and hydroelectric power.

Internal energy consumption[1]	2017	2016	2015
Total emissions from energy consumption (tonnes CO_2e/MWh)	0.07	0.14	0.15
Energy consumption per employee (MWh/FTE)	8.1	7.6	8.5

1) Our indirect energy consumption consists of consumption of energy, heating, cooling and gas.

Comparative figures, tonnes CO_2e	2017	2016	2015
Total emissions per employee	2.02	2.44	2.32
Scope 1 and 2 emissions per employee	0.59	1.14	1.32
Total emissions per m^2 office space	0.064	0.081	0.074
Scope 1 and 2 emissions per m^2 office space	0.019	0.038	0.042

Indirect environmental impacts

Climate change is one of the biggest challenges of our time and creates increased risks related to financial stability and society's long-term prosperity. We believe the financial sector has a key role to play in efforts to combat climate change by injecting and redistributing capital in a transparent way that contributes to the necessary transition to a more sustainable society.

Swedbank is taking a broad range of measures to reduce its indirect environmental impacts. One example is our leasing business, where we are one of Sweden's largest fleet owners, with around 63 000 vehicles. As part of our AutoPlan fleet administration, which comprises around 43 500 vehicles, we help our customers to draft green car policies, support them on sustainability issues, and measure and report their carbon footprint. Swedbank AutoPlan also holds annual environmental seminars that cover current topics and have been well-attended and highly appreciated. Swedbank has its own fleet of company cars, where we are working actively to reduce our environmental impact. The table below shows the downward trend in GHG emissions from our own company cars and from all new company cars acquired by Swedbank AutoPlan.

Auto leasing AutoPlan	2017	2016	2015
Leasing of vehicles (tonnes CO_2e)[1]	198 120	192 143	186 430
Total number of leased cars	43 537	42 573	39 995
Average emissions, new cars CO_2 (g/km)[2]	112.5	115.5	125.8
Average emissions, total CO_2 (g/km)[2]	119.0	125.7	133.1
Average emissions, new company cars in Swedbank CO_2 (g/km)	92.9	108.3	132.7

1) Emissions based on fuel consumption and fuel type per vehicle over one year.
2) Refers to company cars administered bySwedbank AutoPlan.

S6 Employees

In a knowledge-based company like Swedbank employees are an important intangible asset. Employees and key persons who leave the bank are a risk we continuously have to take into account. It is important therefore that we motivate and retain our employees and that we are an attractive employer. We are convinced that employees who feel they develop and gain knowledge and experience from different parts of the bank become more motivated and gain a better understanding of our customers and their needs. To tap into and develop our employees' potential, it is important that we increase competence transfers within the Group. Employees who continuously develop and gain experience from different parts of the bank also pave the way for better customer offers and in that way help our customers to be successful. This creates the conditions for development and being a competitive and sustainable bank.

The financial industry is undergoing major change with a number of new laws, regulations and guidelines. It is critical therefore that individuals develop their skills. The failure to make this a priority is risky for a knowledge-intensive company like Swedbank. Skills development is implemented in a structured way through internal training and by having employees create personal short- and long-term development plans together with their manager. We believe that the biggest potential for developing skills is in daily work, through internal mobility and by learning from other employees. We therefore encourage this, but also offer our employees a range of training options in various topics.

We feel that greater gender equality and diversity are important to our business. They lead to better work environments, better service for our customers and better opportunities to attract and retain talented employees. Working with gender equality and diversity comes natural for Swedbank. We are an inclusive bank for the many, and for us it is natural that our employees should reflect the communities where we live and work. The Group Executive Committee has focused for several years on and accelerated development in these areas. A systematic approach has been taken on HR issues to address and prevent discrimination, specifically in high-risk areas such as salaries, recruiting and careers, parenthood, and occupational health and safety. This has also meant a stronger focus on integrating gender equality and diversity in our operations. All business areas and Group functions are involved and set goals for this in their business plans.

To create a more diverse and inclusive bank where employees come from different backgrounds, we implement and evaluate measures that promote diversity and discourage discrimination and harassment. Wage surveys are conducted annually in all our home markets. The unweighted wage differences we have today are largely because men and women have different jobs with different pay scales, with women more often working at lower scales. If a difference cannot be explained, it is considered unwarranted. We continuously investigate, identify and mitigate unwarranted wage differences, including by actively comparing the wages of employees with the same positions or degree of difficulty and tracking business area managers according to various gender equality goals.

The share of employees in the Swedbank Group covered by an independent union or collective bargaining agreement is 69 per cent (100 per cent in Sweden and Lithuania). Lithuania has a works council and a collective bargaining agreement, while Latvia has an established union but no collective bargaining agreement. Estonia has neither a union, a works council nor a collective bargaining agreement. A Group-wide European works council with employees from the various countries has been established at Swedbank. More data and information on our employees can be found in Note G13.

We work actively to achieve gender equality at all levels of the bank, now with a focus on succession at the highest managerial level, such as specialists, middle managers and senior employees. The results are tracked on a regular basis and measures are taken to improve oversight and awareness. Managers receive training in gender equality, diversity and norms. As a result, the share of women in the highest management positions has increased from 29 to 41 per cent since the effort was initiated in 2014.

Health issues have become a growing social problem and a risk area for all companies. At Swedbank we work continuously to address health issues by setting goals, monitoring absenteeism and responding proactively to early signs of health problems.

Total number and share of new employees by gender, age group and country, %	2017	2016	2015
Number of new employees	1 598	1680	909
Women	60	61	66
Men	40	39	34
0–29 years	60	65	72
30–44 years	30	29	24
45–59 years	9	6	4
60– years	1	0	0
Sweden	36	31	11
Estonia	22	21	32
Latvia	17	13	26
Lithuania	25	35	31

Internal training[1]	2017	2016	2015
Total number of training hours	449 083	362 349	379 887
Training hours per full-time employee (average FTE)	31	24	25
– training hours men	18	11	13
– training hours women	25	17	20
– training hours managers	26	19	21
– training hours specialists	10	8	8
Training programs in environment, sustainability, code of conduct and anti-money laundering (number)[2]	12 204	9 299	27 258
Training programs in sustainable banking and money laundering and terrorist financing (number)	3 158	5 266	5 778

1) The number of training hours measures only how large a percentage of skills-building activities is through traditional training (e-training and classroom training). The table also includes the savings banks.
2) A new course on ethics and complying with the Code of Conduct was launched in 2015.

Rate of employee turnover by gender, age group and country, %	2017	2016	2015
Women	10.0	9.2	8.9
Men	11.4	9.1	9.6
0–29 years	15.0	10.0	10.2
30–44 years	10.3	8.2	8.0
45–59 years	5.4	5.3	5.1
60– years	36.4	36.8	36.4
Sweden	9.3	8.7	8.2
Estonia	9.5	9.7	9.1
Latvia	13.4	10.1	11.4
Lithuania	12.8	14.5	13.0
Group total	10.3	9.9	9.4

Wage difference women vs. men, management positions[1] by country, %[2]	2017	2016	2015
Sweden	–21	–22	–28
Estonia	–31	–38	–39
Latvia	–46	–46	–51
Lithuania	–29	–30	–32
Group total	–33	–35	–39

1) Includes management positions at every level. HR responsibility is the common denominator for this category.
2) The table does not take into consideration either profession or management level. One reason for the differences may be that men still hold more management positions at a higher level with higher salaries.

Wage difference women vs. men, management positions[1] by business area, %[2]	2017	2016	2015
Swedish Banking	–16	–18	–16
Large Corporates & Institutions	–44	–43	–50
Baltic Banking	–41	–40	–45
Group Functions	–19	–24	–31

1) Includes management positions at every level. HR responsibility is the common denominator for this category.
2) The table does not take into consideration either profession or management level. One reason for the differences may be that men still hold more management positions at a higher level with higher salaries.

Wage difference women vs. men, specialists by country, %	2017	2016	2015
Sweden	–21	–22	–23
Estonia	–38	–35	–37
Latvia	–30	–29	–31
Lithuania	–35	–35	–39
Group total	–37	–38	–40

Wage difference female vs. male, specialists by business area, %	2017	2016	2015
Swedish Banking	–15	–15	–17
Large Corporates & Institutions	–39	–40	–42
Baltic Banking	–33	–30	–33
Group Functions	–24	–24	–25

Employee survey, index	2017	2016	2015
Engagement index, Results/Comparison	84	82	83
Recommendation index, Results/Comparison[1]	21	15	–3
Leadership index, Results/Comparison	86	85	84

1) Likelihood of recommending Swedbank as an employer externally. Calculated on a scale of 0–10, where the share of negative responses (0-6) is subtracted from the share of positive responses (9–10).

