

# Q2 2019

Interim report January-June 2019, 17 July 2019

Swedbank 

## Interim report for the second quarter 2019

Second quarter 2019 compared with first quarter 2019

- Higher loan volumes and a lower resolution fund fee positively affected net interest income
- Increased card usage and higher asset management valuations strengthened net commission income
- More normal market conditions resulted in lower net gains and losses on financial items
- Increased consulting expenses due to investigations
- Good credit quality
- Dividend pay-out policy adjusted to 50 per cent of annual profit

“Despite global uncertainty, we saw increased customer activity in all our home markets in the quarter.”

Anders Karlsson,  
Acting President and CEO

Financial information SEKm	Q2 2019	Q1 2019	%	Jan-Jun 2019	Jan-Jun 2018	%
<b>Total income</b>	<b>11 416</b>	<b>11 362</b>	<b>0</b>	<b>22 778</b>	<b>22 413</b>	<b>2</b>
Net interest income	6 607	6 421	3	13 028	12 567	4
Net commission income	3 202	3 070	4	6 272	6 317	-1
Net gains and losses on financial items	768	1 186	-35	1 954	1 194	64
Other income <sup>1)2)</sup>	839	685	22	1 524	2 335	-35
<b>Total expenses</b>	<b>4 753</b>	<b>4 518</b>	<b>5</b>	<b>9 271</b>	<b>8 431</b>	<b>10</b>
Profit before impairment	6 663	6 844	-3	13 507	13 982	-3
Impairment of intangible and tangible assets	2			2	282	-99
Credit impairment	109	218	-50	327	-8	
Tax expense <sup>1)</sup>	1 210	1 352	-11	2 562	2 655	-4
<b>Profit for the period attributable to the shareholders of Swedbank</b>	<b>5 336</b>	<b>5 270</b>	<b>1</b>	<b>10 606</b>	<b>11 047</b>	<b>-4</b>
Earnings per share, SEK, after dilution	4.75	4.70		9.46	9.87	
Return on equity, %	16.6	15.5		15.9	17.1	
C/I ratio	0.42	0.40		0.41	0.38	
Common Equity Tier 1 capital ratio, %	16.1	15.9		16.1	23.6	
Credit impairment ratio, %	0.03	0.05		0.04	0.00	

<sup>1)</sup> 2018 (Q1 and Q2) results have been restated for changed presentation of tax related to associates.

<sup>2)</sup> Other income includes the items Net insurance, Share of profit or loss of associates, and Other income from the Group income statement.

## CEO Comment

### **Strong financial result in an uncertain market**

The second quarter of 2019 saw continued geopolitical and economic uncertainty. Trade conflicts dominated media coverage and are now beginning to affect the real economy. As a result, central banks in Europe and the US signalled that they were open to monetary easing. In Sweden growth levelled off but remained positive, with exports as the main growth engine. Under the circumstances, the Riksbank took a wait-and-see approach. House prices and sales in Sweden have remained stable. Swedish households are generally in good shape financially against the backdrop of a strong labour market and low interest rates. Our Baltic home markets continued to show robust growth, driven by investment, exports and domestic consumption.

Despite the economic uncertainty, we saw increased customer activity in all our home markets in the quarter. Our financial results were positively affected by both increased loan demand and the rise in the stock market.

Net interest income strengthened thanks to higher lending volumes, both to businesses and individuals, at the same time that a lower resolution fund fee for the full-year also contributed positively.

Increased card transactions and higher fund valuations raised net commission income. In addition, our insurance and credit card operations reported continued income growth.

Expenses increased in the quarter due to the ongoing AML related investigations, in line with previous communication.

Credit quality remains solid in all our home markets.

### **Increased customer value and increased focus on promoting a sustainable society**

Swedbank took important steps in the quarter to increase customer value. We launched several services to improve the customer experience and make banking easier for them to manage. Our Baltic customers now have access to a virtual assistant and we are already seeing high usage of Frequently Asked Questions. In Sweden our mobile payment alternatives have been further expanded to accept Google Pay. In Sweden we have also taken the first step towards online advisory meetings by launching a pilot project where customers can initiate a chat with our customer service.

Swedbank has also invested in and begun partnering with the fintech firm Kaching Retail to develop mobile checkout solutions for our retail customers. The aim is to more efficiently digitise sales processes and payments and to improve the customer experience.

Since the bank was founded nearly 200 years ago, we have played an active part in promoting financial literacy. In this role Swedbank during the quarter produced a guide on sound and sustainable finances and how the pension system works. To reach an even wider audience, the guide is available in six different languages.

To reduce the bank's own climate impact, we decided to invest in our own solar panel farm. The farm is expected to be operational in June 2020 and will become the largest in Sweden. It will deliver around 10 000MWh per year, or 30 per cent of the electricity consumed in all Swedbank branches in Sweden. We also continue to develop sustainable products and services. In May we launched a new loans with discount for customers who buy solar panels.

### **Work to combat financial crime continues**

The ongoing investigations of the bank's work to prevent money laundering are continuing as planned, and we are providing the authorities with the material they need. An extensive amount of information is being reviewed, covering Swedbank AB and its global network of branches, as well as relevant wholly owned subsidiaries. It covers customers, transactions and activity from 2007 through March 2019. Shortcomings have been found. The conclusions from the ongoing investigations will guide our continued work.

As stated previously, cooperation with the authorities, banks and other players is critical to the fight against global financial crime. Our joint venture with other Nordic banks to develop a platform for KYC (Know Your Customer) is therefore an important step. The customer experience is improved as well by simplifying the KYC process. Initially the service will be offered to large and medium-sized companies in the Nordic region and will be launched in 2020.

### **New financial targets**

The bank's Board of Directors has decided to change the dividend pay-out policy from 75 to 50 percent of annual profit in order to further strengthen the bank's capital position.

The change occurs against the backdrop of a higher counter-cyclical buffer in Sweden, a defined benefit pension obligation impacted by market rates, continued loan volume growth and the uncertainty regarding the bank's work on anti-money laundering.

We have also chosen to introduce a capital target, where the CET1 capital ratio will exceed the Swedish FSA's requirement by 100-300bps. As of the end of the second quarter this year, Swedbank's Common Equity Tier 1 capital ratio was 16.1 percent, which is 150bps higher than the Swedish FSA's requirement.

The targets of having market leading cost efficiency and a Return on Equity of at least 15 per cent remain.

These measures will ensure that Swedbank remains one of the strongest banks financially in Europe while continuing to support our customers' growth.



Anders Karlsson  
Acting President and CEO

## Table of contents

	Page
<b>Overview</b>	<b>5</b>
Market	5
Important to note	5
<b>Group development</b>	<b>5</b>
Result second quarter 2019 compared with first quarter 2019	5
Result January-June 2019 compared with January-June 2018	6
Volume trend by product area	6
Credit and asset quality	8
Operational risks	8
Funding and liquidity	8
Ratings	8
Capital and capital adequacy	8
Other events	9
Events after 30 June 2019	10
<b>Business segments</b>	
Swedish Banking	11
Baltic Banking	13
Large Corporates & Institutions	15
Group Functions & Other	17
Eliminations	18
<b>Group</b>	
Income statement, condensed	20
Statement of comprehensive income, condensed	21
Balance sheet, condensed	22
Statement of changes in equity, condensed	23
Cash flow statement, condensed	24
Notes	25
<b>Parent company</b>	<b>53</b>
<b>Alternative performance measures</b>	<b>59</b>
<b>Signatures of the Board of Directors and the President</b>	<b>61</b>
<b>Review report</b>	<b>61</b>
<b>Contact information</b>	<b>62</b>

More detailed information can be found in Swedbank's Fact book, [www.swedbank.com/ir](http://www.swedbank.com/ir), under Financial information and publications.

## Financial overview

Income statement SEKm	Q2		Q1		Q2		Jan-Jun		Jan-Jun	
	2019	2019	%	2018	%	2019	2018	%		
Net interest income	6 607	6 421	3	6 273	5	13 028	12 567	4		
Net commission income	3 202	3 070	4	3 236	-1	6 272	6 317	-1		
Net gains and losses on financial items	768	1 186	-35	635	21	1 954	1 194	64		
Other income <sup>1)2)</sup>	839	685	22	1 584	-47	1 524	2 335	-35		
<b>Total income</b>	<b>11 416</b>	<b>11 362</b>	<b>0</b>	<b>11 728</b>	<b>-3</b>	<b>22 778</b>	<b>22 413</b>	<b>2</b>		
Staff costs	2 782	2 759	1	2 613	6	5 541	5 245	6		
Other expenses	1 971	1 759	12	1 649	20	3 730	3 186	17		
<b>Total expenses</b>	<b>4 753</b>	<b>4 518</b>	<b>5</b>	<b>4 262</b>	<b>12</b>	<b>9 271</b>	<b>8 431</b>	<b>10</b>		
<b>Profit before impairment</b>	<b>6 663</b>	<b>6 844</b>	<b>-3</b>	<b>7 466</b>	<b>-11</b>	<b>13 507</b>	<b>13 982</b>	<b>-3</b>		
Impairment of intangible assets				282			282			
Impairment of tangible assets	2					2				
Credit impairment, net	109	218	-50	-135		327	-8			
<b>Operating profit</b>	<b>6 552</b>	<b>6 626</b>	<b>-1</b>	<b>7 319</b>	<b>-10</b>	<b>13 178</b>	<b>13 708</b>	<b>-4</b>		
Tax expense <sup>1)</sup>	1 210	1 352	-11	1 300	-7	2 562	2 655	-4		
<b>Profit for the period</b>	<b>5 342</b>	<b>5 274</b>	<b>1</b>	<b>6 019</b>	<b>-11</b>	<b>10 616</b>	<b>11 053</b>	<b>-4</b>		
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>5 336</b>	<b>5 270</b>	<b>1</b>	<b>6 014</b>	<b>-11</b>	<b>10 606</b>	<b>11 047</b>	<b>-4</b>		

<sup>1)</sup> 2018 (Q1 and Q2) results have been restated for changed presentation of tax related to associates.

<sup>2)</sup> 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	Q2		Q1		Q2		Jan-Jun		Jan-Jun	
	2019	2019	2018	2019	2018	2019	2018	2019	2018	
Return on equity, %	16.6	15.5	19.2	15.9	17.1					
Earnings per share before dilution, SEK <sup>1)</sup>	4.77	4.72	5.39	9.49	9.90					
Earnings per share after dilution, SEK <sup>1)</sup>	4.75	4.70	5.37	9.46	9.87					
C/I ratio	0.42	0.40	0.36	0.41	0.38					
Equity per share, SEK <sup>1)</sup>	115.7	113.0	114.7	115.7	114.7					
Loan/deposit ratio, %	169	171	160	169	160					
Common Equity Tier 1 capital ratio, %	16.1	15.9	23.6	16.1	23.6					
Tier 1 capital ratio, %	17.9	17.7	26.3	17.9	26.3					
Total capital ratio, %	20.2	20.0	30.4	20.2	30.4					
Credit impairment ratio, %	0.03	0.05	-0.03	0.04	0.00					
Share of Stage 3 loans, gross, %	0.72	0.67	0.69	0.72	0.69					
Total credit impairment provision ratio, %	0.36	0.39	0.34	0.36	0.34					
Liquidity coverage ratio (LCR), %	143	167	145	143	145					
Net stable funding ratio (NSFR), %	111	110	110	111	110					

<sup>1)</sup> The number of shares and calculation of earnings per share are specified on page 50.

Balance sheet data SEKbn	30 Jun		31 Dec		30 Jun	
	2019	2018	%	2018	%	
Loans to the public, excl. the Sw edish National Debt Office and repurchase agreements	1 612	1 578	2	1 563	3	
Deposits and borrow ings from the public, excl. the Sw edish National Debt Office and repurchase agreements	952	920	4	975	-2	
Equity attributable to shareholders of the parent company	129	137	-6	128	1	
Total assets	2 480	2 246	10	2 646	-6	
Risk exposure amount	658	638	3	434	51	

Definitions of all key ratios can be found in Swedbank's Fact book on page 80.

## Overview

### Market

Geopolitical uncertainty carried over into the second quarter. No concrete solutions were reached in the Brexit negotiations since the EU granted the UK an extension until October 31. No concrete solutions were reached in the trade conflict between the US and China, although the two sides agreed to restart talks at the G20 summit in June. The US has also threatened Mexico and the EU with tariffs, at the same time that tensions between the US and Iran have risen, contributing to fluctuating oil prices.

At its monetary policy meeting in June, the US Federal Reserve signalled an openness to lowering interest rates owing to growing economic uncertainty. The European Central Bank revised its rate path lower, delaying a rate hike. In the foreign exchange market the exchange rate between the US dollar and euro stayed fairly stable in the quarter, although the dollar weakened somewhat late in the period. The krona fell significantly against both the euro and dollar in the first part of the quarter before stabilising and recovering slightly towards the end of the period.

Swedish GDP grew 0.6 per cent in the first quarter 2019 compared with the fourth quarter 2018, and the annual growth rate was 2.1 per cent. Again it was mainly exports that contributed to growth. A continued drop in housing investment meant that total investment fell as well. According to preliminary data, housing starts in the first quarter 2019 were about the same as a year earlier. In the spring house prices rose modestly and households became more optimistic about prices. At the same time household lending growth slowed before levelling off at 5 per cent in April and May. Swedish inflation measured at a fixed interest rate, CPIF, was marginally higher in May than the Riksbank's 2 per cent target and in line with the Riksbank's forecast. The labour market has generally stayed stable, but in May trend-adjusted unemployment rose somewhat.

The Baltic countries continue to report good growth. Lithuania's GDP rose 4.0 per cent on an annual basis in the first quarter, with investment, exports and consumption as the main drivers. Growth in Estonia surpassed expectations at 4.5 per cent on an annual basis, and manufacturing accounted for about one third of that. In Latvia growth slowed to 2.8 per cent on an annual basis. In the first quarter inflation was 2.9 per cent in Latvia, followed by Lithuania at 2.6 per cent and Estonia at 2.3 per cent.

### Important to note

Against the backdrop of a higher countercyclical buffer in Sweden, a defined benefit pension obligation impacted by market rates, continued loan volume growth and the uncertainty regarding the bank's work on anti-money laundering, Swedbank has therefore set the following new financial targets in order to further strengthen the capital position:

- Swedbank's dividend will correspond to 50 per cent of the annual profit attributable to shareholders. The dividend will be decided annually, with respect to the bank's capital target and the outlook for profitable growth in our home markets.

- Swedbank's Common Equity Tier 1 capital ratio will exceed the Swedish FSA's requirement by 100-300bps.

The targets of having market leading cost efficiency and a Return on Equity of at least 15 per cent remain.

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 59.

## Group development

### Result second quarter 2019 compared with first quarter 2019

Swedbank's profit rose 1 per cent in the second quarter 2019 to SEK 5 336m (5 270). The main reasons were higher income and lower credit impairments.

Foreign exchange effects increased profit by SEK 25m, mainly because the Swedish krona weakened on average against the euro in the quarter.

The return on equity was 16.6 per cent (15.5) and the cost/income ratio was 0.42 (0.40).

Income increased to SEK 11 416m (11 362). The main reason was higher net interest income, however higher net commission income and other income also contributed positively. Foreign exchange effects increased income SEK 47m.

Net interest income rose 3 per cent to SEK 6 607m (6 421) due to higher lending volumes and an extra day in the quarter. The Swedish National Debt Office's final ruling on the resolution fund fee for 2019 meant a reduction compared with the previous estimate, which positively affected net interest income by SEK 65m.

Net commission income rose 4 per cent to SEK 3 202m (3 070), mainly due to increased asset management income resulting from higher valuations. Net commission income from cards also increased as card usage was higher in the quarter. Income from corporate finance rose as well, but was offset by lower net commission income from securities.

Net gains and losses on financial items decreased to SEK 768m (1 186). The main reason was a lower result from fixed income trading in Large Corporates & Institutions. Net gains and losses on financial items also decreased in Group Treasury, within Group Functions & Other, due to negative valuation effects on interest rate swaps.

Other income including the share of profit or loss of associates increased to SEK 839m (685), mainly due to a higher result in Entercard.

Expenses rose to SEK 4 753m (4 518), mainly due to increased consulting expenses amounting to SEK 187m to manage the money laundering related investigations currently underway. In total, additional AML related costs including actions to strengthen processes has

increased expenses by SEK 244m during the quarter. Staff costs were in line with the previous quarter.

Foreign exchange effects raised expenses by SEK 19m.

Credit impairments decreased to SEK 109m (218), mainly because Swedish Banking reported a positive result. Credit impairments within Large Corporates & Institutions were in line with the previous quarter, while they increased slightly in Baltic Banking.

Impairment of tangible assets amounted to SEK 2m (0).

The tax expense amounted to SEK 1 210m (1 352), corresponding to an effective tax rate of 18.5 per cent (20.4). The lower rate in the second quarter is mainly due to an SEK 64m adjustment of the previous year's tax after a positive settlement with the Swedish Tax Agency and a change in the way the Group's pre-tax profit is distributed by country.

### Result January-June 2019 compared with January-June 2018

Profit decreased 4 per cent to SEK 10 606m (11 047), mainly because the year-earlier period was positively affected by the UC sale and due to increased expenses. The table below shows profit excluding the gain on the UC sale in 2018. Adjusted for the UC sale, profit rose 2 per cent.

Income statement, SEKm	Jan-Jun 2019	Jan-Jun 2018	Jan-Jun 2018 excl. income UC
Net interest income	13 028	12 567	12 567
Net commission income	6 272	6 317	6 317
Net gains and losses on financial items	1 954	1 194	1 194
Share of profit or loss of associates	357	493	493
Other income <sup>1)</sup> of which UC	1 167	1 842	1 165
		677	
<b>Total income</b>	<b>22 778</b>	<b>22 413</b>	<b>21 736</b>
<b>Total expenses</b>	<b>9 271</b>	<b>8 431</b>	<b>8 431</b>
Impairment and credit impairment	329	274	274
<b>Operating profit</b>	<b>13 178</b>	<b>13 708</b>	<b>13 031</b>
Tax expense	2 562	2 655	2 655
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>10 606</b>	<b>11 047</b>	<b>10 370</b>
Non-controlling interests	10	6	6
Return on equity	15.9	17.1	16.1
Cost/Income ratio	0.41	0.38	0.39

Foreign exchange effects raised profit by SEK 82m.

The return on equity was 15.9 per cent (17.1) and the cost/income ratio was 0.41 (0.38).

Income increased 2 per cent to SEK 22 778m (22 413). Foreign exchange effects increased income SEK 149m.

Net interest income rose 4 per cent to SEK 13 028m (12 567). The increase was mainly due to a lower resolution fund fee and higher lending volumes.

Net commission income decreased to SEK 6 272m (6 317). Net commission income from cards, asset management and customer concepts increased, but

was partly offset by lower income from corporate finance, securities, lending and guarantees.

Net gains and losses on financial items rose to SEK 1 954m (1 194). The main reason was a higher result from fixed income trading within Large Corporates & Institutions. Net gains and losses on financial items also increased in Group Treasury partly due an increase in the value of Visa and Asiakastieto holdings in the period.

Other income including the share of profit or loss of associates decreased to SEK 1 524m (2 335) due to the above-mentioned UC sale in the equivalent period in 2018.

Expenses increased to SEK 9 271m (8 431). Staff costs rose due to annual wage increases and the severance pay for Swedbank's former CEO. Consulting expenses increased as well, due to the money laundering related investigations that are underway. Foreign exchange effects increased expenses by SEK 54m.

Credit impairments increased to SEK 327m (-8), mainly due to higher credit impairments within Large Corporates & Institutions. Credit impairments within Swedish Banking were lower, while Baltic Banking reported a positive result.

The tax expense amounted to SEK 2 562m (2 655), corresponding to an effective tax rate of 19.4 per cent (19.4). 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 21bn to SEK 1 612bn (1 591) compared with the end of the first quarter 2019. Compared with the end of the second quarter 2018 the increase was SEK 49bn, corresponding to growth of 3 per cent. Foreign exchange effects positively affected lending by SEK 3bn compared with the end of the first quarter 2019 and positively by SEK 3bn compared with the end of the second quarter 2018.

Loans to the public excl. and repurchase agreements, SEKbn	30 Jun 2019	31 Mar 2019	30 Jun 2018
Loans, private mortgage	892	884	858
of which Swedish Banking	808	804	781
of which Baltic Banking	84	80	76
Loans, private other incl tenant-owner associations	153	152	155
of which Swedish Banking	136	135	140
of which Baltic Banking	16	16	15
of which Large Corporates & Inst.	1	1	1
Loans, corporate	567	555	550
of which Swedish Banking	257	256	255
of which Baltic Banking	82	78	76
of which Large Corporates & Inst.	228	221	219
<b>Total</b>	<b>1 612</b>	<b>1 591</b>	<b>1 563</b>

Lending to mortgage customers within Swedish Banking rose SEK 4bn to SEK 808bn (804) compared with the end of the first quarter 2019. The total market share was 24 per cent (24).

Other private lending, including lending to tenant-owner associations, increased SEK 1bn. 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.

Baltic Banking's mortgage volume grew 2 per cent in local currency to the equivalent of SEK 84bn.

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 12bn in the quarter to SEK 567bn (555). The increase was mainly evident in commercial real estate. Corporate lending increased in every business segment. 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 second quarter was 8.1 million, in line with the end of the first quarter. Compared with the second quarter 2018 the number of cards in issue rose 1 per cent. In Sweden 4.3 million cards were in issue and in the Baltic countries 3.8 million. Compared with the same period in 2018 the number of corporate cards rose 4 per cent and the number of private cards 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 business customers offer further growth potential in corporate card issuance.

Number of cards	30 Jun 2019	31 Mar 2019	30 Jun 2018
Issued cards, million	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

In the second quarter there were 352 million purchases with Swedbank cards in Sweden, an increase of 2 per cent year-on-year. In the Baltic countries the corresponding increase was 14 per cent and there were 159 million purchases. The number of acquired card transactions increased in total, but fell 2 per cent in the Nordic countries to 691 million. In the Baltic countries the number of acquired transactions rose 18 per cent to 118 million.

