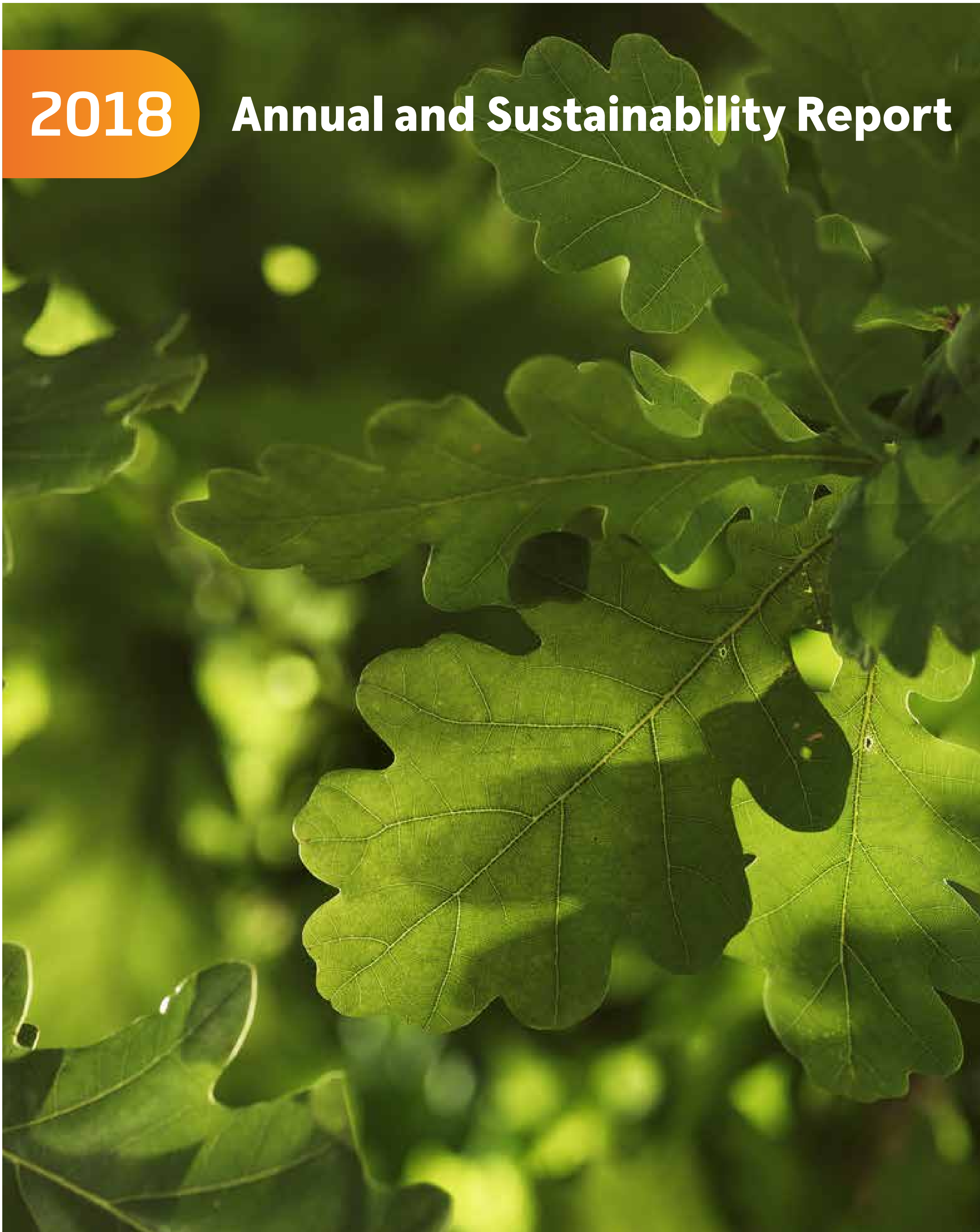
Swedbank



2018 Annual and Sustainability Report

Contents

Financial information 2019

Q1 Interim report	25 April
Q2 Interim report	17 July
Q3 Interim report	22 October

Annual General Meeting 2019

The Annual General Meeting will be held at Oscarsteatern, Kungsgatan 63, Stockholm, Sweden, at 11 am (CET) on Thursday, 28 March. The proposed record day for the dividend is 1 April 2019. The last day for trading in Swedbank's shares including the right to the dividend is 28 March 2019. For more information, see page 215 and the notice of the AGM at www.swedbank.com. While every care has been taken in the translation of this annual and sustainability report, readers are reminded that the original annual and sustainability report, signed by the Board of Directors, is in Swedish.

Vision

We enable people, businesses and society to grow.

Purpose

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

Values

Simple, open and caring.

Swedbank is a digital bank with physical meeting points

With over seven million private customers and 600 000 corporate customers, Swedbank is the leading bank for the many households and businesses in our four home markets: Sweden, Estonia, Latvia and Lithuania. We are active mainly in lending, payments and savings. We are available 24 hours a day through our digital channels and our customers can also meet us in any of our physical meeting points.

Digital channels

APP AND INTERNET BANK
Everyday banking services
Sales
Virtual assistants

Physical meeting points

BRANCHES
186 in Sweden
125 in Baltic countries

CONTACT CENTER
Telephone, email, chat, social media

FLEXIBLE MEETING PLACES
Pop-up branches
Partners

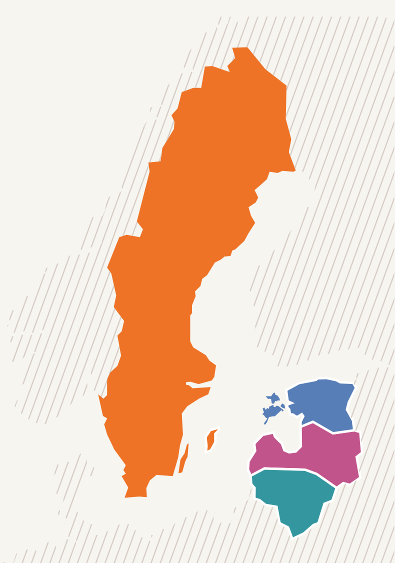
COMPETENCE HUBS
Complex questions
Specialists

Learn more about Swedbank

On our website
www.swedbank.com

In our interim reports:
www.swedbank.com/ir

In our risk and capital adequacy reports:
www.swedbank.com/ir



Market shares, per cent

	Lending (private)[1]	Lending (corporate)[1]	Deposits (private)	Deposits (corporate)	Payments[2]	Funds
Sweden	23	18	20	18	36	20
Estonia	47	37	55	47	60	42
Latvia	33	19	34	25	52	42
Lithuania	35	19	42	23	49	37

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

Market-leading cost efficiency

Costs in relation to income, C/I ratio

0.38

Sustainability is part of our DNA

Dow Jones Sustainability Index Score

79

Stable earnings

Return on equity

16.1 %

Low risk

Credit impairment ratio

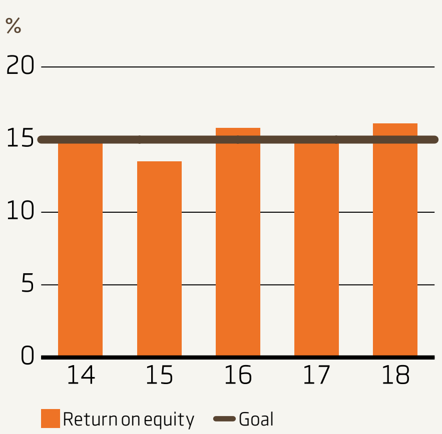
0.03 %

Continuosly innovative

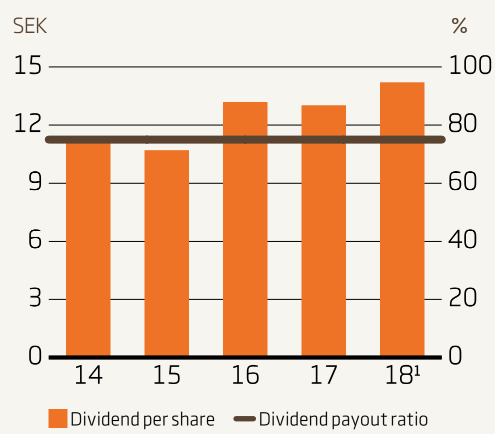
Digital customer interactions per year

1.7 BILLION

Return on equity of at least 15 per cent



75 per cent of profit for the year is paid as a dividend



1) Board of Directors' proposal.

Financial information, SEKm	2018[1]	2017[2]
Total income	**44 222**	**42 203**
Net interest income	25 228	24 595
Net commission income	12 836	12 206
Net gains and losses on financial items	2 112	1 934
Other income [3, 4, 5, 6]	4 046	3 468
Total expenses	**16 835**	**16 415**
Profit before impairments	27 387	25 788
Depreciation/amortisation of tangible and intangible assets	314	196
Impairments	521	1 285
Taxes[6]	5 374	4 943
Profit for the year attributable to the shareholders	**21 162**	**19 350**
Earnings per share, SEK, after dilution	18.89	17.30
Return on equity, %	16.1	15.1
Cost/income ratio, %	0.38	0.39
Common Equity Tier 1 capital ratio, %	16.3	24.6
Credit impairment ratio, %	0.03	0.08

1) Results from 2018 and onwards reflect the adoption of IFRS 9 Financial instruments and prior periods have not been restated. Refer to Note G2 for further information.
2) 2017 results have been restated for changed presentation of commission income. Refer to Note G2 for further information.
3) Includes income from sale of UC of SEK 677m in 2018.
4) Includes income from sale of Hemnet of SEK 680m in 2017.
5) Other income includes the items Net insurance, Share of profit or loss of associates, and Other income from the Group income statement.
6) 2017 results have been restated for changed presentation of tax related to associates. Refer to Note G2 for further information

Strong financial position

- Increased lending volumes supported net interest income
- Net commission income benefitted from higher income from asset management and cards
- Costs in line with plan
- Good credit quality
- Strong capitalisation
- Proposed dividend of SEK 14.20 per share

The year in brief

A sampling of value-creating activities during the year.

2 FEBRUARY

75 per cent

of profit to the shareholders for the sixth consecutive year

Due to Swedbank's stable profitability, the Board of Directors proposes for the sixth consecutive year to distribute 75 per cent of profit to the shareholders in connection with the year-end report for 2017.

7 MARCH

Swedbank Robur named the year's most sustainable asset manager

Swedbank's fund management company, Robur, wins pension advisor Söderberg & Partners' award as the year's most sustainable asset manager for its long-term, focused work with ownership and sustainability issues.

23 MARCH

Green bond issue

After establishing a framework for green bond issuance in 2017, Swedbank in March 2018 issues its second green bond, a SEK 2bn, 5-year senior unsecured bond.

23 APRIL

Investment in an improved customer experience

Swedbank strengthens its partnership with Meniga by investing EUR 3m in the fintech company. Swedbank and Meniga have collaborated since 2017 to give Swedbank's customers a more personalised activity feed in the bank's digital channels and a better overview and control over their everyday finances.

24 APRIL

Sale of shares in UC generates capital gain of

SEK 677m

The publicly listed Finnish credit information company Asiakastieto Group Plc ("Asiakastieto") comes to an agreement with all the owners of UC AB ("UC") to acquire UC for SEK 3.5bn. For Swedbank, which owns 20 per cent of the shares in UC, the sale generates a capital gain of SEK 677m.

24 APRIL

Increased lending volumes supports net interest income

Interim report for the first quarter 2018.

29 MAY

Swedbank Robur launches Global Impact Fond

Swedbank Robur launches Swedbank Robur Global Impact, an actively managed equity fund focused on investing in companies that meet the UN's 17 global sustainable development goals.

17 JULY

Higher net commission income thanks to increased income from cards and asset management

Interim report for the second quarter 2018.

19 SEPTEMBER

Green mortgage is launched

To encourage sustainable housing choices, Swedbank launches a green mortgage loan for private customers. The green mortgage comes with an additional 10 basis point discount if the home meets environmental certification criteria. The offer is available to all customers who apply for a new mortgage, want to transfer a mortgage or are already a mortgage customer of Swedbank.

21 SEPTEMBER

Cooperation with Asteria to offer better services for small businesses

Swedbank joins forces with the fintech company Asteria to make time-consuming administration and financial planning simpler and more efficient for small and midsize businesses.

23 OCTOBER

Higher capitalisation

Interim report for the third quarter 2018.

2 NOVEMBER

Solid asset quality

The results of the European Banking Authority's (EBA) stress test confirm Swedbank's strong asset quality and capital position.

6 DECEMBER

First with Science Based Targets

Swedbank is the first bank in the Nordic region to join the Science Based Targets initiative. Science Based Targets is a non-profit initiative founded by the former Carbon Disclosure Project (CDP), the UN's Global Compact (UNCG), the World Resources Institute (WRI) and the World Wildlife Fund (WWF), which through scientific methods works to identify and support innovative methods for establishing meaningful GHG reduction goals for companies.

13 NOVEMBER

Best in real estate

Swedbank is again ranked number one in Prospera's annual customer satisfaction survey, Corporate Banking 2018 Real Estate Sweden. It is the second year in a row that Swedbank came first.

13 NOVEMBER

Industry leader in sustainability

Swedbank is named an "Industry Leader 2018" by leading Nordic decision makers in the Sustainable Brand Index B2B.

High activity level for Swedbank

2018 was another active year for Swedbank. We accelerated investments during the year to ensure that we stay competitive long-term and increase customer value by putting more resources into digitisation and automation of everyday banking services. One of our most important initiatives is the digitisation of the loan process, especially for mortgages. Our customers in Sweden can now apply for and directly receive a loan commitment digitally. As a result, more than half of mortgage commitments are now fully digital, improving the customer experience through shorter processing while at the same time increasing internal efficiency through less manual work. In the Baltic countries we passed a million Smart-ID customers since the 2017 launch of this digital authentication method, which is equivalent to Bank-ID in Sweden. At the same time we have added instant payments to the Baltic app, similar to Sweden's Swish solution. Among the other things we focused on during the year was the integration of the payment services provider PayEx, which was acquired in 2017. Through PayEx we have strengthened our e-commerce payment offering and made it easier for customers to receive payments online. We have continued to develop our virtual assistant, which is now available in the mobile app. We also joined forces with the fintech firm Asteria to offer more efficient administration and financial planning for our small and midsize corporate customers.

Strong position in sustainability

We have improved our position in the area of sustainability. Swedbank tops the list of banks with the most customer mandates in the Nordic region to issue green bonds. In addition, we issued our own second green bond, this time in SEK. The raised proceeds will finance sustainable real estate and investments in renewable energy, with the aim of reducing carbon emissions. To help our customers make sustainable choices, we also introduced a green mortgage during the year. Customers receive a 0.1 percentage point discount on their mortgage rate if their home meets certain sustainability criteria. Furthermore, we have launched a new sustainability fund, Swedbank Robur Global Impact, which invests in companies that actively contribute to the UN's 17 global sustainable development goals. We are convinced that companies that contribute to a sustainable world have great potential to create long-term value for our customers. Swedbank's many years of work on gender equality was rewarded during the year. In the prestigious global Equileap Top 200 ranking we were named in the best in the Nordic region and ranked ninth out of a total of 3 200 companies around the world.

Stable financial development

Macroeconomic development in our markets has remained strong despite increased trade tensions, especially between the US and China, as well as uncertainty about the UK's future role in the EU. At the end of the year the Swedish central bank raised its benchmark rate for the first time since 2011. The rate is still negative, however, at –0.25 per cent.

Swedbank has a strong financial position. Our profitability, measured by return on equity, was 16.1 per cent during the year, compared with the goal of 15 per cent. Net interest income, our largest revenue source, continued to increase during the year largely thanks to higher mortgage volumes in Sweden as well as broad-based growth in the Baltic region. In Sweden house prices stabilised after a slowdown at the end of 2017.

Net commission income also rose during the year, driven by positive asset valuation development in our asset management business at the same time that the high level of economic activity produced increased card revenue.

Our cost efficiency is high and total expenses for 2018 were according to plan, while credit quality remained solid.

Our capitalisation is strong with a healthy buffer vis-à-vis the regulators' requirements. Together with stable profitability, this allowed the Board of Directors to propose, for the seventh consecutive year, that 75 per cent of profit be distributed to shareholders. This corresponds to a dividend of SEK 14.20 per share for the financial year 2018.

Working to meet our customers' needs

I am proud of what we accomplished during the year. At the same time there is no lack of the challenges. The results of the year's customer satisfaction survey by the Swedish Quality Index showed a slight improvement among private customers, but a small decline for corporate customers since last year. The results are not satisfactory and do not live up to our aspirations. Customers want better availability and more proactive customer service. We intensified our efforts in 2018 to meet their needs, and more concrete measures will be taken in 2019. For example, we will shorten wait times in the customer centre and our branches and more proactively address customers' needs by suggesting offers. This work has the highest priority for everyone at the bank. To accelerate the pace of change with a customer-centric focus, we implemented a reorganisation of our largest business area, Swedish Banking, after the end of the year.

Focus on local corporate and private customers

An important topic during the year was what banks are doing to prevent money laundering and other financial crime. For Swedbank, this issue has always been top of mind. With a market-leading position in all four of our home markets comes a responsibility to help strengthen the financial system and infrastructure. In our case, we maintain a close dialogue with supervisory authorities and decision-makers in each country. We have also worked systematically and proactively to monitor payment flows and detect potential irregularities. Our corporate culture and business model are the main preventive measures, however. Swedbank is a value-based bank. We have zero tolerance for any type of crime in our

"Although we achieved a great deal in 2018, it is important to maintain the fast pace. Customer expectations in terms of functionality, speed and availability will keep rising, especially in our digital channels."

operations and have always acted resolutely when we receive indications from in- or outside the organisation of suspicious transactions. Our focus has always been on local corporate and private customers, in all our home markets. We apply the same principles throughout the Group with regard to money laundering, know-your-customer (KYC) and risk. Financial crime is ever-changing, however, so we will continue to adapt our processes to ensure that we protect customers and further increase transparency in our home markets.

The transformation continues

Although we achieved a great deal in 2018, it is important to maintain the fast pace. Customer expectations in terms of functionality, speed and availability will keep rising, especially in our digital channels. In essence, this is a great opportunity for Swedbank, since we are the largest bank by number of private and corporate customers in our home markets: Sweden, Estonia, Latvia and Lithuania. To maintain our strong position, we have to be proactive and offer customers what they want based on their unique situation, and be available to them when and wherever they want. This does not mean that face-to-face meetings lack value. On the contrary, for certain types of banking a human relationship will always be important, which is why we see our physical distribution network – our own as well as the savings bank branches – as an important complement to the digital channel and a differentiating factor in an increasingly digital banking landscape. We have started two pilot projects in Sweden with new concepts for physical meetings to improve availability for our customers. A pop-up branch with service and support for digital banking services was opened in the Mall of Scandinavia and we began testing advisory services at one of Fastighetsbyrån's offices, with successful results. This work will continue in 2019, when we will also continue to digitise the loan process, launch a digital platform where customers can get a better overview of their financial situation and proactively develop personalised solutions for our customers. These initiatives will be implemented while maintaining market-leading cost efficiency, with the goal of keeping underlying expenses below SEK 17bn in 2019.

Stockholm, February 2019

Birgitte Bonnesen

Birgitte Bonnesen
President and CEO

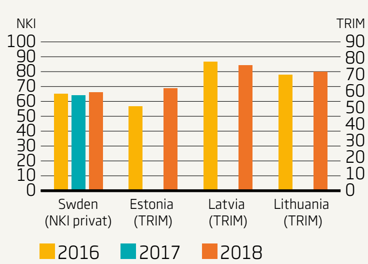
Focus on responsible value creation…

Swedbank's strong commitment to sustainability is fundamental to our business, and our goals will help to create long-term value for all our stakeholders. We use the UN's Sustainable Development Goals (SDG) as a framework to track how well we meet these goals.

Goal	**Increased customer value**	**Increased employee engagement**	**Responsibility for climate change and society**
Why?	Customer value, together with customer satisfaction, trust and a positive brand image, explains why customers choose our products and services. High customer value is a precondition to sustainable profitability. We track customer value through our own and public surveys to measure satisfaction, among other things.	Engaged and proud employees contribute to a successful business and satisfied customers. This requires that they have an opportunity to develop, feel that they have an influence, contribute to the bank's purpose and goals, and are proud of Swedbank as an employer. Sustainable staffing is fundamental if Swedbank is going to continue to offer products and services of high quality. We work continuously to develop and monitor these areas.	Swedbank's aim is to promote sustainable development and to help people and companies make sustainable choices. Sustainable choices can mean how and which companies we finance as well as how we manage savings and pension capital. It can also mean teaching students to manage their money, promoting entrepreneurship or setting high sustainability demands in the services and products we buy.

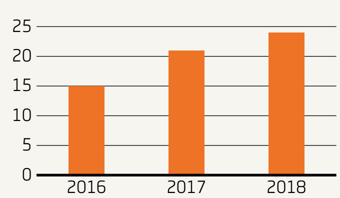
Result

Customer satisfaction, private customers



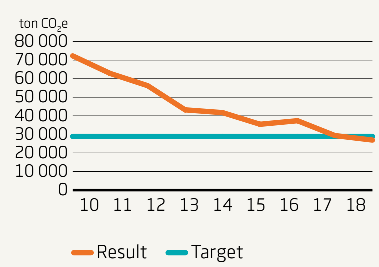
In Sweden customer satisfaction is mainly measured through the NKI survey. Satisfaction among private customers increased slightly in Sweden in 2018, from 64 to 66, but decreased slightly among corporate customers. In the Baltic countries customer satisfaction is measured by the TRIM survey. No TRIM survey was conducted in 2017. Compared with 2016 customer satisfaction increased among private customers in Estonia and Lithuania, but decreased slightly in Latvia. Among corporates, customer satisfaction increased in Estonia and Latvia but decreased in Lithuania.

Recommendation index



The willingness of recommending Swedbank as an employer, the so-called eNPS score, further improved during the year.

GHG emissions



- Achieved the Group's climate goal to reduce direct GHG emissions by 60 per cent between the years 2010–2018.
- Held over 3 300 lectures in schools to increase financial awareness and knowledge among children and young adults.
- Issued a SEK 2bn green bond, the second issue within Swedbank's green bond framework.
- As part of its advocacy work, Swedbank Robur's has contacted 425 companies about sustainability issues.

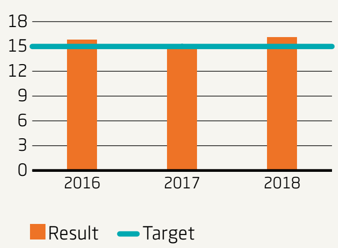
Impact on the UN's sustainable development goals

…for customers, employees, owners and society as a whole

Return on equity of at least 15 per cent

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

Return on equity, %

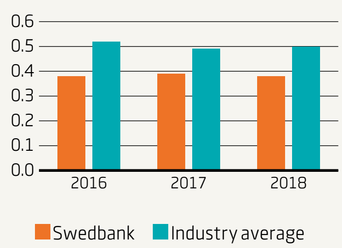


The return on equity was 16.1 per cent (15.1) during the year, compared with the target of 15 per cent.

Market-leading cost efficiency

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

Swedbank's cost/income ratio compared with industry average

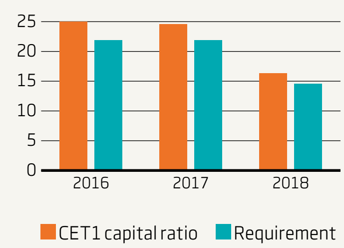


Cost control was good during the year and total costs amounted to SEK 16.8bn (16.4). Swedbank's cost/income ratio in 2018 was 0.38 (0.39). The average for the three other major banks in Sweden – Nordea, SEB and Handelsbanken – was 0.50. The goal is to keep underlying expenses below SEK 17bn in 2019.

Solid capitalisation

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

Swedbank's Common Equity Tier 1 capital ratio, %



The Common Equity Tier 1 capital ratio as of 31 December 2018 was 16.3 per cent (24.6). This compares with a total Common Equity Tier 1 capital requirement of 14.6 per cent. The Common Equity Tier 1 capital ratio and the capital requirement, expressed as a percentage, have decreased due to the SFSA's decision to include the risk weight floor for Swedish mortgages as a basic capital requirement in Pillar 1, instead of as before, when it was applied within the overall capital assessment in Pillar 2.

8 DECENT WORK AND ECONOMIC GROWTH

8 DECENT WORK AND ECONOMIC GROWTH

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Learn more about how Swedbank works with the SDGs on page 18.

Stable earnings create value for our stakeholders

With over seven million private customers and more than 600 000 corporate customers, Swedbank is a leader in financial products and services in Sweden, Estonia, Latvia and Lithuania. We focus on profitable long-term growth and therefore aim for low risk in our lending, stable earnings and high cost efficiency. Together with an innovative corporate culture, this creates value for both our customers and owners.

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

Low risk

Maintaining low risks is the foundation to building trust and our long-term survival. It allows us to finance our operations through deposits from the public and funding from the capital markets in order to lend capital to households and businesses at competitive prices, even during difficult economic times.

We achieve this in among other ways by maintaining low risk in our lending, which largely consists of mortgage loans secured by residential property and a well-diversified corporate portfolio. As a result, our credit impairments have been below 0.1 per cent of total lending for more than five years in a row.

To prepare for unforeseen events, we have a healthy buffer beyond the regulators' capital and liquidity requirements. In 2018 our Common Equity Tier 1 capital ratio was 16.3 per cent, compared with the requirement of 14.6 per cent, while our NSFR and LCR were 111 and 144, respectively. Learn more about how we manage risk in note G3 on page 66 and in our Pillar 3 report at www.swedbank.com/ir.

Market-leading cost efficiency

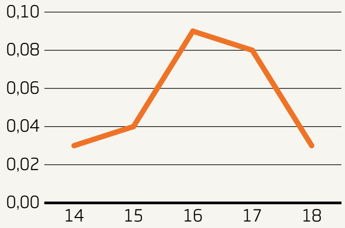
With a cost/income ratio of 0.38 per cent, Swedbank is the most cost efficient major bank in the Nordic region. We achieve this by focusing on simplicity and availability. We are the largest bank in our home markets measured by number of customers. This gives us large economies of scale, and by digitising basic banking products we can raise internal efficiency at the same time that customers get a better experience.

Cost efficiency also allows us to continuously invest in our products and channels in order to support and offer competitive prices to our customers, at a time when transparency and customer choice are increasing due to digitisation. Learn more about our cost development in our other financial publications at www.swedbank.com/ir.

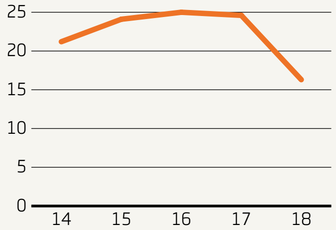
Stable earnings

We value consistent profitability over rapid growth, since it creates stability and predictability for our customers and owners as well as society as a whole. This is why we do not follow short-term market trends and instead price our products based on risk and capital requirements. Together with our market leading cost efficiency, it has helped us to reach our profitability goal of 15 per cent in recent years as well as our dividend goal to distribute 75 per cent of profit seven years in a row, at the same time that we generated healthy growth in our credit portfolio. Learn more about our profit development on page 22.

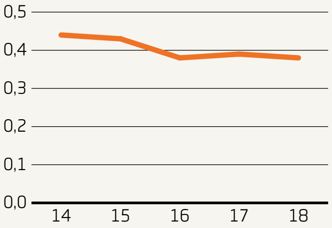
Credit impairment ratio, %



Common Equity Tier 1 capital ratio, %



Cost/income ratio



Customer-centric strategy

Swedbank's overarching strategy is customer centric and rests on four pillars: available full-service bank, offering based on customer needs , high cost efficiency and low risk. Strategies are also in place at the product and channel level to support the ambition to be the leading bank and financial platform for the many households and business. To achieve this, we have chosen to prioritise seven strategic initiatives in the years to come:

1. Offerings based on customer data
By more deeply analysing customer data and combining it with artificial intelligence, we will be able to give our customers more proactive, efficient and individualised service.

2. Excellent digital experience
By expanding functionality in our digital channels, including by aggregating account information from other financial service providers and increased use of virtual assistants, we ensure a positive customer experience.

3. Channel transformation
Since our customers increasingly want to interact digitally, we continue to adapt the way we distribute our products and services. Our customers must be able to securely and easily bank through our digital channels, but can also get frictionless support at any of our physical meeting places.

4. Digital payments and commerce offering
To maintain our strong position in the payments market, we are making it easier for our private customers to manage their payments at the same time that we strengthen our e-commerce offer for corporate customers.

5. Digital lending process
To simplify for our customers and increase internal efficiency, we are digitising our lending process. Our customers will then be able to apply and be approved for a loan quickly and conveniently, 24 hours a day.

6. Improved savings and pension offering
Through greater use of robots in our advisory business, we can help more customers to achieve their savings goals.

7. Corporate self-service and cash management
Expanded self-service options through our digital channels and improved cash management services will make it easier for our corporate customers to control, optimise and administer payments, currencies and liquidity.

Sustainability is part of our DNA

Our roots are in the savings bank movement and by promoting savings and lending money to businesses and households we have supported the national economy for nearly 200 years.

Since we are a big part of the financial infrastructure in Sweden, Estonia, Latvia and Lithuania, it is essential that our IT systems are secure and that our customers can rely on us. We also have a responsibility but also an opportunity to contribute to the sound and sustainable development of our customers, employees, owners and society as a whole. We have committed therefore to integrating sustainability in our business strategy and strategic decisions, at the same time that we support global initiatives such as the UN's Global Compact (the UN's principles for sustainable business) and TCFD. Learn more about our sustainability work on page 14-19 and www.swedbank.com/sustainability.

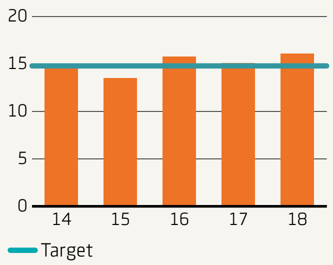
Continuosly innovative

Swedbank has a strong innovation culture. Through the years we have often been the first to launch new digital solutions for our customers, who are becoming more and more digitally active. This is partly a result of the high IT maturity level in the markets we serve, but is also due to our large private customer base, our focus on everyday banking services, and the IT competence of the Group Executive Committee and the Board of Directors.

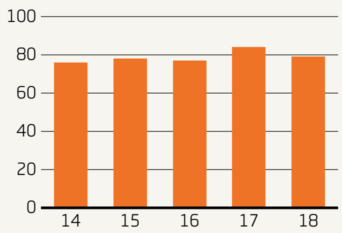
At Swedbank, IT development is integrated with business development. Together with our flexible IT platform, it means we can quickly launch new solutions for our customers. We realize, however, that we cannot do everything ourselves and therefore partner with various fintech firms such as Meniga and Mina Tjänster (My Services) in a number of areas to continuously improve our offers and availability.

Learn more about our fintech partnerships on https://www.swedbank.com/openbanking/.

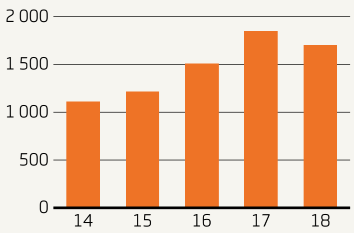
Return on equity, %



Dow Jones Sustainabillity Index Score



Digital customer interactions, million



Business model that promotes a sustainable economy

Swedbank's business model is essentially based on converting savings to loans. By offering customers with a financial surplus secure and effective solutions to manage their capital while at the same time helping customers with a financial deficit to meet their funding needs, we promote a sound and sustainable financial situation for the many households and businesses.

An important part of society

Swedbank is part of the financial infrastructure, also making us an important part of society. By promoting savings and lending money to consumers and businesses with investment needs, we support the national economy and help to create jobs in our home markets. Our business is affected by a number of factors, the most important of which are:

- **Customer behaviour** – Customers are increasingly banking by phone, computer and tablet. At the same time many still want personal assistance with more complex questions. Our aim therefore is to make day-to-day banking fully digital, but also offer personal assistance at our physical meeting places.
- **Competition** – Our competition consists of traditional banks as well as new entrants. We therefore have to make banking simpler for customers, but also analyse customer data to better customise our services and products.
- **Macroeconomic development** – As part of small open economies, we are dependent on what happens globally. To stay relevant, we have to be able to quickly adapt to changing external conditions.
- **Regulation** – The banking sector is subject to a number of regulations, many of which are designed to increase financial stability and strengthen customers' rights. This affects competition and how we price our products.

Net interest income is our largest income source

Swedbank's lending is financed through deposits from businesses and private customers, but also through capital market funding.

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

It is important to us that the money we lend contributes to sustainable development. During the year we therefore issued our second green bond after having established an issuance framework in 2017. The money will be used to finance sustainable investments in real estate and renewable energy sources that reduce society's carbon footprint.

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

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

Net interest income and credit impairments are strongly tied to the real economy and are affected by factors such as GDP growth, interest rates and unemployment. To limit the impact of a severe recession and continue to support our customers regardless of economic conditions, we also maintain capital for unforeseen losses. The size of this capital, which largely consists of the capital our shareholders have invested, is determined by various regulations and depends in part on how risky the assets are considered to be.

Funds and cards are important to net commission income

Net commission income is our second largest revenue source and is comprised of a range of services and products that generate income mainly in the form of various fees. This income, adjusted for transaction expenses, is reported in the income statement under net commission income. The large part comes from asset management and cards. In our asset management business, Robur, we manage SEK 1 265bn. To manage capital and cover our costs, we charge a fee based on a percentage of the invested amount. Consequently, the income generated by the fund business largely depends on growth in assets under management, which in turn is affected by the stock market's performance, since the majority of the assets in the funds consist of equities. Sustainability is important in asset management as well, and during the year we launched a new fund, Swedbank Robur Global Impact, which invests in companies that meet the UN's 17 global sustainable development goals.

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

Personnel and IT are our largest operating expenses

Swedbank's largest operating expense is salaries. Other major expense items include IT and properties and rents, partly due to the distribution network in the form of digital channels and physical meeting places we provide our customers. Swedbank is also a major taxpayer in the markets where we operate.

Simplified income statement

+ Our income	SEKm
Net interest income (interest income – interest expenses)	**25 228**

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

Net commission income — **12 836**

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

Net gains and losses on financial items at fair value — **2 112**

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

Other income — **4 046**

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

Total income	44 222

– Our expenses	SEKm
–Staff costs	**10 284**

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

– Other expenses — **6 551**

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

= Profit before impairment	27 387

– Impairments — **835**

Credit impairments are natural for a bank as all lending carries a risk. Provisions for expected credit losses are estimated using a 3-stage model and reflects changes in credit risk or macroeconomic variables like GDP and unemployment. In the figure above, impairments on tangible and intangible assets are also included.

– Tax — **5 374**

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

– Non-controlling interests and profit from discontinued operations — **16**

= Our profit attributable to shareholders	21 162

Earnings distribution

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

Dividend	Equity

Simplified balance sheet

Our assets	SEKbn
Cash, treasury bills and bonds	**316**

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

Loans to the public — **1 627**

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

Loans to credit institutions — **36**

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

Derivatives — **40**

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

Other assets — **227**

Total assets	2 246

Our liabilities and equity	SEKbn
Deposits and borrowings from the public	**921**

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

Debt securities in issue — **804**

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

Derivatives — **31**

See comment under assets above.

Other liabilities — **352**

Equity — **138**

The rules on how much capital a bank must maintain have been tightened and ensures that it can operate well even under unfavourable conditions.

Total liabilities & equity	2 246

For more detailed information on Swedbank's income statement and balance sheet, see pages 50 and 52.

Sustainability – part of Swedbank's heritage and purpose

Strong social engagement and clear values distinguish Swedbank in Sweden and the Baltic countries. Back when the first Swedish savings bank was founded, in 1820, the objective was to give the public a way to build savings for the long term. This social commitment has also applied to the Baltic countries from the beginning, with Hansabank, which was founded in 1991 and later became part of Swedbank.

To this day the heritage is alive with the savings banks and savings bank foundations as engaged owners. The foundations have as their main purpose to promote savings in Sweden and to safeguard and develop the savings bank movement's foundational ideas and values. Part of Swedbank's profit goes to the foundations in the form of dividends and is invested in various in civic endeavours, mainly local and regional but also national. Swedbank remains active on these issues and promotes social development in line with the values that have distinguished the bank from the beginning. Swedbank initiated, and partners with others on, several constructive programmes and projects, mainly aimed at children and young adults. Financial literacy, entrepreneurship's importance to society and encouraging innovation are three areas the bank is engaged in. This applies to all four home markets.

Swedbank also plays an important role in the public debate and over the years has established good relations with decision-makers and partnerships throughout the community. Swedbank's economists often participate in the public debate provide value-added to customers through their expertise. They raise awareness about economic issues and review and analyse how political decisions and changing conditions financially impact individuals and businesses.

Sustainability is integrated in the business

Social engagement is a part of Swedbank's sustainability work. Naturally, sustainability aspects are also integrated in the bank's four main processes: save, finance, procure and pay. It's on a daily basis that long-term financial value is built up, and there Swedbank has a big responsibility and an opportunity to contribute to the transition to a more sustainable society.

Swedbank is and will remain a profitable, well-capitalised bank with a low risk profile. By carefully managing risks and opportunities related to sustainability, Swedbank is building a better future together with its customers. Ethical, social and environmental risks are taken into account and economic considerations are factored into Swedbank's business decisions, operations and business development. The recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD) and the EU's action plan on financing sustainable growth are important steps in the development of international rules, where the banks can play a role in financing efforts to achieve the goals of the Paris Agreement and the UN's global sustainable development goals.

Savings as a foundational idea

As customers become more interested and engaged in contributing to a sustainable society, demand rises for sustainability-oriented savings options .

Swedbank's subsidiary Swedbank Robur is one of the leading asset managers in the Nordic region, with more than SEK 1 300bn under management, of which just over SEK 600bn is in portfolios with sustainability criteria. The fund management company's goal is to be a leader in responsible investing. During the year the funds had holdings in just over 3 000 listed companies both in and outside Sweden, which represents a great responsibility and an opportunity to impact and drive development.

Swedbank Robur has applied the UN Principles for Responsible Investments since 2009. An important part of our work with sustainable companies is voting at annual meetings and participating in nomination committees. In 2015 Swedbank Robur signed the Montreal Carbon Pledge and since then has disclosed the carbon footprint of its equity funds. Another step was taken during the year and now Swedbank Robur supports TCFD to determine how the companies in its funds are affected financially by climate change. In collaboration with other investors, through networks such as Swedish Investors for Sustainable Development (SISD), Climate Action 100+ and International Investors Group on Climate Change (IIGCC), companies are encouraged to switch to sustainable solutions.

All customers should easily be able to find sustainable investments. The range of funds with sustainability criteria has therefore been broadened and new products with more of a sustainability focus have been added. Swedbank Robur's Global Impact equity fund gives investors exposure to companies around the world that already contribute directly to the UN's and 17 global goals. The Ethica and Talenten funds, for example, do not invest in fossil fuels such as coal, oil and gas. Five of the funds also meet Nordic Swan's stringent eco-label criteria.

Swedbank has for many years also offered equity-linked bonds. The bonds focus on areas such as sustainability and ethics, the environment and climate issues, human rights and work conditions.

Swedbank Försäkring, a wholly owned subsidiary of Swedbank, offers pension, endowment and personal/risk insurance for individuals and companies. Of its two million policies, 1.3 million are in savings, where the assets under management maintain a high level of sustainability.

Responsible lending

For Swedbank, lending to individuals and businesses is a long-term responsibility. In corporate lending, Swedbank's credit policy requires the borrower to be sound and sustainable and the loan to be based on familiarity with the company, its business, future prospects and an assessment of its social impact. It is important that Swedbank's customers are financially sustainable and prepared for unforeseen events with the right amortisation and debt levels for the specific customes.

To promote a sound financial future for customers and society, Swedbank supports its customers in being sustainable. Green mortgages, which were launched in 2018, are an example. Swedbank has begun working with positive impact finance, where loans are evaluated based on the contribution to one or more areas of sustainable development (economic, environmental and social). Swedbank sees this as the right way to address the opportunities and risks of sustainable finance. Swedbank will also evaluate its loan portfolio according to the TCFD recommendations based on related climate risks and opportunities.

Swedbank continues to perform detailed sustainability risk analyses in connection with business loans of over SEK 5m in Sweden and EUR 0.8m in the Baltic countries based on social and environmental aspects. The analysis includes sustainability-related issues such as human rights, the environment and climate change, taxes and corruption. For principles and guidance, Swedbank also has Group-level policies, sector guidelines and position statements. When sustainability risks and dilemmas arise, Swedbank's Business Ethics Committee provides further recommendations.

In March Swedbank issued its second green bond, where the invested capital finances energy-efficient properties and renewable energy. Through its green bond business, Swedbank can target and support sectors that are transitioning to a low-carbon society, thereby contributing to several of the Global Goals. Swedbank Debt Capital Markets during the year carved out a leading position in the Nordic region in green bonds and is driving the development of social bonds and related advice. This benefits organisations looking for sustainable finance and investors actively interested in sustainable investing.

Sustainability is an important part of procurement

Extensive changes were made in the procurement unit during the year to be more sustainable. The supplier code of conduct is the basis for the requirements Swedbank sets and for contracts with suppliers. The code, which has requirements on among other things human rights, labour rights, business ethics and the environment, was updated in 2018. The aim was to clarify the bank's vision and position and to better distinguish between mandatory criteria and what it considers desirable to facilitate dialogue and development with suppliers.

An improved process for sustainable procurement has also been initiated to simplify Swedbank's dialogue with suppliers based on a common digital platform for sustainability-related data, analysis, follow-up and discussion. Compliance is obviously important and is monitored through site visits and inspections. Swedbank promotes strong partnership along the supply chain to speed up the transition to a sustainable society, in line with the Global Goals and the Paris Agreement.

Zero tolerance for money laundering

Swedbank is the leading bank for many households and businesses in its four home markets: Sweden, Estonia, Latvia and Lithuania. To maintain the bank's strong reputation, measures are taken continuously to combat corruption, money laundering and terrorist financing. An established "Know-Your-Customer" process, system support for monitoring transactions and reconciliations of customer databases against sanctioned lists are all in place to minimise these risks.

Banks are obligated to report suspicions of market abuse such as insider trading, market manipulation and unlawful disclosure of inside information. According to the Anti-Money Laundering Act, banks are also obligated, without delay, to report suspicions of money laundering or terrorist financing to the Financial Intelligence Unit of the Swedish Police. Close cooperation with supervisory authorities and correspondent banks is necessary for this type of work. The fight against money laundering is global, as are the processes and systems. The bank has zero tolerance for money laundering in the markets where it is active and has taken action over the years when it sees any signs in its own channels and from outside partners. As a leading bank, Swedbank also has a responsibility to contribute to a continuous dialogue with supervisory authorities in order to strengthen the financial system and infrastructure.

Two hundred years of sustainability

1820	The first savings bank is established in Sweden
1980	The first ethical fund is launched
1998	Swedbank acquires holding in Hansabank in the Baltic ountries
2003	Swedbank is the first listed Nordic bank to receive ISO 14001 environmental certification
2013	The Group's first sustainability report according to GRI G4 is published
2014	The head office in Stockholm is classified as an EU Green Building The sustainability report is integrated with the annual report
2015	The goal to reduce carbon emissions by 50 procent from 2010 is achieved
2016	Exclusion of companies hat generate over 30 per cent of their revenue from coal production
2017	First green bond is issued
2018	The sustainable equity fund Swedbank Robur Global Impact is launched

Extensive measures to fight corruption are integrated in the bank's business processes and in loan assessments, the supply chain, payment flows and investments. All employees receive mandatory online training to recognise transaction patterns, behaviours and situations that could constitute, or be associated with, money laundering and corruption.

Secure and reliable IT systems

Conversations with the bank's customers have shown that secure, reliable and available IT systems are one of the areas they consider most important. It is our highest priority to protect our customers' money and information from fraud and cyberattacks, which is also critical if they are going to trust us to manage their savings and execute transactions. Swedbank's goal is to take a sustainable position that contributes to a sound and secure digital environment in all the markets where it operates. This means sharing intelligence with competitors and authorities.

Swedbank works continuously to improve security and rigorously monitors new types of threats, fraud and hacking. A wide range of measures are taken to prevent and limit criminal activity. The work is done continuously through the bank's business processes and IT systems. To prevent the bank's payment systems from being exploited for criminal activity, a set of internal rules, processes and support functions has been put in place to comply with applicable laws and regulations in the area.

Measures to prevent climate change

The world's companies have to change their businesses and contribute to a more sustainable society. By integrating sustainability in its business, Swedbank is able to have an impact both indirectly through customers and directly through its own operations. The goal is to reduce consumption of the Earth's finite resources and promote a stable climate and energy transformation. During the period 2010–2018 Swedbank's direct greenhouse gas emissions were reduced by 60 per cent through measures to reduce travel and improve energy consumption in offices. During the year Swedbank began buying carbon offsets, mainly for air travel, and signed the Science Based Target Initiative, pledging that the bank's future climate goals will align with the Paris Agreement.

The bank received ISO 14001 environmental certification in 2003, the first listed bank in the Nordic region to do so. Since then Swedbank has taken a structured approach to environmental work, following an environmental management system to reduce its impact. Environmental policies, goals and strategies provide a framework for this work and steer us toward measures that make the biggest difference. The environmental work and ISO 14001 compliance are reviewed through internal and external audits. Responsibility for the environmental work rests with operating managers with support from a network of sustainability ambassadors around the bank who coordinate goal-setting and follow-up work. Swedbank is convinced that successful environmental work leads to a lower environmental impact while at the same time strengthening the brand and reducing financial risk.

Sustainable employees

Swedbank is a company whose values – simple, open and caring – serve as an inner compass for everything we do. With these as a starting point, we build the trust of customers, respect for each other and a strong corporate culture. When faced with ethical dilemmas, the values serve as a guide and encourage sound long-term decisions. The right we all have to financial services – regardless of background and ethnicity – must be honoured. Swedbank will contribute to a respectful, inclusive and values-based culture. This is important for society, shareholders and customers.

Engaged employees are critical to the bank's future. Inclusion and clear goals are important to motivate employees and get them to do their best. Embracing collaboration between the bank's various businesses and units, where agile working is implemented on several levels, has contributed to a better work environment and higher results. To monitor and evaluate employee satisfaction, Swedbank regularly conducts a survey called Engagement Pulse, where engagement is measured based on seven questions, one of which measures the bank's Employee Net Promoter Score (eNPS). The results of the survey shows a positive development, from 21 in 2017 to 24 in 2018.

In the financial industry, like many other industries, the rapid shift to a more digital society and numerous new laws, regulations and guidelines have made it necessary to change the way we work and add competence. At Swedbank, employees take responsibility for their own professional development. Internal mobility is encouraged to capitalise on each employee's individual abilities and encourage those who seek new challenges within the Group.

A fast pace and the introduction of new technology at the same time require the bank to keep employees healthy. During the year changes were made in the way the Group addresses occupational health and safety issues. The main purpose is to follow the new workplace safety and health laws in Sweden, as well as to develop a strategy for sustainable employees and an inspiring, stimulating and inclusive work environment. In the financial industry, organisational and social factors have the biggest impact on working conditions and the work environment. It is especially important therefore for the bank to take preventative and proactive measures.

The philosophy of being a bank for the "many" also applies to Swedbank's employees. Gender equality and diversity are priorities at Swedbank and important contributors to a healthy work environment, inclusive corporate culture and more effective skills training. There is a strong conviction that diversity generates more business through a bigger network and better understanding of the individual's specific needs. Employees generally should reflect the customers in the bank's home markets in terms of gender parity, age and ethnicity, among other factors. This has been a long-term aim for many years. The goal of gender equality at the highest management level according to the 40/60 model was introduced back in 2014 and has since been implemented for management and senior specialist roles. The results are regularly tracked by business area based on five factors: salary and benefits, recruiting, occupational health and safety, parenting and career development, and competence training. In 2018 a comprehensive training programme was implemented in management teams and forums to raise awareness of gender equality and diversity and integrate them in practical leadership.

The work with TCFD

In March 2018 Swedbank announced its support for the TCFD recommendations: a concrete tool to increase awareness of climate-related risks and opportunities in a time of uncertainty. TCFD is a question of long-term survival for the bank's customers and in the long run for Swedbank's survival. Integration of the TCFD recommendations in the bank will continue in 2019.

Swedbank and Swedbank Robur welcome the fundamental principles that TCFD rests on – long-term, transparent and forward-looking – which are also supported by the bank's purpose to promote a sound and sustainable financial situation for the many households and businesses.

The framework is structured around four thematic areas – governance, strategy, risk management, and targets and metrics – which together with scenario analysis facilitate better informed decisions that take long-term climate-related risks into account.

Governance

During the year Swedbank launched a review of its corporate governance, policies and operational processes from the standpoint of climate change. The bank has also begun identifying risks and opportunities based on various scenarios and how these scenario analyses feed into the business plans ratified by the Board.

Governance of climate-related issues starts with a Group-wide framework, where policy documents are adopted by the Board (such as sustainability or environment), directives by the CEO (such as position statements on climate change) and instructions by the Group Executive Committee (such as sector guidelines).

Because Swedbank's core business consists of managing risks, its existing framework also provides the fundamentals for climate change management. As new types of risks and opportunities are identified, the bank will develop its governance, routines and internal rules to ensure effective implementation of its strategy.

Strategy

Swedbank's strategy is based on a long-term focus and customer value through a responsible core business and rests on four pillars: available full-service bank, personalised offers, high cost efficiency and low risk. The bank believes that climate change could play a major role in the near term and therefore intensified the efforts to identify climate risks back in 2015, after the Paris Agreement was signed.

The result of the bank's initial analysis of the credit portfolio shows that lending to the most impacted sectors, such as fossil fuels and industries with large industrial processing emissions (such as steel and cement), is around 1 per cent of total lending. For these industries, the bank's strategy is to focus on future investments to help reduce climate impacts. About 75 per cent of Swedbank's lending relates to buildings, where energy efficiency will play an important role to reach lower emissions. This provides Swedbank a great opportunity to help customers invest in energy efficiency.

Within the fund management company, Swedbank Robur, approximately 77 per cent of the portfolio shareholdings in 2018 were invested in sectors with less climate change exposure. The biggest of the climate-exposed sector investments are in manufacturing, energy, auto and real estate companies. Swedbank works actively to encourage production upgrades by these companies to increase energy efficiency and shift to renewable energy. Swedbank does not finance coal mining.

Risk management

Climate aspects are an integral part of credit analysis in corporate lending and are included in the evaluation of the customer's strategy, business model and sustainability performance. This also applies to ESG analysis in fund management. The carbon footprint of equity funds is reported annually, and the footprint of most of the funds is lower than their comparable indexes. This risk management is part of day-to-day operations and is handled through the existing governance model. On a strategic level, climate-related risks and opportunities are identified and serve as the basis for the bank's strategic business planning. These business plans are approved at the board level.

The risks associated with climate change can be divided into (i) physical risks, such as extreme weather and rising sea levels, and (ii) transition risks, which are driven by policy decisions, technology and changes in consumption. Identifying and assessing these risks is complicated by the fact that the timeframe involved stretches all the way to 2050 and 2100. Swedbank therefore draws on scenarios supported by thousands of researchers, including the work of the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Association (IEA).

Going forward Swedbank will place more emphasis on:

1. Analysing in more depth the transition in various sectors
2. Identifying and managing physical risks, such as extreme weather, higher temperatures and sea levels
3. Identifying investment opportunities in renewable energy and companies that contribute positively to reducing CO_2 emissions and adapting to climate change.

Targets and metrics

Swedbank continues to monitor the direct emissions its operations give rise and in 2018 the bank reached its goal to reduce emissions by 60 per cent between 2010 and 2018. The bank's partnership with the Science Based Target Initiative means that the new climate goals will be verified, but also that Swedbank will play a part in developing a method to weigh in the impact from customers. At the same time Swedbank is involved in a UN working group with a focus on accelerating energy efficiency in buildings as relates to financial risk and value creation. Swedbank Robur will develop methods to measure the carbon footprint of fixed income funds, adapt its analysis to the Paris Agreement and report CO_2 metrics for the funds.

Swedbank and the UN's Sustainable Development Goals

As a major financial player, Swedbank has an opportunity to contribute to the UN's Sustainable Development Goals (SDGs). In 2017 Swedbank performed an analysis of its contributions to the global goals. The results show that the bank is contributing to all the goals, but to varying degrees. Swedbank has chosen to focus on the following goals from the perspective of where the bank can contribute the most:

Goal 4 – Quality education
Goal 8 – Decent work and economic growth
Goal 12 – Sustainable consumption and production

In addition, the bank has two complementary focus areas comprised of several goals that affect Swedbank's strategy and goal-setting: **Sustainable employees** (e.g. Goals 3, 5 and 10) and a **Fossil-free society** (e.g. Goals 7, 9, 11 and 13).

Sustainability goal 2018	Goal	Result and contribution to the SDGs
Reduce direct greenhouse gas emissions by 60 per cent by 2018 compared with the 2010 level.		Swedbank has achieved the goal and reduced its direct greenhouse gas emissions by over 60 per cent between 2010–2018. In addition, Swedbank has purchased climate offsets for 6 500 tonnes of GHG emissions, which corresponds to the emissions from air travel to the bank's customers.
	13	**13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries** Swedbank's strategies for the climate and environment have resulted in a reduction of greenhouse gas emissions. This contributes to the international fight against climate change. Swedbank will continue to reduce its emissions and set new goals and strategies to continue this trend.
Increase financial awareness and teach children and young adults about personal finance and entrepreneurship through lectures in schools in Swedbank's home markets.		Swedbank and the savings banks increased financial awareness and literacy in 2018 by arranging over 3 300 lectures and actively coaching young people on business economics.
	4	**4.4: By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship** Swedbank considers financial literacy and education to be fundamental to creating vocational skills, decent work and entrepreneurship. Swedbank has contributed in among other ways by giving lectures on managing money in the countries where it is active. In 2018, 1 123 lectures were held in the Baltic countries and 2 183 in Sweden.
	8	**8.3: Promote development-oriented policies that support job creation and entrepreneurship** Swedbank's initiatives to encourage young people to become entrepreneurs and better understand their finances promote job creation and economic growth in society.
Issue a second green bond and serve as issuing institute for at least 14 green bonds.		Swedbank issued its second green bond during the year and was the issuing institute for 30 green bonds with a value of SEK 28.5bn.
	7	**7.2: By 2030, increase substantially the share of renewable energy in the global energy mix** The green bond Swedbank issued in 2018 generated SEK 2 915.6m in wind power investments, resulting in 2 118 GWh in annual energy production. This contributes to the goal to substantially increase the share of renewable energy in the global energy mix before 2030.
	13	**13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries** The green bond issued during the year largely consists of financing for wind power and environmentally certified and energy-efficient buildings. Renewable energy and green buildings contribute to energy conservation, which reduces greenhouse gas emissions and aids in the fight against climate change.
Offer at least 20 equity-linked bonds (SPAX) with a sustainability profile.		Swedbank launched 30 equity-linked bonds with a sustainability profile with an aggregate value of SEK 325bn in 2018.
	12	**12: Sustainable consumption and production** By offering products with a focus on sustainability, such as equity-linked bonds that for example promote the Global Goals, the environment and climate change, human rights and decent work, Swedbank gives its customers sustainable choices.
Hold workshops on equality with Swedbank's management teams and educate at least 1 000 leaders in 2018 with the purpose of including gender equality, diversity and inclusion in Swedbank's brand and in their own leadership.		In 2018 over 50 workshops, spanning 3 000 hours, were held for a total of 1 000 leaders.
	5	**5.1: End all forms of discrimination against all women and girls everywhere** Workshops focused on raising awareness about gender equality and diversity and integrating them in practical leadership also make Swedbank's leaders more aware of hidden discrimination.
	10	**10.2: By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status** This initiative is important to strengthen leadership in the bank and contribute to an equal and inclusive workplace for everyone.

A sample of Swedbank's contributions to the SDGs

Partnership to accelerate development

Swedbank sees partnerships across sectors, Goal 17, as necessary to accelerate social development in line with the Global Goals, and in 2018 launched several interesting initiatives and collaborations.

A new initiative called "Nordic CEOs for a sustainable future" was announced in October 2018 to speed up efforts to reach the UN's sustainable development goals. Together with other Nordic CEOs, Swedbank's CEO, Birgitte Bonnesen, participates in the platform, as part of which Swedbank and the other members have committed to adapting their business strategies to the Global Goals and to developing new collaborations to accelerate the transition a more sustainable society.

In addition, Swedbank Robur CEO Liza Jonson has been given an important role as a member of the Agenda 2030 delegation, whose purpose is to support and encourage Sweden's implementation of Agenda 2030. The delegation will draft an action plan for implementation of Agenda 2030, which began in 2016 and where a final report will be submitted by the delegation to the government in March 2019. This gives Swedbank an opportunity to strengthen its social engagement, share knowledge and have an impact.

Swedbank Sustainability Indicators

As part of its commitment to Goal 4 and aim to demonstrate leadership in working with the Global Goals, Swedbank publishes Sustainability Indicators. This publication creates awareness by measuring the progress in Sweden and the Baltic countries toward achieving Agenda 2030. Swedbank's Sustainability Indicators provide insight on the economy, society, Swedbank's customers and the bank.

Swedbank Global Impact

Swedbank Robur was the first in the market to launch a sustainable equity-linked bond fully focused on investing in companies that contribute to the UN's 17 global goals, Global Impact. Global Impact invests in companies around the world, including emerging markets, whose businesses contribute to meeting global challenges, such as reducing inequalities and resolving the climate crisis.

Through Global Impact, customers have the opportunity to add exposure to companies in the world that already have businesses that can contribute to the Global Goals and thereby create a better future world. Global Impact promotes savings that contribute to a more sustainable world with long-term appreciation in value.

Swedbank issues second green bond

By issuing green bonds, Swedbank promotes and supports the long-term development of sustainable infrastructure solutions. The green loans that serve as a basis for the bonds offer clear environmental benefits and promote the transition to a low-carbon, sustainable economy. The two bonds that were issued mainly finance sustainable investments in real estate and renewable energy sources that reduce CO_2 consumption in society.

In accordance with Agenda 2030 and the Global Goals, Swedbank's green framework for issuing green bonds promotes Goals 7, 9, 11, 13 and 15. The framework is re-evaluated as needed to keep pace with developments in society and the market. As a result, it may be further refined and include more asset categories going forward – and thus contribute to more Global Goals.

Trainee and labour market initiatives

Swedbank contributes to Goals 8 and 10 of more equal, inclusive and sustainable economic growth. Swedbank has many years of experience working inclusively with various job initiatives, such as traineeships, so that more people enter the job market, which also helps the bank to meet its own talent needs.

A collaborative initiative called "A Job at Last" with the Swedish Public Employment Service is one of many current initiatives where Swedbank combines business and social benefits through increased integration and diversity. Trainee positions provide foreign-born academics access to the right employers and in this way raise employment in groups that often find themselves outside today's job market.

Gender equality

Gender equality and diversity are important to Swedbank's working environment, corporate culture, skills training and customer service in accordance with Goal 5. Swedbank's long-term goal is that its employees will largely reflect the bank's home markets in terms gender distribution, age and number of employees with a foreign background.

The goal of gender parity at the highest management level according to the 40/60 model was introduced back in 2014 and has since been implemented among managers and higher-level specialists. In the prestigious global Equileap Top 200 ranking on gender equality in the workplace Swedbank was named the best in the Nordic region and ranked number nine out of a total of 3 200 companies around the world.