Level of education, %	2017	2016	2015
Sweden			
University degree	40	40	40
Other university education	14	14	15
Upper secondary school	45	45	41
Other education	1	1	3
Estonia			
University degree	61	60	66
Other university education	13	14	17
Upper secondary school	19	19	9
Other education	7	7	8
Latvia			
University degree	72	68	71
Other university education	16	23	23
Upper secondary school	12	9	6
Other education	0	0	0
Lithuania			
University degree	83	85	83
Other university education	7	7	13
Upper secondary school	4	4	4
Other education	6	4	0

Age distribution, %	2017	2016	2015
Sweden			
0–29 years	19	18	16
30–44 years	36	36	37
45–59 years	38	39	39
60– years	7	7	8
Estonia			
0–29 years	21	23	23
30–44 years	55	55	57
45–59 years	21	20	18
60– years	3	2	2
Latvia			
0–29 years	26	27	26
30–44 years	61	61	53
45–59 years	12	11	20
60– years	1	1	1
Lithuania			
0–29 years	29	30	26
30–44 years	51	50	53
45–59 years	18	18	20
60– years	2	2	1

Total number of employees by employment contract 2017, by gender	Female	Male	Total
Permanent	9 364	5 258	14 622
Temporary	720	403	1 123
Total	**10 084**	**5 661**	**15 745**

Total number of employees by employment contract 2017, by region	Sweden	Estonia	Latvia	Lithuania	Total
Permanent	8 107	2 500	1 698	2 317	14 622
Temporary	837	76	99	111	1 123
Total	**8 944**	**2 576**	**1 797**	**2 428**	**15 745**

Total number of employees by employment type 2017, by gender	Female	Male	Total
Full-time	8 623	5 091	13 714
Part-time	1 461	570	2 031
Total	**10 084**	**5 661**	**15 745**

S7 IT security and crime prevention

It is critically important that our customers have confidence in the reliability and security of our IT systems. We work continuously to make our systems available, stable and secure. Swedbank is determined to protect its customers' money and information from fraud and cyberattacks. We work daily to improve our security and rigorously monitor to detect new types of threats, fraud and hacking.

In 2017 we revised our information security strategy to better meet the steadily growing threats we face. In the strategy we have set an ambitious goal: Swedbank will always stay a step ahead of the competition when it comes to meeting threats. We have a strong position in our home markets, and a major responsibility towards our customers. We want to take a sustainable position that goes beyond mere survival and contributes to a sound and secure digital environment in our home markets. This means among other things that we give priority to sharing intelligence with competitors and authorities. Sometimes there are conflicts between security and usability. For Swedbank it is important to create a perfect balance of the two, so that our services are secure and user-friendly before a broad market launch.

We work proactively and take a series of measures to prevent and limit criminal activity. The work is done continuously through our business processes and IT systems. The measures that are taken include monitoring of transaction patterns, reporting of suspicious transactions and knowledge building. As a bank, we are obligated to report suspicions of market abuse such as insider trading, market manipulation and unlawful disclosure of inside information (MAR). According to the Anti-Money Laundering Act (the Money Laundering and Terrorist Financing (Prevention Act), we are also obligated, without delay, to report suspicions of money laundering or terrorist financing (SAR) to the Financial Intelligence Unit within the Swedish Police.

To prevent the bank's payment systems from being exploited for criminal activity, we have built up a set of internal rules, processes and support functions to ensure that we comply with applicable laws and regulations in the area. We have an obligation to know all our customers, understand where their money comes from and why they want a relationship with the bank, since it better enables us to detect unusual behaviour. Through the bank's "Know Your Customer" process, our system support for monitoring transactions and reconciliations of customer databases against sanction lists, we minimise these risks. All employees receive mandatory online training to recognise transaction patterns, behaviours and situations that could constitute, or be associated with, money laundering and corruption. The number of training hours provided is shown on page 189.

Crime prevention measures	2017	2016	2015
Number of suspicious orders and transactions (MAR) reported	40	22	23
Number of reports on suspicious transactions regarding money laundering / terrorist financing (SAR)	1 927	1 751	1 169
Number of branch office robberies[1]	0	0	0
Number of advisors with Swedsec licence[2]	4 062	4 160	4 308
Number of employees that completed the annual knowledge update (ÅKU)[2]	3 971	3 903	4 176

1) Refers to Sweden, Estonia, Latvia and Lithuania.
2) Refers to Sweden.

S8 Anti-corruption

Corruption is the abuse of power for private gain. It undermines democracy and the protection of human rights, deepens poverty, damages trade and affects confidence in society's institutions and the market economy. Where it operates, Swedbank takes an active stance against all forms of corruption.

Our operations and conduct should be reflective of our values: simple, open and caring. This includes contributing to a stable and reliable business climate. Everything Swedbank does should be characterised by high ethical standards, where Swedbank and its employees actively assess every transaction, relationship and activity from the standpoint of the bank's ethical norms and positions. We do so by making sure that our operations are committed to anti-corruption work. Swedbank's Board of Directors has adopted a Group-wide anti-corruption policy and a policy to combat money laundering and terrorism financing. In addition, we have implemented a code of conduct for employees and clarified our commitments in a number of different guidelines, including on gifts and events and employees' second jobs. These documents spell out the bank's commitments, role and routines internally and in relations with customers and partners.

Sustainability analysis

Through sustainability analyses, we take the environment, human rights, business ethics and corruption into account in our lending to customers, investments and procurement (the results are shown on pages 185–187). To support these analyses, we have developed guidelines for twelve sectors that underscore the bank's expectations and recommendations on central sustainability aspects in each sector.

Events

Events and activities arranged by the bank to strengthen and build business relationships must comply with applicable laws and fair business practices and be arranged in accordance with the bank's internal rules. For the sake of transparency, good control and monitoring, we have created a handbook with concrete guidelines on customer events and introduced a system for employees to report events, gifts and benefits from outside parties using a traffic light model.

Whistleblower system

For Swedbank it is important that risks and irregularities are detected and addressed in time. We have therefore established an internal whistleblowing routine where employees can anonymously report violations of internal or external rules.

Sideline work

Our basic rule is that to be approved, sideline work cannot interfere with the employee's performance, benefit a competitor, cause reputational harm, pose a conflict of interest or be inappropriate. Sideline work is annually evaluated in internal development plans, where goals and expectations are discussed with each employee. Members of the Group Executive Committee are also subject to special rules on personal investments, where in normal cases the following do not give rise to significant conflicts of interest: UCITS funds and similar financial instruments, real estate intended for private use by members or their family, shares in Swedbank and other shares provided that they are discretionary investments and that the agreement has been approved by Compliance.

Business Ethics Committee

Swedbank's Business Ethics Committee addresses issues where the environment, human rights, social responsibility, business ethics or corruption are a critical factor in business decisions. The committee's role is to provide guidance for the entire organisation in order to minimise sustainability risks and any negative impacts for the bank. The members represent the bank's various business areas and Group Functions, including representatives from the Group Executive Committee and Swedbank's Head of Sustainability. The number of cases escalated to the Business Ethics Committee are tracked, and the minutes from the committee's meetings are distributed to the CEO and the Group Executive Management (see page 186).

S9 Taxes

Being a good taxpayer and contributing to the community is important to a company's sustainable development. In accordance with the bank's vision and values, it is important for us to address tax issues in a responsible way. This responsibility applies both to issues that affect us and to those that affect our customers.

Taxes are an important sustainability issue for the bank. Since 2008 we have a Group-wide tax policy adopted by Swedbank's Board. We openly report our operating profits, assets and tax costs in the countries where we operate. We act transparently in all communications with tax authorities in these countries.

In our home markets Swedbank is a major employer and gives jobs to more than 14 000 people. By paying social security contributions for our employees, we contribute to social protections.

We also incur large net costs for value-added tax (VAT). In addition, we pay bank fees in the form of a resolution fee and a deposit guarantee fee, which contribute to the financial stability of society.

Swedbank's total tax cost was approximately SEK 8 557m for 2017. In addition, we paid about SEK 1 648m in bank fees during the year.

Swedbank works to promote a sound and sustainable financial situation for the many households and businesses. In the sustainability analysis conducted in connection with corporate loan applications we require the company to transparently reports its taxes. We have internal processes to reduce the risk that we assist in enabling tax evasion. We do not engage in artificial transactions whose main purpose is to avoid tax. We withhold, pay and report the taxes that our private customers owe for interest, dividends and various types of savings.

In addition to the tax policy, there are additional positions on tax issues in Swedbank Group. References to tax can be found in our sector guidelines as well as in our public positions for investment and asset management.

	Sweden	Estonia	Latvia	Lithuania	Norway	USA	Other[1]
Operating profit (SEKm)	18 528	2 376	1 236	1 302	593	166	342
Assets (SEKm)	1 838 411	108 201	54 412	80 444	78 357	79 884	22 211
Number of employees[2]	8 127	2 400	1 564	2 100	257	16	124
Tax expense (SEKm)	4 096	426	177	190	201	11	77
Non-deductible VAT (SEKm)	1 196	54	28	59	15		
Social security contributions (SEKm)	1 577	191	73	119	57	3	7
Resolution fees (SEKm)	1 146	28	20	11			
Deposit guarantee fees (SEKm)	283	38	52	70			

1) Finland, Denmark, Luxembourg, China, Russia, Spain, Cyprus and South Africa.
2) Number of Group employees at year-end excluding longterm absentees in relation to hours worked expressed as full-time positions.

