Q4 2018

Year-end report 2018, 29 January 2019

Interim report for the fourth quarter 2018

Fourth quarter 2018 compared with third quarter 2018

- Increased mortgage volumes in Sweden and broad-based lending growth in the Baltic region supported net interest income
- Negative stock market development weighed on net commission income
- Lower net gains and losses on financial items due to increased credit spreads
- Costs in line with plan
- Good credit quality
- High capitalisation
- Proposed dividend per share of SEK 14.20 (13.00)

"Despite increased market uncertainty, Swedbank stayed the course and continued to deliver solutions that add customer value."

Birgitte Bonnesen,
President and CEO

Financial information **SEKm**	**Q4** **2018[1]**	**Q3** **2018[1]**	**%**	**Full-year** **2018[1]**	**Full-year** **2017[2]**	**%**
Total income	**10 732**	**11 077**	**-3**	**44 222**	**42 203**	**5**
Net interest income	6 335	6 326	0	25 228	24 595	3
Net commission income	3 183	3 336	-5	12 836	12 206	5
Net gains and losses on financial items	430	488	-12	2 112	1 934	9
Other income[3)4)5)6)]	784	927	-15	4 046	3 468	17
Total expenses	**4 406**	**3 998**	**10**	**16 835**	**16 415**	**3**
Profit before impairment	6 326	7 079	-11	27 387	25 788	6
Impairment of intangible and tangible assets	32			314	196	60
Credit impairment	412	117		521	1 285	-59
Tax expense[6)]	1 288	1 431	-10	5 374	4 943	9
Profit for the period attributable to the shareholders of Swedbank AB	**4 590**	**5 525**	**-17**	**21 162**	**19 350**	**9**
Earnings per share, SEK, after dilution	4.09	4.93		18.89	17.30	
Return on equity, %	13.5	16.9		16.1	15.1	
C/I ratio	0.41	0.36		0.38	0.39	
Common Equity Tier 1 capital ratio, %	16.3	24.3		16.3	24.6	
Credit impairment ratio, %	0.10	0.03		0.03	0.08	

1) Results from Q1 2018 and onwards reflect the adoption of IFRS 9 Financial instruments and prior periods have not been restated. Refer to Note 1 for further information.
2) 2017 results have been restated for changed presentation of commission income. Refer to Note 1 for further information.
3) Includes income from sale of UC of SEK 677m in second quarter 2018.
4) Includes income from sale of Hemnet of SEK 680m in first quarter 2017.
5) Other income includes the items Net insurance, Share of profit or loss of associates, and Other income from the Group income statement.
6) 2018 (Q1 to Q3) and 2017 results have been restated for changed presentation of tax related to associates. Refer to Note 1 for further information.

CEO Comment

The fourth quarter of 2018 was defined by political uncertainty and signs of a global economic slowdown, which led to increased market volatility. While underlying macroeconomic conditions remain robust, the outlook has worsened somewhat. The Riksbank raised the repo rate by 0.25 percentage points in December to -0.25 per cent, stating that inflation is to be around the 2 per cent target. Despite increased market uncertainty, Swedbank stayed the course and continued to deliver solutions that add customer value.

Our virtual assistant is now also available in the mobile app and, in addition to answering questions, can help with simpler tasks such as replacing a bank card. In addition, mortgage commitments can now be obtained directly in the mobile app in Sweden.

In the Baltic countries we passed 1 million customers with Smart-ID, a digital authentication method equivalent to Bank-ID in Sweden. At the same time we added immediate direct payments to the app, similar to the Swedish payment solution Swish. In the area of savings, we launched an investment account in Latvia that makes it easier for individual investors to manage tax issues.

Several initiatives to further strengthen our position in sustainable development

Swedbank's many years of work on gender equality were rewarded during the quarter. In the prestigious Equileap Top 200 global ranking, Swedbank was the best in the Nordic region and ranked number nine out of a total of 3 200 companies around the world.

We are also the first Nordic bank to support the Science Based Targets, an initiative to develop scientific methods that enable companies in the financial industry to identify and set greenhouse gas emissions reduction targets.

In green bonds we helped Stockholm County Council to borrow up to SEK 2.5bn in the largest green bond issue ever in the Swedish municipal and county council sector.

Stable Swedish housing market

House prices in Sweden remained stable during the quarter. Transaction volumes normalised in 2018 compared with the high activity in 2017. Consumers are in a strong financial position and are resilient enough to manage higher amortisation requirements and mortgage rates.

The outlook is good. In the short term market volumes will be helped by new residential construction and the natural rate of turnover. In the long term the lack of affordable housing and the growing population, as well as urbanisation, will support mortgage growth.

A more efficient and balanced housing market in the long term requires structural reforms to the rental market, however, as well as to building permit and tax rules. My hope is that the politicians will find a way forward to achieve this.

More satisfied customers

In December we completed our own customer survey, where around 25 000 private and corporate customers in Sweden were interviewed. Private customers are more satisfied with us than in previous years, which is a step in the right direction. In the same survey the corporate side saw a marginal decrease.

In Prospera's annual customer satisfaction survey our real estate customers ranked us number one. We are proud of the confidence that customers have in our competence and advice.

The goal is even more satisfied customers. Our work to meet customers' needs by increasing availability and being more proactive will continue in 2019.

Strong financial results for the full-year

Quarterly market volatility affected the financial result. Declining stock prices and higher credit spreads led to weaker commission income and lower trading results. This was largely offset by stable mortgage volumes in Sweden as well as broad-based lending growth in the three Baltic countries. Expenses for the quarter were according to plan. Credit quality remains high in all our home markets. This was reaffirmed by the EBA's stress test, which was published in early November.

Our capital position is strong and the buffer vis-à-vis the Swedish Financial Supervisory Authority's minimum requirement remains solid. Together with our stable profitability, this allowed the Board of Directors to propose, for the seventh consecutive year, that 75 per cent of profit for the year be distributed to shareholders. This corresponds to a dividend of SEK 14.20 per share for the financial year 2018.

When I look back at the last year, I can say that we again delivered a strong financial result with higher income and a return on equity of 16.1 per cent, compared with the goal of 15 per cent. The income growth is a reflection of our leadership in our home markets as well as continued cost discipline. This positions us well when in 2019 we enter the next phase of our plan to increase customer value and ensure that the bank stays competitive in the future. Our biggest business area, Swedish Banking, is vital in this regard and in 2019 there will be an organisational change to speed up the process with a customer-centric focus.

In our investments we will focus on digitising the mortgage process, launching a digital platform where our customers can better manage all their finances, and proactively developing more customised solutions. These initiatives will be implemented while maintaining market-leading cost efficiency, with the goal of keeping underlying expenses below SEK 17bn in 2019.

Birgitte Bonnesen

Birgitte Bonnesen
President and CEO

Table of contents

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

Financial overview

Income statement SEKm	Q4 2018	Q3 2018	%	Q4 2017	%	Full-year 2018	Full-year 2017	%
Net interest income	6 335	6 326	0	6 326	0	25 228	24 595	3
Net commission income	3 183	3 336	-5	3 335	-5	12 836	12 206	5
Net gains and losses on financial items	430	488	-12	356	21	2 112	1 934	9
Other income[1)]	784	927	-15	874	-10	4 046	3 468	17
Total income	**10 732**	**11 077**	**-3**	**10 891**	**-1**	**44 222**	**42 203**	**5**
Staff costs	2 582	2 457	5	2 697	-4	10 284	9 945	3
Other expenses	1 824	1 541	18	1 866	-2	6 551	6 470	1
Total expenses	**4 406**	**3 998**	**10**	**4 563**	**-3**	**16 835**	**16 415**	**3**
Profit before impairment	**6 326**	**7 079**	**-11**	**6 328**	**0**	**27 387**	**25 788**	**6**
Impairment of intangible assets	24			79	-70	306	175	75
Impairment of tangible assets	8			7	14	8	21	-62
Credit impairment, net	412	117		311	32	521	1 285	-59
Operating profit	**5 882**	**6 962**	**-16**	**5 931**	**-1**	**26 552**	**24 307**	**9**
Tax expense	1 288	1 431	-10	1 192	8	5 374	4 943	9
Profit for the period	**4 594**	**5 531**	**-17**	**4 739**	**-3**	**21 178**	**19 364**	**9**
Profit for the period attributable to the shareholders of Swedbank AB	**4 590**	**5 525**	**-17**	**4 737**	**-3**	**21 162**	**19 350**	**9**

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

Key ratios and data per share	Q4 2018	Q3 2018	Q4 2017	Full-year 2018	Full-year 2017
Return on equity, %	13.5	16.9	14.4	16.1	15.1
Earnings per share before dilution, SEK[1)]	4.11	4.95	4.25	18.96	17.38
Earnings per share after dilution, SEK [1)]	4.09	4.93	4.23	18.89	17.30
C/I ratio	0.41	0.36	0.42	0.38	0.39
Equity per share, SEK [1)]	123.0	119.7	119.8	123.0	119.8
Loan/deposit ratio, %	172	169	177	172	177
Common Equity Tier 1 capital ratio, %	16.3	24.3	24.6	16.3	24.6
Tier 1 capital ratio, %	18.0	26.8	27.3	18.0	27.3
Total capital ratio, %	21.5	32.1	30.7	21.5	30.7
Credit impairment ratio, %	0.10	0.03	0.08	0.03	0.08
Share of Stage 3 loans, gross, %	0.69	0.70		0.69	
Share of impaired loans, gross, %			0.55		0.55
Total credit impairment provision ratio, %	0.37	0.35		0.37	
Liquidity coverage ratio (LCR), %	144	148	171	144	171
Net stable funding ratio (NSFR), %	111	110	110	111	110

[1)] The number of shares and calculation of earnings per share are specified on page 52.

Balance sheet data SEKbn	31 Dec 2018	31 Dec 2017	%
Loans to the public, excluding the Swedish National Debt Office and repurchase agreements	1 578	1 502	5
Deposits and borrowings from the public, excluding the Swedish National Debt Office and repurchase agreements	920	847	9
Shareholders' equity	137	133	3
Total assets	2 246	2 213	2
Risk exposure amount	638	408	56

Definitions of all key ratios can be found in Swedbank's Fact book on page 80.
Results from Q1 2018 and onwards reflect the adoption of IFRS 9 Financial instruments and prior periods have not been restated. Refer to Note 1 for further information.

Overview

Market

Rising US interest rates, geopolitical uncertainty and falling confidence indicators in the eurozone negatively affected global stocks in the fourth quarter. Oil prices also fell in the quarter, after having reached around USD 85 a barrel in early October.

The US labour market remained strong, but US economic activity may have peaked. The US central bank, the Federal Reserve, raised its benchmark rate in December for the fourth time in 2018. The target range for the fed funds rate is now 2.25–2.50 per cent and the Fed has signalled two more rate hikes in 2019. In connection with the December rate decision it reasserted that future hikes are contingent on economic development. In the eurozone, which was impacted by political turmoil, there was a decline in confidence indicators despite unemployment continuing to fall. The first rate hike from the European Central Bank (ECB) is not expected before autumn of 2019, although it did stop its net bond buying at the end of 2018. In the foreign exchange market the dollar strengthened against the euro in pace with further rate hikes and continued strong US growth, especially relative to European growth. The krona was more stable than in the previous quarter.

In Sweden GDP decreased 0.2 per cent in the fourth quarter compared with the previous quarter and the annual growth rate fell to 1.6 per cent. The lower growth was mainly due to weak household consumption. At the same time investment increased, mainly intangible investments such as research and development. Despite market uncertainty, net exports also contributed positively to GDP growth and in November a trade surplus was reported. In 2018 the number of housing starts and building permits dropped significantly. This also affected housing investment, which decreased compared with the third quarter. House prices have trended sideways compared with the end of 2017. Total consumer lending continued to grow at a slowing rate: 5.7 per cent in November, down from 7.0 per cent at the beginning of the year.

In December the Riksbank raised the repo rate from -0.50 to -0.25 per cent, stating that conditions remain good for inflation to stay close to the inflation target, CPIF (CPI with a fixed interest rate), going forward. The CPIF rose at a slower rate from October, but in December it was 2.2 per cent (from 2.1 per cent in November). The labour market was strong and in November unemployment (not seasonally adjusted) was 5.5 per cent.

Growth has remained good in the Baltic countries, but labour shortages are contributing to high wage pressure. The highest growth rate in the third quarter was again in Latvia, where GDP slowed less than expected and rose 4.7 per cent on an annual basis, mainly driven by consumption and investment. Estonia's GDP growth exceeded expectations at 4.2 per cent on an annual basis, with the construction industry accounting for a third of that. After a warm and dry summer, which resulted in weak agricultural production, Lithuania reported growth of 2.4 per cent in the third quarter. Inflation rates in the Baltic countries in the third quarter were around 3 per cent. Inflation was highest in Estonia (3.6 per cent), followed by Latvia (2.9) and Lithuania (2.4).

Important to note

The Board of Directors has proposed a dividend of SEK 14.20 (13.00) per share for the financial year 2018. This corresponds to a dividend payout ratio of 75 per cent. The proposed record day for the dividend is 1 April 2019. The last day for trading in Swedbank's shares with the right to the dividend is 28 March 2019. If the Annual General Meeting accepts the Board of Directors' proposal, the dividend is expected to be paid out by Euroclear on 4 April. Swedbank's Annual General Meeting will be held on Thursday, 28 March 2019 at 11am at Oscarsteatern in Stockholm. Further information on Swedbank's Annual General Meeting, will be available at www.swedbank.com under the heading: Who we are/Management and Corporate governance.

As of the fourth quarter 2018 the Group includes associates' taxes in Share of the profit or loss of associates in the income statement. Previously associates' taxes were reported as Tax expense in the income statement and as Income tax in the statement of comprehensive income. Comparative figures have been restated. The change in reporting is explained in note 29.

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

Group development

Result fourth quarter 2018 compared with third quarter 2018

Swedbank's profit fell 17 per cent in the fourth quarter to SEK 4 590m (5 525). The main reasons were weaker net commission income as well as higher expenses and credit impairments.

Foreign exchange changes reduced profit by SEK 22m, mainly because the Swedish krona weakened on average against the euro in the quarter.

The return on equity was 13.5 per cent (16.9) and the cost/income ratio was 0.41 (0.36).

Income decreased 3 per cent to SEK 10 732m (11 077). The main reasons were lower net commission income, because the stock market decline resulted in lower asset management income, and lower income from cards and payment processing. A decrease in other income also contributed negatively. Foreign exchange changes negatively affected income by SEK 26m.

Net interest income was stable at SEK 6 335m (6 326). Increased mortgage volumes in Sweden and broad-based lending growth in the Baltic region contributed positively. This was offset, however, by lower corporate volumes. Net interest income was also negatively affected by SEK 46m due to a temporary effect from interest income in the leasing and instalment loan business.

Net commission income decreased by 5 per cent to SEK 3 183m (3 336), mainly due to lower asset management income. Net commission income from payment processing and cards, which benefited from increased card usage in the holiday months in the third quarter, also contributed to the decrease.

Net gains and losses on financial items fell to SEK 430m (488). The main reason was a lower result in Large Corporates & Institutions, partly due to negative valuation effects on bonds held for trading and derivatives. Net gains and losses on financial items in Group Treasury, within Group Functions & Other, increased due to lower covered bond repurchasing activity and positive valuation effects on currency swaps.

Other income including the share of profit or loss of associates fell to SEK 784m (927), partly because the third quarter was positively affected by a change in the value of Swedbank's indirect holding in Visa Inc. Net insurance was stable, while income from Entercard increased due to the sale of receivables in the quarter.

Expenses increased to SEK 4 406m (3 998). Increased activity in the fourth quarter 2018 led to higher expenses for IT, marketing and consultants. Staff costs were affected in the third quarter by a SEK 200m reversal of the SEK 300m restructuring reserve, which was recognised in the fourth quarter 2017.

Foreign exchange effects reduced expenses by SEK 9m.

Credit impairments increased to SEK 412m (117) due to higher credit impairments within Swedish Banking and Large Corporates & Institutions, while Baltic Banking reported a positive result.

Impairment of intangible assets amounted to SEK 24m (0). Impairment of tangible assets amounted to SEK 8m (0).

The tax expense amounted to SEK 1 288m (1 431), corresponding to an effective tax rate of 21.9 per cent (20.6). The higher effective tax rate in the fourth quarter was largely due to the tax-exempt appreciation in the value of the indirect holding in Visa Inc. in the third quarter.

Result January-December 2018 compared with January-December 2017

Profit rose 9 per cent to SEK 21 162m (19 350). The increase was due to higher net interest income and net commission income as well as an increase in other income. Lower credit impairments also contributed positively.

The table below shows profit excluding the gain on the sales of UC in 2018 and Hemnet in 2017. Adjusted for these items profit rose 10 per cent. Foreign exchange changes increased profit by SEK 350m.

Income statement, SEKm	**Full-year 2018**	**Full-year 2018 excl. income UC**	**Full-year 2017**	**Full-year 2017 excl. income Hemnet**
Net interest income	25 228	25 228	24 595	24 595
Net commission income	12 836	12 836	12 206	12 206
Net gains and losses on financial items	2 112	2 112	1 934	1 934
Share of profit or loss of associates	1 028	1 028	736	736
Other income[1]	3 018	2 341	2 732	2 052
of which UC	*677*			
of which Hemnet			*680*	
Total income	**44 222**	**43 545**	**42 203**	**41 523**
Total expenses	**16 835**	**16 835**	**16 415**	**16 415**
Impairment	835	835	1 481	1 481
Operating profit	**26 552**	**25 875**	**24 307**	**23 627**
Tax expense	5 374	5 374	4 943	4 943
Profit for the period attributable to the shareholders of Swedbank AB	**21 162**	**20 485**	**19 350**	**18 670**
Non-controlling interests	16	16	14	14
Return on equity	16.1	15.6	15.1	14.6
Cost/Income ratio	0.38	0.39	0.39	0.40

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

The return on equity was 16.1 per cent (15.1) and the cost/income ratio was 0.38 (0.39).

Income increased 5 per cent to SEK 44 222m (42 203). Foreign exchange effects increased income by SEK 605m.

Net interest income increased 3 per cent to SEK 25 228m (24 595). The increase is mainly due to higher lending volumes, the large part of which relates to Swedish mortgages. An increase in the resolution fund fee of SEK 451m had a negative effect on net interest income.

Net commission income rose 5 per cent to SEK 12 836m (12 206), mainly because of higher asset management income as a result of solid asset price rises. The acquisition of PayEx in the second half of 2017 and higher net card commissions also contributed positively.

Net gains and losses on financial items rose to SEK 2 112m (1 934). The increase is mainly due to an improved result within Group Treasury as a result of lower covered bond repurchasing activity and because a portion of loans to the public, which negatively affected the result in 2017, stopped being recognised at fair value through profit or loss in connection with the transition to IFRS 9.

Other income including the share of profit or loss of associates rose to SEK 4 046m (3 468), mainly due to higher net insurance and a change in the value of Swedbank's indirect holding in Visa Inc.

Expenses rose to SEK 16 835m (16 415), largely due to increased staff costs following the acquisition of PayEx. Foreign exchange effects increased expenses SEK 236m.