The number of domestic payments rose 5 per cent in Sweden and 7 per cent in the Baltic countries compared with the equivalent period in 2018. Swedbank's market share of payments through the Bankgiro system was 36 per cent. The number of international payments was in line with the equivalent period in 2018 in Sweden and increased 15 per cent in the Baltic countries.

### Savings

Total deposits within the business segments – Swedish Banking, Baltic Banking and Large Corporates & Institutions – rose to SEK 929bn compared with the end of the first quarter 2019 (920). Compared with the end of the second quarter 2018 the increase was SEK 30bn, corresponding to growth of 3 per cent. Total deposits from the public, including volumes attributable to Group Treasury, amounted to SEK 952bn (SEK 930bn at the end of the first quarter 2019). The increase is largely due to increased volumes within Swedish Banking and

Group Treasury. Exchange rates positively affected deposits by SEK 4bn compared with the end of the first quarter 2019 and positively by SEK 3bn compared with the end of the second quarter 2018.

Deposits from the public excl. the Swedish National Debt Office and repurchase agreements,	30 Jun 2019	31 Mar 2019	30 Jun 2018
Deposits, private	526	515	500
of which Swedish Banking	390	383	377
of which Baltic Banking	136	132	123
Deposits, corporate	426	415	475
of which Swedish Banking	182	173	169
of which Baltic Banking	88	86	84
of which Large Corporates & Inst.	133	146	146
of which Group Functions & Other	23	10	76
<b>Total</b>	<b>952</b>	<b>930</b>	<b>975</b>

Swedbank's deposits from private customers increased SEK 11bn in the quarter to SEK 526bn (515).

Corporate deposits in the business segments decreased by a total of SEK 2bn in the quarter, mainly due to lower volumes within Large Corporates & Institutions.

Deposits within Group Treasury increased SEK 13bn.

Market shares in Sweden decreased slightly in the quarter. The market share for household deposits was 19 per cent (20) and for corporate deposits was 16 per cent (17). For more information on deposits, see page 37 of the Fact book.

Asset management, SEKbn	30 Jun 2019	31 Mar 2019	30 Jun 2018
<b>Total Asset Management</b>	<b>1 446</b>	<b>1 395</b>	<b>1 366</b>
<b>Assets under management</b>	<b>1 000</b>	<b>965</b>	<b>944</b>
Assets under management, Robur	998	959	938
of which Sweden	944	908	891
of which Baltic countries	55	52	48
of which eliminations	-1	-1	-1
Assets under management, Other, Baltic countries	2	6	6
<b>Discretionary asset management</b>	<b>446</b>	<b>430</b>	<b>422</b>

Assets under management by Swedbank Robur rose in the quarter to SEK 998bn at 30 June (959), of which SEK 944bn related to the Swedish business and SEK 55bn to the Baltic business. The increases in both Sweden and the Baltic countries are above all due to higher valuations but also net inflows.

The net inflow in the Swedish fund market amounted to SEK 18.0bn in the period, compared with SEK 10.0bn in the first quarter.

The net inflow to Swedbank Robur's Swedish fund operations totalled SEK 1.0bn (4.6), with inflows mainly in the institutional business.

Robur's market share of the net flow was 6 per cent (39).

The net inflow in the Baltic countries was SEK 0.9bn (1.1).

By assets under management Swedbank Robur is the largest player in the Swedish and Baltic fund markets. As of 30 June the market share in Sweden was 20 per cent. In Estonia and Latvia it was 41 per cent respectively and in Lithuania 37 per cent.

<b>Assets under management, life insurance</b>	<b>30 Jun</b>	<b>31 Mar</b>	<b>30 Jun</b>
<b>SEKbn</b>	<b>2019</b>	<b>2019</b>	<b>2018</b>
Sweden	202	195	189
of which collective occupational pensions	99	94	89
of which endowment insurance	66	65	67
of which occupational pensions	27	26	24
of which other	10	10	10
Baltic countries	6	6	6

Life insurance assets under management in Sweden increased 16 per cent from the beginning of the year and reached SEK 202bn. Swedbank fell to tenth place in life insurance in Sweden in the first quarter 2019, with a market share of about 6 per cent of premium payments excluding capital transfers. Total transferred capital amounted to SEK 37bn. The market share for transferred capital remained at 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 31 May were 38 per cent in Estonia, 24 per cent in Lithuania and 26 per cent in Latvia.

### Credit and asset quality

Credit quality in Swedbank's lending portfolios remained strong. In the second quarter credit impairments amounted to SEK 109m (SEK 218m in the first quarter) and mainly related to provisions within Large Corporates & Institutions. The credit impairment ratio was 0.03 per cent (0.05). The share of loans in stage 3 (gross) was 0.72 per cent (0.67). The provision ratio for loans in stage 3 was 34 per cent (36). For more information on asset quality, see pages 39-44 of the Fact book.

<b>Credit impairments, net by business segment</b>	<b>Q2</b>	<b>Q1</b>	<b>Q2</b>
<b>SEKm</b>	<b>2019</b>	<b>2019</b>	<b>2018</b>
Swedish Banking	-24	141	84
Baltic Banking	25	-29	-87
Estonia	15	-2	-61
Latvia	11	-7	-3
Lithuania	-1	-20	-23
Large Corporates & Institutions	106	107	-126
Group Functions & Other	2	-1	-6
<b>Total</b>	<b>109</b>	<b>218</b>	<b>-135</b>

House prices and sales in Sweden remained stable in the second quarter. Uncertainty about new tenant-owned apartment construction persists, however, mainly regarding exclusive properties in metropolitan areas. Supply is still high, but the number of new housing projects is declining. 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 household lending are low and customer repayment capacity is generally good. Swedbank's internal rules focus on long-term repayment capacity, which ensures high quality and low risks for both the customer and the bank, with average loan-to-value ratios of 56 per cent in Sweden, 46 per cent in Estonia, 73 per cent in Latvia and 59 per cent in Lithuania. For more information, see pages 45-46 of the Fact book.

Swedbank's lending in property management is mainly to Swedish real estate companies with strong finances and good collateral. Lending is largely concentrated in segments with low risk such as residential, public and

office buildings in prime locations in growing regions. Swedbank has limited lending to retail properties, which represents a small part of total lending in property management. The geographic distribution within Sweden is good.

Swedbank's rules on lending to commercial properties focus on stable cash flows and the customer's long-term ability to repay interest and amortisation. Loan-to-value ratios are generally low and average 57 per cent in Sweden.

### Operational risks

Losses related to operational risks remained low in the second quarter. While fraud attempts on our customers continue, Swedbank was successful during the quarter in preventing many attempts using effective technological solutions.

### Funding and liquidity

The second quarter was again dominated by covered bond issues. Long-term debt issuance amounted to SEK 55bn. This means that total issues in the first half-year amounted to SEK 102bn. Total issuance volume for the full-year 2019 is expected to be slightly higher compared with 2018. Maturities for the full-year 2019 nominally amount to SEK 68bn calculated 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 30 June outstanding short-term funding, commercial paper, included in debt securities in issue amounted to SEK 185bn (SEK 220bn as of 31 March). At the same time available cash and balances with central banks as well as excess reserves with the Swedish National Debt Office amounted to SEK 247bn (232). The liquidity reserve amounted to SEK 426bn (424) as of 30 June. The Group's liquidity coverage ratio (LCR) was 143 per cent (167) and for USD and EUR was 174 per cent and 202 per cent respectively. The net stable funding ratio (NSFR) was 111 per cent (110). For more information on funding and liquidity, see notes 14-16 on pages 39-40 and pages 55-70 of the Fact book.

### Ratings

On 1 April S&P Global affirmed Swedbank's AA- rating, but changed its outlook from stable to Rating Watch Negative. On 2 April Moody's affirmed Swedbank's Aa2 rating, but changed its outlook from stable to Outlook Negative. On 2 April Fitch also affirmed Swedbank's AA- rating, but changed its outlook from stable to Rating Watch Negative. The reason for the revised outlook is the reports that have come out on shortcomings in Swedbank's work to prevent money laundering.

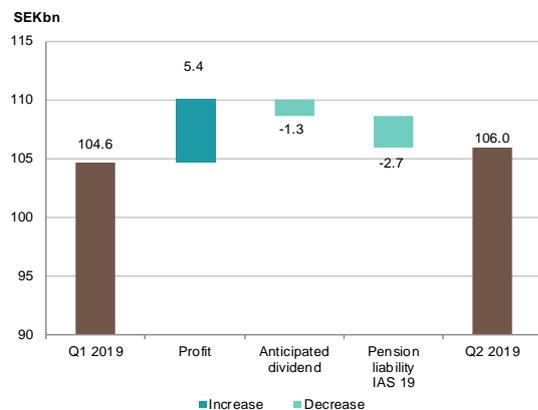
### Capital and capital adequacy

#### Capital ratio and capital requirement

The Common Equity Tier 1 capital ratio was 16.1 per cent at the end of the quarter (15.9 per cent as of 31 March 2019). This compares with the requirement of 14.6 per cent (14.6) of the risk exposure amount (REA). The total Common Equity Tier 1 capital requirement was unchanged at 14.6 per cent (14.6) of REA and takes into account Swedbank's Common Equity Tier 1 capital requirement for individual Pillar 2 risks of 2.9 per cent.

Common Equity Tier 1 capital increased to SEK 106.0bn (104.6). Profit after deducting the proposed dividend increased Common Equity Tier 1 capital by SEK 4.1bn, at the same time that revised assumptions for defined benefit pension liabilities (IAS 19) reduced Common Equity Tier 1 capital by SEK 2.7bn.

#### Change in Common Equity Tier 1 capital 2019, Swedbank consolidated situation



Total REA increased to SEK 658.1bn (656.4).

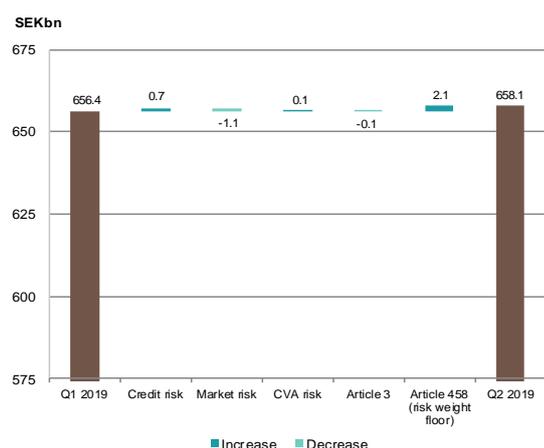
REA for credit risk rose SEK 0.7bn. Increased lending and FX effects contributed to the increase, but were offset by positive PD (probability of default) migrations and increased collateral values.

Increased mortgage exposures contributed to an increase in total REA of SEK 2.1bn due to the risk weight floor for Swedish mortgages (article 458 of the CRR).

REA for market risk decreased SEK 1.1bn due to lower exposures. REA for CVA increased SEK 0.1bn.

The quarterly review of additional risk exposures under article 3 of CRR resulted in a reduction in REA of SEK 0.1bn.

#### Change in REA 2019, Swedbank consolidated situation



The leverage ratio was 4.8 per cent (4.8 per cent as of 31 March 2019) as higher total assets offset higher Tier 1 Capital.

#### Future capital regulations

This spring the Swedish Ministry for Finance began an evaluation of the EU's proposed banking reforms, known as the banking package. The evaluation is scheduled to be completed in December 2019. The package includes restrictions on the motivation that may

serve as the basis for capital requirements in Pillar 2. According to the proposal, this means that the requirements in Pillar 2 may no longer be justified as a general macro supervisory action, while the option to introduce corresponding requirements in Pillar 1 is expanded. How the SFSA views the parts of the package that concern capital requirements and how they will affect Swedbank is too early to say.

The SFSA announced plans in May 2019 to introduce a minimum requirement for estimated risk associated with lending to Swedish commercial properties. The SFSA is concerned that commercial properties are gradually becoming over-leveraged to a level that now represents a potential risk to financial stability. A decision on the minimum level's effective date is expected from the SFSA this autumn. Exactly which lending will be affected has not yet been announced, so the impact on Swedbank's capital requirement remains uncertain.

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. Since the guidelines have not yet been finalised by the EBA or introduced into SFSA's regulations, there is uncertainty how the changes would affect Swedbank. With its robust profitability and satisfactory 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 of Swedish exposures as of 19 September 2019. The reason for the hike is the elevated risk in the financial system due to increased household and non-financial company debt.

#### Other events

On 2 April acting CEO Anders Karlsson announced the following temporary management changes:

- Mikael Björknert, Head of Group Strategy, will in addition to his current responsibilities also serve as acting Head of Swedish Banking
- Niclas Olsson, Head of Group Finance, was appointed acting CFO
- Tomas Hedberg, Head of Group Treasury, and Gregori Karamouzis, Head of Investor Relations, will until further notice report to acting President and CEO Anders Karlsson.

Niclas Olsson and Tomas Hedberg will also be part of Swedbank's Group Executive Committee until further notice.

On 5 April Lars Idermark notified the Chair of the Nomination Committee that he was immediately stepping down from the role of Chair of Swedbank. Ulrika Francke, formerly Deputy Chair, thereby took over as Chair.

On 25 April Swedbank's acting President and CEO, Anders Karlsson, announced, based on an initiative from the Board of Directors, the creation of an Anti-Financial Crime unit (AFC). Anders Ekedahl, formerly head of Group IT, was appointed to head the new unit, while Timo Tarmo Pajumets was named acting Head of Group IT. In connection with the changes Ingrid Harbo

was appointed acting Head of Group Compliance, while the Board of Directors appointed Anders Erlandsson as acting Chief Audit Executive.

On 28 April the Nomination Committee proposed former Swedish Prime Minister Göran Persson as the new Chair of the Board of Directors of Swedbank. On 13 May the Nomination Committee also proposed the election of Bo Magnusson and Josefin Lindstrand as new board members at the same time that it requested the board to call for an Extraordinary General Meeting.

On 17 June the Council of Swedbank AS in Estonia decided on changes to the Management Board of Swedbank AS, Estonia, as a consequence the bank's ongoing internal investigations. The Council of Swedbank AS in Estonia appointed Olavi Lepp, currently Chief Risk Officer, as acting Chair of the Management Board and CEO of Swedbank AS, Estonia, as well as Anna Kõuts, currently Head of Treasury, as acting CFO and a member of the Management Board.

Swedbank's Extraordinary General Meeting on 19 June elected Göran Persson as the new Chair of the Board of Directors. The Extraordinary General Meeting also resolved that there will be nine elected board members. Furthermore, Bo Magnusson and Josefin Lindstrand were elected as new board members.

#### **Update on ongoing investigations**

Money laundering is a global problem. UN's Office on Drugs and Crime (UNODC) estimates every year, sums corresponding to between 2 and 5 per cent of global GDP are laundered globally. That is three to five times Sweden's total GDP. A successful fight against global money laundering requires increased collaboration between lawmakers, regulators and banks.

Swedbank, like other banks, is constantly exposed to risks of criminal abuse of its infrastructure. In step with stricter regulation being imposed nationally and internationally, Swedbank has continuously improved its system support, processes and routines. The bank has also terminated relations with clients who do not meet the requirements of applicable regulation and Swedbank policy, so called offboarding. This work was intensified in 2016, with the bank initiating targeted internal investigations, including with external assistance. For example, in February 2017, the Norwegian lawyer Erling Grimstad was appointed to assist the bank in offboarding a number of higher-risk customers of Swedbank Estonia. During this process, Grimstad reported his findings to the bank regarding his assessment of the Swedbank Estonia's Anti-Money Laundering ("AML") program as well as his assessment of the risk of various Swedbank Estonia customers. In September 2018, the bank appointed Erling Grimstad to review an internal investigation concerning Estonia. In December 2018, Erling Grimstad presented a draft preliminary status report regarding the AML work at Swedbank Estonia.

On February 20, 2019, the investigative news show Uppdrag Granskning aired allegations of money laundering by customers of Swedbank Estonia. Government authorities in Europe and the U.S. initiated reviews and investigations of the bank's AML related compliance and communication.

The Swedish Financial Supervisory Authority (S-FSA) announced an investigation in addition to their regular inspections of the bank. The Estonian Financial Supervisory Authority (E-FSA) is conducting an investigation which is coordinated with its Swedish counterpart. The Latvian Economic Crime Enforcement Department of Police (LECED), and the European Central Bank (ECB) have also initiated investigations. These investigations are all expected to be concluded before the end of 2019, while the bank expects the routine inspections by its financial regulators will continue. The Swedish Economic Crimes Authority (EBM) has also opened an investigation. There is no information available as to when it will be concluded. Several U.S. authorities are at present investigating Swedbank. These can take years to conclude.

Early March 2019 the international law firm Clifford Chance, with the assistance of forensic support, was retained to conduct an internal investigation in order to confirm facts and circumstances of historical failings in AML compliance and money laundering exposure. This is expected to be concluded during early 2020. The investigation covers Swedbank AB and its global network of branches, as well as relevant wholly owned subsidiaries. It covers customers, transactions and activity from 2007 through March 2019. This investigation is very comprehensive. For example, with respect to the Baltics, the review covers more than 18 million entities or individuals registered as customers in the bank's database, with 15.2 billion in transactions between 2007 and March 2019. Clifford Chance will also review the banks current AML compliance program with a view to making recommendations to ensure that it meets industry best practices and regulatory expectations, including U.S. standards.

On April 4, 2019, the lawyer Biörn Riese was appointed independent advisor to the Board on the continued investigations, legal process and coordination of the matters related to the AML-allegations and investigations the board has to manage, as well as on the dissemination of related information.

Swedbank cooperates fully and provides the information the investigating authorities require on a continuous basis. Updates on the various investigations will be given in connection to the bank's financial reporting.

#### **Events after 30 June 2019**

On 2 July S&P Global maintained Swedbank's rating on Watch Negative due to the ongoing investigations. S&P Global plans to remove the Watch Negative when the SFSA's investigation is completed in October 2019.

On 9 July 2019 the SFSA confirmed that the EBA has extended the deadline for introducing updated guidelines on the Internal Ratings Based (IRB) approach by 12 months, until the end of 2021.

At the same time the SFSA announced that an updated definition of defaults will still be implemented by Swedish banks as of 1 January 2021 as planned.

## Swedish Banking

- Higher lending volumes positively affected net interest income but were offset by lower margins
- Increased income from asset management and cards strengthened net commission income
- Launch of solar panel loans with discount

### Income statement

SEKm	Q2 2019	Q1 2019	%	Q2 2018	%	Jan-Jun 2019	Jan-Jun 2018	%
Net interest income	4 023	4 151	-3	3 835	5	8 174	7 707	6
Net commission income	1 941	1 859	4	1 927	1	3 800	3 812	0
Net gains and losses on financial items	117	104	13	120	-3	221	217	2
Share of profit or loss of associates	217	133	63	163	33	350	316	11
Other income <sup>1)</sup>	229	202	13	915	-75	431	1 100	-61
<b>Total income</b>	<b>6 527</b>	<b>6 449</b>	<b>1</b>	<b>6 960</b>	<b>-6</b>	<b>12 976</b>	<b>13 152</b>	<b>-1</b>
Staff costs	727	760	-4	772	-6	1 487	1 561	-5
Variable staff costs	6	17	-65	-2		23	30	-23
Other expenses	1 500	1 447	4	1 430	5	2 947	2 864	3
Depreciation/amortisation	79	80	-1	14		159	28	
<b>Total expenses</b>	<b>2 312</b>	<b>2 304</b>	<b>0</b>	<b>2 214</b>	<b>4</b>	<b>4 616</b>	<b>4 483</b>	<b>3</b>
<b>Profit before impairment</b>	<b>4 215</b>	<b>4 145</b>	<b>2</b>	<b>4 746</b>	<b>-11</b>	<b>8 360</b>	<b>8 669</b>	<b>-4</b>
Credit impairment	-24	141		84		117	337	-65
<b>Operating profit</b>	<b>4 239</b>	<b>4 004</b>	<b>6</b>	<b>4 662</b>	<b>-9</b>	<b>8 243</b>	<b>8 332</b>	<b>-1</b>
Tax expense	829	801	3	812	2	1 630	1 563	4
<b>Profit for the period</b>	<b>3 410</b>	<b>3 203</b>	<b>6</b>	<b>3 850</b>	<b>-11</b>	<b>6 613</b>	<b>6 769</b>	<b>-2</b>
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>3 404</b>	<b>3 199</b>	<b>6</b>	<b>3 845</b>	<b>-11</b>	<b>6 603</b>	<b>6 763</b>	<b>-2</b>
Non-controlling interests	6	4	50	5	20	10	6	67
Return on allocated equity, %	20.9	19.9		25.0		20.5	22.4	
Loan/deposit ratio, %	210	215		215		210	215	
Credit impairment ratio, %	-0.01	0.05		0.09		0.02	0.06	
Cost/income ratio	0.35	0.36		0.32		0.36	0.34	
Loans, SEKbn <sup>2)</sup>	1 201	1 195	1	1 176	2	1 201	1 176	2
Deposits, SEKbn <sup>2)</sup>	572	556	3	546	5	572	546	5
Full-time employees	3 682	3 764	-2	3 858	-5	3 682	3 858	-5

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

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

### Result

#### Second quarter 2019 compared with first quarter 2019

Swedish Banking reported profit of SEK 3 404m (3 199). The increase was mainly due to higher net commission income, a better result in Entercard and lower credit impairments.

Net interest income decreased to SEK 4 023m (4 151). The main reason was gradually declining mortgage margins, driven by increased market interest rates in the first half of 2019. This was partly offset by higher lending volumes. Net interest income from deposits decreased slightly due to lower compensation from Group Treasury.

Household mortgage volume amounted to SEK 808bn at the end of the quarter, corresponding to an increase of SEK 4bn.

Corporate lending increased to SEK 257bn (256). Volume increased in property management but decreased mainly in the transport, retail and construction sectors.

Household deposit volume increased SEK 7bn, partly due to the annual personal tax rebate in the quarter. Corporate deposits increased SEK 9bn.