Stability and predictability create value for our shareholders

Low risk in combination with a continued focus on cost efficiency contributed together with higher lending volumes to a strong result in 2018. This allowed the Board of Directors to propose, for the seventh consecutive year, that 75 per cent of profit be distributed to shareholders.

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

In 2018 the return on equity was 16.1 per cent, compared with the target of 15 per cent. Together with the bank's strong capital postion, this enables a proposed dividend of SEK 14.20 per share for the full-year 2018. This marked the seventh consecutive year that Swedbank maintains its dividend policy to distribute 75 per cent of profit.

Swedbank's share price was unchanged during the year, while the OMX Nordic Banks index and the OMX 30 Large Cap index fell 23.4 per cent and 10.7 per cent respectively.

The total return was 6.5 per cent. In total, Swedbank's market capitalisation amounted to SEK 220.8bn at year-end 2018, compared with SEK 220.4bn at the end of 2017.

Trading on several markets

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

Swedbank's shares are trading on a number of different marketplaces, with Nasdaq OMX Stockholm generating the highest turnover. On average, Swedbank shares with a value of SEK 597m were traded per day on Nasdaq OMX Stockholm.

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

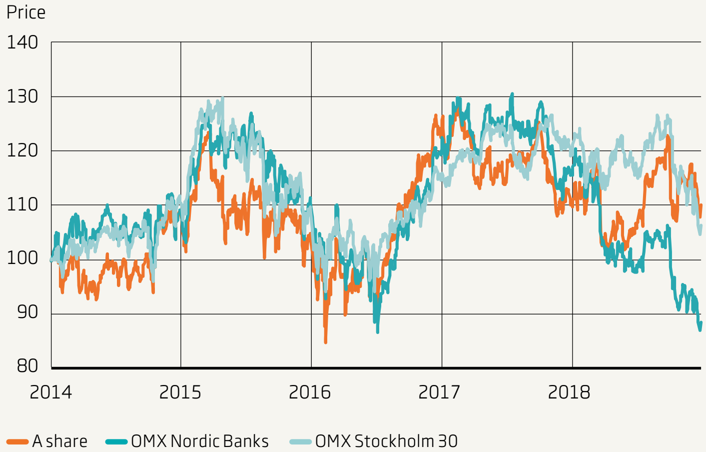
Ownership and information

Swedbank had 1 132 005 722 shares in issue at year-end 2018, of which 40.6 per cent was owned by international investors and 59.4 per cent by Swedish investors, whereof 8.7 per cent are individual investors.

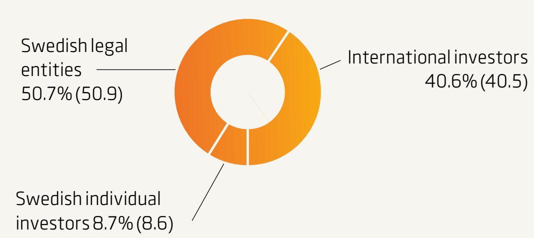
Holding of own shares

Swedbank held 15 331 361 of its own shares as of 31 December 2018 to secure the commitments in its performance and share-based remuneration programmes. Remuneration is paid in the form of deferred shares with the aim of building long-term engagement among employees through share ownership. In total, 3 044 470 shares were transferred in 2018, resulting in a dilution effect of about 0.3 per cent based on the number of outstanding shares and votes as of 31 December 2017.

Swedbank's share performance compared with indices



Shareholder categories, %
as of 31 December 2018, figures in brackets refer to 2017



Source: Euroclear Sweden AB

The 2018 AGM resolved to adopt new performance and share-based remuneration programmes for 2018 and to transfer ordinary shares under these and previously approved programmes. The programmes for 2018 are expected to result in the transfer of approximately 2.3 million ordinary shares, corresponding to a total dilution effect of about 0.2 per cent based on the number of outstanding shares and votes as 31 December 2018.

To continuously adapt the bank's capital structure to prevailing capital requirements, the Board was authorised by the 2018 AGM to resolve to repurchase up to 10 per cent of the total number of shares (including shares repurchased by the securities operations – see below). The Board was also authorised to issue promissory notes that can be converted to shares. In early 2015 and late 2016 the bank utilised the Board's mandate and issued promissory notes that can be converted to shares in the event that the bank's Tier 1 capital falls below a certain level. The issuance was part of the capital requirements set by the Swedish Financial Supervisory Authority.

In its capacity as a securities institution, Swedbank engages in securities operations, including trading in financial instruments on its own account. As such, it needs to acquire its own shares. Accordingly, the 2018 AGM resolved that the bank, until the 2019 AGM, may acquire its own shares on an ongoing basis such that the total holding does not exceed 1 per cent of outstanding shares, and that this is done at the prevailing market price.

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

Largest shareholders, 31 December 2018, by owner group

Share of capital and votes, %	2018
Sparbanksgruppen	10.5
Folksam	7.0
Alecta Pensionsförsäkring	4.9
AMF-insurance and funds	4.8
Swedbank Robur funds	4.8
Sparbanksstiftelser – not Sparbanksgruppen	3.4
BlackRock	2.6
Vanguard	2.6
Norges Bank	2.1
SEB funds	2.0
10 largest shareholders	44.7
Total number of shareholders	**299 211**

Source: Modular Finance AB/Euroclear Sweden AB

Data per share

SEK	2018	2017	2016	2015	2014
Earnings per share before dilution[1,2]	18.96	17.38	17.60	14.23	14.93
Earnings per share before dilution, continuing operations[1,2]				14.24	15.17
Earnings per share after dilution[1,2]	18.89	17.30	17.50	14.13	14.81
Earnings per share after dilution, continuing operations[1,2]				14.14	15.05
Equity per share	123.0	119.8	116.60	114.40	106.35
Cash dividend per ordinary share	14.20[3]	13.00	13.20	10.70	11.35
P/E	10.5	11.4	12.5	13.15	13.09
Price/equity per share	1.61	1.65	1.89	1.64	1.84

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

Share statistics, A share	2018	2017	2016	2015	2014
High price, SEK	221,70	231.40	229.30	223.90	199.80
Low price, SEK	177,15	194.20	150.80	177.20	165.70
Closing price, 31 Dec., SEK	197,75	197.90	220.30	187.10	195.50
Average number of trades per listed day	6733	6 090	5 413	4 869	4 907
Average turnover per listed day, SEKm,	597	538	526	564	531
Total market capitalisation, 31 Dec., SEKbn	221	220	245	207	215
ISIN code A share: SE0000242455					

1) Turnover data include turnover on Nasdaq Stockholm.
Sources: NASDAQ OMX, www.nasdaqomxnordic.com

Number of shareholders, 31 December 2018

Size of holding	No. of shareholders	Holding, %
1–500	251 027	83.9
501–1 000	26 239	8.8
1 001–5 000	18 941	6.3
5 001–10 000	1 369	0.5
10 001–15 000	371	0.1
15 001–20 000	215	0.1
20 001–	1 049	0.4
Total	**299 211**	**100**

Source: Euroclear Sweden AB

Financial analysis

The annual report contains alternative performance measures that Swedbank considers valuable information for the reader, since they are used by the executive management for internal governance and performance measurement as well as for comparisons between reporting periods. Further information on the alternative performance measures used in the annual report can be found on page 186.

Strong result

Profit rose 9 per cent to SEK 21 162m (19 350). The increase was due to higher net interest income and net commission income as well as an increase in other income. Lower credit impairments also contributed positively. The table below shows profit excluding the gain on the sales of UC in 2018 and Hemnet in 2017. Adjusted for these items profit rose 10 per cent. Foreign exchange changes increased profit by SEK 350m.

The return on equity was 16.1 per cent (15.1) and the cost/income ratio was 0.38 (0.39). Income increased 5 per cent to SEK 44 222m (42 203). Foreign exchange effects increased income by SEK 605m.

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

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

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

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

Expenses rose to SEK 16 835m (16 415), largely due to increased staff costs following the acquisition of PayEx. Foreign exchange effects increased expenses SEK 236m. Impairment of intangible assets mainly related to the development of a new data warehouse and a risk management system amounted to SEK 306m (175). Impairment of tangible assets amounted to SEK 8m (21).

Credit impairments according to IFRS 9 amounted to SEK 521m. See note G58, page 141, for more information on the transition to IFRS 9.

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

Good volume growth

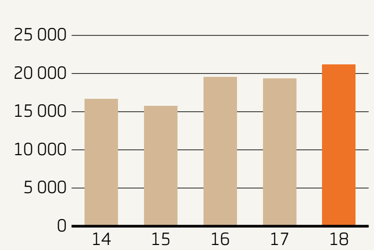
Swedbank's main business is organised in two product areas: Group Lending & Payments and Group Savings.

Total lending to the public, excluding repos and lending to the Swedish National Debt Office, rose SEK 76bn during the year, corresponding to growth of 5 per cent. Foreign exchange changes positively affected lending by SEK 12bn. The lending increase was mainly due to higher mortgage volumes within Swedish Banking.

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

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

Profit for the period, SEKm



Swedbank's profit amounted to SEK 21 162m, compared with SEK 19 350m in the previous year. The increase is mainly due to higher income and lower credit impairments.

Increased corporate volumes within Large Corporates & Institutions and broad lending growth in the Baltic countries also contributed to the increase.

The total number of Swedbank cards in issue at the end of the year was 8.1 million. Compared with t 2017 the number of cards in issue has risen 1 per cent. In Sweden 4.3 million Swedbank cards were in issue at the end of the year. Compared with 2017 corporate card issuance rose 4 per cent and private card issuance rose 1 per cent. The increase in private cards is largely driven by young people who sign up for new cards. The bank's many small and midsize business customers offer further growth potential in corporate card issuance. In the Baltic countries 3.8 million Swedbank cards were in issue.

Total deposits rose SEK 73bn to SEK 920bn compared the end of 2017, corresponding to growth of 9 per cent. The increase was mainly due to increased deposit volumes within Swedish and Baltic Banking. Deposits also increased within Large Corporates & Institutions, while the volumes attributable to Group Treasury decreased. FX effects positively affected deposits by SEK 10bn compared with year-end 2017.

Assets under management by Swedbank Robur decreased during the year to SEK 857bn (871), of which SEK 810bn (829) related to the Swedish fund business and SEK 48bn (43) to the Baltic business. In Sweden the decrease is mainly due to a decline in asset values.

Solid asset quality

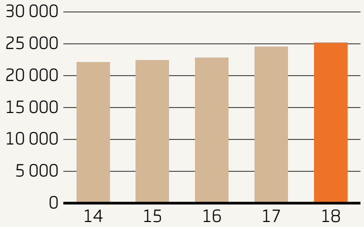
Credit quality in Swedbank's lending portfolios remained strong. For the fullyear 2018 credit impairments amounted to SEK 521m, according to IFRS 9, corresponding to a credit impairment ratio of 0.03 per cent. The share of loans in stage 3 (gross) was 0.67 per cent. The provision ratio for loans in stage 3 was 34 per cent.

House prices in Sweden remained stable during the year, after the downturn in the end of 2017. There is still uncertainty about new apartment construction, however, mainly of exclusive properties in metropolitan areas. Further, the number of new residential projects is declining despite the structural housing shortage in Sweden. Residential development represents a limited share of Swedbank's total credit portfolio and lending is primarily to large, established companies with which Swedbank has a long-term relationship. The risks in household lending are low and customer solvency is generally good. Swedbank's internal rules focus on long-term customer solvency, which ensures high quality and low risks for both the customer and the bank.

Strong liquidity position

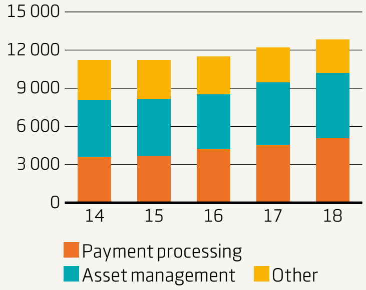
Funding needs were lower during the year because long-term funding maturities were slightly lower in 2018 compared with 2017. In addition, increased deposit volumes funded part of the new lending. During the year Swedbank issued SEK 117bn in long-term debt, of which SEK 12bn related to issues in the fourth quarter. Covered bond issues accounted for the majority, at SEK 88bn. Total issuance volume for 2019 is expected to remain unchanged compared with 2018. Maturities for the full-year 2019 amount nominally to SEK 68bn from the beginning of the year. Issuance plans are based on future long-term funding maturities and are mainly affected by changes in deposit volumes and lending growth, and are therefore adjusted over the course of the year. Outstanding short-term funding, commercial paper and Certificates of Deposit included in debt securities in issue amounted to SEK 131bn as of 31 December (SEK 150bn as of 31 December 2017). At the same time, cash and balance with central banks and Swedish National Debt Office amounted to SEK 173bn (208).

Net interest income, SEKm



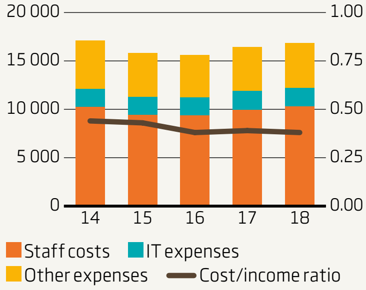
Net interest income increased 3 per cent, to SEK 25 228m, mainly due to increased lending volumes.

Net commission income, SEKm



Net commission income rose 5 per cent, mainly due to increased income from asset management and cards.

Expenses, SEKm



Total expenses rose 3 per cent due to among other things higher staff costs after the acquisition of PayEx in the second half of 2017.

The liquidity reserve amounted to SEK 317bn (349) as of 31 December. The net stable funding ratio (NSFR) was 111 per cent (110).

The Group's LCR, which as of 2018 is measured according to the European Commission's Delegated Regulation (EU 2015/61), was 144 per cent (173), and for USD and EUR was 228 and 282 per cent respectively.

During the year Moody's upgraded the long-term deposit and senior unsecured debt ratings of Swedbank to Aa2 from Aa3. The upgrade reflects Moody's expectations of the issuance of additional loss-absorbing debt that fulfils MREL subordination requirements. During the year Moody's downgraded Swedbank's high-trigger Additional Tier 1 (AT1) rating as a result of the SFSA's decision to move the risk-weight floor for mortgages from Pillar 2 to Pillar 1.

Strong capitalisation

Swedbank's Common Equity Tier 1 capital ratio was 16.3 per cent on 31 December (24.6 per cent on 31 December 2017). This compares with the requirement of 14.6 per cent (21.9). The Common Equity Tier 1 capital ratio and the capital requirement, expressed as a percentage, have decreased due to the SFSA's decision to include the risk weight floor for Swedish mortgages as a basic capital requirement in Pillar 1, instead of as before, when it was applied within the overall capital assessment in Pillar 2. The change raised the risk exposure amount (REA) by SEK 208.6bn.

Common Equity Tier 1 capital increased SEK 3.3bn during the year to SEK 103.8bn. Profit, after deducting the proposed dividend, positively affected Common Equity Tier 1 capital by SEK 5.0bn. The revaluation of the estimated pension liability according to IAS 19 reduced Tier 1 capital by approximately SEK 1.5bn. Swedbank's leverage ratio on 31 December 2018 was 5.1 per cent (5.2 per cent on 31 December 2017).

In 2018 the risk exposure amount (REA) increased SEK 229.5bn, to SEK 637.9bn (SEK 408.4bn on 31 December 2017), the large part of which is due to the above-mentioned decision by the SFSA. REA for credit risks increased SEK 9.4bn in 2018, mainly driven by increased volumes and FX effects. In connection with the quarterly review of further risk exposure amounts in accordance with article 3 CRR Swedbank has chosen to increase REA by SEK 5.8bn until the bank has updated and implemented a new PD model for large corporates in the Baltic countries. REA for market risk increased SEK 4.3bn in 2018. REA for operational risks increased SEK 1.3bn in 2018, partly due to a change in the calculation method for PayEx. REA by SEK (CVA) increased SEK 0.1bn.

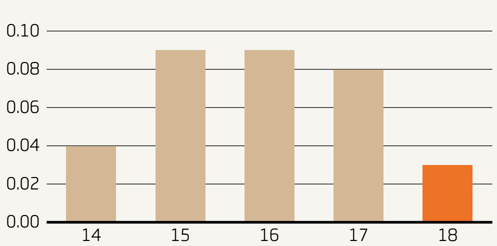
Other events

On 15 February Swedbank announced that the Bank of Lithuania, after a routine inspection, issued a warning to Swedbank related to deficiencies in internal control systems, processes and documentation in the area of money laundering prevention. Swedbank takes the findings very seriously and has already initiated a number of actions to improve internal control systems, ensure relevant customer due diligence data, and improve processes and routines. Consequently, the deficiencies pointed out by the Bank of Lithuania have already been partly corrected. A warning is the lowest level of sanction that the Bank of Lithuania can issue.

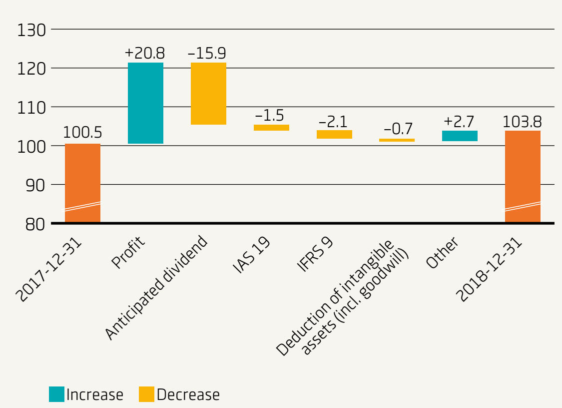
Resolutions at the Annual General Meeting on 22 March. Swedbank's Annual General Meeting re-elected Bodil Eriksson, Ulrika Francke, Mats Granryd, Lars Idermark, Bo Johansson, Peter Norman, Annika Poutiainen, Siv Svensson and Magnus Uggla. Anna Mossberg was elected as a new member. Lars Idermark was elected as Chair of the Board of Directors. All the members of the Board who served in 2017 or any part thereof, including the Chair of the Board and the CEO, were granted discharge of liability. The Annual General Meeting also resolved to:

- Distribute a dividend to the shareholders for fiscal year 2017 of SEK 13.00 per share
- Adopt new Articles of Association
- Elect Deloitte AB as auditor for the period until the end of the 2019 Annual General Meeting.
- Adopt the income statement and balance sheet as well as the consolidated income statement and consolidated balance sheet for the financial year 2017.

Credit impairment ratio, %



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



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

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

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

On 12 September it was announced that the Annual General Meeting of Swedbank AB will be held in Stockholm, Thursday 28 March 2019. The Nomination Committee consists of the following members:

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

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

Events after 31 December 2018

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

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

Sustainability report

Swedbank's sustainability report is prepared in accordance with the requirements of the Annual Accounts Act (chapter 6, paragraph 12) on sustainability reporting. The scope is defined on pages 188 and 208.

Swedish Banking

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

Result 2018

Profit increased 2 per cent to SEK 12 765m (12 566), mainly due to higher income. Net interest income increased 2 per cent to SEK 15 403m (15 103), mainly because of higher net interest income from the mortgage business thanks to higher volumes. Mortgage margins were stable in 2018, while increased deposit margins contributed positively. Corporate lending contributed positively, mainly driven by higher margins. The effect was partly offset by volumes transferred to Large Corporates & Institutions. A higher resolution fund fee compared with 2017 negatively affected net interest income. Net commission income increased 2 per cent to SEK 7 595m (7 481). The increase was mainly due to higher asset management income driven by higher valuations for most of 2018. The acquisition of PayEx in the second half of 2017 also contributed positively. Other income increased due to a higher profit from the life insurance business and the acquisition of PayEx. The gain on the sale of UC is comparable with the previous year's gain on the Hemnet sale. Total expenses increased slightly, partly due to the consolidation of PayEx. Staff costs decreased together with expenses for premises, depreciation and consultants. Credit impairments of SEK 727m were recognised in the period, according to IFRS 9, largely related to individually assessed loans in stage 3.

Condensed income statement, SEKm	2018	2017
Net interest income	15 403	15 103
Net commission income	7 595	7 481
Net gains and losses on financial items	400	398
Other income	2 177	1 965
Total income	**25 575**	**24 947**
Staff costs	3 187	3 240
Other expenses	5 833	5 688
Total expenses	**9 020**	**8 928**
Profit before impairments	16 555	16 019
Impairments	727	493
Operating profit	**15 828**	**15 526**
Tax expense and non-controlling interests	3 063	2 960
Profit for the year attributable to: Shareholders in Swedbank AB	**12 765**	**12 566**
Business volumes, SEKbn		
Lending[1]	1 188	1 150
Deposits[1]	559	525
Key ratios		
Return on allocated equity, %	20.8	22.5
Cost/income ratio	0.35	0.36
Credit impairment ratio[2], %	0.06	0.04
Full-time employees	3 846	3 980

1) Excluding Swedish National Debt Office and repurchase agreements.
2) For more information about the credit impairment ratio see page 43 of the Fact book.

Baltic Banking

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

Result 2018

Profit increased to SEK 4 744m (4 004) due to higher income and lower credit impairments. Foreign exchange effects positively affected profit by SEK 297m. Net interest income rose 6 per cent in local currency. The increase was mainly due to higher lending volumes. Foreign exchange effects positively affected net interest income by SEK 301m. Lending grew 9 per cent in local currency. Consumer and corporate lending both grew in all three Baltic countries. Foreign exchange effects positively affected lending by SEK 7bn. Deposits increased 14 per cent in local currency. Foreign exchange effects positively affected deposits by SEK 10bn. Net commission income decreased 1 per cent in local currency. Lower asset management income was partly offset by higher income from cards and payments processing. Net gains and losses on financial items increased 16 per cent in local currency, mainly due to gains realised on bond holdings. Other income increased 11 per cent due to higher income from the insurance business. Total expenses rose 3 per cent in local currency. The increase was due to higher staff costs and expenses for premises. Credit impairments according to IFRS 9 amounted to a gain of SEK 208m.

Condensed income statement, SEKm	**2018**	**2017**
Net interest income	4 768	4 221
Net commission income	2 503	2 364
Net gains and losses on financial items	272	220
Other income	737	621
Total income	**8 280**	**7 426**
Staff costs	1 003	908
Other expenses	1 931	1 768
Total expenses	**2 934**	**2 676**
Profit before impairments	5 346	4 750
Impairments	−200	−76
Operating profit	**5 546**	**4 826**
Tax expense and non-controlling interests	802	822
Profit for the year attributable to: Shareholders in Swedbank AB	**4 744**	**4 004**
Business volumes, SEKbn		
Lending[1]	170	149
Deposits[1]	221	185
Key ratios		
Return on allocated equity, %	20.6	19.2
Cost/income ratio	0.35	0.36
Credit impairment ratio[2], %	−0.13	−0.07
Full-time employees	3 569	3 476

1) Excluding Swedish National Debt Office and repurchase agreements.
2) For more information about the credit impairment ratio see page 43 of the Fact book.

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.

Result 2018

Profit rose to SEK 3 634m (2 659) due to increased income and lower credit impairments compared with 2017. Net interest income rose to SEK 3 963m (3 545) with a positive impact from increased lending volumes and margins as well as customer volumes transferred from Swedish Banking. Net commission income increased to SEK 2 620m (2 348), mainly due to income from PayEx, which was acquired in 2017. Lending commissions increased slightly between years. Net gains and losses on financial items decreased to SEK 1 791m (1 854). Value adjustments to derivatives had a negative effect. Earnings from FX and fixed income trading contributed positively. Total expenses increased to SEK 3 880m (3 517), due to the acquisition of PayEx in 2017. Increased variable remuneration and higher IT expenses also contributed to the increase. Credit impairments amounted to SEK 13m, according to IFRS 9.

Condensed income statement, SEKm	2018	2017
Net interest income	3 963	3 545
Net commission income	2 620	2 348
Net gains and losses on financial items	1 791	1 854
Other income	158	123
Total income	**8 532**	**7 870**
Staff costs	1 628	1 602
Other expenses	2 252	1 915
Total expenses	**3 880**	**3 517**
Profit before impairments	4 652	4 353
Impairments	13	969
Operating profit	**4 639**	**3 384**
Tax expense and non-controlling interests	1005	725
Profit for the year attributable to: Shareholders in Swedbank AB	**3 634**	**2 659**
Business volumes, SEKbn		
Lending[1]	220	203
Deposits[1]	140	128
Key ratios		
Return on allocated equity, %	14.3	12.0
Cost/income ratio	0.45	0.45
Credit impairment ratio[2], %	0.01	0.40
Full-time employees	1 256	1 266

1) Excluding Swedish National Debt Office and repurchase agreements.
2) For more information about the credit impairment ratio see page 43 of the Fact book.

Group functions & Other

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.

Result 2018

Profit decreased to SEK 19m (121). Group Treasury's profit fell to SEK 485m (790). Net interest income fell to SEK 1 114m (1 735). Group Treasury's net interest income fell to SEK 1 153m (1 783), mainly due to lower repurchasing activity in covered bonds in the period as well as less favourable terms in short-term international funding. Net gains and losses on financial items increased to SEK -353m (-538). Net gains and losses on financial items within Group Treasury increased to SEK -345m (- 479) due to lower covered bond repurchases and because some loans to the public are no longer recognised at fair value through profit or loss following the transition to IFRS 9. Expenses decreased to SEK 1 148m (1 525) because Swedbank reversed SEK 200m of the SEK 300m restructuring reserve allocated in the fourth quarter 2017. Impairment of intangible assets amounted to SEK 306m (95) and related to the development of a new data warehouse and a risk management system. Credit impairments according to IFRS 9 amounted to a gain of SEK 11m.

Condensed income statement, SEKm	**2018**	**2017**
Net interest income	1 114	1 735
Net commission income	53	–44
Net gains and losses on financial items	–353	–538
Other income	1 168	1 038
Total income	**1 982**	**2 191**
Staff costs	4 466	4 195
Other expenses	–3 318	–2 670
Total expenses	**1 148**	**1 525**
Profit before impairments	834	666
Impairments	295	95
Operating profit	**539**	**571**
Tax expense and non-controlling interests	520	450
Profit for the year attributable to: Shareholders in Swedbank AB	**19**	**121**
Full-time employees	6 194	5 866

Value creation and trust through sound corporate governance

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

Foundation for corporate governance at Swedbank

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

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

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

The internal and external rules regulate the delegation of responsibility for governance, control and monitoring of operations between the shareholders, the Board of Directors and the CEO. No deviations from the Swedish Code of Corporate Governance (the Code) or the rules of the stock exchange (NASDAQ OMX Stockholm) were reported in 2018.

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

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

The diagram on page 31 shows the formal corporate governance structure. The number in each box refers to the corresponding section in the corporate governance report.

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

1 The shareholders in corporate governance

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

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

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

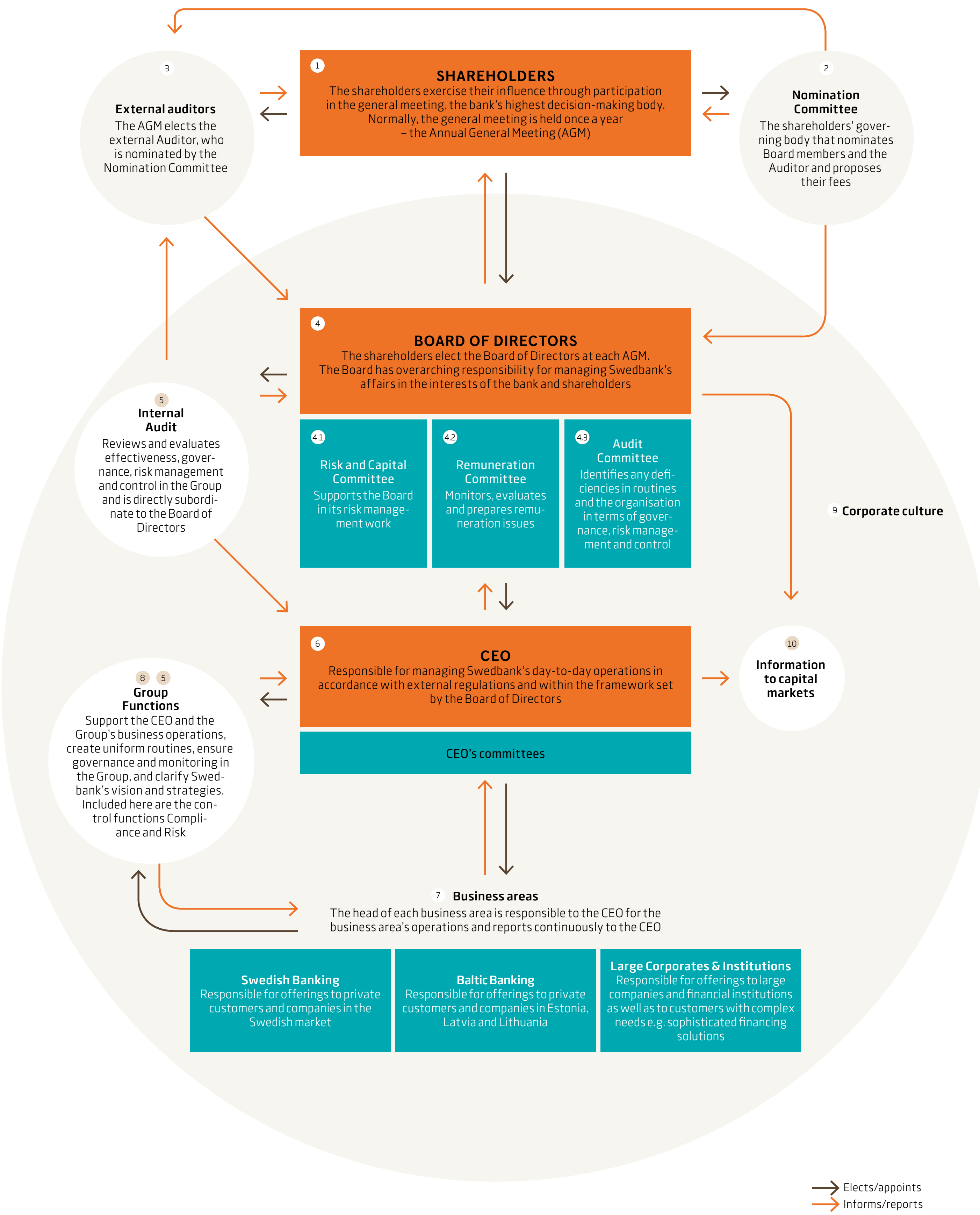
Shareholders wishing to have an item brought before the AGM must submit a written request to the Board not later than seven weeks prior to the AGM for the item to be included in the notice. Shareholders with a total of at least one tenth of the votes in the bank may request an extraordinary general meeting.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

Shareholders' power of decision

The AGM's resolutions include:

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

Swedbank's corporate governance structure



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

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

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

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

Annual General Meeting 2018

The 2018 AGM was held in Stockholm on Thursday, 22 March. A total of 1 370 shareholders attended personally or by proxy, representing about 56 per cent of the votes in the bank.

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

Among the 2018 AGM resolutions were the following:

- adoption of the annual report
- dividend for the 2017 financial year of SEK 13.00 per share
- the number of Board members shall be ten. Nine Board members were re-elected and one new member was elected. Lars Idermark was elected as the Chair
- the Articles of Association were amended so that the Auditor can be elected for less than four years
- remuneration to the Board members and the Auditor
- repurchase of shares by the securities operations and authorisation of the Board to resolve to repurchase additional shares to adjust the bank's capital structure to prevailing capital needs
- mandate to issue convertibles that can be converted to shares, so-called cocos
- remuneration guidelines for senior executives
- Group-level performance- and share-based remuneration programme for 2018. As a result of this and previously approved programmes, it was resolved to transfer ordinary shares (or other financial instruments in the bank) to employees covered by the programmes
- principles for appointing the Nomination Committee
- the Board's members were discharged from liability

2 Nomination Committee

The starting point for the Nomination Committee's work is that the Board should be composed of members with diversity and breadth in terms of competence, experience and background. Gender parity is sought as well. The bank's operations, stage of development and future direction are taken into account. While it is important that the Board has the support of shareholders, it also has to be independent in relation to the bank and executive management as well as the bank's major shareholders.

The 2018 AGM decided on the principles for the appointment of the Nomination Committee prior to the 2019 AGM. They include that the committee comprise six members: the Chair of the Board and representatives of the five largest shareholders (based on known data on the last business day in August 2018), on the condition that they wish to appoint a member. The right to appoint a member otherwise goes to the next largest shareholder.

Under certain circumstances a member may also represent a group of shareholders. Swedbank's Nomination Committee represents the shareholders, and normally only one person from the Board participates on the committee. If a member leaves the Nomination Committee before its work is completed, the committee may decide to replace them with another representative of the same shareholder or with a person representing the next largest shareholder that has not already appointed a committee member. If a new shareholder becomes one of the bank's five largest after the Nomination Committee has been constituted, the committee has the right to co-opt a member appointed by that shareholder. A co-opted member cannot participate in the Nomination Committee's decisions. The Nomination Committee appoints a Chair from among its members, though not the Chair of the Board. The committee's mandate extends until a new Nomination Committee has been constituted. Members of the Nomination Committee are not remunerated for their work or costs incurred. However, the Nomination Committee has the right, at the bank's expense, to engage a recruitment consultant or other external consultants as deemed necessary to fulfil its assignment.

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

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

During its term the Nomination Committee also:

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

Current composition of the Nomination Committee prior to the 2019 AGM (announced on 12 September 2018).

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

3 External Auditor

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

At the AGM the Auditor presents the Auditors' report and describes the audit work. The Auditor presented its review and comments to the Board four times in 2018. On one of these occasions no one from the executive management was present. The Auditor regularly meets the Chair of the Board, the Chair of the Audit Committee, the executive management and other operating managers. The Auditor normally also meets representatives of the Swedish Financial Supervisory Authority (SFSA) during the financial year. Swedbank's interim reports are reviewed by the Auditor. The sustainability report has been reviewed as well, in accordance with the definition on page 188. According to the Articles of Association, the bank shall have no less than one and no more than two authorised public accountants. Deloitte AB is the only accounting firm since 2007. The Chief Auditor is Authorised Public Accountant Patrick Honeth, who has been in charge of auditing duties for Swedbank since 2017. Aside from Swedbank, he has material auditing assignments with the companies SBAB and Skandiabanken. Patrick Honeth has no assignments with other companies that would affect his independence as an auditor of Swedbank. Due to the rules on auditor rotation, the registered audit firm Deloitte AB could not be re-elected for another four-year period at the 2018 AGM and instead was re-elected until the end of the 2019 AGM. Remuneration for the Group's Auditor is reported in note G14. The SFSA is entitled to appoint an auditor of the bank, but has not done so in several years, and did not in 2018. In addition to the assignment as elected auditor, Deloitte has also performed audit-related services mainly involving accounting issues. Assignments closely associated with the audit normally do not constitute a threat to the Auditor's independence. Other consulting services by the Auditor are, according to the bank's policy, performed restrictively. In accordance with current rules on auditor independence, all consulting services must be approved in advance by the Audit Committee and may not commence until then. The Audit Committee annually evaluates the Auditor's objectivity and independence. The Auditor annually reaffirms his independence in the audit report.

4 Board of Directors

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

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

Gender parity on the Board is encouraged. The current distribution is 50 per cent women and 50 per cent men.

The 2018 AGM re-elected Ulrika Francke, Lars Idermark, Siv Svensson, Bodil Eriksson, Peter Norman, Mats Granryd, Bo Johansson, Annika Poutiainen and Magnus Uggla. Anna Mossberg was elected as a new member. Lars Idermark was elected as Chair. The CEO, the CFO and the Company Secretary are not members of the Board. They attend Board meetings, however, except when issues are discussed where they could have a vested interest or it is otherwise inappropriate. The deputy employee representatives normally do not attend Board meetings. The composition of the Board is presented on pages 42–45.

The Board's responsibilities and their delegation

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

In addition to appointing the Board, Swedbank's AGM decides whether to discharge the Board and CEO from liability for the financial period covered in the accounting documents presented to the AGM. This means that the 2019 AGM will decide whether to discharge the Board and CEO from liability for the financial year 2018. A discharge is granted if shareholders representing a majority of the votes cast at the AGM support the proposal, provided that shareholders representing at least one tenth of all shares in the bank do not vote against the proposal. If the AGM decides to discharge from liability, the bank generally may not sue the individuals in question for damages. There are certain circumstances, however, where the bank may still file suit even if a discharge has been granted e.g. if the AGM has not received accurate and material information, in the annual report or in the auditors' report or elsewhere, on the decision or action on which the suit is based or if the suit is based on a criminal offence. Further, a decision to discharge from liability does not prevent a shareholder from filing suit on their own behalf.

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

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

The Board's overarching responsibility cannot be delegated. The Board has appointed committees, however, to monitor, prepare and evaluate issues within specific areas for resolution by the Board. The members of the committees can be changed any time during the year. The Board is also able, at the bank's expense, to engage outside experts if necessary to fulfil their assignment or to obtain information on market practices. During the year the instructions for Board committees were revised in response to updated guidelines from the European Banking Authority (EBA) on internal governance, GL 11. As a consequence, the delegation of issues between the Risk and Capital Committee and the Audit Committee has been changed in that all risks are now reported by the Risk and Capital Committee, except for risks associated with financial reporting, which are reported by the Audit Committee.

The division of tasks between the Board, the Chair of the Board and the CEO is determined annually through the Board's rules of procedure, the corporate governance policy and the instruction for the CEO, among other things. In August 2018 an evaluation of the Board's work was conducted to obtain input on the Board's performance. A summary of the results was presented to the Board and reported to the Nomination Committee.

The Board's work

In 2018 the Board held 16 meetings, 3 of which were by correspondence. Twelve meetings were held in Stockholm/Sundbyberg and one at Swedbank's head office in Vilnius. The Board was unanimous in its decisions, and no dissenting opinions were noted during the year. Each year the Board establishes a work plan where it decides, based on the processes in the bank as shown in the diagram on the following page, which issues to treat in depth.

Other major issues in 2018 included:
- the bank's strategic plan with underlying strategies
- measures to improve customer satisfaction
- greater focus on customers and digital channels
- cybersecurity
- macroeconomic developments and their impact on the bank and its limits and exposures
- capital and liquidity issues with an emphasis on the new capital requirements
- implementation of sustainability issues such as anti-corruption and human rights in the bank's main processes: fund management, payments, lending and procurement
- liquidity strategies and funding issues
- the current risk and capital situation, including the Internal Capital Adequacy Assessment Process (ICAAP) and other stress tests
- increased focus on information risk, not least due to digitisation
- credit decisions where the total Group credit limit exceeds SEK 10 bn as well as limits for credit risk concentrations
- major ongoing projects within the bank
- competition and business intelligence
- regulatory issues such as GDPR, PSD2 and Mifid 2

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

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

The Board's competence

The Board held a conference in autumn 2018 focused on the topic of the financial industry's transformation with concrete future analyses. As a complement, business strategy issues were discussed in detail. The Board's training plan for 2018 stressed cybersecurity and followed up on the implementation of new rules. Training was provided on insurance distribution as well. In addition, the Chair met shareholders and debt investors on a number of occasions during the year. This gives the Board deeper insight into topical issues being discussed by the bank's owners and investors at the same time that the Board, through direct dialogue, gets feedback on the bank's operations and the direction it is taking.

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

4.1 Risk and Capital Committee

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

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

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

The work of the Risk and Capital Committee also includes:

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

4.2 Remuneration Committee

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

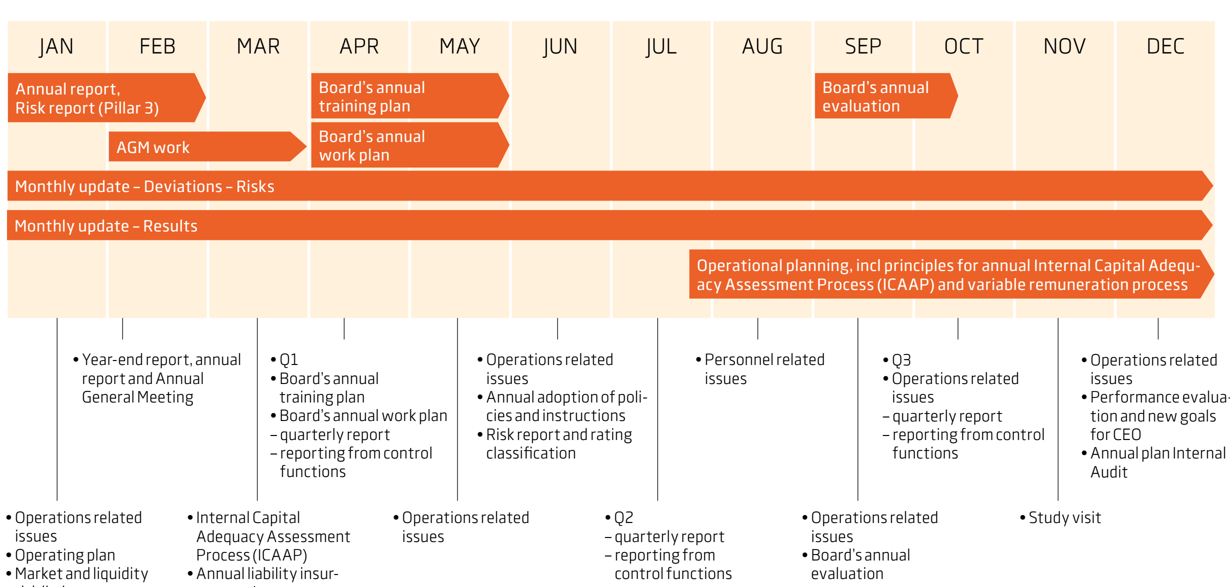
Remuneration systems must comply with all applicable rules, such as those of the Code and the SFSA.

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

The work of the Remuneration Committee also includes:

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

Board work 2018



4.3 Audit Committee

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

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

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

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

5 Internal control and risk management

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

5.1 First line of defence – risk management by business operations

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

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

5.2 Second line of defence – independent control functions

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

Compliance

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

Compliance has four main processes:
- plan compliance work based on risk assessments
- monitor operations through one-off and recurring inspections
- report to the CEO, Board and other operations on improvement areas identified through inspections
- offer advice and support

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

Risk control

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

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

5.3 Third line of defence – Internal Audit

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

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

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

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

6 CEO

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

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

The CEO establishes Group-wide rules on internal control. To support internal control, the CEO has a number of monitoring units within the Group, primarily Group Finance, Risk and Compliance. Follow-ups are done regularly through written reports and in-depth reviews with the heads of the various Group functions and with the business areas. For more information, see the Board of Directors' report on internal control of financial reporting on page 41. The CEO is also responsible for ensuring that the Group has a strategy for competence management.

Swedbank's risk management

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

Board of Directors

CEO

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

Group Executive Committee, other committees and forums

The Group Executive Committee (GEC) is the CEO's decision management forum and consists of 17 members: the Chief Executive Officer, the Chief Financial Officer, the Chief Risk Officer, the Chief Credit Officer, the Head of the CEO Office, the Chief Strategy Officer, the Chief Compliance Officer, the Head of Human Resources, the Heads of the business areas Swedish Banking, Baltic Banking and Large Corporates & Institutions, and the Heads of Group Savings, Group Lending & Payments, Group IT, Digital Banking, Group Customer Value Management and Strategy Digital Banking. A large number of the members have direct business responsibility, and the GEC plays an important role as a forum for sharing information and ideas. The GEC normally meets seven times a year.

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

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

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

Focus areas in 2018:

- Update of Swedbank's wanted position
- Investor meetings
- Extended cooperation with the savings banks
- Improved customer offer through development of digital services
- Continued IT development and security
- Know Your Customer (KYC) and Anti-Money Laundering (AML)
- Adaptation to new GDPR and PSD2 regulations
- Partnerships with fintech companies such as Meniga and Asteria
- Intensified work to increase customer satisfaction

7 Business areas

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

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

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

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

8 Group Functions

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

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

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

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

9 Corporate culture based on simplicity, openness and caring

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

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

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

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

10 Information to capital markets

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

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

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

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

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

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

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

The Board of Directors is ultimately responsible for ensuring that financial reporting complies with external regulations as well as for monitoring internal control of financial reporting (ICFR). ICFR is based on the following five internal control components.

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

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

A Group-wide ICFR framework is in place based on the bank's vision, purpose and values (see page 1). Its purpose is to identify risks and key controls in order to create a transparent control environment with clearly defined roles and responsibilities.

Risk analysis: Risk assessment based on essentiality and complexity

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

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

Control activities: Controls at different levels

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

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

Information and communication

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

Monitoring

Group Finance regularly monitors financial reporting. Annual reviews of key controls are also performed for the services that the bank provides to the savings banks. This results in an annual third party verification, where internal control of these services is evaluated and tested by an independent party. ICFR controls are monitored to ensure that the process is reliable. Self-assessments are performed regularly and the results are reported to Swedbank's CFO and Audit Committee.

Board of Directors

	 **Lars Idermark**	 **Ulrika Francke**	 **Bodil Eriksson**
Year of birth	Born 1957 Chair since 2016, Deputy Chair 2013–2016, Chair 2010–2013	Born 1956 Deputy Chair since 2016, Board member since 2002	Born 1963 Board member since 2016
Shareholdings in Swedbank[1]	Own and closely related parties: 77	Own and closely related parties: 14 350	Own and closely related parties: 0
In Swedbank as	■ Board of Directors, Chair ■ Remuneration Committee, Chair ■ Risk and Capital Committee, member **Attendance:** ■ 16/16 ■ 9/9 ■ 12/13 **Total annual fees:** ■ 2 540 000 ■ 102 500 ■ 230 000 In addition to extensive knowledge of the banking world, including from his time at FöreningsSparbanken, Lars Idermark has experience from a number of other industries, both operational and strategic. As Chair, he provides continuity and support to others participating in the Board's work.	■ Board of Directors, Deputy Chair ■ Remuneration Committee, member ■ Risk and Capital Committee, member ■ Audit Committee, member **Attendance:** ■ 16/16 ■ 8/9 ■ 12/13 ■ 6/6 **Total annual fees:** ■ 850 000 ■ 102 500 ■ 230 000 ■ 232 500 Ulrika Francke provides expertise in real estate and development as well as long experience from the bank's board. In her current role as president and CEO of one of Sweden's leading consulting firms, she also adds knowledge of urban planning.	■ Board of Directors, member ■ Remuneration Committee, member **Attendance:** ■ 14/16 ■ 9/9 **Total annual fees:** ■ 570 000 ■ 102 500 Bodil Eriksson is the CEO of Volvo Car Mobility. She has extensive experience of leading positions in consumer and service companies. She contributes with broad and solid branding expertise as well as knowledge and experience of digitised customer offers.
Board member's independence	Independent in relation to the bank and executive management and independent in relation to the bank's major shareholders.	Independent in relation to the bank and executive management and independent in relation to the bank's major shareholders.	Independent in relation to the bank and executive management and independent in relation to the bank's major shareholders.
Education	Master of Business Administration	University studies	University studies
Bank specific experience	Operational: 12 years. Board: 18 years	Board: 24 years	Board: 3 years (2016)
Professional experience	**President and CEO, Södra Skogsägarna** President and CEO, PostNord AB • President and CEO, KF/Coop • President, AP2 • Deputy President and CEO, Capio AB • Executive Vice President, Deputy President and CEO, FöreningsSparbanken (Swedbank) • CFO and Executive Vice President, Föreningsbanken AB • President and CEO, LRF Holding AB	**Full-time working director** President and CEO, Tyréns AB • President and CEO, SBC Sveriges Bostadsrättscentrum AB • Head of Administration, City of Stockholm • President and CEO, Fastighets AB Brommastaden	**Chief Executive, Volvo Cars Mobility** Executive Vicew President, Volvo Cars USA, LLC • Senior Vice President, Volvo Car Corporation • ExecutiveVice President, Apotek Hjärtat • Senior Vice President, SCA • Executive Vice President, Axfood
Non-executive assignments		Sven Tyréns stiftelse, Board member • Knightec AB, Chair • Vasakronan, Chair • Hexagon AB, Board member • SIS, Board member	

1) Holdings as of 31 December 2018

	Mats Granryd	Bo Johansson	Camilla Linder
Year of birth	Born 1962 Board member since 2017	Born 1965 Board member since 2017	Born 1968 Employee representative since 2015 and deputy since 2013
Shareholdings in Swedbank[1]	Own and closely related parties: 0	Own and closely related parties: 3 000	Own and closely related parties: 1 040
In Swedbank as	■ Board of Directors, member ■ Audit Committee, member **Attendance:** ■ 14/16 ■ 6/6 **Total annual fees:** ■ 570 000 ■ 232 500 Mats Granryd comes from the telecom industry and, through his experience at Ericsson and Tele 2, is used to leading large companies in a regulated environment.	■ Board of Directors, member ■ Risk and Capital Committee, member **Attendance:** ■ 15/16 ■ 13/13 **Total annual fees:** ■ 570 000 ■ 230 000 Bo Johansson has a strong background in the Swedish savings bank movement and at Swedbank, where he has worked for a large part of his professional life. Today he leads a savings bank.	■ Board of Directors, member, employee representative **Total annual fees:** No fees Camilla Linder is an employee representative and has long experience in banking, including retail banking.
Board member's independence	Independent in relation to the bank and executive management and independent in relation to the bank's major shareholders.	Bo Johansson is the CEO of Swedbank Sjuhärad, which is, according to the Swedish Corporate Governance Code, a company closely related to Swedbank. Thus, Bo Johansson is not considered to be independent in relation to Swedbank and the bank's management. Bo Johansson is considered independent in relation to the bank's major shareholders.	Not applicable.
Education	M.Sc. Royal Institute of Technology in Stockholm	M.Sc. Business & Economics	Upper secondary school
Bank specific experience	Board: 2 years (2017)	Operational: 28 years Board: 2 years (2017)	Operational: 24 years
Professional experience	**Director General, GSMA** President and CEOTele 2 • Senior positions within Ericsson	**CEO, Swedbank Sjuhärad AB** Bank Manager Swedbank AB Jämtland/Härjedalen • Head of Trade Finance, Swedbank Markets • Bank Manager Härjedalen • Acting branch manager Sparbanken Sveg	**Employee, Swedbank AB** • Sparbanken Alfa • Föreningssparbanken
Non-executive assignments	COOR, Chair		Finansförbundets koncernklubb Swedbank, Chair • SPK, Board member

1) Holdings as of 31 December 2018

Board of Directors

Roger Ljung

Anna Mossberg

Peter Norman

	Roger Ljung	Anna Mossberg	Peter Norman
Year of birth	Born 1967 Employee representative since 2015	Born 1972 Board member since 2018	Born 1958 Board member since 2016
Shareholding[1]	Own and closely related parties: 0	Own and closely related parties: 0	Own and closely related parties: 0
In Swedbank as	■ Board of Directors, member, employee representative **Total annual fees:** No fees Roger Ljung is an employee representative and has broad experience at Swedbank.	■ Board of Directors, member ■ Remuneration Committee, member **Attendance:** ■ 10/12 ■ 6/6 **Total annual fees:** ■ 570 000 ■ 102 500 Anna Mossberg contributes her experience and expertise in digital change. She has a long background in the Internet and telecom industries, including as Business Area Manager at Google, and many years in various senior roles at Telia and Deutsche Telecom AG.	■ Board of Directors, member ■ Risk and Capital Committee, member ■ Audit Committee, member **Attendance:** ■ 16/16 ■ 13/13 ■ 6/6 **Total annual fees:** ■ 570 000 ■ 230 000 ■ 232 500 Peter Norman is an economist with an extensive financial background. He has previously been Financial Markets Minister and CEO for the Seventh Public Pension Fund and a director at the Riksbank. In addition, he has twenty years of experience in asset management in leading positions.
Board member's independence	Not applicable.	Independent in relation to the bank and executive management and independent in relation to the bank's major shareholders.	Independent in relation to the bank and executive management and independent in relation to the bank's major shareholders.
Education	Uppersecondary school	Executive MBA, IE University, Spain Executive MBA, Stanford University, USA M.Sc., Luleå University of Technology	B.Sc. Economics
Bank specific experience	Operational: 32 years	Board: 1 year (2018)	Swedbank's Board: 3 years (2016) Carnegie Bank's Board: 2 years (2008–2009)
Professional experience	**Business advisor, Swedbank AB** • Retail advisor, branch manager, Swedbank	**Full-time working director** Business Area Manager, Google Sverige AB • MD, Bahnhof AB • SvP, Strategy and Portfolio Management, Deutsche Telecom AG • Director Internet Services, Telia AB • Vice President, Telia International Carrier AB	**Full-time working director** Minister for Financial Markets • CEO, AP7 • CEO, Alfred Berg Asset Management • Director, Riksbank
Non-executive assignments	Finansförbundets förbundsstyrelse, Board member • Finansförbundets koncernklubb Swedbank, Deputy Chair • Finans och försäkringsbranschens A-kassa, Board member • SPK, Deputy Chair	SwissCom AB, Board member	Kvartil Asset Management AB, Chair • COIN - Investment Consulting Group AB, Chair • Pepins Group AB, Chair • Swedish Transport Agency, Chair • Stockholm Resilience Center, Board member • Royal Academy of Music, Stockholm, Board member • Nasdaq Nordic, Chair

1) Holdings as of 31 December 2018

	Annika Poutiainen	Siv Svensson	Magnus Uggla
Year of birth	Born 1970 Board member from 30 March 2017 until 9 January 2019	Born 1957 Board member since 2010	Born 1952 Board member since 2017
Shareholding[1]	Own and closely related parties: 0	Own and closely related parties: 1 500	Own and closely related parties: 10 000
In Swedbank as	Board of Directors, member Audit Committee, member **Attendance:** 16/16 6/6 **Total annual fees:** 570 000 232 500 Annika Poutiainen has worked with compliance monitoring for most of her career, including as head of market surveillance at Nasdaq Nordic and the head of a unit at the Swedish Financial Supervisory Authority.	Board of Directors, member Audit Committee, Chair Risk and Capital Committee, member **Attendance:** 14/16 6/6 12/13 **Total annual fees:** 570 000 360 000 230 000 Siv Svensson has a wealth of experience in banking and financial services, both strategic and operational, and contributes insight into customer relationship management and HR issues as well as an in-depth knowledge of Nordic business.	Board of Directors, member Risk and Capital Committee, Chair **Attendance:** 16/16 13/13 **Total annual fees:** 570 000 410 000 Magnus Uggla has an extensive background from Handelsbanken, including as Vice President of Handelsbanken International,Head of Handelsbanken's UK region and Head of the Stockholm region.
Board member's independence	Independent in relation to the bank and executive management and independent in relation to the bank's major shareholders.	Independent in relation to the bank and executive management and independent in relation to the bank's major shareholders.	Independent in relation to the bank and executive management and independent in relation to the bank's major shareholders.
Education	Jur Kand, Universitet of Helsinki and LL.M. Banking and Finance, King's College, London	B. Sc. International Economics	M.Sc. Royal Institue of Technology in Stockholm, MBA Stockholm School of Economics. Stanford Executive Program
Bank specific experience	Board: 2 years (2017)	Operational: 30 years, Board: 9 years	Operational: 33 years Board: 2 years (2017)
Professional experience	**Self-employed, Alpha Leon AB.** Head of Market Surveillance, Nasdaq Nordics • Head of Unit, Swedish Financial Supervisory Authority • Solicitor at Linklaters London	**Full-time working director** CEO, Sefina Finance AB • CEO, Sefina Svensk Pantbelåning AB • Executive Vice President and Regional Head, Nordea AB • Group Controller and Nordic Head of Global Operation Services, Nordea AB • Group Controller, Merita Nordbanken AB • Administrative Head, PK Fondkommission AB	**Full-time working director** Vice President, Handelsbanken • Axel Johnson AB • Swedish Ministry of Industry • Sveriges Riksbank
Non-executive assignments	eQ Abp, Board member • Carpe Diem Foundation, whose mission is to run Fredrikshovs Slotts Skola AB, Board member • Nasdaq Helsinki Listing Committee, Board Member • Nämnden för svensk redovisningstillsyn, Chair	SJ AB, Board member • Allba Holding AB, Board member • Karolinska University Hospital, Board member	

1) Holdings as of 31 December 2018

Group Executive Committee

Birgitte Bonnesen
President and CEO
Born 1956. Employed since 1987
Shareholdings in Swedbank:[1]
13 995
Education: MA Economics and Modern Languages, Executive MBA

Aet Altroff
Head of Group Customer Value Management
Born 1972. Employed since 1994
Shareholdings in Swedbank:[1]
1 879
Education: BBA Marketing and Foreign Economy

Ģirts Bērziņš
Head of Strategy Digital Banking
Born 1973. Employed 1996–2007 and since 2011
Shareholdings in Swedbank:[1]
923
Education: MA Economics

Mikael Björknert
Chief Strategy Officer
Born 1966. Employed since 2010
Shareholdings in Swedbank:[1]
2 000
Education: M. Sc. Business and Economics
Directorships: NASDAQ Nordic, Board member • Bankgirot, Chair • UC, Board member

Lars-Erik Danielsson
Chief Credit Officer
Born 1962. Employed since 1990
Shareholdings in Swedbank:[1]
6 000
Education: Studies in business and economics

Anders Ekedahl
Head of Group IT
Born 1960. Employed since 1987
Shareholdings in Swedbank:[1]
19 469
Education: M. Sc. Business and Economics

Björn Elfstrand
Head of Group Savings
Born 1964. Employed since 1989
Shareholdings in Swedbank:[1]
30 000
Education: M. Sc. Business and Economics.
Directorships: Eufiserv Payments s.c.r.l, Board member

Charlotte Elsnitz
Head of Baltic Banking
Born 1969. Employed since 2007
Shareholdings in Swedbank:[1]
3 568
Education: M.Sc. Business and Economics

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

1) Holdings as of 31 December 2018

Cecilia Hernqvist

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

Anders Karlsson

Group Financial Officer (CFO)
Born 1966. Employed since 2010
Shareholdings in Swedbank:[1]
11 389
Education: M. Sc. Business and Economics

Leif Karlsson

Head of Lending & Payments
Born: 1966. Employed since 1990
Shareholdings in Swedbank:[1]
3 089
Education: M. Sc. Business and Economics
Directorships: Bankgirot, Board member

Ola Laurin

Head of Large Corporates & Institutions
Born 1971. Employed since 2000
Shareholdings in Swedbank:[1]
4 000
Education: M. Sc. Business and Economics

Lotta Lovén

Head of Digital Banking
Born 1967. Employed 1986–1999 and since 2004
Shareholdings in Swedbank:[1]
2 577
Education: Diploma in business administration
Directorships: Finansiell ID-teknik, Board member

Helo Meigas

Chief Risk Officer (CRO)
Born 1965. Employed since 2004
Shareholdings in Swedbank:[1]
20 255
Education: M.A.L.D. focus on International Business Law and Finance

Carina Strand

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

Christer Trägårdh

Head of Swedish Banking[2]
Born 1963. Employed since 2014
Shareholdings in Swedbank:[1]
1 000
Education: M. Sc. Business and Economics, Executive MBA

1) Holdings as of 31 December 2018
2) Until 22 January 2019

Proposed disposition of earnings and statement of the Board of Directors

In accordance with the balance sheet of Swedbank AB, SEK 60 180m is at the disposal of the Annual General Meeting: The Board of Directors recommends that the earnings be disposed as follows (SEKm):

A cash dividend of SEK 14.20 per ordinary share	15 885
To be carried forward to next year	44 295
Total disposed	60 180

The proposed total amounts to be distributed and carried forward to next year have been calculated on all 1 116 674 361 outstanding ordinary shares at 31 December of 2018, plus 1 978 610 outstanding ordinary shares entitled to dividends which have been estimated to be exercised by employees between 1 January to the Annual General Meeting as per 28 March 2019 relating to remuneration programs. The proposed total amounts to be distributed and carried forward to next year are ultimately calculated on the number shares entitled to dividends on the record day. The amounts could change in the event of additional share repurchases or sales of treasury shares before the record day.