Impairment of intangible assets mainly related to the development of a new data warehouse and a risk management system amounted to SEK 306m (175).

Impairment of tangible assets amounted to SEK 8m (21).

Credit impairments according to IFRS 9 amounted to SEK 521m. See note 28 for more information on the transition to IFRS 9.

The tax expense amounted to SEK 5 374m (4 943), corresponding to an effective tax rate of 20.2 per cent (20.3). The 2018 period was affected by the tax-exempt sale of UC, which resulted in a similar gain to the tax-exempt sale of Hemnet in 2017. The 2018 period was also affected by the recalculation of deferred tax assets and liabilities in light of upcoming reductions in the Swedish corporate tax rate in 2019. The Group's effective tax rate is estimated at 19-21 per cent in the medium term.

Volume trend by product area

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

Lending

Total lending to the public, excluding repos and lending to the Swedish National Debt Office, rose SEK 4bn to SEK 1 578bn (1 574) compared with the end of the third quarter 2018. Compared with the end of 2017 the increase was SEK 76bn, corresponding to growth of 5 per cent. Foreign exchange changes negatively affected lending by SEK 2bn compared with the end of the third quarter 2018 and positively by SEK 12bn compared with the fourth quarter 2017.

Loans to the public excl. the Swedish National Debt Office and repurchase agreements, SEKbn	31 Dec 2018	30 Sep 2018	31 Dec 2017
Loans, private mortgage	877	866	829
of which Swedish Banking	799	789	760
of which Baltic Banking	78	77	69
Loans, private other incl tenant-owner associations	153	155	152
of which Swedish Banking	137	139	138
of which Baltic Banking	15	15	13
of which Large Corporates & Inst.	1	1	1
Loans, corporate	548	553	521
of which Swedish Banking	252	255	252
of which Baltic Banking	77	75	67
of which Large Corporates & Inst.	219	223	202
Total	**1 578**	**1 574**	**1 502**

Lending to mortgage customers within Swedish Banking increased by SEK 10bn to SEK 799bn (789) compared with the end of the third quarter. The total market share was 24 per cent (24). Other private lending, including lending to tenant-owner associations, decreased by SEK 2bn. Swedish consumer finance volume amounted to SEK 31bn (30), corresponding to a market share of about 9 per cent. Consumer credit includes unsecured loans as well as loans secured by a car or a boat.

In Baltic Banking mortgage volume grew 2 per cent in local currency to the equivalent of SEK 78bn.

The Baltic consumer credit portfolio was unchanged and amounted to the equivalent of SEK 9bn at the end of the quarter.

Corporate lending rose SEK 5bn in the quarter to SEK 548bn (553). The decrease was mainly evident in business services and manufacturing. By business segment corporate lending rose in Baltic Banking but decreased in Swedish Banking and Large Corporates & Institutions.

In Sweden the market share was 18 per cent (18).

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

Payments

The total number of Swedbank cards in issue at the end of the quarter was 8.1 million, which is in line with the end of the third quarter. Compared with the fourth quarter 2017 the number of cards in issue has risen 1 per cent. In Sweden 4.3 million Swedbank cards were in issue at the end of the fourth quarter. Compared with the same period in 2017 corporate card issuance rose 4 per cent and private card issuance rose 1 per cent. The increase in private cards is largely driven by young people who sign up for new cards. The bank's many small and midsize business customers offer further growth potential in corporate card issuance. In the Baltic countries 3.8 million Swedbank cards were in issue, which is in line with the third quarter.

Number of cards	31 Dec 2018	30 Sep 2018	31 Dec 2017
Issued cards, millon	8.1	8.1	8.0
of which Sweden	4.3	4.3	4.2
of which Baltic countries	3.8	3.8	3.8

A total of 337 million purchases were made in Sweden with Swedbank cards in the fourth quarter, an increase of 4 per cent compared with the fourth quarter 2017. In the Baltic countries there were 145 million Swedbank card purchases, an increase of 15 per cent largely due to an increased number of premium credit cards, holiday shopping and campaigns during the summer. The number of Swedbank's acquired card transactions also rose year-on-year. In the Nordic countries 694 million card transactions were acquired in the fourth quarter, up 6 per cent compared with the fourth quarter 2017. In the Baltic countries the corresponding figures were 104 million and 13 per cent.

The number of domestic payments rose 1 per cent in Sweden and 7 per cent in the Baltic countries compared with the same period in 2017. Swedbank's market share of payments through the Bankgiro system was 36 per cent. The number of international payments was in line with the same period in 2017 in Sweden and increased 14 per cent in the Baltic countries.

Savings

Total deposits within the business segments rose SEK 19bn to SEK 920bn compared with the end of the third quarter 2018 (901). Compared with the end of the fourth quarter 2017 the increase was SEK 82bn, corresponding to growth of 10 per cent. Total deposits from the public, including volumes attributable to Group Treasury, amounted to SEK 920bn (SEK 932bn at the end of the third quarter 2018). The decrease is largely due to lower volumes from the US money market funds within Group Treasury. Exchange rates negatively affected deposits by SEK 1bn compared with the end of the third quarter 2018 and positively by SEK 10bn compared with the end of the fourth quarter 2017.

Deposits from the public excl. the Swedish National Debt Office and repurchase agreements, SEKbn	31 Dec 2018	30 Sep 2018	31 Dec 2017
Deposits, private	519	508	473
of which Swedish Banking	387	384	362
of which Baltic Banking	132	124	111
Deposits, corporate	401	424	374
of which Swedish Banking	172	166	163
of which Baltic Banking	89	86	74
of which Large Corporates & Inst.	140	141	128
of which Group Functions & Other		31	9
Total	**920**	**932**	**847**

Swedbank's deposits from private customers rose SEK 11bn in the quarter to SEK 519bn (508).

Corporate deposits in the business segments increased by a total of SEK 8bn in the quarter, mainly due to increased volumes within Swedish Banking.

Deposits within Group Treasury decreased SEK 31bn.

Market shares in Sweden were stable in the quarter. The market share for household deposits was 20 per cent (20) and for corporate deposits was 17 per cent (18). For more information on deposits, see page 37 of the Fact book.

Asset management, SEKbn	31 Dec 2018	30 Sep 2018	31 Dec 2017
Total Asset Management	**1 273**	**1 392**	**1 259**
Assets under management	**863**	**978**	**876**
Assets under management, Robur	857	972	871
of which Sweden	810	923	829
of which Baltic countries	48	51	43
of which eliminations	-1	-1	-1
Assets under management, Other, Baltic countries	5	6	5
Discretionary asset management	**410**	**414**	**383**

Assets under management by Swedbank Robur decreased in the fourth quarter to SEK 857bn (972) at the end of the quarter, of which SEK 810bn (923) related to the Swedish fund business and SEK 48bn (51) to the Baltic business. In Sweden the decrease is mainly due to a decline in asset values, but also negative fund flows, while the decrease in the Baltic countries is solely due to lower asset values.

The net flow in the Swedish fund market fell compared with the third quarter despite annual PPM contributions of nearly SEK 40bn. The total net inflow including PPM was SEK 15.4bn (17.8). A volatile stock market has led to outflows, especially from actively managed equity funds, which amounted to SEK -10.7bn (-5.8bn). The flow was also negative for index, hedge and other funds at SEK -2.3bn (9.9) and SEK -3.6bn (-0.8) respectively. Mixed funds and fixed income funds had a higher positive net flow compared with the previous quarter at SEK 22.3bn (9.6) and SEK 9.7bn (4.9) respectively.

Net flows in Swedbank Robur's Swedish fund operations amounted to SEK -6.5bn (SEK 4.8bn in the third quarter).

The outflows are attributable to Swedbank and the savings banks as well as third party and institutional distribution channels with the exception of PPM, where the annual contributions are made in December. Stock market turmoil led to outflows mainly from equity funds of SEK -8.1bn (0.8), however, flows for index and fixed income funds were also negative at SEK -0.6bn (3.0) and SEK -0.5bn (-1.4) respectively. The net flow for mixed funds remained positive at SEK 2.7bn (2.4).

The net flow of SEK 1.3bn (1.3) in the Baltic fund business was in line with the previous period.

In Robur's Swedish discretionary asset management business the net flow increased by SEK 9.7bn (SEK -5.3bn in the third quarter).

By assets under management Swedbank Robur is the largest player in the Swedish and Baltic fund markets. As of 31 December the market share in Sweden was 20 per cent. In Estonia and Latvia it was 42 per cent and in Lithuania 37 per cent.

Assets under management, life insurance SEKbn	31 Dec 2018	30 Sep 2018	31 Dec 2017
Sweden	174	196	177
of which collective occupational pensions	82	93	80
of which endowment insurance	59	68	64
of which occupational pensions	23	25	23
of which other	9	10	10
Baltic countries	5	6	5

Life insurance assets under management in Sweden decreased 11 per cent in the quarter to SEK 174bn. Swedbank has a market share of about 6 per cent in premium payments excluding capital transfers. Total transferred capital amounts to SEK 35bn. The market share for transferred capital is 12 per cent, ranking Swedbank second in the total transfer market. Swedbank is the largest life insurance company in Estonia and the second largest in Lithuania and Latvia. The market shares as of 30 September were 42 per cent in Estonia, 24 per cent in Lithuania and 24 per cent in Latvia.

Credit and asset quality

Credit quality in Swedbank's lending portfolios remained strong. In the fourth quarter credit impairments amounted to SEK 412m (SEK 117m in the third quarter) and primarily related to provisions within Swedish Banking and Large Corporates & Institutions. The credit impairment ratio was 0.10 per cent (0.03). For the full-year 2018 credit impairments amounted to SEK 521m, according to IFRS 9, corresponding to a credit impairment ratio of 0.03 per cent. The share of loans in stage 3 (gross) was 0.67 per cent (0.67). The provision ratio for loans in stage 3 was 34 per cent (30). For more information on asset quality, see pages 39-44 of the Fact book.

Credit impairments, net by business segment SEKm	Q4 2018	Q3 2018	Q4 2017
Swedish Banking	319	71	264
Baltic Banking	-103	8	-12
Estonia	-66	-13	-15
Latvia	-9	1	8
Lithuania	-28	20	-5
Large Corporates & Institutions	202	37	59
Group Functions & Other	-6	1	
Total	**412**	**117**	**311**

House prices in Sweden remained stable in the fourth quarter and the number of transactions stayed at a high level. There is still uncertainty about new apartment construction, however, mainly of exclusive properties in metropolitan areas. Further, the number of new residential projects is declining despite the structural housing shortage in Sweden. Residential development represents a limited share of Swedbank's total credit portfolio and lending is primarily to large, established companies with which Swedbank has a long-term relationship.

The risks in consumer lending are low and customer solvency is generally good. Swedbank's internal rules focus on long-term customer solvency, which ensures high quality and low risks for both the customer and the bank. The average loan-to-value ratio of Swedbank's mortgages was 57 per cent in Sweden (56 in the third quarter), 47 per cent (46) in Estonia, 76 per cent (74) in Latvia and 61 per cent (60) in Lithuania, based on property level. For new lending in the quarter the loan-to-value ratio was 69 per cent in Sweden, 70 per cent in Estonia, 76 per cent in Latvia and 76 per cent in Lithuania. Amortisations in the Swedish mortgage portfolio amounted to approximately SEK 14bn in the latest 12-month period. For more information, see pages 45-46 of the Fact book.

Operational risks

Losses related to operational risks remained low in the fourth quarter. Swedbank has continued to experience fraud attempts, but many are averted through improved technology and monitoring systems.

Funding and liquidity

Funding needs decreased in 2018 as long-term funding maturities were slightly lower than in 2017. In addition, higher deposit volumes financed part of the new lending. During the year Swedbank issued SEK 117bn in long-term debt, of which SEK 12bn in the fourth quarter. Covered bond issuance accounted for the large part at SEK 88bn. Total issuance volume for 2019 is expected to be unchanged compared with 2018. Maturities for the full-year 2019 nominally amount to SEK 68bn 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. As of 31 December outstanding short-term funding, commercial paper and Certificates of Deposit included in debt securities in issue amounted to SEK 131bn (SEK 239bn as of 30 September). At the same time cash and balances with central banks as well as excess reserves with the National Debt Office amounted to SEK 173bn (297). The liquidity reserve amounted to SEK 317bn (460) as of 31 December. The Group's liquidity coverage ratio (LCR) was 144 per cent (148) and for USD and EUR was 218 per cent and 191 per cent respectively. The net stable funding ratio (NSFR) was 111 per cent (110). For more information on funding and liquidity, see notes 15-17 on pages 41-42 and pages 55-70 of the Fact book.

Ratings

There were no changes to Swedbank's ratings in the fourth quarter.

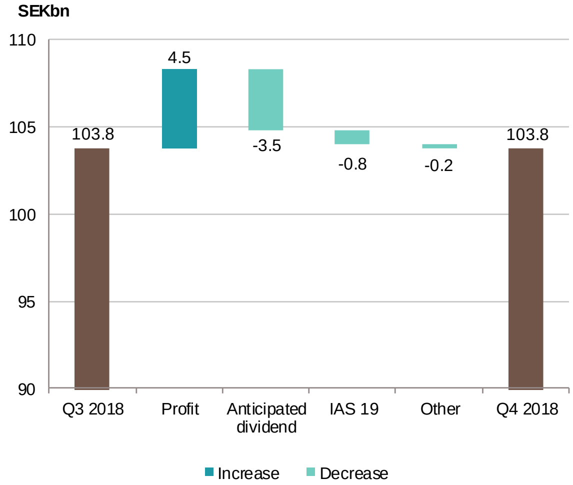
Capital and capital adequacy

Capital ratio and capital requirement

The Common Equity Tier 1 capital ratio was 16.3 per cent at the end of the quarter (24.3 per cent as of 30 September 2018), compared with the requirement of 14.6 per cent (21.5). The Common Equity Tier 1 capital ratio and the capital requirement, expressed as a percentage, has decreased because the Swedish Financial Supervisory Authority decided that the risk weight floor for Swedish mortgages will be included as a basic capital requirement in Pillar 1, instead of being applied as previously in the overall capital assessment in Pillar 2. The change increased the risk exposure amount (REA) by SEK 208.6bn. Swedbank's total capital requirement and capital levels, expressed in SEK, changes only marginally, however. Had the SFSA's decision taken effect at the end of the third quarter, the Common Equity Tier 1 capital ratio would have decreased from 16.4 per cent to 16.3 per cent.

Common Equity Tier 1 capital was unchanged at SEK 103.8bn (103.8). Profit after deducting the proposed dividend increased Common Equity Tier 1 capital by SEK 1.0bn, at the same time that revised wage assumptions for the pension liability (IAS 19) and other deductions reduced Common Equity Tier 1 capital by SEK 1.0bn.

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



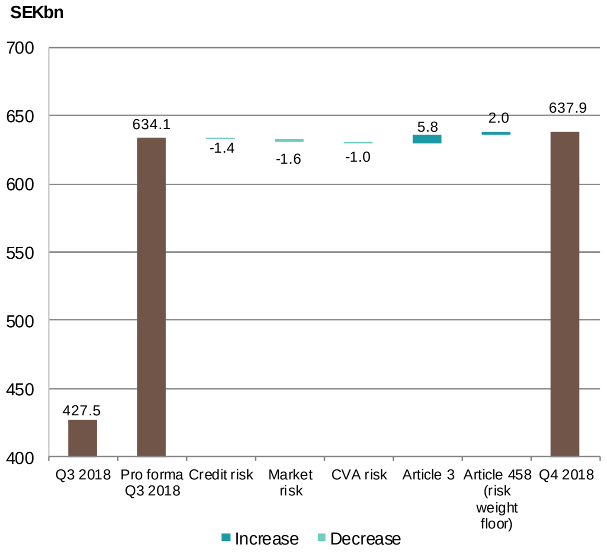
REA increased to SEK 637.9bn (427.5), the large part of which is due to the above-mentioned decision by the SFSA. The following REA measures are pro forma, calculated as if the SFSA's decision had taken effect at the end of the third quarter.

In total, REA (pro forma) increased by SEK 3.8bn. The main reason was that Swedbank, in connection with the quarterly review of further risk exposure amounts in accordance with article 3 in CRR, has chosen to increase REA by SEK 5.8bn until the bank has updated and implemented a new PD model for large corporates in the Baltic countries.

REA for credit risk decreased by SEK 1.4bn. Much of the decrease was due to updated collateral values having a positive effect on loss given default (LGD).

REA for market risk decreased SEK 1.6bn, while REA for Credit Value Adjustment (CVA) decreased by SEK 1.0bn.

Change in REA 2018, Swedbank consolidated situation



The leverage ratio was 5.1 per cent (4.8 per cent as of 30 September 2018). The ratio increased because of higher Tier 1 capital and lower total assets at the end of the fourth quarter 2018 than at the end of the third quarter 2017.

Future capital regulations

In November 2018 the SFSA published a memorandum explaining its view of the European Banking Authority's (EBA) updated guidelines on banks' internal risk classification systems. In the memorandum, the SFSA states that Swedish banks must analyse their internal risk classification systems to ensure that they continue to live up to the updated requirements, which are expected to enter into force in early 2021. Since the guidelines have not been finalised by the EBA or introduced by the SFSA, there is uncertainty how the changes affect Swedbank. With its robust profitability and strong capitalisation, however, Swedbank is well positioned to meet future changes in capital requirements.

The SFSA announced that the countercyclical buffer rate will be raised from 2 per cent to 2.5 per cent on Swedish exposures as of 19 September 2019. The reason for the hike is the elevated risk in the financial system due to higher household and non-financial company debt.

Other events

On 14 December Kerstin Winlöf was appointed the new Head of Group Savings at Swedbank. Formerly Chief Operating Officer within Wealth Management and Wholesale Banking at Nordea, Kerstin will assume her new role by 1 May 2019 and will join Swedbank's Group Executive Committee. At that point the current Head of Group Savings, Björn Elfstrand, will begin a new assignment related to the bank's future business models. He will report to Birgitte Bonnesen but not be part of the Group Executive Committee.

Events after 31 December 2018

On 9 January it was announced that Board member Annika Poutiainen had requested to step down from Swedbank's Board with immediate effect. The decision is a consequence of the fact that Council for Swedish Financial Reporting Supervision, of which Annika Poutiainen is Chair, will take over full responsibility for accounting supervision in Sweden.

On 22 January Swedbank CEO Birgitte Bonnesen decided to implement an organisational change within Swedish Banking as part of the transformation the bank is undergoing. As a result, Swedish Banking will be organised according to the following areas: Sales & Service; Segment Management Private & Small Corporates; Segment Management Corporates; and Business Development Lending. Until further notice Birgitte Bonnesen will take on the role of Head of the business area. Christer Trägårdh, previously Head of Swedish Banking, will take on a role as Deputy Group Credit Officer with special responsibility for developing future-oriented credit processes.