Net commission income increased 4 per cent to SEK 1 941m (1 859). The main reasons were increased income from asset management, driven by value appreciation, and increased card income due to higher card usage in the second quarter.

The share of profit or loss of associates increased, mainly driven by an increased result in Entercard. Other income rose slightly due to higher income from the insurance business.

Total expenses were stable. Staff costs continued to decrease, mainly due to a decrease in staff. This was partly offset by increased expenses for premises and consultants.

A positive result of SEK 24m was reported in the quarter, compared with credit impairments of SEK 141m in the first quarter.

#### January-June 2019 compared with January-June 2018

Profit decreased 2 per cent to SEK 6 603m (6 763), mainly because the UC sale in the equivalent period in 2018 positively affected profit by SEK 677m.

Net interest income increased 6 per cent to SEK 8 174m (7 707). The main reasons were increased deposit margins and higher business volumes. This was partly

offset by lower mortgage margins, driven by increased market interest rates. A lower resolution fund fee compared with 2018 positively affected net interest income.

Net commission income decreased slightly to SEK 3 800m (3 812). The decrease was mainly due to lower income from life insurance and card acquiring. The share of profit or loss of associates increased slightly, mainly due to a higher result from partly owned savings banks. Other income decreased mainly due to income from the UC sale in 2018.

Total expenses increased mainly due to higher internally distributed expenses. Staff costs decreased together with marketing expenses.

Credit impairments fell to SEK 117m (337), partly due to lower individual provisions for loans in stage 3.

### Business development

As part of the work to contribute to sustainable development, Swedbank introduced low-cost solar panel financing in the quarter for both household and corporate customers. We have also introduced lower-rate consumer loans on environmentally friendly cars.

Swedbank and the savings banks already offered customers with a MasterCard debit card the option to use various mobile payment solutions such as Samsung Pay, FitBit Pay, Garmin Pay and our own Swedbank Wallet. In the quarter the mobile wallet was expanded in Sweden with two additional services: Google Pay and Fidesmo Pay.

To strengthen our savings offering, a new fixed-price model was introduced for online equity trading, in connection with which commission-free trading was launched as well to inspire customers with less savings capital to begin saving in equities.

In June we participated in Järvaveckan, a week-long political event, where we invited foreign-born persons with a higher education to meet managers from Swedbank to discuss trainee positions which could lead to a permanent job. The results of this year's "Småföretagsbarometer" (small business survey), conducted together with the savings banks and the employers' association Företagarna, were presented in the quarter. The survey shows that the economic climate for the country's small businesses has weakened for the second consecutive year. Future optimism remains strong, however, and seven out of ten firms see good growth opportunities.

In the spring we launched a new training package, "Digital Finance", where customers can find practical ways to more easily manage their money using digital services. Online security is also included in the package. Through the investment we want to contribute to increased digital inclusion and increased customer satisfaction.



Mikael Björknert  
Acting 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 172 branches in Sweden.

## Baltic Banking

- Higher lending volumes and increased margins strengthened net interest income
- Higher card usage increased net commission income
- Strengthened position within digital innovation through hub for local fintech firms

### Income statement

SEKm	Q2 2019	Q1 2019	%	Q2 2018	%	Jan-Jun 2019	Jan-Jun 2018	%
Net interest income	1 293	1 240	4	1 181	9	2 533	2 284	11
Net commission income	673	649	4	634	6	1 322	1 227	8
Net gains and losses on financial items	76	72	6	65	17	148	120	23
Other income <sup>1)</sup>	204	181	13	167	22	385	321	20
<b>Total income</b>	<b>2 246</b>	<b>2 142</b>	<b>5</b>	<b>2 047</b>	<b>10</b>	<b>4 388</b>	<b>3 952</b>	<b>11</b>
Staff costs	268	246	9	241	11	514	453	13
Variable staff costs	15	16	-6	13	15	31	27	15
Other expenses	458	448	2	453	1	906	864	5
Depreciation/amortisation	48	38	26	23		86	47	83
<b>Total expenses</b>	<b>789</b>	<b>748</b>	<b>5</b>	<b>730</b>	<b>8</b>	<b>1 537</b>	<b>1 391</b>	<b>10</b>
<b>Profit before impairment</b>	<b>1 457</b>	<b>1 394</b>	<b>5</b>	<b>1 317</b>	<b>11</b>	<b>2 851</b>	<b>2 561</b>	<b>11</b>
Impairment of tangible assets	1					1		
Credit impairment	25	-29		-87		-4	-113	-96
<b>Operating profit</b>	<b>1 431</b>	<b>1 423</b>	<b>1</b>	<b>1 404</b>	<b>2</b>	<b>2 854</b>	<b>2 674</b>	<b>7</b>
Tax expense	205	202	1	212	-3	407	392	4
<b>Profit for the period</b>	<b>1 226</b>	<b>1 221</b>	<b>0</b>	<b>1 192</b>	<b>3</b>	<b>2 447</b>	<b>2 282</b>	<b>7</b>
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>1 226</b>	<b>1 221</b>	<b>0</b>	<b>1 192</b>	<b>3</b>	<b>2 447</b>	<b>2 282</b>	<b>7</b>
Return on allocated equity, %	19.1	19.8		20.6		19.4	19.8	
Loan/deposit ratio, %	81	80		81		81	81	
Credit impairment ratio, %	0.06	-0.07		-0.21		-0.01	-0.14	
Cost/income ratio	0.35	0.35		0.36		0.35	0.35	
Loans, SEKbn <sup>2)</sup>	182	174	5	167	9	182	167	9
Deposits, SEKbn <sup>2)</sup>	224	218	3	207	8	224	207	8
Full-time employees	3 678	3 662	0	3 566	3	3 678	3 566	3

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

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

### Result

#### Second quarter 2019 compared with first quarter 2019

Profit in the second quarter amounted to SEK 1 226m (1 221). Profit in local currency decreased slightly due to higher expenses and credit impairments. Foreign exchange effects increased by profit SEK 21m.

Net interest income increased 2 per cent in local currency, primarily due to increased lending volumes. Mortgage margins continued to rise slightly, while corporate lending margins were unchanged. Foreign exchange effects positively affected net interest income by SEK 23m.

Lending rose 3 per cent in local currency. Household and corporate lending both grew 3 per cent. Lending increased in all three Baltic countries. Foreign exchange effects contributed to an increase of SEK 3bn. Deposits increased 1 per cent in local currency and foreign exchange effects contributed an increase of SEK 3bn.

Net commission income increased 2 per cent in local currency, largely due to higher card usage.

Net gains and losses on financial items were relatively unchanged in local currency in the quarter.

Other income increased 10 per cent in local currency, mainly due to an improved result in the insurance business.

Expenses increased 3 per cent in local currency due to higher marketing expenses and staff costs.

Credit impairments amounted to SEK 25m, compared with a positive result of SEK 29m in the first quarter, due to recalibrated risk factors. Underlying credit quality remains solid.

#### January-June 2019 compared with January-June 2018

Profit increased to SEK 2 447m (2 282) due to higher income. Foreign exchange effects positively affected profit by SEK 72m.

Net interest income rose 8 per cent in local currency, largely due to increased lending volumes. Foreign exchange effects positively affected net interest income by SEK 74m.

Lending grew 8 per cent in local currency. Both household and corporate lending increased in all three Baltic countries. Foreign exchange effects contributed

an increase of SEK 2bn. Deposits increased 7 per cent in local currency and foreign exchange effects contributed an increase of SEK 2bn.

Net commission income increased 5 per cent in local currency. Higher income from cards and payments was partly offset by a lower result in asset management.

Net gains and losses on financial items increased 19 per cent in local currency. The increase is largely due to positive revaluations of bond holdings. Other income increased 17 per cent in local currency, mainly due to an improved result in the insurance business.

Expenses rose 7 per cent in local currency, mainly due to higher staff costs and investments in digital solutions.

Credit impairments produced a positive result of SEK 4m, compared with a positive result of SEK 113m in the equivalent period in 2018.

### Business development

In the quarter Swedbank continued to develop its digital channels and improve the customer offering. An automatic chat was launched in the Internet Bank to increase self-service options. Digital account opening was launched for corporate customers in Lithuania after having been available in Estonia since 2018 and in Latvia since early 2019.

A new green leasing product was also launched in the quarter to encourage customers to choose new and more environmentally friendly cars with lower CO2 emissions.

Swedbank has completed the takeover of the fintech centre Rise in Vilnius, Lithuania. Rise Vilnius was

established in mid-2016 and quickly became a hub for local fintech firms. Rise will operate under the new brand name ROCKIT and work to promote tech inspired innovations as well as contribute to Lithuania's goal of becoming a regional fintech hub in Europe. In connection with ROCKIT's launch Swedbank also entered into partnerships with the European Bank for Reconstruction and Development (EBRD) and the leading accelerator Start-Up Wise Guys.

Swedbank's long-term contributions to social engagement and sustainable business received positive coverage in the quarter. In Latvia Swedbank reached the top level in an annual sustainability evaluation and received an award for "Family friendly entrepreneurship". In Lithuania Swedbank's Finance Lab project was named "Best social engagement project". Finance Lab also exists in Latvia, aims to improve financial literacy.

Swedbank remains the most popular brand in the banking sector in all three Baltic countries and is also one of the ten most popular brands among all categories in the Baltic countries. In Estonia Swedbank ranks as the third most popular brand. In Latvia Swedbank ranks as the second most popular brand and in Lithuania Swedbank ranks seventh.



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 32 branches in Estonia, 32 in Latvia and 58 in Lithuania.

## Large Corporates & Institutions

- Increased lending volumes affected net interest income positively
- Lower net gains and losses on financial items due to less favourable conditions for fixed income trading
- Framework agreement on payment services signed with the Swedish National Debt Office

### Income statement

SEKm	Q2 2019	Q1 2019	%	Q2 2018	%	Jan-Jun 2019	Jan-Jun 2018	%
Net interest income	958	945	1	1 000	-4	1 903	1 934	-2
Net commission income	530	576	-8	640	-17	1 106	1 260	-12
Net gains and losses on financial items	444	832	-47	433	3	1 276	999	28
Other income <sup>1)</sup>	40	34	18	54	-26	74	76	-3
<b>Total income</b>	<b>1 972</b>	<b>2 387</b>	<b>-17</b>	<b>2 127</b>	<b>-7</b>	<b>4 359</b>	<b>4 269</b>	<b>2</b>
Staff costs	347	342	1	352	-1	689	701	-2
Variable staff costs	63	46	37	44	43	109	99	10
Other expenses	577	550	5	578	0	1 127	1 109	2
Depreciation/amortisation	30	31	-3	22	36	61	47	30
<b>Total expenses</b>	<b>1 017</b>	<b>969</b>	<b>5</b>	<b>996</b>	<b>2</b>	<b>1 986</b>	<b>1 956</b>	<b>2</b>
<b>Profit before impairment</b>	<b>955</b>	<b>1 418</b>	<b>-33</b>	<b>1 131</b>	<b>-16</b>	<b>2 373</b>	<b>2 313</b>	<b>3</b>
Credit impairment	106	107	-1	-126		213	-226	
<b>Operating profit</b>	<b>849</b>	<b>1 311</b>	<b>-35</b>	<b>1 257</b>	<b>-32</b>	<b>2 160</b>	<b>2 539</b>	<b>-15</b>
Tax expense	237	300	-21	277	-14	537	547	-2
<b>Profit for the period</b>	<b>612</b>	<b>1 011</b>	<b>-39</b>	<b>980</b>	<b>-38</b>	<b>1 623</b>	<b>1 992</b>	<b>-19</b>
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>612</b>	<b>1 011</b>	<b>-39</b>	<b>980</b>	<b>-38</b>	<b>1 623</b>	<b>1 992</b>	<b>-19</b>
Return on allocated equity, %	8.8	15.5		15.6		12.1	16.2	
Loan/deposit ratio, %	172	152		150		172	150	
Credit impairment ratio, %	0.13	0.15		-0.19		0.15	-0.19	
Cost/income ratio	0.52	0.41		0.47		0.46	0.46	
Loans, SEKbn <sup>2)</sup>	229	222	3	220	4	229	220	4
Deposits, SEKbn <sup>2)</sup>	133	146	-9	146	-9	133	146	-9
Full-time employees	1 227	1 193	3	1 181	4	1 227	1 181	4

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

2) Excluding the Swedish National Debt Office and repurchase agreements.

## Result

### Second quarter 2019 compared with first quarter 2019

Profit decreased to SEK 612m (1 011), mainly due to lower net gains and losses on financial items.

Net interest income increased to SEK 958m (945) due to an extra day in the quarter. Increased lending volumes at the end of the quarter had a marginal effect on net interest income, while lending margins were stable.

Net commission income decreased to SEK 530m (576), mainly due to the transfer of compensation from savings banks to Group Savings, within Group Functions & Other. Income from corporate finance increased although it was counteracted by lower guarantee and lending commissions.

Net gains and losses on financial items decreased to SEK 444m (832). The main reasons were less favourable conditions for fixed income trading and a strong first quarter.

Expenses increased to SEK 1 017m (969), partly due to slightly higher IT expenses and increased internally distributed expenses.

Credit impairments amounted to SEK 106m (107) in the second quarter, corresponding to a credit impairment ratio of 0.01 per cent.

### January-June 2019 compared with January-June 2018

Profit decreased to SEK 1 623m (1 992) due to increased credit impairments.

Net interest income decreased to SEK 1 903m (1 934), mainly because higher market interest rates negatively affected lending margins.

Net commission income decreased to SEK 1 106m (1 260), partly as a result of lower income from corporate finance after a weak first half-year for advisory commissions and equity related funding. Net commission income from cards was negatively affected by the transfer of card acquisition customers to Swedish Banking in early 2019.

Net gains and losses on financial items increased to SEK 1 276m (999). The main reason was a higher result from fixed income trading.

Total expenses increased to SEK 1 986m (1 956) due to changes in internal expense allocations.

Credit impairments amounted to SEK 213m (-226).

## Business development

Swedbank continues to focus on sustainability. Sustainability improvement loans were launched during the quarter to support customers in their own sustainability work. The product is tied to various sustainability goals, and if they are reached, the customer can receive a lower interest rate. In the quarter Swedbank arranged its annual conference on green bonds. The popular event included presentations and panel discussions covering green bonds in the real estate sector, sustainability and ratings, and bonds with various sustainability targets.

Swedbank's strategic partner, Kepler Cheuvreux, gained strongly in the Extel Survey's annual ranking of equity analysts and brokers. In the category Nordic equity research Kepler Cheuvreux climbed to third place after being ranked fifth last year. On a European level, Kepler Cheuvreux received several top rankings.

Swedbank also continues to maintain a strong position in the bond issuance market. Among other things Swedbank executed five bond issues in the real estate sector which were very successful thanks to the bank's strong distribution network.

Together with two other banks, Swedbank has received the Swedish National Debt Office's renewed confidence to offer payment services. A framework agreement was signed in early June valid until July 2021.



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	Q2 2019	Q1 2019	%	Q2 2018	%	Jan-Jun 2019	Jan-Jun 2018	%
Net interest income	333	85		257	30	418	642	-35
Net commission income	44	-27		27	63	17	2	
Net gains and losses on financial items	131	179	-27	17		310	-143	
Share of profit or loss of associates	3	4	-25	150	-98	7	177	-96
Other income <sup>1)</sup>	184	170	8	189	-3	354	449	-21
<b>Total income</b>	<b>695</b>	<b>411</b>	<b>69</b>	<b>640</b>	<b>9</b>	<b>1 106</b>	<b>1 127</b>	<b>-2</b>
Staff costs	1 292	1 296	0	1 137	14	2 588	2 265	14
Variable staff costs	64	36	78	56	14	100	109	-8
Other expenses	-934	-1 041	-10	-938	0	-1 975	-1 904	4
Depreciation/amortisation	237	233	2	113		470	218	
<b>Total expenses</b>	<b>659</b>	<b>524</b>	<b>26</b>	<b>368</b>	<b>79</b>	<b>1 183</b>	<b>688</b>	<b>72</b>
<b>Profit before impairment</b>	<b>36</b>	<b>-113</b>		<b>272</b>	<b>-87</b>	<b>-77</b>	<b>439</b>	
Impairment of intangible assets				282			282	
Impairment of tangible assets	1					1		
Credit impairment	2	-1		-6		1	-6	
<b>Operating profit</b>	<b>33</b>	<b>-112</b>		<b>-4</b>		<b>-79</b>	<b>163</b>	
Tax expense	-61	49		-1		-12	153	
<b>Profit for the period</b>	<b>94</b>	<b>-161</b>		<b>-3</b>		<b>-67</b>	<b>10</b>	
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>94</b>	<b>-161</b>		<b>-3</b>		<b>-67</b>	<b>10</b>	
Full-time employees	6 488	6 336	2	6 152	5	6 488	6 152	5

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

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

#### Second quarter 2019 compared with first quarter 2019

Profit amounted to SEK 94m (-161). Profit within Group Treasury increased to SEK 314m (126).

Net interest income increased to SEK 333m (85). Net interest income within Group Treasury rose to SEK 363m (120). The main reason was gradually higher net interest income from the business segment's lending. At the same time the compensation to the business segment's for deposits decreased slightly after having risen in the first quarter.

Net gains and losses on financial items decreased to SEK 131m (179). Net gains and losses on financial items within Group Treasury decreased to SEK 129m (172) due to negative valuation effects on interest rate swaps.

Expenses increased to SEK 659m (524) due to increased consulting expenses to manage the money laundering related investigations that are underway.

Impairment of tangible assets amounted to SEK 1m (0).

Credit impairments amounted to a positive result of SEK 2m (-1).

The tax expense amounted to SEK -61m (49), due to an SEK 64m adjustment of the previous year's tax after a positive settlement with the Swedish Tax Agency.

#### January-June 2019 compared with January-June 2018

Profit decreased to SEK -67 (10). Group Treasury's profit increased to SEK 440m (404).

Net interest income fell to SEK 418m (642). Group Treasury's net interest income fell to SEK 483m (677), mainly due to less favourable terms on short-term international funding as well as the phase-in of higher short-term market interest rates.

Net gains and losses on financial items increased to SEK 310m (-143). Net gains and losses on financial items within Group Treasury increased to SEK 301m (-137) due to the higher valuation of the holdings in Visa and Asiakastiteto.

Expenses rose to SEK 1 183m (688) due to increased consulting expenses to manage the money laundering investigations that are underway and for severance for the former CEO.

Credit impairments amounted to SEK 1m (-6).

The tax expense amounted to SEK -12m (153) due to an SEK 64m adjustment of the previous year's tax after a positive settlement with the Swedish Tax Agency.

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

## Eliminations

### Income statement

SEKm	Q2 2019	Q1 2019	%	Q2 2018	%	Jan-Jun 2019	Jan-Jun 2018	%
Net commission income	14	13	8	8	75	27	16	69
Net gains and losses on financial items		-1				-1	1	
Other income <sup>1)</sup>	-38	-39	-3	-54	-30	-77	-104	-26
<b>Total income</b>	<b>-24</b>	<b>-27</b>	<b>-11</b>	<b>-46</b>	<b>-48</b>	<b>-51</b>	<b>-87</b>	<b>-41</b>
Other expenses	-24	-27	-11	-46	-48	-51	-87	-41
<b>Total expenses</b>	<b>-24</b>	<b>-27</b>	<b>-11</b>	<b>-46</b>	<b>-48</b>	<b>-51</b>	<b>-87</b>	<b>-41</b>

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.