Unrealised changes in the value of assets and liabilities at fair value have had a negative effect on equity of SEK 955m.

The proposed record day for the dividend is 1 April 2019. The last day for trading in Swedbank's shares with the right to the dividend is 28 March 2019. If the Annual General Meeting accepts the Board's proposal, the dividend is expected to be paid by Euroclear on 4 April 2019. At year-end, the consolidated situation's total capital requirement according to pillar 1 and buffer requirements by SEK 40 596m. The surplus in Swedbank AB was SEK 76 595m. The business conducted in the parent company and the Group involves no risks beyond what occur and can be assumed will occur in the industry or the risks associated with conducting business activities. The Board of Directors has considered the parent company's and the Group's consolidation needs through a comprehensive assessment of the parent company's and the Group's financial position and the parent company's and the Group's ability to meet their obligations. The assessment has also been done based on currently expected regulatory changes. Given the financial position of the parent company and the Group, there can be no assessment other than that the parent company and the Group can continue their business and that the parent company and the Group can be expected to meet their liabilities in both the short and long term and have the ability to make the necessary investments.

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

Financial statements and notes – Group

Income statement, Group

SEKm	Note	2018[1]	2017
Interest income		37 045	34 494
Negative yield on financial assets		−2 987	−2 306
Interest income, including negative yield on financial assets		**34 058**	**32 188**
Interest expense		−9 600	−8 382
Negative yield on financial liabilities		770	789
Interest expense, including negative yield on financial liabilities		**-8 830**	**-7 593**
Net interest income	G8	**25 228**	**24 595**
Commission income[2]		18 967	17 542
Commission expense		−6 131	−5 336
Net commission income	G9	**12 836**	**12 206**
Net gains and losses on financial items	G10	2 112	1 934
Net insurance	G11	1 192	937
Share of profit or loss of associates[3]	G27	1 028	736
Other income[2]	G12	1 826	1 795
Total income		**44 222**	**42 203**
Staff costs	G13	10 284	9 945
Other general administrative expenses	G14	5 865	5 870
Depreciation/amortisation of tangible and intangible fixed assets	G15	686	600
Total expense		**16 835**	**16 415**
Profit before impairment		**27 387**	**25 788**
Impairment of intangible assets	G30	306	175
Impairment of tangible assets	G16	8	21
Credit impairment	G17	521	1 285
Operating profit		**26 552**	**24 307**
Tax expense[3)]	G18	5 374	4 943
Profit for the year		**21 178**	**19 364**
Profit for the year attributable to:			
Shareholders of Swedbank AB		**21 162**	**19 350**
Non-controlling interests		16	14
Earnings per share, SEK	G19	18.96	17.38
after dilution, SEK	G19	18.89	17.30

1) Results from 2018 reflect the adoption of IFRS 9 Financial instruments and 2017 have not been restated. Refer to Note G2 for further information.
2) Presentation of commission income have changed compared to 2017. Refer to Note G2 for further information.
3) Presentation of tax related to associates have changed compared to 2017. Refer to Note G2 for further information.

Interest income on financial assets at amortised cost calculated using the effective interest rate method amounted to SEK 32 023m (28 828).

Profit for the year attributable to shareholders of Swedbank AB increased to SEK 21 162m (19 350). The increase was due to higher net interest income and net commission income as well as an increase in other income. Lower credit impairments also contributed positively.

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

Net gains and losses on financial items increased to SEK 2 112m (1 934). The increase is mainly due to an improved result within Group Treasury as a result of lower-covered bond repurchasing activity.

The share of profit or loss of associates increased mainly due to a change in the value of Swedbank's indirect holding in Visa Inc C.

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

Credit impairments amounted to SEK 521m (1 285).

The tax expense amounted to SEK 5 374m (4 943), corresponding to an effective tax rate of 20.2 per cent (20.3).

Statement of comprehensive income, Group

SEKm	Note	2018[1]	2017
Profit for the year reported via income statement		**21 178**	**19 364**
Items that will not be reclassified to the income statement			
Remeasurements of defined benefit pension plans	G39	–1 806	–1 928
Share related to associates, remeasurements of defined benefit pension plans		–63	–49
Change in fair value attributable to changes in own credit risk of financial liabilities designated at fair value through profit or loss	G46	22	
Income tax	G20	361	424
Total		**–1 486**	**–1 553**
Items that may be reclassified to the income statement			
Exchange rate differences, foreign operations			
Gains/losses arising during the year		1 870	1 077
Reclassification adjustments to income statement, Net gains and losses on financial items			4
Hedging of net investments in foreign operations:	G29		
Gains/losses arising during the year		–1 474	–732
Reclassification adjustments to income statement, Net gains and losses on financial items			81
Cash flow hedges:	G29		
Gains/losses arising during the year		421	–76
Reclassification adjustments to income statement, Net gains and losses on financial items		–403	
Reclassification adjustments to income statement, Net interest income			13
Foreign currency basis risk:			
Gains/losses arising during the year		–72	
Share of other comprehensive income of associates:			
Exchange rate differences, foreign operations		36	–80
Income tax:	G20		
Income tax		297	161
Reclassification adjustments to the income statement, Tax expense			–3
Total		**675**	**445**
Other comprehensive income for the year net of tax		**–811**	**–1 108**
Total comprehensive income for the year		**20 367**	**18 256**
Total comprehensive income for the year attributable to: Shareholders of Swedbank AB		**20 351**	**18 242**
Non-controlling interests		16	14

1) Results from 2018 reflect the adoption of IFRS 9 Financial instruments and 2017 have not been restated. Refer to Note G2 for further information.

Balance sheet, Group

SEKm	Note	2018[1]	2017	1/1/2017
Assets				
Cash and balances with central banks		163 161	200 371	121 347
Treasury bills and other bills eligible for refinancing with central banks, etc.	G21	99 579	85 903	107 571
Loans to credit institutions	G22	36 268	30 746	32 197
Loans to the public	G23	1 627 368	1 535 198	1 507 247
Value change of interest hedged item in portfolio hedge		766	789	1 482
Bonds and other interest-bearing securities	G24	53 312	59 131	74 501
Financial assets for which the customers bear the investment risk	G25	177 868	180 320	160 114
Shares and participating interests	G26	4 921	19 850	23 897
Investments in associates	G27	6 088	6 357	7 319
Derivatives	G28	39 665	55 680	87 811
Intangible assets	G30	17 118	16 329	14 279
Tangible assets	G31	1 966	1 955	1 864
Current tax assets		2 065	1 375	1 796
Deferred tax assets	G18	164	173	160
Other assets	G32	13 970	14 499	8 067
Prepaid expenses and accrued income	G33	1 813	3 960	4 551
Total assets		**2 246 092**	**2 212 636**	**2 154 203**
Liabilities and equity				
Liabilities				
Amounts owed to credit institutions	G34	57 218	68 055	71 831
Deposits and borrowings from the public	G35	920 750	855 609	792 924
Financial liabilities for which the customers bear the investment risk	G36	178 662	181 124	161 051
Debt securities in issue	G37	804 360	844 204	841 673
Short positions securities	G38	38 333	14 459	11 614
Derivatives	G28	31 316	46 200	85 589
Current tax liabilities		1 788	1 980	992
Deferred tax liabilities	G18	1 576	2 182	2 438
Pension provisions	G39	4 979	3 200	1 406
Insurance provisions	G40	1 897	1 834	1 820
Other liabilities and provisions	G41	30 035	25 059	14 989
Accrued expenses and prepaid income	G42	3 385	9 650	10 917
Subordinated liabilities	G43	34 184	25 508	27 254
Total liabilities		**2 108 483**	**2 079 064**	**2 024 498**
Equity	G44			
Non-controlling interests		213	200	190
Equity attributable to shareholders of the parent company		137 396	133 372	129 515
Total equity		**137 609**	**133 572**	**129 705**
Total liabilities and equity		**2 246 092**	**2 212 636**	**2 154 203**

1) The balance sheet 2018 reflect the adoption of IFRS 9 Financial instruments and 2017 have not been restated. Refer to Note G2 for further information.

Total assets have increased by SEK 33bn from 1 January 2018. Assets increased by 76bn, mainly due to higher lending to the public, excluding the National Debt Office and repos. Swedish mortgages increased by SEK 39bn. The increase was offset by lower cash and balances with central banks, which decreased by SEK 37bn. The decrease is mainly attributable to lower deposits with the US Federal Reserve and central banks in the euro system. Deposits and borrowings from the public, excluding the National Debt Office and repos, rose by a total of SEK 73bn. Interest-bearing securities, Treasury bills, bonds and other securities, increased by SEK 8bn. Amounts owed to credit institutions increased by SEK 11bn. Balance sheet items related to credit institutions fluctuate over time depending primarily on repos. The market value of derivatives decreased on both the asset and liability side, mainly due to movements in interest rates and currencies. The decrease of Debt securities in issue was mainly offset by repurchased covered bond loans of SEK 54bn.

Statement of changes in equity, Group

	Equity attributable to shareholders of Swedbank AB									Non-controlling interests	Total equity
SEKm	Share capital	Other contributed equity[1]	Exchange differences, subsidiaries and associates	Hedging of net investments in foreign operations	Cash flow hedge reserve	Foreign currency basis reserve	Own credit risk reserve	Retained earnings	Total		
Closing balance 31 December 2017	**24 904**	**17 275**	**3 602**	**–2 255**	**28**			**89 818**	**133 372**	**200**	**133 572**
Amendments due to the adoption of IFRS 9					–38	38	–36	–2 105	–2 141	2	–2 139
Opening balance 1 January 2018	**24 904**	**17 275**	**3 602**	**–2 255**	**–10**	**38**	**–36**	**87 713**	**131 231**	**202**	**131 433**
Dividends								–14 517	–14 517	–5	–14 522
Share based payments to employees								321	321		321
Deferred tax related to share based payments to employees								–9	–9		–9
Current tax related to share based payments to employees								19	19		19
Total comprehensive income for the year			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, before tax			1 906	–1 474	18	–72	22	–1 869	–1 469		–1 469
of which income tax reported through other comprehensive income				285	–4	15	–4	366	658		658
Closing balance 31 December 2018	**24 904**	**17 275**	**5 508**	**–3 444**	**4**	**–19**	**–18**	**93 186**	**137 396**	**213**	**137 609**

1) Other contributed equity consists mainly of share premiums.

	Equity attributable to shareholders of Swedbank AB							Non-controlling interests	Total equity
SEKm	Share capital	Other contributed equity[1]	Exchange differences, subsidiaries and associates	Hedging of net investments in foreign operations	Cash flow hedges	Retained earnings	Total		
Opening balance 1 January 2017	**24 904**	**17 275**	**2 601**	**–1 748**	**77**	**86 406**	**129 515**	**190**	**129 705**
Dividends						–14 695	–14 695	–4	–14 699
Share based payments to employees						307	307		307
Deferred tax related to share based payments to employees						–35	–35		–35
Current tax related to share based payments to employees						38	38		38
Total comprehensive income for the year			1 001	–507	–49	17 797	18 242	14	18 256
of which reported through profit or loss						19 350	19 350	14	19 364
of which reported through other comprehensive income, before tax			1 001	–651	–63	–1 991	–1 704		–1 704
of which income tax reported through other comprehensive income				144	14	438	596		596
Closing balance 31 December 2017	**24 904**	**17 275**	**3 602**	**–2 255**	**28**	**89 818**	**133 372**	**200**	**133 572**

1) Other contributed equity consists mainly of share premiums.

Statement of cash flow, Group

SEKm	Note	2018	2017
Operating activities			
Operating profit		26 552	24 307
Adjustments for non-cash items in operating activities	G48	–2 098	–1 248
Taxes paid		–6 531	–3 479
Increase/decrease in loans to credit institutions		–5 257	1 819
Increase/decrease in loans to the public		–86 339	–26 994
Increase/decrease in holdings of securities for trading		6 720	41 651
Increase/decrease in deposits and borrowings from the public including retail bonds		56 594	59 559
Increase/decrease in amounts owed to credit institutions		–12 167	–4 513
Increase/decrease in other assets		15 946	25 279
Increase/decrease in other liabilities		33 714	–59 577
Cash flow from operating activities		**27 134**	**56 804**
Investing activities			
Business combinations	G53		–1268
Business disposals			6
Acquisitions of and contributions to associates			–88
Disposal of shares in associates		277	650
Received dividends from associates		354	1 544
Acquisition of other fixed assets and strategic financial assets		–15 321	–504
Disposals of/matured other fixed assets and strategic financial assets		16 361	407
Cash flow from investing activities		**1 671**	**747**
Financing activities			
Issuance of interest-bearing securities	G3	116 506	187 220
Redemption of interest-bearing securities	G3	–152 614	–215 173
Issuance of commercial paper	G3	1 000 665	1 048 804
Redemption of commercial paper	G3	–1 018 910	–985 582
Dividends paid		–14 522	–14 699
Cash flow from financing activities		**-68 875**	**20 570**
Cash flow for the year		**–40 070**	**78 121**
Cash and cash equivalents at the beginning of the year		**200 371**	**121 347**
Cash flow for the year		–40 070	78 121
Exchange rate differences on cash and cash equivalents		2 860	903
Cash and cash equivalents at end of the year		**163 161**	**200 371**

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

Operating activities
Cash flow from operating activities is based on operating profit for the year. Adjustments are made for items not included in cash flow from operating activities. Changes in assets and liabilities from operating activities consist of items which are part of normal business activities, such as loans to and deposits and borrowings from the public and credit institutions, and which are not attributable to investing and financing activities. Cash flow includes interest receipts of SEK 33 899m (33 146) and interest payments of SEK 7 435m (5 376). Capitalised interest is included.

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

On June 29, 2018, the associate UC AB was sold. Swedbank received a cash payment of SEK 206 m. 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 502m. The recognised capital gain was SEK 677m.

On January 9, 2017, the shares in the associate Hemnet AB were sold, for SEK 863m. Swedbank received a cash payment of SEK 650m in 2017 and SEK 71m in 2018. The remaining payment of SEK 142m will be received during the following two years. The recognised capital gain in 2018 was SEK 11m and SEK 680m in 2017.

On March 23, 2018, the Group acquired 6 per cent of shares in Meniga Ltd for SEK 31m and, on December 19, 14 per cent of shares in Asteria for SEK 6m. In addition, on December 7, the investment in Minna Technolgies AB (Mina Tjänster AB) was acquired for SEK 10m.

During 2018 other tangible assets were acquired for SEK 376m (313) and other tangible assets were divested for SEK 46m (371). Other acquisitions and divestments/maturities reported refer to holdings of interest-bearing securities reported in the business model hold to collect.

On August 15, 2017 the Group acquired all the shares in PayEx Holding AB for SEK 1 268m. During 2017 an additional consideration of SEk 6m was received for the Norwegian company Swedbank Asset Management AS that was sold in 2016. On April 4, 2017, 15 per cent of shares in Minna Technologies AB (Mina Tjänster AB) were acquired for SEK 15m. On June 19, Swedbank initiated the strategic partnership with Kepler Chevreaux through an acquisition of 6 per cent of the shares for SEK 173m. On May 3, 2017 a shareholding of 5 per cent was acquired in Nordic Credit Rating AS for SEK 3m. During 2017, the shares in New Star Financial Inc were divested for SEK 23m and condominiums were divested for SEK 13m. Capital contributions of SEK 88 m were paid to BGC Holding AB.

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

Notes

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

G1 Corporate information

The consolidated financial statements and the annual report for Swedbank AB (publ) for the financial year 2018 were approved by the Board of Directors and the CEO for publication on 20 February 2019. The parent company, Swedbank AB, maintains its registered office in Stockholm at the following address: Landsvägen 40, 172 63 Stockholm, Sweden. The company's shares are traded on the NASDAQ OMX Nordic Exchange in Stockholm in the Nordic Large Cap segment. The Group offers financial services and products in its home markets of Sweden, Estonia, Latvia and Lithuania. The operations are described more extensively in the Board of Directors' report.

The consolidated financial statements and the annual report will ultimately be adopted by the parent company's Annual General Meeting on 28 March 2019.

G2 Accounting policies

CONTENTS

1 BASIS OF ACCOUNTING

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

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

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

The financial statements are prepared using several measurement bases. Financial assets and liabilities are measured at amortised cost, except for certain financial assets and liabilities (including derivative instruments), which are measured at fair value. The carrying amounts of financial assets and liabilities subject to hedge accounting at fair value are adjusted for changes in fair value attributable to the hedged risk. Non-monetary items are measured on a historical cost basis. Pension liabilities are measured at their present value.

The financial statements are presented in Swedish kronor and all figures are rounded to millions of kronor (SEKm) unless indicated otherwise.

2 CHANGES IN ACCOUNTING POLICIES

The following adoption of accounting pronouncements and changes are applied in the financial reports during 2018.

Financial Instruments (IFRS 9)

On 1 January 2018, the Group adopted IFRS 9 Financial Instruments. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and includes requirements for recognition, classification and measurement, impairment, derecognition and hedge accounting. The major changes from IAS 39 relate to classification and measurement, impairment and hedge accounting. The related accounting policies applied from 1 January 2018 are set out below in the significant accounting policies.

The classification, measurement and impairment requirements were applied retrospectively. The hedge accounting requirements were applied prospectively, except for the retrospective application of the exclusion of the currency basis spread component from cash flow hedging relationships. As permitted by IFRS 9, the Group did not restate comparative periods and, accordingly, all comparative period information is presented in accordance with the accounting policies as set out below in the significant accounting policies. Furthermore, new or amended disclosures are presented for the current period according to IFRS 9, where applicable, while comparative period disclosures are consistent with those made in the prior year. Adjustments to carrying amounts of financial assets and liabilities at the date of initial application of 1 January 2018 were recognised in the opening equity in the current period. The adoption impacts are disclosed in note G58.

Revenue from contracts with customers (IFRS 15)

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

Other changes in IFRS and Swedish regulations

Other new or amended IFRSs or interpretations or Swedish regulations which have been adopted during 2018 have had no or immaterial impact on the Group's financial position, results, cash flows or disclosures.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Presentation of financial statements (IAS 1)

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

Changed presentation of Commission income

From 2018 the Group presents certain revenues from the Savings banks, which were previously reported as IT services within Other income, in relevant lines within Commission income in order to better represent the different services provided to the Savings banks. Restatement of the historical comparative figures has been made to better illustrate the comparative trends between periods. The change affected the Commission income and Other income lines, but has not had any impact on the total profit for the year. The change is presented in note G59.

Changed presentation of accrued interest

From 2018, the Group presents contractually accrued interest on financial assets and financial liabilities as part of the carrying amount of the related asset or liability in the balance sheet. Previously, the contractually accrued interest for financial instruments other than derivatives was presented within Prepaid expenses and accrued income or Accrued expenses and prepaid income. The balance sheet as of 31 December 2017 adjusted for this changed presentation of accrued interest is presented in note G58. The balance sheet for comparative periods has not been restated.

Changed presentation of tax relating to associates

From 2018 the Group includes taxes related to associates in the income statement line Share of profit or loss of associates. Previously the Group presented the associate's tax as Tax expense in the income statement and as Income tax in the other comprehensive income. Comparative figures have been restated to better illustrate the comparative trends between periods. The change is presented in note G59.

3.2 Consolidated financial statements (IFRS 3, IFRS 10)

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

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

3.3 Assets and liabilities in foreign currency (IAS 21)

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

3.4 Financial instruments (IAS 32, IFRS 9, IAS 39)

3.4A Financial instruments 2018, (IAS 32, IFRS 9)

3.4A.1 General

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

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

Recognition and derecognition

Financial assets and liabilities are recognised on the balance sheet on the trade day, which is the date when the Group becomes a party to the instrument's contractual provisions, with the exception of financial assets measured at amortised cost, which are recognised on the settlement day.

Financial assets are derecognised when the right to obtain the cash flows from a financial instrument has expired or has been transferred to another party.

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

Embedded derivatives

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

Repurchase transactions

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

Securities loans

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

Offsetting

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

Net interest income

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

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

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

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

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

3.4A.2 Classification and measurement

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

The business model reflects how the Group manages portfolios of financial assets in order to generate cash flows. The factors considered in determining the business model for a portfolio of financial assets include past experience on how the cash flows have been collected, how the financial assets' performance is evaluated and reported to management, how risks are assessed and managed and how compensation is linked to performance.

The Group assesses the contractual terms of financial assets to identify whether the contractual cash flows are solely payments of principal and interest. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement. Principal is defined as the fair value of a financial asset on initial recognition. Interest is defined as the compensation for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is not compliant with the solely payments of principal and interest criterion.

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

Financial assets at amortised cost

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

Financial assets at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the issue or acquisition of financial assets and subsequently measured at amortised cost. Fair value is normally the amount advanced, including fees and commissions. The amortised cost is the amount at which the financial asset is measured at initial recognition minus repayments of principal, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any credit impairment provisions. Accounting policies regarding credit impairment provisions are disclosed in section 3.4A.3.

Financial assets at fair value through profit or loss

Financial assets classified as measured at fair value through profit or loss are comprised of:

- Debt instruments that are mandatorily classified at fair value through profit or loss
- Equity instruments
- Derivative assets that are not designated for hedge accounting

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

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

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

Financial liabilities at amortised cost

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

Financial liabilities at fair value through profit or loss

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

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

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

Reclassification of financial assets and liabilities

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

3.4A.3 Credit impairment

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

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

Measurement of expected credit losses

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

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

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

The Group assesses material credit-impaired exposures individually and without the use of modelled inputs. The credit impairment provisions for these exposures are established using the discounted expected cash flows and considering a minimum of two possible outcomes, one of which is a loss outcome. The possible outcomes consider both macroeconomic and non-macroeconomic (borrower-specific) scenarios.

Definition of default and credit-impaired assets

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

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

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

Determining a significant increase in credit risk since initial recognition

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

Qualitative indicators are also considered in the stage allocation assessment; for example whether a borrower is monitored on the watch list or has been extended performing forbearance measures. Furthermore, a significant increase in credit risk is considered to have occurred for all financial instruments which are 30 days past due. The Group considers that certain financial instruments with low credit risk at the reporting date, have not experienced a significant increase in credit risk. The Group applies this policy to financial instruments issued to sovereign and financial institutions only.

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

Expected lifetime

The lifetime of a financial instrument is relevant for both the assessment of significant increase in credit risk, which considers changes in the probability of default over the expected lifetime, and the measurement of lifetime expected credit losses. The expected lifetime is generally limited by the maximum contractual period over which the Group is exposed to credit risk, even if a longer period is consistent with business practice. All contractual terms are considered when determining the expected lifetime, including prepayment options and extension and rollover options that are binding to the Group. For the mortgage portfolio, the Group uses a behavioural life model which predicts the likelihood that an exposure will still be open and not defaulted at any point during its remaining life (accounting for the probability of early repayment).

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

Modifications

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

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

Purchased or originated credit impaired assets

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

Presentation of credit impairments

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

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

3.4A.4 Hedge accounting (IFRS 9, IAS 39)

Fair value hedges (IFRS 9)

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

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

Portfolio fair value hedges (IAS 39)

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

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

Cash flow hedges (IFRS 9)

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

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

Hedging of net investments in foreign operations (IFRS 9)

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

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

3.4B Financial instruments, 2017 (IAS 32, IAS 39)

3.4B.1 General

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

Recognition and derecognition

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

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

Embedded derivatives

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

Repurchase transactions

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

Securities loans

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

Offsetting

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

Presentation of negative yield

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

3.4B.2 Classification and measurement

The Group's financial instruments are divided into the following valuation categories:
- financial instruments at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- other financial liabilities.

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

Valuation category, fair value through profit or loss

Financial instruments at fair value through profit or loss comprise instruments held for trading and all derivatives, excluding those designated for hedge accounting. Financial instruments held for trading are acquired for the purpose of selling or repurchasing in the near term or are part of a portfolio for which there is evidence of a pattern of short-term profit-taking. In the notes to the balance sheet, these financial instruments are classified at fair value through profit or loss, trading. This category also includes other financial instruments that upon initial recognition have irrevocably been designated as at fair value, the so-called fair value option. The option to irrevocably measure financial instruments at fair value is used in the Group for individual portfolios of loans, securities in issue and deposits, when the instruments, together with derivatives, essentially eliminate the portfolio's aggregate interest rate risk. Typically these financial instruments have a fixed contractual interest rate. The fair value option is used to eliminate the accounting volatility that would otherwise arise because of the different measurement principles that are normally used for derivatives compared with other financial instruments. Financial liabilities in insurance operations, where the customer bears the investment risk, are categorised in the same way when corresponding assets are also measured at fair value. The Group has chosen to categorise holdings of shares and participating interests that are not associates or intended for trading at fair value through profit or loss, since they are managed and evaluated based on fair value. In the notes to the balance sheet, these financial instruments are classified at fair value through profit or loss, other.

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

Valuation category, loans and receivables

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

Valuation category, held-to-maturity

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

Reclassification of financial assets

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

Valuation category, other financial liabilities

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

3.4B.3 Hedge accounting (IAS 39)

Hedge accounting at fair value

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

Cash flow hedges

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

Hedging of net investments in foreign operations

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

3.5 Leases (IAS 17)

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

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

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

The carrying amount of the participating interests is subsequently compared with the recoverable amount of the net investment in the associate or the joint venture to determine whether an impairment need exists. The owned share of the associate's or the joint venture's profit according to the associate's or the joint venture's income statement, together with any impairment, is recognised on a separate line. The associates' and joint venture's reporting dates and accounting policies conform to the Group's.

3.7 Intangible assets (IAS 38)

Goodwill

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

Other intangible assets

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

3.8 Tangible assets (IAS 2, IAS 16)

For protection of claims

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

For own use

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

3.9 Borrowing costs (IAS 23)

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

3.10 Provisions (IAS 37)

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

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

3.11 Pensions (IAS 19)

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

3.12 Insurance contracts (IFRS 4)

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

3.13 Net commission and other income (IFRS 15, IAS 18)

3.13A Net commission and other income 2018 (IFRS 15)

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

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

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

3.13B Revenues, 2017 (IAS 18)

The principles of revenue recognition for financial instruments are described in section 3.4B.2 Classification and measurement. Interest income and interest expense on financial instruments calculated according to the effective interest method are recognised as Net interest income, with the exception of interest income and interest expense on financial instruments and related interests that are classified as held for trading within the Large Corporates & Institutions ("LC&I") segment which are reported as Net gains and losses on financial items. Changes in fair value and dividends on shares in the valuation category financial instruments at fair value through profit or loss, as well as changes in the exchange rates between functional and other currencies are recognised in Net gains and losses on financial items.

Service fees are recognised as income when the services are rendered as Commission income or Other income. Commission income includes payment processing, asset management and brokerage commissions. Commission expenses are transaction-dependent and are directly related to the transactions for which income is recognised in Commission income. Other income includes capital gains and losses on the sale of ownership interests in subsidiaries and associates, to the extent they do not represent an independent service line or a significant business conducted within a geographical area. Other income also includes capital gains and losses on the sale of tangible assets.

3.14 Share-based payment (IFRS 2)

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

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

3.15 Impairment (IAS 36)

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

3.16 Tax (IAS 12)

Current tax assets and tax liabilities for current and previous periods are measured at the amount expected to be obtained from or paid to tax authorities. Deferred taxes refer to tax on differences between the carrying amount and the tax base, which in the future serves as the basis for current tax. Deferred tax liabilities are the tax attributable to taxable temporary differences and are expected to be paid in the future. Deferred tax liabilities are recognised on all taxable temporary differences, with the exception of the portion of tax liabilities attributable to the initial recognition of goodwill or to certain taxable differences owing to holdings in subsidiaries. Deferred tax assets represent a reduction in the future tax attributable to deductible temporary differences, tax loss carry-forwards or other future taxable deductions. Deferred tax assets are tested on each closing day and recognised to the extent it is likely on each closing day that they can be utilised. As a result, a previously unrecognised deferred tax asset is recognised when it is considered likely that a sufficient surplus will be available in the future. Tax rates which have been enacted or substantively enacted as of the reporting date are used in the calculations.

The Group's deferred tax assets and tax liabilities are estimated at nominal value using each country's tax rate in effect in subsequent years. Deferred tax assets are netted against deferred tax liabilities for Group entities that have offsetting rights. All current and deferred taxes are recognised in profit or loss as Tax expense, with the exception of tax attributable to items that are recognised directly in other comprehensive income or equity.

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

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

3.18 Cash and cash equivalents (IAS 7)

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

3.19 Operating segments (IFRS 8)

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

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

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

4 CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

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

Investment funds

Entities in the Group have established investment funds for their customers' savings needs. The Group manages the assets of these funds on behalf of customers in accordance with predetermined provisions approved by the Swedish Financial Supervisory Authority. The return generated by these assets, as well as the risk of a change in value, accrues to customers. Within the framework of the approved fund provisions, the Group receives management fees as well as, in certain cases, application and withdrawal fees for the management duties it performs. The decisions regarding the management of an investment fund are governed by the fund's provisions; however the Group has power over the decision making of the relevant activities of the investment funds. The Group's exposure to variable returns from its involvement with those funds is primarily related to the fees charged and therefore the Group is considered to act as agent on behalf of the investment funds' investors. In certain cases, Group entities also invest in the investment funds to fulfil their obligations to customers. The Group's holdings in the investment funds represent an additional variable exposure in the investment funds. The Group's interests in total are seen as principal activity for the Group's own benefit where such interests exceed 35 per cent and, consequently, the investment fund would be controlled and consolidated. The Group considers that holdings in investment funds through unit-linked mutual insurance contracts do not result in a variable exposure and therefore are excluded from the assessment of control over such investment funds. Holdings in investment funds through unit-linked mutual insurance contracts of SEK 129bn (130) are recognised as Financial assets for which the customer bears the investment risk and the corresponding liabilities of SEK 129bn (130) are recognised as Financial liabilities for which the customer bears the investment risk. If the Group had considered such holdings to be a variable exposure and that it had control over such investment funds, additional financial assets and financial liabilities corresponding to SEK 44bn (56) respectively would have been recognised in the Group's balance sheet.

Financial instruments

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

When financial instruments are measured at fair value according to valuation models, a determination is made on which observable market data should be used in those models. The assumption is that quoted prices for financial instruments with similar activity will be used. When such prices or components of prices cannot be identified, the executive management must make its own assumptions. Note G46 shows financial instruments at fair value divided into three valuation levels: quoted prices, valuation models with observable market inputs and valuation models with significant assumptions. As of year-end the value of financial instruments measured with significant assumptions amounted to SEK 1 266m (475), of which SEK 1 264m related to holdings in unlisted shares.

A determination is made about which financial instruments hedge accounting will be applied to in order to reduce accounting volatility as far as possible. Accounting volatility lacks economic relevance and arises when financial instruments are measured with different measurement principles despite that they financially hedge each other.

Tax

For the parent company's Estonian subsidiary, Swedbank AS, income taxation is triggered only if dividends are paid. The parent company determines the dividend payment and does not intend to distribute dividends from the subsidiary's accumulated earnings before 2017 and no deferred tax is reported for this part. Accumulated earnings before 2017 amounted to SEK 14 011m. The unrecognised deferred tax liability amounted to SEK 2 802m (2 636).

Provisions for credit impairments

The implementation of IFRS 9 resulted in a change in the estimates and assumptions related to credit impairment provisions. Consequently, the estimates and assumptions used for 2018 and 2017 are presented separately.

2018

Credit impairment provisions that are estimated using quantitative models 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: the determination of a significant increase in credit risk and the incorporation of forward-looking macroeconomic scenarios. Incorporating forward-looking information requires significant judgment, both in terms of the scenarios to be applied and ensuring that only relevant forward-looking information is considered in the calculation of expected credit losses. An analysis of the sensitivity of credit impairment provisions in relation to significant increase in credit risk assumptions is found on page 67 and in relation to the forward-looking macroeconomic scenarios is found on page 68.

Significant credit-impaired exposures (which are those where the borrower's or limit group's total group credit limit is SEK 50m or more), are assessed on an individual basis and without the use of modelled inputs. The credit impairment provisions for these exposures are established using the discounted expected cash flows and considering a minimum of two possible outcomes, of which at least one is a loss outcome. The possible outcomes consider both macroeconomic and non-macroeconomic (borrower-specific) scenarios. The estimation of future cash flows takes into account a range of relevant factors such as the amount and sources of cash flows, the level and quality of the borrower's earnings, the realisable value of collateral, the Group's position relative to other claimants, the likely cost and duration of the work-out process and current and future economic conditions. The amount and timing of future recoveries depend on the future performance of the borrower and the valuation of collateral, both of which might be affected by future economic conditions; additionally, collateral may not be readily marketable. Judgements change as new information becomes available or as work-out strategies evolve, resulting in regular revisions to the credit impairment provisions. The change in credit impairment provisions recognised in the income statement in relation to individually assessed loans is SEK 832m.

The Group has not made changes in the estimation techniques or significant assumptions made during the reporting period. The modelled inputs (probability of default, loss given default, exposure at default) are reviewed regularly in light of differences between loss estimates and actual loss experience, but given that IFRS 9 requirements have only just been applied, there has been little time available to make these comparisons. Therefore, the underlying models and their calibration, including how they react to forward-looking economic conditions, remain subject to review and refinement.

2017

Loans and receivables measured at amortised cost are tested if loss events have occurred. Individual loans are tested initially, followed by groups of loans with similar credit terms and which are not identified individually. A loss event refers to an event that occurred after the loan was paid out and which has a negative effect on projected future cash flows. Determining loss events for a group of loans carries greater uncertainty, since a number of different events, such as macroeconomic factors, may have had an impact. Loss events include late or non-payments, concessions granted due to the borrower's financial difficulties, bankruptcy or other financial restructures, and local economic developments linked to non-payments, such as an increase in unemployment or decreases in real estate or commodity prices. Where a loss event has occurred, individual loans are classified as impaired loans. The executive management considers that loans whose terms have been significantly changed due to the borrower's economic difficulties and loans that have been non-performing for more than 90 days should automatically be treated as impaired. Such a loan is not considered impaired if there is collateral which covers the capital, accrued and future interest and fees by a satisfactory margin. When a loss event has occurred, a determination is made when in the future the loan's cash flows will be received and the estimated size. For impaired loans, interest is not considered to be received, only capital or portions thereof. For groups of loans, estimates are based on historical values and experience-based adjustments to the current situation. Provisions for impaired loans are made on the difference between estimated value, i.e. estimated future cash flows discounted by the loan's original effective interest rate, and amortised cost. Amortised cost refers to contractual cash flows discounted by the loan's original effective interest rate. Assumptions about when in time a cash flow will be received as well as its size determine the size of the provisions. Decisions on provisions are therefore based on various calculations and the executive management's assumptions of current market conditions. The executive management is of the opinion that provision estimates are important because of their significant size as well as the complexity of making these estimates. The Group's total provisions for credit impairments amounted to SEK 3 886m at year-end 2017. An overall decrease in borrowers' payment ability of an additional 10 per cent would have increased provisions by SEK 388m.

Impairment testing of goodwill

Goodwill is tested at least annually for impairment. Testing is conducted by calculating the recoverable amount i.e. the highest of value in use or the selling price less costs to sell. If the recoverable amount is lower than the carrying amount, the asset is reduced to its recoverable amount. Goodwill impairment does not affect either cash flow or the capital adequacy ratio, since goodwill is a deduction in the calculation of the capital base. The executive management's tests are done by calculating value in use. The calculation is based on estimated future cash flows from the cash generating unit that the goodwill relates to and has been allocated to as well as when the cash flows are received. The first three years' cash flows are determined on the basis of the financial plans the executive management has established. Subsequent determinations of the size of future cash flows require more subjective estimates of future growth, margins and profitability levels. The Group estimates perpetual cash flows, since all cash generating units are part of the Group's home markets, which it has no intention of leaving. In addition, a discount rate is determined that in addition to reflecting the time value of money also reflects the risk that the asset is associated with. Different discounting factors are used for different time periods. As far as possible, the discount rate and assumptions, or portions of the assumptions, are based on external sources. Nevertheless, a large part of the calculation is dependent on the executive management's own assumptions. The executive management considers the assumptions to be significant to the Group's results and financial position. The Group's goodwill amounted to SEK 13 549m (13 100) at year-end, of which SEK 10 413m (9 964) relates to the investment in the Baltic banking operations. The executive management's assumptions in the calculation of value in use as of year-end 2018 did not lead to any impairment losses. Until 2001, 60 per cent of the Baltic banking operations had been acquired. In 2005 the remaining 40 per cent was acquired. The majority, or SEK 11 2016m (10 723) of the goodwill before impairments arose through the acquisition of the remaining non-controlling interest and at the time corresponded to 40 per cent of the operation's total value. If the discount rate had been increased by one percentage point or the growth assumption had been reduced by one percentage point, it would not have created any impairment losses for the investments in the Baltic operations.

Defined benefit pensions

For pension provisions for defined benefit obligations, the executive management uses a number of actuarial assumptions to estimate future cash flows. The assumptions are assessed and updated, if necessary, at each reporting date. Changes in assumptions are described in Note G38. Important estimates are made with regard to the final salary the employee has at the time of retirement, the size of the benefit when it relates to the income base amount and the payment period and economic life. Estimated future cash flows are projected at present value using an assumed discount rate. When actual outcomes deviate from the assumptions made, an experience-based actuarial gain or loss arises. Actuarial gains or losses also arise when assumptions change. During 2018 an expense of SEK 1 806m (1 928) was recognised in other comprehensive income, regarding remeasurements of defined benefit pension plans. At year end the discount rate, which are used in the calculation of the pension liability, was 2.42 per cent as per year end 2018 compared to 2.56 per cent last year end. The inflation assumption was 1.92 per cent compared with 1.95 per cent last year end. The changed assumptions represent SEK 579m of the expense in other comprehensive income. In addition, SEK 526m was added as a result of actual outcome and a higher assumption for future salary increases. The fair value of plan assets decreased during 2018 by SEK 701m. In total, the obligation for defined benefit pension plans exceeded the fair value of plan assets by SEK 4 979m compared with SEK 3 200m at the last year end.

5 NEW STANDARDS AND INTERPRETATIONS

5.1 Standards issued but not yet adopted

The International Accounting Standards Board (IASB) and IFRS Interpretations Committee (IFRIC) have issued the following standards, amendments to standards and interpretations that apply in or after 2019. The IASB permits earlier application. For Swedbank to apply them also requires that they have been approved by the EU if the amendments are not consistent with previous IFRS rules. Consequently, Swedbank has not applied the following amendments in the 2018 annual report.

Leases (IFRS 16)

IFRS 16 replaces IAS 17 Leases and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard was approved by the EU in November 2017, for application to the financial year beginning on 1 January 2019. The new standard significantly changes the way lessee entities should account for leases. For lessees, the standard eliminates the distinction between finance and operating leases and requires entities to recognise right-of-use assets and lease liabilities arising from most leases on the balance sheet. In the income statement general administrative expenses will be replaced by depreciation of the right-of-use asset and interest expenses on the lease liability. For lessors, the requirements remain largely unchanged and maintain the distinction between finance and operating leases.

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

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

Insurance (IFRS 17)

IFRS 17 was issued in May 2017 and is applicable from 1 January 2021, with an expected deferral to 1 January 2022. The standard has not yet been approved by the EU. The new standard establishes principles for recognition, presentation, measurement and disclosure of insurance contracts issued. Insurance contracts in scope will be measured at current value, based on the current estimates of amounts expected to be collected from premiums and pay out for claims, benefits and expenses plus expected profit for providing insurance coverage. The impacts on the Group's financial reports are still being assessed by the Group.

Other changes in IFRS and Swedish regulations

Other new or amended IFRSs or interpretations or Swedish regulations issued and not yet adopted are not expected to have a significant impact on the Group's financial position, results, cash flows or disclosures.

G3 Risks

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

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

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

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

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

Credit risks

DEFINITION

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

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

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

Risk management

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

The risk classification system is a central part of the credit process and comprises operating and decision–making processes for lending, credit monitoring, and quantification of credit risk. The decision to grant credit requires that the borrower, on good grounds, is expected to fulfil its commitment towards the Group. Moreover, the Group strives to obtain adequate collateral.

Sound, robust and balanced lending requires that each transaction is viewed in relation to relevant external factors, taking into account what the Group and the market know about anticipated local, regional and global changes and developments which could impact the transaction and its risks. All credit exposures are systematically assessed on a continuous basis for early identification of significant increase in credit risk. Exposures to corporate customers, financial institutions and sovereigns are also reviewed at least once a year to ensure a comprehensive assessment of the borrower's financial situation and forward–looking creditworthiness, review and establishment of risk class and assessment of long–term relationship with the borrower..

Risk measurement

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

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

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

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

Risk grade according to IRB methodology

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

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

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

Measurement of expected credit losses

From 1 January 2018, the Group adopted IFRS 9 and measures credit impairment provisions using an expected credit loss approach. Expected credit losses are measured based on the stage to which the individual asset is allocated at each reporting date. For financial assets with no significant increase in credit risk since initial recognition (Stage 1), impairment provisions reflect 12–month expected credit losses. For financial assets with a significant increase in credit risk (Stage 2) and those which are credit impaired (Stage 3), impairment provisions reflect lifetime expected credit losses. Such measurements are estimated using internally developed statistical models or individual assessments of expected contractual cash flows, both of which involve a high degree of management judgement. The key inputs used in the quantitative models are: probability of default, loss given default, exposure at default and expected lifetime. Expected credit losses reflect both historical data and probability–weighted forward–looking scenarios.

The portfolios for estimating expected credit losses are segmented according to the same segmatation that is applied for regulatory purposes, with shared risk characteristics.This is based on homogeneous sub–segments of the total credit portfolio, such as country, business area, or product group.

Probability of default (PD)

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

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

Loss given default (LGD)

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

Exposure at default (EAD)

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

Expected lifetime

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

Determination of 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 on page 58. The table below shows the quantitative thresholds, namely changes in 12–month PD and internal risk rating grades, which have been applied for the portfolio of loans originated before 1 January 2018. For instance, for exposures originated with a risk grade between 0 and 5, a downgrade by 1 to 2 grades from initial recognition is assessed as a significant change in credit risk. Alternatively, for exposures originated with a risk grade between 13 and 21, a downgrade by 5 to 7 grades from initial recognition is considered significant. These limits reflect a lower sensitivity to change in the low risk end of the risk scale and a higher sensitivity to change in the high risk end of the scale. Internal risk grades are assigned according to the risk management framework and the significance of changes was determined by expert credit judgement, based on historical rating migrations.

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

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

Significant increase in credit risk – loans with initial recognition before 1 January 2018

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

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

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

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

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

The following table presents the credit impairment provisions as at 31 December 2018 that would result from only the downside and only upside scenarios, which are considered reasonably possible.

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

1) including Group Functions & Other

Credit-impaired assets
Credit-impaired assets are those where it is unlikely that payments will be received in accordance with the contractual terms and there is a risk that the bank will not receive full payment. The criteria for defining credit-impaired are disclosed on page 58.

The Group estimates expected credit losses on significant credit-impaired exposures individually and without the use of modelled inputs. Significant exposures are those where the borrower's or limit group's total credit limit of the borrower is SEK 50m or higher. The credit impairment provisions for these exposures are established using the discounted expected cash flows and considering a minimum of two possible outcomes, one of which is a loss outcome. The possible outcomes consider both macroeconomic and non-macroeconomic (borrower-specific) scenarios. The estimation of future cash flows takes into account a range of relevant factors such as the amount and sources of cash flows, the level and quality of the borrower's earnings, the realisable value of collateral, the Group's position relative to other claimants, the likely cost and duration of the work-out process as well as current and future economic conditions.

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

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

Maximum credit risk exposure

The following table presents the Group's maximum credit risk exposure, before taking account of any collateral held, by geography and type of counterparty (for loans to the public – type of collateral). For financial assets recognised on the balance sheet, the maximum exposure to credit risk equals their carrying amount; for financial guarantees and similar contracts granted, it is the maximum amount that would have to be paid if the guarantees were called upon. For loan commitments and other credit–related commitments, it is generally the full amount of the committed facilities.

Geographical distribution 2018

	Note	Sweden	Estonia	Latvia	Lithuania	Norway	Denmark	Finland	USA	Other	Total
Assets											
Cash and balances with central banks		4 595	23 197	21 885	37 108	795	61	49 222	26 228	70	163 161
Treasury bills and other bills eligible for refinancing with central banks	G21	93 637		776	1 746	1 797	572			1 051	99 579
Swedish central bank											
Governments		88 830		776	1 746	1 797	572			1 051	94 772
Municipalities		4 806									4 806
Other		1									1
Loans to credit institutions	G22	31 696	2 601	1 038	1 619	55		11	146	–896	36 268
Banks		14 489	2 601	1 038	1 619	54		11	146	–2 310	17 646
Other credit institutions		17 116								1 415	18 530
Repurchase agreements, banks[1]		–1				1					
Repurchase agreements, other credit institutions[1]		92									92
Loans to the public	G23	1 384 167	79 819	34 827	54 501	53 010	3 137	13 268	1 992	2 647	1 627 368
Swedish National Debt Office		10 152									10 152
Repurchase agreements, Swedish National Debt Office[1]		2 436									2 436
Repurchase agreements, other public[1]		34 265				3 013					37 278
Real Estate Residential		942 278	34 668	14 772	29 264		1 402				1 022 384
Real Estate Commercial		160 146	18 091	7 940	9 265	3 362	1 339				200 143
Guarantees		29 282	2 614	541	1 331	371		207	538	858	35 742
Received cash		8 015	223	437	519	33					9 227
Other collateral		118 337	14 777	7 099	8 840	8 106	369		211		157 739
Unsecured[2]		79 255	9 446	4 038	5 282	38 125	27	13 061	1 243	1 789	152 266
Bonds and other interest–bearing securities	G24	36 048	43	30	65	5 186	1 088	4 102	2 212	4 538	53 312
Mortgage institutions		26 545									26 545
Banks		1 760	10			4 143	283	1 228	2 175	1 853	11 452
Other financial companies		3 833	8						11	130	3 982
Non–financial companies		3 910	25	30	65	1 043	805	2 874	26	2 555	11 333
Derivatives	G28	13 530	166	35	81	3 110	1 160	1 445	211	19 926	39 665
Other financial assets	G32, G33	9 030	659	738	384	2 417	2	378	24	257	13 889
Contingent liabilities and commitments											
Guarantees		32 796	2 595	980	1 725	5 067	147	476	5 490	79	49 355
Commitments		209 712	9 229	7 479	9 857	24 264		16 191	1 269	338	278 339
Total		**1 815 211**	**118 309**	**67 787**	**107 086**	**95 701**	**6 167**	**85 093**	**37 571**	**28 010**	**2 360 935**
% of total		77	5	3	5	4	0	4	2	1	100

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

2) "Unsecured" Includes both unsecured lending and the unsecured share of the loans where collateral does not cover the exposure in full.

Loans to the public[1] in Stage 3 by collateral type

Real Estate Residential	832	166	229	473						1 700
Real Estate Commercial	324	93	10	132	112					671
Guarantees	268	22	3	1						294
Received cash	9	3	6	12						30
Other collateral	444	160	18	56	3351	119		72		4 220
Unsecured[2]	203	22	35	37	230					527

1) Loans to the public excluding the Swedish National Debt Office and repurchase agreements.

2) "Unsecured" Includes both unsecured lending and the unsecured share of the loans where collateral does not cover the exposure in full.

Derivatives, netting gains and collateral held 2018

	Sweden	Estonia	Latvia	Lithuania	Norway	Denmark	Finland	USA	Other	Total
Positive fair value of contracts, balance sheet	13 530	166	35	81	3 110	1 160	1 445	211	19 926	39 665
Netting agreements, related amount not offset in the balance sheet	3 748				851	747	1 038	150	10 141	16 676
Credit exposure, after offset of netting agreements	**9 782**	**166**	**35**	**81**	**2 259**	**414**	**407**	**60**	**9 785**	**22 989**
Collateral held[1]	296				396	11	4	1	955	1 664
Net credit exposures after collateral held	**9 485**	**166**	**35**	**81**	**1 863**	**403**	**403**	**60**	**8 829**	**21 325**

1) Collateral consists of 91.9 per cent of cash and 8.1 per cent of AAA rated bonds by Standard & Poor's.

Credit derivatives are used in customer trading but also to optimise the credit risk in trading portfolios with interest-bearing securities. The nominal amount of these credit derivatives at the year-end were SEK 0m (982).

Collateral that can be sold or pledged even if the counterparty fulfils its contractual obligations
Granting repos implies that the Group receives securities that can be sold or pledged. The fair value of these securities covers the carrying amount of the repos. The Group also receives collateral in terms of securities that can be sold or pledged for derivatives and other exposures. The fair value of such collateral as of year-end amounted to SEK 414m (482). None of this collateral had been sold or repledged as of year-end.

GIIPS exposure, carrying amount	2018					
	Greece	**Ireland**	**Italy**	**Portugal**	**Spain**	**Total**
Bonds					476	476
Loans (money market and certificates)			6			6
Derivatives net[1]		6	3		105	114
Other[2]		17	23	231	14	285
Total		**22**	**32**	**231**	**594**	**880**

1) Derivatives at market value taking into account netting and collateral agreements. Considering Swedbank's internal risk add-ons for counterparty risk at potential future change in prices, the derivative exposures amount to: Ireland SEK 86m, Italy SEK 361m, Portugal 0m, and Spain SEK 478m. Total SEK 925m.

2) Includes trade finance and mortgage loans.

Gross carrying amount by credit risk rating

The tables below present the credit quality, gross carrying or nominal amount of financial instruments and stage, where the financial instruments are subject to the IFRS 9 impairment requirements. The associated credit impairment provisions are also presented.

Financial assets at amortised cost 2018	Not credit-impaired		Credit-impaired		Total
	Stage 1	Stage 2	Stage 3	Purchased or Originated	
Cash and balances with central banks					
Low risk	163 161				163 161
Total	**163 161**				**163 161**
Treasury bills and other bills eligible for refinancing with central banks					
Low risk	80 304				80 304
Total	**80 304**				**80 304**
Loans to credit institutions					
Low risk	34 981	18			34 999
Normal risk	1 103	42			1 145
Augmented risk	5	1			6
Non-rated exposures		29			29
Credit impairment provision	–2	–1			–3
Total	**36 087**	**89**			**36 176**
Loans to the public					
Low risk	1 256 659	10 034	48	2	1 266 743
Normal risk	179 847	42 036	58	8	221 949
Augmented risk	31 125	32 942	128	16	64 211
High risk	4 635	22 258	898	49	27 840
Defaults			9 878	100	9 978
Non-rated exposures	2 432	304	54		2 790
Credit impairment provision	–490	–1 736	–3 788	–9	–6 023
Total	**1 474 208**	**105 838**	**7 276**	**166**	**1 587 488**
Bonds and other interest-bearing securities					
Low risk	2 210				2 210
Total	**2 210**				**2 210**
Other financial assets					
Low risk	82	1			83
Normal risk	15	1			16
Augmented risk	11	1			12
High risk	4	15			19
Defaults			5		5
Non-rated exposures	14 520	1	1		14 522
Credit impairment provision		–1	–2		–3
Total	**14 632**	**18**	**4**		**14 654**
Total Financial assets at amortised cost	**1 771 094**	**107 683**	**11 070**	**175**	**1 890 022**
Total credit impairment provisions	**–492**	**–1 738**	**–3 790**	**–9**	**–6 029**
Total	**1 770 602**	**105 945**	**7 280**	**166**	**1 883 993**

Commitments and financial guarantees 2018

	Not creditimpaired		Credit-impaired	Total
	Stage 1	Stage 2	Stage 3	
Low risk	285 378	810		286 188
Normal risk	24 212	3 255	56	27 523
Augmented risk	5 473	4 075	1	9 549
High risk	1 858	1 369	6	3 233
Defaults			739	739
Non-rated exposures		460	2	462
Credit impairment provision	−94	−208	−105	−407
Total	**316 827**	**9 761**	**699**	**327 287**

Loans to the public and credit institutions, carrying amount

The following tables present loans to the public and credit institutions at amortised cost by geographical distribution and industry sectors, also representing the concentration of loans on which credit risk is managed.

2018

	Non credit-impaired						Credit-impaired			Total
	Stage 1 12 month ECL			Stage 2 Lifetime ECL			Stage 3 Lifetime ECL			
	Gross carrying amount	Impairment provision	Net	Gross carrying amount	Impairment provision	Net	Gross carrying amount	Impairment provision	Net	
Geographical distribution										
Sweden	1 258 703	302	1 258 401	77 616	950	76 666	3 229	1 149	2 080	1 337 147
Estonia	71 768	11	71 757	7 634	38	7 596	602	136	466	79 819
Latvia	28 797	13	28 784	5 823	81	5 742	430	129	301	34 827
Lithuania	46 845	13	46 832	7 024	66	6 958	873	162	711	54 501
Norway	37 901	93	37 808	9 087	591	8 496	5 754	2 061	3 693	49 997
Denmark	3 018		3 018				251	132	119	3 137
Finland	12 972	15	12 957	318	7	311				13 268
USA	1 920		1 920				100	28	72	1 992
Other	2 621	43	2 578	72	3	69				2 647
Loans to the public excluding the Swedish National Debt Office and repurchase agreements	**1 464 545**	**490**	**1 464 055**	**107 574**	**1 736**	**105 838**	**11 239**	**3 797**	**7 442**	**1 577 335**
Sector/industry										
Private customers	976 455	76	976 379	51 735	335	51 400	2 317	485	1 832	1 029 611
Mortgage loans, private	831 441	31	831 410	44 054	232	43 822	1 869	316	1 553	876 785
Tenant owner association	104 321	8	104 313	2 537	15	2 522	64	4	60	106 895
Other, private	40 693	37	40 656	5 144	88	5 056	384	165	219	45 931
Corporate customers	488 090	414	487 676	55 839	1 401	54 438	8 922	3 312	5 610	547 724
Agriculture, forestry, fishing	58 495	17	58 478	8 617	109	8 508	173	31	142	67 128
Manufacturing	38 391	70	38 321	4 919	191	4 728	359	145	214	43 263
Public sector and utilities	18 663	14	18 649	947	11	936	62	14	48	19 633
Construction	16 211	15	16 196	3 883	66	3 817	110	22	88	20 101
Retail	25 448	30	25 418	5 107	117	4 990	792	510	282	30 690
Transportation	14 885	12	14 873	1 468	15	1 453	38	8	30	16 356
Shipping and offshore	12 270	40	12 230	6 444	445	5 999	5 587	2 021	3 566	21 795
Hotels och restaurants	7 512	6	7 506	1 065	18	1 047	84	8	76	8 629
Information and communications	11 407	16	11 391	2 117	95	2 022	154	124	30	13 443
Finance and insurance	14 239	8	14 231	537	3	534	16	8	8	14 773
Property management	227 851	142	227 709	15 765	262	15 503	830	214	616	243 828
Residential properties	67 383	31	67 352	6 035	68	5 967	273	81	192	73 511
Commercial	90 392	66	90 326	4 477	46	4 431	409	103	306	95 063
Industrial and warehouse	45 630	31	45 599	1 702	20	1 682	105	16	89	47 370
Other property management	24 446	14	24 432	3 551	128	3 423	43	14	29	27 884
Professional services	26 098	25	26 073	3 427	44	3 383	442	137	305	29 761
Other corporate lending	16 620	19	16 601	1 543	25	1 518	275	70	205	18 324
Loans to the public excluding the Swedish National Debt Office and repurchase agreements	**1 464 545**	**490**	**1 464 055**	**107 574**	**1 736**	**105 838**	**11 239**	**3 797**	**7 442**	**1 577 335**
Loans to the public, Swedish National Debt Office	**10 153**		**10 153**							**10 153**
Loans to credit institutions excluding repurchase agreements	**36 179**	**3**	**36 176**							**36 176**
Loans to the public and credit institutions	**1 510 877**	**493**	**1 510 384**	**107 574**	**1 736**	**105 838**	**11 239**	**3 797**	**7 442**	**1 623 664**
of which accrued interest	1 724		1 724	186		186	93		93	2 003

Concentration risk, customer exposure

At end of 2018, the Group did not have any exposures against individual counterparties that exceeded 10 per cent of the capital base.

Reconciliations of gross carrying amount and credit impairment provisions

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

	Non Credit-impaired		
	Stage 1	Stage 2	Total
Gross carrying amount			
Opening balance	29 079	1 452	30 531
Closing balance	36 089	90	36 179
Credit impairment provisions			
Opening balance	**9**	**14**	**23**
Movements affecting Credit impairments line			
New and derecognised financial assets, net	−1	−9	−10
Changes in risk factors (EAD, PD, LGD)	−3	−3	−6
Changes in macroeconomic scenarios	−3	−1	−4
Total movements affecting Credit impairments line	**−7**	**−13**	**−20**
Closing balance	**2**	**1**	**3**
Carrying amount			
Opening balance	29 070	1 438	30 508
Closing balance	36 087	89	36 176

Loans to the public

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

	Non Credit-impaired		Credit-impaired	
	Stage 1	Stage 2	Stage 3, incl. purchased or originated	Total
Gross carrying amount				
Opening balance	1 386 090	118 774	10 194	1 515 057
Closing balance	1 474 698	107 574	11 239	1 593 511
Credit impairment provisions				
Opening balance	**390**	**2 126**	**2 861**	**5 378**
Movements affecting Credit impairments line				
New and derecognised financial assets, net	102	–148	–190	–236
Changes in risk factors (EAD, PD, LGD)	175	–73	–159	–57
Changes in macroeconomic scenarios	–2	–45	13	–34
Changes due to expert credit judgement (manual adjustments and individual assessments)			503	503
Stage transfers	–184	–223	623	216
from stage 1 to stage 2	–150	470		320
from stage 1 to stage 3	–65		78	13
from stage 2 to stage 1	29	–131		–102
from stage 2 to stage 3		–573	665	92
from stage 3 to stage 2		11	–78	–67
from stage 3 to stage 1	2		–42	–40
Other	–4		–110	–114
Total movements affecting Credit impairments line	**87**	**–489**	**680**	**278**
Movements recognised outside Credit impairments line				
Interest			114	114
Change in exchange rates	13	99	141	253
Closing balance	**490**	**1 736**	**3 797**	**6 023**
Carrying amount				
Opening balance	1 385 699	116 647	7 332	1 509 679
Closing balance	1 474 208	105 838	7 442	1 587 488

Commitments and financial guarantees

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

	Non Credit-impaired		Credit-impaired	
	Stage 1	Stage 2	Stage 3, incl. purchased or originated	Total
Nominal amount				
Opening balance	292 854	13 390	733	306 977
Closing balance	316 921	9 969	804	327 694
Credit impairment provisions				
Opening balance	**117**	**261**	**267**	**645**
Movements affecting Credit impairments line				
New and derecognised exposures, net	7	–78	–1	–72
Changes in risk factors (EAD, PD, LGD)	–11	34	–39	–16
Changes in macroeconomic scenarios	–12	–11		–23
Changes due to expert credit judgement (manual adjustments and individual assessments)			–167	–167
Stage transfers	–11	–16	26	–1
from stage 1 to stage 2	–16	46		30
from stage 1 to stage 3	–1		1	
from stage 2 to stage 1	6	–35		–29
from stage 2 to stage 3		–27	27	
from stage 3 to stage 2			–1	–1
from stage 3 to stage 1			–1	–1
Other		1		1
Total movements affecting Credit impairments line	**–27**	**–70**	**–181**	**–278**
Movements recognised outside Credit impairments line				
Change in exchange rates	4	17	19	40
Closing balance	**94**	**208**	**105**	**407**

Forborne loans

Forborne loans refer to loans where the contractual terms have been adjusted due to the customer's financial difficulties. The purpose of the forbearance measure is to enable the borrower to make full payments again and avoid foreclosure, or when this is not considered possible, to maximise the repayment of outstanding loans. Revisions to contractual terms include various forms of concessions such as amortisation suspensions, reductions in interest rates to below market rates, forgiveness of all or part of the loan, or issuance of new loans to pay overdue amounts or avoid default. Revisions to contractual terms which are to be treated as non–performing forbearance measures result in that the loan is also considered credit–impaired. Before a forborne loan ceases to be reported as forborne, all the criteria set by the European Banking Authority must be met. The following table shows the gross carrying amounts of forborne loans by credit impairment stage.