Swedish Banking

- Increased mortgage volumes supported net interest income
- Lower asset management income weighed down net commission income
- More satisfied private customers

Income statement

SEKm	Q4 2018	Q3 2018	%	Q4 2017	%	Full-year 2018	Full-year 2017	%
Net interest income	3 839	3 847	0	3 861	-1	15 403	15 103	2
Net commission income	1 817	1 967	-8	1 960	-7	7 595	7 481	2
Net gains and losses on financial items	92	93	-1	108	-15	400	398	1
Share of profit or loss of associates	228	149	53	224	2	693	654	6
Other income[1)]	179	205	-13	217	-18	1 484	1 311	13
Total income	**6 155**	**6 261**	**-2**	**6 370**	**-3**	**25 575**	**24 947**	**3**
Staff costs	775	772	0	772	0	3 116	3 137	-1
Variable staff costs	12	29	-59	3		71	103	-31
Other expenses	1 515	1 404	8	1 519	0	5 776	5 621	3
Depreciation/amortisation	15	14	7	17	-12	57	67	-15
Total expenses	**2 317**	**2 219**	**4**	**2 311**	**0**	**9 020**	**8 928**	**1**
Profit before impairment	**3 838**	**4 042**	**-5**	**4 059**	**-5**	**16 555**	**16 019**	**3**
Impairment of intangible assets				80			80	
Credit impairment	319	71		264	21	727	413	76
Operating profit	**3 519**	**3 971**	**-11**	**3 715**	**-5**	**15 828**	**15 526**	**2**
Tax expense	678	806	-16	681	0	3 047	2 946	3
Profit for the period	**2 841**	**3 165**	**-10**	**3 034**	**-6**	**12 781**	**12 580**	**2**
Profit for the period attributable to the shareholders of Swedbank AB	**2 837**	**3 159**	**-10**	**3 032**	**-6**	**12 765**	**12 566**	**2**
Non-controlling interests	4	6	-33	2	100	16	14	14
Return on allocated equity, %	18.0	20.2		21.3		20.8	22.5	
Loan/deposit ratio, %	213	215		219		213	219	
Credit impairment ratio, %	0.11	0.02		0.09		0.06	0.04	
Cost/income ratio	0.38	0.35		0.36		0.35	0.36	
Loans, SEKbn[2)]	1 188	1 183	0	1 150	3	1 188	1 150	3
Deposits, SEKbn[2)]	559	550	2	525	6	559	525	6
Full-time employees	3 846	3 854	0	3 980	-3	3 846	3 980	-3

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

Result

Fourth quarter 2018 compared with third quarter 2018

Swedish Banking reported profit of SEK 2 837m (3 159). The decrease was mainly due to lower net commission income from asset management and higher expenses and credit impairments.

Net interest income was stable at SEK 3 839m (3 847). Net interest income from the mortgage business increased due to higher volumes as well as slightly higher margins. Net interest income from deposits increased as a consequence of the higher market interest rates at the end of the quarter. This was offset by net interest income being negatively affected by SEK 42m due to a temporary effect from interest income in the leasing and instalment loan business

Residential mortgage volume amounted to SEK 799bn at the end of the quarter, corresponding to an increase of SEK 10bn. Corporate lending decreased to SEK 252bn (255). Corporate lending was negatively affected when lending volumes of SEK 1bn were transferred to Large Corporates & Institutions. Property management volume increased, but it decreased mainly in the forestry and agricultural as well as retail sectors.

Household deposit volume increased by SEK 3bn in the quarter. Corporate deposits increased by SEK 6bn, mainly driven by lower risk-taking due to the increased market turbulence in the quarter.

Net commission income decreased 8 per cent to SEK 1 817m (1 967). The main reason was a decline in asset management income due to lower stock prices. Net commission income from cards decreased as well, since the third quarter was positively affected by increased card usage during the summer vacation months.

The share of profit or loss of associates rose, mainly due to an increase in EnterCard's profit of SEK 79m.

Other income decreased by SEK 26m as the insurance business was adversely affected by slightly higher claims.

Total expenses increased. Marketing and travel expenses were higher due to increased activity in the last quarter of the year. Expenses for premises also increased due to renovations.

Credit impairments of SEK 319m (71) were recognised in the quarter, the large part of which relates to individually assessed loans in Stage 3.

Full-year 2018 compared with full-year 2017
Profit increased 2 per cent to SEK 12 765m (12 566), mainly due to higher income.

Net interest income increased 2 per cent to SEK 15 403m (15 103), mainly because of higher net interest income from the mortgage business thanks to higher volumes. Mortgage margins were stable in 2018, while increased deposit margins contributed positively. Corporate lending contributed positively, mainly driven by higher margins. The effect was partly offset by volumes transferred to Large Corporates & Institutions. A higher resolution fund fee compared with 2017 negatively affected net interest income.

Net commission income increased 2 per cent to SEK 7 595m (7 481). The increase was mainly due to higher asset management income driven by higher valuations for most of 2018. The acquisition of PayEx in the second half of 2017 also contributed positively.

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

Total expenses increased slightly, partly due to the consolidation of PayEx. Staff costs decreased together with expenses for premises, depreciation and consultants.

Credit impairments of SEK 727m were recognised in the period, according to IFRS 9, largely related to individually assessed loans in stage 3.

Business development

The work to develop our digital and physical meeting places is continuing. During the quarter we made it possible for customers to replace a bank card through our virtual assistant. It is now available in the mobile app, where customers can also apply for a mortgage commitment offer.

At the end of 2018 we continued to develop our corporate business. Among other things, our forestry specialists were active in supporting customers that own and want to invest in forestry. We have also expanded our online services for businesses. These proactive efforts have been intensified in part through targeted communication on how corporate customers can use and contact the bank. At the same time the bank's customer relationship management system has been expanded to include businesses.

During the quarter the application period ended for our entrepreneurs' competition. Known as Swedbank Rivstart ("Flying Start"), it is designed for entrepreneurs whose business ideas have the potential to positively change society. The competition concludes in February 2019, when ten finalists will be awarded a business development plan and will share SEK 2.5m.

The bank's customer survey, where around 25 000 private and corporate customers were interviewed, was completed in December. The results show that private customers are more satisfied with us as a bank than in previous years. This is a welcome trend. On the corporate side, however, there was a slight decrease. We continue therefore to work intensely to improve availability and service for all our customers.

Christer Trägårdh
Head of Swedish Banking

***Sweden is Swedbank's largest market,** with around 4 million private customers and over 250 000 corporate customers. This makes Swedbank Sweden's largest bank by number of customers. Through our digital channels (Internet Bank and Mobile Bank), the Telephone Bank and branches, and with the cooperation of the savings banks and franchisees, we are always available. Swedbank is part of the local community. Branch managers have a strong mandate to act in their local communities. The bank's presence and engagement are expressed in various ways. A project called "Young Jobs", which has created several thousand trainee positions for young people, has played an important part in recent years. Swedbank has 186 branches in Sweden.*

Baltic Banking

- Higher lending volumes in all three Baltic countries positively affected net interest income
- Lower net commission income from payment processing
- Swedbank's second accelerator programme launched

Income statement

SEKm	Q4 2018	Q3 2018	%	Q4 2017	%	Full-year 2018	Full-year 2017	%
Net interest income	1 248	1 236	1	1 116	12	4 768	4 221	13
Net commission income	622	654	-5	711	-13	2 503	2 364	6
Net gains and losses on financial items	88	64	38	59	49	272	220	24
Other income[1]	228	188	21	167	37	737	621	19
Total income	**2 186**	**2 142**	**2**	**2 053**	**6**	**8 280**	**7 426**	**12**
Staff costs	250	246	2	230	9	946	858	10
Variable staff costs	17	13	31	12	42	57	50	14
Other expenses	514	459	12	470	9	1 840	1 666	10
Depreciation/amortisation	22	22	0	25	-12	91	102	-11
Total expenses	**803**	**740**	**9**	**737**	**9**	**2 934**	**2 676**	**10**
Profit before impairment	**1 383**	**1 402**	**-1**	**1 316**	**5**	**5 346**	**4 750**	**13**
Impairment of tangible assets	8			7	14	8	21	-62
Credit impairment	-103	8		-12		-208	-97	
Operating profit	**1 478**	**1 394**	**6**	**1 321**	**12**	**5 546**	**4 826**	**15**
Tax expense	209	201	4	229	-9	802	822	-2
Profit for the period	**1 269**	**1 193**	**6**	**1 092**	**16**	**4 744**	**4 004**	**18**
Profit for the period attributable to the shareholders of Swedbank AB	**1 269**	**1 193**	**6**	**1 092**	**16**	**4 744**	**4 004**	**18**
Return on allocated equity, %	21.8	20.6		20.8		20.6	19.2	
Loan/deposit ratio, %	77	80		81		77	81	
Credit impairment ratio, %	-0.25	0.02		-0.03		-0.13	-0.07	
Cost/income ratio	0.37	0.35		0.36		0.35	0.36	
Loans, SEKbn[2]	170	167	2	149	14	170	149	14
Deposits, SEKbn[2]	221	210	5	185	19	221	185	19
Full-time employees	3 569	3 528	1	3 476	3	3 569	3 476	3

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

Result

Fourth quarter 2018 compared with third quarter 2018
Profit increased to SEK 1 269m (1 193) due to higher income and lower credit impairments. Foreign exchange effects reduced profit by SEK 7m.

Net interest income rose 2 per cent in local currency, mainly due to higher lending volumes. Margins on both mortgage and commercial loans were stable. Foreign exchange effects negatively affected net interest income by SEK 10m.

Lending increased 2 per cent in local currency. Consumer and corporate lending both rose 2 per cent and increased in all three Baltic countries. Foreign exchange effects negatively affected lending by SEK 1bn. Deposits rose 6 per cent in local currency. Foreign exchange effects negatively affected deposit volume by SEK 1bn.

Net commission income decreased 4 per cent in local currency due to lower net commission income from payment processing.

Net gains and losses on financial items increased 38 per cent in local currency, mainly due to gains realised on bond holdings.

Other income increased 21 per cent in local currency. The main reason was higher income from the insurance business, which was due to higher premium income and lower claims.

Total expenses increased 9 per cent in local currency due to higher staff costs and expenses for premises and marketing.

Credit impairments amounted to a positive result of SEK 103m (8), attributable to a few commitments. Underlying credit quality remained solid.

Impairments of tangible assets amounted to SEK 8m (0) due to an annual revaluation of repossessed assets.

Full-year 2018 compared with full-year 2017
Profit increased to SEK 4 744m (4 004) due to higher income and lower credit impairments. Foreign exchange effects positively affected profit by SEK 297m.

Net interest income rose 6 per cent in local currency. The increase was mainly due to higher lending volumes. Foreign exchange effects positively affected net interest income by SEK 301m.

Lending grew 9 per cent in local currency. Consumer and corporate lending both grew in all three Baltic countries. Foreign exchange effects positively affected lending by SEK 7bn.

Deposits increased 14 per cent in local currency. Foreign exchange effects positively affected deposits by SEK 10bn.

Net commission income decreased 1 per cent in local currency. Lower asset management income was partly offset by higher income from cards and payments processing.

Net gains and losses on financial items increased 16 per cent in local currency, mainly due to gains realised on bond holdings.

Other income increased 11 per cent due to higher income from the insurance business.

Total expenses rose 3 per cent in local currency. The increase was due to higher staff costs and expenses for premises.

Credit impairments according to IFRS 9 amounted to a gain of SEK 208m.

Business development

After launching a new version of the mobile app in the third quarter, Swedbank joined the direct payment system between banks. Our customers can now quickly send and receive payments from other affiliated banks.

We also continue to expand our services available through the Internet Bank. Customers can now manage payment limits and other card functions through our digital channels instead of having to visit a branch.

To encourage increased savings, Swedbank in Latvia launched an investment savings account that makes it easier for individual investors to manage tax issues related to the securities they own.

Swedbank again ranked as an industry leader in the "Most Loved Brands" survey and is the most popular of the companies with a physical presence in the Baltic countries. Swedbank has also been named one of the companies in Latvia with the smallest gender pay gaps.

As part of our work with Open Banking, we continue to promote cooperation with fintech companies. In October the second accelerator programme was launched together with Start-Up Wise Guys. Compared with the first programme, the number of applications has doubled, to around 200. Altogether, nine teams from nine countries have been selected for the three-month programme, which gives participants an opportunity to develop their business ideas together with mentors from Swedbank.

Charlotte Elsnitz
Head of Baltic Banking

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

Large Corporates & Institutions

- Lower lending volumes weighed down net interest
- Annual fees lifted net commission income
- Increased customer satisfaction

Income statement

SEKm	Q4 2018	Q3 2018	%	Q4 2017	%	Full-year 2018	Full-year 2017	%
Net interest income	1 002	1 039	-4	934	7	3 963	3 545	12
Net commission income	698	661	6	656	6	2 620	2 348	12
Net gains and losses on financial items	248	541	-54	333	-26	1 791	1 854	-3
Other income[1)]	50	32	56	42	19	158	123	28
Total income	**1 998**	**2 273**	**-12**	**1 965**	**2**	**8 532**	**7 870**	**8**
Staff costs	360	329	9	351	3	1 420	1 454	-2
Variable staff costs	36	70	-49	-8		208	148	41
Other expenses	560	523	7	495	13	2 168	1 837	18
Depreciation/amortisation	14	23	-39	24	-42	84	78	8
Total expenses	**970**	**945**	**3**	**862**	**13**	**3 880**	**3 517**	**10**
Profit before impairment	**1 028**	**1 328**	**-23**	**1 103**	**-7**	**4 652**	**4 353**	**7**
Credit impairment	202	37		59		13	969	-99
Operating profit	**826**	**1 291**	**-36**	**1 044**	**-21**	**4 639**	**3 384**	**37**
Tax expense	164	296	-45	209	-22	1 005	725	39
Profit for the period	**662**	**995**	**-33**	**835**	**-21**	**3 634**	**2 659**	**37**
Profit for the period attributable to the shareholders of Swedbank AB	**662**	**995**	**-33**	**835**	**-21**	**3 634**	**2 659**	**37**
Return on allocated equity, %	10.1	14.8		14.3		14.3	12.0	
Loan/deposit ratio, %	157	159		158		157	158	
Credit impairment ratio, %	0.26	0.05		0.08		0.01	0.40	
Cost/income ratio	0.49	0.42		0.44		0.45	0.45	
Loans, SEKbn[2)]	220	224	-2	203	8	220	203	8
Deposits, SEKbn[2)]	140	141	-1	128	9	140	128	9
Full-time employees	1 256	1 237	2	1 266	-1	1 256	1 266	-1

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

Result

Fourth quarter 2018 compared with third quarter 2018

Profit decreased to SEK 662m (995) due to lower net gains and losses on financial items and increased credit impairments in the fourth quarter.

Net interest income decreased to SEK 1 002m (1 039) due to lower lending volumes. Margins were slightly lower.

Net commission income increased to SEK 698m (661). Commission income from asset management benefited from annual profit-based fees, but was partly offset by the weaker stock market. The fees that Swedbank earns as a liquidity guarantor in the covered bond market also contributed positively.

Net gains and losses on financial items decreased to SEK 248m (541). Wider credit spreads negatively affected the value of bonds held for trading. Value adjustments to derivatives and foreign exchange effects also contributed to the decline.

Compared with the previous quarter, total expenses increased to SEK 970m (945). In the third quarter staff costs were lower in Norway and Finland due to the summer vacation months. IT expenses also increased.

Credit impairments amounted to SEK 202m (37) in the fourth quarter, corresponding to a credit impairment ratio of 0.26 per cent. Increased provisions within stage 3 contributed negatively.

Full-year 2018 compared with full-year 2017

Profit rose to SEK 3 634m (2 659) due to increased income and lower credit impairments compared with 2017.

Net interest income rose to SEK 3 963m (3 545) with a positive impact from increased lending volumes and margins as well as customer volumes transferred from Swedish Banking.

Net commission income increased to SEK 2 620m (2 348), mainly due to income from PayEx, which was acquired in 2017. Lending commissions increased slightly between years.

Net gains and losses on financial items decreased to SEK 1 791m (1 854). Value adjustments to derivatives had a negative effect. Earnings from FX and fixed income trading contributed positively.

Total expenses increased to SEK 3 880m (3 518), due to the acquisition of PayEx in 2017. Increased variable remuneration and higher IT expenses also contributed to the increase.

Credit impairments amounted to SEK 13m, according to IFRS 9.

Business development

Swedbank has seen increased customer satisfaction in the opinion research firm Prospera's annual surveys of corporate and institutional customers. As in the previous year we were ranked number one in the survey Corporate Banking 2018 Real Estate Sweden.

In the fourth quarter Swedbank entered into a strategic partnership with State Street, one of the world's leading providers of financial services to institutional investors. Through the collaboration, Swedbank's institutional clients gain access to one of the market's most sophisticated and comprehensive range of custodial services. Swedbank has also entered into a partnership with Carne Group, one of the market's premier global and independent providers of fund management company solutions. Carne Group will provide fund management services in Luxembourg to Swedbank's clients and State Street will be the depositary and fund administrator. Due to these partnerships, Swedbank's branch in Luxembourg will be closed down in 2019.

Swedbank continues to focus on sustainability and green bonds. For the full-year 2018 the bank is ranked number two in the Nordic region in green bond issuance for all currencies, according to Bloomberg. In November Swedbank acted as joint lead manager for Stockholm County Council's SEK 2.5bn green bond issue, due 2021. The bond is the largest ever issued in the Swedish municipal and county council sector.

In early December the shipping company Tallink was listed on the Helsinki Stock Exchange. This made Tallink the first Estonian company to be listed on two trading venues. Swedbank served as financial adviser to the company.

Ola Laurin
Head of Large Corporates & Institutions

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

Group Functions & Other

Income statement

SEKm	Q4 2018	Q3 2018	%	Q4 2017	%	Full-year 2018	Full-year 2017	%
Net interest income	253	210	20	418	-39	1 114	1 735	-36
Net commission income	19	39	-51	-6		53	-44	
Net gains and losses on financial items	2	-211		-145		-353	-538	-34
Share of profit or loss of associates	-34	192		38		335	82	
Other income[1)]	172	212	-19	264	-35	833	956	-13
Total income	**412**	**442**	**-7**	**569**	**-28**	**1 982**	**2 191**	**-10**
Staff costs	1 109	935	19	1 314	-16	4 274	4 036	6
Variable staff costs	23	63	-63	23	0	192	159	21
Other expenses	-916	-980	-7	-723	27	-3 772	-3 023	25
Depreciation/amortisation	119	117	2	105	13	454	353	29
Total expenses	**335**	**135**		**719**	**-53**	**1 148**	**1 525**	**-25**
Profit before impairment	**77**	**307**	**-75**	**-150**		**834**	**666**	**25**
Impairment of intangible assets	24			-1		306	95	
Credit impairment	-6	1				-11		
Operating profit	**59**	**306**	**-81**	**-149**		**539**	**571**	**-6**
Tax expense	237	128	85	73		520	450	16
Profit for the period	**-178**	**178**		**-222**	**-20**	**19**	**121**	**-84**
Profit for the period attributable to the shareholders of Swedbank AB	**-178**	**178**		**-222**	**-20**	**19**	**121**	**-84**
Full-time employees	6 194	6 125	1	5 866	6	6 194	5 866	6

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

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

Fourth quarter 2018 compared with third quarter 2018
Profit decreased to SEK -178m (178), mainly because a tax-exempt gain on Swedbank's indirect holding in Visa Inc. positively affected profit for the third quarter. Profit within Group Treasury decreased to SEK -3m (85).