S10 Human rights

Swedbank follows the UN's Guiding Principles Reporting Framework and the UN's Global Compact. The principles encourage companies to be aware of and work with human rights. As a bank, we have a local impact in the communities where we operate and a global impact through our lending, investments, payments and supply chain.

To create greater understanding of the link between human rights and business in a globalised world and underscore our responsibility to take precautionary measures and prevent human rights violations, we have adopted a Group-wide human rights policy. In our code of conduct we also clarify that it is important for all Swedbank employees to abide by our values. On this basis, we continuously assess human rights related risks in our processes and business decisions.

Human rights in our lending and investments
A sustainability analysis is conducted in connection with all corporate loans. In the analysis we discuss with the customer any risks associated e.g. with its supply chain. If the company has production, procurement or sales in high-risk countries, its ability to manage sustainability related risks is critical (the results are shown on page 186). As support for the analysis, the advisor has guidelines that address sustainability risks specific to each sector and are designed to facilitate a dialogue and risk assessment. If the company is considered to have significant sustainability risks, the case is forwarded to a credit committee for final decision.

Swedbank Robur's investment process includes an analysis of the company's human rights impacts. The analysis varies in scope depending on factors such as industry and geography. Special attention is given to industries and regions with higher risks e.g. companies operating in low-cost countries or non-democracies. The results are shown on pages 184–185.

Swedbank Robur also dialogues actively with companies to improve their sustainability and profitability and to prevent and reduce serious consequences for people and the environment. There are various types of dialogues e.g. with companies with especially high risks that are on our watch list, to follow up incidents, in connection with a sustainability analysis, on topics such as human rights, and where we are a major owner. Human rights is also one of the four areas that serve as a basis for determining whether a company can be included in our sustainability funds.

Children are often a vulnerable group, and we are all share responsibility for respecting and protecting their rights. Consequently, we have issued a position statement on the rights of children that is applied in our investment process e.g. in our efforts to influence companies. The purpose is to ensure that the companies consider the rights of children.

Our supply chain
We assess risks related to human rights in our procurement process. The scope of each assessment depends on the industry and where the supplier is located geographically, which is determined in an initial screening. If the supplier is considered to be a high risk in terms of human rights, a more thorough evaluation is conducted and requirements on addressing human rights issues are stipulated in the contract. Suppliers are also visited multiple times a year and a dialogue is maintained to verify that the requirements are being met. The number of analyses and visits is shown on page 187.

Our internal work
Knowledge is crucial to successfully integrate sustainability aspects and work systematically with improvements. All employees of the Group receive basic sustainability training e.g. in business ethics, the environment and social aspects such as gender equality and human rights. The number of training hours is shown on page 189.

Diversity and gender equality are important to the bank's work environment and corporate culture. The work is based on a central diversity and gender equality plan, and every manager is graded based on diversity and equality goals as part of their performance. The Group Executive Committee has focused for several years on and accelerated development in these issues. This has also meant a stronger focus on integrating gender equality and diversity in our operations. All business areas and Group functions are involved and set goals for the area in their business plans.

Swedbank has adopted a Group-wide position on weapons sales by defence contractors that prohibits investments and financing of nuclear weapons and applies to all markets where we operate. We never finance or facilitate the export of defence equipment or services to any country that is subject to the EU's or the UN's sanctions.

S11 Social engagement

A critical reason why the first savings bank was founded in 1820 was to help meet important social challenges. The aim was to provide the public with a way to save and improve their long-term financial situation. At an early point we also began to offer personal finance education. In 1926 we published the first issue of the magazine Lyckoslanten, which today is distributed to students ages 10–12. We also visit schools. In Sweden the Young Economy initiative has become a recurring event in schools with lectures on financial issues. In total, we met 58 000 young people in 2017. Swedbank has similar initiatives called Back to School in Estonia, Ready for Life in Latvia, and I Will Be in Lithuania. The bank played a part in initiating the latter programme, which helps students to choose a future career. Through the partnership with the foundation Friends in Sweden we can also offer schools programmes to prevent the bullying. All of our employees in Estonia receive two paid days a year to volunteer. In 2017 around 1 100 employees donated more than 8 900 hours of their time to social initiatives that e.g. help children, animals and the environment.

Contributing to the public debate is another important part of our social responsibility. We want to play a role in developing a future society. Personal finance and business economics, housing and entrepreneurship are among the issues we focus on.

We have years of experience working inclusively with various job initiatives, partly to create more positions for trainees so that they have a better chance in the job market, and partly to meet our own competence needs. The initiative called A Job at Last, which focuses on foreign-born academics, has to date created 267 traineeships. This is a collaboration with the Swedish Public Employment Service, where we validate the trainees' professional skills for future employment.

Entrepreneurship, innovation and jobs are the keys to growth. To support this, we work with organisations such as Junior Achievement in Sweden and Latvia, Everyone Can Be Great in Lithuania and Prototron in Estonia. Five years ago Prototron was the first fund created for various types of prototypes in Estonia. The fund was founded by Swedbank, Tallinn University of Technology and Science Park Tehnopol and helps tech companies to develop ideas into working prototypes. In total, 2 800 ideas have been reviewed and 42 companies have received EUR 305 685 in financing, which has helped 23 new products and services to reach the market. During the year we announced a competition in Sweden called Flying Start, where a call went out to businesses to submit ideas with the potential to change the world for the better. More than 4 000 companies participated, and of those ten winners were selected, each of which received SEK 250 000 in seed capital.

Social investments, SEKm	2017	2016	2015
Social investments, total	121	116	107
–of which Sweden	88	91	87
–of which Estonia	9	7	7
–of which Latvia	17	14	11
–of which Lithuania	7	4	2

Social investments per engagement, %	Sweden	Estonia	Latvia	Lithuania
Sponsorship of social activities	39	81	14	68
Staff volunteering in paid time	10	16	1	18
Management costs	0	3	0	9
Products and services with a social value	0	0	0	5
Gifts from customers via the bank's products and services	51	0	85	0

Number of lectures	2017	2016	2015
Sweden[1]	2 128	1 971	1 616
Estonia	347	612	182
Latvia	1 031	520	302
Lithuania	539	280	0

1) Including savings banks.

Distribution of financial value creation in relation to total income, %	2017 SEKm	2017 %
Total income	42 438	–
Interest paid to the public (deposits)	1 281	3
Interest paid on other funding/financing	14 109	33
Deposit guarantee fees	443	1
Resolution fees	1 205	3
Tax for the year	5 054	12
Non-deductible VAT[1]	1 352	3
Social insurance costs and pensions	2 975	7
Salaries and fees incl shares in Swedbank	6 265	15
Payments to suppliers, home markets	9 027	22
Proposed shareholder dividend	14 515	34
Profit for the year reinvested in the bank	4 835	11

GRI Standards Index

Swedbank reports according to the GRI Standards, Core level. Shown below are the GRI indicators associated with the key topics that were defined based on the bank's materiality analysis, and how these key topics coincide with GRI's general and topic-specific disclosures. The same table shows how our work supports the Global Compact's ten principles and how well we live up to the new act on sustainability reporting. One or more disclosures are reported for each key topic. We have used one or more of GRI's disclosures where available and report them in the table below using GRI's designations. For key topics that lack GRI disclosures, we have used our own disclosures, which do not have GRI designations. At least one general or topic-specific disclosure is reported for each of our key topics in accordance with the GRI Standards.

GRI 101: Foundation	GRI 200: Economic
GRI 102: General Disclosures	GRI 300: Environmental
GRI 103: Management Approach	GRI 400: Social

Disclosure Number	Disclosure Title	Page/reference Number	Global Compact (principle no.)
GRI 102: General disclosures			
102-1	Name of the organisation	Front cover	
102-2	Activities, brands, products, and services	98 note G6	
102-3	Location of headquarters	63 note G1	
102-4	Location of operations	2, 99 note G7	
102-5	Ownership and legal form	20–21	
102-6	Markets served	2 , 99 note G7	
102-7	Scale of the organisation	2–3	
102-8	Information on employees and other workers	104 note G13, 189–190	1–6
102-9	Supply chain	187	1–6
102-10	Significant changes to the organisation and its supply chain	4, 46, 62	1–10
102-11	Precautionary principle or approach	63 note G2, 178	7–9
102-12	External initiatives	174	
102-13	Memberships of associations	174	
Identified material aspects and boundaries			
102-14	Statement from senior decision-maker	6–7	
Ethics and integrity			
102-16	Values, principles, standards, and norms of behaviour	1, 174, 178	1–10
Governance			
102-18	Governance structure	38–55	
Stakeholder engagement			
102-40	List of stakeholder groups	176	
102-41	Collective bargaining agreements	189–190	3
102-42	Identifying and selecting stakeholders	176	
102-43	Approach to stakeholder engagement	176	
102-44	Key topics and concerns raised	176	
Reporting practice			
102-45	Entities included in the consolidated financial statements	38–55, 174	
102-46	Defining report content and topic Boundaries	175–178, 180–182	1–10
102-47	List of material topics	175	
102-48	Restatements of information	63 note G2, 187	
102-49	Changes in reporting	175	
102-50	Reporting period	174, 202	
102-51	Date of most recent report	174	
102-52	Reporting cycle	174	
102-53	Contact point for questions regarding the report	213	
102-54	Claims of reporting in accordance with the GRI Standards	174, 194	
102-55	GRI content index	194	
102-56	External assurance	174, 202	1–10
GRI 103: Management approach			
103-1	Explanation of the material topic and its Boundary	175, 180–182	
103-2	The management approach and its components	180–182	
103-3	Evaluation of the management approach	180–182	

GRI Topic-specific disclosures

Below is a list of specific disclosures associated with the key topics as defined based on the year's materiality analysis, and how well these key topics coincide with GRI's topic-specific disclosures. The same table shows how our work supports the Global Compact's ten principles.