Loan write-offs

Loans are written off when the loss amount is ultimately established or after the disposal of credit–impaired loans. The remaining loan amount for those that are partially written off is still included in credit–impaired (stage 3) loans or forborne loans. Previous provisions are reversed in connection with the write–off. The loss amount is ultimately determined when a receiver has presented a bankruptcy distribution, when a bankruptcy settlement has been reached, when a concession has been granted, or when the Swedish Enforcement Agency, or a collection company has reported that the borrower has no distrainable assets. A write–off normally does not mean that the claim against the borrower has been forgiven. Generally, a proof of claim is filed against the borrower or guarantor after the write–off. A proof of claim is not filed when a legal entity has ceased to exist due to a bankruptcy, when a bankruptcy settlement has been reached or when receivables have been completely forgiven. The contractual amount outstanding on loans that were written off during 2018 and are still subject to enforcement activity is SEK 389m.

Gross carrying amount of forborne loans 2018

	Sweden	Estonia	Latvia	Lithuania	Norway	Other	Total
Performing	1 409	404	373	186	4 908	114	7 394
Non–Performing	534	502	433	440	5 747	100	7 756
Total	**1 943**	**906**	**806**	**626**	**10 655**	**214**	**15 150**

Credit risk 2017

The tables presented hereafter were included in the Annual and Sustainability Report 2017 and are presented according to IAS 39. As a result of the implementation of IFRS 9 on 1 January 2018, these tables are not directly comparable to the 2018 tables and are therefore presented separately.

	Risk grade according to the IRB methodology							
Maximum credit risk exposure distributed by rating 2017	**Low risk PD <0.5**	**Normal risk PD 0.5–2.0**	**Augmented risk PD 2.0–5.7**	**High risk PD >5.7**	**Default PD 100.0**	**Non-rated exposures**	**Standardised methodology**	**EAD**
Total exposure	**1 696 574**	**205 258**	**60 847**	**29 071**	**9 955**	**8 211**	**60 271**	**2 070 187**

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

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

The above table refers to Swedbank Consolidated Situation.

GIIPS exposure, carrying amount	2017					
	Greece	**Ireland**	**Italy**	**Portugal**	**Spain**	**Total**
Bonds					95	95
Loans (money market and certificates)			23			23
Derivatives net[1]		6	3	2	83	94
Other[2]		1	18		1	20
Total		**7**	**44**	**2**	**179**	**232**

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

2) Includes trade finance and mortgage loans.

Maximum credit risk exposure, geographical distribution 2017

	Note	Sweden	Estonia	Latvia	Lithuania	Norway	Denmark	Finland	USA	Other	Total
Assets											
Cash and balances with central banks		89 464	21 957	16 475	25 818	4 284	67	2 076	40 123	107	200 371
Treasury bills and other bills eligible for refinancing with central banks	G21	80 086		1 168	714	609	267	1 840		1 219	85 903
Swedish central bank		65 003									65 003
Governments		10 081		1 168	714	609	267	1 840		1 219	15 898
Municipalities		4 449									4 449
Other		553									553
Loans to credit institutions	G22	24 704	1 625	1 280	1 137	–30	41	9	132	1 848	30 746
Banks		10 209	1 625	1 280	1 137	–30	41	9	132	1 096	15 499
Other credit institutions		13 984								752	14 736
Repurchase agreements, banks[1]		45									45
Repurchase agreements, other credit institutions[1]		466									466
Loans to the public	G23	1 321 100	71 366	31 849	45 945	49 469	2 771	9 691	753	2 254	1 535 198
Swedish National Debt Office		8 500									8 500
Repurchase agreements, Swedish National Debt Office[1]		2 862									2 862
Repurchase agreements, other public[1]		22 155			31						22 185
Real Estate Residential		914 294	31 387	13 593	24 282		1 234				984 790
Real Estate Commercial		155 528	16 561	6 886	8 668	2 080	1 128		120		190 971
Guarantees		29 102	2 436	318	587	435		153	205	704	33 940
Received cash		4 380	351	500	442	33					5 706
Other collateral		107 300	13 388	6 680	7 223	9 271	386		313		144 561
Unsecured		76 980	7 243	3 872	4 712	37 649	22	9 539	115	1 550	141 682
Bonds and other interest-bearing securities	G24	41 359	35		1	4 283	930	2 301	3 321	6 901	59 131
Mortgage institutions		30 141									30 141
Banks		3 879				3 191	165	1 164	3 300	3 560	15 259
Other financial companies		5 050							6	287	5 343
Non-financial companies		2 289	35		1	1 092	765	1 137	15	3 054	8 388
Derivatives	G28	25 468	121	48	106	3 276	1 102	1 716	442	23 400	55 680
Other financial assets	G32, G33	13 428	598	325	513	1 531		63	67	247	16 772
Contingent liabilities and commitments											
Guarantees		30 360	2 410	970	1 340	4 934	160	400	3 350	133	44 057
Commitments		198 353	7 708	5 317	10 331	22 012		17 598	1 269	333	262 921
Total		**1 824 321**	**105 820**	**57 432**	**85 905**	**90 368**	**5 338**	**35 694**	**49 457**	**36 443**	**2 290 779**
Per cent of total		79	5	2	3	4	0	3	1	2	100

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

Derivatives, netting gains and collateral held 2017

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

1) Collateral consist of cash 94.9 per cent and AAA rated bonds by Standard & Poor's 5.1 per cent

Loans to the public and credit institutions, carrying amount 2017

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

Impaired loans

Impaired loans are loans where it is unlikely that the payments will be received in accordance with the contractual terms and that there is a risk that the bank will not receive full payment. A loan is considered as an impaired loan when there is objective proof that a loss event has occurred on an individual level following the first reporting date of the loan, and that a risk of loss arises when the loan's anticipated future cash flows differ from the contractual cash flows (both discounted by the loan's original effective interest rate). A loan in default is also always considered as an impaired loan.

Loss events on an individual level arise when a borrower incurs significant financial difficulties, when it is likely that the borrower will go into bankruptcy or liquidation, when the borrower is facing a financial reconstruction, a breach of contract such as late or non–payment of interest or principal, or various concessions due to the borrower's financial difficulties. Exposures that are overdue by more than 90 days or exposures where the terms have changed in a significant manner due to the borrower's financial difficulties are automatically considered as an impaired loan and as being in default.

Impaired loans correspond to loans in stage 3 according to the accounting framework IFRS9. The provisioning level can either be assessed automatically by systems implemented by the bank or through individual assessment and decisions from authorised credit committee.

Impaired, past due and forborne loans 2017

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

Loans provisions 2017

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

Assets taken over for protection of claims and cancelled leases

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

	2018				2017			
	Number	Carrying amount, overtaken during 2018	Carrying amount	Fair value	Number	Carrying amount, overtaken during 2017	Carrying amount	Fair value
Total								
Buildings and land	110	70	126	164	125	35	141	180
Shares and other participating interests					1			
Other	65	2	81	115	64	2	80	104
Total	**175**	**72**	**207**	**279**	**190**	**37**	**221**	**284**

Capital requirement for credit risks
The capital requirement for credit risks in Swedbank (consolidated situation) on 31 December 2018 amounted to SEK 25 072m (24 318). For more information, see note G4 Capital.

Liquidity risk

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

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

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

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

The share of unsecured funding is determined by Swedbank's aim to maintain a stable funding profile by a diversified set of funding sources as well as for complying with the MREL requirements.

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

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

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

Liquidity reserve[1]

According to the template defined by the Swedish Bankers association	
Cash and balances with central banks and Swedish National debt Office	173 160
Deposits in other banks, available over night	0
Securities issued or guaranteed by sovereigns, central banks or multinational development banks	94 336
Securities issued or guaranteed by municipalities or Public sector entities	5 337
Covered bonds	43 374
Issued by other institutions	42 257
Own issued	1 117
Securities issued by non-financial corporates	341
Securities issued by financial corporates excl. Covered bonds	182
Total	**316 730**

[1] 97 per cent of the securities in the liquidity reserve as of December 31 2018 are rated AAA.

Summary of maturities

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

	Undiscounted contractual cash flows							
Remaining maturity 2018	**Payable on demand**	**< 3 mths.**	**3 mths.–1 yr**	**1–5 yrs**	**5–10 yrs**	**> 10 yrs**	**No maturity/ discount effect**	**Total**
Assets								
Cash and balances with central banks	163 161							163 161
Treasury bills and other bills eligible for refinancing with central banks		80 762	2 503	10 756	1 757	942	2 859	99 579
Loans to credit institutions	12 508	2 975	6 839	12 240	772	934		36 268
Loans to the public		79 387	140 867	350 571	138 531	900 238	17 774	1 627 368
Bonds and other interest-bearing securities		7 198	10 780	30 320	3 860	138	1 016	53 312
Financial assets for which the customers bear the investment risk		33 938	2 303	16 317	22 263	72 171	30 876	177 868
Shares and participating interests							11 009	11 009
Derivatives		9 477	9 477	18 726	1 709		276	39 665
Intangible fixed assets							17 118	17 118
Tangible assets							1 966	1 966
Other assets		15 725	2 230	56			767	18 778
Total	**175 669**	**229 462**	**174 999**	**438 986**	**168 892**	**974 423**	**83 661**	**2 246 092**
Liabilities								
Amounts owed to credit institutions	35 987	20 639	294	298				57 218
Deposits and borrowings from the public	874 723	23 491	20 907	1 496	114	19		920 750
Debt securities in issue		100 930	96 873	557 060	39 957	24 223	–14 683	804 360
Financial liabilities where customers bear the investment risk		58 966	2 441	17 178	23 608	74 127	2 342	178 662
Derivatives		5 529	4 577	10 098	931	304	9 877	31 316
Other liabilities		71 332	1 940	2 791	1 930	4 000		81 993
Subordinated liabilities		7 700	111	25 760	406		207	34 184
Equity							137 609	137 609
Total	**910 710**	**288 587**	**127 143**	**614 681**	**66 946**	**102 673**	**135 352**	**2 246 092**

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

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

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

Risk measurement

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

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

Moreover, Swedbank calculates and monitors the Group's liquidity risk with a number of different risk measures such as Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The purpose of LCR is to ensure that Swedbank has unpledged assets of high quality (a liquidity reserve) to meet its liquidity needs in stressed situations during the next 30 days. As of 1 January 2018, LCR is reported in accordance with the EU Commission's Delegated Regulation (EU) 2015/61 (LCR DA).

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

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

Stress tests

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

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

The table below provides a snapshot of the cover pool as of 31 December 2018 ("Current") and illustrates the effects on Swedbank Mortgage's OC given various price declines of the mortgages in the pool which could occur over a period of time. The more prices fall, the more difficult it becomes to issue bonds. Swedbank's ERM Policy stipulates that the cover pool must have an OC level that ensures that the highest rating from at least one rating agency and the compliance with the legal requirements is maintained in a scenario where house prices fall by 20 per cent. The purpose of the level is to ensure that there is sufficient cover to protect investors even if house prices should fall substantially.

Cover pool sensitivity analysis, house price decline

31 December 2018

House price decline	Current	–5%	–10%	–15%	–20%	–25%	–30%	–35%	–40%
Total assets in the cover pool, SEKbn	968	960	951	938	921	901	876	845	809
Total outstanding covered bonds, SEKbn	478	478	478	478	478	478	478	478	478
Over collateralisation level, %	102%	101%	99%	96%	93%	88%	83%	77%	69%

Liquidity coverage ratio[1]	31 Dec 2018	31 Dec 2017
High Quality Liquid Assets (HQLA), SEKbn		
High quality liquid assets, Level 1	301	335
High quality liquid assets, Level 2	9	1
Total HQLA	**310**	**336**
Cash Outflows, SEKbn		
Retail deposits and deposits from small business customers	42	37
Unsecured wholesale funding	142	132
Secured wholesale funding	7	4
Additional requirements	49	44
Other cash outflows	15	16
Total cash outflows	**256**	**233**
Cash Inflows, SEKbn		
Secured lending	5	3
Inflows from fully performing exposures	16	14
Other cash inflows	19	19
Total Cash inflows	**40**	**36**
Liquidity coverage ratio, Total, %	**144**	**171**
Liquidity coverage ratio, EUR,%	282	318
Liquidity coverage ratio, USD, %	228	221
Liquidity coverage ratio, SEK[2], %	68	83

1) LCR – calculated in accordance with Commission Delegated Regulation (EU) 2015/61 of October 2014

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

Liquidity and NSFR components	31 Dec 2018	31 Dec 2017
NSFR, %	**111**	**110**
Available stable funding (ASF), SEKbn	1 537	1 457
Required stable funding (RSF), SEKbn	1 378	1 323

Debt securities issuance

In 2018, Swedbank issued a total of SEK 119bn (181) in long-term debt instruments. Swedbank has remained active in several capital markets to diversify its funding. The majority of the issues were covered bonds, though also in the form of uncovered bonds, where a new funding programme was introduced primarily for US investors (under rule 144a of the US Securities Act).

Debt securities in issue

Turnover during the year	2018	2017
Commercial papers		
Opening balance	**149 974**	**102 225**
Issued	992 449	1 048 802
Repaid	–1 018 910	–985 583
Change in exchange rates	7 921	–15 470
Closing balance	**131 434**	**149 974**
Covered bonds		
Closing balance 2017	**519 845**	
Changed presentation of accrued interest	5 193	
Opening balance	**525 038**	**558 295**
Issued	87 907	132 465
Repurchased	–54 078	–90 789
Repaid	–62 486	–70 038
Accrued interest	–1 737	
Change in market values or hedged item in hedge accounting at fair value	–4 709	–10 523
Change in exchange rates	8 001	435
Closing balance	**497 936**	**519 845**

Turnover during the year	2018	2017
Other interest-bearing bonds		
Closing balance 2017	**159 536**	
Changed presentation of accrued interest	812	
Opening balance	**160 348**	**166 161**
Issued	26 434	45 538
Repurchased	–145	–275
Repaid	–30 866	–44 385
Accrued interest	90	
Change in market values	–612	–1 420
Change in exchange rates	8 994	–6 083
Closing balance	**164 243**	**159 536**
Structured retail bonds		
Opening balance	**14 849**	**14 992**
Issued	2 166	2 833
Repurchased		–3
Repaid	–5 040	–2 504
Change in market values	–1 227	–469
Change in exchange rates	–1	
Closing balance	**10 747**	**14 849**
Total debt securities in issue	**804 360**	**844 204**

Subordinated liabilities

Turnover during the year	2018	2017
Subordinated liabilities		
Closing balance 2017	**25 508**	
Changed presentation of accrued interest	**356**	
Opening balance	**25 864**	**27 254**
Issued	8 306	6 386
Repaid	–1 559	–7 183
Accrued interest	32	
Change in hedged item in hedge accounting at fair value	–50	–60
Change in exchange rates	1 591	–889
Closing balance	**34 184**	**25 508**
Total subordinated liabilities	**34 184**	**25 508**

Capital requirement for liquidity risk

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

Market risk

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

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

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

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

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

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

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

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

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

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

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

	Jan-dec 2018 (2017)			2018	2017
SEKm	Max	Min	Average	31 dec	31 dec
Interest rate risk	78 (80)	38 (41)	53 (57)	44	45
Currency risk	22 (15)	3 (2)	10 (7)	5	7
Share price risk	10 (7)	1 (2)	4 (4)	3	4
Diversification			−15 (−12)	−6	−11
Total	**78 (83)**	**37 (41)**	**52 (56)**	**46**	**45**

Interest rate risk

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

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

An increase in all market interest rates of one percentage point would have reduced the value of the Group's assets and liabilities, including derivatives, by SEK -137 m (–156) as of 31 December 2018. The effect on positions in SEK would have been a reduction of SEK –1 368 m (–1 423), while positions in foreign currency would have increased by SEK 1 232 m (1 266).

The Group's Net gains and losses on financial items would have been affected by SEK 1 486 m (969) as of 31 December 2018. The Group uses derivatives for so–called cash flow hedges. A change in market interest rates, as indicated above, would affect the Group's other comprehensive income by SEK 21 m (22).

Credit spread risk

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

An increase in all issuer–specific spreads of 1basis point as of 31 December 2018 would have reduced the value of the Group's interest–bearing assets, including derivatives, by SEK 10 m (8).

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

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

2018	< 3 mths.	3–6 mths.	6–12 mths.	1–2 yrs	2–3 yrs	3–4 yrs	4–5 yrs	5–10 yrs	> 10 yrs	Total
SEK	–58	–1	–119	–366	–294	–293	–106	–26	–105	–1 368
Foreign currency	–301	–290	–27	199	211	173	280	487	500	1 232
Total	**–360**	**–291**	**–145**	**–167**	**–82**	**–120**	**174**	**460**	**395**	**–137**

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

2018	< 3 mths.	3–6 mths.	6–12 mths.	1–2 yrs	2–3 yrs	3–4 yrs	4–5 yrs	5–10 yrs	> 10 yrs	Total
SEK	66	89	–110	–131	49	13	324	–245	–157	–102
Foreign currency	525	843	234	8	–11	–33	–40	–35	96	1 588
Total	**591**	**932**	**125**	**–123**	**38**	**–20**	**284**	**–280**	**–61**	**1 486**

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

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

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

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

Currency risk

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

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

The Group's exposure to currency risks with the probability to affect earnings, i.e. excluding exposures related to investments in foreign operations and related hedges, is limited. A shift in exchange rates between foreign currencies and the Swedish krona of +5 per cent at year-end would have a direct effect on the Group's reported profit of SEK 39m (–10). Moreover, a shift in exchange rates between foreign currencies and the Swedish krona of –5 per cent at year-end would have a direct effect on the Group's reported profit of SEK 70m (39).

A shift in exchange rates between the Swedish krona and foreign currencies of +/–5 per cent, with respect to net investments in foreign operations and related hedges, would have a direct effect on other comprehensive income of SEK +/– 842m after tax (+/– 809).

The Group recognises certain currency derivatives as cash flow hedges. An increase in the basis spread, (i.e. the price to swap cash flows in one currency for another) of one basis point would have had a positive effect on these derivatives in other comprehensive income of SEK 10m (6) after tax as of 31 December 2018.

Currency distribution

2018	SEK	EUR	USD	GBP	DKK	NOK	Other	Total
Assets								
Cash and balances with central banks	4 616	131 240	26 317	23	71	809	85	163 161
Loans to credit institutions	14 203	2 762	11 652	340	1 801	1 647	3 862	36 268
Loans to the public	1 346 957	201 914	35 252	3 771	5 661	31 940	1 872	1 627 368
Interest-bearing securities	131 970	7 766	5 681	155	572	6 746		152 891
Other assets, not distributed	266 404							266 404
Total	**1 764 150**	**343 683**	**78 901**	**4 289**	**8 105**	**41 143**	**5 819**	**2 246 092**
Liabilities								
Amounts owed to credit institutions	20 137	10 940	18 206	1 279	2 003	1 784	2 869	57 218
Deposits and borrowings from the public	667 818	222 423	19 745	1 645	1 546	5 102	2 470	920 750
Debt securities in issue, etc.	351 258	244 201	187 844	33 385		5 450	16 406	838 544
Other liabilities, not distributed	291 971							291 971
Equity	137 609							137 609
Total	**1 468 793**	**477 565**	**225 795**	**36 309**	**3 550**	**12 336**	**21 745**	**2 246 092**
Other assets and liabilities, including positions in derivatives		145 368	146 783	32 016	–4 532	–28 550	15 939	
Net position in currency		11 486	–111	–3	24	258	14	11 668

Net funding in foreign currency with a corresponding recognised amount of SEK 35 622 m (33 184) is used as a hedging instrument to hedge the net investment in foreign operations. The above net position in currencies pertains mainly to parts of net investments in foreign operations that are not hedged. Exchange rate changes to this position are recognised in other comprehensive income (OCI) as translation difference.

Currency distribution

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

Market risks in the trading operations

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

	Jan-Dec 2018 (2017)			2018	2017
SEKm	Max	Min	Average	31 dec	31 dec
Value–at–Risk	23 (18)	9 (7)	13 (11)	14	12
Stressed Value–at–Risk	91 (59)	38 (27)	58 (38)	67	43

Swedbank evaluates the VaR model's reliability on a daily basis with actual and hypothetical backtesting. Actual backtesting uses the trading operations' actual daily results to determine the accuracy of the VaR model, while hypothetical backtesting compares the portfolio's value at the end of the day with its estimated value at the end of the subsequent day. The estimated value is obtained by using market movements during the day for which the test is performed, with the assumption that the positions in the portfolio remain unchanged during this time period. The hypothetical backtesting that the Group conducted in 2018 showed that the model serves its purpose well, since only four of the hypothetical losses exceeded the actual VaR level.

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

The trading operations' total VaR had an average value of SEK 18 m in 2018, which can be compared with the average value of 16 m for 2017.

	Jan-Dec 2018 (2017)			2018	2017
SEKm	**Max**	**Min**	**Average**	**31 dec**	**31 dec**
Credit spread risk	27 (18)	4 (8)	12 (13)	5	9
Share price risk	11 (7)	1 (2)	4 (4)	3	4
Currency risk	16 (17)	2 (2)	7 (6)	6	5
Interest rate risk	20 (15)	6 (6)	11 (9)	13	9
Diversification			–15 (–16)	–10	–13
Total	**31 (22)**	**12 (11)**	**18 (16)**	**17**	**14**

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

Capital requirement for market risks

The capital requirement for market risks in Swedbank amounted to SEK 1 042m (695) as of 31 December 2018, and is presented by risk type in note G4 under Capital adequacy.

Share price risk

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

Share price risks arise in the trading operations due to holdings in equities and equity–related derivatives. The main purpose of Swedbank's equity trading is to generate liquidity for the Group's customers. Share price risk is measured and limited in the Group, e.g. with respect to the worst possible outcomes in 81 different scenarios where share prices and implied volatility are changed. In these scenarios, share prices change by a maximum of +/– 20 per cent and the implied volatility by a maximum of +/– 30 per cent. The outcomes for the various combinations form a risk matrix for share price risk, and the worst–case scenario is limited.

As of year–end the worst–case scenario would have affected the value of the trading operations' positions by SEK –18 m (–29).

Commodity risk

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

Operational risks

DEFINITION

Operational risk refers to the risk of losses, business process disruption or negative reputational impact resulting from inadequate or failed internal processes systems, human error or from external events. The definition includes legal risk and information risk.

Risk management

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

Risk assessments

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

Incident management and reporting

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

New Product Approval Processes (NPAP)

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

Continuity, crisis management and security

Swedbank works proactively to prevent and/or strengthen its ability to manage serious incidents, such as IT disruptions, natural disasters, financial market disturbances and pandemics, which may affect the Group's ability to provide services and offerings continually.

The principles for security, continuity, incident and crisis management are defined in a Group–common framework. A Group–level crisis management team is responsible for management, coordination and communication in collaboration with local crisis management teams. Continuity plans are in place for business–critical operations and services that are critical to the nation and society. The plans describe how Swedbank will operate in the event of a serious disruption. Swedbank's models for continuity and crisis management are based on the international standard ISO/LEC 22301:2012 – Societal security – Business continuity management systems. Swedbank also has insurance protection, with an emphasis on catastrophe protection, for significant parts of its operations.

Process and control management

Swedbank has established a common framework for processes and internal control. Specific frameworks for Internal Control over Financial Reporting (ICFR) and Credit Process Control (CPC) are applied to affected processes within the Group.
A Process Universe has been established with the purpose of clarifying responsibility for the Group's significant processes as well as for the controls in the processes, and to ensure that they are effective and appropriate. Swedbank uses the Process Universe as a basis for risk management and risk control performed within the Group.

Information risk

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

Capital requirements for operational risks

Swedbank applies the standardised approach to calculate the capital requirement for operational risks. Swedbank's capital requirement for operational risk as of 31 December 2018 amounted to SEK 5 182m (5 079).

Insurance risks

DEFINITION

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

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

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

Risk management

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

Swedbank's insurance operations offer a broad range of products and are active in the entire Swedish market (life insurance) as well as in the three Baltic countries (life, property and casualty insurance). This provides diversification of the insurance risk, with respect to market, product, age and gender.

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

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

Risk exposure and risk measurement

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

According to the latest risk assessment, the most important risks are lapse, expense and catastrophe risk i.e. the risk of major damage due to a single event.

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

Capital requirement for insurance risk

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

As of 1 January 2016, the solvency requirements in the insurance companies are calculated according to Solvency II. The capital base (Own Funds, OF) is calculated through a market valuation of the net of the insurance company's future cash flows, and capital requirement (Solvency Capital Requirement, SCR) by stressing OF in various scenarios. The solvency ratio is defined as OF divided by SCR.

The capital base in Swedbank's Swedish insurance operations amounted to SEK 8 314m on 30 September 2018 (7 672). This compares with the Solvency Capital Requirement of SEK 5 549m (5 129). The solvency ratio was 1.50 (1.50).

The capital base in the Baltic life insurance operations amounted to SEK 1 621m as of 30 September 2018 (1 607). The solvency ratio was 1.68 (2.05). The capital base in the Baltic property and casualty insurance operations amounted to SEK 441m as of 30 September 2018 (484). The solvency ratio was 1.53 (2.18).

G4 Capital

Internal capital assessment

Purpose
The Internal Capital Adequacy Assessment Process (ICAAP) aims to ensure that the Group is adequately capitalised to cover its risks, both current and future, and that the capital dimension is properly considered in the Group's business strategy.

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

Risk types according to the ICAAP process

Risk type	Pillar 1 Capital is allocated?	Pillar 2 Contributes to calculated capital requirement?
Credit risk	Yes	Yes
Concentration risk	No	Yes
Market risk	Yes	Yes
Market risk: Interest risk in banking book	No	Yes
Operational risk	Yes	Yes
Insurance risk	Yes[1]	Yes[2]
Risk in post-employment benefits	No	Yes
Strategic risk: Business plans	No	Yes
Strategic risk: Projects and acquisitions	No	Yes

No specific capital is allocated		Identified and mitigated?
Reputational risk	No	Yes
Liquidity risk	No	ILAAP[3]
Strategic risk: Decision risk	No	Yes

1) Holdings in insurance companies are risk weighted at 250%.
2) The insurance companies in Swedbank Group perform an Own Risk and Solvency Assessment (ORSA). The aim of this process is to assess risks (both qualitatively and quantitatively) and the solvency position over a business planning period of three years. The calculations are performed by projecting the risk metrics under the base and adverse scenarios.
3) Liquidity needs are assessed annually in the internal liquidity adequacy assessment process (ILAAP).

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

ICAAP 2018
As in previous years, Swedbank's ICAAP for 2018 shows that the bank is exposed to limited risks and is expected to remain well capitalised even in the event of unfavourable macroeconomic development. Swedbank's strong credit quality and capital situation is reaffirmed by external stress tests.

Description of the 2018 adverse scenario
The 2018 ICAAP examined the impact on Swedbank's capitalisation in case of a major recession, both in its home markets and globally. The pivotal point in the scenario is a massive increase in the price of crude oil as well as a fall in both consumer and corporate sentiment in Sweden. The oil price shock is motivated by global geopolitical events. Central banks react accordingly and only to their mandate, i.e. rates are hiked to contain an inflation spike. This, in combination with the fall in sentiment, is assumed to affect both house prices and household consumption while firms hold back on investments. There will be an immediate impact on Swedish banks' wholesale funding costs which in turn forces banks to hold back on new credit and tighten their lending standards. Both supply and demand for credit go down. A sharp drop in consumption coupled with reduction in investments and sluggish export growth quickly results in negative GDP development. The Baltic States are contaminated through reduced credit growth which is accompanied by a fall in house prices and consumption. The economies start to recover from the global downturn as the asset price shock retreats.

Stress test ICAAP-scenario - parameters[1]

Sweden	2017	2018	2019	2020
GDP-growth, %	1.8	–4.2	–2.5	4.2
Unemployment, %	6.2	9.0	10.7	9.1
Inflation, %	3.0	5.4	2.2	0.8
Residential real estate price index	100.0	81.9	60.7	62.1

Estonia	2017	2018	2019	2020
GDP-growth, %	3.3	–6.6	–3.6	3.2
Unemployment, %	4.6	11.0	12.7	9.8
Inflation, %	2.9	6.4	3.8	2.6
Residential real estate price index	100.0	85.5	73.5	78.0

Latvia	2017	2018	2019	2020
GDP-growth, %	3.9	–7.6	–5.4	2.6
Unemployment, %	8.9	10.4	13.4	11.0
Inflation, %	3.1	5.9	3.3	2.1
Residential real estate price index	100.0	88.2	77.1	81.8

Lithuania	2017	2018	2019	2020
GDP-growth, %	3.0	–8.3	–4.0	1.5
Unemployment, %	7.0	8.4	11.5	11.7
Inflation, %	3.6	7.0	3.1	2.2
Residential real estate price index	100.0	87.6	76.3	80.8

Interest Rates	2017	2018	2019	2020
3M government rates SEK, %	–0.65	1.53	2.22	1.82
3M government rates EUR, %	–0.42	0.79	1.54	1.45

FX	2017	2018	2019	2020
USD/SEK	8.80	9.47	8.37	9.79
EUR/SEK	9.69	10.37	9.46	10.80

1) Figures for 2017 are based on preliminary estimates due to final figures being published first after the submission of the ICAAP report.

Stress test ICAAP scenario

Triggers	Outcome in Swedbank´s home markets
Upwards shock to oil and production prices as a result of geopolitical turmoil.	In Sweden, GDP falls by a maximum of 6.6 per cent, unemployment increases to a maximum of 10.7 per cent and house prices fall by a maximum of 39.3 per cent.
Mounting inflationary pressure with central banks responding with rate hikes.	In Estonia, GDP falls by a maximum of 10.1 per cent, unemployment increases to a maximum of 12.7 per cent and house prices fall by a maximum of 26.5 per cent.
Damage to consumer sentiment.	In Latvia, GDP falls by a maximum of 12.6 per cent, unemployment increases to a maximum of 13.4 per cent and house prices fall by a maximum of 22.9 per cent.
Property prices fall.	In Lithuania, GDP falls by a maximum of 12.0 per cent, unemployment increases to a maximum of 11.7 per cent and house prices fall by a maximum of 23.7 per cent.
Reduction in business investment activity.	
Tightened lending standards.	

Income statement under ICAAP-Scenario[1]

SEKbn	2017	2018	2019	2020
Net interest income	25.9	28.7	30.6	29.7
Total income	**42.8**	**44.4**	**45.2**	**45.1**
Total expenses	**17.0**	**17.7**	**18.3**	**18.5**
Profit before impairments	**25.8**	**26.8**	**26.9**	**26.6**
Credit impairments	1.5	7.0	13.1	7.4
Operating profit	**24.3**	**19.8**	**13.8**	**19.3**
Tax expense	5.1	4.3	3.0	4.2
Profit for the period	**19.2**	**15.4**	**10.8**	**15.0**
Profit for the period attributable to: Shareholders of Swedbank AB	**19.2**	**15.4**	**10.7**	**15.0**
Non-controlling interests	0.0	0.0	0.0	0.1

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

Swedbank in the scenario

In the simulated scenario that is calibrated to have an approximate likelihood of "1 in 25" years, annual NII increases by almost SEK 5bn. The most important driver of this result is the increase in interest rates in combination with the balance sheet structure of Swedbank. Interest bearing assets are partly funded by non-interest bearing equity and transaction accounts with limited sensitivity to rate shifts, which results in an increase in interest income that far exceeds negative effects from margin pressure and rising funding spreads. Cumulative provisions for credit losses amount to SEK 27.6bn and are to a large extent attributable to stage 3 as per IFRS9 designation. At the same time, approximately 20% of the Swedish corporate portfolio and of the Baltic portfolio migrate into stage 2 and thereby become subject to recognition of life time expected credit losses (ECL). The Swedish Banking credit portfolio accounts for 57% of accumulated losses, the Large Corporates and Institutions (LC&I) for 30% and business area Baltic Banking for 13%. Sectors that are most heavily affected by the crisis as gauged by cumulative loss ratios are shipping, offshore, retail and construction.

Credit Impairments and EAD[1]**per Business area**[2]

SEKbn	EAD 2017	Credit Impairments 2018	2019	2020
Swedish Banking	1 240.1	4.0	7.3	4.3
Large Corporates & Institutions	333.8	2.0	4.0	2.3
Estonia	77.9	0.2	0.7	0.4
Latvia	36.6	0.3	0.6	0.2
Lithuania	54.5	0.5	0.6	0.2
Other	327.3	0.0	0.0	0.0
Total	**2 070.2**	**7.1**	**13.1**	**7.4**

1) Exposure at Default.
2) The ICAAP calculations are based on the consolidated situation, which in some cases differs from the Swedbank Group. For example, the insurance operations are not included in the consolidated situation.

Internal capital requirement

In its ICAAP, Swedbank factors in known changes which will take effect during the simulation period. In order to distinguish between the scenario impacts and the known changes, which are independent from scenario assumptions, Swedbank adjusts the initial values. The adjustment includes, amongst other things, SFSA's proposed change in bank's calculation of through-the-cycle probability of default (TTC PD) for corporates, effects from sale of Visa Sweden and effects associated with IFRS 9.

REA and Capital	2017	2018	2019	2020
REA, SEKbn	426.9	480.7	512.1	434.2
Common Equity Tier 1, SEKbn	100.1	107.1	109.8	113.6
Common Equity Tier 1 ratio, %	23.4	22.3	21.4	26.2

Common Equity Tier 1 (CET1) capital grows throughout the adverse scenario when compared to the estimated starting value due to the profit generation and a positive contribution of SEK 3.2bn to other comprehensive income associated with post-employment benefit plan liabilities (IAS19). However, significantly increasing REA driven by credit portfolio migrations, currency effects and other factors negatively impacts the CET1 ratio, which drops by 200 basis points by the end of 2019. Nevertheless, Swedbank is not expected to breach forecasted regulatory capital requirements at any point of the scenario.

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

As of 31 December 2018, the internally measured internal capital requirement for Swedbank's consolidated situation amounted to SEK 33.0bn. The capital that meets the internal capital requirement, i.e. the capital base, amounted to SEK 137.0bn

External stress tests

In 2018, as in previous years, Swedbank reaffirmed its strong position through external stress tests. The principal external stress tests of 2018 were: a stress test initiated by the Swedish Financial Supervisory Authority (SFSA) to determine the size of the capital planning buffer; and an EU-wide stress test conducted by the European Banking Authority to explore the resilience of financial institutions and gauge the systemic risk. The stress tests reaffirmed the relatively low risk profile of Swedbank. No capital planning buffer was prescribed by SFSA, while in the EBA exercise Swedbank looked strong in peer rankings.

Capital adequacy analysis

The capital adequacy regulation is the legislator's requirement of how much capital, designated as the own funds, a bank must have in relation to the size of the risks it faces. The rules strengthen the connection between risk taking and required capital in the Group's operations. Swedbank's legal requirement is based on the European Parliament's and the Council's regulation (EU) No 575/2013 on prudential requirements for credit institutions. The consolidated situation on 31 December 2018 included the Swedbank Group with the exception of insurance companies. In addition, Entercard Group was included through the proportional consolidation method. The table below contains the information that must be published according to the SFSA's regulations (FFFS 2014:12), chapter 8. Additional periodic information according to the European Parliament's and the Council's regulation (EU) No 575/2013 on prudential requirements for credit institutions and the Commission's implementing regulation EU) No 1423/2013 can be found on Swedbank's website at https://www.swedbank.com/investor-relations/risk-and-capital-adequacy/risk-report/index.htm

Since the 30th of January 2017, Swedbank must also comply with a capital requirement at the financial conglomerate level in accordance with the Special Supervision of Financial Conglomerates Act (2006:531), see capital adequacy for the financial conglomerate below.

	Consolidated situation	
Capital adequacy	**2018**	**2017**
Common Equity Tier 1 capital	**103 812**	**100 510**
Additional Tier 1 capital	10 949	11 050
Tier 1 capital	**114 761**	**111 560**
Tier 2 capital	22 232	13 696
Total own funds	**136 993**	**125 256**
Risk exposure amount	**637 882**	**408 351**
Common Equity Tier 1, capital ratio, %	**16,3**	**24,6**
Tier 1 capital ratio, %	**18,0**	**27,3**
Total capital ratio, %	**21,5**	**30,7**

	Consolidated situation	
Capital adequacy	**2018**	**2017**
Shareholders' equity according to the Group's balance sheet	137 396	133 372
Non-controlling interests	72	67
Anticipated dividend	–15 885	–14 515
Deconsolidation of insurance companies	–438	–109
Value changes in own financial liabilities including derivatives	–107	39
Cash flow hedges	–2	–28
Additional value adjustments[1]	–454	–596
Goodwill	–12 929	–12 479
Goodwill in significant investments	–709	–709
Deferred tax assets	–113	–142
Intangible assets after deferred tax liabilities	–2 974	–2 697
Net provisions for reported IRB credit exposures		–1 648
Shares deducted from CET1 capital	–45	–45
Common Equity Tier 1 capital	**103 812**	**100 510**
Additional Tier 1 capital	10 949	11 050
Total Tier 1 capital	**114 761**	**111 560**
Tier 2 capital	22 232	13 696
Total own funds	**136 993**	**125 256**
Minimum capital requirement for credit risks, standardised approach	3 328	3 046
Minimum capital requirement for credit risks, IRB	21 715	21 245
Minimum capital requirement for credit risk, default fund contribution	29	27
Minimum capital requirement for settlement risks	0	0
Minimum capital requirement for market risks	1 042	695
Trading book	999	669
of which VaR and SVaR	719	486
of which risks outside VaR and SVaR	280	183
FX risk other operations	43	26
Minimum capital requirement for credit value adjustment	307	299
Minimum capital requirement for operational risks	5 182	5 079
Additional minimum capital requirement, Article 3 CRR[2]	2 743	2 277
Additional minimum capital requirement, Article 458 CRR[7]	16 685	
Minimum capital requirement	**51 031**	**32 668**

Risk exposure amount credit risks, standardised approach	41 606	38 074
Risk exposure amount credit risks, IRB	271 437	265 563
Risk exposure amount default fund contribution	357	343
Risk exposure amount settlement risks	0	0
Risk exposure amount market risks	13 024	8 684
Risk exposure amount credit value adjustment	3 826	3 745
Risk exposure amount operational risks	64 779	63 482
Additional risk exposure amount, Article 3 CRR[2]	34 286	28 460
Additional risk exposure amount, Article 458 CRR[7]	208 567	
Risk exposure amount	**637 882**	**408 351**

Common Equity Tier 1 capital ratio, %	**16.3**	**24.6**
Tier 1 capital ratio, %	**18.0**	**27.3**
Total capital ratio, %	**21.5**	**30.7**

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

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

	Financial conglomerate	
Capital adequacy for the financial conglomerate[5]	**2018**	**2017**
Own funds after adjustments and deductions	143 661	131 998
Capital requirement	110 014	82 617
Surplus	33 647	49 381
Financial conglomerate solvency ratio, %[6]	130.6	159.8

1) Adjustment due to the implementation of EBA's technical standards on prudent valuation. The objective of these standards is to determine prudent values of fair value positions.
2) To rectify for underestimation of default frequency in the model for corporate exposures, Swedbank has decided to hold more capital until the updated model has been approved by the Swedish FSA. The amount also includes planned implementation of EBA's Guideline on new default definition and increased safety margins.
3) Buffer requirement according to Swedish implementation of CRD IV.
4) CET1 capital ratio as reported less minimum requirement of 4.5 per cent (excluding buffer requirements) and less any CET1 items used to meet the Tier 1 and total capital requirements.
5) The own funds and capital requirement for the financial conglomerate are calculated according to the accounting consolidation method in the Special Supervision of Financial Conglomerates Act (2006:531).
6) Calculated as the financial conglomerate's own funds after adjustment and deductions divided with the capital requirement for the financial conglomerate.
7) 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

Credit risks, IRB	2018 Exposure amount	Average risk weight, %	Minimum capital requirement
Central government or central banks exposures	296 418	2	375
Institutional exposures	49 183	19	766
Corporate exposures	532 566	33	13 963
Retail exposures	1 165 008	7	6 226
of which mortgage lending	1 047 939	5	3 929
of which other lending	117 069	25	2 297
Non credit obligation	8 508	57	385
Total credit risks, IRB	**2 051 683**	**13**	**21 715**

Credit risks, IRB	2017 Exposure amount	Average risk weight, %	Minimum capital requirement
Central government or central banks exposures	322 276	2	394
Institutional exposures	64 071	18	899
Corporate exposures	508 895	33	13 584
Retail exposures	1 107 632	7	6 065
of which mortgage lending	1 002 551	5	3 812
of which other lending	105 081	27	2 253
Non credit obligation	7 042	54	303
Total credit risks, IRB	**2 009 916**	**13**	**21 245**

	Consolidated situation	
Minimum capital requirements for market risks	**2018**	**2017**
Interest rate risk	992	640
of which for specific risk	279	182
of which for general risk	713	458
Equity risk	53	127
of which for specific risk	0	1
of which for general risk	53	126
Currency risk in trading book	202	218
Total minimum capital requirement for risks in trading book[1]	**999**	**669**
of which stressed VaR	586	374
Currency risk outside trading book	43	26
Total	**1 042**	**695**

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

	Consolidated situation	
Minimum capital requirement for operational risks	**2018**	**2017**
Standardised approach	5 182	4 988
of which trading and sales	232	210
of which retail banking	3 006	2 993
of which commercial banking	1 094	1 038
of which payment and settlement	366	258
of which retail brokerage	1	2
of which agency services	44	42
of which asset management	410	405
of which corporate finance	29	40
Basic indicator approach	0	91
Total	**5 182**	**5 079**

Exposure amount, Risk exposure amount and Minimum capital requirement	Consolidated situation 2018			Consolidated situation 2017		
	Exposure amount	Risk exposure amount	Minimum capital requirement	Exposure amount	Risk exposure amount	Minimum capital requirement
Credit risks, STD	**64 110**	**41 606**	**3 328**	**60 271**	**38 074**	**3 046**
Central government or central banks exposures	213			149		
Regional governments or local authorities exposures	2 193	269	21	1 884	221	18
Public sector entities exposures	1 708	68	5	3 882	111	9
Multilateral development banks exposures	2 566			3 835	1	0
International organisation exposures	372			428		
Institutional exposures	15 156	345	27	13 429	357	28
Corporate exposures	4 700	4 475	358	5 174	4 752	380
Retail exposures	17 960	12 899	1 032	14 039	10 262	821
Exposures secured by mortgages on immovable property	6 175	2 163	173	6 000	2 102	168
Exposures in default	556	562	45	511	521	42
Exposures in the form of covered bonds	220	23	2	122	12	1
Exposures in the form of collective investment undertakings (CIUs)	8	8	1	10	10	1
Equity exposures	8 100	17 535	1 403	7 127	16 974	1 358
Other items	4 183	3 259	261	3 681	2 751	220
Credit risks, IRB	**2 051 683**	**271 437**	**21 715**	**2 009 916**	**265 563**	**21 245**
Central government or central banks exposures	296 418	4 689	375	322 276	4 921	394
Institutional exposures	49 183	9 581	766	64 071	11 241	899
Corporate exposures	532 566	174 531	13 963	508 895	169 802	13 584
of which specialized lending in category 1	3	2	0	19	13	1
of which specialized lending in category 2	316	271	22	326	273	22
of which specialized lending in category 3	182	209	17	317	365	29
of which specialized lending in category 4	150	376	30	194	486	39
of which specialized lending in category 5	88			312		
Retail exposures	1 165 008	77 826	6 226	1 107 632	75 811	6 065
of which mortgage lending	1 047 939	49 110	3 929	1 002 551	47 646	3 812
of which other lending	117 069	28 716	2 297	105 081	28 165	2 253
Non-credit obligation	8 508	4 810	385	7 042	3 788	303
Credit risks, Default fund contribution		**357**	**29**		**343**	**27**
Settlement risks	**177**	**0**	**0**	**0**	**0**	**0**
Market risks		**13 024**	**1 042**		**8 684**	**695**
Trading book		12 486	999		8 364	669
of which VaR and SVaR		8 984	719		6 074	486
of which risks outside VaR and SVaR		3 502	280		2 290	183
FX risk other operations		538	43		320	26
Credit value adjustment	**16 024**	**3 826**	**307**	**16 291**	**3 745**	**299**
Operational risks		**64 779**	**5 182**		**63 482**	**5 079**
of which Standardised approach		64 779	5 182		62 345	4 988
of which Basic indicator method					1 137	91
Additional risk exposure amount, Article 3 CRR		**34 286**	**2 743**		**28 460**	**2 277**
Additional risk exposure amount, Article 458 CRR		**208 567**	**16 685**			
Total	**2 131 994**	**637 882**	**51 031**	**2 086 478**	**408 351**	**32 668**

G5 Operating segments

2018	Swedish Banking	Baltic Banking	Large corporates & Institutions	Group Functions & Other	Eliminations	Total
Income statement						
Net interest income	15 403	4 768	3 963	1 114	–20	25 228
Net commission income	7 595	2 503	2 620	53	65	12 836
Net gains and losses on financial items	400	272	1 791	–353	2	2 112
Share of the profit or loss of associates	693			335		1 028
Other income	1 484	737	158	833	–194	3 018
Total income	**25 575**	**8 280**	**8 532**	**1 982**	**-147**	**44 222**
of which internal income	56		127	478	–661	
Staff costs	3 116	946	1 420	4 274		9 756
Variable staff costs	71	57	208	192		528
Other expenses	5 776	1 840	2 168	–3 772	–147	5 865
Depreciation/amortisation	57	91	84	454		686
Total expenses	**9 020**	**2 934**	**3 880**	**1 148**	**-147**	**16 835**
Profit before impairment	**16 555**	**5 346**	**4 652**	**834**		**27 387**
Impairment of intangible assets				306		306
Impairment of tangible assets		8				8
Credit impairment	727	–208	13	–11		521
Operating profit	**15 828**	**5 546**	**4 639**	**539**		**26 552**
Tax expense	3 047	802	1 005	520		5 374
Profit for the year	**12 781**	**4 744**	**3 634**	**19**		**21 178**
Profit for the year attributable to the shareholders of Swedbank AB	**12 765**	**4 744**	**3 634**	**19**		**21 162**
Non-controlling interests	16					16

	Swedish Banking	Baltic Banking	Large corporates & Institutions	Group Functions & Other	Eliminations	Total
Net commission income						
Commission income						
Payment processing	729	703	390	274	–33	2 063
Cards	2 321	1 562	2 145	–2	–385	5 641
Service concepts	820	99	320	–54		1 185
Asset Management and custody	5 073	408	1 251	–8	–38	6 686
Corporate Finance and securities	210		381		–2	589
Lending and guarantee	287	235	704	3	21	1 250
Deposits	26	139	5	3		173
Real estate brokerage	181					181
Life and non-life Insurance	612	57		–5		664
Other commission income	216	26	276	18		535
Total commission income	**10 475**	**3 229**	**5 472**	**229**	**-438**	**18 967**
Commission expense	**2 880**	**726**	**2 852**	**176**	**-503**	**6 131**
Net Commission Income	**7 595**	**2 503**	**2 620**	**53**	**65**	**12 836**

The operating segment report is based on Swedbank's accounting policies, organisation and management accounts. Market–based transfer prices are applied between operating segments, while all expenses for Group functions and Group staffs are transfer priced at cost to the operating segments. Cross–border transfer pricing is applied according to OECD transfer pricing guidelines.The Group's equity attributable to shareholders is allocated to each operating segment based on capital adequacy rules and estimated capital requirements based on the bank's internal Capital Adequacy Assessment Process (ICAAP). The return on allocated equity for the operating segments is calculated based on profit for the year for the operating segment (operating profit less estimated tax and non–controlling interests), in relation to average monthly allocated equity for the operating segment.

Swedish Banking, Swedbank's dominant operating segment, is responsible for all Swedish customers except for large corporates and financial institutions. The operating segment's services are sold through Swedbank's own branch network, the Telephone Bank, the Internet Bank and the distribution network of the independent savings banks. The operating segment also includes a number of subsidiaries. Baltic Banking operates in Estonia, Latvia and Lithuania. Its services are sold through its own branch network, the Telephone Bank and the Internet Bank. The effects of Swedbank's ownership interests in the Baltic companies Swedbank AS (Estonia), Swedbank AS (Latvia) and Swedbank AB (Lithuania) are also reported in Baltic Banking in the form of financing costs, Group goodwill and Group amortisation on surplus values in the lending and deposit portfolios identified at the time of acquisition in 2005. Large Corporates & Institutions is responsible for large corporates, financial institutions and banks as well as for trading and capital market products. Operations are carried out in Sweden, Norway, Finland, US and China, and through the trading and capital market operation in Estonia, Latvia and Lithuania. The Group Functions operate across the business areas and serve as strategic and administrative support for them. The Group Functions are Group Lending & Payments, Group Savings, Digital Banking, Group IT, Accounting & Finance (including Group Treasury), CEO Office (including Corporate Affairs, HR and Legal.), Risk, Compliance, The Group Executive Committee and Internal Audit are also included in Group Functions. During 2018 Swedbank's operating segments were changed slightly to coincide with the organisational changes made in Swedbank's business area organisation. Comparative figures have been restated.

2018	Swedish Banking	Baltic Banking	Large corporates & Institutions	Group Functions & Other	Eliminations	Total
Balance sheet						
Cash and balances with central banks		3 032	3 305	156 824		163 161
Loans to credit institutions	5 582		116 233	166 327	–251 874	36 268
Loans to the public	1 187 783	169 147	260 081	10 357		1 627 368
Interest-bearing securities		1 475	46 400	109 979	–4 963	152 891
Financial assets for which customers bear inv. risk	173 478	4 390				177 868
Investments in associates	3 955			2 133		6 088
Derivatives			46 351	23 422	–30 108	39 665
Tangible and intangible assets	2 157	11 598	698	4 631		19 084
Other assets	3 781	60 328	15 178	461 666	–517 254	23 699
Total assets	**1 376 736**	**249 970**	**488 246**	**935 339**	**–804 199**	**2 246 092**
Amounts owed to credit institutions	27 632		209 046	60 371	–239 831	57 218
Deposits and borrowings from the public	564 060	220 606	143 090	1 347	–8 353	920 750
Debt securities in issue		1 255	12 602	797 334	–6 831	804 360
Financial liabilities for which customers bear inv. risk	173 957	4 705				178 662
Derivatives			45 380	16 023	–30 087	31 316
Other liabilities	547 972		53 093	238	–519 097	82 206
Subordinated liabilities				34 184		34 184
Total liabilities	**1 313 621**	**226 566**	**463 211**	**909 497**	**–804 199**	**2 108 696**
Allocated equity	63 115	23 404	25 035	25 842		137 396
Total liabilities and equity	**1 376 736**	**249 970**	**488 246**	**935 339**	**–804 199**	**2 246 092**
Key figures						
Return on allocated equity, total operations, %	20,8	20,6	14,3	0,1		16,1
Cost/income ratio	0,35	0,35	0,45	0,58		0,38
Credit impairment ratio, %	0,06	–0,13	0,01	–0,05		0,03
Loans/deposits, %	213	77	157	95		172
Loans, excl. repurchase agreements and Swedish National Debt Office	1 188	170	220			1 578
Deposits, excl. repurchase agreements and Swedish National Debt Office	559	221	140			920
Risk exposure amount	382	89	146	21		638
Full-time employees	3 846	3 569	1 256	6 194		14 865
Allocated equity, average	61 497	23 071	25 449	21 428		131 445

1/1/2018	Swedish Banking	Baltic Banking	Large corporates & Institutions	Group Functions & Other	Eliminations	Total
Balance sheet						
Cash and balances with central banks		2 910	7 615	189 839		200 364
Loans to credit institutions	5 175	4	54 534	191 743	–220 436	31 020
Loans to the public	1 150 174	149 530	227 173	8 268	–252	1 534 893
Bonds and other interest-bearing securities	254	1 546	27 541	118 312	–2 244	145 409
Financial assets for which customers bear inv. risk	176 170	4 150				180 320
Investments in associates	3 662			2 499		6 161
Derivatives		15	62 792	23 528	–30 655	55 680
Total tangible and intangible assests	2 177	11 164	651	4 293	–1	18 284
Other assets	6 807	41 988	39 003	457 446	–506 923	38 321
Total assets	**1 344 419**	**211 307**	**419 309**	**995 928**	**–760 511**	**2 210 452**
Amounts owed to credit institutions	25 847		179 467	74 281	–211 351	68 244
Deposits and borrowings from the public	530 106	185 011	138 503	11 099	–9 006	855 713
Debt securities in issue		666	17 802	836 988	–5 247	850 209
Financial liabilities for which customers bear inv. risk	176 656	4 468				181 124
Derivatives			59 958	18 358	–32 116	46 200
Other liabilities	554 658				–502 791	51 867
Subordinated liabilities				25 864		25 864
Total liabilities	**1 287 267**	**190 145**	**395 730**	**966 590**	**–760 511**	**2 079 221**
Allocated equity	57 152	21 162	23 579	29 338		131 231
Total liabilities and equity	**1 344 419**	**211 307**	**419 309**	**995 928**	**–760 511**	**2 210 452**

2017	Swedish Banking	Baltic Banking	Large corporates & Institutions	Group Functions & Other	Eliminations	Total
Income statement						
Net interest income	15 103	4 221	3 545	1 735	–9	24 595
Net commission income	7 481	2 364	2 348	–44	57	12 206
Net gains and losses on financial items	398	220	1 854	–538		1 934
Share of the profit or loss of associates	654			82		736
Other income	1 311	621	123	956	–279	2 732
Total income	**24 947**	**7 426**	**7 870**	**2 191**	**–231**	**42 203**
of which internal income	102		47	349	–498	
Staff costs	3 137	858	1 454	4 036		9 485
Variable staff costs	103	50	148	159		460
Other expenses	5 621	1 666	1 837	–3 023	–231	5 870
Depreciation/amortisation	67	102	78	353		600
Total expenses	**8 928**	**2 676**	**3 517**	**1 525**	**–231**	**16 415**
Profit before impairment	**16 019**	**4 750**	**4 353**	**666**		**25 788**
Impairment of intangible assets	80			95		175
Impairment of tangible assets		21				21
Credit impairment	413	–97	969			1 285
Operating profit	**15 526**	**4 826**	**3 384**	**571**		**24 307**
Tax expense	2 946	822	725	450		4 943
Profit for the year	**12 580**	**4 004**	**2 659**	**121**		**19 364**
Profit for the year attributable to the shareholders of Swedbank AB	**12 566**	**4 004**	**2 659**	**121**		**19 350**
Non-controlling interests	14					14

Net commission income						
Commission income						
Payment processing	733	649	318	228	–12	1 916
Cards	2 247	1 350	1 867		–366	5 098
Service concepts	705	54	48			807
Asset Management and custody	4 649	478	1 169	–19	–37	6 240
Corporate Finance and securities	324	1	372	8	–11	694
Lending and guarantee	306	200	659	4		1 169
Deposits	37	158	4	1		200
Real estate brokerage	198					198
Life and non-life Insurance	674	66				740
Other commission income	222	25	218	15		480
Total commission income	**10 095**	**2 981**	**4 655**	**237**	**–426**	**17 542**
Commission expenses	**2 614**	**617**	**2 307**	**281**	**–483**	**5 336**
Net Commission Income	**7 481**	**2 364**	**2 348**	**–44**	**57**	**12 206**

2017	Swedish Banking	Baltic Banking	Large corporates & Institutions	Group Functions & Other	Eliminations	Total
Balance sheet						
Cash and balances with central banks		2 910	7 615	189 846		200 371
Loans to credit institutions	5 437	7	54 144	190 338	–219 180	30 746
Loans to the public	1 149 814	149 130	228 206	8 048		1 535 198
Interest-bearing securities	251	1 534	27 418	118 075	–2 244	145 034
Financial assets for which customers bear inv. risk	176 170	4 150				180 320
Investments in associates	3 858			2 499		6 357
Derivatives		15	62 792	23 573	–30 700	55 680
Tangible and intangible assets	2 184	11 164	654	4 282		18 284
Other assets	8 178	42 380	38 333	453 559	–501 804	40 646
Total assets	**1 345 892**	**211 290**	**419 162**	**990 220**	**–753 928**	**2 212 636**
Amounts owed to credit institutions	25 847		179 429	74 530	–211 751	68 055
Deposits and borrowings from the public	530 280	184 994	138 472	9 753	–7 890	855 609
Debt securities in issue		667	17 724	830 589	–4 776	844 204
Financial liabilities for which customers bear inv. risk	176 657	4 467				181 124
Derivatives			59 958	18 361	–32 119	46 200
Other liabilities	555 956				–497 392	58 564
Subordinated liabilities				25 508		25 508
Total liabilities	**1 288 740**	**190 128**	**395 583**	**958 741**	**–753 928**	**2 079 264**
Allocated equity	57 152	21 162	23 579	31 479		133 372
Total liabilities and equity	**1 345 892**	**211 290**	**419 162**	**990 220**	**–753 928**	**2 212 636**
Key figures						
Return on allocated equity, total operations, %	22,5	19,2	12,0	0,4		15,1
Cost/income ratio	0,36	0,36	0,45	0,70		0,39
Credit impairment ratio, %	0,04	–0,07	0,40	0,00		0,08
Loans/deposits, %	219	81	158			177
Loans, excl. repurchase agreements and Swedish National Debt Office	1 149 814	149 130	202 659	47		1 501 650
Deposits, excl. repurchase agreements and Swedish National Debt Office	524 706	184 926	128 033	8 962		846 627
Risk exposure amount	171 258	81 902	137 164	18 027		408 351
Full-time employees	3 980	3 476	1 266	5 866		14 588
Allocated equity, average	55 941	20 836	22 090	28 889		127 756

G6 Products

2018	Financing	Savings & Investments	Payments & Cards	Trading & Capital markets	Other	Total
Net interest income	23 074	189	1 384	–170	752	25 228
Net commission income	1 255	5 300	5 035	506	740	12 836
Net gains and losses on financial items	19	27	3	1 961	103	2 112
Share of the profit or loss of associates			489		539	1 028
Other income	49	1 256	249	33	1 430	3 018
Total income	**24 397**	**6 773**	**7 160**	**2 329**	**3 563**	**44 222**

2017	Financing	Savings & Investments	Payments & Cards	Trading & Capital markets	Other	Total
Net interest income	21 567	86	1 471	59	1 412	24 595
Net commissions	1 042	5 236	4 545	815	568	12 206
Net gains and losses on financial items	2	147	13	2 043	–271	1 934
Share of the profit or loss of associates			444		292	736
Other income	48	1 063	224	21	1 376	2 732
Total income	**22 659**	**6 532**	**6 697**	**2 938**	**3 377**	**42 203**

In the product area report income has been distributed among five principal product areas. The Group does not have a single customer which accounts for more than 10 per cent of its total income. During 2018 Swedbank's products structure was changed slightly and comparative figures have been restated.