Net interest income increased to SEK 253m (210). Net interest income within Group Treasury was stable at SEK 238m (231). Negative effects from lower repurchasing activity in covered bonds were offset by more favourable conditions in short-term funding at the beginning of the quarter.

Net gains and losses on financial items improved to SEK 2m (-211). Net gains and losses on financial items within Group Treasury increased to SEK 3m (-211) due to lower repurchasing activity in covered bonds as well as positive valuation effects on currency swaps.

Expenses increased to SEK 335m (135). The third quarter had been positively affected by a SEK 200m reversal of the SEK 300m restructuring reserve allocated in the fourth quarter 2017.

Impairment of intangible assets amounted to a gain of SEK 24m (0).

Credit impairments amounted to SEK 6m (1).

Full-year 2018 compared with full-year 2017
Profit decreased to SEK 19m (121). Group Treasury's profit fell to SEK 485m (790).

Net interest income fell to SEK 1 114m (1 735). Group Treasury's net interest income fell to SEK 1 153m (1 783), mainly due to lower repurchasing activity in covered bonds in the period as well as less favourable terms in short-term international funding.

Net gains and losses on financial items increased to SEK -353m (-538). Net gains and losses on financial items within Group Treasury increased to SEK -345m (-479) due to lower covered bond repurchases and because some loans to the public are no longer recognised at fair value through profit or loss following the transition to IFRS 9.

Expenses decreased to SEK 1 148m (1 525) because Swedbank reversed SEK 200m of the SEK 300m restructuring reserve allocated in the fourth quarter 2017.

Impairment of intangible assets amounted to SEK 306m (95) and related to the development of a new data warehouse and a risk management system.

Credit impairments according to IFRS 9 amounted to a gain of SEK 11m.

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

Eliminations

Income statement

SEKm	Q4 2018	Q3 2018	%	Q4 2017	%	Full-year 2018	Full-year 2017	%
Net interest income	-7	-6	17	-3		-20	-9	
Net commission income	27	15	80	14	93	65	57	14
Net gains and losses on financial items		1		1		2		
Other income[1)]	-39	-51	-24	-78	-50	-194	-279	-30
Total income	**-19**	**-41**	**-54**	**-66**	**-71**	**-147**	**-231**	**-36**
Staff costs								
Variable staff costs								
Other expenses	-19	-41	-54	-66	-71	-147	-231	-36
Depreciation/amortisation								
Total expenses	**-19**	**-41**	**-54**	**-66**	**-71**	**-147**	**-231**	**-36**

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

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

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

Income statement, condensed

Group SEKm	Q4 2018[1]	Q3 2018[1]	%	Q4 2017[2]	%	Full-year 2018[1]	Full-year 2017[2]	%
Interest income	9 555	9 497	1	8 720	10	37 045	34 494	7
Negative yield on financial assets	-860	-733	17	-659	31	-2 987	-2 306	30
Interest income, including negative yield on financial assets	**8 695**	**8 764**	**-1**	**8 061**	**8**	**34 058**	**32 188**	**6**
Interest expense	-2 580	-2 606	-1	-1 957	32	-9 600	-8 382	15
Negative yield on financial liabilities	220	168	31	222	-1	770	789	-2
Interest expense, including negative yield on financial liabilities	**-2 360**	**-2 438**	**-3**	**-1 735**	**36**	**-8 830**	**-7 593**	**16**
Net interest income (note 5)	**6 335**	**6 326**	**0**	**6 326**	**0**	**25 228**	**24 595**	**3**
Commission income	4 820	4 892	-1	4 782	1	18 967	17 542	8
Commission expense	-1 637	-1 556	5	-1 447	13	-6 131	-5 336	15
Net commission income (note 6)	**3 183**	**3 336**	**-5**	**3 335**	**-5**	**12 836**	**12 206**	**5**
Net gains and losses on financial items (note 7)	430	488	-12	356	21	2 112	1 934	9
Net insurance	311	326	-5	304	2	1 192	937	27
Share of profit or loss of associates[3]	194	341	-43	262	-26	1 028	736	40
Other income	279	260	7	308	-9	1 826	1 795	2
Total income	**10 732**	**11 077**	**-3**	**10 891**	**-1**	**44 222**	**42 203**	**5**
Staff costs	2 582	2 457	5	2 697	-4	10 284	9 945	3
Other expenses (note 8)	1 654	1 365	21	1 695	-2	5 865	5 870	0
Depreciation/amortisation	170	176	-3	171	-1	686	600	14
Total expenses	**4 406**	**3 998**	**10**	**4 563**	**-3**	**16 835**	**16 415**	**3**
Profit before impairment	**6 326**	**7 079**	**-11**	**6 328**	**0**	**27 387**	**25 788**	**6**
Impairment of intangible assets (note 14)	24			79	-70	306	175	75
Impairment of tangible assets	8			7	14	8	21	-62
Credit impairment (note 9)	412	117		311	32	521	1 285	-59
Operating profit	**5 882**	**6 962**	**-16**	**5 931**	**-1**	**26 552**	**24 307**	**9**
Tax expense[3]	1 288	1 431	-10	1 192	8	5 374	4 943	9
Profit for the period	**4 594**	**5 531**	**-17**	**4 739**	**-3**	**21 178**	**19 364**	**9**
Profit for the period attributable to the shareholders of Swedbank AB	**4 590**	**5 525**	**-17**	**4 737**	**-3**	**21 162**	**19 350**	**9**
Non-controlling interests	4	6	-33	2	100	16	14	14
SEK								
Earnings per share, SEK	4.11	4.95		4.25		18.96	17.38	
after dilution	4.09	4.93		4.23		18.89	17.30	

1) Results from Q1 2018 and onwards reflect the adoption of IFRS 9 Financial instruments and prior periods have not been restated. Refer to Note 1 for further information.
2) 2017 results have been restated for changed presentation of commission income. Refer to Note 1 for further information.
3) 2018 (Q1 to Q3) and 2017 results have been restated for changed presentation of tax related to associates. Refer to Note 1 for further information.

Statement of comprehensive income, condensed

Group SEKm	Q4 2018[1)]	Q3 2018[1)]	%	Q4 2017	%	Full-year 2018[1)]	Full-year 2017	%
Profit for the period reported via income statement	**4 594**	**5 531**	**-17**	**4 739**	**-3**	**21 178**	**19 364**	**9**
Items that will not be reclassified to the income statement								
Remeasurements of defined benefit pension plans	-954	261		-776	23	-1 806	-1 928	-6
Share related to associates, Remeasurements of defined benefit pension plans	-36	4		-17		-63	-49	28
Change in fair value attributable to changes in own credit risk on financial liabilities designated at fair value	9	4				22		
Income tax	192	-54		171	12	361	424	-15
Total	**-789**	**215**		**-622**	**27**	**-1 486**	**-1 553**	**-4**
Items that may be reclassified to the income statement								
Exchange rate differences, foreign operations								
Gains/losses arising during the period	-247	-559	-56	732		1 870	1 077	74
Reclassification adjustments to income statement, Net gains and losses on financial items				4			4	
Hedging of net investments in foreign operations:								
Gains/losses arising during the period	259	421	-38	-515		-1 474	-732	
Reclassification adjustments to income statement, Net gains and losses on financial items				81			81	
Cash flow hedges:								
Gains/losses arising during the period	-45	-122	-63	34		421	-76	
Reclassification adjustments to the income statement, Net gains and losses on financial items	49	117	-58			-403		
Reclassification adjustments to the income statement, Net interest income				3			13	
Foreign currency basis risk:								
Gains/losses arising during the period	-3	10				-72		
Share of other comprehensive income of associates	-100	-8		-49		36	-80	
Income tax								
Income tax	-53	-88	-40	89		297	161	84
Reclassification adjustments to the income statement, Tax expense				-1			-3	
Total	**-140**	**-229**	**-39**	**378**		**675**	**445**	**52**
Other comprehensive income for the period, net of tax	**-929**	**-14**		**-244**		**-811**	**-1 108**	**-27**
Total comprehensive income for the period	**3 665**	**5 517**	**-34**	**4 495**	**-18**	**20 367**	**18 256**	**12**
Total comprehensive income attributable to the shareholders of Swedbank AB	**5 511**	**5 511**	**0**	**4 493**	**23**	**20 351**	**18 242**	**12**
Non-controlling interests	6	6	0	2		16	14	14

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

During 2018 an expense of SEK 1 806m (1 928) was recognised in other comprehensive income, regarding remeasurements of defined benefit pension plans. At year end the discount rate, which is used to calculate the closing pension obligation, was 2.42 per cent, compared with 2.56 per cent at the last year end. The inflation assumption was 1.92 per cent compared with 1.95 per cent last year end. The changed assumptions represent SEK 579m of the expense in other comprehensive income. In addition, SEK 526m was added as a result of actual outcome and a higher assumption for future salary increases.The fair value of plan assets decreased during 2018 by SEK 701m. In total, the obligation for defined benefit pension plans exceeded the fair value of plan assets by SEK 4 979m compared with SEK 3 200m at the last year end.

For January-December 2018 an exchange rate difference of SEK 1 870m (1 077) was recognised for the Group's foreign net investments in subsidiaries. In addition, an exchange rate difference of SEK 36m (-80) for the Group's foreign net investments in associates is included in Share related to associates. The gain related to subsidiaries mainly arose because the Swedish krona weakened against the euro during the year. The total gain of SEK 1 906m is not taxable. Since the large part of the Group's foreign net investments is hedged against currency risk, a loss of SEK 1 474m (732) before tax arose for the hedging instruments.

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

Balance sheet, condensed

Group SEKm	31 Dec 2018[1)]	31 Dec 2017	Δ SEKm	 %
Assets				
Cash and balances with central banks	163 161	200 371	-37 210	-19
Loans to credit institutions (note 10)	36 268	30 746	5 522	18
Loans to the public (note 10)	1 627 368	1 535 198	92 170	6
Value change of interest hedged item in portfolio hedge	766	789	-23	-3
Interest-bearing securities	152 891	145 034	7 857	5
Financial assets for which customers bear the investment risk	177 868	180 320	-2 452	-1
Shares and participating interests	4 921	19 850	-14 929	-75
Investments in associates	6 088	6 357	-269	-4
Derivatives (note 18)	39 665	55 680	-16 015	-29
Intangible assets (note 14)	17 118	16 329	789	5
Tangible assets	1 966	1 955	11	1
Current tax assets	2 065	1 375	690	50
Deferred tax assets	164	173	-9	-5
Other assets	13 970	14 499	-529	-4
Prepaid expenses and accrued income	1 813	3 960	-2 147	-54
Total assets	**2 246 092**	**2 212 636**	**33 456**	**2**
Liabilities and equity				
Amounts owed to credit institutions (note 15)	57 218	68 055	-10 837	-16
Deposits and borrowings from the public (note 16)	920 750	855 609	65 141	8
Financial liabilities for which customers bear the investment risk	178 662	181 124	-2 462	-1
Debt securities in issue (note 17)	804 360	844 204	-39 844	-5
Short positions, securities	38 333	14 459	23 874	
Derivatives (note 18)	31 316	46 200	-14 884	-32
Current tax liabilities	1 788	1 980	-192	-10
Deferred tax liabilities	1 576	2 182	-606	-28
Pension provisions	4 979	3 200	1 779	56
Insurance provisions	1 897	1 834	63	3
Other liabilities and provisions	30 035	25 059	4 976	20
Accrued expenses and prepaid income	3 385	9 650	-6 265	-65
Subordinated liabilities (note 17)	34 184	25 508	8 676	34
Total liabilities	**2 108 483**	**2 079 064**	**29 419**	**1**
Equity				
Non-controlling interests	213	200	13	7
Equity attributable to shareholders of the parent company	137 396	133 372	4 024	3
Total equity	**137 609**	**133 572**	**4 037**	**3**
Total liabilities and equity	**2 246 092**	**2 212 636**	**33 456**	**2**

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

Balance sheet analysis

Total assets have increased by SEK 33bn from 1 January 2018. Assets increased by SEK 76bn, mainly due to higher lending to the public, excluding the National Debt Office and repos. Swedish mortgages increased by SEK 39bn. The increase was offset by lower cash and balances with central banks, which decreased by SEK 37bn. The decrease is mainly attributable to lower deposits with the US Federal Reserve and central banks in the euro system. Deposits and borrowings from the public, excluding the National Debt Office and repos, rose by a total of SEK 73bn.

Interest-bearing securities, Treasury bills, bonds and other securities, increased by SEK 8bn. Amounts owed to credit institutions increased by SEK 11bn. Balance sheet items related to credit institutions fluctuate over time depending primarily on repos. The market value of derivatives decreased on both the asset and liability side, mainly due to movements in interest rates and currencies. The decrease of Debt Securities in issue was mainly offset by repurchased covered bond loans of SEK 54bn.

Statement of changes in equity, condensed

Group SEKm	Shareholders' equity									Non-controlling interests	Total equity
	Share capital	Other contri-buted equity[1)]	Exchange differences, subsidiaries and associates	Hedging of net investments in foreign operations	Cash flow hedges	Foreign currency basis reserve	Own credit risk reserve	Retained earnings	Total		
January-December 2018											
Closing balance 31 December 2017	**24 904**	**17 275**	**3 602**	**-2 255**	**28**			**89 818**	**133 372**	**200**	**133 572**
Amendments due to the adoption of IFRS 9					**-38**	**38**	**-36**	**-2 105**	**-2 141**	**2**	**-2 139**
Opening balance 1 January 2018	**24 904**	**17 275**	**3 602**	**-2 255**	**-10**	**38**	**-36**	**87 713**	**131 231**	**202**	**131 433**
Dividends								-14 517	**-14 517**	-5	**-14 522**
Share based payments to employees								321	**321**		**321**
Deferred tax related to share based payments to employees								-9	**-9**		**-9**
Current tax related to share based payments to employees								19	**19**		**19**
Total comprehensive income for the period			1 906	-1 189	14	-57	18	19 659	**20 351**	16	**20 367**
of which reported through profit or loss								21 162	**21 162**	16	**21 178**
of which reported through other comprehensive income			1 906	-1 189	14	-57	18	-1 503	**-811**		**-811**
Closing balance 31 December 2018	**24 904**	**17 275**	**5 508**	**-3 444**	**4**	**-19**	**-18**	**93 186**	**137 396**	**213**	**137 609**
January-December 2017											
Opening balance 1 January 2017	**24 904**	**17 275**	**2 601**	**-1 748**	**77**			**86 406**	**129 515**	**190**	**129 705**
Dividends								-14 695	**-14 695**	-4	**-14 699**
Share based payments to employees								307	**307**		**307**
Deferred tax related to share based payments to employees								-35	**-35**		**-35**
Current tax related to share based payments to employees								38	**38**		**38**
Total comprehensive income for the period			1 001	-507	-49			17 797	**18 242**	14	**18 256**
of which reported through profit or loss								19 350	**19 350**	14	**19 364**
of which reported through other comprehensive income			1 001	-507	-49			-1 553	**-1 108**		**-1 108**
Closing balance 31 December 2017	**24 904**	**17 275**	**3 602**	**-2 255**	**28**			**89 818**	**133 372**	**200**	**133 572**

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

Cash flow statement, condensed

Group SEKm	Full-year 2018	Full-year 2017
Operating activities		
Operating profit	26 552	24 307
Adjustments for non-cash items in operating activities	-2 453	-1 013
Income taxes paid	-6 531	-3 714
Increase/decrease in loans to credit institutions	-5 257	1 819
Increase/decrease in loans to the public	-86 339	-26 994
Increase/decrease in holdings of securities for trading	7 430	43 195
Increase/decrease in deposits and borrowings from the public including retail bonds	56 594	59 559
Increase/decrease in amounts owed to credit institutions	-12 167	-4 513
Increase/decrease in other assets	15 946	25 279
Increase/decrease in other liabilities	33 714	-59 577
Cash flow from operating activities	**27 489**	**58 348**
Investing activities		
Business combinations		-1 268
Business disposals		6
Acquisitions of and contributions to associates		-88
Disposal of shares in associates	277	650
Acquisitions of other fixed assets and strategic financial assets	-15 321	-504
Disposals of/maturity other fixed assets and strategic financial assets	16 360	407
Cash flow from investing activities	**1 316**	**-797**
Financing activities		
Issuance of interest-bearing securities	116 506	180 835
Redemption of interest-bearing securities	-152 614	-207 991
Issuance of commercial paper	1 000 665	1 055 189
Redemption of commercial paper	-1 018 910	-992 764
Dividends paid	-14 522	-14 699
Cash flow from financing activities	**-68 875**	**20 570**
Cash flow for the period	**-40 070**	**78 121**
Cash and cash equivalents at the beginning of the period	**200 371**	**121 347**
Cash flow for the period	-40 070	78 121
Exchange rate differences on cash and cash equivalents	2 860	903
Cash and cash equivalents at end of the period	**163 161**	**200 371**

During the second quarter of 2018, the associated company UC AB was sold. Swedbank received a cash payment of SEK 206m. In connection with the divestment, Swedbank also received shares of 7.4 per cent of the Finnish credit information company Asiakastieto Group Plc, which corresponded to a value of SEK 502 million. The capital gain was SEK 677 million.

During the first quarter of 2017, the associated company Hemnet AB was sold, for SEK 863m. Swedbank received a payment of SEK 650m 2017 and SEK 71m 2018. The remaining payment of SEK 142m will be received the two following years. The recognised capital gain 2017 was SEK 680 million.

During the third quarter of 2017, PayEx Holding AB was acquired for SEK 1 268 million.

Note 1 Accounting policies

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

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

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

Financial Instruments (IFRS 9)

On 1 January 2018, the Group adopted IFRS 9 *Financial Instruments.* IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* and includes requirements for recognition, classification and measurement, impairment, derecognition and hedge accounting. The major changes from IAS 39 relate to classification and measurement, impairment and hedge accounting. The related accounting policies applied from 1 January 2018 are set out in the 2017 Annual and Sustainability Report on pages 70-73.

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

Revenue from contracts with customers (IFRS 15)

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

Changed presentation of Commission income

From 2018 the Group presents certain revenues from the Savings banks which were previously reported as IT services within Other income, in relevant lines within Commission income in order to better represent the different services provided to the Savings banks. Restatement of the historical comparative figures has been made to better illustrate the comparative trends between periods. The change affected the Commission income and Other income lines, but has not had any impact on the total profit for the year. The change is presented in note 29.

Changed presentation of accrued interest

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

Changed presentation of tax related to associates

From 2018 the Group includes taxes related to associates in the income statement line Share of profit or loss of associates. Previously the Group has presented the associate's tax as Tax expense in the income statement and as Income tax in the other comprehensive income. Comparative figures have been restated to better illustrate the comparative trends between periods. The change is presented in note 29.

Changes in Swedish regulations

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

Leasing (IFRS 16)

IFRS 16 replaces IAS 17 Leases and sets out the principles for the recognition, measurement, presentation and disclosure of 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 expense on the lease liability. For lessors, the requirements remain largely unchanged and maintain the distinction between finance and operating leases.