One or more disclosures are reported for each key topic. We have used one or more of GRI's disclosures where available and report them in the table below using GRI's designations. For key topics that lack GRI disclosures, we have used our own disclosures, which do not have GRI designations. At least one topic-specific disclosure is reported for each of our key topics in accordance with the GRI Standards.

Disclosure Number	Material Topics	Topic-Specific Disclosure	Page/reference Number	Global Compact (principle no.)
GRI 200: Economic				
Economic impacts				
	Sound compensation culture			
		Compensation within Swedbank	104 note G13	6
	Social engagement			
201-1		Direct economic value generated and distributed	193	
	Sound lending culture			
		Households with loan-to-value ratio over 70% of property value	186	
		Share of households with loan-to-value ratio over 70% that amortise	186	
	Financially stable bank			
		Results and ROE	3, 58–59	
		Capital adequacy ratio	91 note G4	
		Profit for the year	3	
		Dividend per share	3	
	Profitability and competitive return			
	Transparent reporting			
		Reporting of taxes for the year	108 note G18, 192	10
		Reporting of profit for the year	3, 58	10
	Secure IT systems			
		IT security and crime prevention	191	1–2
	Prevent corruption and money laundering			
205-1		Operations assessed for risks related to corruption	19, 191	10
		Percentage of suppliers undergoing business ethics risk assessments	187	1–10
		Percentage of holdings in fund portfolios undergoing business ethics risk assessments	185	1–10
		Number of corporate customers undergoing business ethics risk assessments	186	1–10
GRI 300: Environmental				
Environmental impacts				
	Prevent climate change			
302-3		Energy intensity	188	8
305-1		Direct (Scope 1) GHG emissions	187–188	8
305-2		Energy indirect (Scope 2) GHG emissions	187–188	7–8
305-3		Other indirect (Scope 3) GHG emissions	187–188	8
305-4		GHG emissions intensity	187	8
	Sustainable procurement			
308-1		New suppliers that were screened using environmental criteria	187	7–8

Disclosure Number	Material Topics	Topic-Specific Disclosure	Page/reference Number	Global Compact (principle no.)
GRI 400: Social				
Social impacts				
	Attractive employer			
401-1		New employee hires and employee turnover	189	
	Gender equality and diversity			
405-1		Diversity of governance bodies and employees	50–53, 189–190	6
	Availability			
G4-FS13		Access points in low-populated or economically disadvantaged areas by type	183–184	6
G4-FS14		Initiatives to improve access to financial services for disadvantaged people	183–184	6
	Sustainable products and services			
G4-FS6		Percentage of the portfolio for business lines by specific region, size and by sector	186	1–10
G4-FS7		Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	185–186	1–10
G4-FS8		Monetary value of products and services designed to deliver a specific enviromental benefit for each business line broken down by purpose	185–186	1–10
	Responsible owner			
G4-FS10		Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	184–185	1–10

In 2017 the Annual Accounts Act was amended (chapter 6, paragraph 12) to require sustainability reporting. The new requirement stipulates that a sustainability report must contain the sustainability disclosures needed to understand the company's development, financial position and results, and the consequences of its operations, including disclosures on topics concerning the environment, social conditions, personnel, respect for human rights and preventing corruption. The following table, with page references to the report, is presented to clarify how Swedbank meets the new legal requirements.

Page reference by area	Environment	HR	Social conditions	Human rights	Anti-corruption
Business model	14–15	14–15	14–15	14–15	14–15
Material risks	175, 180–182, 187–188	175, 180–182, 189–190	175, 180–182, 193	175, 180–182, 192	175, 180–182, 191
Policy, results and indicators	187–188 Environmental policy available on swedbank.com/sustainability	189–190 Occupational health and safety policy available on swedbank.com/sustainability	193 Gender equality and diversity policy available on swedbank.com/sustainability	192 Human rights policy available on swedbank.com/sustainability	191 Anti-corruption policy available on swedbank.com/sustainability
Management of risks	34–37, 187–188	34–37, 189–190	34–37, 193	34–37, 192	34–37, 191

Signatures of the Board of Directors and the CEO

The Board of Directors and the President hereby affirm that the annual report has been prepared in accordance with the Act on Annual Accounts in Credit Institutions and Securities Companies (ÅRKL), the instructions and general guidelines of the Swedish Financial Supervisory Authority (FFFS 2008:25) and the Swedish Financial Accounting Standards Council's recommendation RFR 2 Accounting for Legal Entities, and provides an accurate portrayal of the Parent Company's position and earnings and that the Board of Directors' Report provides an accurate review of trends in the company's operations, position and earnings, as well as describes significant risks and instability factors faced by the company.

The Board of Directors and the President hereby affirm that the consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and provide an accurate portrayal of the Group's position and earnings and that the Board of Directors' report for the Group provides an accurate review of trends in the Group's operations, position and earnings, as well as describes significant risks and instability factors faced by the Group.

Stockholm, 22 February 2018

Lars Idermark
Chair

Ulrika Francke
Vice Chair

Bodil Eriksson

Mats Granryd

Bo Johansson

Peter Norman

Annika Poutiainen

Siv Svensson

Magnus Uggla

Camilla Linder
Employee representative

Roger Ljung
Employee representative

Birgitte Bonnesen
President and CEO

Our auditors' report was submitted on 22 February 2018

Deloitte AB

Patrick Honeth
Authorised Public Accountant

Auditors' report

To the annual meeting of the shareholders of Swedbank AB (publ), corporate identity number 502017-7753

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Swedbank AB (publ) for the financial year 2017-01-01 – 2017-12-31 except for the corporate governance statement on pages 38–55. The annual accounts and consolidated accounts of the company are included on pages 22–172 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. Our opinions do not cover the corporate governance statement on pages 38-55. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Judgments and estimates with respect to valuation of loan receivables

Recognition and measurement of financial instruments as regulated in IAS 39 is a complex and significant area with large impact on Swedbank's business and financial reporting. Management exercises significant judgment when determining both when and how much to record as loan loss provisions. Examples of various assumptions and judgments includes the financial condition of the counterparty, expected future cash flow, observable market prices and expected net selling prices. The use of different modelling techniques and assumptions could produce significantly different estimates of loan loss provisions. Furthermore, the associated disclosures are complex and dependent on high quality data.

At December 31, 2017, gross loans to the public amounted to SEK 1 535 198 million, with loan loss provisions of SEK 3 886 million. Given the significance of loans to the public (representing 69% of total assets) as well as the impact from the inherent uncertainty and subjectivity involved in assessing loan loss provisions, we consider this to be a key audit matter for our audit.

Refer to critical judgments and estimates in note G2 and P1 in the financial statement and related disclosures of credit risk in note G3 and P2.

Our audit procedures included, but were not limited to:

- We assessed key controls over the approval, recording and monitoring of loans and receivables, and evaluating the methodologies, inputs and assumptions used in determining and calculating the loan loss provisions.
- For provisions calculated on an individual basis we examined a selection of individual loan exposure in detail, and evaluated management assessment of the recoverable amount. We tested the assumptions underlying the impairment, including forecast of future cash flows, valuation of underlying collateral and estimates of recovery on default. We applied professional judgment in selecting the loan exposure for our detailed testing with an emphasis on exposures in sectors that pose an increased uncertainty for recovery in the current market circumstances, for example the shipping & offshore industry. To assess whether impairments had been identified in a timely manner, we also examined a selection of loans that had not been identified by management as potentially impaired.
- We examined, supported by our specialists, the sufficiency of the underlying models, assumptions and data used to measure loan loss provisions for portfolios of loans with similar credit characteristics. Likewise we have examined the models, assumptions and data used for the collective impairment for incurred but not identified loss events.
- Finally, we assessed the completeness and accuracy of the disclosures relating to loan loss provision to assess compliance with disclosure requirements included in IFRS.

Valuation of complex or illiquid financial instruments

The valuation of financial instruments is a key area of focus of our audit given the degree of complexity involved in valuing some of the financial instruments and the judgments and estimates made by management.