(1) Financing
private residential lending
consumer financing
corporate lending
leasing
other financing products
trade finance
factoring

(2) Savings & Investments
savings accounts
mutual funds and insurance savings
pension savings
institutional asset management
other savings and investment products

(3) Payments & Cards
current accounts (incl. cash management)
cash handling
domestic payments
international payments
mobile payments
document payments
debit cards
credit cards (incl. EnterCard)
card acquiring
other payment products

(4) Trading & Capital Market Products
equity trading
structured products
corporate finance
custody services
fixed income trading
currency trading
other capital market products

(5) Other
administrative services
treasury operations
Ektornet
real estate brokerage
real estate management
legal services
safe deposit boxes
other

(5) Other also includes income from all countries apart from Sweden, Baltics and Norway

G7 Geographical distribution

The geographical distribution is primarily based on where the business is carried out and is not comparable to the operating segment reporting. In the geographical distribution, intangible assets, mainly goodwill related to acquisitions, has been allocated to the country where the operations were acquired. The column Other includes operations in Finland, Denmark, Luxembourg and China. A more detailed country distribution is provided on Swedbank's website.

2018	Sweden	Estonia	Latvia	Lithuania	Norway	USA	Other	Eliminations	Total
Income statement									
Net interest income	19 100	2 175	1 082	1 291	1 102	87	387	4	25 228
Net commission income	9 422	882	787	973	438	51	264	19	12 836
Net gains and losses on financial items	1 557	103	115	84	188		66		2 112
Share of the profit or loss of associates	756	3			152		117		1 028
Other income	2 652	928	103	256	66	1	22	–1 010	3 018
Total income	**33 487**	**4 091**	**2 087**	**2 604**	**1 946**	**138**	**856**	**-987**	**44 222**
Staff costs	7 215	890	466	629	350	45	161		9 756
Variable staff costs	358	47	27	30	60	1	5		528
Other expenses	5 125	479	387	390	335	–14	150	–987	5 865
Depreciation/amortisation	526	60	44	41	12		3		686
Total expenses	**13 224**	**1 476**	**924**	**1 090**	**757**	**32**	**319**	**-987**	**16 835**
Profit before impairment	**20 263**	**2 615**	**1 163**	**1 514**	**1 189**	**106**	**537**		**27 387**
Impairment of intangible fixed assets	306								306
Impairment of tangible fixed assets				8					8
Credit impairment	895	–153	–26	–36	–288		129		521
Operating profit	**19 062**	**2 768**	**1 189**	**1 542**	**1 477**	**106**	**408**		**26 552**
Tax expense	3 981	500	233	244	327	25	64		5 374
of which current tax	4 021	682	3	229	341	25	64		5 365
of which paid tax	4 296	589	95	36	81	5	63		5 165
Profit for the period	**15 081**	**2 268**	**956**	**1 298**	**1 150**	**81**	**344**		**21 178**
Profit for the year attributable to the shareholders of Swedbank AB	**15 065**	**2 268**	**956**	**1 298**	**1 150**	**81**	**344**		**21 162**
Non-controlling interests	16								16
Net commission income									
Commission income									
Payment processing	1 363	233	227	243	1		8	–12	2 063
Cards	3 477	569	485	508	196		406		5 641
Service concepts	942			99	115		54	–25	1 185
Asset Management and custody	6 218	236	120	126			21	–35	6 686
Corporate Finance and securities	395	27	12	12	81	7	55		589
Lending and guarantee	700	83	67	86	178	53	87	–4	1 250
Deposits	31	9	46	87					173
Real estate brokerage	170						11		181
Life and non-life Insurance	606	57	24	27				–50	664
Other commission income	370	13	13	13	98	9	22	–3	535
Total commission income	**14 272**	**1 227**	**994**	**1 201**	**669**	**69**	**664**	**-129**	**18 967**
Commission expense	**4 850**	**345**	**207**	**228**	**231**	**18**	**400**	**-148**	**6 131**
Net Commission Income	**9 422**	**882**	**787**	**973**	**438**	**51**	**264**	**19**	**12 836**

2018	Sweden	Estonia	Latvia	Lithuania	Norway	USA	Other	Eliminations	Total
Balance sheet									
Cash and balances with central banks	4 595	23 197	21 885	37 108	795	26 228	49 353		163 161
Loans to credit institutions	30 965	3 013	1 013	1 680	4 503	74 056	546	–79 508	36 268
Loans to the public	1 383 951	79 926	34 931	54 638	53 010	2 020	19 888	–996	1 627 368
Interest-bearing securities	136 027	3 117	767	1 299	7 279	2 152	2 250		152 891
Financial assets for which customers bear inv. risk	173 478	4 390							177 868
Investments in associates	4 806	14			1 005		263		6 088
Derivatives	31 883	182	46	83	10 947		737	–4 213	39 665
Tangible and intangible fixed assets	7 039	4 611	2 671	4 513	238		12		19 084
Other assets	35 598	1 061	958	542	3 407	168	1 813	–19 848	23 699
Total assets	**1 808 342**	**119 511**	**62 271**	**99 863**	**81 184**	**104 624**	**74 862**	**–104 565**	**2 246 092**
Amounts owed to credit institutions	55 331	516	32	45	60 118	27 053	69 348	–155 225	57 218
Deposits and borrowings from the public	688 031	88 714	50 451	86 299	4 249	747	3 061	–802	920 750
Debt securities in issue	728 158	11				76 191			804 360
Financial liabilities for which customers bear inv. risk	173 957	4 705							178 662
Derivatives	23 926	193	54	79	10 236		723	–3 895	31 316
Other liabilities		15 405	5 773	5 671				55 357	82 206
Subordinated liabilities	34 184								34 184
Total liabilities	**1 703 587**	**109 544**	**56 310**	**92 094**	**74 603**	**103 991**	**73 132**	**–104 565**	**2 108 696**
Allocated equity	104 755	9 967	5 961	7 769	6 581	633	1 730		137 396
Total liabilities and equity	**1 808 342**	**119 511**	**62 271**	**99 863**	**81 184**	**104 624**	**74 862**	**–104 565**	**2 246 092**

1/1/2018	Sweden	Estonia	Latvia	Lithuania	Norway	USA	Other	Eliminations	Total
Balance sheet									
Cash and balances with central banks	89 463	21 954	16 470	25 815	4 284	40 123	2 251	4	200 364
Loans to credit institutions	27 273	1 957	1 365	2 687	3 070	35 711	2 395	–43 438	31 020
Loans to the public	1 321 346	71 612	31 959	45 999	48 474	764	15 460	–721	1 534 893
Bonds and other interest-bearing securities	130 795	3 207	1 601	888	4 763	3 277	878		145 409
Financial assets for which customers bear inv. risk	176 170	4 150							180 320
Investments in associates	4 849	10			1 003		299		6 161
Derivatives	45 854	135	54	122	14 012		560	–5 057	55 680
Tangible and intangible fixed assets	6 714	4 421	2 606	4 307	233	1	2		18 284
Other assets	40 240	892	413	645	1 564	81	392	–5 906	38 321
Total assets	**1 842 704**	**108 338**	**54 468**	**80 463**	**77 403**	**79 957**	**22 237**	**–55 118**	**2 210 452**
Amounts owed to credit institutions	61 598	1 820	231	28	49 589	8 124	17 171	–70 317	68 244
Deposits and borrowings from the public	650 978	77 592	43 215	68 007	4 855	8 706	3 203	–843	855 713
Debt securities in issue	787 631	11				62 567			850 209
Financial liabilities for which customers bear inv. risk	176 657	4 467							181 124
Derivatives	38 146	147	65	104	12 240		597	–5 099	46 200
Other liabilities		15 243	5 570	5 340	4 565	6		21 141	51 865
Subordinated liabilities	25 864								25 864
Total liabilities	**1 740 874**	**99 280**	**49 081**	**73 479**	**71 249**	**79 403**	**20 971**	**–55 118**	**2 079 219**
Allocated equity	101 830	9 058	5 387	6 984	6 154	554	1 266		131 233
Total liabilities and equity	**1 842 704**	**108 338**	**54 468**	**80 463**	**77 403**	**79 957**	**22 237**	**–55 118**	**2 210 452**

2017	Sweden	Estonia	Latvia	Lithuania	Norway	USA	Other	Eliminations	Total
Income statement									
Net interest income	18 941	1 994	1 064	1 161	941	166	324	4	24 595
Net commission income	9 094	821	822	837	391	37	189	15	12 206
Net gains and losses on financial items	1 174	132	97	103	421		7		1 934
Share of the profit or loss of associates	451	2			224		59		736
Other income	2 491	789	102	234	22	2	2	–910	2 732
Total income	**32 151**	**3 738**	**2 085**	**2 335**	**1 999**	**205**	**581**	**–891**	**42 203**
Staff costs	7 303	769	404	540	300	45	124		9 485
Variable staff costs	350	44	22	29	11		4		460
Other expenses	4 976	520	377	464	306	–12	129	–890	5 870
Depreciation/amortisation	439	61	48	43	7		2		600
Total expenses	**13 068**	**1 394**	**851**	**1 076**	**624**	**33**	**259**	**–890**	**16 415**
Profit before impairment	**19 083**	**2 344**	**1 234**	**1 259**	**1 375**	**172**	**322**	**–1**	**25 788**
Impairment of intangible fixed assets	175								175
Impairment of tangible fixed assets			19	2					21
Credit impairment	522	–32	–21	–45	856	6			1 285
Operating profit	**18 386**	**2 376**	**1 236**	**1 302**	**519**	**166**	**323**	**–1**	**24 307**
Tax expense	3 954	426	177	190	127	11	58		4 943
of which current tax	4 009	252	180	205	83	42	59		4 830
of which paid tax	2 629	257	210	150	203	3	64		3 516
Profit for the period	**14 432**	**1 950**	**1 059**	**1 112**	**392**	**155**	**265**	**–1**	**19 364**
Profit for the year attributable to the shareholders of Swedbank AB	**14 418**	**1 950**	**1 059**	**1 112**	**392**	**155**	**265**	**–1**	**19 350**
Non-controlling interests	14								14

	Sweden	Estonia	Latvia	Lithuania	Norway	USA	Other	Eliminations	Total
Net commission income									
Commission income									
Payment processing	1 263	211	201	237	3		9	–8	1 916
Cards	3 295	502	413	435	160		293		5 098
Service concepts	699			54	42		20	–8	807
Asset Management and custody	5 697	222	231	106			24	–40	6 240
Corporate Finance and securities	540	19	7	10	110	7	3	–2	694
Lending and guarantee	660	83	59	58	173	45	95	–4	1 169
Deposits	42	21	46	91					200
Real estate brokerage	183						15		198
Life and non-life Insurance	674	65	20	19				–38	740
Other commission income	363	8	12	13	55	9	20		480
Total commission income	**13 416**	**1 131**	**989**	**1 023**	**543**	**61**	**479**	**-100**	**17 542**
Commission expense	**4 322**	**310**	**167**	**186**	**152**	**24**	**290**	**-115**	**5 336**
Net Commission Income	**9 094**	**821**	**822**	**837**	**391**	**37**	**189**	**15**	**12 206**

2017	Sweden	Estonia	Latvia	Lithuania	Norway	USA	Other	Eliminations	Total
Balance sheet									
Cash and balances with central banks	89 463	21 957	16 475	25 818	4 284	40 123	2 251		200 371
Loans to credit institutions	27 357	1 957	1 368	2 687	2 850	35 595	2 366	–43 434	30 746
Loans to the public	1 321 063	71 375	31 849	45 946	49 468	753	15 465	–721	1 535 198
Interest-bearing securities	130 447	3 195	1 601	888	4 748	3 277	878		145 034
Financial assets for which customers bear inv. risk	176 170	4 150							180 320
Investments in associates	5 045	10			1 003		299		6 357
Derivatives	45 854	135	54	122	14 012		560	–5 057	55 680
Tangible and intangible fixed assets	6 714	4 421	2 606	4 307	233	1	2		18 284
Other assets	36 298	1 001	459	676	1 759	135	390	–72	40 646
Total assets	**1 838 411**	**108 201**	**54 412**	**80 444**	**78 357**	**79 884**	**22 211**	**–49 284**	**2 212 636**
Amounts owed to credit institutions	61 537	1 819	231	28	49 589	8 034	17 134	–70 317	68 055
Deposits and borrowings from the public	650 892	77 583	43 209	68 004	4 855	8 706	3 203	–843	855 609
Debt securities in issue	781 626	11				62 567			844 204
Financial liabilities for which customers bear inv. risk	176 657	4 467							181 124
Derivatives	38 146	147	65	104	12 240		597	–5 099	46 200
Other liabilities	76	15 116	5 520	5 324	5 519	23	11	26 975	58 564
Subordinated liabilities	25 508								25 508
Total liabilities	**1 734 442**	**99 143**	**49 025**	**73 460**	**72 203**	**79 330**	**20 945**	**–49 284**	**2 079 264**
Allocated equity	103 969	9 058	5 387	6 984	6 154	554	1 266		133 372
Total liabilities and equity	**1 838 411**	**108 201**	**54 412**	**80 444**	**78 357**	**79 884**	**22 211**	**–49 284**	**2 212 636**

G8 Net interest income

	2018			2017		
	Average balance	Interest income/ expense	Average annual interest rate, %	Average balance	Interest income/ expense	Average annual interest rate, %
Loans to credit institutions	39 373	147	0.37	38 206	60	0.16
Loans to the public	1 602 128	31 069	1.94	1 532 472	30 022	1.96
Interest-bearing securities	195 495	216	0.11	192 806	182	0.09
Total interest-bearing assets	**1 836 996**	**31 432**	**1.71**	**1 763 484**	**30 264**	**1.72**
Derivatives	66 752	2 157		75 474	1 026	
Other assets	603 020	809		603 728	1 241	
Total assets	**2 506 768**	**34 398**	**1.37**	**2 442 686**	**32 531**	**1.33**
deduction of trading interests reported in net gains and losses on financial items		340			343	
Interest income, including negative yield on financial assets, according to income statement		**34 058**			**32 188**	
Amounts owed to credit institutions	112 165	971	0.87	138 757	821	0.59
Deposits and borrowings from the public	951 561	1 234	0.13	907 184	1 281	0.14
of which deposit guarantee fees		414			442	
Debt securities in issue	941 181	12 726	1.35	910 780	10 984	1.21
Subordinated liabilities	30 114	1 016	3.37	29 026	1 193	4.11
Total Interest-bearing liabilities	**2 035 021**	**15 947**	**0.78**	**1 985 747**	**14 279**	**0.72**
Derivatives	52 001	–8 945		66 422	–8 223	
Other liabilities	288 301	1 702		262 760	1 225	
of which government resolution fund fee		1 656			1 205	
Total liabilities	**2 375 323**	**8 704**	**0.37**	**2 314 929**	**7 281**	**0.31**
Equity	**131 445**			**127 757**		
Total liabilities and equity	**2 506 768**	**8 704**	**0.35**	**2 442 686**	**7 281**	**0.30**
deduction of trading interests reported in net gains and losses on financial items		–126			–312	
Interest expense, including negative yield on financial liabilities, according to income statement		**8 830**			**7 593**	
Net interest income		**25 228**			**24 595**	
Net interest margin before trading interest are deducted			1.02			1.03
Interest income on Stage 3 loans (impaired loans in 2017)		279			110	
Interest income on financial assets at amortised cost		32 023			28 828	
Interest expense on financial liabilities at amortised cost		17 075			15 276	

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

G9 Net commission income

	2018	2017
Commission income		
Payment processing	2 063	1 916
Cards	5 641	5 098
Service concepts	1 185	807
Asset management and custody	6 686	6 240
Life insurance	577	660
Securities	466	557
Corporate finance	123	137
Lending	1 015	938
Guarantee	235	231
Deposits	173	200
Real estate brokerage	181	198
Non-life insurance	87	80
Other commission income	535	480
Total	**18 967**	**17 542**

	2018	2017
Commission expense		
Payment processing	–1 166	–1 078
Cards	–2 465	–2 115
Service concepts	–177	–70
Asset management and custody	–1 573	–1 368
Life insurance	–191	–189
Securities	–296	–279
Lending and guarantees	-67	-60
Non-life insurance	–33	–23
Other commission expense	–163	–154
Total	**-6 131**	**-5 336**

	2018	2017
Net commission income		
Payment processing	897	838
Cards	3 176	2 983
Service concepts	1 008	737
Asset management and custody	5 113	4 872
Life insurance	386	471
Securities	170	278
Corporate finance	123	137
Lending	948	878
Guarantee	235	231
Deposits	173	200
Real estate brokerage	181	198
Non-life insurance	54	57
Other commission	372	326
Total	**12 836**	**12 206**

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

	2018		2017	
	Over time	**Point in time**	**Over time**	**Point in time**
Commission income				
Payment processing	581	1 482	638	1 278
Cards	789	4 852	596	4 502
Service concepts	1 185		807	
Asset management and custody	6 686		6 235	5
Life insurance	562	14	645	15
Securities	34	432	67	490
Corporate finance	123		137	
Lending	740	275	636	302
Guarantee	200	36	183	48
Deposits	142	31	143	57
Real estate brokerage		181		198
Non-life insurance	87		80	
Other commission income	474	60	450	30
Total	**11 605**	**7 362**	**10 617**	**6 925**

G10 Net gains and losses on financial items

	2018	2017
Fair value through profit or loss		
Trading and derivatives		
Shares and share related derivatives	984	534
of which dividend	170	282
Interest-bearing instruments and interest related derivatives	–258	436
Other financial instruments	–15	–2
Total	**711**	**968**
Non-trading		
Shares	–26	
of which dividend	11	
Interest-bearing instruments	–265	
Total	**–291**	
Designated at fair value through profit or loss		
Shares		36
of which dividend		1
Loans to the public		–1 029
Financial liabilities	238	264
Total	**238**	**–729**
Hedge accounting at fair value		
Ineffective part in hedge accounting at fair value		
Hedging instruments	–373	–5 188
Hedged item	339	5 280
Total	**–34**	**92**
Ineffective part in portfolio hedge accounting at fair value		
Hedging instruments	–16	660
Hedged item	–22	–694
Total	**–38**	**–34**
Ineffective part in cash flow hedges		
Derecognition gain or loss for financial liabilities at amortised cost	–249	–385
Derecognition gain or loss for financial assets at amortised cost	133	112
Trading related interest		
Interest income	340	343
Interest expense	126	312
Total trading related interest	**466**	**655**
Change in exchange rates	**1 176**	**1 255**
Total	**2 112**	**1 934**
Distribution by business purpose		
Financial instruments for trading related business	2 359	2 710
Financial instruments intended to be held until contractual maturity	–247	–776
Total	**2 112**	**1 934**

Net gains and losses on financial items rose to SEK 2 112m (1 934). The increase is mainly due to an improved result within Group Treasury as a result of lower covered bond repurchasing activity.

G11 Net insurance

	2018	2017
Insurance premiums		
Life insurance	1 897	1 834
of which loan protection	243	223
of which other	1 654	1 611
Non-life insurance	972	766
Total	**2 869**	**2 600**

	2018	2017
Insurance provisions		
Life insurance	–1 077	–1 137
of which loan protection	–94	–98
of which other	–983	–1 039
Non-life insurance	–600	–526
Total	**–1 677**	**–1 663**

	2018	2017
Net insurance		
Life insurance	820	697
of which loan protection	149	125
of which other	671	572
Non-life insurance	372	240
Total	**1 192**	**937**

G12 Other income

	2018	2017
Profit from sale of subsidiaries and associates	688	686
Income from real estate operations	17	17
Profit from sale of condominiums		8
Sold inventories	15	69
of which revenues	248	383
of which carrying amount	–233	–314
IT services	535	718
Other operating income	571	298
Total	**1 826**	**1 795**

During 2018 the shares in the associated company UC AB were sold giving a capital gain of SEK 677m. During 2017 the shares in the associated company Hemnet AB were sold giving a capital gain of SEK 680m.

G13 Staff costs and other staff–related key ratios

1 COMPENSATION WITHIN SWEDBANK

The majority of employees at Swedbank have fixed and variable compensation components, which, together with pension and other benefits, represent their total compensation. Total compensation is market based and designed to achieve a sound balance between the fixed and variable components.

Total staff costs	2018	2017
Salaries and Board fees	6 455	5 951
Compensation through shares in Swedbank AB	322	314
Social insurance charges	2 049	2 028
Pension costs[1]	1 128	947
Training costs	123	121
Other staff costs	207	584
Total	**10 284**	**9 945**
of which variable staff costs	528	460
of which personnel redundancy costs	–179	255

1) The Group's pension cost for the year is specified in note G39.

2 VARIABLE COMPENSATION

Swedbank currently has four share–based variable compensation programmes: Programme 2015, Programme 2016, Programme 2017 and Programme 2018. In 2018 shares associated with Programme 2014 were transferred.

2.1 Programme 2018

Programme 2018 consists of three parts: a general programme (Eken), an individual programme and an individual programme (IP) for employees in asset management (IPAM). Eken covers the majority of employees in the Group and consists of share-based compensation that is deferred for 3 years (5 years for the Group Executive Committee). IP covers approximately 570 participants and consists of equal parts share-based and cash compensation. At least 40 per cent of the variable compensation is deferred for 4 years. Cash compensation is applicable for the individual programs (IP). IPAM covers around 55 employees and consists of half fund unit-based compensation and half cash compensation. At least 40 per cent of the variable compensation is deferred for 3–5 years.

Further information on Programme 2018 as well as Programmes 2015–2017 can be found in Swedbank's Factbook, which is published on the bank's website in connection with its quarterly reports as well as in the detailed agenda items that serve as a basis for resolutions by the AGM.

2.2 Reporting of share-based compensation

Share-based compensation is allotted in the form of so-called performance rights (future shares in Swedbank) and accrued over the duration of each programme. Delivery of shares is conditional on continued employment.

Each programme comprises i) the initial performance year, followed by ii) allotments and a deferral period before iii) final transfer of the shares to participants in the year after the conclusion of the deferral period and publication of the year-end report. During the initial performance year the compensation is expressed and measured in the form of a monetary value corresponding to the performance amount. Thereafter, the compensation is expressed in terms of the number of performance rights until the delivery date.

Performance rights for each programme are valued in the accounts based on the estimated price of shares in Swedbank on the valuation date i.e. the date when the company and the counterpart agree to the contractual terms and conditions in each programme. Each performance right entitles its holder to one share in Swedbank plus compensation for any dividends distributed that the performance rights did not qualify for during the programme's duration. The reported cost of each programme can change during the period until the delivery date if the performance amount changes or because the performance rights are forfeited. The reported cost excluding social insurance charges does not change when the market value of the performance rights changes. Social insurance charges are calculated and recognised continuously based on market value and ultimately determined at the time of delivery.

Information on compensation according to the SFSA's regulations and general guidelines on compensation policies (FFFS 2011:1) is published on Swedbank's website.

Variable Compensation Programme 2013-2018	2018	2017
Programme 2013		
Recognised expense for compensation that is settled with shares in Swedbank AB		11
Recognised expense for social insurance charges related to the share settled compensation		7
Programme 2014		
Recognised expense for compensation that is settled with shares in Swedbank AB	20	78
Recognised expense for social insurance charges related to the share settled compensation	6	20
Programme 2015		
Recognised expense for compensation that is settled with shares in Swedbank AB	48	50
Recognised expense for social insurance charges related to the share settled compensation	19	14
Programme 2016		
Recognised expense for compensation that is settled with shares in Swedbank AB	62	69
Recognised expense for social insurance charges related to the share settled compensation	17	15
Recognised expense for cash settled compensation		–8
Recognised expense for payroll overhead costs related to the cash settled compensation		18
Programme 2017		
Recognised expense for compensation that is settled with shares in Swedbank AB	52	99
Recognised expense for social insurance charges related to the share settled compensation	12	20
Recognised expense for cash settled compensation	1	44
Recognised expense for fund compensation	4	8
Recognised expense for payroll overhead costs related to the cash settled compensation and fund shares	1	15
Programme 2018		
Recognised expense for compensation that is settled with shares in Swedbank AB	139	
Recognised expense for social insurance charges related to the share settled compensation	29	
Recognised expense for cash settled compensation	104	
Recognised expense for fund compensation	11	
Recognised expense for payroll overhead costs related to the cash settled compensation and fund shares	3	
Total recognised expense	**528**	**460**

Number of performance rights that establish the recognised share based expense, millions	2018	2017
Outstanding at the beginning of the period	**7**	**9**
Allotted	2	1
Forfeited		
Exercised	3	3
Outstanding at the end of the period	**6**	**7**
Exercisable at the end of the period	0	0
Weighted average fair value per performance right at measurement date, SEK	199	184
Weighted average remaining contractual life, months	20	11
Weighted average exercise price per performance right, SEK	0	0

3 CEO COMPENSATION

Birgitte Bonnesen was appointed as CEO on 9 February 2016. Birgitte Bonnesen's employment terms do not contain any variable compensation. The fixed salary is SEK 14 333 thousand.

The ordinary retirement age is 65 and Birgitte Bonnesen has a pension insurance premium equivalent to 35 per cent of salary. The pensionable salary is capped at SEK 13 million.

If the employment is terminated by Swedbank, Birgitte Bonnesen receives 75 per cent of salary during a 12 month term of notice and in addition the severance pay, equivalent to 75 per cent of salary during 12 months. A deduction against salary and severance pay is made for income earned from new employment.

If Birgitte Bonnesen resigns, the term of notice is six months and no severance pay is paid.

SEK Thousands	2018	2017
Birgitte Bonnessen		
Fixed compensation, salary	14 333	13 433
Other compensation/benefits	788	673
Total	**15 121**	**14 106**
Pension cost, excluding payroll tax	4 550	4 550

4 COMPENSATION TO OTHER SENIOR EXECUTIVES

4.1 General on other senior executives

Members of the Group Executive Committee excluding the CEO are defined in this context as other senior executives. Compensation to other senior executives includes compensation paid by all Group companies during the year, Swedish as well as foreign, and refers to compensation paid during the period during which these individuals were active as senior executives.

All senior executives are eligible for Eken except for the Chief Executive Officer and four other senior executives.

A total of 16 individuals were members of the Group Executive Committee at the end of the year: Aet Altroff, Ģirts Bērziņš, Mikael Björknert, Lars-Erik Danielsson, Anders Ekedahl, Björn Elfstrand, Charlotte Elsnitz, Ragnar Gustavii, Cecilia Hernqvist, Anders Karlsson, Leif Karlsson, Ola Laurin, Lotta Lovén, Helo Meigas, Carina Strand and Christer Trägårdh. All sixteen have been active as other senior executives throughout the entire year. Two were active as senior executives during part of the year: Elisabeth Beskow och Lars Ljungälv.

	2018	2017
Fixed compensation, salary	75	65
Variable compensation, cash	0	0
Variable compensation, share based	4	5
Other compensation/benefits[1]	10	9
Compensation at terminated contract[2]	0	0
Total	**89**	**79**
Pension cost, excluding payroll tax	24	20
Number of performance rights share based compensation used for the annual cost	17 901	24 391
Total number of allotted performance rights share based compensation	91 368	94 788
No. of persons as of 31 December	16	18

1) Includes holiday pay, employee loan interest benefit, share benefit, lunch subsidy, health care insurance benefit, telephone and fund discount.
2) Includes salary during term of notice, severance pay, pension costs and benefits, if any.

4.2 Pension and other contractual terms to other senior executives

4.2.1 Pension

Swedbank applies the BTP collective pension for employees in Sweden. The BTP plan is in addition to the State pension for Swedish employees and consists of BTP1, a defined contribution pension plan, and BTP2, primarily a defined benefit pension plan. BTP1 applies to all employees hired from 1 February 2013. The pensionable salary is capped at 30 income base amounts (the income base amount for 2018 was SEK 62 500).

In a defined benefit pension plan the employer guarantees a future pension, often expressed as a percentage of salary. In a defined contribution pension plan the employer pays a pension premium equivalent to a percentage of the employee's salary.

Ten senior executives are eligible for BTP2 and two senior executives are eligible for BTP1. In addition, an individual defined contribution pension is paid on fixed salaries exceeding 30 income base amounts for 14 senior executives. Two senior executives receive a wholly premium–based pension solution (individual contracts).

The maximum pensionable salary for the defined contribution portion for all senior executives is determined by the Board of Directors.

4.2.2 Other contractual terms to other senior executives

	Term of notice	Severance pay	Resignation
8 persons	12 months	12 months	6 months
6 persons	12 months	6 months	6 months
1 person	3 months	12 months	1 month
1 person	1 month	6 months	1 month

Conditions within the framework of the contractual terms:

- In case of termination, salary and benefits are paid during the term of notice
- In case of termination by Swedbank, severance is paid
- If new work is found, a deduction is made for salary income during the term of notice and during the period when severance is paid for those employed in Sweden.

5 COMPENSATION TO THE BOARD OF DIRECTORS

5.1 General information on remuneration to the entire Board of Directors

Compensation to the members of the Board of Directors, as indicated in the table below, is determined by the AGM and refers to annual fees from the AGM 2018 to the AGM 2019. Board compensation consists of fixed compensation for board work as well as fixed compensation for any committee work. The three committees are the Audit Committee, the Risk and Capital Committee and the Remuneration Committee. During the year no costs were recognised for previous Board members beyond what is indicated below. The Group does not have any pension entitlements for Board members. Annika Poutiainen left the Board of Directors on the 10th of January 2019 as a result of the Board for Swedish accountancy supervision, of which Annika Poutianen is Chairperson, taking complete responsibility for Swedish accountancy supervision. The compensation payment has been adjusted to reflect the reduced time working in the Board as shown in the table below.

	2018			2017		
Compensation to the Board of Directors, corresponds to the annual fees up to the AGM 2018. SEK thousands	**Board fees**	**Committee work**	**Total**	**Board fees**	**Committee work**	**Total**
Lars Idermark, Chair	2 540	333	2 873	2 460	325	2 785
Ulrika Francke, Deputy Chair	850	565	1 415	825	550	1 375
Bodil Eriksson, Director	570	103	673	550	100	650
Mats Granryd, Director	570	233	803	550	225	775
Bo Johansson, Director	570	230	800	550	225	775
Peter Norman, Director	570	463	1 033	550	450	1 000
Annika Poutiainen, Director	456	186	642	550	225	775
Siv Svensson, Director	570	590	1 160	550	350	900
Magnus Uggla, Director	570	410	980	550	400	950
Anna Mossberg, Director	570	103	673			
Total	**7 836**	**3 216**	**11 052**	**7 135**	**2 850**	**9 985**

5.2 Compensation to the Chair

The Chair receives fixed compensation for board work as well as fixed compensation for committee work i.e. no variable compensation, pension or other benefits.
The following table discloses the costs for 2018 and 2017.

SEK thousands	2018	2017
Within framework of Board fees set by the Board		
Lars Idermark	2 851	2 775
Total	**2 851**	**2 775**

6 SUMMARY – COMPENSATION TO THE BOARD OF DIRECTORS, CEO AND OTHERS IN THE GROUP EXECUTIVE COMMITTEE (KEY MANAGEMENT)

The table below shows the costs recognised for 2018 and 2017 for the Board of Directors, CEO and others in the Group Executive Committee. The costs exclude social insurance charges and payroll taxes.

	2018	2017
Short-term employee benefits	111	98
Post employment benefits, pension costs	28	25
Termination benefits, severance pay	0	0
Share-based payments	4	5
Total	**143**	**128**
Granted loans	87	84

7 SUMMARY – PENSIONS AND LOANS TO BOARDS OF DIRECTORS AND EQUIVALENT SENIOR EXECUTIVES IN THE ENTIRE GROUP

Pension costs reported in the table below refer to current Directors, CEOs, Vice Presidents and equivalent senior executives in the Group. The costs exclude social insurance charges and payroll taxes.

	2018	2017
Cost for the year related to pensions and similar benefits	55	45
No. of persons	68	65
Granted loans	346	416
No. of persons	116	150

Pension obligations for former CEOs and Vice Presidents have been funded through insurance and pension foundations. The latter's obligations amounted to SEK 295m (341). The Group has not pledged any assets or other collateral or committed to contingent liabilities on behalf of any of the above–mentioned group of senior executives.

8 SUMMARY – COMPENSATION TO BOARDS OF DIRECTORS AND EQUIVALENT SENIOR EXECUTIVES IN THE ENTIRE GROUP

Shown here are the salaries and other compensation for Boards of Directors, CEOs, Vice Presidents and equivalent senior executives in the Group. This group includes current employees. Fees to CEOs and other senior executives for internal board duties are deducted against their salaries, unless otherwise agreed. The costs exclude social insurance charges and payroll taxes.

	2018					2017				
	Boards of Directors, CEOs, Vice Presidents and equivalent senior executives			Other employees	All employees	Boards of Directors, CEOs, Vice Presidents and equivalent senior executives			Other employees	All employees
Country	**Number of persons**	**Salaries and Board fees**	**Variable compensation**	**Salaries and variable compensation**	**Total**	**Number of persons**	**Salaries and Board fees**	**Variable compensation**	**Salaries and variable compensation**	**Total**
Sweden	68	141	10	4 614	4 765	75	121		4 458	4 579
Estonia	29	23	2	658	683	35	23	3	565	591
Latvia	17	13	2	367	382	15	11	2	313	326
Lithuania	19	14	2	471	487	20	18	5	398	421
Norway	1	3		293	296	1	2		213	215
USA	1	5		32	37	1	5		30	35
Other countries	3	4		123	127	3	4		95	99
Total	**138**	**203**	**16**	**6 558**	**6 777**	**150**	**184**	**10**	**6 071**	**6 265**

9 KEY RATIOS

Average number of employees based on 1 585 hours per employee	2018	2017
Sweden	8 618	7 407
Estonia	2 662	2 626
Latvia	1 788	1 749
Lithuania	2 541	2 430
Norway	324	178
USA	19	21
Other countries	152	126
Total	**16 102**	**14 536**
Number of hours worked (thousands)	25 521	23 040
Number of Group employees at year-end excluding long-term absentees in relation to hours worked expressed as full-time positions	14 865	14 588

Employee turnover excluding retired staff, %	2018	2017
Swedish Banking	8.2	7.0
Large Corporates & Institutions	7.6	8.2
Baltic Banking	12.2	12.6
Group Functions	9.5	7.7
Total	**9.6**	**8.8**

Employee turnover including retired staff, %	2018	2017
Swedish Banking	9.6	9.8
Large Corporates & Institutions	7.9	10.9
Baltic Banking	12.2	12.6
Group Functions	10.4	9.0
Total	**10.4**	**10.3**

Employee turnover is calculated as the number of employees who terminated their employment during the year divided by the number of employees as of 31December of the previous year.

Other key ratios	2018	2017
Average number of employees	16 102	14 536
Number of employees at year-end	15 879	15 108
Number of full-time positions	14 865	14 588

Sick leave, %	2018	2017
Sick leave Sweden	3.7	3.6
Sick leave Estonia	1.5	1.5
Sick leave Latvia	2.5	2.3
Sick leave Lithuania	1.8	1.6
Long-term healthy employees, %[1]	68.9	70.6

1) Refers to the Swedish operations. Long–term healthy refer to employees with a maximum of five working days of sick leave during a rolling 12 month period.

Parental leave women/men, %	2018	2017
Sweden	71/29	73/27
Estonia	99/1	99/1
Latvia	99/1	99/1
Lithuania	99/1	99/1

	2018		2017	
Gender distribution by country, %	Female	Male	Female	Male
Sweden	56	44	56	44
Estonia	75	25	75	25
Latvia	77	23	77	23
Lithuania	71	29	72	28
Norway	26	74	32	68
USA	18	82	21	79
Other countries	53	47	54	46

	2018		2017	
Gender distribution for all employees, Group Executive Committee and Boards of Directors, %	Female	Male	Female	Male
All employees	63	37	64	36
Swedbank's Board of Directors	50	50	45	55
Group Executive Committee incl. CEO	41	59	42	58
Group Executive Committee and their respective management teams	37	63	41	59
Boards of Directors in the entire Group incl. subsidiaries	45	55	46	54
Senior executives in the entire Group incl. subsidiaries	34	66	41	59

	2018		2017	
Gender distribution, management positions by country, %	Female	Male	Female	Male
Management positions, total[1]	54	46	53	47
Management positions, Sweden	48	52	46	54
Management positions, Estonia	66	34	67	33
Management positions, Latvia	72	28	71	29
Management positions, Lithuania	53	47	52	48

1) Applicable for Swedbank's home markets: Sweden, Estonia, Latvia and Lithuania.

G14 Other general administrative expenses

	2018	2017
Expenses for premises	24	16
Rents, etc.	1 168	1 136
IT expenses	1 955	1 963
Telecommunications, postage	137	133
Consulting	333	326
Compensation to savings banks	224	223
Other purchased services	793	777
Travel	223	238
Entertainment	52	53
Office supplies	104	95
Advertising, public relations, marketing	297	306
Security transports, alarm systems	60	71
Maintenance	90	115
Other administrative expenses	344	332
Other operating expenses	61	86
Total	**5 865**	**5 870**

Remuneration to auditors	2018	2017
Remuneration to auditors elected by Annual General Meeting, Deloitte		
Statutory audit	38	35
Other audit	3	7
Other		1
Remuneration to other auditors elected by Annual General Meeting		
Statutory audit		1
Total	**41**	**43**
Expenses for own internal Audit	76	69

G15 Depreciation/amortisation of tangible and intangible fixed assets

Depreciation/amortisation	2018	2017
Equipment	317	287
Owner-occupied properties	40	37
Intangible fixed assets	329	276
Total	**686**	**600**

G16 Impairments of tangible assets including repossessed lease assets

Impairment	2018	2017
Properties measured as inventory	7	20
Repossessed leasing assets	1	1
Total	**8**	**21**

G17 Credit impairment

Credit impairment	2018
Loans at amortised Cost	
Impairment provisions – Stage 1	80
Impairment provisions – Stage 2	–502
Impairment provisions – Stage 3	671
Impairment provisions – Credit impaired, purchased or originated[1]	6
Total	**255**
Write-offs	867
Recoveries	–364
Total	**503**
Total - Amortised Cost	**758**
Commitments and financial guarantees	
Impairment provisions – Stage 1	–27
Impairment provisions – Stage 2	–70
Impairment provisions – Stage 3	–181
Total	**–278**
Write-offs	41
Total	**41**
Total - Commitments and financial guarantees	**–237**
Total Credit impairment	**521**
Credit impairment by borrower category	
Credit institutions	–20
General public	541
Total	**521**

1) of which SEK 3m 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	2017
Provisions for loans that individually are assessed as impaired	
Provisions	987
Reversal of previous provisions	–267
Provision for homogenous groups of impaired loans, net	4
Total	**724**
Portfolio provisions for loans that individually are not assessed as impaired	**–40**
Write-offs	
Established losses	801
Utilisation of previous provisions	–431
Recoveries	–271
Total	**99**
Credit impairment for contingent liabilities and other credit risk exposures	**502**
Credit impairment	**1 285**

Credit impairment by valuation category	
Loans and receivables	801
Fair value through profit or loss	484
Total	**1 285**

Credit impairment by borrower category	
Credit institutions	–2
General public	1 287
Total	**1 285**

G18 Tax

Tax expense	2018	2017
Tax related to previous years	60	–7
Current tax	5 365	4 809
Deferred tax	–51	141
Total	**5 374**	**4 943**

The difference between the Group's tax expense and the tax expense based on current tax rates is explained below:

	2018		2017	
	SEKm	per cent	SEKm	per cent
Tax expense in the income statement	5 374	20,2	4 943	20,3
22.0% of pre-tax profit	5 842	22,0	5 348	22,0
Difference	**468**	**1,8**	**405**	**1,7**
The difference consists of the following items:				
Tax of previous years	–60	–0,2	7	0,0
Tax-exempt income/non-deductible expenses	–248	–0,9	–147	–0,6
Tax-exempt capital gains and appreciation in value of shares and participating interest	139	0,5	1	0,0
Other tax basis in insurance operations	147	0,6	142	0,6
Tax in associates	225	0,8	161	0,7
Deviating tax rates in other countries	200	0,8	243	1,0
Revaluation of deferred taxes due to changed tax rate in Sweden	65	0,2		
Other, net	0		–2	
Total	**468**	**1,8**	**405**	**1,7**

The 2018 tax expense corresponds to an effective tax rate of 20.2 per cent (20.3).

2018

Deferred tax assets	Opening balance	Amendments due to adop-tions of IFRS9	Income statement	Other compre-hensive income	Equity	Exchange rate differences	Closing balance
Deductible temporary differences							
Other	49		–2			3	50
Share-based payment	1						1
Unused tax losses	128		–11			5	122
Unrecognised deferred tax assets	–5		–4				–9
Total	**173**		**–17**			**8**	**164**
Deferred tax liabilities							
Taxable temporary differences							
Untaxed reserves	2 443		–157				2 286
Hedge of net investment in foreign operations	–368			–212			–580
Provision for pensions	–784		55	–366			–1 095
Cash flow hedges	–60	61	8	4			13
Intangible fixed assets	585		48				633
Provisions for credit impairments		44					44
Foreign currency basis risk		–61	–54	–16			–131
Share-based payment	–23				8		–15
Owner-occupied properties	17						16
Other	372		33				405
Total	**2 182**	**44**	**–68**	**–590**	**8**		**1 576**

Deferred tax related to the hedging of net investments in foreign operations and cash flow hedging is recognised directly in other comprehensive income, since the change in the value of the hedging instrument is also recognised directly in other comprehensive income. The unrecognised portion of deferred tax assets amounted to SEK 9m (5). The assets are not recognised due to uncertainty when and if sufficient taxable earnings will be generated.

Unused tax losses and unused tax credits according to tax calculation

Maturity	Total deduction	Deduction for which deferred tax is recognised: Latvia	Lithuania	Denmark	Norway	Deduction for which deferred tax is not recognised
2018	17	17				
Without maturity	739		631	13	52	44
Total	**756**	**17**	**631**	**13**	**52**	**44**

When the Group determines the deferred tax assets it will recognise, it forecasts future taxable profits that can be utilised against tax loss carryforwards or other future tax credits. Deferred tax assets are recognised only to the extent such profits are probable. The Group expects that about 54 per cent (46) of the taxable losses that serve as the basis for recognised deferred tax assets will be utilised before the end of 2021 i.e. within the framework of the Group's three–year financial plan. The losses for which deferred tax assets are recognised derive from the Group's home markets.

2017

Deferred tax assets	Opening balance	Income statement	Other comprehensive income	Business combination	Equity	Exchange rate differences	Closing balance
Deductible temporary differences							
Other	41	6		2			49
Share-based payment	5				−4		1
Unused tax losses	125	−14		13		4	128
Unrecognised deferred tax assets	−11	8		−2			−5
Total	**160**	**0**		**13**	**−4**	**4**	**173**

Deferred tax liabilities	Opening balance	Income statement	Other comprehensive income	Business combination	Equity	Exchange rate differences	Closing balance
Taxable temporary differences							
Untaxed reserves	2 480	−54		17			2 443
Hedge of net investment in foreign operations	−212	−9	−147				−368
Provision for pensions	−388	46	−424	−18			−784
Cash flow hedges	65	−111	−14				−60
Intangible fixed assets	315	141		129			585
Share-based payment	−54				31		−23
Owner-occupied properties				17			17
Other	232	129		8		3	372
Total	**2 438**	**142**	**−585**	**153**	**31**	**3**	**2 182**

Unused tax losses and unused tax credits according to tax calculation

Maturity	Total deduction	Deduction for which deferred tax is recognised: Latvia	Lithuania	Denmark	Norway	Deduction for which deferred tax is not recognised
2018	32	32				
2019	26	26				
2020	13	13				
Without maturity	745		670	6	40	29
Total	**816**	**71**	**670**	**6**	**40**	**29**

G19 Earnings per share

Earnings per share are calculated by dividing profit for the year, after adjustments, attributable to holders of ordinary shares in the parent company by a weighted average number of ordinary shares outstanding. Earnings per share after dilution is calculated by dividing profit for the year, after adjustments, attributable to holders of ordinary shares in the parent company by the average of the number of ordinary shares outstanding, adjusted for the dilution effect of potential shares. Swedbank's share-related compensation programmes, Programme 2015, Programme 2016, Programme 2017 and Programme 2018 , give rise to potential ordinary shares from the grant date of these shares from an accounting perspective. The grant date refers here to the date when the parties agreed to the terms and conditions of the programmes. From an accounting perspective, the grant dates for Programme 2015 was 26 March 2015, for Programme 2016 - 5 April 2016, for Programme 2017 - 30 March 2017 and for Programme 2018 - 26 March 2018. The rights are treated as options in the calculation of earnings per share after dilution.

	2018	2017
Average number of shares		
Weighted average number of shares before adjustments for shares acquired by associates, before dilution	1 116 238 102	1 113 223 329
Weighted average number of shares, before dilution	1 116 238 102	1 113 223 329
Weighted average number of shares for dilutive potential ordinary shares resulting from share-based compensation programme	4 267 682	5 547 365
Weighted average number of shares, after dilution	1 120 505 784	1 118 770 693
Earnings per share		
Profit for the year attributable to the shareholders of Swedbank AB	21 162	19 350
Profit for the year used for calculating earnings per share	21 162	19 350
Earnings per share before dilution, SEK	18.96	17.38
Earnings per share after dilution, SEK	18.89	17.30

G20 Tax for each component in other comprehensive income

	2018				2017			
	Pre-tax amount	Deferred tax	Current tax	Total tax amount	Pre-tax amount	Deferred tax	Current tax	Total tax amount
Items that will not be reclassified to the income statement								
Remeasurements of defined benefit pension plans	–1 806	366		366	–1 928	424		424
Share of other comprehensive income of associates, Remeasurements of defined benefit pension plans	–63				–49			
Change in fair value attributable to changes in own credit risk of financial liabilities designated at fair value through profit or loss	22		–5	–5				
Total	**–1 847**	**366**	**–5**	**361**	**–1 977**	**424**	**0**	**424**
Items that may be reclassified to the income statement								
Exchange differences, foreign operations	1 870				1 081			
Hedging of net investments in foreign operations	–1 474	212	73	285	–651	147	–3	144
Cash flow hedges	18	–4		–4	–63	14		14
Foreign currency basis risk	–72	16		16				
Share of other comprehensive income of associates	36				–80			
Total	**378**	**224**	**73**	**297**	**287**	**161**	**–3**	**158**
Other comprehensive income	**–1 469**	**590**	**68**	**658**	**–1 690**	**585**	**–3**	**582**

G21 Treasury bills and other bills eligible for refinancing with central banks etc.

	Carrying amount			Nominal amount		
	2018	2017	1/1/2017	2018	2017	1/1/2017
Governments	94 772	80 901	102 138	90 706	79 106	99 895
Municipalities	4 806	4 449	4 585	7 118	4 392	4 514
Other	1	553	848	1	550	844
Total	**99 579**	**85 903**	**107 571**	**97 825**	**84 048**	**105 253**

Accrued interest of SEK –76m is included in the Carrying amount for 2018.

G22 Loans to credit institutions

	2018	2017	1/1/2017
Loans and advances	32 342	26 934	23 565
Repurchase agreements	92	511	852
Cash collaterals posted	3 834	3 301	7 780
Total	**36 268**	**30 746**	**32 197**

	2018	2017	1/1/2017
Subordinated loans			
Associates	620	620	620
Other companies	51	50	53
Total	**671**	**670**	**673**

Accrued interest of SEK 73m is included for 2018.
Repurchase agreements are held for trading purposes.

G23 Loans to the public

	2018	2017	1/1/2017
Loans and advances	1 556 032	1 481 292	1 430 894
Repurchase agreements	39 714	25 047	48 860
Leasing	30 938	27 601	24 852
Cash collaterals posted	684	1 258	2 641
Total	**1 627 368**	**1 535 198**	**1 507 247**

Accrued interest of SEK 1 930m is included for 2018. Repurchase agreements are held for trading purposes

Finance lease agreements distributed by maturity

2018	< 1 yr.	1–5 yrs.	> 5 yrs.	Total
Gross investment	9 334	19 633	3 395	32 362
Unearned finance income	553	732	139	1 424
Net investment	8 780	18 901	3 257	30 938
Provisions for impaired claims related to minimum lease payments				15

The residual value of the leases in all cases is guaranteed by the lessee or a third party. The lease income did not include any contingent rents. Finance leases are included in Loans to the public and relates to vehicles, machinery, boats etc.

Finance lease agreements distributed by maturity

2017	< 1 yr.	1–5 yrs.	> 5 yrs.	Total
Gross investment	8 506	16 429	3 890	28 825
Unearned finance income	353	700	171	1 224
Net investment	8 153	15 729	3 719	27 601
Provisions for impaired claims related to minimum lease payments				16

G24 Bonds and other interest-bearing securities

Issued by other than public agencies	Carrying amount			Nominal amount		
	2018	2017	1/1/2017	2018	2017	1/1/2017
Mortgage institutions	26 545	30 141	34 839	25 343	29 288	33 623
Banks	11 452	15 259	22 132	11 287	15 092	21 840
Other financial companies	3 983	5 343	8 081	3 872	5 192	7 836
Non-financial companies	11 332	8 388	9 449	11 152	8 284	9 284
Total	**53 312**	**59 131**	**74 501**	**51 654**	**57 856**	**72 583**

Accrued interest of SEK 582m is included for 2018.

G25 Financial assets for which the customers bear the investment risk

	2018	2017	1/1/2017
Fund units	162 834	164 555	144 566
Interest-bearing securities	3 801	3 336	3 104
Shares	11 233	12 429	12 444
Total	**177 868**	**180 320**	**160 114**

G26 Shares and participating interests

	Carrying amount			Cost		
	2018	2017	1/1/2017	2018	2017	1/1/2017
Trading equities	1 224	18 206	12 093	1 478	17 608	11 426
Trading fund shares	2 058	1 256	11 547	1 919	1 196	10 973
For protection of claims			3			
Condominiums	11	2	9	11	2	7
Other	1 628	387	245	1 657	357	233
Total	**4 921**	**19 850**	**23 897**	**5 066**	**19 164**	**22 639**

G27 Investments in associates and joint ventures

	2018	2017	1/1/2017
Fixed assets			
Credit institutions - Associates	2 821	2 736	2 612
Credit institutions - Joint Venture	2 873	2 822	2 622
Other associates	394	799	2 085
Total	**6 088**	**6 357**	**7 319**
Opening balance	**6 357**	**7 319**	
Amendments due to the adoption of IFRS 9	−196		
Additions during the year		88	
Change in accumulated profit shares, total comprehensive income	1 001	605	
Dividends received	−1 045	−1 544	
Disposals during the year	−29	−111	
Closing balance	**6 088**	**6 357**	

2018 Associates Corporate identity, domicile	Corporate identity number	Number	Carrying amount	Cost	Share of capital, %	Share of associate's profit
Credit institutions						
Sparbanken Skåne, Lund	516401-0091	3 670 342	1 209	1 070	22.00	39
Sparbanken Rekarne AB, Eskilstuna	516401-9928	865 000	392	125	50.00	58
Swedbank Sjuhärad AB, Borås	516401-9852	950 000	1 134	288	47.50	106
Vimmerby Sparbank AB, Vimmerby	516401-0174	340 000	86	41	40.00	5
Total credit institutions			**2 821**	**1 524**		**208**
Other associates						
Babs Paylink AB, Stockholm	556567-2200	4 900	92	20	49.00	8
BGC Holding AB, Stockholm	556607-0933	29 177	168	98	29.17	-3
Finansiell ID-Teknik BID AB, Stockholm	556630-4928	12 735	18	24	28.30	-4
Getswish AB	556913-7382	10 000	15	21	20.00	3
Rosengård Invest AB, Malmö	556756-0528	5 625	1	10	25.00	1
UC AB, Stockholm	556137-5113					1
USE Intressenter AB	559161-9464				20.00	
VISA Sweden, ek för, Stockholm	769619-6828		17		38.90	328
Owned by subsidiaries						
Bankomat AB, Stockholm	556817-9716	150	69	66	20.00	3
AS Sertifitseerimiskeskus, Tallin	10747013	16	14	9	25.00	3
Total other associates			**394**	**248**		**340**
Total associates			**3 215**	**1 772**		**548**

The share of the voting rights in each entity corresponds to the share of its equity. All shares are unlisted. Swedbank does not have any individual material interests in associates. During the year Swedbank received a dividend of SEK 691 m (1 348) from VISA Sweden. As of 31 December 2018 Swedbank's share of associates' contingent liabilities and commitments amounted to SEK 379m (430) and SEK 2 444m (2 427), respectively.

2018 Joint venture Corporate identity, domicile	Corporate identity number	Number	Carrying amount	Cost	Share of capital, %	Share of joint venture's profit
Credit institutions						
EnterCard Group AB, Stockholm	556673-0585	3 000	2 873	420	50,00	480
Total joint ventures			**2 873**	**420**		**480**
Total associates and joint ventures			**6 088**	**2 192**		**1 028**

EnterCard Holdings AB's subsidiaries EnterCard Sverige AB and EnterCard Norge AS have merged with the parent company during 2017. The operations of the Norwegian company are subsequently conducted as a branch. EnterCard Holding AB has in connection with the merger changed name to EnterCard Group AB. Swedbank AB received dividends of SEK 275m (133) during the year. Condensed financial information for the EnterCard Group AB is shown below:

	2018	2017
Loans to the public	28 902	24 187
Total assets	35 582	29 308
Amounts owed to credit institutions	29 176	22 967
Total liabilities	29 834	23 675
Net interest income	2 929	2 591
Total income	3 356	3 031
Total expenses	1 471	1 394
Credit impairments	–649	–513
Operating profit	1 235	1 124
Tax expense	–274	–280
Profit for the year	961	844
Total comprehensive income	1 017	667

All shares are unlisted.

G28 Derivatives

The Group trades in derivatives in the normal course of business and for the purpose of hedging certain positions that are exposed to share price, interest rate, credit and currency risks. Interest rate swaps that hedge the interest rate risk component in loan portfolios or in certain debt securities in issue and subordinated liabilities are sometimes recognised as hedging instruments in hedge accounting at fair value. The derivatives are recognised at fair value with changes in value through profit or loss in the same manner as for other derivatives. The carrying amounts of all derivatives refer to fair value including accrued interest. The amounts offset for derivative assets and derivative liabilities include cash collateral offsets of SEK 4 177m (3 531) and SEK 1 532m (261), respectively.

		Nominal amount 2018 Remaining contractual maturity			Nominal amount		Positive fair value			Negative fair value		
	Note	< 1 yr.	1-5 yrs.	> 5 yrs.	2018	2017	2018	2017	1/1/2017	2018	2017	1/1/2017
Derivatives in hedge accounting												
Fair value hedges, interest rate swaps	G29	47 283	442 338	54 536	544 157	504 072	10 255	10 514	16 676	972	977	587
Portfolio fair value hedges, interest rate swaps	G29	77 050	246 405	12 350	335 805	240 905	207	278	223	1 401	1 392	2 063
Cash flow hedges, foreign currency swaps	G29	243	1 536	7 626	9 405	9 307	89	12		65	334	494
Total		**124 576**	**690 279**	**74 512**	**889 367**	**754 284**	**10 551**	**10 804**	**16 899**	**2 438**	**2 703**	**3 144**
Non-hedging derivatives		**7 088 730**	**4 922 017**	**922 258**	**12 933 005**	**10 663 497**	**59 379**	**54 489**	**82 749**	**61 788**	**56 381**	**96 150**
Gross amount		**7 213 306**	**5 612 296**	**996 770**	**13 822 372**	**11 417 781**	**69 930**	**65 293**	**99 648**	**64 226**	**59 084**	**99 294**
Offset amount	G47	–3 540 856	–2 830 906	–508 603	–6 880 365	–3 738 336	–30 265	–9 613	–11 837	–32 910	–12 884	–13 705
Total		**3 672 450**	**2 781 390**	**488 167**	**6 942 007**	**7 679 445**	**39 665**	**55 680**	**87 811**	**31 316**	**46 200**	**85 589**
Non-hedging derivatives												
Interest-related contracts												
Options		646 766	558 865	145 195	1 350 826	712 663	894	616	1 228	1 823	1 550	2 288
Forward contracts		4 175 863	2 184 997		6 360 860	3 482 668	643	376	580	579	360	547
Swaps		1 146 090	1 878 259	703 155	3 727 504	4 665 614	26 410	28 843	40 537	28 243	30 418	42 469
Other		178			178	54				1		
Currency-related contracts												
Options		49 504	1 967		51 471	60 273	258	316	632	242	338	749
Forward contracts		807 901	22 601	736	831 238	1 090 975	5 880	7 927	12 501	5 831	10 126	15 369
Swaps		174 614	270 778	65 391	510 783	552 351	7 391	7 288	9 794	7 927	6 651	9 275
Other						3			1			1
Equity-related contracts												
Options		71 680	3 801	7 781	83 262	69 389	17 292	8 684	17 266	16 633	6 528	25 018
Forward contracts		10 719			10 719	10 448	447	190	68	236	96	64
Swaps		2 058	259		2 317	14 030	22	124	16	138	198	246
Other		62			62	41						
Credit-related contracts												
Swaps						982		30	14		25	15
Commodity-related contracts												
Options		328			328		13			13		
Forward contracts		2 967	490		3 457	4 006	129	95	112	122	91	109
Total		**7 088 730**	**4 922 017**	**922 258**	**12 933 005**	**10 663 497**	**59 379**	**54 489**	**82 749**	**61 788**	**56 381**	**96 150**

G29 Hedge accounting

Fair value hedges

The Group's approach to managing market risk, including interest rate risk, and its exposure to those risks are presented in note G3. The risk of changes in interest rates on the fair value of certain fixed rate financial instruments is mitigated in accordance with the Group's risk management strategy by using interest rate swaps. Where hedge accounting is applied, interest rate risk on fixed rate loans to the public (mortgages) is hedged on a portfolio basis whereas debt securities in issue and subordinated liabilities are identified and hedged on an issuance by issuance basis. Interest rate swaps designated as the hedging instruments are reported in the balance sheet in the Derivatives line.

Designated fair value hedge relationships are used to hedge the benchmark interest rate risk, which is an observable and reliably measurable component of the interest rate risk and of the fair value. Where hedge accounting is applied, the Group ensures that the relationships meet the criteria outlined in note G2 section 3.4A.4, including the effectiveness requirements. The Group manages other risks on these exposures, such as credit risk, but does not apply hedge accounting for them.

Hedge ineffectiveness is reported in the income statement as Net gains and losses on financial items. Potential sources of hedge ineffectiveness are related to the following:

- There is an exposure to the interest rate swap counterparty's credit risk that is not offset by the respective hedged item. This risk is minimized by entering into interest rate swaps with high credit quality counterparties.
- Different discount curves are applied for the valuation of the respective hedged item and the interest rate swaps.