<b>Group</b>	<b>Page</b>
Income statement, condensed	20
Statement of comprehensive income, condensed	21
Balance sheet, condensed	22
Statement of changes in equity, condensed	23
Cash flow statement, condensed	24
<b>Notes</b>	
Note 1 Accounting policies	25
Note 2 Critical accounting estimates	25
Note 3 Changes in the Group structure	26
Note 4 Operating segments (business areas)	27
Note 5 Net interest income	29
Note 6 Net commission income	30
Note 7 Net gains and losses on financial items	31
Note 8 Other expenses	32
Note 9 Credit impairment	32
Note 10 Loans	35
Note 11 Loan stage allocation and credit impairment provisions	36
Note 12 Credit exposures	39
Note 13 Intangible assets	39
Note 14 Amounts owed to credit institutions	39
Note 15 Deposits and borrowings from the public	40
Note 16 Debt securities in issue and subordinated liabilities	40
Note 17 Derivatives	40
Note 18 Financial instruments carried at fair value	41
Note 19 Pledged collateral	43
Note 20 Offsetting financial assets and liabilities	44
Note 21 Capital adequacy consolidated situation	45
Note 22 Internal capital requirement	49
Note 23 Risks and uncertainties	49
Note 24 Related-party transactions	49
Note 25 Swedbank's share	50
Note 26 Effects of changes in accounting policies, IFRS 16	51
<b>Parent company</b>	
Income statement, condensed	53
Statement of comprehensive income, condensed	53
Balance sheet, condensed	54
Statement of changes in equity, condensed	55
Cash flow statement, condensed	55
Capital adequacy	56

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

## Income statement, condensed

Group	Q2	Q1		Q2		Jan-Jun	Jan-Jun	
SEKm	2019	2019	%	2018	%	2019	2018	%
Interest income	9 565	9 315	3	9 214	4	18 880	17 993	5
Negative yield on financial assets	-512	-565	-9	-749	-32	-1 077	-1 394	-23
<b>Interest income, including negative yield on financial assets</b>	<b>9 053</b>	<b>8 750</b>	<b>3</b>	<b>8 465</b>	<b>7</b>	<b>17 803</b>	<b>16 599</b>	<b>7</b>
Interest expense	-2 582	-2 478	4	-2 393	8	-5 060	-4 414	15
Negative yield on financial liabilities	136	149	-9	201	-32	285	382	-25
<b>Interest expense, including negative yield on financial liabilities</b>	<b>-2 446</b>	<b>-2 329</b>	<b>5</b>	<b>-2 192</b>	<b>12</b>	<b>-4 775</b>	<b>-4 032</b>	<b>18</b>
<b>Net interest income (note 5)</b>	<b>6 607</b>	<b>6 421</b>	<b>3</b>	<b>6 273</b>	<b>5</b>	<b>13 028</b>	<b>12 567</b>	<b>4</b>
Commission income	4 886	4 545	8	4 786	2	9 431	9 255	2
Commission expense	-1 684	-1 475	14	-1 550	9	-3 159	-2 938	8
<b>Net commission income (note 6)</b>	<b>3 202</b>	<b>3 070</b>	<b>4</b>	<b>3 236</b>	<b>-1</b>	<b>6 272</b>	<b>6 317</b>	<b>-1</b>
Net gains and losses on financial items (note 7)	768	1 186	-35	635	21	1 954	1 194	64
Net insurance	361	326	11	300	20	687	555	24
Share of profit or loss of associates <sup>1)</sup>	220	137	61	313	-30	357	493	-28
Other income	258	222	16	971	-73	480	1 287	-63
<b>Total income</b>	<b>11 416</b>	<b>11 362</b>	<b>0</b>	<b>11 728</b>	<b>-3</b>	<b>22 778</b>	<b>22 413</b>	<b>2</b>
Staff costs	2 782	2 759	1	2 613	6	5 541	5 245	6
Other expenses (note 8)	1 577	1 377	15	1 477	7	2 954	2 846	4
Depreciation/amortisation	394	382	3	172		776	340	
<b>Total expenses</b>	<b>4 753</b>	<b>4 518</b>	<b>5</b>	<b>4 262</b>	<b>12</b>	<b>9 271</b>	<b>8 431</b>	<b>10</b>
<b>Profit before impairment</b>	<b>6 663</b>	<b>6 844</b>	<b>-3</b>	<b>7 466</b>	<b>-11</b>	<b>13 507</b>	<b>13 982</b>	<b>-3</b>
Impairment of intangible assets (note 13)				282			282	
Impairment of tangible assets	2					2		
Credit impairment (note 9)	109	218	-50	-135		327	-8	
<b>Operating profit</b>	<b>6 552</b>	<b>6 626</b>	<b>-1</b>	<b>7 319</b>	<b>-10</b>	<b>13 178</b>	<b>13 708</b>	<b>-4</b>
Tax expense <sup>1)</sup>	1 210	1 352	-11	1 300	-7	2 562	2 655	-4
<b>Profit for the period</b>	<b>5 342</b>	<b>5 274</b>	<b>1</b>	<b>6 019</b>	<b>-11</b>	<b>10 616</b>	<b>11 053</b>	<b>-4</b>
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>5 336</b>	<b>5 270</b>	<b>1</b>	<b>6 014</b>	<b>-11</b>	<b>10 606</b>	<b>11 047</b>	<b>-4</b>
Non-controlling interests	6	4	50	5	20	10	6	67
<b>SEK</b>								
Earnings per share, SEK	4.77	4.72		5.39		9.49	9.90	
after dilution, SEK	4.75	4.70		5.37		9.46	9.87	

<sup>1)</sup> 2018 (Q1 and Q2) result has been restated for changed presentation of tax related to associates.

## Statement of comprehensive income, condensed

Group	Q2	Q1		Q2		Jan-Jun	Jan-Jun	
SEKm	2019	2019	%	2018	%	2019	2018	%
<b>Profit for the period reported via income statement</b>	<b>5 342</b>	<b>5 274</b>	<b>1</b>	<b>6 019</b>	<b>-11</b>	<b>10 616</b>	<b>11 053</b>	<b>-4</b>
<b>Items that will not be reclassified to the income statement</b>								
Remeasurements of defined benefit pension plans	-3 308	-868		-965		-4 176	-1 113	
Share related to associates, Remeasurements of defined benefit pension plans	-108	-22		-26		-130	-31	
Change in fair value attributable to changes in own credit risk on financial liabilities designated at fair value	5	3	67	3	67	8	9	-11
Income tax	680	178		192		858	223	
<b>Total</b>	<b>-2 731</b>	<b>-709</b>		<b>-796</b>		<b>-3 440</b>	<b>-912</b>	
<b>Items that may be reclassified to the income statement</b>								
Exchange rate differences, foreign operations:								
Gains/losses arising during the period	691	641	8	713	-3	1 332	2 676	-50
Hedging of net investments in foreign operations:								
Gains/losses arising during the period	-549	-542	1	-589	-7	-1 091	-2 154	-49
Cash flow hedges:								
Gains/losses arising during the period	142	134	6	160	-11	276	588	-53
Reclassification adjustments to the income statement, Net gains and losses on financial items	-136	-131	4	-155	-12	-267	-569	-53
Foreign currency basis risk:								
Gains/losses arising during the period	3	-5		-33		-2	-79	-97
Share of other comprehensive income of associates	21	55	-62	52	-60	76	144	-47
Income tax	157	88	78	87	80	245	438	-44
<b>Total</b>	<b>329</b>	<b>240</b>	<b>37</b>	<b>235</b>	<b>40</b>	<b>569</b>	<b>1 044</b>	<b>-45</b>
<b>Other comprehensive income for the period, net of tax</b>	<b>-2 402</b>	<b>-469</b>		<b>-561</b>		<b>-2 871</b>	<b>132</b>	
<b>Total comprehensive income for the period</b>	<b>2 940</b>	<b>4 805</b>	<b>-39</b>	<b>5 458</b>	<b>-46</b>	<b>7 745</b>	<b>11 185</b>	<b>-31</b>
<b>Total comprehensive income attributable to the shareholders of Swedbank AB</b>	<b>2 934</b>	<b>4 801</b>	<b>-39</b>	<b>5 453</b>	<b>-46</b>	<b>7 735</b>	<b>11 179</b>	<b>-31</b>
Non-controlling interests	6	4	50	5	20	10	6	67

For January-June 2019 an expense of SEK 4 176m (1 113) was recognised in other comprehensive income, regarding remeasurements of defined benefit pension plans. As per 30 June the discount rate, which is used to calculate the closing pension obligation, was 1.47 per cent, compared with 2.42 per cent at year end. The inflation assumption was 1.93 per cent compared with 1.92 per cent at year end. The changed assumptions represent SEK 4 870m of the expense in other comprehensive income. The fair value of plan assets increased during the first six months of 2019 by SEK 694m. In total as per 30 June, the obligation for defined benefit pension plans exceeded the fair value of plan assets by SEK 9 170m compared with SEK 4 979m at year end.

For January-June 2019 an exchange rate difference of SEK 1 332m (2 676) was recognised for the Group's foreign net investments in subsidiaries. In addition, an exchange rate difference of SEK 76m (144) 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 408m is not taxable. Since the large part of the Group's foreign net investments is hedged against currency risk, a loss of SEK 1 091m (2 154) 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	30 Jun	31 Dec	Δ		30 Jun	
	2019	2018	SEKm	%	2018	%
<b>Assets</b>						
Cash and balances with central banks	246 679	163 161	83 518	51	435 440	-43
Treasury bills and other bills eligible for refinancing with central banks, etc.	145 381	99 579	45 802	46	135 692	7
Loans to credit institutions (note 10)	40 179	36 268	3 911	11	39 565	2
Loans to the public (note 10)	1 678 109	1 627 368	50 741	3	1 618 972	4
Value change of interest hedged item in portfolio hedge	2 702	766	1 936		1 418	91
Bonds and other interest-bearing securities	54 823	53 312	1 511	3	77 955	-30
Financial assets for which customers bear the investment risk	206 625	177 868	28 757	16	193 506	7
Shares and participating interests	4 675	4 921	-246	-5	3 856	21
Investments in associates	5 974	6 088	-114	-2	6 393	-7
Derivatives (note 17)	45 703	39 665	6 038	15	85 595	-47
Intangible assets (note 13)	17 704	17 118	586	3	16 953	4
Tangible assets	5 810	1 966	3 844		1 978	
Current tax assets	2 432	2 065	367	18	1 487	64
Deferred tax assets	183	164	19	12	174	5
Other assets	20 819	13 970	6 849	49	24 160	-14
Prepaid expenses and accrued income	2 256	1 813	443	24	2 889	-22
<b>Total assets</b>	<b>2 480 054</b>	<b>2 246 092</b>	<b>233 962</b>	<b>10</b>	<b>2 646 033</b>	<b>-6</b>
<b>Liabilities and equity</b>						
Amounts owed to credit institutions (note 14)	97 967	57 218	40 749	71	106 449	-8
Deposits and borrowings from the public (note 15)	966 800	920 750	46 050	5	1 000 205	-3
Financial liabilities for which customers bear the investment risk	207 427	178 662	28 765	16	194 179	7
Debt securities in issue (note 16)	914 234	804 360	109 874	14	1 026 652	-11
Short positions, securities	40 147	38 333	1 814	5	33 632	19
Derivatives (note 17)	36 235	31 316	4 919	16	65 446	-45
Current tax liabilities	693	1 788	-1 095	-61	1 122	-38
Deferred tax liabilities	1 330	1 576	-246	-16	1 329	0
Pension provisions	9 170	4 979	4 191	84	4 091	
Insurance provisions	1 949	1 897	52	3	1 928	1
Other liabilities and provisions	43 091	30 035	13 056	43	48 282	-11
Accrued expenses and prepaid income	3 868	3 385	483	14	3 773	3
Subordinated liabilities (note 16)	27 532	34 184	-6 652	-19	30 673	-10
<b>Total liabilities</b>	<b>2 350 443</b>	<b>2 108 483</b>	<b>241 960</b>	<b>11</b>	<b>2 517 761</b>	<b>-7</b>
<b>Equity</b>						
Non-controlling interests	208	213	-5	-2	203	2
Equity attributable to shareholders of the parent company	129 403	137 396	-7 993	-6	128 069	1
<b>Total equity</b>	<b>129 611</b>	<b>137 609</b>	<b>-7 998</b>	<b>-6</b>	<b>128 272</b>	<b>1</b>
<b>Total liabilities and equity</b>	<b>2 480 054</b>	<b>2 246 092</b>	<b>233 962</b>	<b>10</b>	<b>2 646 033</b>	<b>-6</b>

### Balance sheet analysis

Total assets have increased by SEK 234bn from 1 January 2019. Assets increased mainly due to higher cash and balances with central banks, which rose by SEK 84bn. The increase is mainly attributable to higher deposits with central banks in the euro system and the US Federal Reserve. Lending to the public, excluding the National Debt Office and repos, increased by SEK 34bn. Swedish mortgages increased by SEK 9bn. Deposits and borrowings from the public, excluding the National Debt Office and repos, rose by a total of SEK 32bn. Interest-bearing securities, treasury bills, bonds and other securities, increased by SEK 47bn. Amounts owed to credit institutions increased by SEK 41bn. Balance sheet items related to credit institutions fluctuate over time depending primarily on repos. The

market value of derivatives increased on the asset side, mainly due to movements in interest rates and currencies. Financial assets and liabilities for which customers bear the investment risk increased by SEK 29bn, mainly as result of positive market development. The increase of SEK 92bn in Debt Securities in issue was mainly a result of more issued than repaid commercial papers and covered bonds in the first six months of 2019.

Due to adoption of IFRS 16, Tangible assets, corresponding to the right-of-use assets, increased by SEK 4.0bn, while Other financial liabilities, corresponding to the lease liability, increased by SEK 3.6bn.

## Statement of changes in equity, condensed

Group SEKm	Shareholders' equity							Retained earnings	Non-controlling interests	Total equity	
	Share capital	Other contributed equity <sup>1)</sup>	Exchange differences, subsidiaries and associates	Hedging of net investments in foreign operations	Cash flow hedges	Foreign currency basis reserve	Own credit risk reserve				Total
<b>January-June 2019</b>											
Opening balance 1 January 2019	24 904	17 275	5 508	-3 444	4	-19	-18	93 186	137 396	213	137 609
Dividends								-15 878	-15 878	-15	-15 893
Share based payments to employees								169	169		169
Deferred tax related to share based payments to employees								-32	-32		-32
Current tax related to share based payments to employees								13	13		13
Total comprehensive income for the period			1 408	-844	7	-2	6	7 160	7 735	10	7 745
of which reported through profit or loss								10 606	10 606	10	10 616
of which reported through other comprehensive income			1 408	-844	7	-2	6	-3 446	-2 871		-2 871
Closing balance 30 June 2019	24 904	17 275	6 916	-4 288	11	-21	-12	84 618	129 403	208	129 611
<b>January-December 2018</b>											
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
<b>January-June 2018</b>											
Opening balance 1 January 2018	24 904	17 275	3 602	-2 255	-10	38	-36	87 713	131 231	202	131 433
Dividends								-14 517	-14 517	-5	-14 522
Share based payments to employees								171	171		171
Deferred tax related to share based payments to employees								-13	-13		-13
Current tax related to share based payments to employees								18	18		18
Total comprehensive income for the period			2 820	-1 729	15	-62	7	10 128	11 179	6	11 185
of which reported through profit or loss								11 047	11 047	6	11 053
of which reported through other comprehensive income			2 820	-1 729	15	-62	7	-919	132		132
Closing balance 30 June 2018	24 904	17 275	6 422	-3 984	5	-24	-29	83 500	128 069	203	128 272

1) Other contributed equity consists mainly of share premiums.

## Cash flow statement, condensed

Group SEKm	Jan-Jun 2019	Full-year 2018	Jan-Jun 2018
<b>Operating activities</b>			
Operating profit	13 178	26 552	13 708
Adjustments for non-cash items in operating activities	2 846	-2 098	-4 376
Income taxes paid	-4 200	-6 531	-3 906
Increase/decrease in loans to credit institutions	-3 746	-5 257	-8 441
Increase/decrease in loans to the public	-45 739	-86 339	-74 033
Increase/decrease in holdings of securities for trading	-45 772	6 720	-53 696
Increase/decrease in deposits and borrowings from the public including retail bonds	39 554	56 594	132 343
Increase/decrease in amounts owed to credit institutions	40 010	-12 167	36 392
Increase/decrease in other assets	-14 208	15 946	-38 989
Increase/decrease in other liabilities	26 714	33 714	92 710
<b>Cash flow from operating activities</b>	<b>8 637</b>	<b>27 134</b>	<b>91 712</b>
<b>Investing activities</b>			
Disposal of shares in associates	71	277	277
Dividend from associates	529	354	350
Acquisitions of other fixed assets and strategic financial assets	-187	-15 321	-5 826
Disposals of/maturity other fixed assets and strategic financial assets	346	16 361	5 274
<b>Cash flow from investing activities</b>	<b>759</b>	<b>1 671</b>	<b>75</b>
<b>Financing activities</b>			
Issuance of interest-bearing securities	101 926	116 506	82 995
Redemption of interest-bearing securities	-67 831	-152 614	-60 626
Issuance of commercial paper	300 441	1 000 665	566 606
Redemption of commercial paper	-247 280	-1 018 910	-435 270
Dividends paid	-15 893	-14 522	-14 522
Amortisation of lease liabilities	370		
<b>Cash flow from financing activities</b>	<b>71 733</b>	<b>-68 875</b>	<b>139 183</b>
<b>Cash flow for the period</b>	<b>81 129</b>	<b>-40 070</b>	<b>230 970</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>163 161</b>	<b>200 371</b>	<b>200 371</b>
Cash flow for the period	81 129	-40 070	230 970
Exchange rate differences on cash and cash equivalents	2 389	2 860	4 099
<b>Cash and cash equivalents at end of the period</b>	<b>246 679</b>	<b>163 161</b>	<b>435 440</b>

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. Swedbank received parts of the cash payment, SEK 71m in the first quarter of 2019 as well as in 2018.

## 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 2018, 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 2018 Annual and Sustainability Report, except for the changes as set out below.

### Leasing (IFRS 16)

IFRS 16 Leases has replaced IAS 17 Leases and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The new standard significantly changes the way lessee entities should account for leases. For lessees, the standard eliminates the distinction between finance and operating leases and requires entities to recognise right-of-use assets and lease liabilities arising from most leases on the balance sheet. In the income statement general administrative expenses are replaced by depreciation of the right-of-use (RoU) asset and interest expense related to the lease liability. In the cash flow statement payments for the principal portion of the lease liability are presented within financing activities and payments for the interest portion are presented within operating activities.

The Group accounted 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 the lessee, a lease liability and a right-of-use asset are recognised in the balance sheet. The lease liabilities were at transition 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 were initially recognised at the value of the corresponding lease liability, adjusted for prepaid lease payments.

The lease liability is initially measured as the present value of lease payments that are not paid at the commencement date. Over time, the liability will increase with interest expense accruals and decrease with lease payments. The RoU asset is initially measured at cost i.e. the same amount as the initial measurement of the lease liability plus certain other costs, for example lease payments made at or before commencement date. RoU asset is thereafter depreciated over the lease term. The lease payments are discounted using the incremental borrowing rate. The Group applies the exemptions afforded by the standard regarding short-term leases and leases for which the underlying asset is of low value. Expenses related to these lease agreements are recognised as Other expenses. After the commencement date, the carrying amount of the lease liability is remeasured to reflect any reassessment or modification of a lease agreement. The remeasurement of the lease liability is adjusted against the RoU asset. Gains or losses relating to modifications are recognised in the income statement.

Where Swedbank acts as a lessor, the requirements remain largely unchanged and the distinction between finance and operating leases is maintained.

The Parent Company has according to the option in RFR 2 chosen not to apply IFRS 16, which means that accounting for leases in the parent company has not been changed.

The adoption impacts are disclosed in note 26.

### Changes in Swedish regulations

The amended Swedish regulations that have been adopted from 1 January 2019 have not had a significant impact on the Group's financial position, results, cash flows or disclosures.

## Note 2 Critical accounting estimates

Presentation of consolidated financial statements in conformity with IFRS requires the executive management to make judgments and estimates that affect the recognised amounts for assets, liabilities and disclosures of contingent assets and liabilities as of the reporting date 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 2018.

## Note 3 Changes in the Group structure

No significant changes to the Group structure occurred during the first half of 2019.

## Note 4 Operating segments (business areas)

Acc Jan-Jun 2019 SEKm	Swedish Banking	Baltic Banking	Large Corporates & Institutions	Group Functions & Other	Eliminations	Group
<b>Income statement</b>						
Net interest income	8 174	2 533	1 903	48		13 028
Net commission income	3 800	1 322	1 106	17	27	6 272
Net gains and losses on financial items	221	148	1 276	310	-1	1 954
Share of profit or loss of associates	350			7		357
Other income <sup>1</sup>	431	385	74	354	-77	1 167
<b>Total income</b>	<b>12 976</b>	<b>4 388</b>	<b>4 359</b>	<b>1 106</b>	<b>-51</b>	<b>22 778</b>
of which internal income	30		62	299	-391	
Staff costs	1 487	514	689	2 588		5 278
Variable staff costs	23	31	109	100		263
Other expenses	2 947	906	1 127	-1 975	-51	2 954
Depreciation/amortisation	159	86	61	470		776
<b>Total expenses</b>	<b>4 616</b>	<b>1 537</b>	<b>1 986</b>	<b>1 183</b>	<b>-51</b>	<b>9 271</b>
<b>Profit before impairment</b>	<b>8 360</b>	<b>2 851</b>	<b>2 373</b>	<b>-77</b>		<b>13 507</b>
Impairment of tangible assets		1		1		2
Credit impairment	117	-4	213	1		327
<b>Operating profit</b>	<b>8 243</b>	<b>2 854</b>	<b>2 160</b>	<b>-79</b>		<b>13 178</b>
Tax expense	1 630	407	537	-12		2 562
<b>Profit for the period</b>	<b>6 613</b>	<b>2 447</b>	<b>1 623</b>	<b>-67</b>		<b>10 616</b>
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>6 603</b>	<b>2 447</b>	<b>1 623</b>	<b>-67</b>		<b>10 606</b>
Non-controlling interests	10					10
<b>Net commission income</b>						
<b>Commission income</b>						
Payment processing	363	366	205	126	-19	1 041
Cards	1 236	815	987		-190	2 848
Asset management and custody	2 560	185	611	-1	-19	3 336
Lending and Guarantees	139	122	336	3		600
Other commission income <sup>2</sup>	1 045	176	365	28	-8	1 606
<b>Total</b>	<b>5 343</b>	<b>1 664</b>	<b>2 504</b>	<b>156</b>	<b>-236</b>	<b>9 431</b>
<b>Commission expense</b>	<b>1 543</b>	<b>342</b>	<b>1 398</b>	<b>139</b>	<b>-263</b>	<b>3 159</b>
<b>Net commission income</b>	<b>3 800</b>	<b>1 322</b>	<b>1 106</b>	<b>17</b>	<b>27</b>	<b>6 272</b>

### Balance sheet, SEKbn

Cash and balances with central banks	1	3	5	239	-1	247
Loans to credit institutions	5		87	184	-236	40
Loans to the public	1 201	182	291	4		1 678
Interest-bearing securities		1	52	151	-4	200
Financial assets for which customers bear inv. risk	202	5				207
Investments in associates	4			2		6
Derivatives			55	36	-45	46
Total tangible and intangible assets	3	12	1	8		24
Other assets	2	2	20	463	-455	32
<b>Total assets</b>	<b>1 418</b>	<b>205</b>	<b>511</b>	<b>1 087</b>	<b>-741</b>	<b>2 480</b>
Amounts owed to credit institutions	29		203	92	-226	98
Deposits and borrowings from the public	572	224	153	25	-7	967
Debt securities in issue		2	11	907	-6	914
Financial liabilities for which customers bear inv. risk	202	5				207
Derivatives			55	26	-45	36
Other liabilities	550	-52	60		-457	101
Subordinated liabilities				28		28
<b>Total liabilities</b>	<b>1 353</b>	<b>179</b>	<b>482</b>	<b>1 078</b>	<b>-741</b>	<b>2 351</b>
Allocated equity	65	26	29	9		129
<b>Total liabilities and equity</b>	<b>1 418</b>	<b>205</b>	<b>511</b>	<b>1 087</b>	<b>-741</b>	<b>2 480</b>

### Key figures

Return on allocated equity, %	20.5	19.4	12.1	-0.8		15.9
Cost/income ratio	0.36	0.35	0.46	107		0.41
Credit impairment ratio, %	0.02	-0.01	0.15	0.01		0.04
Loan/deposit ratio, %	210	81	172	2		169
Loans, SEKbn <sup>3</sup>	1 201	182	229			1 612
Deposits, SEKbn <sup>3</sup>	572	224	133	23		952
Risk exposure amount, SEKbn	390	93	152	23		658
Full-time employees	3 682	3 678	1 227	6 488		15 075
Allocated equity, average, SEKbn	64	25	27	17		133

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

<sup>2)</sup> Other commission income include Service concepts, corporate finance, securities, deposits, real estate brokerage, life and non-life insurance

<sup>3)</sup> Excluding the Swedish National Debt Office and repurchase agreements.