The Group will account for the transition to IFRS 16 requirements according to the modified retrospective approach, which means adoption from 1 January 2019 with no restatement of the comparative periods. For all leases classified as operating leases under IAS 17 and where the Group acts as lessee, a lease liability and a right-of-use asset will be recognised in the balance sheet. The lease liabilities will at transition be initially measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application, 1 January 2019. The right-of-use assets will be initially recognised at the value of the corresponding lease liability, adjusted for any prepaid or accrued lease payments. The Group plans to apply certain exemptions afforded by the standard, namely that leases with a term ending within 12 months of the initial application date and leases for which the underlying asset is of low value will be recognised as expenses. The Group does not expect any significant changes where the Group acts as lessor.

The impacts of adopting IFRS 16 is that Tangible assets, corresponding to the right-of-use assets, will increase by SEK 4.2bn and Other financial liabilities, corresponding to the lease liabilities, will increase by SEK 4.1bn. The adoption will not have an impact on equity. The increase in the balance sheet for the right-of-use assets will result in an increase in risk exposure amount of SEK 4.2bn and a decrease in the Common Equity Tier 1 ratio by 0.11 percentage points.

Note 2 Critical accounting estimates

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

Note 3 Changes in the Group structure

No significant changes to the Group structure occurred during 2018.

Note 4 Operating segments (business areas)

Acc Full-year 2018 SEKm	Swedish Banking	Baltic Banking	Large Corporates & Institutions	Group Functions & Other	Eliminations	Group
Income statement						
Net interest income	15 403	4 768	3 963	1 114	-20	25 228
Net commission income	7 595	2 503	2 620	53	65	12 836
Net gains and losses on financial items	400	272	1 791	-353	2	2 112
Share of profit or loss of associates	693			335		1 028
Other income[1]	1 484	737	158	833	-194	3 018
Total income	**25 575**	**8 280**	**8 532**	**1 982**	**-147**	**44 222**
of which internal income	56		127	478	-661	
Staff costs	3 116	946	1 420	4 274		9 756
Variable staff costs	71	57	208	192		528
Other expenses	5 776	1 840	2 168	-3 772	-147	5 865
Depreciation/amortisation	57	91	84	454		686
Total expenses	**9 020**	**2 934**	**3 880**	**1 148**	**-147**	**16 835**
Profit before impairment	**16 555**	**5 346**	**4 652**	**834**		**27 387**
Impairment of intangible assets				306		306
Impairment of tangible assets		8				8
Credit impairment	727	-208	13	-11		521
Operating profit	**15 828**	**5 546**	**4 639**	**539**		**26 552**
Tax expense	3 047	802	1 005	520		5 374
Profit for the period	**12 781**	**4 744**	**3 634**	**19**		**21 178**
Profit for the period attributable to the shareholders of Swedbank AB	**12 765**	**4 744**	**3 634**	**19**		**21 162**
Non-controlling interests	16					16
Net commission income						
Commission income						
Payment processing	729	703	390	274	-33	2 063
Cards	2 321	1 562	2 145	-2	-385	5 641
Asset management and custody	5 073	408	1 251	-8	-38	6 686
Lending and Guarantees	287	235	704	3	21	1 250
Other commission income[1]	2 065	321	982	-39	-2	3 327
Total	**10 475**	**3 229**	**5 472**	**228**	**-437**	**18 967**
Commission expense	**2 880**	**726**	**2 852**	**175**	**-502**	**6 131**
Net commission income	**7 595**	**2 503**	**2 620**	**53**	**65**	**12 836**

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

Balance sheet, SEKbn	Swedish Banking	Baltic Banking	Large Corporates & Institutions	Group Functions & Other	Eliminations	Group
Cash and balances with central banks		3	3	157		163
Loans to credit institutions	6		116	166	-252	36
Loans to the public	1 188	169	260	10		1 627
Interest-bearing securities		1	46	111	-5	153
Financial assets for which customers bear inv. risk	174	4				178
Investments in associates	4			2		6
Derivatives			46	24	-30	40
Total tangible and intangible assets	2	12	1	4		19
Other assets	3	61	16	460	-516	24
Total assets	**1 377**	**250**	**488**	**934**	**-803**	**2 246**
Amounts owed to credit institutions	28		209	60	-240	57
Deposits and borrowings from the public	564	221	143	1	-8	921
Debt securities in issue		1	13	797	-7	804
Financial liabilities for which customers bear inv. risk	174	5				179
Derivatives			45	16	-30	31
Other liabilities	548		53		-518	83
Subordinated liabilities				34		34
Total liabilities	**1 314**	**227**	**463**	**908**	**-803**	**2 109**
Allocated equity	63	23	25	26		137
Total liabilities and equity	**1 377**	**250**	**488**	**934**	**-803**	**2 246**

Key figures	Swedish Banking	Baltic Banking	Large Corporates & Institutions	Group Functions & Other	Eliminations	Group
Return on allocated equity, %	20.8	20.6	14.3	0.1		16.1
Cost/income ratio	0.35	0.35	0.45	0.58		0.38
Credit impairment ratio, %	0.06	-0.13	0.01	-0.05		0.03
Loan/deposit ratio, %	213	77	157	95		172
Loans, SEKbn[2]	1 188	170	220			1 578
Deposits, SEKbn[2]	559	221	140			920
Risk exposure amount, SEKbn	382	89	146	21		638
Full-time employees	3 846	3 569	1 256	6 194		14 865
Allocated equity, average, SEKbn	61	23	25	21		131

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

Acc Full-year 2017 SEKm	Swedish Banking	Baltic Banking	Large Corporates & Institutions	Group Functions & Other	Eliminations	Group
Income statement						
Net interest income	15 103	4 221	3 545	1 735	-9	24 595
Net commission income	7 481	2 364	2 348	-44	57	12 206
Net gains and losses on financial items	398	220	1 854	-538		1 934
Share of profit or loss of associates	654			82		736
Other income[1]	1 311	621	123	956	-279	2 732
Total income	**24 947**	**7 426**	**7 870**	**2 191**	**-231**	**42 203**
of which internal income	102		47	349	-498	
Staff costs	3 137	858	1 454	4 036		9 485
Variable staff costs	103	50	148	159		460
Other expenses	5 621	1 666	1 837	-3 023	-231	5 870
Depreciation/amortisation	67	102	78	353		600
Total expenses	**8 928**	**2 676**	**3 517**	**1 525**	**-231**	**16 415**
Profit before impairment	**16 019**	**4 750**	**4 353**	**666**		**25 788**
Impairment of intangible assets	80			95		175
Impairment of tangible assets		21				21
Credit impairment	413	-97	969			1 285
Operating profit	**15 526**	**4 826**	**3 384**	**571**		**24 307**
Tax expense	2 946	822	725	450		4 943
Profit for the period	**12 580**	**4 004**	**2 659**	**121**		**19 364**
Profit for the period attributable to the shareholders of Swedbank AB	**12 566**	**4 004**	**2 659**	**121**		**19 350**
Non-controlling interests	14					14
Net commission income						
Commission income						
Payment processing	733	649	318	228	-12	1 916
Cards	2 247	1 350	1 867		-366	5 098
Asset management and custody	4 649	478	1 169	-19	-37	6 240
Lending and Guarantees	306	200	659	4		1 169
Other commission income[1]	2 160	304	641	24	-10	3 119
Total	**10 095**	**2 981**	**4 654**	**237**	**-425**	**17 542**
Commission expense	**2 614**	**617**	**2 306**	**281**	**-482**	**5 336**
Net commission income	**7 481**	**2 364**	**2 348**	**-44**	**57**	**12 206**

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

	Swedish Banking	Baltic Banking	Large Corporates & Institutions	Group Functions & Other	Eliminations	Group
Balance sheet, SEKbn						
Cash and balances with central banks		3	8	189		200
Loans to credit institutions	5		54	191	-219	31
Loans to the public	1 150	149	228	8		1 535
Interest-bearing securities		2	27	118	-2	145
Financial assets for which customers bear inv. risk	176	4				180
Investments in associates	4			2		6
Derivatives			63	24	-31	56
Total tangible and intangible assets	2	11	1	4		18
Other assets	9	41	38	455	-501	42
Total assets	**1 346**	**210**	**419**	**991**	**-753**	**2 213**
Amounts owed to credit institutions	26		179	74	-211	68
Deposits and borrowings from the public	530	185	138	11	-8	856
Debt securities in issue			18	831	-5	844
Financial liabilities for which customers bear inv. risk	177	4				181
Derivatives			60	18	-32	46
Other liabilities	556				-497	59
Subordinated liabilities				26		26
Total liabilities	**1 289**	**189**	**395**	**960**	**-753**	**2 080**
Allocated equity	57	21	24	31		133
Total liabilities and equity	**1 346**	**210**	**419**	**991**	**-753**	**2 213**
Key figures						
Return on allocated equity, %	22.5	19.2	12.0	0.4		15.1
Cost/income ratio	0.36	0.36	0.45	0.70		0.39
Credit impairment ratio, %	0.04	-0.07	0.40	0.00		0.08
Loan/deposit ratio, %	219	81	158			177
Loans, SEKbn[2]	1 150	149	203			1 502
Deposits, SEKbn[2]	525	185	128	9		847
Risk exposure amount, SEKbn	171	82	137	18		408
Full-time employees	3 980	3 476	1 266	5 866		14 588
Allocated equity, average, SEKbn	56	21	22	29		128

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

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

Operating segments accounting policies

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

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

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

Note 5 Net interest income

Group **SEKm**	**Q4** **2018**	**Q3** **2018**	**%**	**Q4** **2017**	**%**	**Full-year** **2018**	**Full-year** **2017**	**%**
Interest income								
Loans to credit institutions	64	43	49	70	-9	147	60	
Loans to the public	7 844	7 882	0	7 502	5	31 069	30 022	3
Interest-bearing securities	57	99	-42	24		216	182	19
Derivatives	651	666	-2	302		2 157	1 026	
Other	196	205	-4	242	-19	809	1 241	-35
Total interest income including negative yield on financial assets	**8 812**	**8 895**	**-1**	**8 140**	**8**	**34 398**	**32 531**	**6**
deduction of trading interests reported in Net gains and losses on financial items	117	131	-11	79	48	340	343	-1
Interest income, including negative yield on financial assets, according to the income statement	**8 695**	**8 764**	**-1**	**8 061**	**8**	**34 058**	**32 188**	**6**
Interest expense								
Amounts owed to credit institutions	-168	-307	-45	-255	-34	-971	-821	18
Deposits and borrowings from the public	-275	-321	-14	-305	-10	-1 234	-1 281	-4
of which deposit guarantee fees	-107	-96	11	-106	1	-414	-442	-6
Debt securities in issue	-3 085	-3 664	-16	-2 784	11	-12 726	-10 984	16
Subordinated liabilities	-267	-260	3	-268	0	-1 016	-1 193	-15
Derivatives	1 898	2 564	-26	2 278	-17	8 945	8 223	9
Other	-424	-429	-1	-308	38	-1 702	-1 225	39
of which government resolution fund fee	-414	-414	0	-301	38	-1 656	-1 205	37
Total interest expenses including negative yield on financial liabilities	**-2 321**	**-2 417**	**-4**	**-1 642**	**41**	**-8 704**	**-7 281**	**20**
deduction of trading interests reported in Net gains and losses on financial items	39	21	86	93	-58	126	312	-60
Interest expense, including negative yield on financial liabilities, according to the income statement	**-2 360**	**-2 438**	**-3**	**-1 735**	**36**	**-8 830**	**-7 593**	**16**
Net interest income	**6 335**	**6 326**	**0**	**6 326**	**0**	**25 228**	**24 595**	**3**
Net interest margin before trading interest is deducted	**1.08**	**0.98**		**1.06**		**1.02**	**1.03**	
Average total assets	**2 414 046**	**2 631 907**	**-8**	**2 455 717**	**-2**	**2 506 768**	**2 442 686**	**3**

Note 6 Net commission income

Group SEKm	Q4 2018	Q3 2018	%	Q4 2017	%	Full-year 2018	Full-year 2017	%
Commission income								
Payment processing	548	501	9	504	9	2 063	1 916	8
Cards	1 444	1 506	-4	1 333	8	5 641	5 098	11
Service concepts	301	284	6	299	1	1 185	807	47
Asset management and custody	1 679	1 743	-4	1 751	-4	6 686	6 240	7
Life insurance	143	148	-3	159	-10	577	660	-13
Securities	135	98	38	154	-12	466	557	-16
Corporate finance	35	34	3	26	35	123	137	-10
Lending	245	262	-6	241	2	1 015	938	8
Guarantees	61	62	-2	56	9	235	231	2
Deposits	41	41	0	49	-16	173	200	-14
Real estate brokerage	44	48	-8	45	-2	181	198	-9
Non-life insurance	23	24	-4	27	-15	87	80	9
Other	121	141	-14	138	-12	535	480	11
Total commission income	**4 820**	**4 892**	**-1**	**4 782**	**1**	**18 967**	**17 542**	**8**
Commission expense								
Payment processing	-348	-256	36	-289	20	-1 166	-1 078	8
Cards	-638	-668	-4	-569	12	-2 465	-2 115	17
Service concepts	-43	-43	0	-47	-9	-177	-70	
Asset management and custody	-405	-406	0	-355	14	-1 573	-1 368	15
Life insurance	-59	-45	31	-49	20	-191	-189	1
Securities	-76	-67	13	-65	17	-296	-279	6
Lending and guarantees	-20	-16	25	-18	11	-67	-60	12
Non-life insurance	-8	-9	-11	-8	0	-33	-23	43
Other	-40	-46	-13	-47	-15	-163	-154	6
Total commission expense	**-1 637**	**-1 556**	**5**	**-1 447**	**13**	**-6 131**	**-5 336**	**15**
Net commission income								
Payment processing	200	245	-18	215	-7	897	838	7
Cards	806	838	-4	764	5	3 176	2 983	6
Service concepts	258	241	7	252	2	1 008	737	37
Asset management and custody	1 274	1 337	-5	1 396	-9	5 113	4 872	5
Life insurance	84	103	-18	110	-24	386	471	-18
Securites	59	31	90	89	-34	170	278	-39
Corporate finance	35	34	3	26	35	123	137	-10
Lending and guarantees	286	308	-7	279	3	1 183	1 109	7
Deposits	41	41	0	49	-16	173	200	-14
Real estate brokerage	44	48	-8	45	-2	181	198	-9
Non-life insurance	15	15	0	19	-21	54	57	-5
Other	81	95	-15	91	-11	372	326	14
Total Net commission income	**3 183**	**3 336**	**-5**	**3 335**	**-5**	**12 836**	**12 206**	**5**

Note 7 Net gains and losses on financial items

Group SEKm	Q4 2018	Q3 2018	%	Q4 2017	%	Full-year 2018	Full-year 2017	%
Fair value through profit or loss								
Shares and share related derivatives	264	164	61	197	34	961	570	69
of which dividend	12	1		56	-79	181	283	-36
Interest-bearing securities and interest related derivatives	-425	30		-51		-523	436	
Loans to the public	-6	1		-168	-96	-4	-1 029	-100
Financial liabilities	30	60	-50	67	-55	238	264	-10
Other financial instruments	-7	5		5		-15	-2	
Total fair value through profit or loss	**-144**	**260**		**50**		**657**	**239**	
Hedge accounting								
Ineffective part in hedge accounting at fair value	62	-34		64	-4	-34	92	
of which hedging instruments	2 526	-2 808		-1 109		-373	-5 188	-93
of which hedged items	-2 464	2 774		1 174		339	5 281	-94
Ineffective part in portfolio hedge accounting at fair value	-89	15		-38		-38	-34	12
of which hedging instruments	-276	855		92		-16	660	
of which hedged items	187	-839		-129		-23	-694	-97
Total hedge accounting	**-27**	**-19**	**42**	**26**		**-71**	**58**	
Derecognition gain or loss for financial assets at amortised cost	**37**	**37**	**0**	**30**	**24**	**133**	**112**	**19**
Derecognition gain or loss for financial liabilities at amortised cost	**-11**	**-147**	**-93**	**-24**	**-55**	**-249**	**-385**	**-35**
Trading related interest								
Interest income	117	131	-11	79	49	340	343	-1
Interest expense	38	21	81	93	-59	126	312	-60
Total trading related interest	**155**	**153**	**1**	**172**	**-10**	**466**	**655**	**-29**
Change in exchange rates	**420**	**203**		**102**		**1 176**	**1 255**	**-6**
Total net gains and losses on financial items	**430**	**488**	**-12**	**356**	**21**	**2 112**	**1 934**	**9**

Note 8 Other expenses

Group SEKm	Q4 2018	Q3 2018	%	Q4 2017	%	Full-year 2018	Full-year 2017	%
Premises and rents	339	282	20	309	10	1 192	1 152	3
IT expenses	533	429	24	553	-4	1 955	1 963	0
Telecommunications and postage	33	35	-6	36	-8	137	133	3
Advertising, PR and marketing	112	57	96	111	1	297	306	-3
Consultants	130	77	69	99	31	333	326	2
Compensation to savings banks	56	56	0	56	0	224	223	0
Other purchased services	184	219	-16	237	-22	793	777	2
Security transport and alarm systems	17	15	13	21	-19	60	71	-15
Supplies	35	19	84	36	-3	104	95	9
Travel	65	37	76	67	-3	223	238	-6
Entertainment	19	10	90	21	-10	52	53	-2
Repair/maintenance of inventories	20	17	18	29	-31	90	115	-22
Other expenses	111	112	-1	120	-8	405	418	-3
Total other expenses	**1 654**	**1 365**	**21**	**1 695**	**-2**	**5 865**	**5 870**	**0**

Note 9 Credit impairment

Group SEKm	Q4 2018 (IFRS 9)	Q3 2018 (IFRS 9)	Q2 2018 (IFRS 9)	Q1 2018 (IFRS 9)	Full-year 2018 (IFRS 9)
Loans at amortised cost					
Credit impairment provisions - Stage 1	-19	-15	25	89	80
Credit impairment provisions - Stage 2	10	-14	-297	-201	-502
Credit impairment provisions - Stage 3	370	192	-96	205	671
Credit impairment provisions - Credit impaired, Purchased or originated	-3	14	-3	-2	6
Total	**358**	**177**	**-371**	**91**	**255**
Write-offs	314	82	374	97	867
Recoveries	-111	-54	-138	-61	-364
Total	**203**	**28**	**236**	**36**	**503**
Total loans at amortised cost	**561**	**205**	**-135**	**127**	**758**
Commitments and financial guarantees					
Credit impairment provisions - Stage 1	-38	-4	11	4	-27
Credit impairment provisions - Stage 2	33	-56	-10	-37	-70
Credit impairment provisions - Stage 3	-145	-49	-2	15	-181
Total	**-150**	**-109**	**-1**	**-18**	**-278**
Write-offs	1	21	1	18	41
Total commitments and financial guarantees	**-149**	**-88**	**0**	**0**	**-237**
Total Credit impairment	**412**	**117**	**-135**	**127**	**521**
Credit impairment ratio, %	0.10	0.03	-0.03	0.03	0.03

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

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

Further details on the key inputs and assumptions used as at 31 December 2018 are provided below.