One-to-one hedges – effectiveness assessment under IFRS 9

The economic relationship between the debt securities or subordinated liabilities and the interest rate swaps are assessed using a qualitative analysis of the critical terms. The critical terms are matched between the financial instruments, particularly regarding currencies and tenors. The fair values of the instruments are expected to move in opposite directions as a result of changes in the hedged benchmark interest rate risk. The effect of credit risk is not considered to dominate the changes in fair value. The hedge ratio is one-to-one as the nominal amount of the interest rate swap matches the issued amount of the hedged debt securities or subordinated liabilities. The Group assesses hedge effectiveness by comparing the changes in fair value of the debt securities or subordinated liabilities resulting from movements in the benchmark interest rate with the changes in fair value of the designated interest rate swaps.

Portfolio hedges – effectiveness test under IAS 39

Mortgage loans are grouped into quarterly time buckets based on the next interest rate fixing dates. Each time bucket position is hedged using interest rate swaps with a nominal amount covering a portion of the total loans. A specified loan amount in each time bucket is therefore designated as the hedged item. The portfolio fair value hedges are assessed for effectiveness both prospectively and retrospectively. The prospective assessment is performed using a qualitative analysis of the critical terms of the hedged item and the interest rate swap. The retrospective assessment is performed daily on cumulative basis by using the dollar offset method. The changes in fair value of the mortgage loans resulting from movements in the benchmark interest rate are compared to the changes in fair value of the designated interest rate swaps.

The tables below provide information relating to the hedged items and hedging instruments in qualifying fair value hedge relationships.

Hedging instruments and hedge ineffectiveness		Carrying amount			
	Nominal amount	Assets	Liabilities	Change in fair value used for measuring hedge ineffectiveness (for the period)	Ineffectiveness recognised in Profit or loss
Interest rate risk					
Interest rate swap, Portfolio hedge	335 805	207	1 401	–16	–38
Interest rate swap, Debt securities in issue	510 180	9 968	836	–308	–30
Interest rate swap, Subordinated liabilities	33 976	287	136	–65	–5
Total	**879 962**	**10 462**	**2 373**	**–389**	**–73**

Hedged items	Carrying amount		Accumulated adjustment on the hedged item		
	Assets	Liabilities	Assets	Liabilities	Change in value used for measuring hedge ineffectiveness (for the period)
Loans to the public, Portfolio hedge	336 565		760		–23
Debt securities in issue		525 610		7 755	279
Subordinated liabilities		34 244		59	60
Total	**336 565**	**559 854**	**760**	**7 813**	**316**

Maturity profile and average price, hedging instruments	Remaining contractual maturity		
	<1 yr	1–5 yrs.	>5 yrs.
Portfolio hedge			
Nominal amount	77 050	246 405	12 350
Average fixed interest rate, %	–0.11	0.21	0.93
Fair value hedges			
Nominal amount	47 283	442 338	54 535
Average fixed interest rate, %	1.63	0.56	1.99

Cash flow hedges

The Group's approach to managing market risk, including currency risk, and its exposure to those risks are presented in note G3. In accordance with the Group's risk management strategy, currency swaps are entered into to mitigate the foreign currency risk on future principal and interest payments of foreign currency debt securities. The hedged items are the aggregate exposure of foreign currency fixed rate debt securities in issue and interest rate swaps in the same foreign currency. The hedging instruments are currency swaps, which convert the foreign currency cash flows into SEK. The foreign currency basis spread in the currency swaps is excluded from the hedge accounting relationship and is accounted for as described in note G2 section 3.4A.4. Currency swaps designated as hedging instruments are reported in the balance sheet in the Derivatives line.

Designated cash flow hedge relationships are used to hedge against movements in foreign currencies. Where hedge accounting is applied, the Group ensures that the relationships meet the criteria outlined in note G2 section 3.4A.4. The Group manages other risks on these exposures, such as credit risk, but does not apply hedge accounting for them.

The Group ensures that designated hedge relationships fulfil the effectiveness requirements. The economic relationship between the aggregate exposure and the currency swap are assessed using a qualitative analysis of the critical terms, which are matched. The fair values of the instruments are expected to move in opposite directions as a result of a change in the foreign currency rate. The effect of credit risk is not considered to dominate the changes in fair value.

The hedge ratio is one-to-one as the issued amount of the currency swap matches the issued amount of the hedged aggregate exposure.

The Group assesses hedge effectiveness by comparing the changes in fair value of the aggregate exposure due to movements in the foreign currency rate with the changes in fair value of the designated part of the currency swap. The changes in fair value of the aggregate exposure are calculated using a hypothetical derivative, which reflects the terms of the aggregate exposure. Hedge ineffectiveness is reported in the income statement as Net gains and losses on financial items. Potential sources of hedge ineffectiveness are related to the following:

- There is an exposure to the derivative counterparty's credit risk that is not offset by the respective hedged item. This risk is minimized by entering into currency swaps with high credit quality counterparties.
- Different discount curves are applied for the valuation of the respective hedged item and the currency swaps.

The tables below provide information relating to the hedged items and hedging instruments in qualifying cash flow hedge relationships.

Hedging instruments and hedge ineffectiveness

		Carrying amount					
	Nominal amount	Assets	Liabilities	Change in fair value used for measuring hedge ineffectiveness (for the period)	Change in value of the hedging instrument recognised in OCI	Amount reclassified from the Cash flow hedge reserve to Profit or loss	Cash flow hedge reserve
Foreign currency risk							
Cross currency swaps, EUR/SEK	9 405	89	65	421	18	403	4

Hedged items

	Change in fair value used for measuring hedge ineffectiveness (for the period)	Ineffectiveness recognised in Profit or loss
Foreign currency risk		
EUR debt securities in issue and interest rate swaps	391	0

Maturity distribution regarding future hedged cash flows in cash flow hedge accounting

	< 1 yr	1–3 yrs	3–5 yrs	5–10 yrs	>10 yrs
Negative cash flows (liabilities)	253	1 082	665	7 781	230

Future cash flows above, expressed in SEKm, are exposed to variability attributable to changed interest rates and/or changed currency rates. These future cash flows are hedged with derivatives, recognised as cash flow hedges, with opposite cash flows that eliminate the variability.

Maturity profile and average price, hedging instruments

	Remaining contractual maturity		
	<1 yr	1–5 yrs.	>5 yrs.
Foreign currency risk			
Nominal amount	243	1 536	7 626
Average FX rate	10.57	9.87	10.28

Hedging of net investments in foreign operations

Foreign currency translation differences arise from the translation of operations which do not have SEK as the functional currency. The foreign currency risk arises as a result of fluctuations in the spot rate of the functional currency of the foreign operation versus SEK, which causes the carrying amount of the net investments to vary. The Group hedges these exposures by issuing debt securities and subordinated liabilities in the same currency as the hedged net investment in the foreign operation. The Group applies hedge accounting for the foreign currency translation of these liabilities, and thus the foreign exchange effect is reported in other comprehensive income instead of the income statement.

The Group's hedging policy is to generally hedge net investments in subsidiaries and associates denominated in foreign currencies to minimize the foreign exchange effect on the Common Equity Tier 1 capital.

The Group ensures that designated hedge relationships fulfil the effectiveness requirements.The economic relationship between the net investment in the foreign operation and the debt securities or subordinated liabilities is assessed using a qualitative analysis of the critical terms, which are matched. The carrying amounts are expected to move in opposite directions as a result of a change in the foreign currency rate. The hedge ratio is one-to-one as the carrying amount of the debt securities or subordinated liabilities match the portion of the net investment in the foreign operation that is designated as the hedged item. The Group assesses hedge effectiveness by comparing the changes in value of the designated net investment, with the changes in the carrying amont of the debt securities or subordinated liabilities, due to movements in the foreign currency rate . Hedge ineffectiveness is reported in the income statement as Net gains and losses on financial items and could arise if there are differences in the quantity of the hedged item and the hedging instrument. Rebalancing occurs monthly or when net assets change significantly during a month.

The tables below provide information relating to the hedged items and hedging instruments in qualifying hedges of net investments in foreign operations.

Hedging instruments and hedge ineffectiveness	Carrying amount			
	Liabilities	Change in fair value used for measuring hedge ineffectiveness (for the period)	Change in value of the hedging instrument recognised in OCI before tax	Hedging of net investments in foreign operations after tax
Foreign currency risk				
EUR denominated, Debt securities in issue	34 187	–1 410	–1 410	–3 557
USD denominated, Debt securities in issue	65	–5	–5	–12
NOK denominated, Debt securities in issue	1 370	–59	–59	125
Total	**35 622**	**–1 474**	**–1 474**	**–3 444**

Hedged items	Change in value used for measuring hedge ineffectiveness (for the period)
EUR net investment	1 410
USD net investment	5
NOK net investment	59
Total	**1 474**

G30 Intangible assets

	Indefinite useful life		Definite useful life			
2018	**Goodwill**	**Brand**	**Customer base**	**Internally developed software**	**Other**	**Total**
Cost, opening balance	**15 211**	**161**	**1 858**	**3 418**	**1 649**	**22 297**
Additions through internal development				888		888
Additions through separate acquisitions					116	116
Sales and disposals					–144	–144
Exchange rate differences	544		38		17	599
Cost, closing balance	**15 755**	**161**	**1 896**	**4 306**	**1 638**	**23 756**
Amortisation, opening balance			**–1 174**	**–771**	**–1 242**	**–3 187**
Amortisation for the year			–64	–164	–101	–329
Sales and disposals			–5	0	115	110
Exchange rate differences			–34	0	–16	–50
Amortisation, closing balance			**–1 277**	**–935**	**–1 244**	**–3 456**
Impairment, opening balance	**–2 111**		**–213**	**–417**	**–40**	**–2 781**
Impairment for the year			–24	–282		–306
Exchange rate differences	–95					–95
Impairment, closing balance	**–2 206**	**0**	**–237**	**–699**	**–40**	**–3 182**
Carrying amount	**13 549**	**161**	**382**	**2 672**	**354**	**17 118**

For intangible assets with a finite useful life, the amortisable amount is allocated linearly over the useful life. The original useful life is between 3 and 20 years.

	Indefinite useful life		Definite useful life			
2017	**Goodwill**	**Brand**	**Customer base**	**Internally developed software**	**Other**	**Total**
Cost, opening balance	**14 463**		**1 793**	**1 999**	**1 520**	**19 775**
Additions through business combinations	429	161	39	415		1 044
Additions through internal development				1 004		1 004
Additions through separate acquisitions					164	164
Sales and disposals					–67	–67
Exchange rate differences	319		26		32	377
Cost, closing balance	**15 211**	**161**	**1 858**	**3 418**	**1 649**	**22 297**
Amortisation, opening balance			**–1 078**	**–689**	**–1 157**	**–2 924**
Amortisation for the year			–76	–82	–118	–276
Sales and disposals					50	50
Exchange rate differences			–20		–17	–37
Amortisation, closing balance			**–1 174**	**–771**	**–1 242**	**–3 187**
Impairment, opening balance	**–2 055**		**–156**	**–321**	**–40**	**–2 572**
Impairment for the year			–57	–96	–22	–175
Sales and disposals					22	22
Exchange rate differences	–56					–56
Impairment, closing balance	**–2 111**	**0**	**–213**	**–417**	**–40**	**–2 781**
Carrying amount	**13 100**	**161**	**471**	**2 230**	**367**	**16 329**

Specification of intangible assets with indefinite useful life	Acquisition year	Carrying amount 2018	2017	1/1/2017
Goodwill				
Swedbank Robur AB	1995	328	328	328
Föreningsbanken AB	1997	1 342	1 342	1 342
Swedbank Försäkring AB	1998	651	651	651
Kontoret i Bergsjö	1998	13	13	13
Ölands Bank AB	1998	9	9	9
FSB Bolåndirekt Bank AB	2002	159	159	159
Söderhamns Sparbank AB	2007	24	24	24
PayEx	2017	429	429	
Sweden		**2 955**	**2 955**	**2 526**
of which banking operations		1 547	1 547	1 547
of which other		1 408	1 408	979
Swedbank AS	1999	1 243	1 189	1 158
Swedbank AS	2000	12	12	12
Swedbank AS	2001	146	140	136
Swedbank AS	2005	9 012	8 623	8 395
Baltic countries		**10 413**	**9 964**	**9 701**
of which allocated to:				
Banking operations in Estonia		4 358	4 170	4 060
Banking operations in Latvia		2 244	2 147	2 090
Banking operations in Lithuania		3 811	3 647	3 551
First Securities ASA	2005	181	181	181
Norway		**181**	**181**	**181**
Total		**13 549**	**13 100**	**12 408**

Value in use

Goodwill acquired in business combinations has been allocated to the lowest possible cash generating unit. Recoverable amount has been determined based on value in use. This means that the assets' estimated future cash flows are calculated at present value using a discount rate. Estimated future cash flows are based on the Group's established three-year financial plans. The most important assumptions in the three-year plan are the executive management's estimate of net profit, including credit impairments; growth in each economy, both GDP and industry growth; and the trend in risk weighted assets. Financial planning is done at a lower level than the cash generating unit. The necessary assumptions in the planning are based as far as possible and appropriate on external information. Future cash flows are subsequently estimated with the help of long-term growth assumptions for risk weighted assets as well as on net profit in relation to risk weighted assets. Due to the long-term nature of the investments, cash flow is expected to continue indefinitely. Use of an indefinite cash flow is motivated by the fact that all cash generating units are part of the Group's home markets, which it has no intention of leaving. Net cash flow refers to the amount that theoretically could be received as dividends or must be contributed as capital to comply with capital adequacy or solvency rules. The Group currently believes that a Common Equity Tier 1 capital ratio of 14 per cent (14) is reasonably the lowest level for the cash generating unit, because of which any surpluses or deficits calculated in relation to this level are theoretically considered payable as dividends or will have to be contributed as capital and therefore constitute net cash flow. The discount rate is determined based on the market's risk-free rate of interest and yield requirements, the unit's performance in the stock market in relation to the entire market, and the asset's specific risks. The discount rate is adapted to various periods if needed. Any adjustments needed to the discount factor are determined based on the economic stage the cash generating unit is in and means that each year's cumulative cash flow is discounted by a unique discounting factor. Projected growth in risk weighted assets corresponds to estimated inflation, projected real GDP growth and any additional growth expected in the banking sector, depending on the economic stage the sector is in. In accordance with IAS 36, the long-term growth estimate does not include any potential increase in market share. Long-term growth estimates are based on external projections as well as the Group's experience and growth projections for the banking sector in relation to GDP growth and inflation. Estimated net profit in relation to risk weighted assets is based on historical experience and adjusted based on the economic stage the cash generating unit is in. The adjustment is also based on how the composition of the cash generating unit's balance sheet is expected to change. The parameters are based as far as possible on external sources. The most important assumptions and their sensitivity are described in the table on the following page.

Cash-generating unit	Annual average REA growth %		Annual REA growth %		Annual average REA growth %		Annual REA growth %	
	2018	2017	2018	2017	2018	2017	2018	2017
	2019-2021	2018-2020	2022-2048	2021-2048	2022-2048	2021-2048	2049-	2049-
Banking operations								
Estonia	3.3	0.2	3.6–3.0	3.7–3.0	3.2	3.0	3.0	3.0
Latvia	0.2	1.7	4.2–3.0	3.6–3.0	3.2	3.2	3.0	3.0
Lithuania	5.3	2.0	2.6–3.1	4.5–2.3	3.3	3.7	3.0	3.0
Sweden	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0

Cash-generating unit	Annual average discount rate %		Average discount rate %		Annual average discount rate %		Average discount rate %	
	2018	2017	2018	2017	2018	2017	2018	2017
	2019-2021	2018-2020	2022-2048	2021-2048	2022-2048	2021-2048	2049-	2049-
Banking operations								
Estonia	10.9	9.9	10.9–9.0	9.9–9.0	9.5	9.3	9.0	9.0
Latvia	11.6	10.5	11.6–9.0	10.5–9.0	9.8	9.6	9.0	9.0
Lithuania	11.6	10.5	11.6–9.0	10.4–9.0	9.8	9.6	9.0	9.0
Sweden	5.7	5.0	5.7	5.0	5.7	5.0	5.7	5.0

Sensitivity analysis, change in recoverable amount

Cash-generating unit	Net asset including goodwill, carrying amount, SEKm		Recoverable amount, SEKm		Decrease in assumption of yearly growth by 1 percentage point		Increase in discount rate by 1 percentage point	
	2018	2017	2018	2017	2018	2017	2018	2017
Banking operations								
Estonia	22 421	21 143	35 403	31 334	–1 694	–1 513	–2 837	–2 354
Latvia	10 368	9 625	11 408	11 317	–240	–193	–612	–674
Lithuania	12 157	11 137	15 205	14 886	–758	–770	–1 349	–1 293
Sweden[1]	63 044	57 488	75 175	74 596	–1 012	–2 120	–7 662	–10 498

1) The cash-generating unit is part of the segment Swedish Banking.

Sensitivity analysis

Given a reasonable change in any of the above assumptions there would be no impairment loss for any cash generating unit. For the other cash generating units there is still room for a reasonable change if both assumptions were to occur simultaneously as indicated in the table i.e. both an increase in the discount rate of 1 percentage point and a decrease in the growth assumption of 1 percentage point. The Group is also confident there is room for a reasonable change in the net profit margin assumption for these units without causing an impairment loss.

Banking operations in Baltic countries

Recognised goodwill totalled SEK 10 413 m (9 964). Goodwill is tested for impairment separately for each country. Essentially the same assumptions were used in the impairment testing for 2018 as at the previous year-end. The three-year financial plans have been updated, as a result of which the initial growth assumptions after the planning period have been reduced. The discounting factor has been updated with new country-specific risk premiums. No impairments were identified on the balance sheet date. The three-year financial plans have been updated based on conditions in each country. Initial growth assumed in the established three-year financial plans is based on management's best estimate of inflation, real GDP growth and growth in the banking sector in each market. The assessments are based on external sources. After the planning period a linear reduction in annual growth is assumed in principle during the period between 2019 and 2048 from 5 per cent down to 3 per cent, which is considered sustainable growth for a mature market. The initial discount rate for each period reflects a country-specific risk premium that will converge on a straight-line basis to 5 per cent, which is considered relevant for a mature market. Risk premiums are derived from external sources. The discount rate before tax for the period 2019–2021 was approximately 13 per cent (13).

Other cash generating units, excluding banking operations

Other recognised goodwill totalled SEK 1 589 m (1 589). No impairments were needed as of the closing day. Average annual growth for other cash generating units has been assumed to be 3 per cent (3) and the lowest discount rate was 6 per cent (6), or 7 per cent (7) before tax.

G31 Tangible assets

	Current assets	Fixed assets		
2018	Properties	Equipment	Owner-occupied properties	Total
Cost, opening balance	**549**	**3 095**	**1 440**	**5 084**
Additions	80	367	9	456
Sales and disposals	–455	–292	–68	–815
Exchange rate differences	7	33	58	98
Cost, closing balance	**181**	**3 203**	**1 439**	**4 823**
Amortisation, opening balance		**–2 235**	**–486**	**–2 721**
Amortisation for the year		–317	–40	–357
Sales and disposals		256	65	321
Exchange rate differences		–23	–22	–45
Amortisation, closing balance		**–2 319**	**–483**	**–2 802**
Impairment, opening balance	**–408**			**–408**
Impairment for the year	–8			–8
Sales and disposals	362			362
Exchange rate differences				
Impairment, closing balance	**–55**	**0**	**0**	**–55**
Carrying amount	**126**	**884**	**956**	**1 966**

The useful life of equipment is deemed to be between three and ten years and its residual value is deemed to be zero as in previous years. The depreciable amount is recognised linearly in profit or loss over the useful life. There was no change in useful lives in 2018. No indications of impairment were identified on the balance sheet date for equipment and owner-occupied properties. Individual structural components are deemed to have useful lives of between 12 and 25 years. The residual value is deemed to be zero. The depreciable amount is recognised linearly in profit or loss over the useful life. Land has an indefinite useful life and is not depreciated.

	Current assets	Fixed assets		
2017	Properties	Equipment	Owner-occupied properties	Total
Cost, opening balance	**655**	**3 018**	**1 306**	**4 979**
Additions	50	402	201	653
Sales and disposals	–160	–347	–102	–609
Exchange rate differences	4	22	35	61
Cost, closing balance	**549**	**3 095**	**1 440**	**5 084**
Amortisation, opening balance		**–2 246**	**–471**	**–2 717**
Amortisation for the year		–286	–38	–324
Sales and disposals		309	33	342
Exchange rate differences		–12	–10	–22
Amortisation, closing balance		**–2 235**	**–486**	**–2 721**
Impairment, opening balance	**–398**			**–398**
Impairment for the year	–21			–21
Sales and disposals	13			13
Exchange rate differences	–2			–2
Impairment, closing balance	**–408**	**0**	**0**	**–408**
Carrying amount	**141**	**860**	**954**	**1 955**

G32 Other assets

	2018	2017	1/1/2017
Security settlement claims	8 466	9 863	4 659
Other financial assets[1]	5 504	4 635	3 408
Total	**13 970**	**14 499**	**8 067**

1) Property taken over to protect claims amounted to SEK 81m (80) in the Group.

G33 Prepaid expenses and accrued income

	2018	2017	1/1/2017
Prepaid expenses	1 414	1 044	1 081
Unbilled receivables	399	563	540
Accrued interest income		2 353	2 930
Total	**1 813**	**3 960**	**4 551**

From 1 January 2018, the Group presents contractually accrued interest on financial assets and financial liabilities as part of the carrying amount of the related asset or liability the balance sheet. Previously, the contractually accrued interest was presented within Prepaid expenses and accrued income or Accrued expenses and prepaid income.

G34 Amounts owed to credit institutions

	2018	2017	1/1/2017
Swedish central bank	7		
Swedish banks	20 944	20 379	23 788
Swedish credit institutions	4 256	2 623	1 216
Foreign central banks	13 884	23 199	22 079
Foreign banks	17 460	21 229	23 978
Foreign credit institutions	401	625	757
Foreign banks, repurchase agreements	266		13
Total	**57 218**	**68 055**	**71 831**

Repurchase agreements are held for trading purposes.
Accrued interest of SEK 225 m is included in the Carrying amount for 2018.

G35 Deposits and borrowings from the public

	2018	2017	1/1/2017
Deposits from Swedish public	685 383	640 328	593 784
Deposits from foreign public	234 726	206 574	188 248
Deposits from Swedish public, repurchase agreements	641	8 707	10 892
Total	**920 750**	**855 609**	**792 924**

Accrued interest of SEK 98 m is included for 2018.

G36 Financial liabilities for which customers bear the investment risk

	2018	2017	1/1/2017
Investment contracts, unit-link	161 300	162 938	142 921
Investment contracts, life	17 362	18 186	18 130
Total	**178 662**	**181 124**	**161 051**

G37 Debt securities in issue

	2018	2017	1/1/2017
Commercial papers	131 434	149 974	102 225
Covered bonds	497 936	519 845	558 295
Other interest-bearing bonds	164 243	159 536	166 161
Structured retail bonds	10 747	14 849	14 992
Total	**804 360**	**844 204**	**841 673**

Accrued interest of SEK 4 747 m is included for 2018.

G38 Short positions in securities

	2018	2017	1/1/2017
Shares	358	234	96
Interest-bearing securities	37 975	14 225	11 518
Total	**38 333**	**14 459**	**11 614**
of which own issued shares	257	199	33

G39 Pensions

Defined benefit pension plans are recognised in the balance sheet as a provision and in the income statement in their entirety as a pension cost in staff costs. Revaluations of defined benefit pension plans are recognised in other comprehensive income. The provision in the balance sheet is a net of the pension obligations and the fair value of the assets allocated to fund the obligations, so-called plan assets. The Group calculates provisions and costs for defined benefit pension obligations based on the obligations' significance and assumptions related to future development. The pension obligations as well as the cost of services rendered and interest expense for the pension obligations include payroll tax, which is calculated according to an actuarial method.

Nearly all employees hired in the Swedish part of the Group before 2013 are covered by the BTP2 defined benefit pension plan (a multi-employer occupational pension for Swedish banks). According to this plan, employees are guaranteed a lifetime pension corresponding to a specific percentage of their salary and mainly comprising retirement pension, disability pension and survivor's pension. Remuneration levels differ for salaries with different income base amounts. For salaries over 30 income base amounts, there is no pension according to BTP2. Consequently, the Group's provision and pension cost are affected by each employee's anticipated longevity, final salary and income base amounts. The pension plan also contains a complementary retirement pension which has been defined contribution since 2001 rather than defined benefit. In 2012 BTP was renegotiated as entirely a defined contribution pension plan for all new employees as of 2013. The defined benefit pension plan therefore covers only those employed before 2013 and hence is being dissolved. The defined benefit portion of the BTP2 pension plan is funded by purchasing pension insurance from the insurance company SPK (Sparinstitutens PensionsKassa Försäkringsforening). SPK administers pensions and manages pension assets for Swedbank and other employers. The Group has to determine its share of the plan assets held by SPK. The share amounted to 79 per cent. This is done using the metric SPK is likely to have used on the closing day to distribute assets if the plan were immediately dissolved or if a situation arose that required an additional payment from employers due to insufficient assets. The employers are responsible for ensuring that SPK has sufficient assets to meet the pension plan's obligations measured on the basis of SPK's legal obligations. There is no such deficit. SPK's asset management is mainly based on the regulations it faces. The Group's provision and other comprehensive income are therefore affected by SPK's return on assets.

For individuals who have been in executive positions, there are complementary individual defined benefit pension obligations. They are funded through provisions to pension funds which comply with the Act on Safeguarding Pension Benefits.

During 2017 PayEx was acquired. Its Swedish part provides defined benefit pension according to the so-called ITP plan (Industry and Trade Supplementary Pension). The benefits mainly correspond to the benefits in BTP 2. The provision in the balance sheet was SEK 214 m (189) at the end of the year. The pension commitments are secured in own balance sheet in accordance with the Guarantee Act "Tryggandelagen".

Amount reported in balance sheet for defined benefit pension plans	**2018**	**2017**	**1/1/2017**
Funded pension obligations and payroll tax	24 272	22 918	20 900
Unfunded pension obligations and payroll tax	214	189	
Fair value of plan assets	–19 507	–19 907	–19 494
Total	**4 979**	**3 200**	**1 406**
of which reported as a pension liability	4 979	3 200	1 406

Changes in defined benefit pension plans, including payroll tax	**2018**	**2017**
Opening obligations	**23 107**	**20 900**
Business combinations		152
Current service cost and payroll tax	646	581
Interest expense on pension obligations	580	571
Pension payments	–805	–776
Payroll tax payments	–146	–175
Remeasurement	1 105	1 854
Closing obligations	**24 486**	**23 107**

	2018	**2017**	**2018**
Pension obligations, including payroll tax			**Number of**
Active members	9 920	8 942	5 441
Deferred members	4 750	5 433	10 284
Pensioners	9 816	8 732	12 941
Total	**24 486**	**23 107**	**28 666**
Vested benefits	21 097	20 665	
Non-vested benefits	3 390	2 442	
Total	**24 486**	**23 107**	
of which attributable to future salary increases	3 228	2 530	

Changes in plan assets	**2018**	**2017**
Opening fair value	**19 907**	**19 494**
Interest income on plan assets	510	542
Contributions by the employer	597	721
Pension payments	–804	–776
Remeasurement	–701	–74
Closing fair value	**19 508**	**19 907**

Fair value of plan assets	**2018**	**of which quoted market price in an active market**	**2017**	**of which quoted market price in an active market**
Bank balances	251	251	359	359
Derivatives, currency-related	45	45	36	36
Investment funds, interest	10 707	10 707	12 352	12 352
Investment funds, shares	3 859	3 859	3 801	3 801
Investment funds, other	4 646	4 475	3 359	1 694
Total	**19 508**	**19 336**	**19 907**	**18 242**

Remaining maturity 2018	Undiscounted cash flows < 1 yr	1–5 yrs	5–10 yrs	> 10 yrs	No maturity/ discounteffect	Total
Pension obligations, including payroll tax	865	3 360	4 385	31 845	–15 969	24 486
Plan assets	251				19 256	19 508
Expected contributions by the employer	818					

Remaining maturity 2017	Undiscounted cash flows < 1 yr	1–5 yrs	5–10 yrs	> 10 yrs	No maturity/ discounteffect	Total
Pension obligations, including payroll tax	879	3 306	4 241	30 658	–15 976	23 107
Plan assets	359				19 548	19 907
Expected contributions by the employer	733					

Pension costs reported in income statement	2018	2017
Current service cost and payroll tax	646	581
Interest expense on pension obligations	580	571
Interest income on plan assets	–510	–542
Pension cost defined benefit pension plans	716	610
Premiums paid for defined contribution pension plans and payroll tax	412	337
Total	**1 128**	**947**

Remeasurements of defined benefit pension plans reported in other comprehensive income	2018	2017
Actuarial gains and losses based on experience	54	–262
Actuarial gains and losses arising from changes in financial assumptions	–1 159	–1 592
Return on plan assets, excluding amounts included in interest income	–701	–74
Total	**–1 806**	**–1 928**

Actuarial assumptions, per cent	2018	2017
Financial		
Discount rate, 1 January	2.56	2.79
Discount rate, 31 December	2.42	2.56
Future annual salary increases, 1 January	3.39	3.00
Future annual salary increases, 31 December	3.55	3.39
Future annual pension indexations/inflation, 1 January	1.95	1.84
Future annual pension indexations/inflation, 31 December	1.92	1.95
Future annual changes in income base amount, 1 January	3.73	3.74
Future annual changes in income base amount, 31 December	3.73	3.73
Demographic		
Entitled employees who choose early retirement option	50.00	50.00
Future annual employee turnover	3.50	3.50
Expected remaining life for a 65 years old man	22	22
Expected remaining life for a 65 years old woman	24	24

Sensitivity analysis, pension obligations	2018	2017
Financial		
Change in discount rate - 25 bps	1 164	1 059
Change in salary assumption +25 bps	521	483
Change in pension indexation/inflation assumption +25 bps	1 127	1 044
Change in income base amount assumption -25 bps	225	213
Demographic		
All entitled employees choose early retirement option at maximum	901	762
Change in employee turnover assumption -25 bps	58	38
Expected remaining life for a 65 years old man and woman +2 year	1 747	1 623

When the cost of defined benefit pension plans is calculated, financial and demographic assumptions have to be made for factors that affect the size of future pension payments. The discount rate is the interest rate used to discount the value of future payments. The interest rate is based on a market rate of interest for first-class corporate bonds traded on a functioning market with remaining maturities and currencies matching those of the pension obligations. The Group considers Swedish covered mortgage bonds as such bonds, because of which the discount rate is based on their quoted prices. The Group's own issues are excluded. Quoted prices are adjusted for remaining maturities with the help of prices for interest rate swaps. The weighted average maturity of the defined benefit obligation is nearly 21 years. A reduction in the discount rate of 0.25 bp would increase the pension provision by approximately SEK 1 164m (1 059) and the pension cost by SEK 24 m (54). Future annual salary increases reflect projected future salary increases as an aggregate effect of both contractual wage increases and wage drift. Because the defined benefit pension plan no longer covers new employees, only those employed before 2013, the salary increase assumption has been adapted to assume that the plan is closed. As of 2014 an age-based salary increase assumption is therefore used instead. This means that a unique salary increase assumption is set for each age group of employees. As of 2014 the inflation assumption is based on quoted prices for nominal and index-linked government bonds. For longer maturities that lack quoted prices, the inflation assumption is gradually adapted to the Riksbank's target of 2.00 percentage points. The final benefits under BTP are determined on the basis of the income base amount. Therefore, future changes in the income base amount have to be estimated. The assumption is based on historical outcomes. Annual pension indexation has to be determined as well, since indexation historically has always been necessary. The indexation is assumed to correspond to the inflation assumption. BTP2 gives employees born in 1966 or earlier the option to choose a slightly earlier retirement age than normal in exchange for a slightly lower benefit level. Since this option is totally voluntary on the part of those employees, an estimate is made of the future outcome. Early retirements jointly agreed to by the employer and employee are recognised as they arise rather than estimated among actuarial assumptions. The assumed remaining lifetime of beneficiaries is updated annually.

G40 Insurance provisions

	Life insurance			Non-life insurance			Total		
	2018	2017	1/1/2017	2018	2017	1/1/2017	2018	2017	1/1/2017
Opening balance	**1 491**	**1 592**	**1 537**	**343**	**228**	**191**	**1 834**	**1 820**	**1 728**
Provisions	1 077	1 137	978	600	526	405	1 676	1 663	1 383
Payments	–1 135	–1 264	–966	–530	–418	–375	–1 665	–1 682	–1 341
Exchange rate differences	37	26	43	15	7	7	52	33	50
Closing balance	**1 470**	**1 491**	**1 592**	**428**	**343**	**228**	**1 897**	**1 834**	**1 820**

Provisions for insurance contracts

The Group allocates provisions for the insurance contracts or parts of contracts where significant insurance risks are transferred from the policyholder to the Group. Insurance risks differ from financial risks and mean that the Group compensates the policyholder if a specified uncertain future event adversely impacts the policyholder. The Group is compensated through premiums received from policyholders. Provisions are allocated for established claims and correspond to the amount that will be paid out. Provisions are also made for damages incurred but not reported. A statistical assessment of anticipated claims based on previous years' experience with each type of insurance contract is used as a basis for the provision. Assumptions are made with regard to interest rates, morbidity, mortality and expenses.

G41 Other liabilities and provisions

	2018	2017	1/1/2017
Security settlement liabilities	5 889	6 564	4 894
Other liabilities	23 687	18 001	9 860
Provisions for commitments and financial guarantees	407	132	128
Restructuring provision		315	62
Other provisions	53	47	44
Total	**30 035**	**25 059**	**14 989**

In 2017 a restructuring provision of SEK 300m was established due to changes in the IT organisation. Of the allocated reserves, so have SEK 106m (47) utilised and SEK 209m (0) were reversed due to lower staff costs.

G42 Accrued expenses and prepaid income

	2018	2017	1/1/2017
Accrued expenses	2 649	2 385	2 551
Contract liabilities	736	611	597
Accrued interest expenses		6 654	7 769
Total	**3 385**	**9 650**	**10 917**

From 1 January 2018, the Group presents contractually accrued interest on financial liabilities as part of the carrying amount of the related asset or liability the balance sheet. Previously, the contractually accrued interest was presented with Accrued expenses/prepaid income.

G43 Subordinated liabilities

	2018	2017	1/1/2017
Subordinated loans	23 015	14 422	12 925
Undated subordinated loans	11 169	11 086	14 329
of which Tier 1 capital contribution	11 169	11 086	14 329
Total	**34 184**	**25 508**	**27 254**

The Group has a total of USD 1 250m Additional Tier 1 capital (AT1) outstanding, which is perpetual. A total of USD 750m was issued on February 12, 2015 with a call option on March 17, 2020. A total of USD 500m was issued on December 9, 2016 with a call option on March 17. 2022. The liabilities will be converted to ordinary shares in Swedbank AB if the core tier one ratio of Swedbank AB or consolidation situation falls below 8.0 per cent or 5.125 per cent respectively. The liabilities will be converted to current share price, but not lower than USD 15,70 translated to SEK with the prevail-ing exchange rate.

G44 Equity

	2018	2017	1/1/2017
Restricted equity			
Share capital, ordinary shares	24 904	24 904	24 904
Statutory reserve	9 563	9 458	9 389
Other reserve[1]	23 867	23 997	20 728
Total	**58 334**	**58 359**	**55 021**
Non-restricted equity			
Currency translation from foreign operations	2 064	1 347	853
Cash flow hedge reserve	4	28	77
Foreign currency basis reserve	–19		
Own credit risk reserve	–18		
Share premium reserve	13 206	13 206	13 206
Retained earnings	63 825	60 432	60 358
Total	**79 062**	**75 013**	**74 494**
Non-controlling interest	213	200	190
Total equity	**137 609**	**133 572**	**129 705**

The quote value per share is SEK 22.

1) Of which development fund for internally developed software SEK 2 122 m (1 739).

Ordinary shares

Number of shares	2018	2017	1/1/2017
Number of shares authorized, issued and fully paid	1 132 005 722	1 132 005 722	1 132 005 722
Own shares	–15 331 361	–18 376 101	–21 273 902
Number of outstanding shares	**1 116 674 361**	**1 113 629 621**	**1 110 731 820**
Opening balance	**1 113 629 621**	**1 110 731 820**	**1 105 403 750**
Share delivery due to Equity-settled share based programmes	3 044 740	2 897 801	5 328 070
Closing balance	**1 116 674 361**	**1 113 629 621**	**1 110 731 820**

The quote value per share is SEK 22.

Changes in equity for the year and the distribution according to IFRS are indicated in the statement of changes in equity. Ordinary shares each carry one vote and a share in profits. Treasury shares are not eligible for dividends.

G45 Valuation categories of financial instruments

Financial assets	2018					
	Fair value through profit or loss			Hedging Instruments	Amortised cost	
	Mandatorily					
Carrying Amount	Trading	Other business models	Total			Total
Cash and balances with central banks					163 161	163 161
Treasury bills and other bills eligible for refinancing with central banks	11 796	7 479	19 275		80 304	99 579
Loans to credit institutions	92		92		36 176	36 268
Loans to the public[1]	39 714	166	39 880		1 587 488	1 627 368
Value change of interest hedged items in portfolio hedge					766	766
Bonds and other interest-bearing securities	31 237	19 864	51 101		2 210	53 312
Financial assets for which customers bear the investment risk		177 868	177 868			177 868
Shares and participating interests	3 127	1 794	4 921			4 921
Derivatives	29 113		29 113	10 551		39 665
Other financial assets					13 889	13 889
Total	**115 080**	**207 172**	**322 251**	**10 551**	**1 883 993**	**2 216 797**

Financial liabilities	2018					
	Fair value through profit or loss			Hedging instruments	Amortised cost	
Carrying Amount	Trading	Designated	Total			Total
Amounts owed to credit institutions	266		266		56 952	57 218
Deposits and borrowings from the public [2]	641		641		920 109	920 750
Financial liabilities for which customers bear the investment risk		178 662	178 662			178 662
Debt securites in issue[2]	10 746	4 004	14 750		789 611	804 360
Short position securities	38 333		38 333			38 333
Derivatives	28 878		28 878	2 438		31 316
Subordinated liabilities					34 184	34 184
Other financial liabilities					29 576	29 576
Total	**78 864**	**182 666**	**261 530**	**2 438**	**1 830 432**	**2 094 399**

1) Leasing assets are classified according to IAS 17 Leases but are included in the valuation category Amortised Cost as impairment provisions are calculated in the same way as other Loans to the public.
2) Nominal amount of deposits and borrowings from the public and debt securities designated at fair value through profit or loss was SEK 3 680m.

Financial assets	1/1/2018					
	Fair value through profit or loss			Hedging Instruments	Amortised cost	
	Mandatorily					
Carrying Amount	Trading	Other business models	Total			Total
Cash and balances with central banks					200 364	200 364
Treasury bills and other bills eligible for refinancing with central banks	9 786	10 765	20 551		65 411	85 962
Loans to credit institutions	511		511		30 509	31 020
Loans to the public	25 016	198	25 214		1 509 679	1 534 893
Value change of interest hedged items in portfolio hedge					789	789
Bonds and other interest-bearing securities	16 863	39 253	56 116		3 331	59 447
Financial assets for which customers bear the investment risk		180 320	180 320			180 320
Shares and participating interests	19 382	468	19 850			19 850
Derivatives	44 876		44 876	10 804		55 680
Other financial assets					13 658	13 658
Total	**116 434**	**231 004**	**347 438**	**10 804**	**1 823 741**	**2 181 983**

Financial liabilities	1/1/2018					
	Fair value through profit or loss			Hedging instruments	Amortised cost	
Carrying Amount	Trading	Designated	Total			Total
Amounts owed to credit institutions					68 244	68 244
Deposits and borrowings from the public	8 707		8 707		847 006	855 713
Financial liabilities for which customers bear the investment risk		181 124	181 124			181 124
Debt securites in issue[1]	14 836	7 677	22 513		827 696	850 209
Short position securities	14 459		14 459			14 459
Derivatives	43 497		43 497	2 703		46 200
Subordinated liabilities					25 864	25 864
Other financial liabilities					24 643	24 643
Total	**81 499**	**188 801**	**270 300**	**2 703**	**1 793 453**	**2 066 456**

1) Nominal amount of Debt securities, identified as Fair value through profit or loss, Designated, amounted to SEK 6 987m.

Financial assets	2017						
Valuation categories	Fair value through profit or loss		Hedging instruments	Available for sale	Loans and receivables	Held to maturity	Total
SEKm	Trading	Designated					
Cash and balances with central banks					200 371		200 371
Treasury bills and other bills eligible for refinancing with central banks	20 492					65 411	85 903
Loans to credit institutions	511				30 235		30 746
Loans to the public	25 016	92 803			1 417 379		1 535 198
Bonds and other interest-bearing securities	55 006	802				3 323	59 131
Financial assets for which customers bear the investment risk		180 320					180 320
Shares and participating interests	19 382	459		9			19 850
Derivatives	44 876		10 804				55 680
Other financial assets					16 772		16 772
Total	**165 283**	**274 384**	**10 804**	**9**	**1 664 757**	**68 734**	**2 183 971**

Financial liabilities	2017				
Valuation categories	Fair value through profit or loss		Hedging instruments	Amortised cost	Total
SEKm	Trading	Designated			
Amounts owed to credit institutions				68 055	68 055
Deposits and borrowings from the public	8 707			846 902	855 609
Financial liabilities for which customers bear the investment risk		181 124			181 124
Debt securities in issue[1]	14 836	7 677		821 691	844 204
Short position securities	14 459				14 459
Derivatives	43 497		2 703		46 200
Subordinated liabilities				25 508	25 508
Other financial liabilities				31 219	31 219
Total	**81 499**	**188 801**	**2 703**	**1 793 375**	**2 066 378**

1) Nominal amount of Debt securities, identified as Fair value through profit or loss, Designated, amounted to SEK 6 897m.

G46 Fair value of financial instruments

Carrying amounts and fair values of financial instruments
A comparison between the carrying amount and fair value of the Group's financial assets and financial liabilities is presented below.

Determination of fair values of financial instruments
The Group uses various methods to determine the fair value of financial instruments depending on the degree of observable market data in the valuation and activity in the market. An active market is considered a regulated or reliable marketplace where quoted prices are easily accessible and which demonstrates regularity. Activity is continuously evaluated by analysing factors such as differences in bid and ask prices.

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

When financial assets and financial liabilities in active markets have market risks that offset each other, an average of bid and ask prices is used as a basis to determine the fair value. For any open net positions, bid and ask rates are applied based on what is applicable i.e. bid rates for long positions and ask rates for short positions. Where the fair value is derived from a modelling technique, the valuation is performed using mid prices. When relevant, a bid/ask adjustment is applied to ensure that long positions are recognised at bid price and short positions – at ask price.

In cases that lack an active market, fair value is determined with the help of established valuation methods and models. In these cases assumptions that cannot be directly attributed to a market may be applied. These assumptions are based on experience and knowledge of the valuation of financial markets. The goal, however, is to always maximise the use of data from an active market. All valuation methods and models and internal assumptions are validated continuously by the independent risk control unit. In cases where it is considered necessary, adjustments are made to reflect fair value, so-called fair value adjustments. This is done to correctly reflect the parameters in the financial instruments and which should be considered in their valuations. For OTC derivatives, for example, where the counterparty risk is not settled with cash collateral, the fair value adjustment is based on the current counterparty risk (CVA and DVA). CVA and DVA are calculated using simulated exposures; the method is calibrated with market implied parameters.

The Group has a continuous process that identifies financial instruments which indicate a high level of internal assumptions or low level of observable market data. The process determines how to make the calculation based on how the internal assumptions are expected to affect the valuation. In cases where internal assumptions have a significant impact on fair value, the financial instrument is reported in level 3. The process also includes an analysis based on the quality of valuation data and whether any types of financial instruments will be transferred between the various levels.

For floating rate lending and deposits, the carrying amount equals the fair value.

	2018			2017			1/1/2017		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Assets									
Financial assets									
Cash and balances with central banks	163 161	163 161		200 371	200 371		121 347	121 347	
Treasury bills etc.	99 743	99 579	164	85 961	85 903	58	107 647	107 571	76
of which measured at amortised cost	80 468	80 304	164	65 469	65 411	58	85 478	85 402	76
of which measured at fair value through profit or loss	19 275	19 275		20 492	20 492		22 169	22 169	
Loans to credit institutions	36 268	36 268		30 746	30 746		32 197	32 197	
of which measured at amortised cost	36 176	36 176		30 235	30 235		31 345	31 345	
of which measured at fair value through profit or loss	92	92		511	511		852	852	
Loans to the public	1 629 641	1 627 368	2 273	1 532 977	1 535 198	–2 221	1 512 686	1 507 247	5 439
of which measured at amortised cost	1 589 761	1 587 488	2 273	1 415 158	1 417 379	–2 221	1 322 174	1 322 174	
of which measured at fair value through profit or loss	39 880	39 880		117 819	117 819		190 512	190 512	
Value change of interest hedged items in portfolio hedge	766	766		789	789		1 482	1 482	
Bonds and interest-bearing securities	53 316	53 312	4	59 136	59 131	5	74 508	74 501	7
of which measured at amortised cost	2 215	2 211	4	3 327	3 322	5	3 675	3 668	7
of which measured at fair value through profit or loss	51 101	51 101		55 809	55 809		70 833	70 833	
Financial assets for which the customers bear the investment risk	177 868	177 868		180 320	180 320		160 114	160 114	
Shares and participating interest	4 921	4 921		19 850	19 850		23 897	23 897	
of which measured at fair value through profit or loss	4 921	4 921		19 850	19 850		23 897	23 897	
Derivatives	39 665	39 665		55 680	55 680		87 811	87 811	
Other financial assets	13 889	13 889		16 772	16 772		10 851	10 851	
Total	**2 219 238**	**2 216 797**	**2 441**	**2 182 602**	**2 184 760**	**–2 158**	**2 132 540**	**2 127 018**	**5 522**
Investment in associates		**6 088**			**6 357**			**7 319**	
Non-financial assets		**23 207**			**21 519**			**19 866**	
Total		**2 246 092**			**2 212 636**			**2 154 203**	

	2018			2017			1/1/2017		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Liabilities									
Financial liabilities									
Amounts owed to credit institutions	58 595	57 218	1 377	68 055	68 055		71 615	71 831	–216
of which measured at amortised cost	58 329	56 952	1 377	68 055	68 055		71 602	71 818	–216
of which measured at fair value through profit or loss	266	266					13	13	
Deposits and borrowings from the public	920 745	920 750	–5	855 597	855 609	–12	792 905	792 924	–19
of which measured at amortised cost	920 107	920 112	–5	846 890	846 902	–12	782 013	782 032	–19
of which measured at fair value through profit or loss	638	638		8 707	8 707		10 892	10 892	
Debt securities in issue	810 617	804 360	6 257	851 908	844 204	7 704	849 097	841 673	7 424
of which measured at amortised cost	795 867	789 610	6 257	829 395	821 691	7 704	825 997	818 573	7 424
of which measured at fair value through profit or loss	14 750	14 750		22 513	22 513		23 100	23 100	
Financial liabilities for which the customers bear the investment risk	178 662	178 662		181 124	181 124		161 051	161 051	
Subordinated liabilities	34 366	34 184	182	25 525	25 508	17	27 254	27 254	
of which measured at amortised cost	34 366	34 184	182	25 525	25 508	17	27 254	27 254	
Derivatives	31 316	31 316		46 200	46 200		85 589	85 589	
Short positions securities	38 333	38 333		14 459	14 459		11 614	11 614	
of which measured at fair value through profit or loss	38 333	38 333		14 459	14 459		11 614	11 614	
Other financial liabilities	29 576	29 576		31 219	31 219		22 524	22 524	
Total	**2 102 209**	**2 094 399**	**7 810**	**2 074 087**	**2 066 378**	**7 709**	**2 021 649**	**2 014 460**	**7 189**
Non-financial liabilities		**14 084**			**12 686**			**10 038**	
Total		**2 108 483**			**2 079 064**			**2 024 498**	

Financial instruments recognised at fair value

The following tables present fair values of financial instruments recognised at fair value split between the three valuation hierarchy levels.

Level 1 primarily contains equities, fund shares, bonds, treasury bills, commercial papers, debt securities in issue and standardised derivatives, where quoted prices on an active market are used in the valuation.

Level 2 primarily contains OTC derivatives, less liquid bonds, debt securities in issue, deposits, and investment contract liabilities in the insurance operations. Equity derivatives and all instruments with optionality are valued using option pricing models calibrated by market implied parameters. All other interest rate, foreign exchange or credit derivatives as well as interest-bearing instruments are valued by discounted cash flows using market implied curves. The fair value of investment contract liabilities in the insurance operations is determined by the fair value of the underlying assets (i.e., amount payable on surrender of the policies).

Level 3 contains other financial instruments where internal assumptions have a significant effect on the calculation of fair value. Level 3 primarily contains unlisted equity instruments and illiquid options. The unlisted equity instruments include strategic investments. During 2018 Swedbank received more convertible preference shares in VISA Inc as dividend from its associate VISA Sweden. VISA Inc. shares are subject to selling restrictions for a period of up to 10 years and under certain conditions may have to be returned. The carrying amount was SEK 800m at end of 2018. 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 illiquid options hedge changes in the market values of combined debt instruments, so-called structured products. Structured products consist of a corresponding option element and a host contract, which in principle is an ordinary interest-bearing bond. When the Group evaluates the level on which the financial instruments are reported, the entire instrument is assessed on an individual basis. Since the bond portion of structured products represents the majority of the financial instrument's fair value, the internal assumptions used to value the illiquid option element normally do not have a significant effect on the valuation and the financial instrument is typically reported in level 2. However, the Group typically hedges the market risks that arise in structured products by holding individual options. The internal assumptions in the individual options are of greater significance to the individual instrument and these are reported as derivatives in level 3. Based on the historical volatility of the underlying prices of options in level 3, it is unlikely that future price movements will affect the fair value by more than +/– SEK 0.3m.

When valuation models are used to determine the fair value of financial instruments in level 3, the transaction price paid or received is assessed as the best evidence of fair value at initial recognition. Due to the possibility that a difference could arise between the transaction price and the fair value calculated at the time using the valuation model, so called day 1 profit or loss, the valuation model is calibrated against the transaction price. As of year-end there were no cumulative differences reported in the balance sheet.

Transfers between fair value hierarchy levels are reflected as taking place at the end of each quarter. During the years ended 2018 and 2017, there were no transfers of financial instruments between valuation levels 1 and 2. Financial instruments are transferred to or from level 3 depending on whether the internal assumptions have changed in significance for the valuation.

Swedbank Group designated a portfolio of loans at fair value through profit or loss under IAS 39, primarily to avoid an accounting mismatch. Upon the application of IFRS 9 on 1 January 2018, the Group mandatorily revoked previous designations made under IAS 39 for loans to the public of SEK 92 803m, due to that there was no longer an elimination or significant reduction of an accounting mismatch. These loans were reclassified to amortised cost under IFRS 9.

The cumulative value change after tax, attributable to changes in Swedbank's own credit risk, of debt securities in issue which are measured according to the fair value option in level 2, amounted to SEK -18 m (–36). The change in value amounted to SEK 22 m (3) during the period. From 2018, the value change attributable to changes in own credit risk is recognised in other comprehensive income in accordance with IFRS 9. Until 2017 the value change was recognised in the income statement. The change due to Swedbank's own credit risk has been determined by calculating the difference in value based on current prices from external dealers for Swedbank's own credit risk in its own unquoted issues and the value based on prices of its own credit risk for its own unquoted issues on the origination date.

The following table shows financial instruments measured at fair value as per 31 December distributed by valuation level.

At fair value	2018 Level 1	2018 Level 2	2018 Level 3	2018 Total
Assets				
Treasury bills and other bills eligible for refinancing with central banks, etc	13 083	6 192		19 275
Loans to credit institutions		92		92
Loans to the public		39 880		39 880
Bonds and interest-bearing securities	22 319	28 782		51 101
Financial assets for which the customers bear the investment risk	177 868			177 868
Shares and participating interests	3 657		1 264	4 921
Derivatives	466	39 197	2	39 665
Total	**217 393**	**114 143**	**1 266**	**332 802**
Liabilities				
Amounts owed to credit institutions		266		266
Deposits and borrowings from the public		638		638
Debt securities in issue	58	14 692		14 750
Financial liabilities for which the customers bear the investment risk		178 662		178 662
Derivatives	406	30 910		31 316
Short positions securities	38 333			38 333
Total	**38 797**	**225 168**		**263 965**

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

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

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

Financial instruments at amortised cost

The following tables distribute fair value by the three different valuation levels for financial instruments at amortised cost. The valuation techniques used to establish fair value of financial instruments at amortised cost are consistent with those described in section "Financial instruments recognised at fair value" above.

At amortised cost	2018				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Assets					
Treasury bills and other bills eligible for refinancing with central banks, etc.	80 304	80 468			80 468
Loans to credit institutions	36 176		35 972	204	36 176
Loans to the public	1 587 488		1 509 859	79 902	1 589 761
Bonds and other interest-bearing securities	2 211	40	2 175		2 215
Total	**1 706 179**	**80 508**	**1 548 006**	**80 106**	**1 708 620**
Liabilities					
Amounts owed to credit institutions	56 952		56 667	1 662	58 329
Deposits and borrowing from the public	920 112		831 385	88 722	920 107
Debts securities in issue	789 610	322 572	473 295		795 867
Subordinated liabilities	34 184		34 366		34 366
Total	**1 800 858**	**322 572**	**1 395 713**	**90 384**	**1 808 669**

	2017				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Assets					
Treasury bills and other bills eligible for refinancing with central banks, etc.	65 411	65 469			65 469
Loans to credit institutions	30 235		30 235		30 235
Loans to the public	1 417 379		1 415 158		1 415 158
Bonds and other interest-bearing securities	3 322	51	3 276		3 327
Total	**1 516 347**	**65 520**	**1 448 669**		**1 514 189**
Liabilities					
Amounts owed to credit institutions	68 055		68 055		68 055
Deposits and borrowing from the public	846 902		846 890		846 890
Debts securities in issue	821 691	307 388	522 007		829 395
Subordinated liabilities	25 508		25 525		25 525
Total	**1 762 156**	**307 388**	**1 462 477**		**1 769 865**

G47 Financial assets and liabilities which have been offset or are subject to netting or similar agreements

The tables below present recognised financial instruments that have been offset in the balance sheet under IAS 32 and those that are subject to legally enforceable master netting or similar agreements but do not qualify for offset. Such financial instruments relate to derivatives, repurchase and reverse repurchase agreements, securities borrowing and lending transactions. Collateral amounts represent financial instruments or cash collateral received or pledged for transactions that are subject to a legally enforceable master netting or similar agreements and which allow for the netting of obligations against the counterparty in the event of a default. Collateral amounts are limited to the amount of the related instruments presented in the balance sheet; therefore any over-collateralisation is not included. Amounts that are not offset in the balance sheet are presented as a reduction to the financial assets or liabilities in order to derive net asset and net liability exposures. The amounts offset for derivative assets and derivative liabilities include cash collateral offsets of SEK 4 177 m (3 531) and SEK 1 532 m (261), respectively.

Assets	2018				2017			
	Derivatives	Reverse repurchase agreements	Securities borrowing	Total	Derivatives	Reverse repurchase agreements	Securities borrowing	Total
Financial assets, which not have been offset or are not subject to netting agreements	1 605			1 605	1 771			1 771
Financial assets, which have been offset or are subject to netting agreements	38 060	39 807	137	78 004	53 909	25 558	40	79 507
Net carrying amount on the balance sheet	**39 665**	**39 807**	**137**	**79 609**	**55 680**	**25 558**	**40**	**81 278**
Financial assets, which have been offset or are subject to netting agreements								
Gross amount	68 325	93 600	137	162 062	63 522	34 966	40	98 528
Offset amount	–30 265	–53 793		–84 058	–9 613	–9 408		–19 021
Net carrying amount on the balance sheet	**38 060**	**39 807**	**137**	**78 004**	**53 909**	**25 558**	**40**	**79 507**
Related amount not offset on the balance sheet								
Financial instruments, netting agreements	16 676	644		17 320	24 726	7797		32 523
Financial instruments, collateral	135	34 940	137	35 212	482	17 633	40	18 155
Cash, collateral	1 529	6		1 535	9 028			9 125
Total amount not offset on the balance sheet	**18 340**	**35 590**	**137**	**54 067**	**34 236**	**25 527**	**40**	**59 803**
Net amount	**19 720**	**4 217**		**23 937**	**19 673**	**31**		**19 704**

Liabilities	2018				2017			
	Derivatives	Repurchase agreements	Securities lending	Total	Derivatives	Repurchase agreements	Securities lending	Total
Financial liabilities, which have not been offset or are not subject to netting agreements	1 841			1 841	1 677			1 677
Financial liabilities, which have been offset or are subject to netting agreements	29 475	907	22	30 404	44 523	8 707	74	53 304
Net carrying amount on the balance sheet	**31 316**	**907**	**22**	**32 245**	**46 200**	**8 707**	**74**	**54 981**
Financial liabilities, which have been offset or are subject to netting agreements								
Gross amount	62 385	54 700	22	117 107	57 407	18 115	74	75 596
Offset amount	–32 910	–53 793		–86 703	–12 884	–9 408		–22 292
Net carrying amount on the balance sheet	**29 475**	**907**	**22**	**30 404**	**44 523**	**8 707**	**74**	**53 304**
Related amount not offset on the balance sheet								
Financial instruments, netting agreements	16 676	644		17 320	24 726	7797		32 523
Financial instruments, collateral	2 309	263	22	2 594	2 912	905	74	3 891
Cash, collateral	4 890			4 890	9 340			9 340
Total amount not offset on the balance sheet	**23 875**	**907**	**22**	**24 804**	**36 978**	**8 702**	**74**	**45 754**
Net amount	**5 600**			**5 600**	**7 545**	**5**		**7 550**

G48 Specification of adjustments for non-cash items in operating activities

	2018	2017
Amortised origination fees	–698	–684
Unrealised changes in value/currency changes	–97	–1 692
Capital gains/losses on sale of subsidiaries and associates	–688	–686
Capital gains/losses on sale of condominiums		–8
Undistributed share of equity in associates	–1 028	–776
Depreciation and impairment of tangible fixed assets including repossessed leased assets	358	325
Amortisation and impairment of goodwill and other intangible fixed assets	635	451
Credit impairment	886	1 556
Prepaid expenses and accrued income	2 156	682
Accrued expenses and prepaid income	–4 497	–736
Share-based payment	321	307
Other	554	13
Total	**–2 098**	**–1 248**

G49 Dividend paid and proposed

	2018		2017	
Ordinary shares	**SEK per share**	**Total**	**SEK per share**	**Total**
Dividend paid	13.00	14 517	13.20	14 695
Proposed dividend	14.20	15 885	13.00	14 515

The Board of Directors recommends that shareholders receive a dividend of SEK 14.20 per ordinary share (13.00) in 2019 for the financial year 2018, corresponding to SEK 15 885m (14 515).

For more information see parent company note P43.

G50 Assets pledged, contingent liabilities and commitments

Assets pledged

Assets pledged for own liabilities	**2018**	**2017**	**1/1/2017**
Government securities and bonds pledged with the Riksbank	9 776	8 047	8 121
Government securities and bonds pledged with foreign central banks	6 691	6 229	6 434
Government securities and bonds pledged for liabilities to credit institutions, repurchase agreements	6 920	3 621	2 728
Government securities and bonds pledged for deposits from the public, repurchase agreements	13 506	7 260	5 687
Loans used as collateral for covered bonds[1]	497 691	518 805	542 278
Financial assets pledged for investment contracts	174 668	177 317	157 804
Cash	4 470	4 484	10 320
Total	**713 722**	**725 763**	**733 372**

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

The carrying amount of liabilities for which assets are pledged amounted to SEK 702 637m (707 677) for the Group.