At December 31, 2017, financial instruments measured at fair value, comprised of assets of SEK 450 481 million and liabilities of SEK 273 003 million. For financial instruments that are actively traded and for which quoted market prices are available, there is a high level of objectivity in determining the market price (level 1 instruments).

When observable market prices are not available, the fair value of such financial instrument is subject to significant estimation uncertainty (level 2 and 3 instruments). The valuation of such instruments is determined through different valuation techniques, which often includes significant judgments and estimates made by management. In our audit we had a specific focus on the instruments in level 2 and 3, where estimation uncertainty is particularly high, which is why these instruments are considered to be a key audit matter for our audit.

Refer to critical judgments and estimates in note G2 and P1 in the financial statement and related disclosures of financial instruments at fair value in note G44, G45 and P39.

Our audit procedures included, but were not limited to:

- We tested identified key controls in the valuation processes, which included controls over data inputs into valuation models, validation of valuation models and changes to existing models.
- For level 1 instruments, we tested the fair value by comparing recorded fair values with publicly available market data. For the level 2 and 3 instruments, we assessed the appropriateness of the models and inputs. This work included valuing a sample of financial instruments using independent models and source data and comparing the results to the Group's valuations.
- For instruments with significant and unobservable inputs, mainly certain derivatives, we used internal valuation experts to assess and evaluate the different assumptions used.
- We also evaluated the methodology and inputs used by management to determine the valuation adjustments in the derivatives portfolio.
- Finally, we assessed the completeness and accuracy of the disclosures relating to financial instruments at fair value to assess compliance with disclosure requirements included in IFRS.

Impairment of goodwill

At December 31, 2017, goodwill amounted to SEK 13 100 million, primarily related to Baltic Banking. According to IAS 36 Impairment of assets, an assessment is required annually to establish whether an impairment of goodwill is required.

The impairment assessment is based on future cash flows discounted at an appropriate discount rate. The estimation of future cash flows and the level to which they are discounted is inherently uncertain and requires significant judgments. Given the extent of judgments and the size of the goodwill amount, we consider this to be a key audit matter for our audit.

Refer to critical judgments and estimates in Note G2 and P1 in the financial statement and related disclosures of goodwill in note G29 and P25.

Our audit procedures included, but were not limited to:

- We assessed that the methodology and impairment model used are in accordance with IAS 36.
- We assessed, together with our valuation experts, the different judgment areas and assumptions in the discounted cash flow model, for example discount rates, long-term growth, credit impairments and cost levels.
- Key inputs in the model were agreed to supporting documents, such as business/financial plans. We also performed look-back testing to ensure historical accuracy.
- We performed an independent sensitivity analysis, making adjustments to a number of model assumptions, such as discount rates, long-term growth and cost / income ratio, to identify any further risk of impairment.
- We evaluated the governance over the process by ensuring the involvement of appropriate competencies in the assessments and that decisions were made at the correct level.
- Finally, we assessed the completeness and accuracy of the disclosures relating to goodwill to assess compliance with disclosure requirements included in IFRS.

IT-systems that support complete and accurate financial reporting

Swedbank is dependent on their IT-systems to (1) serve customers, (2) support their business processes, (3) ensure complete and accurate processing of financial transactions and (4) support the overall internal control framework. Several of Swedbank's internal controls over financial reporting are depending upon automated application controls and completeness and integrity of reports generated by the IT-systems. Given the high dependency on technology, we consider this to be a key audit matter for our audit.

Swedbank categorizes their key IT-risk and control domains relating to financial reporting in the following sections:

- Modifications to the IT-environment
- Operations and monitoring of the IT-environment
- Information security

Modifications to the IT-environment

Inappropriate modifications to the IT-environment may result in systems that do not function as expected and result in unreliable data processing with impact on financial reporting. Hence management has implemented processes and controls to support that changes to the IT-environment are appropriately implemented and function consistently with management's intentions.

Our audit procedures included, but were not limited to:

- We assessed management's principles and processes for modifications to the IT-environment.
- We assessed management's testing and monitoring of modifications in the IT-environment.
- We evaluated segregations of duties for personnel working with development and production environment.

Operations and monitoring of the IT-environment

Inappropriate operation and monitoring of the IT- environment may result in the inability to prevent or detect incorrect data processing. Hence management has implemented processes and controls to support that IT environment is continuously monitored and that incorrect data processing is identified and corrected.

Our audit procedures included, but were not limited to:

- We evaluated the appropriateness of IT-System job scheduling and alarm configuration capabilities.
- We evaluated the appropriateness of IT-System and job monitoring capabilities and alarm monitoring.

Information security

If physical and logical security tools and controls are not implemented and configured appropriately, key control activities may be ineffective, desired segregation of duties may not be maintained, and information may be modified inappropriately, become unavailable or disclosed inappropriately. This is of particular importance considering the current cyber threat level. Hence management has implemented processes and controls to support that information is safeguarded through access controls and that known vulnerabilities are timely managed.

Our audit procedures included, but were not limited to:

- We evaluated the process for identity and access management, including access granting, change and removal.
- We evaluated the appropriateness of processes and tools to ensure availability of data as per user requests and business requirements, including data back-up and restore procedures.
- We evaluated the appropriateness of controls for security governance and system hardening to protect systems and data from unauthorised use, including logging of security events and procedures to identify known vulnerabilities.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-21, 173-196, 203-212. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibilities for the audit of the annual accounts and consolidated accounts is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/revisornsansvar. This description forms part of the auditor´s report".

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Swedbank AB (publ) for the financial year 2017-01-01 – 2017-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's Responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibilities for the audit of the management's administration is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description forms part of the auditor´s report.

The Auditor's Examination of the Corporate Governance Statement

The Board of Directors is responsible for that the corporate governance statement on pages 38–55 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevU 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

Deloitte AB, was appointed auditor of Swedbank AB by the general meeting of the shareholders on the on March 19, 2014 and has been the company's auditor since prior to June 17, 1994.

Deloitte AB, was appointed auditor of Swedbank AB by the general meeting of the shareholders on the on March 19, 2014 and has been the company's auditor since prior to June 17, 1994.

Stockholm, February 22, 2018
Deloitte AB

Patrick Honeth
Authorised public accountant

Auditor's Limited Assurance Report on Swedbank AB's Sustainability Report

To Swedbank AB
This is the translation of the auditor's report in Swedish.

Introduction

We have been engaged by the Board of Directors and the President of Swedbank AB to undertake a limited assurance engagement of the Swedbank AB's Sustainability Report for the year 2017. The Company has defined the scope of the Sustainability Report on page 174.

Responsibilities of the Board of Directors and the Executive Management for the Sustainability Report

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, as explained on page 174 in the Sustainability Report, and are the parts of the Sustainability Reporting Guidelines (published by The Global Reporting Initiative (GRI)) which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Swedbank AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

Accordingly, the conclusion of the procedures performed do not express a reasonable assurance conclusion.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report, is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management. criteria defined by the Board of Directors and Executive Management.

Stockholm, 22 February, 2018

Deloitte AB

Patrick Honeth Authorised Public Accountant	Elisabeth Werneman Authorised Public Accountant	Andreas Drugge Expert Member of FAR

Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in Swedbank AB (publ), corporate identity number 502017-7753

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2017 on pages 14-15, 34-37, 175, 180-182, 187-192 and that it has been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor' s opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm, 22 February, 2018

Deloitte AB

Patrick Honeth
Authorised Public Accountant

Annual General Meeting

The Annual General Meeting will be held at Cirkus, Djurgårdsslätten 43–45, Stockholm on Thursday, 22 March 2018.

Notification of attendance

Shareholders who wish to attend the Annual General Meeting must:

- be recorded in the share register maintained by Euroclear Sweden AB (Euroclear) on 16 March 2018.
- notify the company of their intention to participate and the number of persons who will accompany them (max. 2) well before and preferably not later than 16 March 2018.

Notification may be submitted online at www.swedbank.com/ir under Corporate Governance/Annual General Meeting or in writing to Swedbank, c/o Euroclear, Box 7839, SE-103 98 Stockholm, Sweden marking the envelope "Swedbank's AGM" or by telephone +46 8 402 90 60. When notifying the company, please indicate your name, personal/company registration number (for Swedish citizens or companies), address and telephone number. Participation by proxy is permitted, provided the proxy is no more than one year old and is submitted to Swedbank well in advance of the meeting, preferably not later than 16 March 2018. If issued by a legal entity, the proxy must be accompanied by a certified registration certificate or other document attesting to the authority of the signatory.

Nominee-registered shares

To be entitled to attend the meeting, shareholders whose shares are nominee-registered must request to have them temporarily re-registered in their own names in the shareholders' register maintained by Euroclear. The re-registration process must be completed by the nominee well in advance of the record day 16 March 2018.

Notice and agenda

A list of the items on the agenda for the Annual General Meeting is included in the notice of the meeting. The notice will be published no later than 22 February 2018 at http://www.swedbank.com/ir under the heading Annual General Meeting and in Post och Inrikes Tidningar (The Official Swedish Gazette). An announcement of notice publication was also published in Dagens Nyheter and elsewhere.