Determination of a significant increase in credit risk

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

The Group has performed a sensitivity analysis on how credit impairment provisions would change if the 12-month PD thresholds applied were increased or decreased by 1 rating grade. A threshold lower by 1 grade would increase the number of loans that have migrated from Stage 1 to Stage 2 and also increase the estimated credit impairment provisions. A threshold higher by 1 grade would have the opposite effect. The table below discloses the impacts of this sensitivity analysis on the 31 December 2018 credit impairment provisions. Positive amounts represent higher credit impairment provisions that would be recognised.

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

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

			Impairment provision impact of			
Internal risk rating grade at initial recognition	**PD band at initial recognition**	**Threshold, rating downgrade[1) 2) 3)]**	**Increase in threshold by 1 grade**	**Decrease in threshold by 1 grade**	**Recognised credit impairment provisions 31 Dec 2018**	**Share of total portfolio (%) in terms of gross carrying amount 31 Dec 2018**
13-21	< 0.5%	3 - 8 grades	-8.3%	12.4%	904	52%
9-12	0.5-2.0%	1 - 5 grades	-9.7%	13.0%	793	11%
6-8	2.0-5.7%	1 - 3 grades	-8.0%	6.4%	212	4%
0-5	>5.7% and <100%	1 - 2 grades	-1.8%	0.0%	193	1%
			-8.2%	10.9%	2 102	69%
Financial instruments subject to the low credit risk exemption					5	10%
Stage 3 financial instruments					3 902	1%
Financial instruments with initial recognition after 1 January 2018					424	21%
Total provisions[4)]					**6 433**	**100%**

1) Downgrade by 2 grades corresponds to approximately 100% increase in 12-month PD.
2) Thresholds vary within given ranges depending on the borrower's geography, segment and internal risk rating.
3) The threshold used in the sensitivity analyses is floored to 1 grade
4) Of which provisions for off-balance exposures are SEK 407m.

Incorporation of forward-looking macroeconomic scenarios

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

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

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

Set out below are the credit impairment provisions as at 31 December 2018 that would result from the downside and upside scenarios, which are considered reasonably possible, being assigned probabilities of 100%.

Business area	Scenario	Credit impairment provisions resulting from the scenario	Difference from the recognised probability-weighted credit impairment provisions, %
Swedish Banking	Downside scenario	2 076	13%
	Upside scenario	1 424	-22%
Baltic Banking	Downside scenario	884	35%
	Upside scenario	563	-14%
LC&I	Downside scenario	5 657	43%
	Upside scenario	2 512	-36%
Group[1)]	Downside scenario	8 617	34%
	Upside scenario	4 499	-30%

[1)] Including Group Functions & Other

Measurement of 12-month and lifetime expected credit losses

The key inputs used for measuring expected credit losses are:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD); and
- expected lifetime.

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

Probability of default (PD)

The 12-month and lifetime PDs of a financial instrument represent the probability of a default occurring over the next 12 months and over its expected lifetime respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk.

Internal risk rating grades based on IRB PD models are inputs to the IFRS 9 PD models and historic default rates are used to generate the PD term structure, covering the lifetime of financial assets. The developed PD models are segmented based on shared risk characteristics such as obligor type, country, product group and industry segment, and are used to derive both the 12-month and lifetime PDs. Segment and country specific credit cycle indexes are forecasted given the the different macroeconomic scenarios. For each scenario, PD term structures are adjusted based on the correlation to the forecasted credit cycle indexes, to obtain forward-looking point-in-time PD estimates. Consequently a worsening of an economic outlook or an increase in the probability of the downside scenario occurring results in higher 12-month and lifetime PDs, thus increasing the estimated expected credit losses as well as the number of loans migrating from Stage 1 to Stage 2.

Loss given default (LGD)

LGD represents an estimate of the loss arising on default, taking into account the probability and the expected value of future recoveries including realization of collateral, length of the recovery period and the time value of money LGD estimates are based on historical loss data segmented by geography, type of collateral, type of obligor, and product. Forward-looking information is reflected in the LGD estimates by using forecasted collateral value indexes for each macroeconomic scenario to adjust future loan-to-value and recovery rates. An economic outlook with deteriorating collateral values decreases recovery rates and increases loan-to-value, and therefore increases LGD and expected credit losses.

Exposure at default (EAD)

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

Expected lifetime

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

IFRS 9 vs Regulatory capital framework

The measurement of expected credit losses according to IFRS 9 is different to the expected loss calculation for regulatory purposes. Although Swedbank's regulatory IRB models serve as a base for the IFRS 9 expected credit loss models, adjustments are made and, in some instances, separate models are used in order to meet the objectives of IFRS 9. The main differences are summarised in the table below:

	Regulatory capital	IFRS 9
PD	• Fixed 1-year default horizon • Through-the-cycle, based on a long-run average • Conservative calibration based on backward-looking information including data from downturns	• 12-month PD for Stage 1 and lifetime PD for Stages 2 and 3 • Point-in-time, based on the current position in the economic cycle • Incorporation of forward-looking information • No conservative add-ons
LGD	• Downturn adjusted collateral values and through-the –cycle calibration • All workout costs included	• Point-in-time, based on the current position in the cycle • Adjusted to incorporate forward-looking information • Internal workout costs excluded • Recoveries discounted using the instrument specific effective interest rate
EAD	• 1-year outcome period • Credit conversion factor, with downturn adjustment, applied to off-balance sheet instruments	• EAD over the expected lifetime of instruments • Point-in-time credit conversion factor applied to off-balance sheet instruments • Prepayments taken into account
Expected lifetime	• Not applicable	• Early repayment behaviour in portfolios with longer maturities but predominant prepayments, e.g. mortgages. • Estimating maturities for certain revolving credit facilities, such as credit cards.
Discounting	• No discounting, except in LGD models	• Expected credit losses discounted to reporting date, using the instrument specific effective interest rate
Significant increase in credit risk	• Not applicable	• Relative measure of increase in credit risk since initial recognition • Identification of significance thresholds

Individually assessed provisions

The Group assesses significant credit-impaired exposures individually and without the use of modelled inputs. The credit impairment provisions for these exposures are established using the discounted expected cash flows and considering a minimum of two possible outcomes, one of which is a loss outcome. The possible outcomes consider both macroeconomic and non-macroeconomic (borrower-specific) scenarios. The estimation of future cash flows takes into account a range of relevant factors such as the amount and sources of cash flows, the level and quality of the borrower's earnings, the realisable value of collateral, the Group's position relative to other claimants, the likely cost and duration of the work-out process and current and future economic conditions. The amount and timing of future recoveries depend on the future performance of the borrower and the valuation of collateral, both of which might be affected by future economic conditions; additionally, collateral may not be readily marketable. Judgements change as new information becomes available or as work-out strategies evolve, resulting in regular revisions to the credit impairment provisions. The change in credit impairment provisions recognised in the income statement in relation to individually assessed loans is SEK 832m.

Credit impairment, historical values IAS 39

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

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

Note 10 Loans

Group SEKm	31 Dec 2018 Gross carrying amount (IFRS 9)	Credit Impairment Provision (IFRS 9)	Carrying amount (IFRS 9)	31 Dec 2017 Carrying amount (IAS 39)	%
Loans to credit institutions					
Banks	17 649	3	17 646	15 499	14
Repurchase agreements, banks				45	
Other credit institutions	18 530		18 530	14 736	26
Repurchase agreements, other credit institutions	92		92	466	-80
Loans to credit institutions	**36 271**	**3**	**36 268**	**30 746**	**18**
Loans to the public					
Private customers	1 030 516	896	1 029 620	980 649	5
Private, mortgage	877 364	579	876 785	828 924	6
Tenant owner association	106 922	27	106 895	109 174	-2
Private,other	46 230	290	45 940	42 551	8
Corporate customers	553 008	5 127	547 881	521 001	5
Agriculture, forestry, fishing	67 285	157	67 128	67 705	-1
Manufacturing	43 669	406	43 263	48 071	-10
Public sector and utilities	19 672	39	19 633	21 231	-8
Construction	20 204	103	20 101	20 033	0
Retail	31 347	657	30 690	28 869	6
Transportation	16 391	35	16 356	17 040	-4
Shipping and offshore	24 301	2 506	21 795	23 254	-6
Hotels and restaurants	8 661	32	8 629	7 441	16
Information and communications	13 678	235	13 443	10 964	23
Finance and insurance	14 792	19	14 773	12 319	20
Property management	244 446	618	243 828	218 728	11
Residential properties	73 691	180	73 511	66 528	10
Commercial	95 278	215	95 063	83 409	14
Industrial and Warehouse	47 437	67	47 370	43 542	9
Other	28 040	156	27 884	25 249	10
Professional services	29 967	206	29 761	26 249	13
Other corporate lending	18 595	114	18 481	19 097	-3
Loans to the public excluding the Swedish National Debt Office and repurchase agreements	**1 583 524**	**6 023**	**1 577 501**	**1 501 650**	**5**
Swedish National Debt Office	10 153		10 153	8 501	19
Repurchase agreements, Swedish National Debt Office	2 436		2 436	2 862	-15
Repurchase agreements, public	37 278		37 278	22 185	68
Loans to the public	**1 633 391**	**6 023**	**1 627 368**	**1 535 198**	**6**
Loans to the public and credit institutions	**1 669 662**	**6 026**	**1 663 636**	**1 565 944**	**6**
of which accrued interest	2 003				
of which loans at fair value through profit or loss	39 972			118 361	

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

Note 11 Loan stage allocation and credit impairment provisions

The following table presents loans to the public and credit institutions at amortised cost by stage.

Group SEKm	31 Dec 2018 (IFRS 9)	30 Sep 2018 (IFRS 9)	30 Jun 2018 (IFRS 9)	31 Mar 2018 (IFRS 9)
Credit institutions				
Stage 1				
Gross carrying amount	36 089	37 433	38 060	33 060
Credit impairment provisions	2	7	7	12
Carrying amount	**36 087**	**37 426**	**38 053**	**33 048**
Stage 2				
Gross carrying amount	90	569	335	299
Credit impairment provisions	1	1		2
Carrying amount	**89**	**568**	**335**	**297**
Total carrying amount for credit institutions	**36 176**	**37 994**	**38 388**	**33 345**
Public, private customers				
Stage 1				
Gross carrying amount	976 455	966 428	957 048	942 553
Credit impairment provisions	76	86	76	68
Carrying amount	**976 379**	**966 342**	**956 972**	**942 485**
Stage 2				
Gross carrying amount	51 735	53 373	54 559	52 912
Credit impairment provisions	335	354	350	325
Carrying amount	**51 400**	**53 019**	**54 209**	**52 587**
Stage 3				
Gross carrying amount	2 317	2 389	2 520	2 597
Credit impairment provisions	485	477	477	506
Carrying amount	**1 832**	**1 912**	**2 043**	**2 091**
Total carrying amount for public, private customers	**1 029 611**	**1 021 273**	**1 013 224**	**997 163**
Public, corporate customers				
Stage 1				
Gross carrying amount	498 243	494 651	492 660	480 311
Credit impairment provisions	414	419	440	412
Carrying amount	**497 829**	**494 232**	**492 220**	**479 899**
Stage 2				
Gross carrying amount	55 839	54 353	53 501	52 591
Credit impairment provisions	1 401	1 374	1 404	1 644
Carrying amount	**54 438**	**52 979**	**52 097**	**50 947**
Stage 3				
Gross carrying amount	8 922	8 921	8 588	8 653
Credit impairment provisions	3 312	2 936	2 715	2 638
Carrying amount	**5 610**	**5 985**	**5 873**	**6 015**
Total carrying amount for public, corporate customers[1]	**557 877**	**553 196**	**550 190**	**536 861**
Totals				
Gross carrying amount Stage 1	1 510 787	1 498 512	1 487 768	1 455 924
Gross carrying amount Stage 2	107 664	108 295	108 395	105 802
Gross carrying amount Stage 3	11 239	11 310	11 108	11 250
Total Gross carrying amount	**1 629 690**	**1 618 117**	**1 607 271**	**1 572 976**
Credit impairment provisions Stage 1	492	512	523	492
Credit impairment provisions Stage 2	1 737	1 729	1 754	1 971
Credit impairment provisions Stage 3	3 797	3 413	3 192	3 144
Total credit impairment provisions	**6 026**	**5 654**	**5 469**	**5 607**
Total carrying amount	**1 623 664**	**1 612 463**	**1 601 802**	**1 567 369**
Share of Stage 3 loans, gross, %	0.69	0.70	0.69	0.72
Share of Stage 3 loans, net, %	0.46	0.49	0.49	0.52
Credit impairment provision ratio Stage 1 loans	0.03	0.03	0.04	0.03
Credit impairment provision ratio Stage 2 loans	1.61	1.60	1.62	1.86
Credit impairment provision ratio Stage 3 loans	33.78	30.18	28.74	27.95
Total credit impairment provision ratio	0.37	0.35	0.34	0.36

[1] Includes loans to the Swedish National Debt Office.

Reconciliation of credit impairment provisions for loans

The table below provides a reconciliation of the gross carrying amount and credit impairment provisions for loans to the public and credit institutions at amortised cost.

Loans to the public and credit institutions	**Non Credit-Impaired**		**Credit-Impaired**	
SEKm	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount				
Opening balance	**1 415 169**	**120 226**	**10 194**	**1 545 588**
Closing balance	**1 510 787**	**107 664**	**11 239**	**1 629 690**
Credit impairment provisions				
Opening balance	**399**	**2 140**	**2 861**	**5 401**
Movements affecting Credit impairments line				
New and derecognised financial assets, net	101	-157	-190	-246
Changes in risk factors (EAD, PD, LGD)	172	-76	-159	-63
Changes in macroeconomic scenarios	-5	-46	13	-38
Changes due to expert credit judgement (individual assessments and manual adjustments)			503	503
Stage transfers	-184	-223	623	216
from stage 1 to stage 2	*-150*	*470*		*320*
from stage 1 to stage 3	*-65*		*78*	*13*
from stage 2 to stage 1	*29*	*-131*		*-102*
from stage 2 to stage 3		*-573*	*665*	*92*
from stage 3 to stage 2		*11*	*-78*	*-67*
from stage 3 to stage 1	*2*		*-42*	*-40*
Other	-4		-110	-114
Total movements affecting Credit impairments line	**80**	**-502**	**680**	**258**
Movements recognised outside Credit impairments line				
Interest			114	114
Change in exchange rates	13	99	141	253
Closing balance	**492**	**1 737**	**3 797**	**6 026**
Carrying amount				
Opening balance	**1 414 769**	**118 085**	**7 332**	**1 540 187**
Closing balance	**1 510 295**	**105 927**	**7 442**	**1 623 664**

Stage transfers are reflected as taking place at the end of the reporting period.

Impaired loans, historical values IAS 39

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

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

Group SEKm	31 Dec 2018	31 Dec 2017	%
Buildings and land	126	142	-11
Other	81	79	3
Total	**207**	**221**	**-6**

Note 13 Credit exposures

Group SEKm	31 Dec 2018	31 Dec 2017	%
Assets			
Cash and balances with central banks	163 161	200 371	-19
Interest-bearing securities	152 891	145 034	5
Loans to credit institutions	36 268	30 746	18
Loans to the public	1 627 368	1 535 198	6
Derivatives	39 665	55 680	-29
Other financial assets	13 889	16 772	-17
Total assets	**2 033 242**	**1 983 801**	**2**
Contingent liabilities and commitments			
Guarantees	49 355	44 057	12
Commitments	278 339	262 921	6
Total contingent liabilities and commitments	**327 694**	**306 978**	**7**
Total credit exposures	**2 360 936**	**2 290 779**	**3**

Note 14 Intangible assets

Group SEKm	31 Dec 2018	31 Dec 2017	%
With indefinite useful life			
Goodwill	13 549	13 100	3
Brand name	159	161	-1
Total	**13 708**	**13 261**	**3**
With finite useful life			
Customer base	382	471	-19
Internally developed software	2 672	2 230	20
Other	356	367	-3
Total	**3 410**	**3 068**	**11**
Total intangible assets	**17 118**	**16 329**	**5**

Impairment of intangible assets

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

During the fourth quarter, a write-down of SEK 24 m was made regarding a customer base recognised in connection to the acquisition of PayEx.

Note 15 Amounts owed to credit institutions

Group SEKm	31 Dec 2018	31 Dec 2017	%
Amounts owed to credit institutions			
Central banks	13 892	23 200	-40
Banks	38 424	41 609	-8
Other credit institutions	4 636	3 246	43
Repurchase agreements - banks	266		
Amounts owed to credit institutions	**57 218**	**68 055**	**-16**

Note 16 Deposits and borrowings from the public

Group SEKm	31 Dec 2018	31 Dec 2017	%
Deposits from the public			
Private customers	518 775	473 404	10
Corporate customers	400 995	373 223	7
Deposits from the public excluding the Swedish National Debt Office and repurchase agreements	**919 770**	**846 627**	**9**
Swedish National Debt Office	339	275	
Repurchase agreements - public	641	8 707	-93
Deposits and borrowings from the public	**920 750**	**855 609**	**8**

Note 17 Debt securities in issue and subordinated liabilities

Group SEKm	31 Dec 2018	31 Dec 2017	%
Commercial papers	131 434	149 974	-12
Covered bonds	497 936	519 845	-4
Senior unsecured bonds	164 243	159 536	3
Structured retail bonds	10 747	14 849	-28
Total debt securities in issue	**804 360**	**844 204**	**-5**
Subordinated liabilities	34 184	25 508	34
Total debt securities in issue and subordinated liabilities	**838 544**	**869 712**	**-4**

Turnover during the period	Full year 2018	Full year 2017	%
Closing balance	**869 712**		
Changed presentation of accrued interest [1)]	**6 361**		
Opening balance	**876 073**	**868 927**	**1**
Issued	1 117 261	1 236 024	-10
Repurchased	-54 223	-91 067	-40
Repaid	-1 118 861	-1 109 693	1
Accrued interest	-1 011		
Change in market value or in hedged item in fair value hedge accounting	-7 202	-12 472	-42
Changes in exchange rates	26 507	-22 007	
Closing balance	**838 544**	**869 712**	**-4**

1) See further information in note 28.

Note 18 Derivatives

Group SEKm	Nominal amount Remaining contractual maturity < 1 yr.	 1-5 yrs.	 > 5 yrs.	Nominal amount 2018 31 Dec	 2017 31 Dec	Positive fair value 2018 31 Dec	 2017 31 Dec	Negative fair value 2018 31 Dec	 2017 31 Dec
Derivatives in hedge accounting	**124 576**	**690 279**	**74 512**	**889 367**	**754 284**	**10 551**	**10 804**	**2 438**	**2 703**
Fair value hedges, interest rate swaps	47 283	442 338	54 536	544 157	504 072	10 255	10 514	972	977
Portfolio fair value hedges, interest rate swaps	77 050	246 405	12 350	335 805	240 905	207	278	1 401	1 392
Cash flow hedges, foreign currency swaps	243	1 536	7 626	9 405	9 307	89	12	65	334
Non-hedging derivatives	**7 088 730**	**4 922 017**	**922 258**	**12 933 005**	**10 663 497**	**59 379**	**54 489**	**61 788**	**56 381**
Gross amount	**7 213 306**	**5 612 296**	**996 770**	**13 822 372**	**11 417 781**	**69 930**	**65 293**	**64 226**	**59 084**
Offset amount (see also note 21)	-3 540 856	-2 830 906	-508 603	-6 880 365	-3 738 336	-30 265	-9 613	-32 910	-12 884
Total	**3 672 450**	**2 781 390**	**488 167**	**6 942 007**	**7 679 445**	**39 665**	**55 680**	**31 316**	**46 200**

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

The amounts offset for derivative assets and derivative liabilities include cash collateral offsets of SEK 4 177m and SEK 1 532m respectively.