Acc Jan-Jun 2018 SEKm	Swedish Banking	Baltic Banking	Large Corporates & Institutions	Group Functions & Other	Eliminations	Group
<b>Income statement</b>						
Net interest income	7 707	2 284	1 934	642		12 567
Net commission income	3 812	1 227	1 260	2	16	6 317
Net gains and losses on financial items	217	120	999	-143	1	1 194
Share of profit or loss of associates	316			177		493
Other income <sup>1</sup>	1 100	321	76	449	-104	1 842
<b>Total income</b>	<b>13 152</b>	<b>3 952</b>	<b>4 269</b>	<b>1 127</b>	<b>-87</b>	<b>22 413</b>
of which internal income	28		60	236	-324	
Staff costs	1 561	453	701	2 265		4 980
Variable staff costs	30	27	99	109		265
Other expenses	2 864	864	1 109	-1 904	-87	2 846
Depreciation/amortisation	28	47	47	218		340
<b>Total expenses</b>	<b>4 483</b>	<b>1 391</b>	<b>1 956</b>	<b>688</b>	<b>-87</b>	<b>8 431</b>
<b>Profit before impairment</b>	<b>8 669</b>	<b>2 561</b>	<b>2 313</b>	<b>439</b>		<b>13 982</b>
Impairment of intangible assets				282		282
Credit impairment	337	-113	-226	-6		-8
<b>Operating profit</b>	<b>8 332</b>	<b>2 674</b>	<b>2 539</b>	<b>163</b>		<b>13 708</b>
Tax expense	1 563	392	547	153		2 655
<b>Profit for the period</b>	<b>6 769</b>	<b>2 282</b>	<b>1 992</b>	<b>10</b>		<b>11 053</b>
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>6 763</b>	<b>2 282</b>	<b>1 992</b>	<b>10</b>		<b>11 047</b>
Non-controlling interests	6					6
<b>Net commission income</b>						
<b>Commission income</b>						
Payment processing	365	340	193	125	-9	1 014
Cards	1 193	735	953	-2	-188	2 691
Asset management and custody	2 508	201	584	-9	-20	3 264
Lending and Guarantees	143	117	352	8		620
Other commission income <sup>2</sup>	1 048	155	483	-20		1 666
<b>Total</b>	<b>5 258</b>	<b>1 548</b>	<b>2 566</b>	<b>101</b>	<b>-218</b>	<b>9 255</b>
<b>Commission expense</b>	<b>1 446</b>	<b>321</b>	<b>1 306</b>	<b>99</b>	<b>-234</b>	<b>2 938</b>
<b>Net commission income</b>	<b>3 812</b>	<b>1 227</b>	<b>1 260</b>	<b>2</b>	<b>16</b>	<b>6 317</b>
<b>Balance sheet, SEKbn</b>						
Cash and balances with central banks	5	3	3	424		435
Loans to credit institutions	5		86	180	-231	40
Loans to the public	1 176	168	275			1 619
Interest-bearing securities		2	61	155	-4	214
Financial assets for which customers bear inv. risk	189	5				194
Investments in associates	4			2		6
Derivatives			88	35	-37	86
Total tangible and intangible assets	1	12	1	5		19
Other assets	3	48	24	460	-502	33
<b>Total assets</b>	<b>1 383</b>	<b>238</b>	<b>538</b>	<b>1 261</b>	<b>-774</b>	<b>2 646</b>
Amounts owed to credit institutions	30		193	104	-221	106
Deposits and borrowings from the public	551	208	172	76	-7	1 000
Debt securities in issue		2	14	1 017	-6	1 027
Financial liabilities for which customers bear inv. risk	189	5				194
Derivatives			86	16	-37	65
Other liabilities	551		47		-503	95
Subordinated liabilities				31		31
<b>Total liabilities</b>	<b>1 321</b>	<b>215</b>	<b>512</b>	<b>1 244</b>	<b>-774</b>	<b>2 518</b>
Allocated equity	62	23	26	17		128
<b>Total liabilities and equity</b>	<b>1 383</b>	<b>238</b>	<b>538</b>	<b>1 261</b>	<b>-774</b>	<b>2 646</b>
<b>Key figures</b>						
Return on allocated equity, %	22.4	19.8	16.2	0.1		17.1
Cost/income ratio	0.34	0.35	0.46	0.61		0.38
Credit impairment ratio, %	0.06	-0.14	-0.19	-0.06		
Loan/deposit ratio, %	215	81	150			160
Loans, SEKbn <sup>3</sup>	1 176	167	220			1 563
Deposits, SEKbn <sup>3</sup>	546	207	146	76		975
Risk exposure amount, SEKbn	172	84	154	24		434
Full-time employees	3 858	3 566	1 181	6 152		14 757
Allocated equity, average, SEKbn	60	23	25	21		129

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

<sup>2)</sup> Other commission income include Service concepts, corporate finance, securities, deposits, real estate brokerage, life and non-life insurance

<sup>3)</sup> Excluding the Swedish National Debt Office and repurchase agreements.

## 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.

During the first quarter 2019 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.

## Note 5 Net interest income

Group SEKm	Q2 2019	Q1 2019	%	Q2 2018	%	Jan-Jun 2019	Jan-Jun 2018	%
<b>Interest income</b>								
Loans to credit institutions	171	87	97	23		258	40	
Loans to the public	8 288	8 147	2	7 795	6	16 435	15 343	7
Interest-bearing securities	52	98	-47	39	33	150	60	
Derivatives	496	299	66	417	19	795	840	-5
Other	168	265	-37	222	-24	433	408	6
<b>Total interest income including negative yield on financial assets</b>	<b>9 175</b>	<b>8 896</b>	<b>3</b>	<b>8 496</b>	<b>8</b>	<b>18 071</b>	<b>16 691</b>	<b>8</b>
deduction of trading related interest reported in Net gains and losses on financial items	122	146	-16	31		268	92	
<b>Interest income, including negative yield on financial assets, according to the income statement</b>	<b>9 053</b>	<b>8 750</b>	<b>3</b>	<b>8 465</b>	<b>7</b>	<b>17 803</b>	<b>16 599</b>	<b>7</b>
<b>Interest expense</b>								
Amounts owed to credit institutions	-300	-306	-2	-207	45	-606	-496	22
Deposits and borrowings from the public	-441	-570	-23	-343	29	-1 011	-638	58
of which deposit guarantee fees	-107	-106	1	-107	0	-213	-211	1
Debt securities in issue	-3 087	-3 210	-4	-3 246	-5	-6 297	-5 977	5
Subordinated liabilities	-217	-239	-9	-248	-13	-456	-489	-7
Derivatives	1 863	2 293	-19	2 342	-20	4 156	4 483	-7
Other	-280	-341	-18	-459	-39	-621	-849	-27
of which government resolution fund fee	-248	-313	-21	-446	-44	-561	-828	-32
<b>Total interest expense including negative yield on financial liabilities</b>	<b>-2 462</b>	<b>-2 373</b>	<b>4</b>	<b>-2 161</b>	<b>14</b>	<b>-4 835</b>	<b>-3 966</b>	<b>22</b>
deduction of trading related interest reported in Net gains and losses on financial items	-16	-44	-64	31		-60	66	
<b>Interest expense, including negative yield on financial liabilities, according to the income statement</b>	<b>-2 446</b>	<b>-2 329</b>	<b>5</b>	<b>-2 192</b>	<b>12</b>	<b>-4 775</b>	<b>-4 032</b>	<b>18</b>
<b>Net interest income</b>	<b>6 607</b>	<b>6 421</b>	<b>3</b>	<b>6 273</b>	<b>5</b>	<b>13 028</b>	<b>12 567</b>	<b>4</b>
<b>Net interest margin before trading interest is deducted</b>	<b>1.07</b>	<b>1.06</b>		<b>0.98</b>		<b>1.06</b>	<b>1.02</b>	
<b>Average total assets</b>	<b>2 499 994</b>	<b>2 468 059</b>		<b>1 257 056</b>		<b>-3 248 712</b>	<b>2 501 385</b>	<b>-1</b>

## Note 6 Net commission income

Group	Q2	Q1		Q2	Jan-Jun	Jan-Jun		
SEKm	2019	2019	%	2018	%	2019	2018	%
<b>Commission income</b>								
Payment processing	530	511	4	518	2	1 041	1 014	3
Cards	1 512	1 336	13	1 441	5	2 848	2 691	6
Service concepts	311	308	1	304	2	619	600	3
Asset management and custody	1 731	1 605	8	1 674	3	3 336	3 264	2
Life insurance	147	143	3	133	11	290	286	1
Securities	92	115	-20	122	-25	207	233	-11
Corporate finance	24			25	-4	24	54	-56
Lending	248	240	3	267	-7	488	508	-4
Guarantees	58	54	7	60	-3	112	112	0
Deposits	41	44	-7	42	-2	85	91	-7
Real estate brokerage	54	38	42	50	8	92	89	3
Non-life insurance	25	24	4	24	4	49	40	23
Other	113	127	-11	126	-10	240	273	-12
<b>Total commission income</b>	<b>4 886</b>	<b>4 545</b>	<b>8</b>	<b>4 786</b>	<b>2</b>	<b>9 431</b>	<b>9 255</b>	<b>2</b>
<b>Commission expense</b>								
Payment processing	-310	-289	7	-301	3	-599	-562	7
Cards	-696	-573	21	-620	12	-1 269	-1 159	9
Service concepts	-41	-42	-2	-46	-11	-83	-91	-9
Asset management and custody	-424	-378	12	-391	8	-802	-762	5
Life insurance	-51	-47	9	-43	19	-98	-87	13
Securities	-81	-74	9	-79	3	-155	-153	1
Lending and guarantees	-24	-14	71	-17	41	-38	-31	23
Non-life insurance	-9	-9	0	-10	-10	-18	-16	13
Other	-48	-49	-2	-43	12	-97	-77	26
<b>Total commission expense</b>	<b>-1 684</b>	<b>-1 475</b>	<b>14</b>	<b>-1 550</b>	<b>9</b>	<b>-3 159</b>	<b>-2 938</b>	<b>8</b>
<b>Net commission income</b>								
Payment processing	220	222	-1	217	1	442	452	-2
Cards	816	763	7	821	-1	1 579	1 532	3
Service concepts	270	266	2	258	5	536	509	5
Asset management and custody	1 307	1 227	7	1 283	2	2 534	2 502	1
Life insurance	96	96	0	90	7	192	199	-4
Securities	11	41	-73	43	-74	52	80	-35
Corporate finance	24			25	-4	24	54	-56
Lending and guarantees	282	280	1	310	-9	562	589	-5
Deposits	41	44	-7	42	-2	85	91	-7
Real estate brokerage	54	38	42	50	8	92	89	3
Non-life insurance	16	15	7	14	14	31	24	29
Other	65	78	-17	83	-22	143	196	-27
<b>Total Net commission income</b>	<b>3 202</b>	<b>3 070</b>	<b>4</b>	<b>3 236</b>	<b>-1</b>	<b>6 272</b>	<b>6 317</b>	<b>-1</b>

## Note 7 Net gains and losses on financial items

Group SEKm	Q2 2019	Q1 2019	%	Q2 2018	%	Jan-Jun 2019	Jan-Jun 2018	%
<b>Fair value through profit or loss</b>								
Shares and share related derivatives	246	319	-23	187	31	565	534	6
of w hich dividend	65	62	5	108	-40	127	168	-24
Interest-bearing securities and interest related derivatives	170	329	-48	10		499	-127	
Financial liabilities	13	22	-41	80	-84	35	148	-76
Other financial instruments	-15	-10	50	-5		-25	-13	92
<b>Total fair value through profit or loss</b>	<b>414</b>	<b>660</b>	<b>-37</b>	<b>272</b>	<b>52</b>	<b>1 074</b>	<b>542</b>	<b>98</b>
<b>Hedge accounting</b>								
Ineffective part in hedge accounting at fair value	-75	-30		-17		-105	-62	69
of w hich hedging instruments	4 807	2 760	74	754		7 567	-91	
of w hich hedged items	-4 883	-2 790	75	-771		-7 673	29	
Ineffective part in portfolio hedge accounting at fair value	32	45	-29	10		78	36	
of w hich hedging instruments	-1 609	-250		-377		-1 859	-594	
of w hich hedged items	1 641	295		387		1 936	630	
<b>Total hedge accounting</b>	<b>-43</b>	<b>15</b>		<b>-7</b>		<b>-27</b>	<b>-26</b>	<b>4</b>
<b>Derecognition gain or loss for financial assets at amortised cost</b>	<b>50</b>	<b>26</b>	<b>92</b>	<b>34</b>	<b>47</b>	<b>76</b>	<b>60</b>	<b>27</b>
<b>Derecognition gain or loss for financial liabilities at amortised cost</b>	<b>-52</b>	<b>-43</b>	<b>21</b>	<b>-75</b>	<b>-31</b>	<b>-95</b>	<b>-92</b>	<b>3</b>
<b>Trading related interest</b>								
Interest income	122	146	-16	31		267	92	
Interest expense	-16	-44	-64	31		-60	66	
<b>Total trading related interest</b>	<b>106</b>	<b>102</b>	<b>4</b>	<b>62</b>	<b>71</b>	<b>207</b>	<b>158</b>	<b>31</b>
<b>Change in exchange rates</b>	<b>293</b>	<b>426</b>	<b>-31</b>	<b>349</b>	<b>-16</b>	<b>719</b>	<b>552</b>	<b>30</b>
<b>Total net gains and losses on financial items</b>	<b>768</b>	<b>1 186</b>	<b>-35</b>	<b>635</b>	<b>21</b>	<b>1 954</b>	<b>1 194</b>	<b>64</b>

## Note 8 Other expenses

Group SEKm	Q2 2019	Q1 2019	%	Q2 2018	%	Jan-Jun 2019	Jan-Jun 2018	%
Premises and rents <sup>1</sup>	147	147	0	287	-49	294	571	-49
IT expenses	535	481	11	529	1	1 016	993	2
Telecommunications and postage	25	30	-17	34	-26	55	69	-20
Advertising, PR and marketing	68	63	8	60	13	131	128	2
Consultants	296	156	90	75		452	126	
Compensation to savings banks	55	56	-2	56	-2	111	112	-1
Other purchased services	228	216	6	206	11	444	390	14
Security transport and alarm systems	16	17	-6	15	7	33	28	18
Supplies	14	23	-39	31	-55	37	50	-26
Travel	63	52	21	65	-3	115	121	-5
Entertainment	13	10	30	13	0	23	23	0
Repair/maintenance of inventories	12	19	-37	21	-43	31	53	-42
Other expenses	105	107	-2	85	24	212	182	16
<b>Total other expenses</b>	<b>1 577</b>	<b>1 377</b>	<b>15</b>	<b>1 477</b>	<b>7</b>	<b>2 954</b>	<b>2 846</b>	<b>4</b>

<sup>1)</sup> IFRS 16 Leases is adopted from 1 January 2019.

## Note 9 Credit impairment

Group SEKm	Q2 2019	Q1 2019	%	Q2 2018	%	Jan-Jun 2019	Jan-Jun 2018	%
<b>Loans at amortised cost</b>								
Credit impairment provisions - Stage 1	17	32	-47	25	-32	49	114	-57
Credit impairment provisions - Stage 2	-431	88		-297	45	-343	-498	-31
Credit impairment provisions - Stage 3	56	35	60	-96		91	109	-17
Credit impairment provisions - Credit impaired, Purchased or originated <sup>1)</sup>	-2	-1	100	-3	-33	-3	-5	-40
<b>Total</b>	<b>-360</b>	<b>154</b>		<b>-371</b>	<b>-3</b>	<b>-206</b>	<b>-280</b>	<b>-26</b>
Write-offs	297	95		374	-21	392	471	-17
Recoveries	-53	-47	13	-138	-62	-100	-199	-50
<b>Total</b>	<b>244</b>	<b>48</b>		<b>236</b>	<b>3</b>	<b>292</b>	<b>272</b>	<b>7</b>
<b>Total loans at amortised cost</b>	<b>-116</b>	<b>202</b>		<b>-135</b>	<b>-14</b>	<b>86</b>	<b>-8</b>	
<b>Commitments and financial guarantees</b>								
Credit impairment provisions - Stage 1	-11	26		11		15	15	0
Credit impairment provisions - Stage 2	-58	-1		-10		-59	-47	26
Credit impairment provisions - Stage 3	293	-9		-2		284	13	
<b>Total</b>	<b>224</b>	<b>16</b>		<b>-1</b>		<b>240</b>	<b>-19</b>	
Write-offs	1			1		1	19	-95
<b>Total commitments and financial guarantees</b>	<b>225</b>	<b>16</b>		<b>0</b>		<b>241</b>	<b>0</b>	
<b>Total Credit impairment</b>	<b>109</b>	<b>218</b>	<b>-50</b>	<b>-135</b>		<b>327</b>	<b>-8</b>	
Credit impairment ratio, %	0.03	0.05	-40	-0.03		0.04	0.00	

<sup>1)</sup> Of which SEK 1m is a change in the gross carrying amount of purchased or originated credit-impaired assets due to remeasurement of expected credit losses recognized as part of the gross carrying amount on initial recognition.

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

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

Further details on the key inputs and assumptions used as at 30 June 2019 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 2018 on page 59. The tables below show the quantitative thresholds, namely:

- changes in the 12-month PD and internal risk rating grades, which have been applied for the portfolio of loans originated before 1 January 2018. 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. Internal risk ratings are assigned according to the risk management framework outlined in Note G3 Risks in the 2018 Annual and Sustainability Report.
- changes in the lifetime PD, which have been applied for the portfolio of loans originated on or after 1 January 2018. For instance, for exposures originated with a risk grade between

0 and 5, a 50 per cent increase in the lifetime PD from initial recognition is assessed as a significant change in credit risk. Alternatively, for exposures originated with a risk grade between 13 and 21, an increase of 150-300 per cent 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 thresholds applied were increased or decreased. A lower threshold would increase the number of loans that have migrated from Stage 1 to Stage 2 and also increase the estimated credit impairment provisions. A higher threshold would have the opposite effect. The tables below disclose the impacts of this sensitivity analysis on the 30 June 2019 credit impairment provisions. Positive amounts represent higher credit impairment provisions that would be recognised.

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

Internal risk rating grade at initial recognition	12-month PD band at initial recognition	Threshold, rating downgrade <sup>1)2)</sup> <sup>3)</sup>	Impairment provision impact		Recognised credit impairment provisions 30 Jun 2019	Share of total portfolio (%) in terms of gross carrying amount
			Increase in threshold by 1 grade	Decrease in threshold by 1 grade		
13-21	< 0.5%	3 - 8 grades	-9.2%	10.6%	746	45%
9-12	0.5-2.0%	1 - 5 grades	-20.7%	20.7%	496	10%
6-8	2.0-5.7%	1 - 3 grades	-7.3%	5.7%	199	4%
0-5	>5.7% and <100%	1 - 2 grades	-1.6%	0.0%	173	1%
			-11.8%	12.0%	1 614	60%
		Financial instruments subject to the low credit risk exemption			6	5%
		Stage 3 financial instruments			3 218	0%
		<b>Total provisions<sup>4)</sup></b>			<b>4 838</b>	<b>65%</b>

<sup>1)</sup> Downgrade by 2 grades corresponds to approximately 100% increase in 12-month PD.

<sup>2)</sup> Thresholds vary within given ranges depending on the borrower's geography, segment and internal risk rating.

<sup>3)</sup> The threshold used in the sensitivity analyses is floored to 1 grade.

<sup>4)</sup> Of which provisions for off-balance exposures are SEK 606m.

## Significant increase in credit risk, financial instruments with initial recognition on or after 1 January 2018

Internal risk rating grade at initial recognition	Threshold, increase in lifetime PD <sup>5)</sup>	Impairment provision impact		Recognised credit impairment provisions 30 Jun 2019	Share of total portfolio (%) in terms of gross carrying amount
		Increase in threshold by 100%	Decrease in threshold by 50%		
13-21	100-300%	-1.8%	3.6%	243	19%
9-12	100-200%	-0.9%	2.0%	180	5%
6-8	50-150%	-0.9%	3.2%	108	2%
0-5	50%	-0.5%	5.1%	85	1%
		-1.2%	3.2%	616	27%
Financial instruments subject to the low credit risk exemption				8	8%
Stage 3 financial instruments				1 226	0%
<b>Total provisions <sup>6)</sup></b>				<b>1 850</b>	<b>35%</b>

<sup>5)</sup> Thresholds vary within given ranges depending on the borrower's geography, segment and internal risk rating.

<sup>6)</sup> Of which provisions for off-balance exposures are SEK 54m.

### ***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. The formulation and incorporation of multiple forward-looking scenarios are described in Note G3 Risks page 67-68 in the 2018 Annual and Sustainability Report.

Set out below are the credit impairment provisions as at 30 June 2019 that would result from the downside and upside scenarios, which are considered reasonably possible, being assigned probabilities of 100 per cent.

Business area	Scenario	Credit impairment provisions resulting from the scenario	recognised probability-weighted credit impairment provisions, %
Swedish Banking	Downside scenario	2 089	19%
	Upside scenario	1 531	-13%
Baltic Banking	Downside scenario	874	34%
	Upside scenario	558	-15%
LC&I	Downside scenario	5 863	37%
	Upside scenario	1 998	-53%
Group <sup>1)</sup>	Downside scenario	8 826	32%
	Upside scenario	4 087	-39%

<sup>1)</sup> Including Group Functions & Other.