Dividend

The Board of Directors recommends that shareholders receive a dividend of SEK 13,00 per ordinary share. The proposed record day for the dividend is 26 March 2018. The last day for trading in Swedbank's shares including the right to the dividend is 22 March 2018. If the Annual General Meeting adopts the Board of Directors' recommendation, the dividend is expected to be paid by Euroclear on 29 March 2018.

Market shares

	Market shares, per cent					Volumes, SEKbn				
Sweden	**2017**	**2016**	**2015**	**2014**	**2013**	**2017**	**2016**	**2015**	**2014**	**2013**
Private Market										
Deposits	21	21	21	21	21	357	337	310	286	270
Lending	23	23	23	24	24	867	825	770	731	690
of which mortgage lending	24	25	25	25	25	761	720	665	627	591
Bank Cards (thousands)	n.a.	n.a.	n.a.	n.a.	n.a.	4 226	4 152	4 066	3 903	3 836
Corporate Market										
Deposits	20	20	19	19	18	219	206	183	163	151
Lending	17	19	19	19	17	405	408	397	388	340

	Market shares, per cent					Volumes, SEKbn				
Baltic countries	**2017**	**2016**	**2015**	**2014**	**2013**	**2017**	**2016**	**2015**	**2014**	**2013**
Private Market										
Estonia										
Deposits	55	55	55	54	54	39	35	30	29	25
Lending	46	47	47	46	46	36	33	30	29	27
of which mortgage lending	46	46	46	45	46	33	30	27	27	25
Bank Cards (thousands) (as of 2017-09)	60	60	60	60	60	1 116	1 108	1 104	1 100	1 088
Latvia										
Deposits	32	31	28	28	29	26	24	20	19	16
Lending	31	31	29	29	29	17	16	15	16	16
of which mortgage lending (as of 2017-09)	34	34	31	31	31	14	14	13	14	14
Bank Cards (thousands) (as of 2017-09)	44	43	43	42	42	993	988	982	978	1 000
Lithuania (as of 2017-09)										
Deposits	40	40	37	37	37	44	43	34	33	26
Lending	34	34	28	28	27	28	26	19	18	17
of which mortgage lending	33	33	26	27	26	25	23	16	16	15
Bank Cards (thousands)	51	50	48	49	51	1 685	1 705	1 659	1 700	1 821

	Market shares, per cent					Volumes, SEKbn				
Baltic countries	**2017**	**2016**	**2015**	**2014**	**2013**	**2017**	**2016**	**2015**	**2014**	**2013**
Corporate Market										
Estonia										
Deposits	43	43	41	36	37	35	34	31	27	24
Lending	37	34	34	34	35	37	34	30	30	28
Latvia										
Deposits	15	15	12	12	14	17	19	18	17	17
Lending	17	16	17	17	17	15	15	16	17	17
Lithuania (as of 2017-09)										
Deposits	23	25	24	22	25	16	17	12	13	12
Lending	18	18	23	23	21	19	19	20	20	18

Five-year summary

Key ratios	2017	2016	2015	2014	2013
Profit					
Return on equity, %	15.1	15.8	13.5	15.0	12.5
Return on equity continuing operations, %	15.1	15.8	13.5	15.2	14.7
Return on total assets, %	0.79	0.82	0.67	0.80	0.68
Cost/income ratio	0.39	0.38	0.43	0.44	0.44
Net interest margin before trading interest is deducted, %	1.04	1.02	0.99	1.11	1.15
Capital adequacy					
Common Equity Tier 1 ratio, %	24.6	25.0	24.1	21.2	
Tier 1 capital ratio, %	27.3	28.7	26.9	22.4	
Total capital ratio, %	30.7	31.8	30.3	25.5	
Common Equity Tier 1 capital	100 510	98 679	93 926	87 916	
Tier 1 capital	111 560	112 960	104 550	92 914	
Total own Funds	125 256	125 189	117 819	105 588	
Risk exposure amount	408 351	394 135	389 098	414 214	
Credit quality					
Credit impairment ratio, %	0.08	0.09	0.04	0.03	0.00
Share of impaired loans, gross, %	0.55	0.52	0.40	0.41	0.55
Provision ratio for impaired loans, %	34	33	40	35	38
Total provision ratio for impaired loans, %	45	46	56	53	54

Other data	2017	2016	2015	2014	2013
Private customers, million[1]	7.4	7.3	7.2	7.29	7.18
Corporate customers, thousands	625	651	640	642	624
Full-time employees	14 588	14 061	13 893	14 583	14 265
Branches[2]	565	603	658	709	721
ATMs[2]	1 199	1 238	1 290	1 397	1 396

1) Number of private customers in the baltic countries are reported according to a new definition as from 2015, lowering the reported number of customers by approximately 0.8 million for 2014. Historical figures have been restated accordingly.
2) Including savings banks and partly owned banks.

Comments to five-year summary

2017 – Profit for the year decreased to SEK 19 350m, compared with SEK 19 539m in the equivalent period in 2016, mainly because the 2016 result was positively affected by a gain of SEK 2 115m on the sale of Visa Europe. Income increased 4 per cent to SEK 42 438m (40 821). Expenses rose to SEK 16 415m (15 627) mainly due to increased staff costs. A restructuring reserve of SEK 300m was established during the year due to changes in the IT organisation. PayEx added SEK 194m to expenses. FX effects raised expenses by SEK 64m. Credit impairments fell to SEK 1 285m (1 367) due to lower provisions for oil related commitments within Large Corporates & Institutions. Credit impairments increased in Swedish Banking due to provisions for a number of individual commitments while Baltic Banking-reported net recoveries

2016 – Profit for the year increased by 24 per cent to SEK 19 539m (15 727). Increased income, mainly due to the sale of Visa Europe, improved net gains and losses on financial items within Group Treasury and higher net interest income contributed positively to the result.

Expenses increased to SEK 16 441m (16 333). The main reason was higher compensation to the savings banks due to higher lending margins during the year. Staff costs amounted to SEK 9 376m (9 395). Credit impairments increased to SEK 1 367m (594) due to increased provisions within Large Corporates & Institutions for oil related commitments, while Swedish Banking and Baltic Banking reported net recoveries during the period.

2015 – The result for the year decreased by 4 per cent, mainly due to lower net gains and losses on financial items at fair value and a one-off tax expense. Expenses decreased by 7 per cent and was due to one-off expenses of SEK 615m in connection with the acquisition of Sparbanken Öresund in 2014, but also due to efficiencies. Impairment of intangible assets consisted of an IT system writedown and the writedown of a previously acquired asset management assignment. Total lending to the public, excluding repos and the Swedish National Debt Office, increased by 3 per cent, primarily driven by private mortgage lending. Swedbank's increased deposits were mainly driven by Swedish Banking

2014 – Profit before credit impairments increased by 7 per cent. All business segments, as well as the acquisition of Sparbanken Öresund, contributed to higher income. Stronger commission income and net interest income contributed the most. Net gains and losses on financial items also increased, while other income decreased excluding the one-off effect of SEK 461m from the acquisition of Sparbanken Öresund. Expenses increased by 6 per cent to SEK 17 602m, slightly below the expense target. Of these expenses, SEK 615m were one-off expenses attributable to the acquisition of Sparbanken Öresund during the second quarter 2014. Excluding Sparbanken Öresund, expenses decreased slightly.

2013 – Profit increased by 3 per cent from stronger net interest income due to repricing and lower funding costs, but also higher commission income and largely unchanged expenses. Swedish Banking was the biggest contributor to the higher profit. During the year Swedbank sold its Ukrainian subsidiary, which resulted in a cumulative negative translation difference of SEK 1 875m in profit. This and the remaining Russian operations are recognised as discontinued operations. The reclassification did not affect Swedbank's capital, capitalisation, cash flow or the Board's proposed dividend for 2013. During the year the phase-out of Ektornet continued.