Note 19 Fair value of financial instruments

Group SEKm	31 Dec 2018 Fair value	Carrying amount	Difference	31 Dec 2017 Fair value	Carrying amount	Difference
Assets						
Financial assets						
Cash and balances with central banks	163 161	163 161		200 371	200 371	
Treasury bills and other bills eligible for refinancing with central banks	99 624	99 579	45	85 961	85 903	58
Loans to credit institutions	36 268	36 268		30 746	30 746	
Loans to the public	1 629 641	1 627 368	2 273	1 532 977	1 535 198	-2 221
Value change of interest hedged items in portfolio hedge	766	766		789	789	
Bonds and interest-bearing securities	53 316	53 312	4	59 136	59 131	5
Financial assets for which the customers bear the investment risk	177 868	177 868		180 320	180 320	
Shares and participating interest	4 921	4 921		19 850	19 850	
Derivatives	39 665	39 665		55 680	55 680	
Other financial assets	13 889	13 889		16 772	16 772	
Total	**2 219 119**	**2 216 797**	**2 322**	**2 182 602**	**2 184 760**	**-2 158**
Investment in associates		**6 088**			**6 357**	
Non-financial assets		**23 207**			**21 519**	
Total		**2 246 092**			**2 212 636**	
Liabilities						
Financial liabilities						
Amounts owed to credit institutions	58 595	57 218	1 377	68 055	68 055	
Deposits and borrowings from the public	920 745	920 750	-5	855 597	855 609	-12
Debt securities in issue	810 617	804 360	6 257	851 908	844 204	7 704
Financial liabilities for which the customers bear the investment risk	178 662	178 662		181 124	181 124	
Subordinated liabilities	34 366	34 184	182	25 525	25 508	17
Derivatives	31 316	31 316		46 200	46 200	
Short positions securities	38 333	38 333		14 459	14 459	
Other financial liabilities	29 576	29 576		31 219	31 219	
Total	**2 102 209**	**2 094 399**	**7 810**	**2 074 087**	**2 066 378**	**7 709**
Non-financial liabilities		**14 084**			**12 686**	
Total		**2 108 483**			**2 079 064**	

Financial instruments recognised at fair value

Group 31 Dec 2018 SEKm	Instruments with quoted market prices in active markets (Level 1)	Valuation techniques using observable market data (Level 2)	Valuation techniques using non-observable market data (Level 3)	Total
Assets				
Treasury bills etc.	13 083	6 192		19 275
Loans to credit institutions		76		76
Loans to the public		39 880		39 880
Bonds and other interest-bearing securities	22 319	28 782		51 101
Financial assets for which the customers bear the investment risk	177 868			177 868
Shares and participating interests	3 657		1 264	4 921
Derivatives	466	39 197	2	39 665
Total	**217 393**	**114 127**	**1 266**	**332 786**
Liabilities				
Amounts owed to credit institutions		266		266
Deposits and borrowings from the public		638		638
Debt securities in issue	58	14 692		14 750
Financial liabilities for which the customers bear the investment risk		178 662		178 662
Derivatives	406	30 910		31 316
Short positions, securities	38 333			38 333
Total	**38 797**	**225 168**		**263 965**

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

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

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

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

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

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

Changes in level 3 **Group** **SEKm**	**Assets** **Equity instruments**	 **Derivatives**	 **Total**
January-December 2018			
Opening balance 1 January 2018	**449**	**26**	**475**
Purchases	65		**65**
VISA Inc. C shares received	692		**692**
Sale of assets	-3		**-3**
Maturities		-15	**-15**
Transferred from Level 2 to Level 3	3	2	**5**
Transferred from Level 3 to Level 2		-13	**-13**
Gains and losses recognised as Net gains and losses on financial instruments	58	2	**60**
of which changes in unrealised gains or losses for items held at closing day	63		**63**
Closing balance 31 December 2018	**1 264**	**2**	**1 266**

Level 3 primarily contains unlisted equity instruments and illiquid options. In connection with the sale of shares in VISA Europe convertible preference shares in VISA Inc. were obtained. The shares are subject to selling restrictions for a period of up to 10 years and under certain conditions may have to be returned. Because liquid quotes are not available for the instrument, its fair value is established with significant elements of own internal assumptions and reported in level 3 as equity instruments. The options hedge changes in the market value of hybrid debt instruments, so-called structured products. Structured products consist of a corresponding option element and a host contract, which in principle is an ordinary interest-bearing bond. When the Group evaluates the level on which the financial instruments are reported, the entire instrument is assessed on an individual basis. Since the bond portion of the structured products represents the majority of the financial instrument's fair value, the internal assumptions used to value the illiquid option element normally do not have a significant effect on the valuation and the financial instrument is typically reported in level 2. However, the Group typically hedges the market risks that arise in structured products by holding individual options. The internal assumptions used to in the valuation of the individual financial instruments are therefore of greater significance, because of which several are reported as derivatives in level 3.

For all options included in level 3 an analysis is performed based on historical movements in contract prices. Given this, it is not likely that future price movements will affect the market value for options in level 3 with more than +/- SEK 0.3m.

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

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

Note 20 Pledged collateral

Group SEKm	31 Dec 2018	31 Dec 2017	 %
Loan receivables[1]	497 691	518 805	-4
Financial assets pledged for policyholders	174 668	177 317	-1
Other assets pledged	39 276	33 020	19
Pledged collateral	**711 635**	**729 142**	**-2**

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

Note 21 Offsetting financial assets and liabilities

Group SEKm	Assets 31 Dec 2018	 31 Dec 2017	 %	Liabilities 31 Dec 2018	 31 Dec 2017	 %
Financial assets and liabilities, which have been offset or are subject to netting or similar agreements						
Gross amount	162 062	98 528	64	117 107	75 596	55
Offset amount	-84 058	-19 021		-86 703	-22 292	
Net amounts presented in the balance sheet	**78 004**	**79 507**	**-2**	**30 404**	**53 304**	**-43**
Related amounts not offset in the balance sheet						
Financial instruments, netting arrangements	17 320	32 523	-47	17 320	32 523	-47
Financial Instruments, collateral	35 212	18 155	94	2 594	3 891	-33
Cash, collateral	1 535	9 125	-83	4 890	9 340	-48
Total amount not offset in the balance sheet	**54 067**	**59 803**	**-10**	**24 804**	**45 754**	**-46**
Net amount	**23 937**	**19 704**	**21**	**5 600**	**7 550**	**-26**

The amounts offset for financial assets and financial liabilities include cash collateral offsets of SEK 4 177m and SEK 1 532m respectively.

Note 22 Capital adequacy, consolidated situation

Capital adequacy **SEKm**	**31 Dec** **2018**	**31 Dec** **2017**
Shareholders' equity according to the Group's balance sheet	137 396	133 372
Non-controlling interests	72	67
Anticipated dividend	-15 885	-14 515
Deconsolidation of insurance companies	-438	-109
Value changes in own financial liabilities	-107	39
Cash flow hedges	-2	-28
Additional value adjustments [1)]	-454	-596
Goodwill	-13 638	-13 188
Deferred tax assets	-113	-142
Intangible assets	-2 974	-2 697
Net provisions for reported IRB credit exposures		-1 648
Shares deducted from CET1 capital	-45	-45
Common Equity Tier 1 capital	**103 812**	**100 510**
Additional Tier 1 capital	10 949	11 050
Total Tier 1 capital	**114 761**	**111 560**
Tier 2 capital	22 232	13 696
Total capital	**136 993**	**125 256**
Minimum capital requirement for credit risks, standardised approach	3 328	3 046
Minimum capital requirement for credit risks, IRB	21 715	21 245
Minimum capital requirement for credit risk, default fund contribution	29	27
Minimum capital requirement for settlement risks	0	0
Minimum capital requirement for market risks	1 042	695
Trading book	999	669
of which VaR and SVaR	719	486
of which risks outside VaR and SVaR	280	183
FX risk other operations	43	26
Minimum capital requirement for credit value adjustment	307	299
Minimum capital requirement for operational risks	5 182	5 079
Additional minimum capital requirement, Article 3 CRR [2)]	2 743	2 277
Additional minimum capital requirement, Article 458 CRR [5)]	16 685	
Minimum capital requirement	**51 031**	**32 668**
Risk exposure amount credit risks, standardised approach	41 606	38 074
Risk exposure amount credit risks, IRB	271 437	265 563
Risk exposure amount default fund contribution	357	343
Risk exposure amount settlement risks	0	0
Risk exposure amount market risks	13 024	8 684
Risk exposure amount credit value adjustment	3 826	3 745
Risk exposure amount operational risks	64 779	63 482
Additional risk exposure amount, Article 3 CRR [2)]	34 286	28 460
Additional risk exposure amount, Article 458 CRR [5)]	208 567	
Risk exposure amount	**637 882**	**408 351**
Common Equity Tier 1 capital ratio, %	**16.3**	**24.6**
Tier 1 capital ratio, %	**18.0**	**27.3**
Total capital ratio, %	**21.5**	**30.7**

Capital buffer requirement [3)] **%**	**31 Dec** **2018**	**31 Dec** **2017**
CET1 capital requirement including buffer requirements	11.6	11.3
of which minimum CET1 requirement	4.5	4.5
of which capital conservation buffer	2.5	2.5
of which countercyclical capital buffer	1.6	1.3
of which systemic risk buffer	3.0	3.0
CET 1 capital available to meet buffer requirement [4)]	11.8	20.1

Leverage ratio	**31 Dec** **2018**	**31 Dec** **2017**
Tier 1 Capital, SEKm	114 761	111 560
Leverage ratio exposure, SEKm	2 241 604	2 126 851
Leverage ratio, %	5.1	5.2

[1] Adjustment due to the implementation of EBA's technical standards on prudent valuation. The objective of these standards is to determine prudent values of fair valued positions.
[2] To rectify for underestimation of default frequency in the model for corporate exposures, Swedbank has decided to hold more capital until the updated model has been approved by the Swedish FSA. The amount also includes planned implementation of EBA's Guideline on new default definition and increased safety margins.
[3] Buffer requirement according to Swedish implementation of CRD IV
[4] CET1 capital ratio as reported, less minimum requirement of 4.5% (excluding buffer requirements) and less any CET1 items used to meet the Tier 1 and total capital requirements.
[5] Additional risk exposure amount and minimum capital requirement following the changed application of the risk weight floor for Swedish mortgages according to decision from the SFSA

The consolidated situation for Swedbank as of 31 December 2018 comprised the Swedbank Group with the exception of insurance companies. The EnterCard Group was included as well through the proportionate consolidation method.

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

Swedbank Consolidated situation Credit risk, IRB SEKm	Exposure value 31 Dec 2018	 31 Dec 2017	Average risk weight, % 31 Dec 2018	 31 Dec 2017	Minimum capital requirement 31 Dec 2018	 31 Dec 2017
Central government or central banks exposures	296 418	322 276	2	2	375	394
Institutional exposures	49 183	64 071	19	18	766	899
Corporate exposures	532 566	508 895	33	33	13 963	13 584
Retail exposures	1 165 008	1 107 632	7	7	6 226	6 065
of which mortgage	1 047 939	1 002 551	5	5	3 929	3 812
of which other	117 069	105 081	25	27	2 297	2 253
Non credit obligation	8 508	7 042	57	54	385	303
Total credit risks, IRB	**2 051 683**	**2 009 916**	**13**	**13**	**21 715**	**21 245**

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

31 Dec 2018 SEKm	Exposure amount	Risk exposure amount	Minimum capital requirement
Credit risks, STD	**64 110**	**41 606**	**3 328**
Central government or central banks exposures	213		
Regional governments or local authorities exposures	2 193	269	21
Public sector entities exposures	1 708	68	5
Multilateral development banks exposures	2 566		
International organisation exposures	372		
Institutional exposures	15 156	345	27
Corporate exposures	4 700	4 475	358
Retail exposures	17 960	12 899	1 032
Exposures secured by mortgages on immovable property	6 175	2 163	173
Exposures in default	556	562	45
Exposures in the form of covered bonds	220	23	2
Exposures in the form of collective investment undertakings (CIUs)	8	8	1
Equity exposures	8 100	17 535	1 403
Other items	4 183	3 259	261
Credit risks, IRB	**2 051 683**	**271 437**	**21 715**
Central government or central banks exposures	296 418	4 689	375
Institutional exposures	49 183	9 581	766
Corporate exposures	532 566	174 531	13 963
of which specialized lending in category 1	3	2	0
of which specialized lending in category 2	316	271	22
of which specialized lending in category 3	182	209	17
of which specialized lending in category 4	150	376	30
of which specialized lending in category 5	88		
Retail exposures	1 165 008	77 826	6 226
of which mortgage lending	1 047 939	49 110	3 929
of which other lending	117 069	28 716	2 297
Non-credit obligation	8 508	4 810	385
Credit risks, Default fund contribution		**357**	**29**
Settlement risks	**177**	**0**	**0**
Market risks		**13 024**	**1 042**
Trading book		12 486	999
of which VaR and SVaR		8 984	719
of which risks outside VaR and SVaR		3 502	280
FX risk other operations		538	43
Credit value adjustment	**16 024**	**3 826**	**307**
Operational risks		**64 779**	**5 182**
of which Standardised approach		64 779	5 182
Additional risk exposure amount, Article 3 CRR		**34 286**	**2 743**
Additional risk exposure amount, Article 458 CRR		**208 567**	**16 685**
Total	**2 131 994**	**637 882**	**51 031**

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

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

Credit risks

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

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

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

Market risks

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

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

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

Credit value adjustment

The risk of a credit value adjustment is estimated according to the standardised method.

Operational risk

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

Note 23 Internal capital requirement

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

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

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

As of 31 December 2018 the internal capital assessment for Swedbank's consolidated situation amounted to SEK 33.0bn (SEK 32.1bn as of 30 September 2018). The increase is associated with the move of the risk weight floor for Swedish mortgages from Pillar 2 to Pillar 1. The internal capital assessment has been adjusted to consider the move. The capital to meet the internal capital assessment, i.e. the capital base, amounted to SEK 137.0bn (SEK 137.1bn as of 30 September 2018) (see Note 22). Swedbank's internal capital assessment using its own models is not comparable with the estimated capital requirement that the SFSA releases quarterly. The internal capital assessment also does not consider the move of the risk weight floor for Swedish mortgages from Pillar 2 to Pillar 1.

The internally estimated capital requirement for the parent company is SEK 29.6bn (SEK 28.1bn as of 30 September 2018) and the capital base is SEK 115.6bn (SEK 113.9bn as of 30 September 2018) (see the parent company's note on capital adequacy).

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

Note 24 Risks and uncertainties

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

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

Effect on value of assets and liabilities in SEK and foreign currency, including derivatives if interest rates increase by 100bp, 31 Dec 2018
Group

SEKm	< 5 years	5-10 years	>10 years	Total
Swedbank, the Group	**-992**	**460**	**395**	**-137**
of which SEK	-1 237	-26	-105	-1 368
of which foreign currency	245	487	500	1 232
Of which financial instruments at fair value reported through profit or loss	**1 827**	**-280**	**-61**	**1 486**
of which SEK	301	-245	-157	-102
of which foreign currency	1 527	-35	96	1 588

Note 25 Business Combinations 2017

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

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

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

Note 26 Related-party transactions

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

Note 27 Swedbank's share

	31 Dec 2018	31 Dec 2017	%
SWED A			
Share price, SEK	197.75	197.90	0
Number of outstanding ordinary shares	1 116 674 361	1 113 629 621	0
Market capitalisation, SEKm	**220 822**	**220 387**	**0**

Number of outstanding shares	31 Dec 2018	31 Dec 2017
Issued shares		
SWED A	1 132 005 722	1 132 005 722
Repurchased shares		
SWED A	-15 331 361	-18 376 101
Repurchase of own shares for trading purposes		
SWED A		
Number of outstanding shares on the closing day	**1 116 674 361**	**1 113 629 621**

Within Swedbank's share-based compensation programme, Swedbank AB has during 2018 transferred 3 044 740 shares at no cost to employees.

Earnings per share	Q4 2018	Q3 2018	Q4 2017	Full-year 2018	Full-year 2017
Average number of shares					
Average number of shares before dilution	1 116 674 361	1 116 672 845	1 113 629 621	1 116 238 102	1 113 223 329
Weighted average number of shares for potential ordinary shares that incur a dilutive effect due to share-based compensation programme	4 026 102	3 093 218	5 189 467	4 267 682	5 547 365
Average number of shares after dilution	1 120 700 463	1 119 766 063	1 118 819 088	1 120 505 784	1 118 770 694
Profit, SEKm					
Profit for the period attributable to shareholders of Swedbank	4 590	5 525	4 737	21 162	19 350
Earnings for the purpose of calculating earnings per share	4 590	5 525	4 737	21 162	19 350
Earnings per share, SEK					
Earnings per share before dilution	4.11	4.95	4.25	18.96	17.38
Earnings per share after dilution	4.09	4.93	4.23	18.89	17.30

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

Reconciliation of the balance sheet from IAS 39 to IFRS 9

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

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

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

Reclassification of financial assets at transition to IFRS 9

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

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

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

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

Loans to the public

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

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

Financial assets for which customers bear the investment risk

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

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

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

Shares and participating interests

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

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

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

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

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

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

Credit impairment provisions of loans to the public by operating segments

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

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

The increase in credit impairment provisions is mainly driven by Stage 2 provisions, which are recognised for financial assets that are not credit-impaired, but have experienced a significant increase in credit risk since initial recognition. Credit impairment provisions for these financial assets are measured as lifetime expected credit losses, as opposed to measuring 12-month expected credit losses for financial assets in Stage 1.

Large Corporates & Institutions contributes with Stage 2 provisions of SEK 1 369m, the majority of which is attributable to the shipping and offshore portfolio. Stage 2 provisions for the mortgage portfolio within Swedish Banking amount to SEK 100m.