### ***Measurement of 12-month and lifetime expected credit losses***

The measurement of expected credit losses is described in the Annual and Sustainability Report of 2018 on page 67-68.

## Note 10 Loans

Group SEKm	30 Jun 2019			31 Dec 2018		30 Jun 2018	
	Gross carrying amount	Credit Impairment Provision	Carrying amount	Carrying amount	%	Carrying amount	%
<b>Loans to credit institutions</b>							
Banks	17 112	8	17 104	17 646	-3	19 312	-11
Repurchase agreements, banks	3 166		3 166			419	
Other credit institutions	18 529		18 529	18 530	0	19 076	-3
Repurchase agreements, other credit institutions	1 380		1 380	92		758	82
<b>Loans to credit institutions</b>	<b>40 187</b>	<b>8</b>	<b>40 179</b>	<b>36 268</b>	<b>11</b>	<b>39 565</b>	<b>2</b>
<b>Loans to the public</b>							
Private customers	1 045 895	842	1 045 053	1 029 620	1	1 013 235	3
Private, mortgage	892 752	530	892 222	875 578	2	857 635	4
Tenant owner association	104 276	31	104 245	106 895	-2	109 138	-4
Private, other	48 867	281	48 586	47 147	3	46 462	5
Corporate customers	571 793	5 178	566 615	547 881	3	550 118	3
Agriculture, forestry, fishing	67 704	151	67 553	67 128	1	67 957	-1
Manufacturing	45 138	670	44 468	43 263	3	45 931	-3
Public sector and utilities	20 966	45	20 921	19 633	7	21 432	-2
Construction	20 314	128	20 186	20 101	0	19 741	2
Retail	32 270	663	31 607	30 690	3	32 217	-2
Transportation	14 845	32	14 813	16 356	-9	15 176	-2
Shipping and offshore	22 416	2 188	20 228	21 795	-7	24 044	-16
Hotels and restaurants	8 918	41	8 877	8 629	3	8 121	9
Information and communications	13 414	209	13 205	13 443	-2	13 976	-6
Finance and insurance	16 861	22	16 839	14 773	14	14 877	13
Property management	258 230	655	257 575	243 828	6	234 967	10
Residential properties	76 106	208	75 898	73 511	3	72 984	4
Commercial	103 570	276	103 294	95 063	9	87 116	19
Industrial and Warehouse	50 000	73	49 927	47 370	5	47 807	4
Other	28 554	98	28 456	27 884	2	27 060	5
Professional services	28 524	254	28 270	29 761	-5	33 481	-16
Other corporate lending	22 193	120	22 073	18 481	19	18 198	21
<b>Loans to the public excluding the Swedish National Debt Office and repurchase agreements</b>	<b>1 617 688</b>	<b>6 020</b>	<b>1 611 668</b>	<b>1 577 501</b>	<b>2</b>	<b>1 563 353</b>	<b>3</b>
Swedish National Debt Office	4 004		4 004	10 153	-61	270	
Repurchase agreements, Swedish National Debt Office	7 864		7 864	2 436		17 128	-54
Repurchase agreements, public	54 573		54 573	37 278	46	38 221	43
<b>Loans to the public</b>	<b>1 684 129</b>	<b>6 020</b>	<b>1 678 109</b>	<b>1 627 368</b>	<b>3</b>	<b>1 618 972</b>	<b>4</b>
<b>Loans to the public and credit institutions</b>	<b>1 724 316</b>	<b>6 028</b>	<b>1 718 288</b>	<b>1 663 636</b>	<b>3</b>	<b>1 658 537</b>	<b>4</b>
of which loans at fair value through profit or loss	67 090		67 090	39 972		56 735	

## 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	30 Jun	31 Mar		30 Jun	
SEKm	2019	2019	%	2018	%
<b>Credit institutions</b>					
<b>Stage 1</b>					
Gross carrying amount	35 602	40 079	-11	38 060	-6
Credit impairment provisions	8	4		7	14
<b>Carrying amount</b>	<b>35 594</b>	<b>40 075</b>	<b>-11</b>	<b>38 053</b>	<b>-6</b>
<b>Stage 2</b>					
Gross carrying amount	39	75	-48	335	-88
Credit impairment provisions		1		0	
<b>Carrying amount</b>	<b>39</b>	<b>74</b>	<b>-47</b>	<b>335</b>	<b>-88</b>
<b>Total carrying amount for credit institutions</b>	<b>35 633</b>	<b>40 149</b>	<b>-11</b>	<b>38 388</b>	<b>-7</b>
<b>Public, private customers</b>					
<b>Stage 1</b>					
Gross carrying amount	993 233	980 203	1	957 048	4
Credit impairment provisions	76	68	12	76	0
<b>Carrying amount</b>	<b>993 157</b>	<b>980 135</b>	<b>1</b>	<b>956 972</b>	<b>4</b>
<b>Stage 2</b>					
Gross carrying amount	50 342	54 335	-7	54 559	-8
Credit impairment provisions	267	318	-16	350	-24
<b>Carrying amount</b>	<b>50 075</b>	<b>54 017</b>	<b>-7</b>	<b>54 209</b>	<b>-8</b>
<b>Stage 3</b>					
Gross carrying amount	2 317	2 324	0	2 520	-8
Credit impairment provisions	499	484	3	477	5
<b>Carrying amount</b>	<b>1 818</b>	<b>1 840</b>	<b>-1</b>	<b>2 043</b>	<b>-11</b>
<b>Total carrying amount for public, private customers</b>	<b>1 045 050</b>	<b>1 035 992</b>	<b>1</b>	<b>1 013 224</b>	<b>3</b>
<b>Public, corporate customers</b>					
<b>Stage 1</b>					
Gross carrying amount	510 856	490 671	4	492 660	4
Credit impairment provisions	465	458	2	440	6
<b>Carrying amount</b>	<b>510 391</b>	<b>490 213</b>	<b>4</b>	<b>492 220</b>	<b>4</b>
<b>Stage 2</b>					
Gross carrying amount	55 164	61 251	-10	53 501	3
Credit impairment provisions	1 161	1 532	-24	1 404	-17
<b>Carrying amount</b>	<b>54 003</b>	<b>59 719</b>	<b>-10</b>	<b>52 097</b>	<b>4</b>
<b>Stage 3</b>					
Gross carrying amount	9 673	8 595	13	8 588	13
Credit impairment provisions	3 552	3 476	2	2 715	31
<b>Carrying amount</b>	<b>6 121</b>	<b>5 119</b>	<b>20</b>	<b>5 873</b>	<b>4</b>
<b>Total carrying amount for public, corporate customers<sup>1)</sup></b>	<b>570 515</b>	<b>555 051</b>	<b>3</b>	<b>550 190</b>	<b>4</b>
<b>Totals</b>					
Gross carrying amount Stage 1	1 539 691	1 510 953	2	1 487 768	3
Gross carrying amount Stage 2	105 545	115 661	-9	108 395	-3
Gross carrying amount Stage 3	11 990	10 919	10	11 108	8
<b>Total Gross carrying amount</b>	<b>1 657 226</b>	<b>1 637 533</b>	<b>1</b>	<b>1 607 271</b>	<b>3</b>
Credit impairment provisions Stage 1	549	530	4	523	5
Credit impairment provisions Stage 2	1 428	1 851	-23	1 754	-19
Credit impairment provisions Stage 3	4 051	3 960	2	3 192	27
<b>Total credit impairment provisions</b>	<b>6 028</b>	<b>6 341</b>	<b>-5</b>	<b>5 469</b>	<b>10</b>
<b>Total carrying amount</b>	<b>1 651 198</b>	<b>1 631 192</b>	<b>1</b>	<b>1 601 802</b>	<b>3</b>
Share of Stage 3 loans, gross, %	0.72	0.67		0.69	
Share of Stage 3 loans, net, %	0.48	0.43		0.49	
Credit impairment provision ratio Stage 1 loans	0.04	0.04		0.04	
Credit impairment provision ratio Stage 2 loans	1.35	1.60		1.62	
Credit impairment provision ratio Stage 3 loans	33.79	36.27		28.74	
Total credit impairment provision ratio	0.36	0.39		0.34	

<sup>1)</sup> 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	Total
	Stage 1	Stage 2	Stage 3 incl. purchased or originated	
<b>Group</b>				
<b>SEKm</b>				
<b>Gross carrying amount</b>				
Opening balance as of 1 January 2019	1 510 787	107 664	11 239	1 629 690
Closing balance as of 30 June 2019	1 539 691	105 545	11 990	1 657 226
<b>Credit impairment provisions</b>				
Opening balance as of 1 January 2019	492	1 737	3 797	6 026
<b>Movements affecting Credit impairment line</b>				
New and derecognised financial assets, net	51	-185	-303	-437
Changes in risk factors (EAD, PD, LGD)	-6	-379	14	-371
Changes in macroeconomic scenarios	49	82	-2	129
Changes due to expert credit judgement (individual assessments and manual adjustments)			-135	-135
Stage transfers	-44	139	583	678
from stage 1 to stage 2	-70	278		208
from stage 1 to stage 3	-5		103	98
from stage 2 to stage 1	31	-94		-63
from stage 2 to stage 3		-81	557	476
from stage 3 to stage 2		36	-68	-32
from stage 3 to stage 1			-9	-9
Other	-1		-68	-69
<b>Total movements affecting Credit impairment line</b>	<b>49</b>	<b>-343</b>	<b>89</b>	<b>-205</b>
<b>Movements recognised outside Credit impairment line</b>				
Interest			69	69
Change in exchange rates	8	34	96	138
Closing balance as of 30 June 2019	549	1 428	4 051	6 028
<b>Carrying amount</b>				
Opening balance as of 1 January 2019	1 510 295	105 927	7 442	1 623 664
Closing balance as of 30 June 2019	1 539 142	104 117	7 939	1 651 198

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

Loans to the public and credit institutions	Non Credit-Impaired		Credit-Impaired	Total
	Stage 1	Stage 2	Stage 3 incl. purchased or originated	
<b>Group</b>				
<b>SEKm</b>				
<b>Gross carrying amount</b>				
Opening balance as of 1 January 2018	1 415 169	120 226	10 194	1 545 588
Closing balance as of 30 June 2018	1 487 768	108 395	11 108	1 607 271
<b>Credit impairment provisions</b>				
Opening balance as of 1 January 2018	399	2 140	2 861	5 401
<b>Movements affecting Credit impairment line</b>				
New and derecognised financial assets, net	99	-63	-4	32
Changes in risk factors (EAD, PD, LGD)	88	-188	-53	-153
Changes in macroeconomic scenarios	14	-23	-1	-10
Changes due to expert credit judgement (individual assessments and manual adjustments)	1	4	-142	-137
Stage transfers	-95	-231	376	50
from stage 1 to stage 2	-103	331		228
from stage 1 to stage 3	-32		45	13
from stage 2 to stage 1	39	-159		-120
from stage 2 to stage 3		-412	442	30
from stage 3 to stage 2		9	-64	-55
from stage 3 to stage 1	1		-47	-46
Other	8	-1	-49	-42
<b>Total movements affecting Credit impairment line</b>	<b>115</b>	<b>-502</b>	<b>127</b>	<b>-260</b>
<b>Movements recognised outside Credit impairment line</b>				
Interest			52	52
Change in exchange rates	8	116	152	276
Closing balance as of 30 June 2018	523	1 754	3 192	5 469
<b>Carrying amount</b>				
Opening balance as of 1 January 2018	1 414 769	118 085	7 332	1 540 187
Closing balance as of 30 June 2018	1 487 245	106 641	7 916	1 601 802

## Commitments and guarantees

The table below provides a reconciliation of the nominal amount and credit impairment provisions for commitments and financial guarantees.

SEKm	Non Credit-Impaired		Credit-Impaired	Total
	Stage 1	Stage 2	Stage 3 incl. purchased or originated	
<b>Nominal amount</b>				
Opening balance as of 1 January 2019	316 921	9 969	804	327 694
Closing balance as of 30 June 2019	327 743	11 614	1 140	340 497
<b>Credit impairment provisions</b>				
Opening balance as of 1 January 2019	94	208	105	407
<b>Movements affecting Credit impairment line</b>				
New and derecognosed financial assets, net	12		40	52
Changes in risk factors (EAD, PD, LGD)	-11	-45	-6	-62
Changes in macroeconomic scenarios	17	13		30
Changes due to expert credit judgement (manual adjustments and individual assessments)			146	146
Stage transfers	-3	-27	104	74
from stage 1 to stage 2	-5	14		9
from stage 1 to stage 3			28	28
from stage 2 to stage 1	2	-7		-5
from stage 2 to stage 3		-34	76	42
<b>Total movements affecting Credit impairment line</b>	<b>15</b>	<b>-59</b>	<b>284</b>	<b>240</b>
<b>Movements recognised outside Credit impairment line</b>				
Change in exchange rates	3	7	3	13
Closing balance as of 30 June 2019	112	156	392	660

SEKm	Non Credit-Impaired		Credit-Impaired	Total
	Stage 1	Stage 2	Stage 3 incl. purchased or originated	
<b>Nominal amount</b>				
Opening balance as of 1 January 2018	292 304	13 931	741	306 976
Closing balance as of 30 June 2018	319 921	11 954	914	332 789
<b>Credit impairment provisions</b>				
Opening balance as of 1 January 2018	117	261	267	645
<b>Movements affecting Credit impairment line</b>				
New and derecognosed financial assets, net	16	10	27	53
Changes in risk factors (EAD, PD, LGD)	14	-4	-17	-7
Changes in macroeconomic scenarios	-8	-13		-21
Changes due to expert credit judgement (manual adjustments and individual assessments)			-27	-27
Stage transfers	-5	-38	33	-10
from stage 1 to stage 2	-11	35		24
from stage 2 to stage 1	6	-40		-34
from stage 2 to stage 3		-33	34	1
from stage 3 to stage 1			-1	-1
Other	-2	-2	-3	-7
<b>Total movements affecting Credit impairment line</b>	<b>15</b>	<b>-47</b>	<b>13</b>	<b>-19</b>
<b>Movements recognised outside Credit impairment line</b>				
Change in exchange rates	6	19	22	47
Closing balance as of 30 June 2018	138	233	302	673

## Note 12 Credit risk exposures

Group SEKm	30 Jun 2019	31 Dec 2018	%	30 Jun 2018	%
<b>Assets</b>					
Cash and balances w ith central banks	246 679	163 161	51	435 440	-43
Interest-bearing securities	200 204	152 891	31	213 647	-6
Loans to credit institutions	40 179	36 268	11	39 565	2
Loans to the public	1 678 109	1 627 368	3	1 618 972	4
Derivatives	45 703	39 665	15	85 595	-47
Other financial assets	20 737	13 889	49	24 078	-14
<b>Total assets</b>	<b>2 231 611</b>	<b>2 033 242</b>	<b>10</b>	<b>2 417 297</b>	<b>-8</b>
<b>Contingent liabilities and commitments</b>					
Guarantees	50 492	48 989	3	48 687	4
Commitments	289 711	278 339	4	283 754	2
<b>Total contingent liabilities and commitments</b>	<b>340 203</b>	<b>327 328</b>	<b>4</b>	<b>332 441</b>	<b>2</b>
<b>Total credit exposures</b>	<b>2 571 814</b>	<b>2 360 570</b>	<b>9</b>	<b>2 749 738</b>	<b>-6</b>

## Note 13 Intangible assets

Group SEKm	30 Jun 2019	31 Dec 2018	%	30 Jun 2018	%
<b>With indefinite useful life</b>					
Goodwill	13 849	13 549	2	13 737	1
Brand name	161	161	0	161	0
<b>Total</b>	<b>14 010</b>	<b>13 710</b>	<b>2</b>	<b>13 898</b>	<b>1</b>
<b>With finite useful life</b>					
Customer base	358	382	-6	441	-19
Internally developed software	2 989	2 672	12	2 233	34
Other	347	354	-2	381	-9
<b>Total</b>	<b>3 694</b>	<b>3 408</b>	<b>8</b>	<b>3 055</b>	<b>21</b>
<b>Total intangible assets</b>	<b>17 704</b>	<b>17 118</b>	<b>3</b>	<b>16 953</b>	<b>4</b>

As of 30 June 2019 there were no indicators of impairment.

## Note 14 Amounts owed to credit institutions

Group SEKm	30 Jun 2019	31 Dec 2018	%	30 Jun 2018	%
<b>Amounts owed to credit institutions</b>					
Central banks	15 570	13 892	12	26 828	-42
Banks	71 919	38 424	87	75 809	-5
Other credit institutions	5 861	4 636	26	3 189	84
Repurchase agreements - banks	3 238	266			
Repurchase agreements - other credit institutions	1 379			623	
<b>Amounts owed to credit institutions</b>	<b>97 967</b>	<b>57 218</b>	<b>71</b>	<b>106 449</b>	<b>-8</b>

## Note 15 Deposits and borrowings from the public

Group SEKm	30 Jun 2019	31 Dec 2018	%	30 Jun 2018	%
<b>Deposits from the public</b>					
Private customers	526 043	518 775	1	499 948	5
Corporate customers	425 999	400 995	6	475 435	-10
<b>Deposits from the public excluding the Swedish National Debt Office and repurchase agreements</b>	<b>952 042</b>	<b>919 770</b>	<b>4</b>	<b>975 383</b>	<b>-2</b>
Swedish National Debt Office	267	339		2 201	
Repurchase agreements - Swedish National Debt Office				7 053	
Repurchase agreements - public	14 491	641		15 568	-7
<b>Deposits and borrowings from the public</b>	<b>966 800</b>	<b>920 750</b>	<b>5</b>	<b>1 000 205</b>	<b>-3</b>

## Note 16 Debt securities in issue and subordinated liabilities

Group SEKm	30 Jun 2019	31 Dec 2018	%	30 Jun 2018	%
Commercial papers	184 519	131 434	40	286 761	-36
Covered bonds	577 189	497 936	16	565 286	2
Senior unsecured bonds	142 327	164 243	-13	162 234	-12
Structured retail bonds	10 199	10 747	-5	12 371	-18
<b>Total debt securities in issue</b>	<b>914 234</b>	<b>804 360</b>	<b>14</b>	<b>1 026 652</b>	<b>-11</b>
Subordinated liabilities	27 532	34 184	-19	30 673	-10
<b>Total debt securities in issue and subordinated liabilities</b>	<b>941 766</b>	<b>838 544</b>	<b>12</b>	<b>1 057 325</b>	<b>-11</b>

	Jan-Jun 2019	Full-year 2018	%	Jan-Jun 2018	%
<b>Turnover during the period</b>					
<b>Closing balance</b>	<b>838 544</b>	<b>869 712</b>	<b>-4</b>	<b>869 712</b>	<b>-4</b>
<b>Changed presentation of accrued interest</b>		<b>6 361</b>		<b>6 361</b>	
<b>Opening balance</b>	<b>838 544</b>	<b>876 073</b>	<b>-4</b>	<b>876 073</b>	<b>-4</b>
Issued	402 367	1 117 261	-64	649 602	-38
Repurchased	-13 650	-54 223	-75	-17 455	-22
Repaid	-301 461	-1 118 861	-73	-478 442	-37
Accrued interest	-1 279	-1 614	-21	0	
Change in market value of hedged item in fair value hedge accounting	5 852	-6 599		-5 654	
Changes in exchange rates	11 393	26 507	-57	33 201	-66
<b>Closing balance</b>	<b>941 766</b>	<b>838 544</b>	<b>12</b>	<b>1 057 325</b>	<b>-11</b>

## Note 17 Derivatives

Group SEKm	Nominal amount			Positive fair value		Negative fair value			
	Remaining contractual maturity			Nominal amount					
	< 1 yr.	1-5 yrs.	> 5 yrs.	2019 30 Jun	2018 31 Dec	2019 30 Jun	2018 31 Dec		
<b>Derivatives in hedge accounting</b>	<b>168 561</b>	<b>683 050</b>	<b>116 796</b>	<b>968 407</b>	<b>889 367</b>	<b>16 964</b>	<b>10 551</b>	<b>3 327</b>	<b>2 438</b>
Fair value hedges, interest rate sw aps	68 060	424 149	96 912	589 121	544 157	16 528	10 255	172	972
Portfolio fair value hedges, interest rate sw aps	100 150	257 430	12 075	369 655	335 805	123	207	3 130	1 401
Cash flow hedges, foreign currency sw aps	351	1 471	7 809	9 631	9 405	313	89	25	65
<b>Non-hedging derivatives</b>	<b>8 060 220</b>	<b>5 006 804</b>	<b>1 590 965</b>	<b>14 657 989</b>	<b>12 933 005</b>	<b>98 976</b>	<b>59 379</b>	<b>105 355</b>	<b>61 788</b>
<b>Gross amount</b>	<b>8 228 781</b>	<b>5 689 854</b>	<b>1 707 761</b>	<b>15 626 396</b>	<b>13 822 372</b>	<b>115 940</b>	<b>69 930</b>	<b>108 682</b>	<b>64 226</b>
Offset amount (see also note 20)	-6 407 968	-3 850 720	-1 164 102	-11 422 790	-6 880 365	-70 237	-30 265	-72 447	-32 910
<b>Total</b>	<b>1 820 813</b>	<b>1 839 134</b>	<b>543 659</b>	<b>4 203 606</b>	<b>6 942 007</b>	<b>45 703</b>	<b>39 665</b>	<b>36 235</b>	<b>31 316</b>

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.