Income statement, SEKm	**2017**	**2016**	**2015**	**2014**	**2013**
Net interest income	24 595	22 850	22 476	22 159	21 624
Net commissions	12 030	11 333	11 199	11 204	10 132
Net gains and losses on financial items at fair value	1 934	2 231	571	1 986	1 484
Net insurance	937	754	708	581	647
Share of profit or loss of associates	971	2 467	863	980	852
Other income	1 971	1 186	1 290	1 911	1 794
Total income	**42 438**	**40 821**	**37 107**	**38 821**	**36 533**
Staff costs	9 945	9 376	9 395	10 259	9 651
Other expenses	5 870	5 622	5 749	6 142	5 853
Depreciation/amortisation of tangible and intangible fixed assets	600	629	672	718	739
Total expenses	**16 415**	**15 627**	**15 816**	**17 119**	**16 243**
Profit before impairments	**26 023**	**25 194**	**21 291**	**21 702**	**20 290**
Impairments of intangible fixed assets	175	35	254	1	182
Impairments of tangible fixed assets	21	31	72	256	693
Credit impairments	1 285	1 367	594	419	60
Operating profit	**24 542**	**23 761**	**20 371**	**21 026**	**19 355**
Tax expense	5 178	4 209	4 625	4 301	4 099
Profit from continuing operations	19 364	19 552	15 746	16 725	15 256
Profit for the period from discontinued operations, after tax			-6	-262	-2 340
Profit for the year	19 364	19 552	15 740	16 463	12 916
Profit for the year attributable to:					
Shareholders in Swedbank AB	**19 350**	**19 539**	**15 727**	**16 447**	**12 901**
Non-controlling interests	14	13	13	16	15

Balance sheet, SEKm	2017	2016	2015	2014	2013
Loans to credit institutions	30 746	32 197	86 418	113 820	82 278
Loans to the public	1 535 198	1 507 247	1 413 955	1 404 507	1 264 910
Interest-bearing securities					
Treasury bills and other bills eligible for refinancing with central banks	85 903	107 571	76 552	46 225	56 814
Bonds and other interest-bearing securities	59 131	74 501	88 610	124 455	125 585
Shares and participating interests					
Financial assets for which customers bear the investment risk	180 320	160 114	153 442	143 319	122 743
Shares and participating interests	19 850	23 897	11 074	9 931	7 109
Shares and participating interests in associates	6 357	7 319	5 382	4 924	3 640
Derivatives	55 680	87 811	86 107	123 202	64 352
Others	239 451	153 546	227 315	150 914	96 671
Total assets	**2 212 636**	**2 154 203**	**2 148 855**	**2 121 297**	**1 824 102**
Amounts owed to credit institutions	68 055	71 831	150 493	171 453	121 621
Deposits and borrowings from the public	855 609	792 924	748 271	676 679	620 608
Debt securities in issue	844 204	841 673	826 535	835 012	726 275
Financial liabilities for which customers bear the investment risk	181 124	161 051	157 836	146 177	125 548
Derivatives	46 200	85 589	68 681	85 694	55 011
Other	58 364	44 176	49 084	69 952	55 175
Subordinated liabilities	25 508	27 254	24 613	18 957	10 159
Equity	133 572	129 705	123 342	117 373	109 705
Total liabilities and equity	**2 212 636**	**2 154 203**	**2 148 855**	**2 121 297**	**1 824 102**

Three-year summary

Swedish Banking

SEKm	2017	2016	2015
Income statement			
Net interest income	15 103	13 969	12 934
Net commissions	7 448	6 932	7 186
Net gains and losses on financial items at fair value	398	306	263
Share of profit or loss of associates	869	815	862
Other income	1 311	583	674
Total income	**25 129**	**22 605**	**21 919**
Staff costs	3 136	3 106	3 323
Variable staff costs	103	136	151
Other expenses	5 622	5 523	5 667
Depreciation/amortization	67	97	105
Total expenses	**8 928**	**8 862**	**9 246**
Profit before impairments	**16 201**	**13 743**	**12 673**
Impairment of intangible assets	80		
Impairment of tangible assets			
Credit impairments	413	-51	482
Operating profit	**15 708**	**13 794**	**12 191**
Tax expense	3 160	2 959	2 834
Profit for the year attributable to: Shareholders of Swedbank AB	**12 534**	**10 822**	**9 344**
Non-controlling interests	14	13	13
Balance sheet, SEKbn			
Cash and balances with central banks			
Loans to credit institutions	5	5	42
Loans to the public	1 150	1 135	1 065
Interest-bearing securities			
Financial assets for which customers bear inv. risk	176	156	153
Derivatives			
Other assets	15	10	10
Total assets	**1 346**	**1 306**	**1 270**
Amounts owed to credit institutions	26	24	89
Deposits and borrowings from the public	530	500	457
Debt securities in issue			
Financial liabilities for which customers bear inv. risk	177	157	155
Derivatives			
Other liabilities	556	572	518
Subordinated liabilities			
Total liabilities	**1 289**	**1 253**	**1 219**
Allocated equity	57	53	51
Total liabilities and equity	**1 346**	**1 306**	**1 270**
Income items			
Income from external customers	25 027	22 504	21 823
Income from transactions with other business areas	102	101	96
Key ratios			
Return on allocated equity, %	22,4	20,5	18,1
Loans/deposits	219	229	235
Loans, excl. repurchase agreements and Swedish National Debt Office, SEKbn	1150	1135	1066
Deposits, excl. repurchase agreements and Swedish National Debt Office, SEKbn	525	496	453
Credit impairment ratio, %	0,04	0,00	0,04
Loans to credit institutions and the public, opening balance, SEKbn	1140	1107	1083
Cost/income ratio	0,36	0,39	0,42
Risk exposure amount	171	182	183
Full-time employees	3 980	4 090	4 320
Allocated equity, average, SEKbn	56	53	52

Three-year summary

Baltic Banking

SEKm	2017	2016	2015
Income statement			
Net interest income	4 221	3 994	3 558
Net commissions	2 364	2 074	2 051
Net gains and losses on financial items at fair value	220	220	202
Share of profit or loss of associates			
Other income	621	520	473
Total income	**7 426**	**6 808**	**6 284**
Staff costs	858	828	778
Variable staff costs	50	64	69
Other expenses	1 666	1 546	1 496
Depreciation/amortization	102	113	135
Total expenses	**2 676**	**2 551**	**2 478**
Profit before impairments	**4 750**	**4 257**	**3 806**
Impairment of intangible assets			
Impairment of tangible assets	21	21	8
Credit impairments	-97	-35	-172
Operating profit	**4 826**	**4 271**	**3 970**
Tax expense	827	586	1 510
Profit for the year attributable to: Shareholders of Swedbank AB	**3 999**	**3 685**	**2 460**
Non-controlling interests			
Balance sheet, SEKbn			
Cash and balances with central banks	3	3	2
Loans to credit institutions			
Loans to the public	149	140	125
Interest-bearing securities	2	1	1
Financial assets for which customers bear inv. risk	4	4	3
Derivatives			
Other assets	52	47	37
Total assets	**210**	**195**	**168**
Amounts owed to credit institutions			
Deposits and borrowings from the public	185	171	145
Debt securities in issue			
Financial liabilities for which customers bear inv. risk	4	4	3
Derivatives			
Other liabilities			
Subordinated liabilities			
Total liabilities	**189**	**175**	**148**
Allocated equity	21	20	20
Total liabilities and equity	**210**	**195**	**168**
Income items			
Income from external customers	7 426	6 811	6 286
Income from transactions with other business areas			
Key ratios			
Return on allocated equity, %	19.2	18.0	12.3
Loans/deposits	81	83	86
Loans, excl. repurchase agreements and Swedish National Debt Office, SEKbn	149	140	124
Deposits, excl. repurchase agreements and Swedish National Debt Office, SEKbn	185	170	145
Credit impairment ratio, %	-0.07	-0.03	-0.14
Loans to credit institutions and the public, opening balance, SEKbn	140	125	126
Cost/income ratio	0.36	0.37	0.39
Risk exposure amount	82	79	74
Full-time employees	3 476	3 642	3 661
Allocated equity, average, SEKbn	21	20	20

Three-year summary

Large Corporates & Institutions

SEKm	2017	2016	2015
Income statement			
Net interest income	3 546	3 334	3 417
Net commissions	2 348	2 336	2 011
Net gains and losses on financial items at fair value	1 853	2 068	1 891
Share of profit or loss of associates			
Other income	123	77	131
Total income	**7 870**	**7 815**	**7 450**
Staff costs	1 384	1 466	1 385
Variable staff costs	146	230	226
Other expenses	1 910	1 757	1 646
Depreciation/amortization	76	73	63
Total expenses	**3 516**	**3 526**	**3 320**
Profit before impairments	**4 354**	**4 289**	**4 130**
Impairment of intangible assets		35	
Impairment of tangible assets		8	
Credit impairments	969	1 482	284
Operating profit	**3 385**	**2 764**	**3 846**
Tax expense	727	449	629
Profit for the year attributable to: Shareholders of Swedbank AB	**2 658**	**2 315**	**3 217**
Non-controlling interests			
Balance sheet, SEKbn			
Cash and balances with central banks	8	2	5
Loans to credit institutions	54	43	4
Loans to the public	228	228	217
Interest-bearing securities	27	34	33
Financial assets for which customers bear inv. risk			
Derivatives	63	97	92
Other assets	39	33	92
Total assets	**419**	**437**	**443**
Amounts owed to credit institutions	179	164	198
Deposits and borrowings from the public	138	127	121
Debt securities in issue	18	18	17
Financial liabilities for which customers bear inv. risk			
Derivatives	60	103	88
Other liabilities		5	
Subordinated liabilities			
Total liabilities	**395**	**417**	**424**
Allocated equity	24	20	19
Total liabilities and equity	**419**	**437**	**443**
Income items			
Income from external customers	7 823	7 761	7 343
Income from transactions with other business areas	47	54	107
Key ratios			
Return on allocated equity, %	12.0	11.9	16.2
Loans/deposits	158	148	149
Loans, excl. repurchase agreements and Swedish National Debt Office, SEKbn	203	178	181
Deposits, excl. repurchase agreements and Swedish National Debt Office, SEKbn	128	116	121
Credit impairment ratio, %	0.40	0.59	0.10
Loans to credit institutions and the public, opening balance, SEKbn	271	221	576
Cost/income ratio	0.45	0.45	0.45
Risk exposure amount	137	110	112
Full-time employees	1 173	1 218	1 185
Allocated equity, average, SEKbn	22	20	20

Definitions

CAPITAL REQUIREMENT REGULATIONS, CRR, STATED IN EU REGULATION NO 575/2013

Additional Tier 1 capital
Capital instruments and related share premium accounts that fulfill certain regulatory conditions after considering regulatory adjustments.