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

Impact of adopting IFRS 9 to equity

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

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

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

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

Note 29 Effects of changed presentation of income from certain services to the Savings banks and tax in associates

Income statement

Group SEKm	New reporting 2017 Q4	Commission income	Tax of associates	Previous reporting 2017 Q4	New reporting 2017 Full-year	Commission income	Tax of associates	Previous reporting 2017 Full-year
Interest income	8 720			8 720	34 494			34 494
Negative yield on financial assets	-659			-659	-2 306			-2 306
Interest income, including negative yield on financial assets	**8 061**			**8 061**	**32 188**			**32 188**
Interest expenses	-1 957			-1 957	-8 382			-8 382
Negative yield on financial liabilities	222			222	789			789
Interest expenses, including negative yield on financial liabilities	**-1 735**			**-1 735**	**-7 593**			**-7 593**
Net interest income (note 5)	**6 326**			**6 326**	**24 595**			**24 595**
Commission income	4 782	44		4 738	17 542	176		17 366
Commission expenses	-1 447			-1 447	-5 336			-5 336
Net commission income (note 6)	**3 335**	**44**		**3 291**	**12 206**	**176**		**12 030**
Net gains and losses on financial items (note 7)	356			356	1 934			1 934
Net insurance	304			304	937			937
Share of profit or loss of associates	262		-85	347	736		-235	971
Other income	308	-44		352	1 795	-176		1 971
Total income	**10 891**		**-85**	**10 976**	**42 203**		**-235**	**42 438**
Staff costs	2 697			2 697	9 945			9 945
Other expenses (note 8)	1 695			1 695	5 870			5 870
Depreciation/amortisation	171			171	600			600
Total expenses	**4 563**			**4 563**	**16 415**			**16 415**
Profit before impairments	**6 328**		**-85**	**6 413**	**25 788**		**-235**	**26 023**
Impairment of intangible assets (note 14)	79			79	175			175
Impairment of tangible assets	7			7	21			21
Credit impairments (note 9)	311			311	1 285			1 285
Operating profit	**5 931**		**-85**	**6 016**	**24 307**		**-235**	**24 542**
Tax expense	1 192		-85	1 277	4 943		-235	5 178
Profit for the period	**4 739**			**4 739**	**19 364**			**19 364**
Profit for the period attributable to the shareholders of Swedbank AB	**4 737**			**4 737**	**19 350**			**19 350**
Non-controlling interests	2			2	14			14
C/I-ratio	0.42			0.42	0.39			0.39

For more information see note 1 Accounting policies.

Effects of changed presentation of tax in associates

Income statement

SEKm

2018	Q1 2018	Q2 2018	Q3 2018
Share of profit or loss of associates	-55	-69	-99
Tax expense	-55	-69	-99
Profit for the period	0	0	0

2017	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Full year 2017
Share of profit or loss of associates	-45	-54	-51	-85	-235
Tax expense	-45	-54	-51	-85	-235
Profit for the period	0	0	0	0	0

Net commission income

Group SEKm	New reporting 2017 Q4	Change	Previous reporting 2017 Q4	New reporting 2017 Full-year	Change	Previous reporting 2017 Full-year
Commission income						
Payment processing	504	36	468	1 916	144	1 772
Card commissions	1 333	8	1 325	5 098	33	5 065
Service concepts	299		299	807		807
Asset management and custody	1 751		1 751	6 240		6 240
Life insurance	159		159	660		660
Securites	154		154	557		557
Corporate finance	26		26	137		137
Lending	241		241	938		938
Guarantees	56		56	231		231
Deposits	49		49	200		200
Real estate brokerage	45		45	198		198
Non-life insurance	27		27	80		80
Other commission income	138		138	480	-1	481
Total commission income	**4 782**	**44**	**4 738**	**17 542**	**176**	**17 366**
Commission expense						
Payment processing	-289		-289	-1 078		-1 078
Card commissions	-569		-569	-2 115		-2 115
Service concepts	-47		-47	-70		-70
Asset management and custody	-355		-355	-1 368		-1 368
Life insurance	-49		-49	-189		-189
Securites	-65		-65	-279		-279
Lending and guarantees	-18		-18	-60		-60
Non-life insurance	-8		-8	-23		-23
Other commission	-47		-47	-154		-154
Total commission expense	**-1 447**		**-1 447**	**-5 336**		**-5 336**
Net commission income						
Payment processing	215	36	179	838	144	694
Card commissions	764	8	756	2 983	33	2 950
Service concepts	252		252	737		737
Asset management and custody	1 396		1 396	4 872		4 872
Life insurance	110		110	471		471
Securites	89		89	278		278
Corporate finance	26		26	137		137
Lending and guarantees	279		279	1 109		1 109
Deposits	49		49	200		200
Real estate brokerage	45		45	198		198
Non-life insurance	19		19	57		57
Other commission	91		91	326	-1	327
Total Net commission income	**3 335**	**44**	**3 291**	**12 206**	**176**	**12 030**

Statement of Comprehensive income, Group

Group SEKm	New reporting 2017 Q4	Tax of associates	Previous reporting 2017 Q4	New reporting 2017 Full-year	Tax of associates	Previous reporting 2017 Full-year
Profit for the period reported via income statement	**4 739**		**4 739**	**19 364**		**19 364**
Items that will not be reclassified to the income statement						
Remeasurements of defined benefit pension plans	-776		-776	-1 928		-1 928
Share related to associates, Remeasurements of defined benefit pension plans	-17	5	-22	-49	14	-63
Change in fair value attributable to changes in own credit risk on financial liabilities designated at fair value						
Income tax	171	-5	176	424	-14	438
Total	**-622**		**-622**	**-1 553**		**-1 553**
Items that may be reclassified to the income statement						
Exchange rate differences, foreign operations						
Gains/losses arising during the period	732		732	1 077		1 077
Reclassification adjustments to income statement, net gains and losses on financial items	4		4	4		4
Hedging of net investments in foreign operations:						
Gains/losses arising during the period	-515		-515	-732		-732
Reclassification adjustments to income statement, net gains and losses on financial items	81		81	81		81
Cash flow hedges:						
Gains/losses arising during the period	34		34	-76		-76
Reclassification adjustments to the income statement,net interest income	3		3	13		13
Foreign currency basis risk:						
Gains/losses arising during the period						
Share of other comprehensive income of associates	-49		-49	-80		-80
Income tax						
Income tax	89		89	161		161
Reclassification adjustments to income statement, tax	-1		-1	-3		-3
Total	**378**		**378**	**445**		**445**
Other comprehensive income for the period, net of tax	**-244**		**-244**	**-1 108**		**-1 108**
Total comprehensive income for the period	**4 495**		**4 495**	**18 256**		**18 256**
Total comprehensive income attributable to the shareholders of Swedbank AB	**4 493**		**4 493**	**18 242**		**18 242**
Non-controlling interests	2		2	14		14

Swedbank AB

Income statement, condensed

Parent company SEKm	Q4 2018	Q3 2018	%	Q4 2017	%	Full-year 2018	Full-year 2017	%
Interest income	5 430	5 206	4	4 573	19	20 223	17 917	13
Negative yield on financial assets	-798	-757	5	-620	29	-2 991	-2 132	40
Interest income, including negative yield on financial assets	**4 632**	**4 449**	**4**	**3 953**	**17**	**17 232**	**15 785**	**9**
Interest expense	-1 620	-1 582	2	-971	67	-5 727	-4 273	34
Negative yield on financial liabilities	205	169	21	215	-5	735	746	-1
Interest expense, including negative yield on financial liabilities	**-1 415**	**-1 413**	**0**	**-756**	**87**	**-4 992**	**-3 527**	**42**
Net interest income	**3 217**	**3 036**	**6**	**3 197**	**1**	**12 240**	**12 258**	**0**
Dividends received	6 346	3 079		5 414	17	19 831	17 005	17
Commission income	2 563	2 590	-1	2 572	0	10 064	9 820	2
Commission expense	-949	-913	4	-874	9	-3 607	-3 195	13
Net commission income	**1 614**	**1 677**	**-4**	**1 698**	**-5**	**6 457**	**6 625**	**-3**
Net gains and losses on financial items	146	494	-70	243	-40	1 277	2 142	-40
Other income	332	328	1	454	-27	2 039	1 427	43
Total income	**11 655**	**8 614**	**35**	**11 006**	**6**	**41 844**	**39 457**	**6**
Staff costs	1 897	1 828	4	2 188	-13	7 787	8 147	-4
Other expenses	1 456	1 116	30	1 467	-1	4 889	5 146	-5
Depreciation/amortisation and impairment of tangible and intangible fixed assets	1 245	1 236	1	1 223	2	4 837	4 544	6
Total expenses	**4 598**	**4 180**	**10**	**4 878**	**-6**	**17 513**	**17 837**	**-2**
Profit before impairment	**7 057**	**4 434**	**59**	**6 128**	**15**	**24 331**	**21 620**	**13**
Impairment of financial fixed assets	11			13	-15	11	13	-15
Credit impairments	486	75		266	83	556	1 308	-57
Operating profit	**6 560**	**4 359**	**50**	**5 849**	**12**	**23 764**	**20 299**	**17**
Appropriations	72			368	-80	72	368	-80
Tax expense	1 373	1 034	33	988	39	4 225	3 725	13
Profit for the period	**5 115**	**3 325**	**54**	**4 493**	**14**	**19 467**	**16 206**	**20**

Statement of comprehensive income, condensed

Parent company SEKm	Q4 2018	Q3 2018	%	Q4 2017	%	Full-year 2018	Full-year 2017	%
Profit for the period reported via income statement	**5 115**	**3 325**	**54**	**4 493**	**14**	**19 467**	**16 206**	**20**
Total comprehensive income for the period	**5 115**	**3 325**	**54**	**4 493**	**14**	**19 467**	**16 206**	**20**

Balance sheet, condensed

Parent company SEKm	31 Dec 2018	31 Dec 2017	%
Assets			
Cash and balance with central banks	80 903	136 061	-41
Loans to credit institutions	523 699	449 733	16
Loans to the public	428 966	398 666	8
Interest-bearing securities	152 413	141 322	8
Shares and participating interests	68 849	83 672	-18
Derivatives	43 275	62 153	-30
Other assets	46 433	44 784	4
Total assets	**1 344 538**	**1 316 391**	**2**
Liabilities and equity			
Amounts owed to credit institutions	83 218	95 106	-12
Deposits and borrowings from the public	700 256	671 323	4
Debt securities in issue	303 622	322 684	-6
Derivatives	54 063	65 704	-18
Other liabilities and provisions	67 496	38 314	76
Subordinated liabilities	34 184	25 508	34
Untaxed reserves	10 647	10 575	1
Equity	91 052	87 177	4
Total liabilities and equity	**1 344 538**	**1 316 391**	**2**
Pledged collateral	41 363	29 876	38
Other assets pledged	2 467	3 355	-26
Contingent liabilities	492 882	556 537	-11
Commitments	237 692	230 690	3

Statement of changes in equity, condensed

Parent company
SEKm

	Share capital	Share premium reserve	Statutory reserve	Retained earnings	Total
January-December 2018					
Closing balance 31 December 2017	**24 904**	**13 206**	**5 968**	**43 099**	**87 177**
Amendments due to the adoption of IFRS 9				**-1 406**	**-1 406**
Opening balance 1 January 2018	**24 904**	**13 206**	**5 968**	**41 693**	**85 771**
Dividend				-14 517	**-14 517**
Share based payments to employees				321	**321**
Deferred tax related to share based payments to employees				-7	**-7**
Current tax related to share based payments to employees				17	**17**
Total comprehensive income for the period				19 467	**19 467**
Closing balance 31 December 2018	**24 904**	**13 206**	**5 968**	**46 974**	**91 052**
January-December 2017					
Opening balance 1 January 2017	**24 904**	**13 206**	**5 968**	**41 277**	**85 355**
Dividend				-14 695	**-14 695**
Share based payments to employees				307	**307**
Deferred tax related to share based payments to employees				-31	**-31**
Current tax related to share based payments to employees				35	**35**
Total comprehensive income for the period				16 206	**16 206**
Closing balance 31 December 2017	**24 904**	**13 206**	**5 968**	**43 099**	**87 177**

Cash flow statement, condensed

Parent company **SEKm**	**Full-year 2018**	**Full-year 2017**
Cash flow from operating activities	-26 404	21 630
Cash flow from investing activities	12 927	1 221
Cash flow from financing activities	-41 681	49 016
Cash flow for the period	**-55 158**	**71 868**
Cash and cash equivalents at beginning of period	136 061	64 193
Cash flow for the period	-55 158	71 868
Cash and cash equivalents at end of period	**80 903**	**136 061**

Capital adequacy

Capital adequacy, Parent company **SEKm**	**31 Dec 2018**	**31 Dec 2017**
Common Equity Tier 1 capital	**81 824**	**78 687**
Additional Tier 1 capital	10 937	11 040
Tier 1 capital	**92 761**	**89 727**
Tier 2 capital	22 862	13 683
Total capital	**115 623**	**103 410**
Minimum capital requirement	**26 014**	**25 012**
Risk exposure amount	**325 180**	**312 647**
Common Equity Tier 1 capital ratio, %	**25.2**	**25.2**
Tier 1 capital ratio, %	**28.5**	**28.7**
Total capital ratio, %	**35.6**	**33.1**

Capital buffer requirement[1)] **%**	**31 Dec 2018**	**31 Dec 2017**
CET1 capital requirement including buffer requirements	8.5	8.5
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	1.5
CET 1 capital available to meet buffer requirement [2)]	20.7	20.7

Leverage ratio	**31 Dec 2018**	**31 Dec 2017**
Tier 1 Capital, SEKm	92 761	89 727
Total exposure, SEKm [3)]	1 017 859	979 217
Leverage ratio, % [3)]	9.1	9.2

[1)] Buffer requirement according to Swedish implementation of CRD IV.
[2)] CET1 capital ratio as reported, less minimum requirement of 4.5% (excluding buffer requirements) and less any CET1 items used to meet the Tier 1 and total capital requirements.
[3)] Taking into account exemption according to CRR article 429.7 excluding certain intragroup exposures.

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

31 Dec 2018 SEKm	Exposure amount	Risk exposure amount	Minimum capital requirement
Credit risks, STD	**1 045 728**	**80 197**	**6 415**
Central government or central banks exposures	18		
Regional governments or local authorities exposures	34	7	1
Public sector entities exposures	1 024		
Multilateral development banks exposures	2 452		
International organisation exposures	280		
Institutional exposures	968 031	841	67
Corporate exposures	4 205	4 020	322
Retail exposures	301	225	18
Exposures secured by mortgages on immovable property	2 919	1 022	82
Exposures in default	0	0	0
Equity exposures	65 375	72 995	5 838
Other items	1 089	1 087	87
Credit risks, IRB	**788 776**	**163 098**	**13 048**
Central government or central banks exposures	205 617	3 188	255
Institutional exposures	52 256	10 259	821
Corporate exposures	433 572	126 438	10 115
of which specialized lending			
Retail exposures	94 045	20 058	1 605
of which mortgage lending	11 333	2 346	188
of which other lending	82 712	17 712	1 417
Non-credit obligation	3 286	3 155	252
Credit risks, Default fund contribution		**358**	**29**
Settlement risks	**177**	**0**	**0**
Market risks		**13 000**	**1 040**
Trading book		12 460	997
of which VaR and SVaR		9 023	722
of which risks outside VaR and SVaR		3 437	275
FX risk other operations		540	43
Credit value adjustment	**15 072**	**3 781**	**302**
Operational risks		**35 201**	**2 816**
Standardised approach		35 201	2 816
Additional risk exposure amount, Article 3 CRR		**29 058**	**2 325**
Additional risk exposure amount, Article 458 CRR		**487**	**39**
Total	**1 849 753**	**325 180**	**26 014**

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

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

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

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

Alternative performance measures

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

Measure and definition	Purpose
Net stable funding ratio (NSFR) NSFR aims to have a sufficiently large proportion of stable funding in relation to long-term assets. The measure is governed by the EU's Capital Requirements Regulation (CRR); however no calculation methods have yet been established. Consequently, the measure cannot be calculated based on current rules. NSFR is presented in accordance with Swedbank's interpretation of the Basel Committee's recommendation (BCBS295).	This measure is relevant for investors since it will be required in the near future and as it is already followed as part of internal governance.
Net interest margin before trading interest is deducted Calculated as Net interest income before trading interest is deducted, in relation to average total assets. The average is calculated using month-end figures [1], including the prior year end. The closest IFRS measure is Net interest income and can be reconciled in Note 5	The presentation of this measure is relevant for investors as it considers all interest income and interest expense, independent of how it has been presented in the income statement.
Allocated equity Allocated equity is the operating segment's equity measure and is not directly required by IFRS. The Group's equity attributable to shareholders is allocated to each operating segment based on capital adequacy rules and estimated capital requirements based on the bank's internal Capital Adequacy Assessment Process (ICAAP). The allocated equity amounts per operating segment are reconciled to the Group Total equity, the nearest IFRS measure, in Note 4.	The presentation of this measure is relevant for investors since it used by Group management for internal governance and operating segment performance management purposes.
Return on allocated equity Calculated based on profit for the period for the operating segment (operating profit less estimated tax and non–controlling interests), in relation to average allocated equity for the operating segment. The average is calculated using month-end figures [1], including the prior year end. The allocated equity amounts per operating segment are reconciled to the Group Total equity, the nearest IFRS measure, in Note 4.	The presentation of this measure is relevant for investors since it used by Group management for internal governance and operating segment performance management purposes.
Income statement measures excluding UC and Hemnet income Amount related to other income is presented excluding the income related to UC (2018) and Hemnet (2017). The amounts are reconciled to the relevant IFRS income statement lines on page 6.	The presentation of this measure is relevant for investors as it provides comparability of figures between reporting periods.
Return on equity excluding UC and Hemnet income Represents profit for the period allocated to shareholders excluding UC and Hemnet income in relation to average Equity attributable to shareholders' of the parent company. The average is calculated using month-end figures [1], including the prior year end. Profit for the period allocated to shareholders excluding UC (2018) and Hemnet (2017) income are reconciled to Profit for the period allocated to shareholders, the nearest IFRS measure, on page 6.	The presentation of this measure is relevant for investors as it provides comparability of figures between reporting periods.
Cost/Income ratio excluding UC and Hemnet income Total expenses in relation to total income excluding UC and Hemnet income. Total income excluding UC (2018 and Hemnet (2017) income is reconciled to Total income, the nearest IFRS measure, on page 6	The presentation of this measure is relevant for investors as it provides comparability of figures between reporting periods.

Other alternative performance measures

These measures are defined in Fact book on page 80 and are calculated from the financial statements without adjustment.

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

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

[1)] The month-end figures used in the calculation of the average can be found on page 73 of the Fact book.

Signatures of the Board of Directors and the President

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

Stockholm, 28 January 2019

Lars Idermark
Chair

Ulrika Francke
Deputy Chair

Bodil Eriksson
Board Member

Mats Granryd
Board Member

Bo Johansson
Board Member

Anna Mossberg
Board Member

Peter Norman
Board Member

Siv Svensson
Board Member

Magnus Uggla
Board Member

Camilla Linder
Board Member
Employee Representative

Roger Ljung
Board Member
Employee Representative

Birgitte Bonnesen
President and CEO

Review report

Introduction
We have reviewed the year-end report for Swedbank AB (publ) for the period 1 January – 31 December 2018. The Board of Directors and the President are responsible for the preparation and presentation of this year-end report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this year-end report based on our review.

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

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

Stockholm, 28 January 2019
Deloitte AB

Patrick Honeth
Authorised Public Accountant

Publication of financial information

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

Financial calendar 2018

Annual report 2018	20 February 2019
Annual General Meeting	28 March 2019
Interim report for the first quarter	25 April 2019
Interim report for the second quarter	17 July 2019
Interim report for the third quarter	22 October 2019

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Information on Swedbank's strategy, values and share is also available on www.swedbank.com

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