## Note 18 Fair value of financial instruments

Group SEKm	30 Jun 2019			31 Dec 2018		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
<b>Assets</b>						
<b>Financial assets</b>						
Cash and balances with central banks	246 679	246 679		163 161	163 161	
Treasury bills and other bills eligible for refinancing with central banks	145 414	145 381	33	99 743	99 579	164
Loans to credit institutions	40 179	40 179		36 268	36 268	
Loans to the public	1 686 004	1 678 109	7 895	1 629 641	1 627 368	2 273
Value change of interest hedged items in portfolio hedge	2 702	2 702		766	766	
Bonds and interest-bearing securities	54 826	54 823	3	53 316	53 312	4
Financial assets for which the customers bear the investment risk	206 625	206 625		177 868	177 868	
Shares and participating interest	4 675	4 675		4 921	4 921	
Derivatives	45 703	45 703		39 665	39 665	
Other financial assets	20 625	20 625		13 889	13 889	
<b>Total</b>	<b>2 453 432</b>	<b>2 445 501</b>	<b>7 931</b>	<b>2 219 238</b>	<b>2 216 797</b>	<b>2 441</b>
<b>Investment in associates</b>		<b>5 974</b>			<b>6 088</b>	
<b>Non-financial assets</b>		<b>28 579</b>			<b>23 207</b>	
<b>Total</b>		<b>2 480 054</b>			<b>2 246 092</b>	
<b>Liabilities</b>						
<b>Financial liabilities</b>						
Amounts owed to credit institutions	97 967	97 967		58 595	57 218	1 377
Deposits and borrowings from the public	966 794	966 800	-6	920 745	920 750	-5
Debt securities in issue	931 172	914 234	16 938	810 617	804 360	6 257
Financial liabilities for which the customers bear the investment risk	207 427	207 427		178 662	178 662	
Subordinated liabilities	27 773	27 532	241	34 366	34 184	182
Derivatives	36 236	36 236		31 316	31 316	
Short positions securities	40 147	40 147		38 333	38 333	
Other financial liabilities	42 350	42 350		29 576	29 576	
<b>Total</b>	<b>2 349 866</b>	<b>2 332 693</b>	<b>17 173</b>	<b>2 102 209</b>	<b>2 094 399</b>	<b>7 810</b>
<b>Non-financial liabilities</b>		<b>17 749</b>			<b>14 084</b>	
<b>Total</b>		<b>2 350 442</b>			<b>2 108 483</b>	

### Financial instruments recognised at fair value

Group 30 Jun 2019 SEKm	Instruments with quoted market prices in active markets (Level 1)	Valuation techniques using observable market data (Level 2)	Valuation techniques using non- observable market data (Level 3)	Total
<b>Assets</b>				
Treasury bills etc.	18 335	4 583		22 918
Loans to credit institutions		4 546		4 546
Loans to the public		62 545		62 545
Bonds and other interest-bearing securities	23 353	31 433		54 786
Financial assets for which the customers bear the investment risk	206 625			206 625
Shares and participating interests	3 004		1 671	4 675
Derivatives	9	45 694		45 703
<b>Total</b>	<b>251 326</b>	<b>148 801</b>	<b>1 671</b>	<b>401 798</b>
<b>Liabilities</b>				
Amounts owed to credit institutions		4 618		4 618
Deposits and borrowings from the public		14 490		14 490
Debt securities in issue		14 186		14 186
Financial liabilities for which the customers bear the investment risk		207 427		207 427
Derivatives	31	36 205		36 236
Short positions, securities	33 574	6 573		40 147
<b>Total</b>	<b>33 605</b>	<b>283 499</b>		<b>317 104</b>

The table above contains financial instruments measured at fair value by valuation level. The Group uses various methods to determine the fair value for financial instruments depending on the degree of observable market data in the valuation and activity in the market. 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 2018 SEKm	Instruments with quoted market prices in an active market (Level 1)	Valuation techniques using observable market data (Level 2)	Valuation techniques using non- observable market data (Level 3)	Total
<b>Assets</b>				
Treasury bills etc.	13 083	6 192		19 275
Loans to credit institutions		92		92
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
<b>Total</b>	<b>217 393</b>	<b>114 143</b>	<b>1 266</b>	<b>332 802</b>
<b>Liabilities</b>				
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
<b>Total</b>	<b>38 797</b>	<b>225 168</b>		<b>263 965</b>

Changes in level 3 Group SEKm	Assets		
	Equity instruments	Derivatives	Total
<b>January-June 2019</b>			
<b>Opening balance 1 January 2019</b>	<b>1 264</b>	<b>2</b>	<b>1 266</b>
Purchases	41		41
Sale of assets	-4		-4
Maturities		-1	-1
Gains and losses recognised as Net gains and losses on financial instruments	370	-1	369
of which changes in unrealised gains or losses for items held at closing day	372		372
<b>Closing balance 30 June 2019</b>	<b>1 671</b>	<b>0</b>	<b>1 671</b>

Level 3 primarily contains unlisted equity instruments and illiquid options. In connection with the sale of shares in VISA Europe convertible

preference shares in VISA Inc. were obtained. The shares are subject to selling restrictions for a period of up to 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 in 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 in the valuation of the individual financial instruments are therefore of greater significance, because of which several are reported as derivatives in level 3.

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

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

## Note 19 Pledged collateral and contingent liabilities

Group SEKm	30 Jun 2019	31 Dec 2018	%	30 Jun 2018	%
Loan receivables <sup>1</sup>	563 736	497 691	13	553 151	2
Financial assets pledged for insurance policy holders	202 724	174 668	16	190 007	7
Other assets pledged	52 488	39 276	34	56 000	-6
<b>Pledged collateral</b>	<b>818 948</b>	<b>711 635</b>	<b>15</b>	<b>799 158</b>	<b>2</b>

<sup>1)</sup> 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.

Group SEKm	30 Jun 2019	31 Dec 2018	%	30 Jun 2018	%
Guarantees	50 492	48 989	3	48 687	4
Other	294	366	-20	348	-16
<b>Contingent liabilities</b>	<b>50 786</b>	<b>49 355</b>	<b>3</b>	<b>49 035</b>	<b>4</b>

Swedbank is cooperating with authorities in Sweden, the three Baltic countries and the United States, who are conducting investigations into money laundering allegations and the Group's response thereto, as well as related issues involving the Group's anti-money laundering controls and certain individuals and entities who may at some time have been customers of the Group. The Swedish Economic Crime Authority has also an investigation ongoing relating to potential insider

information. Swedbank is cooperating with these authorities. The timing of the completion of the investigations, the outcome and the subsequent discussions with the authorities are uncertain. At present, it is not possible to reliably estimate the timing or amount of any potential settlement or fines, which could be material.

## Note 20 Offsetting financial assets and liabilities

Group SEKm	Assets			Liabilities		
	30 Jun 2019	31 Dec 2018	%	30 Jun 2019	31 Dec 2018	%
<b>Financial assets and liabilities, which have been offset or are subject to netting or similar agreements</b>						
Gross amount	213 488	162 062	32	155 287	117 107	33
Offset amount	-100 905	-84 058	20	-103 115	-86 703	19
<b>Net amounts presented in the balance sheet</b>	<b>112 583</b>	<b>78 004</b>	<b>44</b>	<b>52 172</b>	<b>30 404</b>	<b>72</b>
<b>Related amounts not offset in the balance sheet</b>						
Financial instruments, netting arrangements	21 938	17 320	27	21 938	17 320	27
Financial Instruments, collateral	29 942	35 212	-15	9 518	2 594	
Cash, collateral	12 524	1 535		14 582	4 890	
<b>Total amount not offset in the balance sheet</b>	<b>64 404</b>	<b>54 067</b>	<b>19</b>	<b>46 038</b>	<b>24 804</b>	<b>86</b>
<b>Net amount</b>	<b>48 179</b>	<b>23 937</b>		<b>6 134</b>	<b>5 600</b>	<b>10</b>

The amount offset for derivative assets includes offset cash collateral of SEK 5 877m (4 177) derived from the balance sheet item Amounts owed to credit institutions.

The amount offset for derivative liabilities includes offset cash collateral of SEK 3 667m (1 532), derived from the balance sheet item Loans to credit institutions

## Note 21 Capital adequacy, consolidated situation

Capital adequacy	30 Jun	31 Dec	30 Jun
SEKm	2019	2018	2018
Shareholders' equity according to the Group's balance sheet	129 403	137 396	128 069
Non-controlling interests	77	72	67
Anticipated dividend <sup>6)</sup>	-5 303	-15 885	-8 285
Deconsolidation of insurance companies	-227	-438	55
Value changes in own financial liabilities	-109	-107	16
Cash flow hedges	-5	-2	-2
Additional value adjustments <sup>1)</sup>	-572	-454	-848
Goodwill	-13 938	-13 638	-13 827
Deferred tax assets	-130	-113	-125
Intangible assets	-3 198	-2 974	-2 702
Net provisions for reported IRB credit exposures			
Shares deducted from CET1 capital	-31	-45	-43
<b>Common Equity Tier 1 capital</b>	<b>105 967</b>	<b>103 812</b>	<b>102 375</b>
Additional Tier 1 capital	11 525	10 949	11 850
<b>Total Tier 1 capital</b>	<b>117 492</b>	<b>114 761</b>	<b>114 225</b>
Tier 2 capital	15 590	22 232	17 975
<b>Total capital</b>	<b>133 082</b>	<b>136 993</b>	<b>132 200</b>
Minimum capital requirement for credit risks, standardised approach	3 510	3 328	3 275
Minimum capital requirement for credit risks, IRB	22 260	21 715	22 450
Minimum capital requirement for credit risk, default fund contribution	58	29	34
Minimum capital requirement for settlement risks	0	0	0
Minimum capital requirement for market risks	1 172	1 042	1 159
Trading book	1 161	999	1 119
of which VaR and SVaR	901	719	655
of which risks outside VaR and SVaR	260	280	464
FX risk other operations	11	43	40
Minimum capital requirement for credit value adjustment	350	307	381
Minimum capital requirement for operational risks	5 481	5 182	5 182
Additional minimum capital requirement, Article 3 CRR <sup>2)</sup>	2 845	2 743	2 277
Additional minimum capital requirement, Article 458 CRR <sup>5)</sup>	16 972	16 685	
<b>Minimum capital requirement</b>	<b>52 648</b>	<b>51 031</b>	<b>34 758</b>
Risk exposure amount credit risks, standardised approach	43 869	41 606	40 939
Risk exposure amount credit risks, IRB	278 258	271 437	280 629
Risk exposure amount default fund contribution	725	357	426
Risk exposure amount settlement risks	0	0	0
Risk exposure amount market risks	14 649	13 024	14 485
Risk exposure amount credit value adjustment	4 373	3 826	4 761
Risk exposure amount operational risks	68 514	64 779	64 779
Additional risk exposure amount, Article 3 CRR <sup>2)</sup>	35 562	34 286	28 460
Additional risk exposure amount, Article 458 CRR <sup>5)</sup>	212 147	208 567	
<b>Risk exposure amount</b>	<b>658 097</b>	<b>637 882</b>	<b>434 479</b>
<b>Common Equity Tier 1 capital ratio, %</b>	<b>16.1</b>	<b>16.3</b>	<b>23.6</b>
<b>Tier 1 capital ratio, %</b>	<b>17.9</b>	<b>18.0</b>	<b>26.3</b>
<b>Total capital ratio, %</b>	<b>20.2</b>	<b>21.5</b>	<b>30.4</b>
<b>Capital buffer requirement <sup>3)</sup></b>	<b>30 Jun</b>	<b>31 Dec</b>	<b>30 Jun</b>
<b>%</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
CET1 capital requirement including buffer requirements	11.6	11.6	11.3
of which minimum CET1 requirement	4.5	4.5	4.5
of which capital conservation buffer	2.5	2.5	2.5
of which countercyclical capital buffer	1.6	1.6	1.3
of which systemic risk buffer	3.0	3.0	3.0
CET 1 capital available to meet buffer requirement <sup>4)</sup>	11.6	11.8	19.1
<b>Leverage ratio</b>	<b>30 Jun</b>	<b>31 Dec</b>	<b>30 Jun</b>
	<b>2019</b>	<b>2018</b>	<b>2018</b>
Tier 1 Capital, SEKm	117 492	114 761	114 225
Leverage ratio exposure, SEKm	2 468 399	2 241 604	2 542 282
Leverage ratio, %	4.8	5.1	4.5

<sup>1)</sup> Adjustment due to the implementation of EBA's technical standards on prudent valuation. The objective of these standards is to determine prudent values of fair valued positions.

<sup>2)</sup> 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.

<sup>3)</sup> Buffer requirement according to Swedish implementation of CRD IV

<sup>4)</sup> CET1 capital ratio as reported, less minimum requirement of 4.5% (excluding buffer requirements) and less any CET1 items used to meet the Tier 1 and total capital requirements.

<sup>5)</sup> 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.

<sup>6)</sup> Dividend pay-out policy adjusted to 50 per cent of annual profit.

Capital requirements <sup>1)</sup> SEKm / %	2019		2018	
	30 Jun	31 Dec	30 Jun	31 Dec
Capital requirement Pillar 1	99 373	96 320	15.1	15.1
of which Buffer requirements <sup>2)</sup>	46 725	45 290	7.1	7.1
Total capital requirement Pillar 2 <sup>3)</sup>	21 449	21 045	3.3	3.3
<b>Total capital requirement Pillar 1 and 2</b>	<b>120 822</b>	<b>117 365</b>	<b>18.4</b>	<b>18.4</b>
<b>Own funds</b>	<b>133 082</b>	<b>136 993</b>		

<sup>1)</sup> Swedbank's calculation based on the SFSA's announced capital requirements, including Pillar 2 requirements.

<sup>2)</sup> Buffer requirements includes systemic risk buffer, capital conservation buffer and countercyclical capital buffer.

<sup>3)</sup> Systemisk buffer and Individual Pillar 2 charge as of 30 June 2019. The individual Pillar 2 charge items as of 31 December 2018, according to SFSA's SREP report of 29 September 2018, in relation to REA as of June 2019.

The consolidated situation for Swedbank as of 30 June 2019 comprised the Swedbank Group with the exception of insurance companies. The EnterCard Group was included as well through the proportionate consolidation method.

The note contains the information made public according to the Swedish Financial Supervisory Authority Regulation FFFS 2014:12, chap. 8. Additional

periodic information according to Regulation (EU) No 575/2013 of the European Parliament and of the Council on supervisory requirements for credit institutions and Implementing Regulation (EU) No 1423/2013 of the European Commission can be found on Swedbank's website: <https://www.swedbank.com/investor-relations/financial-information-and-publications/risk-report/index.htm>

Swedbank consolidated situation Credit risk, IRB SEKm	Exposure value		Average risk weight, %		Minimum capital requirement	
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
Central government or central banks exposures	412 663	296 418	1	2	440	375
Institutional exposures	53 181	49 183	18	19	756	766
Corporate exposures	554 164	532 566	32	33	14 010	13 963
Retail exposures	1 190 005	1 165 008	7	7	6 266	6 226
of which mortgage	1 065 627	1 047 939	5	5	3 946	3 929
of which other	124 378	117 069	23	25	2 320	2 297
Non credit obligation	13 412	8 508	73	57	788	385
<b>Total credit risks, IRB</b>	<b>2 223 425</b>	<b>2 051 683</b>	<b>13</b>	<b>13</b>	<b>22 260</b>	<b>21 715</b>

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

<b>30 Jun 2019</b>			
<b>SEKm</b>	<b>Exposure amount</b>	<b>Risk exposure amount</b>	<b>Minimum capital requirement</b>
<b>Credit risks, STD</b>	<b>72 640</b>	<b>43 869</b>	<b>3 510</b>
Central government or central banks exposures	182		
Regional governments or local authorities exposures	2 346	292	23
Public sector entities exposures	1 421	166	13
Multilateral development banks exposures	2 780		
International organisation exposures	286		
Institutional exposures	21 318	465	37
Corporate exposures	5 461	5 221	418
Retail exposures	19 356	13 930	1 115
Exposures secured by mortgages on immovable property	6 206	2 172	174
Exposures in default	658	677	54
Exposures in the form of covered bonds	150	15	1
Exposures in the form of collective investment undertakings (CIUs)	8	7	1
Equity exposures	8 614	18 093	1 448
Other items	3 854	2 831	226
<b>Credit risks, IRB</b>	<b>2 223 425</b>	<b>278 258</b>	<b>22 260</b>
Central government or central banks exposures	412 663	5 498	440
Institutional exposures	53 181	9 446	756
Corporate exposures	554 164	175 136	14 010
of w hich specialized lending in category 1	68	40	3
of w hich specialized lending in category 2	291	254	20
of w hich specialized lending in category 3	118	136	11
of w hich specialized lending in category 4	126	315	25
of w hich specialized lending in category 5	19		
Retail exposures	1 190 005	78 327	6 266
of w hich mortgage lending	1 065 627	49 321	3 946
of w hich other lending	124 378	29 006	2 320
Non-credit obligation	13 412	9 851	788
<b>Credit risks, Default fund contribution</b>		<b>725</b>	<b>58</b>
<b>Settlement risks</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Market risks</b>		<b>14 649</b>	<b>1 172</b>
Trading book		14 512	1 161
of w hich VaR and SVaR		11 259	901
of w hich risks outside VaR and SVaR		3 253	260
FX risk other operations		137	11
<b>Credit value adjustment</b>	<b>17 742</b>	<b>4 373</b>	<b>350</b>
<b>Operational risks</b>		<b>68 514</b>	<b>5 481</b>
of w hich Standardised approach		68 514	5 481
<b>Additional risk exposure amount, Article 3 CRR</b>		<b>35 562</b>	<b>2 845</b>
<b>Additional risk exposure amount, Article 458 CRR</b>		<b>212 147</b>	<b>16 972</b>
<b>Total</b>	<b>2 313 807</b>	<b>658 097</b>	<b>52 648</b>

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

31 Dec 2018

SEKm	Exposure amount	Risk exposure amount	Minimum capital requirement
<b>Credit risks, STD</b>	<b>64 110</b>	<b>41 606</b>	<b>3 328</b>
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
<b>Credit risks, IRB</b>	<b>2 051 683</b>	<b>271 437</b>	<b>21 715</b>
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
<b>Credit risks, Default fund contribution</b>		<b>357</b>	<b>29</b>
<b>Settlement risks</b>	<b>177</b>	<b>0</b>	<b>0</b>
<b>Market risks</b>		<b>13 024</b>	<b>1 042</b>
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
<b>Credit value adjustment</b>	<b>16 024</b>	<b>3 826</b>	<b>307</b>
<b>Operational risks</b>		<b>64 779</b>	<b>5 182</b>
of which Standardised approach		64 779	5 182
<b>Additional risk exposure amount, Article 3 CRR</b>		<b>34 286</b>	<b>2 743</b>
<b>Additional risk exposure amount, Article 458 CRR</b>		<b>208 567</b>	<b>16 685</b>
<b>Total</b>	<b>2 131 994</b>	<b>637 882</b>	<b>51 031</b>

## Credit risks

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

When Swedbank acts as a 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 the 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 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 the 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 22 Internal capital requirement

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

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

As a complement to the economic capital calculation, scenario-based simulations and stress tests are conducted at least once a year. The analyses provide an overview of the most important risks Swedbank is

exposed to by quantifying their impact on the income statement and balance sheet as well as the capital base and risk-weighted assets. The purpose is to ensure efficient use of capital. The methodology serves as a basis of proactive risk and capital management.

As of 30 June 2019 the internal capital assessment for Swedbank's consolidated situation amounted to SEK 33.0bn (32.7). The capital to meet the internal capital assessment, i.e. the capital base, amounted to SEK 133.1bn (137.0) (see Note 21). Swedbank's internal capital assessment using its own models is not comparable with the estimated capital requirement that the SFSA releases quarterly and is presented without Swedish mortgage floor effect.

The internally estimated capital requirement for the parent company is SEK 26.5bn (29.4) and the capital base is SEK 115.3bn (115.6) (see the parent company, capital adequacy on page 56).

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 and Sustainability Report for 2018 as well as in Swedbank's yearly Risk and Capital Adequacy Report, available on [www.swedbank.com](http://www.swedbank.com).

## Note 23 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. For risks related to the potential money laundering issue arisen by media during the first quarter it is referred to the note 19 Pledged collateral and contingent liabilities.

The tax area is complex and leaves room for judgement. Practices and interpretations of applicable laws are often changed, sometimes

retroactively. In the event that the tax authorities and, where appropriate, the tax courts decide on a different interpretation than what Swedbank initially made, then it could impact the Group's operations, results and financial position.

In addition to what is stated in this interim report, detailed descriptions are provided in Swedbank's 2018 annual report and in the annual disclosure on risk management and capital adequacy available on [www.swedbank.com](http://www.swedbank.com)

**Effect on value of assets and liabilities in SEK and foreign currency, including derivatives if interest rates increase by 100bp, 30 Jun 2019**

Group SEKm	< 5 years	5-10 years	>10 years	Total
<b>Swedbank, the Group</b>	<b>289</b>	<b>-1 128</b>	<b>-227</b>	<b>-1 066</b>
of which SEK	325	-1 388	4	-1 059
of which foreign currency	-36	260	-231	-7
<b>Of which financial instruments at fair value reported through profit or loss</b>	<b>1 075</b>	<b>-627</b>	<b>-68</b>	<b>380</b>
of which SEK	1 044	-846	-14	184
of which foreign currency	31	219	-54	196

## Note 24 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 25 Swedbank's share

	30 Jun 2019	31 Dec 2018	%	30 Jun 2018	%
<b>SWED A</b>					
Share price, SEK	139.45	197.75	-29	191.80	-27
Number of outstanding ordinary shares	1 118 302 788	1 116 674 361	0	1 116 672 075	0
<b>Market capitalisation, SEKm</b>	<b>155 947</b>	<b>220 822</b>	<b>-29</b>	<b>214 178</b>	<b>-27</b>

	30 Jun 2019	31 Dec 2018	30 Jun 2018
<b>Number of outstanding shares</b>			
<b>Issued shares</b>			
SWED A	1 132 005 722	1 132 005 722	1 132 005 722
<b>Repurchased shares</b>			
SWED A	-13 702 934	-15 331 361	-15 333 647
<b>Number of outstanding shares on the closing day</b>	<b>1 118 302 788</b>	<b>1 116 674 361</b>	<b>1 116 672 075</b>

Within Sw edbank's share-based compensation programme, Sw edbank AB has during the first half of 2019 transferred 1 628 427 shares at no cost to employees.