Other assets pledged	**2018**	**2017**	**1/1/2017**
Equity instruments	186	16	10
Government securities and bonds pledged for other commitments	1 858	2 857	3 776
Cash	445	506	470
Total	**2 489**	**3 379**	**4 256**

Companies in the Group regularly pledge financial assets as collateral for their obligations to central banks, stock exchanges, central securities depositories, clearing organisations and other institutions with similar or closely related functions, as well as to insurance policyholders. The transactions can be made by one or more companies in the Group depending on the operations of each company. These financial assets are recognised as assets pledged. Companies in the Group also participate in arrangements that are not pledges but where financial assets are used for similar purposes. Such financial assets are also recognised as assets pledged. One example of assets pledged is when financial assets of a certain value are transferred to derivative counterparties to offset their credit risk vis-à-vis the Group. Another example involves certain transfers of financial assets that the Group is obligated to repurchase, so-called repos. A third example is that certain types of credit can be included in the cover pool for covered bonds and thereby give preferential rights to the assets to investors who hold such bonds. Because of the pledges and other arrangements mentioned above, the value of the financial assets in question cannot be utilised in any other way as long as the pledge or arrangement remains in effect. The transactions are made on commercial terms.

Contingent liabilities

Nominal amount	**2018**	**2017**	**1/1/2017**
Loan guarantees	7 646	6 268	5 405
Other guarantees	36 827	34 171	33 886
Accepted and endorsed notes	1 988	439	159
Letters of credit granted but not utilised	2 528	2 830	3 015
Other contingent liabilities	366	349	285
Total	**49 355**	**44 057**	**42 750**

Commitments

Nominal amount	**2018**	**2017**	**1/1/2017**
Loans granted but not paid	215 662	196 333	191 783
Overdraft facilities granted but not utilised	62 677	66 588	70 918
Total	**278 339**	**262 921**	**262 701**
Credit impairment provisions for contingent liabilities and commitments	-407	-132	-128

G51 Transferred financial assets

The Group transfers ownership of financial assets in connection with repos and security loans. Although ownership has been transferred in these transactions, the asset remains on the balance sheet since the Group is still exposed to the asset's risk of fluctuating in value. This is because the agreement stipulates at the time of transfer that the asset will be restored. The sales proceeds received in connection with repos are recognised as liabilities. Related liabilities are reported in the note before any off-setting in the balance sheet. All assets and related liabilities are recognised at fair value and included in the valuation category fair value through profit and loss, trading.

Liabilities related to securities lending refer to collateral received in the form of cash. These liabilities are reported in the valuation category amortised cost. In addition to what is indicated in the table for securities lending, collateral is received in the form of other securities to cover the difference between the fair value of the transferred assets and the recognised liability's fair value. As of year-end the Group had no transfers of financial assets that had been derecognised and where the Group has continuing involvement.

	Transferred assets			Associated liabilities		
2018	**Carrying amount**	**Of which repurchase agreements**	**Of which securities lending**	**Carrying amount**	**Of which repurchase agreements**	**Of which securities lending**
Equity instruments	186		186	67		67
Debt securities	20 426	20 426		20 451	20 451	
Total	**20 612**	**20 426**	**186**	**20 518**	**20 451**	**67**

	Transferred assets			Associated liabilities		
2017	**Carrying amount**	**Of which repurchase agreements**	**Of which securities lending**	**Carrying amount**	**Of which repurchase agreements**	**Of which securities lending**
Equity instruments	1 398		1 398	36		36
Debt securities	11 138	11 138		11 143	11 143	
Total	**12 536**	**11 138**	**1 398**	**11 179**	**11 143**	**36**

G52 Operational leasing

The agreements mainly relate to premises in which the Group is the lessee. The terms of the agreements comply with customary practices and include clauses on inflation and property tax. The combined amount of future minimum lease payments that relate to non-cancellable agreements is allocated on the due dates as follows.

2018	**Expenses**	**Income subleasing**	**Total**
2019	859	11	849
2020	730	7	723
2021	589	1	588
2022	535	1	534
2023	479	1	478
2024	410	1	409
2025	370	1	369
2026	325	1	324
2027	310	1	309
2028 or later	1 685	2	1 683
Total	**6 292**	**27**	**6 265**

2017	**Expenses**	**Income subleasing**	**Total**
2018	862	13	849
2019	738	12	726
2020	632	8	624
2021	493	1	492
2022	434	1	433
2023	419	1	418
2024	381	1	380
2025	360	1	359
2026	321	1	320
2027 or later	2 034	8	2 026
Total	**6 674**	**47**	**6 627**

G53 Business Combinations

	Recognised in the group at aquisition date 15 August 2017
Cash and balances with central banks	0
Loans to credit institutions	330
Loans to the public	271
Interest-bearing securities	28
Intangible fixed assets	653
of which goodwill	17
Tangible assets	146
Current tax assets	21
Deferred tax assets	13
Other assets	88
Prepaid expenses and accrued income	79
Total assets	**1 629**
Deposits and borrowings from the public	224
Current tax liabilities	2
Deferred tax liabilities	153
Other liabilities	158
Accrued expenses and prepaid income	84
Pension provisions	152
Total liabilities	**773**
Total identifiable net assets	**856**
Acquistion cost, cash	1 268
Goodwill	**412**
Cash flow	
Cash and cash equivalents in the acquired company	0
Acquistion cost, cash	–1 268
Net	**-1 268**
Acquired loans, fair value	271
Acquired loans, gross contracutal amounts	398
Acquired loans, best estimate of the contractual cash flows not expected to be collected	127

Business combinations refer to acquisitions of businesses in which the parent company directly or indirectly obtains control of the acquired business.

Business combinations in 2017

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

The business combination is mainly due to the payment solutions for internet, mobile and physical commerce PayEx offers. The recognized goodwill represents expected synergies. As from the acquisition date the acquired company contributed SEK 163 m to income and SEK –27 m to profit after tax. If the company had been acquired at the beginning of the 2017 financial year, the company would have been contributed with about SEK 485 m in income 2017 and contributed with about SEK –37 m profit after tax.

G54 Related parties and other significant relationships

	Associates		Other related parties	
Assets	**2018**	**2017**	**2018**	**2017**
Loans to credit institutions	14 588	11 483		
Loans to the public	4	23		
Other assets		5		
Total assets	**14 592**	**11 511**		
Liabilities				
Amount owed to credit institutions	3 078	2 928		
Deposits and borrowing from the public			248	476
Debt securities in issue, etc.	520	470		
Other liabilities		19		
Accrued expenses and prepaid income	1	1		
Total liabilities	**3 599**	**3 418**	**248**	**476**
Contingent liabilities				
Derivatives, nominal amount	867	2 221		
Income and expenses				
Interest income	270	76		
Dividends received		1 544		
Commission income	6	294		
Commission expenses	11			
Other income	6	11		

Associates and Joint ventures

Investments in associates are specified in note G27.

During the year the Group provided capital injections of SEK 0 m (88). As of 31 December associates have issued guarantees and pledged assets of SEK 673 m (700) on behalf of Swedbank.

The Group has sold services to associates that are not credit institutions primarily in the form of product and systems development as well as marketing. The Group's expenses to, and purchases of services from, associates that are not credit institutions mainly consist of payment services and cash management.
The partly owned banks that are associates sell products that are provided by the Group and receive commissions for servicing the products. The cooperation between the partly owned banks and Swedbank is governed by the agreement described in the section, Other significant relationships.

The Group's holding in EnterCard is a joint venture. EnterCard issues debit and credit cards in Sweden and Norway to Swedbank's customers. Swedbank AB finances EnterCard's corresponding holding.

Key persons

Disclosures regarding Board members and the Group Executive Committee can be found in note G13 Staff costs.

Other related parties

Swedbank's pension funds and Sparinstitutens Pensionskassa secure employees' postemployment benefits. They rely on Swedbank for traditional banking services.

Other significant relationships

Swedbank has close cooperation with 59 of the in all 60 Savings banks in Sweden. A comprehensive cooperation agreement has been signed with 58 of the Savings banks and a minor clearing agreement with one small Savings Bank. The current cooperation agreement dates from September 2018 and extends for a period up to and including 30 June 2024.

Through the cooperation, the Savings banks are able to offer the products and services of Swedbank and its subsidiaries to their customers. Together, the Savings banks account for about 30 percent of the Group's product sales in the Swedish market. In addition to marketing and product issues, close cooperation exists in a number of administrative areas. Swedbank is the clearing bank for the Savings banks and provides a wide range of IT services. The cooperation also offers the possibility to distribute development costs over a larger business volume.

The Savings banks and Savings bank foundations together represent one of the largest shareholder groups in Swedbank, with a total of 13.9 per cent (13.7) of the voting rights.

Swedbank has 1.4 per cent (1.4) of the voting rights in a non-profit association, the Swedish Savings Banks Academy. The Group does not have loans, guarantees or assets pledged to this association.

G55 Interests in unconsolidated structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when all voting rights relate to administrative tasks and the relevant activities are directed by means of contractual arrangements. In 2018 Swedbank owned interests in structured entities that were not consolidated since Swedbank did not control the entities. Information on the Group's interests in unconsolidated structured entities is provided below.

Sponsor definition

Swedbank is a sponsor of structured entities when the Group sets up and determines the design of a structured entity and when the structured entity's products are associated with Swedbank's brand.

Investment funds

Swedbank is a primary sponsor of investment funds where the Group serves as a manager. Swedbank's interests in such funds mainly refer to capital investments by the Group's insurance operations, starting capital and fees received to manage the funds' investments. Asset management fees are based on the fair value of the funds' net assets. Consequently, these fees expose Swedbank to a variable return based on the funds' performance. Swedbank has provided unused loan commitments to these investment funds, which entails a financial support to the investment funds.

Swedbank's interests in unconsolidated structured entities are shown below. The interests do not include ordinary derivatives such as interest rate and currency swaps and transactions where Swedbank creates rather than receives variable returns from the structured entity.Total assets in Group sponsored investments funds amounts to SEK 857 321 m (870 707).

	2018		
	Group Sponsored Investment Funds	Non Sponsored Investment Funds	Total
Financial assets of which the customers bear the investment risk	16 913		16 913
Shares and participating interests	147		147
Total assets recognised in the balance sheet	**17 060**		**17 060**
Loan commitment	1 905		1 905
The Group's maximum exposure to loss	**18 965**		**18 965**
Total income from interests[1]	4 884		4 884

	2017		
	Group Sponsored Investment Funds	Non Sponsored Investment Funds	Total
Financial assets of which the customers bear the investment risk	17 588		17 588
Shares and participating interests	140	43	183
Total assets recognised in the balance sheet	**17 728**	**43**	**17 771**
Loan commitment	2 160	0	2 160
The Group's maximum exposure to loss	**19 888**	**43**	**19 931**
Total income from interests[1]	7 023	4	7 027

1) The result from interests in unconsolidated structured entities includes asset management fees, changes in fair value and interest income.

During the year Swedbank did not provide any non-contractual financial or other support to unconsolidated structured entities and as of the closing day had no intention to provide such support.

G56 Sensitivity analysis

	Change	2018	2017
Net interest income, 12 months[1]			
Increased interest rates	+ 1 % point	7 063	5 484
Decreased interest rates	– 1 % point	–4 850	–3 941
Change in value[2]			
Market interest rate	+ 1 % point	1 486	969
	– 1 % point	–1 570	–835
Stock prices	+10%	15	10
	–10%	9	31
Exchange rates	+5%	–39	–10
	–5%	70	39
Other			
Stock market performance[3]	+/– 10 %	+/–347	+/–388
Staff changes	+/– 100 persons	+/–71	+/–69
Payroll changes	+/– 1 % point	+/–94	+/–86
Credit impairment ratio[4]	+/– 0.1 % point	+/–1 664	+/–1 566

1) The NII sensitivity calculation covers all interest bearing assets and liabilities, including derivatives, on a contractual level in the banking book. It is a static analysis with parallel shifts across the interest rate curve that takes place over-night, and illustrates the effect on NII for a 12 month period. Maturing assets and liabilities during the 12 month period are assumed to be repriced to the existing contractual interest rate +/– the shift. The assets that are re-priced are assumed to have the same interest rate throughout the remaining part of the 12-month period. Contractual reference rate floors on floating asset contracts are taken into account in the sensitivity calculation. In the positive shift transaction accounts are assumed to have 0 per cent elasticity (i.e. there is no adjustment made to the paid interest) while all other deposits have a 100 per cent elasticity to changes in the market rate (i.e. adjustments are made to the interest paid). In the negative shift scenario a floor of 0 per cent on contractual rates for deposits from private individuals is applied. All other balance sheet items allow for negative contractual rates.
2) The calculation refers to the immediate effect on profit of each scenario for the Group's interest rate positions at fair value and its equity and currency positions.
3) Refers to the effect on net commission income from a change in value of Swedbank Robur's equity funds.
4) The 2018 results reflect the adoption of IFRS 9 Financial instruments and prior periods have not been restated.

G57 Events after 31 December 2018

On January 9, 2019 it was announced that Board member Annika Poutiainen had requested to step down from Swedbank's Board with immediate effect. The decision is a consequence of the fact that Council for Swedish Financial Reporting Supervision, of which Annika Poutiainen is Chair, will take over full responsibility for accounting supervision in Sweden.

On January 22, 2019 Swedbank CEO Birgitte Bonnesen decided to implement an organisational change within Swedish Banking as part of the transformation the bank is undergoing. As a result, Swedish Banking will be organised according to the following areas: Sales & Service; Segment Management Private & Small Corporates; Segment Management Corporates; and Business Development Lending. Until further notice Birgitte Bonnesen will take on the role of Head of the business area. Christer Trägårdh, previously Head of Swedish Banking, will take on a role as Deputy Group Credit Officer with special responsibility for developing future-oriented credit processes.

G58 Effects of changes in accounting policies, IFRS 9 and presentation of accrued interest

Reconciliation of the balance sheet from IAS 39 to IFRS 9

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

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

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

Reclassification of financial assets at transition to IFRS 9

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

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

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

1) Under IAS 39, loans and receivables as well as held-to-maturity categories are measured at amortised cost.

Loans to the public

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

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

Financial assets for which customers bear the investment risk

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

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

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

Shares and participating interests

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

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

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

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

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

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

Credit impairment provisions of loans to the public by operating segments

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

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

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

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

For financial assets that have been reclassified to the amortised cost category, the following table shows their fair value as at 31 December 2018 and the fair value gain or loss that would have been recognised if these financial assets had not been reclassfied as part of the transition to IFRS 9.

SEKm	2018
Loans to the public	
From Fair value through profit or loss, Designated (IAS 39 classification)	
Fair value at 31 December 2018	82 204
Fair value loss that would have been recognised during 2018 in operating profit if the loans had not been reclassified	–327
Effective interest rate at initial application of IFRS 9	2.03%
Interest income recognised during 2018	1 714

Impact of adopting IFRS 9 to equity

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

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

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

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

G59 Effects of changed presentation of income from certain services to the Savings banks and tax in associates

For more information see note G2 Accounting policies.

Income statement	New reporting 2017	Commission income	Tax of associates	Previous reporting 2017
Interest income	34 494			34 494
Negative yield on financial assets	−2 306			−2 306
Interest income, including negative yield on financial assets	**32 188**			**32 188**
Interest expense	−8 382			−8 382
Negative yield on financial liabilities	789			789
Interest expense, including negative yield on financial liabilities	**-7 593**			**-7 593**
Net interest income	24 595			24 595
Commission income	17 542	176		17 366
Commission expense	−5 336			−5 336
Net commission income	**12 206**	**176**		**12 030**
Net gains and losses on financial items	1 934			1 934
Net insurance	937			937
Share of profit or loss of associates	736		−235	971
Other income	1 795	−176		1 971
Total income	**42 203**		**-235**	**42 438**
Staff costs	9 945			9 945
Other general administrative expenses	5 870			5 870
Depreciation/amortisation of tangible and intangible fixed assets	600			600
Total expenses	**16 415**			**16 415**
Profit before impairment	**25 788**		**-235**	**26 023**
Impairment of intangible assets	175			175
Impairment of tangible assets	21			21
Credit impairment	1 285			1 285
Operating profit	**24 307**		**-235**	**24 542**
Tax expense	4 943		−235	5 178
Profit for the year	**19 364**			**19 364**
Profit for the year attributable to: Shareholders of Swedbank AB	**19 350**			**19 350**
Non-controlling interests	14			14

Other income	New reporting 2017	Change	Previous reporting 2017
Profit from sale of subsidiaries and associates	686		686
Income from real estate operations	17		17
Profit from sale of condominiums	8		8
Sold inventories	69		69
of which revenues	383		383
of which carrying amount	−314		−314
IT services	718	−176	894
Other operating income	298		298
Total	**1 795**	**-176**	**1 971**

Net commission income	New reporting 2017	Change	Previous reporting 2017
Commission income			
Payment processing	1 916	144	1 772
Cards	5 098	33	5 065
Service concepts	807		807
Asset management and custody	6 240		6 240
Life insurance	660		660
Securities	557		557
Corporate finance	137		137
Lending	938		938
Guarantee	231		231
Deposits	200		200
Real estate brokerage	198		198
Non-life insurance	80		80
Other commission	480	−1	481
Total	**17 542**	**176**	**17 366**
Commission expense			
Payment processing	−1 078		−1 078
Cards	−2 115		−2 115
Service concepts	−70		−70
Asset management and custody	−1 368		−1 368
Life insurance	−189		−189
Securities	−279		−279
Lending and guarantees	−60		−60
Non-life insurance	−23		−23
Other commission	−154		−154
Total	**-5 336**		**-5 336**
Net commission income			
Payment processing	838	144	694
Cards	2 983	33	2 950
Service concepts	737		737
Asset management and custody	4 872		4 872
Life insurance	471		471
Securities	278		278
Corporate finance	137		137
Lending	878		878
Guarantee	231		231
Deposits	200		200
Real estate brokerage	198		198
Non-life insurance	57		57
Other commission	326	−1	327
Total	**12 206**	**176**	**12 030**

Statement of comprehensive income	New reporting 2017	Change	Previous reporting 2017
Profit for the year reported via income statement	**19 364**		**19 364**
Items that will not be reclassified to the income statement			
Remeasurements of defined benefit pension plans	–1 928		–1 928
Share related to associates, remeasurements of defined benefit pension plans	–49	14	–63
Change in fair value attributable to changes in own credit risk of financial liabilities designated at fair value through profit or loss			
Income tax	424	–14	438
Total	**–1 553**		**–1 553**
Items that may be reclassified to the income statement			
Exchange rate differences, foreign operations			
Gains/losses arising during the year	1 077		1 077
Reclassification adjustments to income statement, net gains and losses on financial items at fair value	4		4
Hedging of net investments in foreign operations:			
Gains/losses arising during the year	–732		–732
Reclassification adjustments to income statement, net gains and losses on financial items at fair value	81		81
Cash flow hedges:			
Gains/losses arising during the year	–76		–76
Reclassification adjustments to income statement,net interest income	13		13
Foreign currency basis risk:			
Gains/losses arising during the year			
Reclassification adjustments to income statement, net gains and losses on financial items at fair value			
Share of other comprehensive income of associates:			
Exchange rate differences, foreign operations	–80		–80
Cash flow hedges			
Income tax:			
Income tax	161		161
Reclassification adjustments to income statement, income tax	–3		–3
Total	**445**		**445**
Other comprehensive income for the year net of tax	**–1 108**		**–1 108**
Total comprehensive income for the year	**18 256**		**18 256**
Total comprehensive income for the year attributable to: Shareholders of Swedbank AB	**18 242**		**18 242**
Non-controlling interests	14		14

Tax expense

	New reporting 2017	Change	Previous reporting 2017
Tax related to previous years	–7	1	–8
Current tax	4 809	–245	5 054
Deferred tax	141	9	132
Total	**4 943**	**–235**	**5 178**

The difference between the Group's tax expense and the tax expense based on current tax rates is explained below:

	New reporting 2017		Change		Previous reporting 2017	
	SEKm	per cent	SEKm	per cent	SEKm	per cent
Results	4 943	20.3	–235	–0.8	5 178	21.1
22.0% of pre-tax profit	5 348	22.0	–51	0.0	5 399	22.0
Difference	**405**	**1.7**	**184**	**0.8**	**221**	**0.9**
The difference consists of the following items:						
Tax previous years	7				8	
Tax -exempt income/non-deductible expenses	–147	–0.6	24	0.1	–171	–0.7
Tax-exempt capital gains and appreciation in value of shares and participating interest	1				1	
Other tax basis in insurance operations	142	0.6			142	0.6
Tax in associates	161	0.7	161	0.7		
Deviating tax rates in other countries	243	1.0			243	1.0
Other, net	–2	0.0			–2	0.0
Total	**405**	**1.7**	**184**	**0.8**	**221**	**0.9**

	New reporting 2017				Change				Previous reporting 2017			
	Pre-tax amount	Deferred tax	Current tax	Total tax amount	Pre-tax amount	Deferred tax	Current tax	Total tax amount	Pre-tax amount	Deferred tax	Current tax	Total tax amount
Items that will not be reclassified to the income statement												
Remeasurements of defined benefit pension plans	–1 928	424		424					–1 928	424		424
Share of other comprehensive income of associates, Remeasurements of defined benefit pension plans	–49				14	–14		–14	–63	14		14
Change in fair value attributable to changes in own credit risk of financial liabilities designated at fair value through profit or loss												
Total	**–1 977**	**424**	**0**	**424**	**14**	**–14**		**–14**	**–1 991**	**438**	**0**	**438**
Items that may be reclassified to the income statement												
Exchange differences, foreign operations	1 081								1 081			
Hedging of net investments in foreign operations	–651	147	–3	144					–651	147	–3	144
Cash flow hedges	–63	14		14					–63	14		14
Foreign currency basis risk												
Share of other comprehensive income of associates	–80								–80			
Total	**287**	**161**	**–3**	**158**					**287**	**161**	**–3**	**158**
Other comprehensive income	**–1 690**	**585**	**–3**	**582**	**14**	**–14**		**–14**	**–1 704**	**599**	**–3**	**596**

Financial statements and notes – Parent company

Income statement, Parent company

SEKm	Note	2018	2017
Interest income		15 450	13 556
Negative yield on financial assets		– 2 991	– 2 132
Leasing income		4 773	4 361
Interest income, including negative yield on financial liabilities		**17 232**	**15 785**
Interest expense		– 5 727	– 4 273
Negative yield on financial liabilities		735	746
Interest expense, including negative yield on financial liabilities		**– 4 992**	**– 3 527**
Net interest income	**P5**	**12 240**	**12 258**
Dividends received	P6	19 831	17 005
Commission income		10 064	9 820
Commission expense		– 3 607	– 3 195
Net commissions	**P7**	**6 457**	**6 625**
Net gains and losses on financial items	P8	1 277	2 142
Other income	P9	2 039	1 427
Total income		**41 844**	**39 457**
Staff costs	P10	7 787	8 147
Other general administrative expenses	P11	4 889	5 146
Depreciation/amortisation and impairment of tangible and intangible fixed assets	P12	4 837	4 544
Total expenses		**17 513**	**17 837**
Profit before impairment		**24 331**	**21 620**
Credit impairment, net	P13	556	1 308
Impairment of financial fixed assets	P14	11	13
Operating profit		**23 764**	**20 299**
Appropriations	P15	72	368
Tax expense	P16	4 225	3 725
Profit for the year		**19 467**	**16 206**

Statement of comprehensive income, Parent company

SEKm	Note	2018	2017
Profit for the period reported via income statement		**19 467**	**16 206**
Total comprehensive income for the period		**19 467**	**16 206**

Balance sheet, Parent company

SEKm	Note	2018	2017	1/1/2017
Assets				
Cash and balances with central banks		80 903	136 061	64 193
Treasury bills and other bills eligible for refinancing with central banks, etc.	P17	96 006	82 779	102 618
Loans to credit institutions	P18	523 699	449 733	409 763
Loans to the public	P19	428 966	398 666	430 406
Bonds and other interest-bearing securities	P20	56 407	58 543	73 247
Shares and participating interests	P21	4 629	19 569	23 654
Investments in associates	P22	2 085	2 087	1 999
Investments in Group entities	P23	62 135	62 016	56 614
Derivatives	P24	43 275	62 153	96 243
Intangible fixed assets	P26	351	375	435
Leasing equipment	P27	16 170	15 466	14 016
Tangible assets	P28	576	592	523
Current tax assets		1 935	1 361	1 774
Deferred tax assets	P16	146	141	133
Other assets	P29	25 666	24 450	15 699
Prepaid expenses and accrued income	P30	1 589	2 399	2 857
Total assets		**1 344 538**	**1 316 391**	**1 294 174**
Liabilities and equity				
Liabilities				
Amounts owed to credit institutions	P31	83 218	95 106	129 276
Deposits and borrowings from the public	P32	700 256	671 323	617 704
Debt securities in issue	P33	303 622	322 684	282 369
Derivatives	P24	54 063	65 704	114 620
Current tax liabilities		1 284	951	374
Other liabilities	P34	63 992	33 984	23 314
Accrued expenses and prepaid income	P35	1 793	2 957	3 530
Provisions	P36	427	422	172
Subordinated liabilities	P37	34 184	25 508	27 254
Total liabilities		**1 242 839**	**1 218 639**	**1 198 613**
Untaxed reserves	P38	10 647	10 575	10 206
Equity	P39			
Share capital		24 904	24 904	24 904
Other funds		5 968	5 968	5 968
Retained earnings		60 180	56 305	54 483
Total equity		**91 052**	**87 177**	**85 355**
Total liabilities and equity		**1 344 538**	**1 316 391**	**1 294 174**

The balance sheet and income statement will be adopted at the Annual General Meeting on 28 March 2019.

Statement of changes in equity, Parent company

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

Statement of cash flow, Parent company

SEKm	Note	2018	2017
Operating activities			
Operating profit		23 764	20 299
Adjustments for non-cash items in operating activities	P42	–13 188	–7 745
Taxes paid		–4 073	–2 764
Increase/decrease in loans to credit institution		–73 886	–39 973
Increase/decrease in loans to the public		–31 061	31 221
Increase/decrease in holdings of securities for trading		4 937	38 867
Increase/decrease in deposits and borrowings from the public including retail bonds		27 278	53 577
Increase/decrease in amounts owed to credit institutions		–12 111	–34 171
Increase/decrease in other assets		33 977	574
Increase/decrease in other liabilities		17 959	–38 255
Cash flow from operating activities		**–26 404**	**21 630**
Investing activities			
Acquisition of/contribution to Group entities and associates			–5 367
Disposal of/repayment from Group entities and associates		207	
Acquisition of other fixed assets and strategic financial assets		–27 784	–16 454
Disposals of other fixed assets and strategic financial assets		23 718	10 798
Dividends and Group contributions received		16 786	12 244
Cash flow from investing activities		**12 927**	**1 221**
Financing activities			
Issuance of interest-bearing securities		36 906	51 925
Redemption of interest-bearing securities		–37 610	–51 568
Issuance of commercial papers		992 449	1 048 895
Redemption of commercial papers		–1 018 909	–985 541
Dividends paid		–14 517	–14 695
Cash flow from financing activities		**–41 681**	**49 016**
Cash flow for the year		**–55 158**	**71 868**
Cash and cash equivalents at the beginning of the year		**136 061**	**64 193**
Cash flow for the year		–55 158	71 868
Cash and cash equivalents at end of the year		**80 903**	**136 061**

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

Operating activities
Cash flow from operating activities is based on operating profit for the year. Adjustments are made for items not included in cash flow from operating activities. Changes in assets and liabilities from operating activities consist of items which are part of normal business activities such as loans to and deposits from the public and credit institutions, and which are not attributable to investing and financing activities. Cash flow includes interest receipts of SEK 17 076 m (16 195) and interest payments of SEK 4 823 m (3 157). Capitalised interest is included.

Investing activities
Investing activities consist of purchases and sales of strategic financial assets, contributions to and repayments from subsidiaries or associates and other fixed assets. On June 29, 2018, the associate UC AB was sold. A cash payment of SEK 206 m was received. 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 m. The recognised capital gain was SEK 677 m.

On March 23, 2018, 6 per cent was acquired in Meniga Ltd for SEK 31 m and on December 19, 14 per cent was acquired in Asteria for SEK 6m. In addition, on December 7, the investment in Minna Technolgies AB (Mina Tjänster AB) was increased by SEK 10 m.

Other acquisitions and divestments/maturities of strategic financial assets refer to holdings in interest-bearing securities reported in the business model hold to collect.

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

Notes

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

P1 Accounting policies

BASIS OF ACCOUNTING

As a rule, the parent company follows IFRS standards and the accounting principles applied in the consolidated financial statements, as reported on pages 55–65. In addition, the parent company is required to consider and prepare its annual report in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies, the regulations and general advice of the Swedish Financial Supervisory Authority FFFS 2008:25 and recommendation RFR 2 Reporting for Legal Entities issued by the Swedish Financial Reporting Board. The parent company's annual report is therefore prepared in accordance with IFRS to the extent in which it is compliant with the Annual Accounts Act for Credit Institutions and Securities Companies, RFR 2 and the Swedish Financial Supervisory Authority regulations. The most significant differences in principle between the parent company's accounting and the Group's accounting policies relate to the recognition of:

- the currency component in currency hedges of investments in foreign subsidiaries and associates
- associates
- goodwill and internally generated intangible assets
- finance leases
- pensions
- untaxed reserves and Group contributions, and
- operating segments

The headings in the financial statements follow the Annual Accounts Act for Credit Institutions and Securities Companies and the Swedish Financial Supervisory Authority's regulations, thus they differ in certain cases from the headings in the Group's accounts.

OTHER CHANGES IN IFRS AND SWEDISH REGULATIONS

Other new or amended IFRS standards or interpretations or Swedish regulations issued and not yet adopted are not expected to have a significant impact on the parent company's financial position, results, cash flows or disclosures.

SIGNIFICANT DIFFERENCES IN THE PARENT COMPANY'S ACCOUNTING POLICIES COMPARED WITH THE GROUP'S ACCOUNTING POLICIES

Hedging of net investment in foreign operations

The currency component of liabilities that constitute currency hedges of net investments in foreign subsidiaries and associates is valued at cost in the parent company.

Associates

Investments in associates are recognised in the parent company at cost less any impairment. All dividends received are recognised in profit or loss in Dividends received.

Subsidiaries

Investments in subsidiaries are recognised according to the acquisition cost method. The investments' value is tested for impairment if there is any indication of diminished value. In cases where the value has decreased, it is written down to its value at Group level. All dividends received are recognised through profit or loss in Dividends received.

Intangible assets

The parent company amortises goodwill systematically based on estimated useful life. All expenditures, including development, which are attributable to internally generated intangible assets are expensed through profit or loss.

Leasing equipment

The parent company recognises finance leases as operating leases. This means that the assets are recognised as equipment with depreciation within Depreciation/amortisation of tangible and intangible assets in the income statement. Rent income is recognised as leasing income within Net interest income in the income statement.

Pensions

The parent company recognises pension costs for Swedish defined benefit pension plans according to the Act on Safeguarding Pension Benefits, which means that they are recognised as defined contribution plans. Premiums paid to defined contribution plans are expensed when an employee has rendered his/her services.

Untaxed reserves and Group contributions

Due to the connection between accounting and taxation, the deferred tax liability attributable to untaxed reserves is not recognised separately in the parent company. The reserves are instead recognised gross in the balance sheet and income statement. Group contributions received are recognised through profit or loss in Dividends received.

Operating segments

The parent company does not provide segment information, which is provided in the Group. A geographical distribution of revenue is reported, however.

P2 Risks

Swedbank's risk management is described in note G3. Specific information on the parent company's risks is presented in the following tables.

Credit risks

Loans to credit institutions 2018	Non Credit-Impaired		
	Stage 1	Stage 2	Total
Gross carrying amount			
Opening balance	446 604	197	446 801
Closing balance	519 056	101	519 157
Credit impairment provisions			
Opening balance	**14**	**13**	**27**
Movements affecting Credit impairments line			
New and derecognosed financial assets, net	–5	–8	–13
Changes in risk factors (EAD, PD, LGD)	–1	–3	–4
Changes in macroeconomic scenarios	–3	–1	–4
Total movements affecting Credit impairments line	**–9**	**–12**	**–21**
Closing balance	**5**	**1**	**6**
Carrying amount			
Opening balance	446 590	184	446 774
Closing balance	519 051	100	519 151

Loans to the public 2018	Non Credit-Impaired		Credit-Impaired	
	Stage 1	Stage 2	Stage 3, incl. purchased or originated	Total
Gross carrying amount				
Opening balance	314 160	56 125	6 237	376 522
Closing balance	345 145	40 607	8 041	393 793
Credit impairment provisions				
Opening balance	**307**	**1 594**	**1 982**	**3 883**
Movements affecting Credit impairments line				
New and derecognosed financial assets, net	77	–146	70	1
Changes in risk factors (EAD, PD, LGD)	131	52	19	202
Changes in macroeconomic scenarios	–8	–79	2	–85
Changes due to expert credit judgement (manual adjustments and individual assessments)			333	333
Stage transfers	–126	–332	626	168
from stage 1 to stage 2	–111	253		142
from stage 1 to stage 3	–40		45	5
from stage 2 to stage 1	25	–76		–51
from stage 2 to stage 3		–510	595	85
from stage 3 to stage 2		1	–11	–10
from stage 3 to stage 1			–3	–3
Other	–1		–92	–93
Total movements affecting Credit impairments line	**73**	**–505**	**958**	**526**
Movements recognised outside Credit impairments line				
Interest			92	92
Change in exchange rates	9	86	111	206
Closing balance	**389**	**1 175**	**3 143**	**4 707**
Carrying amount				
Opening balance	313 853	54 531	4 255	372 639
Closing balance	344 756	39 432	4 898	389 086

Commitments and financial guarantees 2018

	Non Credit-Impaired		Credit-Impaired	
	Stage 1	Stage 2	Stage 3, incl. purchased or originated	Total
Nominal amount				
Opening balance	774 864	11 642	721	787 227
Closing balance	721 485	8 292	797	730 574
Credit impairment provisions				
Opening balance	**115**	**258**	**266**	**639**
Movements affecting Credit impairments line				
New and derecognosed financial assets, net	5	–78	–1	–74
Changes in risk factors (EAD, PD, LGD)	–10	36	–38	–12
Changes in macroeconomic scenarios	–12	–11		–23
Changes due to expert credit judgement (manual adjustments and individual assessments)			–167	–167
Stage transfers	–11	–16	26	–1
from stage 1 to stage 2	–16	46		30
from stage 1 to stage 3	–1		1	
from stage 2 to stage 1	6	–35		–29
from stage 2 to stage 3		–27	27	
from stage 3 to stage 2			–1	–1
from stage 3 to stage 1			–1	–1
Total movements affecting Credit impairments line	**–28**	**–69**	**–180**	**–277**
Movements recognised outside Credit impairments line				
Change in exchange rates	5	17	18	40
Closing balance	**92**	**206**	**104**	**402**

Carrying amount of forborne loans to the public 2018

	Total
Performing	6 375
Non-Performing	6 370
Total	**12 745**

Concentration risk, customer exposure

At end of 2018 the Group did not have any exposures against single counterparties that exceeded 10% of the capital base.

Collateral that can be sold or pledged even if the counterparty fulfils its contractual obligations

When it grants repos, the parent coampany receives securities that can be sold or pledged. The fair value of these securities covers the carrying amount of the repos. The parent company also receives collateral in the form of securities that can be sold or pledged for derivatives and other exposures. The fair value of such collateral as of year-end amounted to SEK 414m (482). None of this collateral has been sold or pledged.

Impaired, past due and foreborne loans 2017

	Total
Impaired loans	
Carrying amount before provisions	6 000
Provisions	2 077
Carrying amount after provisions	3 923
Share of impaired loans, net %	0.46
Share of impaired loans, gross %	0.71

Past due loans that are not impaired	
Valuation category, loans and receivables	
Loans with past due amount,	
5–30 days	22
31–60 days	88
61–90 days	36
more than 90 days	51
Total	**197**

Foreborne loans	
Performing	9 214
Non-performing	4 788

Impaired loans are loans for which it is likely that payments will not be fulfilled in accordance with the terms of the contract. A loan is not impaired if there is collateral which covers capital, interest and fees for any delays by a satisfactory margin. Provisions for impaired loans as well as other elements of lending where losses have occurred but individual claims have not yet been identified are specified above. Loss events include non-payments or delayed payments where it is likely the borrower will become bankrupt and domestic or local economic conditions that are tied to non-payments, such as declines in asset values. The carrying amount of impaired loans largely corresponds to the value of collateral in cases where collateral exists. Forborne loans refer to loans where a change has been made to the terms of the contract as a result of the customer's reduced ability to pay.

Provisions	2017
Opening balance	**2 271**
New provisions	859
Recoveries of provisions	–151
Utilisation of previous provisions	–174
Portfolio provisions for loans that are not impaired	–16
Change in exchange rates and other adjustments	–142
Closing balance	**2 647**

Total provision ratio for impaired loans, %	44
Provision ratio for impaired loans, %	35

Liquidity risks

In the summary of maturities, undiscounted contractual cash flows are distributed on the basis of remaining maturities until the agreed time of maturity. For lending to the public, amortising loans are distributed based on the amortisation schedule. Liabilities whose repayment date may depend on various options have been distributed based on the earliest date on which repayment could be demanded. Differences between nominal amount and carrying amount, discounted cash flows, are reported together with items without an agreed maturity date where the anticipated realisation date has not been determined in the column No maturity/discount effect.

	Undiscounted contractual cash flows							
Remaining maturity 2018	**Payable on demand**	**< 3 mths.**	**3 mths.–1 yr**	**1–5 yrs**	**5–10 yrs**	**> 10 yrs**	**No maturity/ discount effect**	**Total**
Assets								
Cash and balances with central banks	80 903							80 903
Treasury bills and other bills eligible for refinancing with central banks		80 732	2 479	7 445	1 588	903	2 859	96 006
Loans to credit institutions	12 357	8 135	487 772	13 718	783	934		523 699
Loans to the public		63 758	103 805	216 226	35 892	9 285		428 966
Bonds and other interest-bearing securities		7 150	10 487	33 892	3 728	89	1 061	56 407
Shares and participating interests							68 849	68 849
Derivatives		9 862	10 774	20 623	2 340	443	−767	43 275
Intangible fixed assets							351	351
Tangible assets							16 746	16 746
Other assets		12 935	2 081				14 320	29 336
Total	**93 260**	**182 572**	**617 398**	**291 904**	**44 331**	**11 654**	**103 419**	**1 344 538**
Liabilities								
Amounts owed to credit institutions	59 006	23 726	235	251				83 218
Deposits and borrowings from the public	679 909	13 423	6 045	879				700 256
Debt securities in issue		99 754	65 786	133 134	7 441		−2 493	303 622
Derivatives		8 590	10 320	20 812	2 723	585	11 033	54 063
Other liabilities		65 574	1 520	402			10 647	78 143
Subordinated liabilities		7 700	111	25 759	406		208	34 184
Equity							91 052	91 052
Total	**738 915**	**218 767**	**84 017**	**181 237**	**10 570**	**585**	**110 447**	**1 344 538**

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

	Undiscounted contractual cash flows							
Remaining maturity 2017	**Payable on demand**	**< 3 mths.**	**3 mths.–1 yr**	**1–5 yrs**	**5–10 yrs**	**> 10 yrs**	**No maturity/ discount effect**	**Total**
Assets								
Cash and balances with central banks	136 061							136 061
Treasury bills and other bills eligible for refinancing with central banks		67 327	2 682	7 524	72	2 292	2 882	82 779
Loans to credit institutions	2 015	16 382	416 692	13 638	860	146		449 733
Loans to the public		48 679	100 905	207 205	33 947	7 930		398 666
Bonds and other interest-bearing securities		6 572	24 820	24 062	1 827	37	1 225	58 543
Shares and participating interests							83 672	83 672
Derivatives		14 870	16 462	27 797	3 371	642	−989	62 153
Intangible fixed assets							375	375
Tangible assets							16 058	16 058
Other assets		14 367	1 717				12 267	28 351
Total	**138 076**	**168 197**	**563 278**	**280 226**	**40 077**	**11 047**	**115 490**	**1 316 391**
Liabilities								
Amounts owed to credit institutions	51 842	40 444	2 510	310				95 106
Deposits and borrowings from the public	628 109	31 801	10 303	1 110				671 323
Debt securities in issue		125 554	46 959	145 552	5 019	246	−646	322 684
Derivatives		12 401	13 260	23 382	3 125	674	12 862	65 704
Other liabilities		35 857	2 358	99			10 575	48 889
Subordinated liabilities					14 308	11 094	106	25 508
Equity							87 177	87 177
Total	**679 951**	**246 057**	**75 390**	**170 453**	**22 452**	**12 014**	**110 074**	**1 316 391**

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

Debt securities in issue

Turnover during the year	2018	2017
Commercial paper		
Opening balance	**149 976**	**102 186**
Issued	992 449	1 048 803
Repaid	–1 018 909	–985 541
Change in exchange rates	7 923	–15 472
Closing balance	**131 439**	**149 976**
Other interest-bearing bonds		
Closing balance 2017	**157 872**	**165 205**
Changed presentation of accrued interest	812	
Opening balance	**158 684**	
Issued	26 435	45 539
Repurchased	–145	–275
Repaid	–30 866	–44 386
Accrued interest	90	
Change in market values	–612	–1 419
Change in exchange rates	7 862	–6 792
Closing balance	**161 448**	**157 872**
Structured products		
Opening balance	**14 836**	**14 978**
Issued	2 166	2 833
Repaid	–5 040	–2 504
Change in market values	–1 227	–471
Closing balance	**10 735**	**14 836**
Total debt securities in issue	**303 622**	**322 684**

Subordinated liabilities

Turnover during the year	2018	2017
Subordinated liabilities		
Closing balance 2017	**25 508**	**27 254**
Changed presentation of accrued interest	356	
Opening balance	**25 864**	
Issued	8 306	6 386
Repaid	–1 559	–7 183
Accrued interest	32	
Change in hedged item in hedge accounting at fair value	–50	–60
Change in exchange rates	1 591	–889
Total subordinated liabilities	**34 184**	**25 508**

Market risks

Interest rate risks

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

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

2018	< 3 mths.	3–6 mths.	6–12 mths.	1–2 yrs	2–3 yrs	3–4 yrs	4–5 yrs	5–10 yrs	> 10 yrs	Total
SEK	–545	288	–352	–177	–119	–76	1 066	–765	–310	–990
Foreign currency	907	860	165	53	–13	–70	4	–78	93	1 921
Total	**362**	**1 148**	**–187**	**–124**	**–132**	**–146**	**1 070**	**–843**	**–217**	**931**

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

2018	< 3 mths.	3–6 mths.	6–12 mths.	1–2 yrs	2–3 yrs	3–4 yrs	4–5 yrs	5–10 yrs	> 10 yrs	Total
SEK	30	10	–108	–194	58	35	54	–61	–100	–276
Foreign currency	576	841	148	15	–8	–15	30	–59	90	1 618
Total	**606**	**851**	**40**	**–179**	**50**	**20**	**84**	**–120**	**–10**	**1 342**

2017	< 3 mths.	3–6 mths.	6–12 mths.	1–2 yrs	2–3 yrs	3–4 yrs	4–5 yrs	5–10 yrs	> 10 yrs	Total
SEK	–752	–147	435	36	–178	206	–587	177	–45	–855
Foreign currency	772	981	–107	49	16	3	–88	–60	86	1 651
Total	**19**	**833**	**328**	**85**	**–162**	**209**	**–675**	**117**	**41**	**796**

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

2017	< 3 mths.	3–6 mths.	6–12 mths.	1–2 yrs	2–3 yrs	3–4 yrs	4–5 yrs	5–10 yrs	> 10 yrs	Total
SEK	–55	–52	–19	–23	–69	141	–95	–30	–17	–220
Foreign currency	389	937	–119	34	–28	–27	52	–40	85	1 283
Total	**335**	**885**	**–138**	**11**	**–98**	**114**	**–44**	**–70**	**68**	**1 063**

Currency risks

Currency distribution

2018	SEK	EUR	USD	GBP	DKK	NOK	Other	Total
Assets								
Cash and balances with central banks	4 594	49 239	26 163		61	795	51	80 903
Loans to credit institutions	497 765	3 212	11 589	332	1 710	5 569	3 522	523 699
Loans to the public	317 678	33 386	34 560	3 747	5 657	32 071	1 867	428 966
Interest-bearing securities	136 223	6 030	2 389		572	7 199		152 413
Other assets, not distributed	158 557							158 557
Total	**1 114 817**	**91 867**	**74 701**	**4 079**	**8 000**	**45 634**	**5 440**	**1 344 538**
Liabilities								
Amounts owed to credit institutions	42 632	11 815	20 861	1 279	2 005	1 758	2 868	83 218
Deposits and borrowings from the public	671 759	10 109	10 066	688	1 460	4 541	1 633	700 256
Debt securities in issue and subordinated liabilities	22 977	97 261	178 840	25 323		524	12 881	337 806
Other liabilities, not distributed	132 206							132 206
Equity	91 052							91 052
Total	**960 626**	**119 185**	**209 767**	**27 290**	**3 465**	**6 823**	**17 382**	**1 344 538**
Other assets and liabilities, including positions in derivatives		–17 244	–135 202	–23 268	4 558	39 049	–11 942	
Net position in currency		10 074	–136	–57	23	238		10 143

Currency distribution

2017	SEK	EUR	USD	GBP	DKK	NOK	Other	Total
Assets								
Cash and balances with central banks	1 629	89 903	40 070		67	4 284	108	136 061
Loans to credit institutions	428 250	8 365	3 549	160	1 634	5 871	1 904	449 733
Loans to the public	297 837	26 389	35 664	3 391	4 846	28 983	1 556	398 666
Interest-bearing securities	123 680	6 057	6 539		267	4 779		141 322
Other assets, not distributed	190 609							190 609
Total	**1 042 005**	**130 714**	**85 822**	**3 551**	**6 814**	**43 917**	**3 568**	**1 316 391**
Liabilities								
Amounts owed to credit institutions	48 752	13 771	26 071	1 107	2 041	1 037	2 327	95 106
Deposits and borrowings from the public	634 008	8 982	20 062	551	1 707	4 309	1 704	671 323
Debt securities in issue and subordinated liabilities	32 266	75 549	203 591	23 972		1 104	11 710	348 192
Other liabilities, not distributed	114 593							114 593
Equity	87 177							87 177
Total	**916 796**	**98 302**	**249 724**	**25 630**	**3 748**	**6 450**	**15 741**	**1 316 391**
Other assets and liabilities, including positions in derivatives		42 197	–163 973	–22 102	3 062	37 679	–12 172	
Net position in currency		9 785	–71	–23	–3	211		9 900

P3 Capital adequacy analysis

Swedbank's legal capital requirement is based on CRR. The parent company calculates an internally estimated capital requirement. As of 31 December 2018 the internal capital requirement amounted to SEK 29.6bn. The capital base amounted to SEK 115.6bn.

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

	Parent company	
Capital adequacy	**2018**	**2017**
Shareholders' equity according to the balance sheet	91 052	87 177
Anticipated dividend	–15 885	–14 515
Share of capital of accrual reserve	8 305	8 248
Value changes in own financial liabilities	–125	–12
Additional value adjustments[1]	–427	–563
Goodwill	–710	–725
Intangible assets after deferred tax liabilities	–341	–348
Net provisions for reported IRB credit exposures		–530
Shares deducted from CET1 capital	–45	–45
Common Equity Tier 1 capital	**81 824**	**78 687**
Additional Tier 1 capital	10 937	11 040
Total Tier 1 capital	**92 761**	**89 727**
Tier 2 capital	22 862	13 683
Total own funds	**115 623**	**103 410**
Minimum capital requirement for credit risks, standardised approach	6 415	6 197
Minimum capital requirement for credit risks, IRB	13 048	12 721
Minimum capital requirement for credit risks, default fund contribution	29	27
Minimum capital requirement for market risks	1 040	692
Trading book	997	668
of which VaR and SVaR	722	487
of which risks outside VaR and SVaR	275	181
FX risk other operations	43	24
Minimum capital requirement for credit value adjustment	302	305
Minimum capital requirement for operational risks	2 816	2 825
Additional minimum capital requirement, Article 3 CRR[2]	2 325	2 245
Additional minimum capital requirement, Article 458 CRR[6]	39	
Minimum capital requirement	**26 014**	**25 012**
Risk exposure amount credit risks, standardised approach	80 197	77 459
Risk exposure amount credit risks, IRB	163 098	159 018
Risk exposure amount credit risks, default fund contribution	358	343
Risk exposure amount market risks	13 000	8 655
Risk exposure amount credit value adjustment	3 781	3 797
Risk exposure amount operational risks	35 201	35 317
Additional risk exposure amount, Article 3 CRR[2]	29 058	28 058
Additional risk exposure amount, Article 458 CRR[6]	487	
Risk exposure amount	**325 180**	**312 647**
Common Equity Tier 1 capital ratio, %	**25.2**	**25.2**
Tier 1 capital ratio, %	**28.5**	**28.7**
Total capital ratio, %	**35.6**	**33.1**

	Parent company	
Capital buffer requirement[3], %	**2018**	**2017**
CET1 capital requirement including buffer requirements	8.5	8.5
of which minimum CET1 requirement	4.5	4.5
of which capital conservation buffer	2.5	2.5
of which countercyclical capital buffer	1.5	1,5
CET 1 capital available to meet buffer requirement[4]	20.7	20.7

	Parent company	
Leverage ratio	**2018**	**2017**
Tier 1 Capital	92 761	89 727
Total exposure[5]	1 017 859	979 217
Leverage ratio, %	9.1	9.2

1) Adjustment due to the implementation of EBA's technical standards on prudent valuation. The objective of these standards is to determine prudent values of fair valued positions.
2) To rectify for underestimation of default frequency in the model for large corporate exposures, Swedbank has decided to hold more capital until the updated model has been approved by the Swedish FSA. The amount also includes planned implementation of EBA's Guideline on new default definition and increased safety margins.
3) Buffer requirement according to Swedish implementation of CRD IV.
4) CET1 capital ratio as reported less minimum requirement of 4.5% (excluding buffer requirements) and less any CET1 items used to meet the Tier 1 and total capital requirements.
5) Taking into account exemption according to CRR article 429.7, excluding certain intragroup exposures.
6) 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.

	2018		
Credit risks, IRB	**Exposure amount**	**Average risk weight, %**	**Minimum capital requirement**
Central government or central banks exposures	205 617	2	255
Institutional exposures	52 256	20	821
Corporate exposures	433 572	29	10 115
Retail exposures	94 045	21	1 605
Non credit obligation	3 286	96	252
Total credit risks, IRB	**788 776**	**21**	**13 048**

	2017		
Credit risks, IRB	**Exposure amount**	**Average risk weight, %**	**Minimum capital requirement**
Central government or central banks exposures	249 271	1	294
Institutional exposures	65 945	18	934
Corporate exposures	408 710	29	9 575
Retail exposures	97 650	22	1 709
Non credit obligation	2 759	95	209
Total credit risks, IRB	**824 335**	**19**	**12 721**

Minimum capital requirements for market risks	Parent company 2018	Parent company 2017
Interest rate risk	990	641
of which for specific risk	275	181
of which for general risk	716	460
Equity risk	53	125
of which for general risk	53	125
Currency risk in trading book	202	217
Total minimum capital requirement for risks in trading book[1]	**997**	**668**
of which stressed VaR	589	375
Currency risk outside trading book	43	24
Total	**1 040**	**692**

1) The parent company's capital requirement for general interest-rate risk, Equity risk and currency risk in the trading-book are calculated in accordance with the VaR model.

Minimum capital requirement for operational risks	Parent company 2018	Parent company 2017
Standardised approach	2 816	2 825
of which trading and sales	168	106
of which retail banking	1 596	1 715
of which commercial banking	846	791
of which payment and settlement	189	177
of which retail brokerage	1	2
of which agency services	30	27
of which asset management	–42	–32
of which corporate finance	28	39
Total	**2 816**	**2 825**

	Parent company 2018			Parent company 2017		
Exposure amount, risk exposure amount and minimum capital requirement	**Exposure amount**	**Risk exposure amount**	**Minimum capital requirement**	**Exposure amount**	**Risk exposure amount**	**Minimum capital requirement**
Credit risks, STD	**1 045 728**	**80 197**	**6 415**	**1 043 965**	**77 459**	**6 197**
Central government or central banks exposures	19			17		
Regional governments or local authorities exposures	34	7	1	69	14	1
Public sector entities exposures	1 024			2 646		
Multilateral development banks exposures	2 452			3 439		
International organisation exposures	280			273		
Institutional exposures	968 031	841	67	966 482	654	52
Corporate exposures	4 205	4 020	322	3 453	3 323	266
Retail exposures	301	225	18	385	287	23
Exposures secured by mortgages on immovable property	2 919	1 022	82	2 495	873	70
Exposures in default	0	0	0			
Equity exposures	65 374	72 995	5 838	64 012	71 624	5 730
Other items	1 089	1 087	87	694	684	55
Credit risks, IRB	**788 776**	**163 098**	**13 048**	**824 335**	**159 018**	**12 271**
Central government or central banks exposures	205 617	3 188	255	249 271	3 678	294
Institutional exposures	52 256	10 259	821	65 945	11 680	934
Corporate exposures	433 572	126 438	10 115	408 710	119 682	9 575
Retail exposures	94 045	20 058	1 605	97 650	21 366	1 709
of which mortgage lending	11 333	2 346	188	12 871	2 610	209
of which other lending	82 712	17 712	1 417	84 779	18 756	1 500
Non-credit obligation	3 286	3 155	252	2 759	2 612	209
Credit risks, Default fund contribution		**358**	**29**		**343**	**27**
Settlement risks	**177**	**0**	**0**			
Market risks		**13 000**	**1 040**		**8 655**	**692**
Trading book		12 460	997		8 350	668
of which VaR and SVaR		9 023	722		6 086	487
of which risks outside VaR and SVaR		3 437	275		2 264	181
FX risk other operations		540	43		305	24
Credit value adjustment	**15 072**	**3 781**	**302**	**15 351**	**3 797**	**305**
Operational risks		**35 201**	**2 816**		**35 317**	**2 825**
of which standardised approach		35 201	2 816		35 317	2 825
Additional risk exposure amount, Article 3 CRR		**29 058**	**2 325**		**28 058**	**2 245**
Additional risk exposure amount, Article 458 CRR		**487**	**39**			
Total	**1 849 753**	**325 180**	**26 014**	**1 883 651**	**312 647**	**25 012**

P4 Geographical distribution of revenue

2018	Sweden	Norway	Denmark	Finland	USA	Other	Total
Interest income	8 274	2 754	79	−574	1 759	167	12 459
Leasing income	4 773						4 773
Dividends received	19 831						19 831
Commission income	8 971	535	49	426	54	29	10 064
Net gains and losses on financial items	1 716	−376	5	−142	−1	75	1 277
Other income	1 984	3			1	51	2 039
Total	**45 549**	**2 916**	**133**	**−290**	**1 813**	**322**	**50 443**

2017	Sweden	Norway	Denmark	Finland	USA	Other	Total
Interest income	7 682	2 033	76	−355	1 849	139	11 424
Leasing income	4 361						4 361
Dividends received	17 005						17 005
Commission income	9 136	326	13	90	46	33	9 644
Net gains or losses on financial items	1 997	−600	6	745		−6	2 142
Other income	1 555	1	1		1	45	1 603
Total	**41 736**	**1 760**	**96**	**480**	**1 896**	**211**	**46 179**

The geographical distribution has been allocated to the country where the business was carried out.

P5 Net interest income

	2018	2017
Interest income	12 459	11 424
Leasing income	4 773	4 361
Interest expense	4 992	3 527
Net interest income before depreciation for financial leases	**12 240**	**12 258**
Depreciation according to plan finance leases	4 490	4 113
Net interest income after depreciation for financial leases	**7 750**	**8 145**

	2018			2017		
	Average balance	Interest income/ expense	Average annual interest rate, %	Average balance	Interest income/ expense	Average annual interest rate, %
Loans to credit institutions	458 565	−42	−0.01	434 230	257	0.06
Loans to the public	396 434	10 723	2.70	428 797	10 380	2.42
Interest-bearing securities	143 050	−22	−0.02	174 884	55	0.03
Total interest-bearing assets	**998 049**	**10 659**	**1.07**	**1 037 911**	**10 692**	**1.03**
Derivatives	71 218	1 603		83 200	542	
Other assets	383 747	4 970		426 345	4 551	
Total assets	**1 453 014**	**17 232**	**1.19**	**1 547 456**	**15 785**	**1.02**
Amounts owed to credit institutions	155 270	1 050	0.68	187 985	843	0.45
Deposits and borrowings from the public	694 024	1 002	0.14	733 760	1 044	0.14
of which deposit guarantee fees		265			282	
Debt securities in issue	378 383	7 141	1.89	360 419	4 485	1.24
Subordinated liabilities	27 484	1 016	3.70	28 985	1 193	4.12
Total interest-bearing liabilities	**1 255 161**	**10 209**	**0.81**	**1 311 149**	**7 565**	**0.58**
Derivatives	75 600	−5 999		89 276	−4 655	
Other liabilities	45 184	782		66 152	617	
of which resolution fee		741			607	
Total liabilities	**1 375 945**	**4 992**	**0.36**	**1 466 577**	**3 527**	**0.24**
Equity	**77 069**			**80 879**		
Total liabilities and equity	**1 453 014**	**4 992**	**0.34**	**1 547 456**	**3 527**	**0,23**
Net interest income		**12 240**			**12 258**	
Net interest margin			0.85			0.79
Interest income on Stage 3 loans (impaired loans in 2017)		201			92	
Interest income on financial assets at amortised cost		15 667			15 235	
Interest expense on financial liabilities at amortised cost		11 144			8 352	

P6 Dividends received

	2018	2017
Shares and participating interests	867	279
Investments in associates	354	1 543
Investments in Group entities[1]	18 610	15 183
Total	**19 831**	**17 005**
1) of which, through Group contributions	14 314	12 262

P7 Net commissions

Commission income	2018	2017
Payment processing	1 718	1 622
Cards	3 729	3 393
Service concepts	606	569
Asset management and custody	1 623	1 771
Life insurance	440	437
Securities	419	530
Corporate finance	113	133
Lending	756	739
Guarantee	163	166
Deposits	31	41
Non-life insurance	54	58
Other commission income	412	361
Total	**10 064**	**9 820**

Commission expense	2018	2017
Payment processing	–958	–917
Cards	–2 081	–1 777
Service concepts	–12	–12
Asset management and custody	–95	–86
Securities	–253	–225
Lending and guarantees	–61	–59
Other commission expense	–147	–119
Total	**–3 607**	**–3 195**

Net commissions	2018	2017
Payment processing	760	705
Cards	1 648	1 616
Service concepts	594	557
Asset management and custody	1 528	1 685
Life insurance	440	437
Securities	166	305
Corporate finance	113	133
Lending	695	680
Guarantee	163	166
Deposits	31	41
Non-life insurance	54	58
Other commission income	265	242
Total	**6 457**	**6 625**

	2018		2017	
Commission income	Over time	Point in time	Over time	Point in time
Payment processing	520	1 198	519	1 103
Cards	20	3 709	14	3 379
Service concepts	606		569	
Asset management and custody	1 623		1 771	
Life insurance	438	2	434	3
Securities	2	417	10	520
Corporate finance	113		133	
Lending	619	137	607	132
Guarantee	163		166	
Deposits	16	15	16	25
Non-life insurance	54		58	
Other commission income	379	33	350	11
Total	**4 553**	**5 511**	**4 647**	**5 173**

P8 Net gains and losses on financial items

	2018	2017
Fair value through profit or loss		
Trading and derivatives		
Shares and share related derivatives	785	227
Interest-bearing instruments and interest related derivatives	306	849
Total	**1 091**	**1 076**
Other business models		
Shares	–37	46
Interest-bearing instruments	–174	67
Total	**–211**	**113**
Designated at fair value through profit or loss		
Financial liabilities		–3
Total		**–3**
Hedge accounting at fair value		
Ineffective part in hedge accounting at fair value		
Hedging instruments	–81	–799
Hedged item	61	817
Total	**–20**	**18**
Derecognition gain or loss for financial liabilities at amortised cost	1	–2
Derecognition gain or loss for financial assets at amortised cost	3	4
Change in exchange rates	413	936
Total	**1 277**	**2 142**

P9 Other income

	2018	2017
IT services	668	974
Other operating income	1 371	453
Total	**2 039**	**1 427**

The parent company has changed the presentation of certain revenues from the Savings banks. Prior periods have been restated, Other income in 2017 has decreased by SEK 176m and is presented as commission income instead.