Average risk weight
Total risk exposure amount divided by the total exposure value for a number of exposures.

Common Equity Tier 1 capital
Capital consisting of capital instruments, related share premium accounts, retained earnings and other comprehensive income after considering regulatory adjustments.

Common Equity Tier 1 capital ratio
Common Equity Tier 1 capital in relation to the total risk exposure amount.

Expected loss (EL)
Expected loss shall provide an indication of the mean value of the credit losses that Swedbank may reasonably be expected to incur. The expected loss (EL) is the product of the parameters PD, LGD and exposure value.

Exposure value IRB
The exposure after taking into account credit risk mitigation with substitution effects and credit conversion factors, the exposure value is the value to which the risk weight is applied when calculating the risk exposure amount.

Leverage ratio
Tier 1 capital in relation to the total exposure measure, where the exposure measure includes both on- and off-balance sheet items.

Loss given default (LGD)
Loss given default (LGD) measures how large a proportion of the exposure amount that is expected to be lost in the event of default.

Minimum capital requirement
The minimum capital a bank must hold for its credit, market, credit value adjustment, settlement and operational risks according to Pillar I, i.e. 8% of total risk exposure amount.

Own funds
The sum of Tier 1 and Tier 2 capital.

Probability of default (PD)
The probability of default (PD) indicates the risk that a counterparty or contract will default within a 12-month period.

Risk exposure amount
Risk weighted exposure value i.e. the exposure value after considering the risk inherent in the asset.

Tier 1 capital
The sum of Common Equity Tier 1 capital and Additional Tier 1 capital according to article 25 in CRR.

Tier 1 capital ratio
Tier 1 capital in relation to the total risk exposure amount.

Tier 2 capital
Capital instruments and subordinated loans and related share premium accounts that fulfill certain regulatory conditions after considering regulatory adjustments.

Total capital ratio
Own funds in relation to the total risk exposure amount.

ALTERNATIVE PERFORMANCE MEASURES

Allocated equity
Allocated equity is the operating segment's equity measure and is not a measure that is directly required by IFRS. The Group's equity attributable to shareholders is allocated to each operating segment based on capital adequacy rules and estimated capital requirements based on the bank's internal Capital Adequacy Assessment Process (ICAAP).

Cost/income ratio
Total expenses in relation to total income.

Credit impairment ratio
Credit impairment on loans and other credit risk provisions, net, in relation to the opening balance of loans to credit institutions and loans to public after provisions.

Equity per share
Shareholders' equity in relation to the number of shares outstanding.

Loan/deposit ratio
Lending to the public excluding Swedish National Debt Office and repurchase agreements in relation to deposits from the public excluding Swedish National Debt Office and repurchase agreements.

Net interest margin
Net interest margin is calculated as Net interest income in relation to average total assets. The average is calculated using month-end figures, including the prior year end.

Net interest margin before trading interest is deducted
Net interest margin before trading interest is deducted is calculated as Net interest income before trading interest is deducted in relation to average total assets. The average is calculated using month-end figures, including the prior year end.

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 pr sented in accordance with Swedbank's interpretation of the Basel Committee's recommendation (BCBS295).

Provision ratio for impaired loans
Provisions for impaired loans assessed individually in relation to impaired loans, gross.

Return on allocated equity
Return on allocated equity for the operating segments is calculated based on profit for the financialyear for the operating segment (operating profit less estimated tax and non–controlling inte ests), in relation to average allocated equity for the operating segment. The average is calculated using month-end figures, including the prior year end.

Return on equity
Profit for the financial year allocated to shareholders in relation to average equity attributable to shareholders' of the parent company. The average is calculated using month-end figures, including the prior year end.

Return on total assets
Profit for the year in relation to average (calculated on month-end figures) total assets.

Share of impaired loans, gross
Carrying amount of impaired loans, gross, in relation to the carrying amount of loans to credit institutions and the public excluding provisions.

Share of impaired loans, net
Carrying amount of impaired loans, net, in relation to the carrying amount of loans to credit institutions and the public.

Total provision ratio for impaired loans
All provisions (individually assessed and portfolio) for loans in relation to impaired loans, gross.

OTHER

Cash flow per share
Cash flow for the year in relation to the weighted average number of shares outstanding during the year.

Credit impairments
Established losses and provisions for the year less recoveries related to loans as well as the year's net expenses for guarantees and other contingent liabilities.

Default
Credit exposures are regarded to be in default if there has been an assessment indicating that the counterpart is unlikely to pay its credit obligations as agreed or if the counterpart is past due more than 90 days.

Duration
The average weighted maturity of payment flows calculated at present value and expressed in number of years.

Earnings per share after dilution
Profit for the year allocated to shareholders in relation to the weighted average number of shares outstanding during the year, rights issue adjustment factor included, adjusted for the dilution effect of potential shares.

Earnings per share before dilution
Profit for the year allocated to shareholders in relation to the weighted average number of shares outstanding during the year, rights issue adjustment factor included.

Exposure at default (EAD)
Exposure at default (EAD) measures the utilised exposure at default. For off-balance sheet exposures, EAD is calculated by using a credit conversion factor (CCF) estimating the future utilisation level of unutilised amounts.

Impaired loans
Loans where there is, on individual level, objective evidence of a loss event, and where this loss event has an impact on the cash flow of the exposure. Impaired loans, gross, less specific provisions for loans assessed individually constitute impaired loans, net.

Individual provisions
Provisions for individual exposures classified as impaired.

Interest fixing period
Contracted period during which interest on an asset or liability is fixed.

Liquidity Coverage Ratio (LCR)
The LCR was introduced by the EU through the Delegated act on LCR in October 2015. The LCR according to Swedish definitions and through national SFSA's regulations (FFFR 2012:6) is in force since 2012. The LCR is used to define a quantitative regulatory requirement on European banks' liquidity risk. A LCR ratio above 100% implies that the bank has enough of liquid assets to cover its liquidity over 30 calendar day time horizon under a significantly severe liquidity stress scenario.

Maturity
The time remaining until an asset or liability's terms change or its maturity date.

Net asset value per share
Shareholders' equity according to the balance sheet and the equity portion of the difference between the book value and fair value of the assets and liabilities divided by the number of shares outstanding at year-end.

Number of employees
The number of employees at year-end, excluding long-term absences, in relation to the number of hours worked expressed in terms of full-time positions.

P/E ratio
Market capitalisation at year-end in relation to Profit for the financial year allocated to shareholders.

Portfolio provisions
An interim step to individual provisions The provisions are related to a loss event within a group of exposures with similar credit risk characteristics. A loss event has taken place but the impact cannot yet be connected to an individual exposure. The impact of the loss event can be reliably calculated on a group of exposures.

Price/equity
The share price at year-end in relation to the equity per share at year-end.

Restructured loan
A loan where the terms have been modified to more favorable for the borrower, due to the borrower's financial difficulties.

Return on total assets
Profit for the year in relation to average (calculated on month-end figures) total assets.

Total return
Share price development during the year including the actual dividend, in relation to the share price at the beginning of the year.

VaR
Value at Risk (VaR) is a statistical measure used to quantify market risk. VaR is defined as the expected maximum loss in value of a portfolio with a given probability over a certain time horizon.

Yield
Dividend per share in relation to the share price at year-end.

Contacts

Head office

Corp. No. 502017–7753
Visiting address: Landsvägen 40, 172 63 Sundbyberg
Mailing address: 105 34 Stockholm, Sweden
Telephone: +46 8 585 900 00
E-mail: info@swedbank.se
www.swedbank.com

Contact

Gabriel Francke Rodau
Head of Group Communication
Telephone: +46 70 144 89 66
E-mail: gabriel.francke.rodau@swedbank.com

Gregori Karamouzis
Head of Investor Relations
Telephone: +46 72 740 63 38
E-mail: gregori.karamouzis@swedbank.com

Fredrik Nilzén
Head of Sustainability
Telephone: +46 76 773 19 26
E-mail: fredrik.nilzen@swedbank.se

Production: Intellecta Corporate • Photography: Jenny Hallgren (page 7 and Board & Management), Swedbank's image bank.
Printing: BrandFactory, Stockholm