	Q2 2019	Q1 2019	Q2 2018	Jan-Jun 2019	Jan-Jun 2018
<b>Earnings per share</b>					
<b>Average number of shares</b>					
Average number of shares before dilution	1 118 258 901	1 117 342 751	1 116 671 142	1 117 803 357	1 115 795 383
Weighted average number of shares for potential ordinary shares that incur a dilutive effect due to share-based compensation programme	4 006 371	3 334 409	3 004 329	3 315 385	3 872 134
Average number of shares after dilution	1 122 265 272	1 120 677 160	1 119 675 472	1 121 118 742	1 119 667 517
<b>Profit, SEKm</b>					
Profit for the period attributable to shareholders of Sw edbank	5 336	5 270	6 014	10 606	11 047
Earnings for the purpose of calculating earnings per share	5 336	5 270	6 014	10 606	11 047
<b>Earnings per share, SEK</b>					
Earnings per share before dilution	4.77	4.72	5.39	9.49	9.90
Earnings per share after dilution	4.75	4.70	5.37	9.46	9.87

## Note 26 Effects of changes in accounting policies, IFRS 16

### Effects of the balance sheet

The following table provides the effects of the adoption of IFRS 16. For all leases classified as operating leases under IAS 17 and where the Group acts as the lessee, a lease liability and a right-of-use asset are recognised in the balance sheet. The

Group applies the exemptions afforded by the standard regarding short-term leases and leases for which the underlying asset is of low value. These lease agreements are recognised as expenses.

SEKm	31 December 2018	IFRS 16 effect <sup>1)</sup>	1 January 2019
<b>Assets</b>			
Cash and balances with central banks	163 161		163 161
Loans to credit institutions	36 268		36 268
Loans to the public	1 627 368		1 627 368
Value change of interest hedged item in portfolio hedge	766		766
Interest-bearing securities	152 891		152 891
Financial assets for which the customers bear the investment risk	177 868		177 868
Shares and participating interests	4 921		4 921
Investments in associates	6 088		6 088
Derivatives	39 665		39 665
Intangible assets	17 118		17 118
Tangible assets	1 966	4 251	6 217
Current tax assets	2 065		2 065
Deferred tax assets	164		164
Other assets	13 970		13 970
Prepaid expenses and accrued income	1 813	-104	1 709
<b>Total assets</b>	<b>2 246 092</b>	<b>4 147</b>	<b>2 250 239</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Amounts owed to credit institutions	57 218		57 218
Deposits and borrowings from the public	920 750		920 750
Financial liabilities for which the customers bear the investment risk	178 662		178 662
Debt securities in issue	804 360		804 360
Short positions securities	38 333		38 333
Derivatives	31 316		31 316
Current tax liabilities	1 788		1 788
Deferred tax liabilities	1 576		1 576
Pension provisions	4 979		4 979
Insurance provisions	1 897		1 897
Other liabilities and provisions	30 035	4 147	34 182
Accrued expenses and prepaid income	3 385		3 385
Subordinated liabilities	34 184		34 184
<b>Total liabilities</b>	<b>2 108 483</b>	<b>4 147</b>	<b>2 112 630</b>
<b>Equity</b>			
Non-controlling interests	213		213
Equity attributable to shareholders of the parent company	137 396		137 396
<b>Total equity</b>	<b>137 609</b>		<b>137 609</b>
<b>Total liabilities and equity</b>	<b>2 246 092</b>	<b>4 147</b>	<b>2 250 239</b>

<sup>1)</sup> The amounts mainly relate to premises.

## Bridge showing the transition from IAS 17 to IFRS 16 lease accounting

The following table presents the future minimum lease payments for operational lease agreements where the Group is the lessee according to IAS 17 on

31 December 2018 compared with the lease liability according to IFRS 16 on 1 January 2019.

### Impact from transition to IFRS 16

SEKm

<b>Future minimum payments for operational leases and associated costs at 31 December 2018 according to note G52 Operational leasing in the Annual and Sustainability Report 2018</b>	<b>6 292</b>
Deduction of non-deductable VAT	781
Deducted lease payments:	
Short-term leases	25
Leases of low-value assets	2
Commitments regarding leases not yet commenced	908
Variable lease payments	265
Discounting effect with the incremental borrowing rate at 1 January 2019 <sup>1)</sup>	164
<b>Lease liabilities recognised at 1 January 2019</b>	<b>4 147</b>

<sup>1)</sup> The average incremental borrowing rate as per 1 January 2019 was 1.25 per cent.

## Income statement, condensed

Parent company SEKm	Q2 2019	Q1 2019	%	Q2 2018	%	Jan-Jun 2019	Jan-Jun 2018	%
Interest income	5 259	5 008	5	4 939	6	10 267	9 587	7
Negative yield on financial assets	-441	-494	-11	-790	-44	-935	-1 436	-35
<b>Interest income, including negative yield on financial assets</b>	<b>4 818</b>	<b>4 514</b>	<b>7</b>	<b>4 149</b>	<b>16</b>	<b>9 332</b>	<b>8 151</b>	<b>14</b>
Interest expense	-1 633	-1 603	2	-1 397	17	-3 236	-2 525	28
Negative yield on financial liabilities	130	149	-13	197	-34	279	361	-23
<b>Interest expense, including negative yield on financial liabilities</b>	<b>-1 503</b>	<b>-1 454</b>	<b>3</b>	<b>-1 200</b>	<b>25</b>	<b>-2 957</b>	<b>-2 164</b>	<b>37</b>
<b>Net interest income</b>	<b>3 315</b>	<b>3 060</b>	<b>8</b>	<b>2 949</b>	<b>12</b>	<b>6 375</b>	<b>5 987</b>	<b>6</b>
Dividends received	6 809	4 544	50	3 854	77	11 353	10 406	9
Commission income	2 561	2 409	6	2 550	0	4 970	4 911	1
Commission expense	-1 015	-901	13	-939	8	-1 916	-1 745	10
<b>Net commission income</b>	<b>1 546</b>	<b>1 508</b>	<b>3</b>	<b>1 611</b>	<b>-4</b>	<b>3 054</b>	<b>3 166</b>	<b>-4</b>
Net gains and losses on financial items	125	841	-85	582	-79	966	637	52
Other income	317	294	8	1 053	-70	611	1 379	-56
<b>Total income</b>	<b>12 112</b>	<b>10 247</b>	<b>18</b>	<b>10 049</b>	<b>21</b>	<b>22 359</b>	<b>21 575</b>	<b>4</b>
Staff costs	2 096	2 123	-1	2 000	5	4 219	4 062	4
Other expenses	1 457	1 312	11	1 197	22	2 769	2 317	20
Depreciation/amortisation and impairment of tangible and intangible fixed assets	1 190	1 178	1	1 195	0	2 368	2 356	1
<b>Total expenses</b>	<b>4 743</b>	<b>4 613</b>	<b>3</b>	<b>4 392</b>	<b>8</b>	<b>9 356</b>	<b>8 735</b>	<b>7</b>
<b>Profit before impairment</b>	<b>7 369</b>	<b>5 634</b>	<b>31</b>	<b>5 657</b>	<b>30</b>	<b>13 003</b>	<b>12 840</b>	<b>1</b>
Impairment of financial fixed assets	1					1		
Credit impairments	124	218	-43	-49		342	-5	
<b>Operating profit</b>	<b>7 244</b>	<b>5 416</b>	<b>34</b>	<b>5 706</b>	<b>27</b>	<b>12 660</b>	<b>12 845</b>	<b>-1</b>
Tax expense	704	964	-27	1 091	-35	1 668	1 818	-8
<b>Profit for the period</b>	<b>6 540</b>	<b>4 452</b>	<b>47</b>	<b>4 615</b>	<b>42</b>	<b>10 992</b>	<b>11 027</b>	<b>0</b>

## Statement of comprehensive income, condensed

Parent company SEKm	Q2 2019	Q2 2019	%	Q2 2018	%	Jan-Jun 2019	Jan-Jun 2018	%
<b>Profit for the period reported via income statement</b>	<b>6 540</b>	<b>4 452</b>	<b>47</b>	<b>4 615</b>	<b>42</b>	<b>10 992</b>	<b>11 027</b>	<b>0</b>
<b>Total comprehensive income for the period</b>	<b>6 540</b>	<b>4 452</b>	<b>47</b>	<b>4 615</b>	<b>42</b>	<b>10 992</b>	<b>11 027</b>	<b>0</b>

## Balance sheet, condensed

Parent company SEKm	30 Jun 2019	31 Dec 2018	%	30 Jun 2018	%
<b>Assets</b>					
Cash and balance with central banks	173 840	80 903		366 269	-53
Loans to credit institutions	492 652	523 699	-6	511 068	-4
Loans to the public	453 743	428 966	6	439 282	3
Interest-bearing securities	198 564	152 413	30	211 641	-6
Shares and participating interests	68 636	68 849	0	67 702	1
Derivatives	51 234	43 275	18	89 724	-43
Other assets	45 095	46 433	-3	46 443	-3
<b>Total assets</b>	<b>1 483 764</b>	<b>1 344 538</b>	<b>10</b>	<b>1 732 129</b>	<b>-14</b>
<b>Liabilities and equity</b>					
Amounts owed to credit institutions	136 133	83 218	64	186 797	-27
Deposits and borrowings from the public	742 547	700 256	6	791 686	-6
Debt securities in issue	333 639	303 622	10	457 971	-27
Derivatives	69 507	54 063	29	92 115	-25
Other liabilities and provisions	77 441	67 496	15	79 855	-3
Subordinated liabilities	27 532	34 184	-19	30 673	-10
Untaxed reserves	10 647	10 647	0	10 575	1
Equity	86 318	91 052	-5	82 457	5
<b>Total liabilities and equity</b>	<b>1 483 764</b>	<b>1 344 538</b>	<b>10</b>	<b>1 732 129</b>	<b>-14</b>
Pledged collateral	49 326	41 363	19	53 621	-8
Other assets pledged	3 148	2 467	28	2 652	19
Contingent liabilities	500 133	492 882	1	568 981	-12
Commitments	249 805	237 692	5	239 552	4

## Statement of changes in equity, condensed

Parent company  
SEKm

	Share capital	Share premium reserve	Statutory reserve	Retained earnings	Total
<b>January-June 2019</b>					
<b>Opening balance 1 January 2019</b>	<b>24 904</b>	<b>13 206</b>	<b>5 968</b>	<b>46 974</b>	<b>91 052</b>
Dividend				-15 878	-15 878
Share based payments to employees				169	169
Deferred tax related to share based payments to employees				-29	-29
Current tax related to share based payments to employees				12	12
Total comprehensive income for the period				10 992	10 992
<b>Closing balance 30 June 2019</b>	<b>24 904</b>	<b>13 206</b>	<b>5 968</b>	<b>42 240</b>	<b>86 318</b>
<b>January-December 2018</b>					
<b>Opening balance 1 January 2018</b>	<b>24 904</b>	<b>13 206</b>	<b>5 968</b>	<b>41 693</b>	<b>85 771</b>
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
<b>Closing balance 31 December 2018</b>	<b>24 904</b>	<b>13 206</b>	<b>5 968</b>	<b>46 974</b>	<b>91 052</b>
<b>January-June 2018</b>					
<b>Opening balance 1 January 2018</b>	<b>24 904</b>	<b>13 206</b>	<b>5 968</b>	<b>41 693</b>	<b>85 771</b>
Dividend				-14 517	-14 517
Share based payments to employees				171	171
Deferred tax related to share based payments to employees				-11	-11
Current tax related to share based payments to employees				16	16
Total comprehensive income for the period				11 027	11 027
<b>Closing balance 30 June 2018</b>	<b>24 904</b>	<b>13 206</b>	<b>5 968</b>	<b>38 379</b>	<b>82 457</b>

## Cash flow statement, condensed

Parent company  
SEKm

	Jan-Jun 2019	Full-year 2018	Jan-Jun 2018
Cash flow from operating activities	84 553	-26 404	110 066
Cash flow from investing activities	17 288	12 927	13 485
Cash flow from financing activities	-8 904	-41 681	106 657
<b>Cash flow for the period</b>	<b>92 937</b>	<b>-55 158</b>	<b>230 208</b>
Cash and cash equivalents at beginning of period	80 903	136 061	136 061
Cash flow for the period	92 937	-55 158	230 208
<b>Cash and cash equivalents at end of period</b>	<b>173 840</b>	<b>80 903</b>	<b>366 269</b>

## Capital adequacy

Capital adequacy, Parent company SEKm	30 Jun 2019	31 Dec 2018	30 Jun 2018
<b>Common Equity Tier 1 capital</b>	<b>87 584</b>	<b>81 824</b>	<b>80 455</b>
Additional Tier 1 capital	11 513	10 937	11 839
<b>Tier 1 capital</b>	<b>99 097</b>	<b>92 761</b>	<b>92 294</b>
Tier 2 capital	16 193	22 862	18 608
<b>Total capital</b>	<b>115 290</b>	<b>115 623</b>	<b>110 902</b>
<b>Minimum capital requirement</b>	<b>26 472</b>	<b>26 014</b>	<b>26 641</b>
<b>Risk exposure amount</b>	<b>330 895</b>	<b>325 180</b>	<b>333 018</b>
<b>Common Equity Tier 1 capital ratio, %</b>	<b>26.5</b>	<b>25.2</b>	<b>24.2</b>
<b>Tier 1 capital ratio, %</b>	<b>30.0</b>	<b>28.5</b>	<b>27.7</b>
<b>Total capital ratio, %</b>	<b>34.8</b>	<b>35.6</b>	<b>33.3</b>
<b>Capital buffer requirement<sup>1)</sup></b> %	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>	<b>30 Jun 2018</b>
CET1 capital requirement including buffer requirements	8.5	8.5	8.5
of which minimum CET1 requirement	4.5	4.5	4.5
of which capital conservation buffer	2.5	2.5	2.5
of which countercyclical capital buffer	1.5	1.5	1.5
CET 1 capital available to meet buffer requirement <sup>2)</sup>	22.0	20.7	19.7
<b>Leverage ratio</b>	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>	<b>30 Jun 2018</b>
Tier 1 Capital, SEKm	99 097	92 761	92 294
Total exposure, SEKm <sup>3)</sup>	1 213 591	1 017 859	1 339 028
Leverage ratio, % <sup>3)</sup>	8.2	9.1	6.9

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.

Capital requirements <sup>1)</sup>	2019	2018	2019	2018
SEKm / %	30 Jun	31 Dec	30 Jun	31 Dec
Capital requirement Pillar 1	39 707	39 022	12.0	12.0
of which Buffer requirements <sup>2)</sup>	13 236	8 130	4.0	4.0
Total capital requirement Pillar 2 <sup>3)</sup>	4 293	4 293	1.3	1.3
<b>Total capital requirement Pillar 1 and 2</b>	<b>44 000</b>	<b>43 315</b>	<b>13.3</b>	<b>13.3</b>
<b>Own funds</b>	<b>115 290</b>	<b>115 623</b>		

<sup>1)</sup> Swedbank's calculation based on the SFSA's announced capital requirements, including Pillar 2 requirements.

<sup>2)</sup> Buffer requirements includes systemic risk buffer, capital conservation buffer and countercyclical capital buffer.

<sup>3)</sup> Systemisk buffer and Individual Pillar 2 charge as of 30 June 2019. The individual Pillar 2 charge items as of 31 December 2018, according to SFSA's SREP report of 29 September 2018, in relation to REA as of June 2019.

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

**30 Jun 2019**

<b>SEKm</b>	<b>Exposure amount</b>	<b>Risk exposure amount</b>	<b>Minimum capital requirement</b>
<b>Credit risks, STD</b>	<b>1 016 597</b>	<b>80 395</b>	<b>6 432</b>
Central government or central banks exposures	19		
Regional governments or local authorities exposures	43	9	1
Public sector entities exposures	733	105	9
Multilateral development banks exposures	2 680		
International organisation exposures	286		
Institutional exposures	937 749	680	54
Corporate exposures	4 767	4 573	366
Retail exposures	302	226	18
Exposures secured by mortgages on immovable property	3 025	1 059	85
Exposures in default	0	0	0
Equity exposures	65 793	72 568	5 805
Other items	1 200	1 175	94
<b>Credit risks, IRB</b>	<b>935 323</b>	<b>160 862</b>	<b>12 869</b>
Central government or central banks exposures	330 857	4 038	323
Institutional exposures	56 893	10 314	825
Corporate exposures	447 267	123 461	9 877
of w hich specialized lending			
Retail exposures	96 564	19 438	1 555
of w hich mortgage lending	10 766	2 137	171
of w hich other lending	85 798	17 301	1 384
Non-credit obligation	3 742	3 611	289
<b>Credit risks, Default fund contribution</b>		<b>726</b>	<b>58</b>
<b>Settlement risks</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Market risks</b>		<b>14 683</b>	<b>1 175</b>
Trading book		14 548	1 164
of w hich VaR and SVaR		11 355	908
of w hich risks outside VaR and SVaR		3 193	256
FX risk other operations		135	11
<b>Credit value adjustment</b>	<b>16 608</b>	<b>4 401</b>	<b>352</b>
<b>Operational risks</b>		<b>36 815</b>	<b>2 945</b>
Standardised approach		36 815	2 945
<b>Additional risk exposure amount, Article 3 CRR</b>		<b>32 458</b>	<b>2 597</b>
<b>Additional risk exposure amount, Article 458 CRR</b>		<b>555</b>	<b>44</b>
<b>Total</b>	<b>1 968 528</b>	<b>330 895</b>	<b>26 472</b>

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

31 Dec 2018

SEKm	Exposure amount	Risk exposure amount	Minimum capital requirement
<b>Credit risks, STD</b>	<b>1 045 728</b>	<b>80 197</b>	<b>6 415</b>
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
<b>Credit risks, IRB</b>	<b>788 776</b>	<b>163 098</b>	<b>13 048</b>
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 w hich specialized lending			
Retail exposures	94 045	20 058	1 605
of w hich mortgage lending	11 333	2 346	188
of w hich other lending	82 712	17 712	1 417
Non-credit obligation	3 286	3 155	252
<b>Credit risks, Default fund contribution</b>		<b>358</b>	<b>29</b>
<b>Settlement risks</b>	<b>177</b>	<b>0</b>	<b>0</b>
<b>Market risks</b>		<b>13 000</b>	<b>1 040</b>
Trading book		12 460	997
of w hich VaR and SVaR		9 023	722
of w hich risks outside VaR and SVaR		3 437	275
FX risk other operations		540	43
<b>Credit value adjustment</b>	<b>15 072</b>	<b>3 781</b>	<b>302</b>
<b>Operational risks</b>		<b>35 201</b>	<b>2 816</b>
Standardised approach		35 201	2 816
<b>Additional risk exposure amount, Article 3 CRR</b>		<b>29 058</b>	<b>2 325</b>
<b>Additional risk exposure amount, Article 458 CRR</b>		<b>487</b>	<b>39</b>
<b>Total</b>	<b>1 849 753</b>	<b>325 180</b>	<b>26 014</b>

## 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
<p><b>Net stable funding ratio (NSFR)</b></p> <p>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 fully 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).</p>	<p>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.</p>
<p><b>Net interest margin before trading interest is deducted</b></p> <p>Calculated as Net interest income before trading interest is deducted, in relation to average total assets. The average is calculated using month-end figures <sup>1)</sup> including the prior year end. The closest IFRS measure is Net interest income and can be reconciled in Note 5.</p>	<p>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.</p>
<p><b>Allocated equity</b></p> <p>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.</p>	<p>The presentation of this measure is relevant for investors since it used by Group management for internal governance and operating segment performance management purposes.</p>
<p><b>Return on allocated equity</b></p> <p>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 <sup>1)</sup> 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.</p>	<p>The presentation of this measure is relevant for investors since it used by Group management for internal governance and operating segment performance management purposes.</p>
<p><b>Income statement measures excluding UC income</b></p> <p>Amount related to other income is presented excluding the income related to UC (2018). The amounts are reconciled to the relevant IFRS income statement lines on page 6.</p>	<p>The presentation of this measure is relevant for investors as it provides comparability of figures between reporting periods.</p>
<p><b>Return on equity excluding UC income</b></p> <p>Represents profit for the period allocated to shareholders excluding UC income in relation to average Equity attributable to shareholders' of the parent company. The average is calculated using month-end figures <sup>1)</sup>, including the prior year end. Profit for the period allocated to shareholders excluding UC (2018) income are reconciled to Profit for the period allocated to shareholders, the nearest IFRS measure, on page 6.</p>	<p>The presentation of this measure is relevant for investors as it provides comparability of figures between reporting periods.</p>
<p><b>Cost/Income ratio excluding UC income</b></p> <p>Total expenses in relation to total income excluding UC income. Total income excluding UC (2018) income is reconciled to Total income, the nearest IFRS measure, on page 6.</p>	<p>The presentation of this measure is relevant for investors as it provides comparability of figures between reporting periods.</p>

### 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
- Return on equity<sup>1)</sup>
- 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.

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<sup>1)</sup> 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 interim report for January-June 2019 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, 16 July 2019

Göran Persson  
Chair

Bodil Eriksson  
Board Member

Mats Granryd  
Board Member

Kerstin Hermansson  
Board Member

Bo Johansson  
Board Member

Anna Mossberg  
Board Member

Josefin Lindstrand  
Board Member

Bo Magnusson  
Board Member

Magnus Ugglå  
Board Member

Camilla Linder  
Board Member  
Employee Representative

Roger Ljung  
Board Member  
Employee Representative

Anders Karlsson  
Acting President and CEO

## Review report

### Introduction

We have reviewed the condensed interim financial information (interim report) of Swedbank AB as of 30 June 2019 and the six-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Annual accounts act for credit institutions and securities companies. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of 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 International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Annual accounts act for credit institutions and securities companies, regarding the Group, and with the Annual accounts act for credit institutions and securities companies, regarding the Parent Company.

Stockholm, 17 July 2019

Pricewaterhousecoopers

Anneli Granqvist  
Authorised Public Accountant  
Auditor in charge

Martin By  
Authorised Public Accountant

## Publication of financial information

The Group's financial reports can be found on [www.swedbank.com/ir](http://www.swedbank.com/ir)

### Financial calendar 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](http://www.swedbank.com)

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