P10 Staff costs

Total staff costs	2018	2017
Salaries and remuneration	4 610	4 814
Compensation through shares in Swedbank AB	223	213
Social insurance charges	1 553	1 619
Pension costs	1 045	1 141
Training costs	93	94
Other staff costs	263	266
Total	**7 787**	**8 147**
of which variable staff costs	383	324

Variable Compensation Programme 2013-2018	2018	2017
Programme 2013		
Recognised expense for compensation that is settled with shares in Swedbank AB		8
Recognised expense for social charges related to the share settled compensation		7
Programme 2014		
Recognised expense for compensation that is settled with shares in Swedbank AB	14	53
Recognised expense for social charges related to the share settled compensation	6	18
Programme 2015		
Recognised expense for compensation that is settled with shares in Swedbank AB	34	35
Recognised expense for social charges related to the share settled compensation	17	12
Programme 2016		
Recognised expense for compensation that is settled with shares in Swedbank AB	41	47
Recognised expense for social charges related to the share settled compensation	14	13
Recognised expense for cash settled compensation		–8
Recognised expense for payroll overhead costs related to the cash settled compensation		2
Programme 2017		
Recognised expense for compensation that is settled with shares in Swedbank AB	34	70
Recognised expense for social charges related to the share settled compensation	12	20
Recognised expense for cash settled compensation	1	33
Recognised expense for payroll overhead costs related to the cash settled compensation	1	14
Programme 2018		
Recognised expense for compensation that is settled with shares in Swedbank AB	100	
Recognised expense for social charges related to the share settled compensation	28	
Recognised expense for cash settled compensation	56	
Recognised expense for payroll overhead costs related to the cash settled compensation	25	
Total recognised expense	**383**	**324**

Number of performance rights that establish the recognised share based expense, millions	2018	2017
Outstanding at the beginning of the period	**3.8**	**5.3**
Allotted	1.4	0.9
Forfeited	0.1	0.5
Exercised	1.7	1.9
Outstanding at the end of the period	**3.4**	**3.8**
Exercisable at the end of the period	0	0
Weighted average fair value per performance right at measurement date, SEK	198	185
Weighted average remaining contractual life, months	17	12
Weighted average exercise price per performance right, SEK[1]	0	0

1) Applicable for the following groups; outstanding at the beginning of the period, granted during the period, forfeited during the period, exercised during the period, expired during the period, outstanding at the end of the period, exercisable at the end of the period.

2018	Board of directors, President and equivalent senior executives			Other employees	
Countries	Number of persons	Salaries and other re-munerations	Variable pay	Salaries and variable pay	Total
Sweden	29	101	10	4 181	4 292
Denmark				24	24
Norway				230	230
USA				32	32
Finland				42	42
Luxemburg				21	21
China				14	14
Estonia				57	57
Latvia				31	31
Lithuania				90	90
Total	**29**	**101**	**10**	**4 722**	**4 833**

2017	Board of directors, President and equivalent senior executives			Other employees	
Countries	Number of persons	Salaries and other re-munerations	Variable pay	Salaries and variable pay	Total
Sweden	29	89	9	4 483	4 581
Denmark				22	22
Norway				191	191
USA				28	28
Finland				30	30
Luxemburg				19	19
China				15	15
Estonia				45	45
Latvia				25	25
Lithuania				71	71
Total	**29**	**89**	**9**	**4 929**	**5 027**

Board members, President and equivalent senior executives	2018	2017
Costs during the year for pensions and similar benefits	30	27
No. of persons	17	17
Granted loans, SEKm	87	84
No. of persons	18	19

	2018		2017	
Distribution by gender %	Female	Male	Female	Male
All employees	57	43	56	44
Directors	50	50	44	56
Other senior executives, incl. President	42	58	40	60

P11 Other general administrative expenses

	2018	2017
Rents, etc.	902	893
IT expenses	2 000	2 125
Telecommunications, postage	107	94
Consulting	381	495
Other outside services	653	628
Travel	146	172
Entertainment	31	33
Office supplies	78	76
Advertising, public relations, marketing	194	215
Security transports, alarm systems	39	44
Maintenance	76	98
Other administrative expenses	209	210
Other operating expenses	73	63
Total	**4 889**	**5 146**

Remuneration to Auditors elected by Annual General Meeting, Deloitte AB	**2018**	**2017**
Statutory audit	23	22
Other audit	2	6
Other		1
Total	**25**	**29**
Internal Audit, not Deloitte AB	67	61

P12 Depreciation/amortisation and impairments of tangible and intangible fixed assets

	2018	2017
Depreciation/amortisation		
Equipment	232	208
Intangible fixed assets	92	131
Lease objeccts	4 490	4 113
Total	**4 814**	**4 452**
Impairment		
Intangible fixed assets		80
Lease objects	23	12
Total	**23**	**92**
Total	**4 837**	**4 544**

P13 Credit impairments

Credit impairment	**2018**
Amortised Cost	
Impairment provisions – Stage 1	64
Impairment provisions – Stage 2	–516
Impairment provisions – Stage 3	958
Total	**506**
Write-offs	473
Recoveries	–187
Total	**286**
Total - Amortised Cost	**792**
Commitments and financial guarantees	
Impairment provisions – Stage 1	–28
Impairment provisions – Stage 2	–68
Impairment provisions – Stage 3	–181
Total	**-277**
Write-offs	41
Total - Commitments and financial guarantees	**-236**
Total Credit impairment	**556**
Credit impairment by borrower category	
Credit institutions	–21
General public	577
Total	**556**

Credit impairment	**2017**
Provisions for loans that individually are assessed as impaired	
Provisions	859
Reversal of previous provisions	–193
Provision for homogenous groups of impaired loans, net	19
Total	**685**
Portfolio provisions for loans that individually are not assessed as impaired	**–16**
Write-offs	
Established losses	355
Utilisation of previous provisions	–150
Recoveries	–67
Total	**138**
Credit impairment for contingent liabilities and other credit risk exposures	**501**
Credit impairment	**1 308**
Credit impairment by valuation category	
Loans and receivables	830
Fair value through profit or loss	478
Total	**1 308**
Credit impairment by borrower category	
Credit institutions	–1
General public	1 309
Total	**1 308**

P14 Impairments of financial fixed assets

	2018	2017
Investments in Group entities and associated companies		
Ektornet AB, Stockholm	2	4
FR &R Invest AB, Stockholm		9
Rosengård Invest, Malmö	2	
Swedbank Management Company S.A., Luxembourg	7	
Summa	**11**	**13**

P15 Appropriations

Untaxed reserves	2018	2017
Accelerated depreciation, equipment	72	368
Total	**72**	**368**

P16 Tax

Tax expense	2018	2017
Tax related to previous years	61	–17
Current tax	4 160	3 779
Deferred tax	4	–37
Total	**4 225**	**3 725**

	2018		2017	
	SEKm	per cent	SEKm	per cent
Results	4 225	17.8	3 725	18.7
22.0 % of pre-tax profit	5 212	22.0	4 385	22.0
Difference	**987**	**4.2**	**660**	**3.3**
The difference consists of the following items				
Tax previous years	–61	–0.2	17	0.1
Tax -exempt income/non-deductible expenses	–208	–0.9	–288	–1.5
Non-taxable dividends	1 177	4.9	982	4.9
Non-deductible goodwill impairment			–9	
Tax-exempt capital gains and appreciation in value of shares and participating interests	146	0.6	1	
Standard income tax allocation reserve	–4		–4	
Non-deductible impairment of financial fixed assets	–3		–3	
Deviating tax rates in other countries	–53	–0.2	–36	–0.2
Revaluation of deferred taxes due to changed tax rate in Sweden	–7			
Total	**987**	**4.2**	**660**	**3.3**

2018

Deferred tax assets	Opening balance	Income statement	Equity	Exchange rate differences	Closing balance
Deductible temporary differences					
Provisions for pensions	124	–7			117
Share related compensation	23		–8		15
Intangible assets	–11	2			–9
Other	5	1		17	23
Total deferred tax assets	**141**	**–4**	**–8**	**17**	**146**

2017

Deferred tax assets	Opening balance	Income statement	Equity	Exchange rate differences	Closing balance
Deductible temporary differences					
Provisions for pensions	107	17			124
Share related compensation	54		–31		23
Intangible assets	–34	23			–11
Other	6	–3		2	5
Total deferred tax assets	**133**	**37**	**–31**	**2**	**141**

P17 Treasury bills and other bills eligible for refinancing with central banks etc.

	Carrying amount			Amortised cost			Nominal amount		
	2018	2017	1/1/2017	**2018**	2017	1/1/2017	**2018**	2017	1/1/2017
Valuation category, fair value through profit or loss									
Trading									
Swedish government	8 941	10 611	9 902	9 236	10 670	8 620	7 276	8 910	7 818
Swedish municipalities	512	4 449	4 584	513	4 412	4 543	501	4 392	4 514
Foreign governments	1 796	2 163	2 279	1 804	2 159	2 260	1 791	2 155	2 245
Other non-Swedish issuers	1	553	848	1	553	849	1	550	844
Total	**11 250**	**17 776**	**17 613**	**11 554**	**17 794**	**16 272**	**9 569**	**16 007**	**15 421**
Other business models									
Swedish municipalities	4 294			4 294			4 277		
Foreign governments	571			573			548		
Total	**4 865**			**4 867**			**4 825**		
Valuation category, amortised cost (2017 held to maturity)									
Swedish central bank	79 891	65 003	85 005	80 129	65 003	85 005	80 000	65 000	85 000
Total	**79 891**	**65 003**	**85 005**	**80 129**	**65 003**	**85 005**	**80 000**	**65 000**	**85 000**
Total	**96 006**	**82 779**	**102 618**	**96 550**	**82 797**	**101 277**	**94 394**	**81 007**	**100 421**

Accrued interest of SEK –143 m is included in the Carrying amount and Amortised cost for 2018.

P18 Loans to credit institutions

	2018	2017	1/1/2017
Valuation category, amortised cost (2017 loans and receivables)			
Swedish banks	3 319	4 097	4 772
Swedish credit institutions	499 107	429 179	384 773
Foreign banks	13 530	10 780	12 866
Foreign credit institutions	3 195	2 444	6 500
Total	**519 151**	**446 500**	**408 911**
Valuation category, fair value through profit or loss			
Trading			
Swedish credit institutions, repurchase agreements	4 548	3 187	235
Foreign banks, repurchase agreements		46	617
Total	**4 548**	**3 233**	**852**
Total	**523 699**	**449 733**	**409 763**

Subordinated loans	**2018**	2017	1/1/2017
Subsidiaries			4 000
Associates	620	620	620
Other companies	51	50	53
Total	**671**	**670**	**4 673**

Accrued interest of SEK 84m is included for 2018.

P19 Loans to the public

	2018
Valuation category, amortised cost	
Swedish public	308 496
Foreign public	80 590
Total	**389 086**
Valuation category, fair value through profit or loss	
Trading	
Swedish public, repurchase agreements	7 955
Foreign public, repurchase agreements	31 759
Other business model	
Swedish public	166
Total	**39 880**
Total	**428 966**

Accrued interest of SEK 703m is included for 2018.

	2017	1/1/2017
Valuation category, loans and receivables		
Swedish public	297 984	305 179
Foreign public	75 544	75 842
Total	**373 528**	**381 021**
Valuation category, fair value through profit or loss		
Trading		
Swedish public, repurchase agreements	10 669	18 282
Foreign public, repurchase agreements	14 347	30 543
Other business model		
Swedish public	122	560
Total	**25 138**	**49 385**
Total	**398 666**	**430 406**

The maximum credit risk exposure for lending measured at fair value corresponds to the carrying amount.

P20 Bonds and other interest-bearing securities

Issued by other than public agencies	Carrying amount			Amortised cost			Nominal amount		
	2018	2017	1/1/2017	2018	2017	1/1/2017	2018	2017	1/1/2017
Valuation category, fair value through profit or loss									
Trading									
Swedish mortgage institutions	15 603	32 135	39 492	15 573	32 118	39 423	14 992	31 272	38 230
Swedish financial entities	5 276	8 541	11 734	6 781	8 444	11 572	5 141	8 333	11 341
Swedish non-financial entities	3 913	2 608	1 612	5 808	2 614	1 596	5 713	2 586	1 592
Foreign financial entities	4 990	6 646	9 310	3 487	6 612	9 236	4 915	6 565	9 189
Foreign non-financial entities	5 119	5 336	7 475	3 255	5 311	7 427	3 215	5 274	7 345
Total	**34 901**	**55 266**	**69 623**	**34 904**	**55 099**	**69 254**	**33 976**	**54 030**	**67 697**
Other business models									
Swedish mortgage institutions	15 646			15 685			15 040		
Swedish financial entities	257			257			250		
Foreign financial entities	1 525			1 525			1 505		
Foreign non-financial entities	1 904			1 904			1 838		
Total	**19 332**			**19 371**			**18 634**		
Valuation category, amortised cost (2017 held to maturity)									
Foreign banks	2 174	3 277	3 624	2 174	3 277	3 624	2 152	3 277	3 624
Total	**2 174**	**3 277**	**3 624**	**2 174**	**3 277**	**3 624**	**2 152**	**3 277**	**3 624**
Total	**56 407**	**58 543**	**73 247**	**56 449**	**58 376**	**72 878**	**54 761**	**57 307**	**71 321**

Accrued interest of SEK 586 m is included in the Carrying amount and Amortised cost for 2018.

P21 Shares and participating interests

	Carrying amount	Cost
	2018	2018
Valuation category, fair value through profit or loss		
Trading		
Trading stock	1 207	1 459
Fund shares	1 808	1 832
Other business models		
Other shares	1 597	1 629
Condominiums	11	11
Other	6	6
Total	**4 629**	**4 937**

	Carrying amount		Cost	
	2017	1/1/2017	2017	1/1/2017
Valuation category, fair value through profit or loss				
Trading				
Trading stock	18 186	12 081	17 584	11 414
Fund shares	1 018	11 398	999	10 846
Designated				
Other shares	356	160	331	149
Total	**19 560**	**23 639**	**18 914**	**22 409**
Valuation category, available for sale				
Condominiums	2	7	2	7
Other	7	8	7	8
Total	**9**	**15**	**9**	**15**
Total	**19 569**	**23 654**	**18 923**	**22 424**

Holdings in the valuation category available for sale have been estimated at acquisition cost, since a more reliable fair value is not considered to be available.

P22 Investments in associates

Fixed assets	2018	2017	1/1/2017
Credit institutions	1 944	1 944	1 944
Other associates	141	143	55
Total	**2 085**	**2 087**	**1 999**
Opening balance	**2 087**	**1 999**	
Additions during the year	0	88	
Impairments during the year	–2		
Sold during the year	0		
Closing balance	**2 085**	**2 087**	

Corporate identity, domicile	Corporate identity number	Number	Carrying amount	Cost	Share of capital, %
Credit institutions					
EnterCard Holding AB, Stockholm	556673-0585	3 000	420	420	60
Sparbanken Skåne AB, Lund	516401-9928	3 670 342	1 070	1 070	22
Sparbanken Rekarne AB, Eskilstuna	516401-0091	865 000	125	125	50
Swedbank Sjuhärad AB, Borås	516401-9852	950 000	288	288	48
Vimmerby Sparbank AB, Vimmerby	516401-0174	340 000	41	41	40
Total			**1 944**	**1 944**	
Other associates					
Babs Paylink AB, Stockholm	556567-2200	4 900	20	20	49
BGC Holding AB, Stockholm	556607-0933	29 177	98	98	29
Finansiell ID-Teknik BID AB, Stockholm	556630-4928	12 735	4	24	28
Getswish AB, Stockholm	556913-7382	10 000	18	21	20
Rosengård Invest AB, Malmö	556756-0528	5 625	1	10	25
Total			**141**	**173**	
Total			**2 085**	**2 117**	

The share of the voting rights in each entity corresponds to the share of its equity. All shares and participating interests are unlisted.

On June 29, 2018, the associate UC AB was sold. A cash payment of SEK 206m was received. 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 502m. The recognised capital gain was SEK 677m. Also, in connection with the divestment shares in USE Intressenter AB were acquired for SEK 0m.

P23 Investments in Group entities

Fixed assets	2018	2017	1/1/2017
Swedish credit institutions	24 208	24 208	20 208
Foreign credit institutions	29 276	29 196	29 109
Other entities	8 651	8 612	7 297
Total	**62 135**	**62 016**	**56 614**
Opening balance	**62 016**	**56 614**	
Additions during the year	128	5 415	
Impairments during the year	–9	–13	
Disposals during the year	0		
Closing balance	**62 135**	**62 016**	

Corporate identity, domicile	Corporate identity number	Number	Carrying amount	Cost	Share of capital, %
Swedish credit institutions					
Swedbank Hypotek AB, Stockholm	556003-3283	23 000 000	24 073	24 073	100
Ölands Bank AB, Borgholm	516401-0034	780 000	135	135	60
Total			**24 208**	**24 208**	
Foreign credit institutions					
Swedbank AS, Tallinn	10 060 701	85 000 000	18 404	18 404	100
Swedbank AS, Riga	40003074764	575 000 000	4 228	4 227	100
Swedbank AB, Vilnius	112029651	164 008 000	6 570	6 570	100
Swedbank First Securities LLC, New York	20-416-7414	100	48	89	100
Swedbank (Luxembourg) S.A., Luxemburg	302018-5066	300 000	15	143	100
Swedbank Management Company S.A., Luxemburg	B149317	250 000	11	27	100
Total			**29 276**	**29 460**	
Other entities					
ATM Holding AB, Stockholm	556886-6692	350	40	47	70
Ektornet AB, Stockholm	556552-3585	5 000 000	157	1969	100
FR & R Invest AB, Stockholm	556788-7152	10 000 000	34	61	100
Payex Holding AB, Stockholm	556815-9718	500 000	1294	1294	100
Sparfrämjandet AB, Stockholm	556714-2798	45 000	5	5	100
Sparia Group Försäkring AB, Stockholm	556041-9995	70 000	146	146	100
Swedbank Franchise AB, Stockholm	516406-0963	1 000	280	281	100
Swedbank Försäkring AB, Stockholm	556431-1016	150 000	3 354	3 354	100
Swedbank Robur AB, Stockholm	516401-8292	10 000 000	3 314	3 314	100
Other		50 105	26	107	
Total			**8 651**	**10 577**	
Total			**62 135**	**64 245**	

The share of the voting rights in each entity corresponds to the share of its equity. All entities are unlisted.
In 2018 Swedbank Mobile Solutuions was sold for SEK 0 m and Goldcup 17968 AB was aquired for SEK 0 m. Capital contribution was paid to Ektornet AB of SEK 7 m and to Payex Holding AB of SEK 21 m. During 2017 Swedbank aquired subsidiary PayEx Holding AB for SEK 1 272 m and capital contribution was paid to Swedbank Hypotek AB of SEK 4 000m.

P24 Derivatives

		Nominal amount/ remaining contractual maturity			Nominal amount		Positive fair value		Negative fair value	
	Note	< 1 yr.	1-5 yrs.	> 5 yrs.	2018	2017	2018	2017	2018	2017
Derivatives in hedge accounting										
Fair value hedges, interest rate swaps	P25	29 258	115 139	6 916	151 313	130 535	1 043	950	714	498
Non-hedging derivatives		**7 313 193**	**6 217 640**	**1 095 204**	**14 626 037**	**12 157 839**	**72 497**	**70 816**	**86 259**	**78 089**
Gross amount		**7 342 451**	**6 332 779**	**1 102 120**	**14 777 350**	**12 288 374**	**73 540**	**71 766**	**86 973**	**78 587**
Offset amount	P41	–3 540 856	–2 830 906	–508 603	–6 880 364	–3 738 336	–30 265	–9 613	–32 910	–12 884
Total		**3 801 595**	**3 501 873**	**593 517**	**7 896 986**	**8 550 038**	**43 275**	**62 153**	**54 063**	**65 703**
Non-hedging derivatives										
Interest-rate-related contracts										
Options held		645 534	558 865	148 265	1 352 664	714 618	1 942	1 665	1 823	1 550
Forward contracts		4 175 864	2 184 998		6 360 860	3 482 668	645	376	579	360
Swaps		1 366 916	3 056 135	823 117	5 246 168	5 991 993	37 733	41 127	40 823	43 872
Currency-related contracts										
Options held		49 523	1 947		51 470	60 077	258	315	242	337
Forward contracts		814 424	22 611	736	837 771	1 097 073	5 924	7 973	5 850	10 151
Swaps		176 786	389 050	115 306	681 142	717 570	8 239	10 358	19 938	14 986
Equity-related contracts										
Options held		71 371	3 775	7 780	82 927	68 381	17 287	8 659	16 630	6 515
Forward contracts		10 718			10 719	10 448	447	190	236	96
Swaps		2 057	259		2 316	14 030	22	124	138	198
Credit-related contracts										
Swaps						982		30		25
Total		**7 313 193**	**6 217 640**	**1 095 204**	**14 626 037**	**12 157 839**	**72 497**	**70 816**	**86 259**	**78 089**

P25 Hedge accounting at fair value

Hedging instruments and hedge ineffectiveness		Carrying amount			
	Nominal amount	Assets	Liabilities	Change in fair value used for measuring hedge ineffectiveness (for the period)	Ineffectiveness recognised in Profit or loss
Interest rate risk					
Interest rate swap, Debt securities in issue	117 337	756	578	–16	–15
Interest rate swap, Subordinated liabilities	33 976	287	136	–65	–5
Total	**151 313**	**1 043**	**714**	**-81**	**-20**

Hedged items	Carrying amount	Accumulated adjustment on the hedged item	
	Liabilities	Liabilities	Change in value used for measuring hedge ineffectiveness (for the period)
Debt securities in issue	118 202	189	1
Subordinated liabilities	34 244	59	60
Total	**152 446**	**248**	**61**

Maturity profile and average price, hedging instruments	Remaining contractual maturity		
	<1 yr	1–5 yrs.	>5 yrs.
Fair value hedges			
Nominal amount	29 258	115 139	6 916
Average fixed interest rate, %	1.98	0.83	1.00

P26 Intangible fixed assets

	2018				2017			
	Goodwill	Customer base	Other	Total	Goodwill	Customer base	Other	Total
Cost, opening balance	**3 439**	**130**	**1 198**	**4 767**	**3 439**	**130**	**1 091**	**4 660**
Additions through separate acquisitions			73	73			143	143
Sales and disposals	–10			–10			–36	–36
Cost, closing balance	**3 429**	**130**	**1 271**	**4 830**	**3 439**	**130**	**1 198**	**4 767**
Amortisation, opening balance	**-3 424**	**-73**	**-615**	**-4 112**	**-3 367**	**-64**	**-570**	**-4 001**
Amortisation for the year	–14		–78	–92	–57	–9	–66	–132
Sales and disposals	10		–5	5			21	21
Amortisation, closing balance	**-3 428**	**-73**	**-698**	**-4 199**	**-3 424**	**-73**	**-615**	**-4 112**
Impairments, opening balance		**-57**	**-223**	**-280**			**-223**	**-223**
Impairments for the year						–57	–23	–80
Sales and disposals							23	23
Impairments, closing balance		**-57**	**-223**	**-280**		**-57**	**-223**	**-280**
Carrying amount	**1**		**350**	**351**	**15**		**360**	**375**

Goodwill is amortised over an estimated useful life of 5 to 20 years. For other intangible assets with a finite useful life, the amortisable amount is divided systematically over the useful life. Systematic amortisation refers to both straight-line and increasing or decreasing amortisation. The original useful life is between 3 and 15 years. No need for impairment was found on the closing day.

P27 Leasing equipment

Fixed assets	2018	2017
Cost, opening balance	**24 730**	**22 717**
Additions	12 104	8 341
Sales and disposals	–10 585	–6 328
Cost, closing balance	**26 249**	**24 730**
Depreciation, opening balance	**-9 233**	**-8 676**
Depreciation for the year	–4 490	–4 113
Sales and disposals	3 700	3 556
Depreciation, closing balance	**-10 023**	**-9 233**
Impairments, opening balance	**-31**	**-25**
Changed principles under IFRS9	–10	
Impairments for the year	–23	–12
Sales and disposals	8	6
Impairments, closing balance	**-56**	**-31**
Carrying amount	**16 170**	**15 466**

2018	< 1 yr	1–5 yrs	> 5 yrs	Total
Future minimum lease payment	4 683	9 008	3 269	16 960

The residual value of all lease assets is guaranteed by lessees or third parties. The lease assets are depreciated over the lease term according to the annuity method. The lease asstes primarily consist of vehicles and machinery. The lease payments do not contain any variable fee.

P28 Tangible assets

	2018	2017
	Fixed assets	Fixed assets
	Equipment	Equipment
Cost, opening balance	**2 311**	**2 135**
Additions	233	301
Sales and disposals	–102	–125
Cost, closing balance	**2 442**	**2 311**
Depreciation, opening balance	**-1 719**	**-1 612**
Depreciation for the year	–232	–208
Sales and disposals	85	101
Depreciation, closing balance	**-1 866**	**-1 719**
Carrying amount	**576**	**592**

The useful life of equipment is deemed to be between three and ten years; its residual value is zero as in previous years. The depreciable amount is recognised linearly in profit or loss over the useful life. No indications of impairment were found on the closing day. Individual structural components of owner-occupied properties are depreciated over their useful life. The residual value is deemed to be zero. The depreciable amount is recognised linearly in profit or loss over the useful life. Land has an indefinite useful life and is not depreciated.

P29 Other assets

	2018	2017	1/1/2017
Security settlement claims	8 192	9 785	4 442
Group contributions	14 319	12 267	9 457
Other financial assets	3 101	2 344	1 685
Other non-financial assets	54	54	115
Total	**25 666**	**24 450**	**15 699**

P30 Prepaid expenses and accrued income

	2018	2017	1/1/2017
Prepaid expenses	1 285	1 009	1 050
Unbilled receivable	304	316	321
Accrued interest income		1 074	1 486
Total	**1 589**	**2 399**	**2 857**

P31 Amounts owed to credit institutions

	2018	2017	1/1/2017
Valuation category, amortised cost			
Swedish central bank	7		
Swedish banks	21 021	20 532	23 868
Swedish credit institutions	26 104	26 223	58 051
Foreign central banks	13 884	23 199	22 078
Foreign banks	21 618	24 640	24 641
Foreign credit institutions	318	512	625
Total	**82 952**	**95 106**	**129 263**
Valuation category, fair value through profit or loss			
Trading			
Foreign banks, repurchase agreements	266		13
Total	**266**		**13**
Total	**83 218**	**95 106**	**129 276**

P32 Deposits and borrowings from the public

	2018	2017	1/1/2017
Valuation category, amortised cost			
Deposits from Swedish public	689 927	644 517	596 589
Deposits from foreign public	9 688	18 099	10 223
Total	**699 615**	**662 616**	**606 812**
Valuation category, fair value through profit or loss			
Trading			
Deposits from Swedish public, repurchase agreements	641	8 707	10 892
Total	**641**	**8 707**	**10 892**
Total	**700 256**	**671 323**	**617 704**

P33 Debt securities in issue

	2018	2017	1/1/2017
Valuation category, amortised cost			
Commercial papers	131 439	149 976	102 186
Other interest-bearing bonds	161 448	157 872	165 206
Total	**292 887**	**307 848**	**267 392**
Valuation category, fair value through profit or loss			
Trading			
Other	10 735	14 836	14 977
Total	**10 735**	**14 836**	**14 977**
Total	**303 622**	**322 684**	**282 369**

Turnover of debt securities in issue is reported in note P2 Liquidity risks, page 157.

P34 Other liabilities

	2018	2017	1/1/2017
Security settlement liabilities	5 790	5 242	4 735
Short position in shares	358	234	96
of which own issued shares	257	199	33
Short position in interest-bearing securities	38 255	14 224	11 519
Other	19 589	14 284	6 964
Total	**63 992**	**33 984**	**23 314**

P35 Accrued expenses and prepaid income

	2018	2017	1/1/2017
Accrued expenses	1 791	1 500	1 697
Contract liabilities	2	10	16
Accrued interest expenses		1 447	1 817
Total	**1 793**	**2 957**	**3 530**

P36 Provisions

	2018	2017	1/1/2017
Provisions for financial guarantees and other commitments	402	100	98
Restructuring provision		300	44
Other	25	22	30
Total	**427**	**422**	**172**

In 2017, a new restructuring reserve of SEK 300m was recognized as a result of changes within the IT organisation. During 2018, SEK 91m was utilized and the remaining part of SEK 209m was reversed in the income statement.

P37 Subordinated liabilities

	2018	2017	1/1/2017
Valuation category, amortised cost			
Subordinated loans	23 015	14 422	12 925
Undated subordinated loans	11 169	11 086	14 329
of which Tier 1 capital contribution	11 169	11 086	14 329
Total	**34 184**	**25 508**	**27 254**

Swedbank has a total of USD 1 250m Additional Tier 1 capital (AT1) outstanding, which is perpetual. A total of USD 750 was issued on February 12 2015 with a call option on 7 March 2020. A total of USD 500m was issued on December 9 2016 with a call option on 17 March 2022. The liabilities will be converted to ordinary shares in Swedbank AB if the core tier one ratio of Swedbank AB or the consolidated situation falls below 8,0 per cent or 5,125 per cent respectively. The liabilities will be converted to current share price, but not lower than USD 15,70 translated to SEK with prevailing exchange rate.

Specification of subordinated liabilities

Fixed-term subordinated loans

Maturity	Right to prepayment for Swedbank AB	Currency	Nominal amount	Carrying amount, SEKm	Coupon interest, %
1989/2019	2019	SEK	110	120	11.00
2014/2024	2019	EUR	750	7 866	2.38
2017/2027	2022	EUR	650	6 692	1.00
2018/2033	2023	JPY	8 000	653	0.75
2018/2028	2023	SEK	1 200	1 219	1,59
2018/2028	2023	JPY	11 000	896	0.95
2018/2028	2028	EUR	500	5 157	1,50
2018/2033	2028	JPY	5 000	412	0.90
Total				**23 015**	

Undated subordinated loans approved by the Swedish Financial Supervisory Authority as Tier 1 capital contribution

Maturity	Right to prepayment for Swedbank AB	Currency	Nominal amount	Carrying amount, SEKm	Coupon interest, %
2015/undated	2020	USD	750	6 732	5.50
2016/undated	2022	USD	500	4 437	6.00
Total				**11 169**	

Certain subordinated loans are used as insurance instruments to hedge the net investment in foreign operations. In the parent company the currency component of these liabilities is recognised at cost, whereas in the Group it is recognised at the closing day rate.

P38 Untaxed reserves

	Accumulated accelerated depreciation	Tax allocation reserve	Total
Opening balance 2017	**4 756**	**5 451**	**10 206**
Allocation/Reversal	368		368
Closing balance 2017	**5 124**	**5 451**	**10 575**
Opening balance 2018	**5 124**	**5 451**	**10 575**
Allocation/Reversal	72		72
Closing balance 2018	**5 196**	**5 451**	**10 647**

	Tax value in accordance with depreciation as recorded in the books	Assets that are not included in the calculation of depreciation as recorded in the books	Total
Intangible fixed assets	101	250	351
Leasing equipment	16 170		16 170
Tangible assets	545	31	576
Other assets	98	25 568	25 666
Accumulated accelerated depreciation	–5 196		–5 196
Net value	**11 718**	**25 849**	**37 567**

Other assets included in the basis for depreciation in accordance with depreciation as recorded in the books are software licenses with a maturity of less than 36 months. Assets that are non-depreciable such as art and preliminary registered fixed assets, merger goodwill and other assets that are not considered to constitute fixed assets according to depreciation as recorded in the books, are excluded from the calculation, a total of mSEK 281.

Tax allocation reserve	2018	2017	1/1/2017
Allocation 2011			1 862
Allocation 2012		3 538	3 538
Allocation 2013	51	51	51
Allocation 2017	1 862	1 862	
Allocation 2018	3 538		
Total	**5 451**	**5 451**	**5 451**

P39 Equity

	2018	2017	1/1/2017
Restricted equity			
Share capital, ordinary shares	24 904	24 904	24 904
Statutory reserve	5 968	5 968	5 968
Total	**30 872**	**30 872**	**30 872**
Non-restricted equity			
Share premium reserve	13 206	13 206	13 206
Retained earnings	46 974	43 099	41 277
Total	**60 180**	**56 305**	**54 483**
Total equity	**91 052**	**87 177**	**85 355**

Changes in equity for the period and the distribution according to IFRS are indicated in the statement of changes in equity.

P40 Fair value of financial instruments

Carrying amounts and fair values of financial instruments
A comparison between the carrying amount and fair value of the parent company's financial assets and financial liabilities is presented below.

Determination of fair values of financial instruments
The parent company uses various methods to determine the fair value of financial instruments depending on the degree of observable market data in the valuation and activity in the market. An active market is considered either a regulated or reliable marketplace where quoted prices are easily accessible and which demonstrates regularity. Activity is continuously evaluated by analysing factors such as differences in bid and ask prices.

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

When financial assets and financial liabilities in active markets have market risks that offset each other, an average of bid and ask prices is used as a basis to determine their fair value. For any open net positions, bid and ask rates are applied as applicable i.e. bid rates for long positions and ask rates for short positions. Where the fair value is derived from a modelling technique, the valuation is performed using mid prices. When relevant, a bid/ask adjustment is applied to ensure that long positions are recognised at bid price and short positions – at ask price. In cases that lack an active market, fair value is determined with the help of established valuation methods and models. In these cases assumptions that cannot be directly attributed to a market may be applied. These assumptions are based on experience and knowledge of the valuation of financial markets. The goal, however, is to always maximise the use of data from an active market. All valuation methods and models and internal assumptions are validated continuously by the independent risk control unit. In cases where it is considered necessary, adjustments are made to reflect fair value, so-called fair value adjustments. This is done to correctly reflect the parameters in the financial instruments and which should be considered in their valuations. For OTC derivatives, for example, where the counterparty risk is not settled with cash collateral, the fair value adjustment is based on the current counterparty risk (CVA and DVA) CVA and DVA are calculated using simulated exposures; the method is calibrated with market implied parameters.

The parent company has a continuous process that identifies financial instruments which indicate a high level of internal assumptions or low level of observable market data. The process determines how to make the calculation based on how the internal assumptions are expected to affect the valuation. In cases where internal assumptions have a significant impact on fair value, the financial instrument is reported in level 3. The process also includes an analysis based on the quality of valuation data and whether any types of financial instruments will be transferred between the various levels.

For floating rate lending and deposits, which are recognised at amortised cost, the carrying amount is assessed to equal the fair value.

	2018			2017			1/1/2017		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Assets									
Financial assets									
Cash and balances with central banks	80 903	80 903		136 061	136 061		64 193	64 193	
Treasury bills etc.	96 125	96 006	119	82 776	82 779	–3	102 623	102 618	5
of which measured at amortised cost	80 010	79 891	119	65 000	65 003	–3	85 010	85 005	5
of which measured at fair value through profit or loss	16 115	16 115		17 776	17 776		17 613	17 613	
Loans to credit institutions	523 699	523 699		449 733	449 733		409 763	409 763	
of which measured at amortised cost	519 151	519 151		446 501	446 501		408 911	408 911	
of which measured at fair value through profit or loss	4 548	4 548		3 232	3 232		852	852	
Loans to the public	428 966	428 966		398 666	398 666		430 406	430 406	
of which measured at amortised cost	389 086	389 086		373 528	373 528		381 021	381 021	
of which measured at fair value through profit or loss	39 880	39 880		25 138	25 138		49 385	49 385	
Bonds and interest-bearing securities	56 408	56 407		58 543	58 543		73 247	73 247	
of which measured at amortised cost	2 174	2 174		3 277	3 277		69 623	69 623	
of which measured at fair value through profit or loss	54 234	54 233		55 266	55 266		3 624	3 624	
Shares and participating interest	4 629	4 629		19 569	19 569		23 654	23 654	
of which measured at fair value through profit or loss	4 629	4 629		19 569	19 569		23 654	23 654	
Derivatives	43 275	43 275		62 153	62 153		96 243	96 243	
Other financial assets	25 612	25 612		25 470	25 470		17 154	17 154	
Total	**1 259 617**	**1 259 497**	**119**	**1 232 971**	**1 232 974**	**–3**	**1 217 283**	**1 217 278**	**5**

	2018			2017			1/1/2017		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Liabilities									
Financial liabilities									
Amounts owed to credit institutions	83 218	83 218		95 106	95 106		129 276	129 276	
of which measured at amortised cost	82 952	82 952		95 107	95 107		129 264	129 264	
of which measured at fair value through profit or loss	266	266					13	13	
Deposits and borrowings from the public	700 256	700 256		671 323	671 323		617 704	617 704	
of which measured at amortised cost	699 618	699 618		662 616	662 616		606 812	606 812	
of which measured at fair value through profit or loss	638	638		8 707	8 707		10 892	10 892	
Debt securities in issue	306 969	303 622	3 347	324 662	322 684	1 978	283 452	282 369	1 084
of which measured at amortised cost	296 234	292 887	3 347	309 826	307 848	1 978	268 475	267 391	1 084
of which measured at fair value through profit or loss	10 735	10 735		14 836	14 836		14 977	14 977	
Subordinated liabilities	34 366	34 184	182	25 525	25 508	17	27 254	27 254	
of which measured at amortised cost	34 366	34 184	182	25 525	25 508	17	27 254	27 254	
Derivatives	54 063	54 063		65 704	65 704		114 620	114 620	
Short positions securities	38 333	38 333		14 459	14 459		11 614	11 614	
of which measured at fair value through profit or loss	38 333	38 333		14 459	14 459		11 614	11 614	
Other financial liabilities	25 379	25 379		20 972	20 972		13 517	13 517	
Total	**1 242 584**	**1 239 055**	**3 529**	**1 217 751**	**1 215 756**	**1 995**	**1 197 438**	**1 196 354**	**1 084**

Financial instruments recognised at fair value

The following tables present fair values of financial instruments recognised at fair value, split between the three valuation hierarchy levels.

Level 1 primarily contains equities, fund shares, bonds, treasury bills, commercial papers, debt securities in issue and standardised derivatives, where quoted prices on an active market are used in the valuation.

Level 2 primarily contains OTC derivatives, less liquid bonds debt securities in issue, deposits, and investment contract liabilities in the insurance operations. Equity derivatives and all instruments with optionality are valued using option pricing models calibrated by market implied parameters. All other interest rate, foreign exchange or credit derivatives as well as interest-bearing instruments are valued by discounted cash flows using market implied curves. The fair value of investment contract liabilities in the insurance operations is determined by the fair value of the underlying assets (i.e., amount payable on surrender of the policies).

Level 3 contains other financial instruments where internal assumptions have a significant effect on the calculation of fair value. Level 3 primarily contains unlisted equity instruments and illiquid options. The unlisted equity instruments include strategic investments. During 2018 Swedbank received more convertible preference shares in VISA Inc as dividend from its associate VISA Sweden. VISA Inc. shares are subject to selling restrictions for a period of up to 10 years and under certain conditions may have to be returned. The carrying amount was SEK 800m at end of 2018. 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 illiquid options hedge changes in the market values of combined debt instruments, so-called structured products. Structured products consist of a corresponding option element and a host contract, which in principle is an ordinary interest-bearing bond. When the Group evaluates the level on which the financial instruments are reported, the entire instrument is assessed on an individual basis. Since the bond portion of structured products represents the majority of the financial instrument's fair value, the internal assumptions used to value the illiquid option element normally do not have a significant effect on the valuation and the financial instrument is typically reported in level 2. However, the Group typically hedges the market risks that arise in structured products by holding individual options. The internal assumptions in the individual options are of greater significance to the individual instrument and these are reported as derivatives in level 3. Based on thehistorical volatility of the underlying prices of options in level 3, it is unlikely that future price movements will affect the fair value by more than +/– SEK 0.3m.

When valuation models are used to determine the fair value of financial instruments in level 3, the transaction price paid or received is assessed as the best evidence of fair value at initial recognition. Due to the possibility that a difference could arise between the transaction price and the fair value calculated at the time using the valuationmodel, so called day 1 profit or loss, the valuation model is calibrated against the transaction-price. As of year-end there were no cumulative differences reported in the balance sheet.

Transfers between fair value hierarchy levels are reflected as taking place at the end of each quarter. During the years ended 2018 and 2017, there were no transfers of financial instruments between valuation levels 1 and 2. Financial instruments are transferred to or from level 3 depending on whether the internal assumptions have changed in significance for the valuation.

The following table shows financial instruments measured at fair value as per 31 December distributed by valuation level.

	2018				2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Treasury bills and other bills eligible for refinancing with central banks, etc	9 922	6 193		16 115	13 015	4 761		17 776
Loans to credit institutions		4 548		4 548		3 232		3 232
Loans to the public		39 880		39 880		25 138		25 138
Bonds and interest-bearing securities	20 504	33 729		54 233	29 301	25 965		55 266
Shares and participating interest	3 462		1 167	4 629	19 204		366	19 569
Derivatives	456	42 817	2	43 275	148	61 979	26	62 153
Total	**34 343**	**127 167**	**1 169**	**162 680**	**61 668**	**121 075**	**392**	**183 134**
Liabilities								
Amounts owed to credit institutions		266		266		–1		–1
Deposits and borrowings from the public		638		638		8 707		8 707
Debt securities in issue, etc		10 735		10 735		14 836		14 836
Derivatives	397	53 666		54 063	193	65 511		65 704
Short positions securities	38 333			38 333	14 459			14 459
Total	**38 730**	**65 305**		**104 035**	**14 652**	**89 053**		**103 705**

Changes in level 3	2018		
	Assets		
	Equity instruments	Derivatives	Total
Opening balance	**366**	**26**	**392**
Acquisitions	57		57
Received VISA Inc C-aktier	692		692
Maturities		–15	–15
Transferred from Level 1 to Level 3		2	2
Transferred from Level 3 to Level 2		–13	–13
Gains or loss	52	2	54
of which are changes in unrealised gains or losses for items held at closing day	54		54
Closing balance	**1 167**	**2**	**1 169**

Changes in level 3	2017		
	Assets		
	Equity instruments	Derivatives	Total
Opening balance	**152**	**65**	**217**
Acquisitions	194		194
Sales of assets	–6		–6
Maturities		–37	–37
Transferred from Level 3 to Level 2		–14	–14
Gains or loss	26	12	38
of which are changes in unrealised gains or losses for items held at closing day		3	3
Closing balance	**366**	**26**	**392**

Financial instruments at amortised cost

The following tables distribute fair values by the three valuation levels for financial instruments at amortised cost.

	2018			
		Fair value		
	Carrying amount	Level 1	Level 2	Total
Assets				
Treasury bills and other bills eligible for refinancing with central banks, etc	79 891	79 891		79 891
Loans to credit institutions	519 151		519 151	519 151
Loans to the public	389 086		389 086	389 086
Bonds and other interest-bearing securities	2 174		2 174	2 174
Total	**990 302**	**79 891**	**910 411**	**990 302**
Liabilities				
Amounts owed to credit institutions	82 952		82 952	82 952
Deposits and borrowing from the public	699 618		699 618	699 618
Debts securities in issue	292 887		296 234	296 234
Subordinated liabilities	34 184		34 366	34 366
Total	**1 109 641**		**1 113 170**	**1 113 170**

	2017			
		Fair value		
	Carrying amount	Level 1	Level 2	Total
Assets				
Treasury bills and other bills eligible for refinancing with central banks, etc	65 003	65 000		65 000
Loans to credit institutions	446 500		446 500	446 500
Loans to the public	373 528		373 528	373 528
Bonds and other interest-bearing securities	3 277		3 277	3 277
Total	**888 308**	**65 000**	**823 305**	**888 305**
Liabilities				
Amounts owed to credit institutions	95 106		95 106	95 106
Deposits and borrowing from the public	662 615		662 615	662 615
Debts securities in issue	307 848		309 826	309 826
Subordinated liabilities	25 508		25 525	25 525
Total	**1 091 077**		**1 093 072**	**1 093 072**

P41 Financial assets and liabilities which have been offset or are subject to netting or similar agreements

The disclosures below refer to recognised financial instruments that have been offset in the balance sheet or are subject to legally binding netting agreements, even when they have not been offset in the balance sheet, as well as to related rights to financial collateral. As of the closing day these financial instruments referred to derivatives, repos (including reverse) and securities loans.

	2018				2017			
Assets	**Derivatives**	**Reverse repurchase agreements**	**Securities borrowing**	**Total**	**Derivatives**	**Reverse repurchase agreements**	**Securities borrowing**	**Total**
Financial assets, which not have been offset or are subject to netting	1 764			1 764	1 945			1 945
Financial assets, which have been offset or are subject to netting	41 511	44 259	137	85 907	60 209	28 248	40	88 497
Net amount presented in the balance sheet	**43 275**	**44 259**	**137**	**87 671**	**62 154**	**28 248**	**40**	**90 442**
Financial assets, which have been offset, are subject to netting or similar agreements								
Gross amount	71 776	98 052	137	169 965	69 822	37 656	40	107 518
Offset amount	–30 265	–53 793		–84 058	–9 613	–9 408		–19 021
Net amount presented in the balance sheet	**41 511**	**44 259**	**137**	**85 907**	**60 209**	**28 248**	**40**	**88 497**
Related amount not offset in the balance sheet								
Financial instruments, netting agreements	20 430	644		21 074	31 352	7 797		39 149
Financial instruments, collateral	135	34 942	137	35 214	482	20 354	40	20 876
Cash, collateral	1 529			1 529	9 028			9 028
Total amount not offset in the balance sheet	**22 094**	**35 586**	**137**	**57 817**	**40 862**	**28 151**	**40**	**69 053**
Net amount	**19 417**	**8 673**		**28 090**	**19 347**	**97**		**19 444**

Liabilities	**Derivatives**	**Repurchase agreements**	**Securities lending**	**Total**	**Derivatives**	**Repurchase agreements**	**Securities lending**	**Total**
Financial liabilities, which not have been offset or are subject to netting	1 872			1 872	1 724			1 724
Financial liabilities, which have been offset or are subject to netting	52 191	907	22	53 120	63 979	8 707	74	72 760
Net amount presented in the balance sheet	**54 063**	**907**	**22**	**54 992**	**65 703**	**8 707**	**74**	**74 484**
Financial liabilities, which have been offset, are subject to netting or similar agreements								
Gross amount	85 101	54 700	22	139 823	76 863	18 115	74	95 052
Offset amount	–32 910	–53 793		–86 703	–12 884	–9 408		–22 292
Net amount presented in the balance sheet	**52 191**	**907**	**22**	**53 120**	**63 979**	**8 707**	**74**	**72 760**
Related amount not offset in the balance sheet								
Financial instruments, netting agreements	20 430	644		21 074	31 352	7 797		39 149
Financial instruments, collateral	2 309	263	22	2 594	2 912	905	74	3 891
Cash, collateral	4 890			4 890	9 340			9 340
Total amount not offset in the balance sheet	**27 629**	**907**	**22**	**28 558**	**43 604**	**8 702**	**74**	**52 380**
Net amount	**24 562**			**24 562**	**20 375**	**5**		**20 380**

P42 Specification of adjustments for non-cash items in operating activities

	2018	2017
Amortised origination fees	–532	–542
Unrealised changes in value/currency changes	1 681	222
Depreciation of tangible and intangible fixed assets	4 814	4 452
Impairment of fixed assets	34	105
Credit impairment	743	1 308
Dividend Group entities	–19 522	–13 356
Prepaid expenses and accrued income	–420	457
Accrued expenses and prepaid income	501	–573
Share based payments to employees	221	214
Capital gains/losses on financial assets	–705	–22
Other	–3	–10
Total	**–13 188**	**–7 745**

P43 Dividend paid and proposed disposition of earnings

	2018		2017	
Ordinary shares	**SEK per share**	**Total**	**SEK per share**	**Total**
Dividend paid	13.00	14 517	13,20	14 695
Proposed dividend	14.20	15 885	13,00	14 515

The Board of Directors recommends that shareholders receive a dividend of SEK 14.20 per ordinary share (13.00) in 2019 for the financial year 2018, corresponding to SEK 15 885m (14 515).

In accordance with the balance sheet of Swedbank AB, SEK 60 180m is at the disposal of the Annual General Meeting:
The Board of Directors recommends that the earnings be disposed as follows (SEKm):

	2018	2017
A cash dividend of SEK 14,20 per ordinary share	15 885	14 515
To be carried forward to next year	44 295	41 790
Total disposed	60 180	56 305

The proposed total amounts to be distributed and carried forward to next year have been calculated on all 1 116 674 361 outstanding ordinary shares at 31 December of 2018, plus 1 987 610 outstanding ordinary shares entitled to dividends which have been estimated to be exercised by employees between 1 January to the Annual General Meeting as per 28 March 2019 relating to remuneration programs. The proposed total amounts to be distributed and carried forward to next year are ultimately calculated on the number shares entitled to dividends on the record day. The amounts could change in the event of additional share repurchases or sales of treasury shares before the record day. Unrealised changes in the value of assets and liabilities at fair value have had a negative effect on equity of SEK 955m. The proposed record day for the dividend is 1 April 2019. The last day for trading in Swedbank's shares with the right to the dividend is 28 March 2019. If the Annual General Meeting accepts the Board's proposal, the dividend is expected to be paid by Euroclear on 4 April 2019. At year-end, the consolidated situation's total capital requirement according to pillar 1 and buffer requirements by SEK 40 596m. The surplus in Swedbank AB was SEK 76 595m.

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

P44 Assets pledged, contingent liabilities and commitments

Assets pledged

Assets pledged for own liabilities	**2018**	**2017**	**1/1/2017**
Government securities and bonds pledged with the Riksbank	9 776	8 047	8 121
Government securities and bonds pledged with foreign central banks	6 691	6 229	6 434
Government securities and bonds pledged for liabilities to credit institutions, repurchase agreements	6 920	3 856	3 062
Government securities and bonds pledged for deposits from the public, repurchase agreements	13 506	7 260	5 687
Cash	4 470	4 484	10 320
Total	**41 363**	**29 876**	**33 624**

The carrying amount of liabilities for which assets are pledged amounted to SEK 38 753m (25 655) in 2018.

Other assets pledged	**2018**	**2017**	**1/1/2017**
Equity instruments	186	16	10
Government securities and bonds pledged for other commitments	1 858	2 857	3 776
Cash	423	482	455
Total	**2 467**	**3 355**	**4 241**

Collateral is pledged in the form of governement securities or bonds to central banks in order to execute transactions with the central banks. In so-called genuine repurchase transactions, where the parent company sells a security and at the samt time agrees to repurchase it, the sold security remains on the balance sheet. The carrying amount of the security is also recognised as a pladged asset. In principle, the parent company cannot dispose of pledged collateral. generally, the assets are also separated behalf of the beneficiaries in the event of the parent company' s insolvency.

Contingent liabilities

Nominal amount	**2018**	**2017**	**1/1/2017**
Loan guarantees	454 939	522 334	554 184
Other guarantees	33 538	31 061	30 910
Accepted and endorsed notes	1 988	439	159
Letters of credit granted but not utilised	2 417	2 697	2 897
Other contingent liabilities		6	17
Total	**492 882**	**556 537**	**588 167**

Commitments

Nominal amount	**2018**	**2017**	**1/1/2017**
Loans granted but not paid	174 118	163 305	161 040
Overdraft facilities granted but not utilised	63 574	67 385	71 094
Total	**237 692**	**230 690**	**232 134**

Credit impairment provisions for contingent liabilities and commitments	402	100	98

The nominal amount of interest, equity and currency related contracts are shown in note P24 Derivatives.

P45 Transferred financial assets

The parent company transfers ownership of financial assets in connection with repos and security loans. Although ownership has been transferred in these transactions, the asset remains on the balance sheet since the parent company is still exposed to the asset's risk of fluctuating in value. This is because the agreement stipulates at the time of transfer that the asset will be restored. Sales proceeds received in connection with repos are recognised as liabilities. Related liabilities are reported in the note before any offsetting in the balance sheet. All assets and related liabilities are recognised at fair value and included in the valuation category fair value through profit and loss, trading. Liabilities related to securities lending refer to collateral received in the form of cash. These liabilities are reported in the valuation category amortised cost. In addition to what is indicated in the table for securities lending, collateral is received in the form of other securities to cover the difference between the fair value of the transferred assets and the recognised liability's fair value. At year-end the parent company had no commitments in financial assets that had been removed from the balance sheet.

	Transferred assets			Associated liabilities		
2018	**Carrying amount**	**Of which repurchase agreements**	**Of which securities lending**	**Carrying amount**	**Of which repurchase agreements**	**Of which securites lending**
Valuation category , fair value through profit or loss						
Trading						
Equity instruments	186		186	67		67
Debt securities	20 426	20 426		20 451	20 451	
Total	**20 612**	**20 426**	**186**	**20 518**	**20 451**	**67**

	Transferred assets			Associated liabilities		
2017	**Carrying amount**	**Of which repurchase agreements**	**Of which securities lending**	**Carrying amount**	**Of which repurchase agreements**	**Of which securites lending**
Valuation category , fair value through profit or loss						
Trading						
Equity instruments	1 398		1 398	36		36
Debt securities	11 138	11 138		11 143	11 143	
Total	**12 536**	**11 138**	**1 398**	**11 179**	**11 143**	**36**

P46 Operational leasing

The agreements mainly relate to premises in which the parent company is the lessee. The terms of the agreements comply with customary practices and include clauses on inflation and property tax. The combined amount of future minimum lease payments that relate to non-cancellable agreements is allocated on the due dates as follows:

2018	**Expenses**	**Income subleasing**	**Total**
2019	737	31	706
2020	628	27	601
2021	509	21	488
2022	472	21	451
2023	430	21	409
2024	372	21	351
2025	346	21	325
2026	314	21	293
2027	301	21	280
2028 or later	1 658	242	1 416
Total	**5 767**	**447**	**5 320**

2017	**Expenses**	**Income subleasing**	**Total**
2018	768	34	734
2019	696	32	664
2020	606	28	578
2021	477	21	456
2022	422	21	401
2023	410	21	389
2024	372	21	351
2025	350	21	329
2026	321	21	300
2027 or later	2 034	248	1 786
Total	**6 457**	**467**	**5 990**

P47 Related parties and other significant relationships

	Subsidiaries		Associates		Other related parties	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Assets						
Loans to credit institutions	488 339	419 866	14 588	11 483		
Loans to the public	638	451				
Bonds and other interest-bearing securities	4 963	2 244				
Derivatives	3 894	6 740				
Other assets	14 356	12 296				
Prepaid expenses and accrued income	186	137				
Total assets	**512 376**	**441 734**	**14 588**	**11 483**		
Liabilities						
Amount owed to credit institutions	26 307	27 357	3 080	2 931		
Deposits and borrowing from the public	8 446	8 012			248	476
Derivatives	22 919	19 646				
Other liabilities	158	94				
Accrued expenses and prepaid income		12	1	1		
Total liabilities	**57 830**	**55 121**	**3 081**	**2 932**	**248**	**476**
Contingent liabilities						
Guarantees	453 917	517 644				
Derivatives, nominal amount	971 435	887 495	867	2 221		
Income and expenses						
Interest income	–1 835	–1 332	270	70		
Interest expenses	1 756	2 330				
Dividends received	4 161	2 786	355	1 544		
Commission income	1 641	1 698	6	6		
Commission expenses	26	2	11	12		
Other income	210	255	6	11		
Other general administrative expenses	14	8			591	674

P48 Events after 31 December 2018

See Group note G57.

P49 Effects of changes in accounting policies, IFRS 9 and presentation of accrued interest

Reconciliation of the balance sheet from IAS 39 to IFRS 9

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

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

Reclassification of financial assets at transition to IFRS 9

Below are explanations of the changes in the valuation categories of financial assets in accordance with IAS 39 on 31 December 2017 to the new valuation categories in accordance with IFRS 9 on 1 January 2018. The parent company's classifications of financial liabilities under IFRS 9 are unchanged compared to IAS 39.

Loans to the public

The parent company initiates hire purchase agreements within loans to the public, which are loans to acquire an asset paid by installments, for customers of the Savings banks, which are subsequently sold to the respective Savings banks. This portfolio of SEK 198 m is part of a "sell" business model and is therefore mandatorily classified as fair value through profit or loss under IFRS 9. The portfolio was classified as loans and receivables under IAS 39.

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

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

Shares and participating interests

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

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

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

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

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

	31 December 2017, IAS 39 and IAS 37			Remeasurement	1 January 2018, IFRS 9			
	Portfolio	Individual	Total		Total	Stage 1	Stage 2	Stage 3
Loans to credit institutions				27	27	14	13	
Loans to the public	569	2 076	2 645	1 235	3 880	305	1 594	1 981
Leasing equipment		31	31	10	41	8	13	20
Other financial liabilities and Provisions		100	100	539	639	115	258	266
Total	**569**	**2 207**	**2 776**	**1 811**	**4 587**	**442**	**1 878**	**2 267**

As a result of the transition to credit impairments according to IFRS 9, the gross carrying amount has also been re-measured by SEK 11m.

Impact of adopting IFRS 9 to equity

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

	Impact from transition to IFRS 9
Retained earnings	
Closing balance under IAS 39 (31 December 2017)	**87 177**
Reclassifications under IFRS 9	–2
Income taxes, reclassifications under IFRS 9	0
Remeasurements under IFRS 9	–1 800
Income taxes, remeasurements under IFRS 9	396
Opening balance under IFRS 9 (1 January 2018)	**85 771**

Alternative performance measures

Swedbank prepares its financial statements in accordance with IFRS as adopted by the EU, as set out in Note G2. The annual report includes a number of alternative performance measures, which exclude certain items which management believes are not representative of the underlying/ongoing performance of the business. Therefore the alternative performance measures provide more comparative information between periods. Management believes that inclusion of these measures provides information to the readers that enable comparability between periods.

Measure and definition	Purpose
Net stable funding ratio (NSFR) NSFR aims to have a sufficiently large proportion of stable funding in relation to long-term assets. The measure is governed by the EU's Capital Requirements Regulation (CRR); however no calculation methods have yet been established. Consequently, the measure cannot be calculated based on current rules. NSFR is presented in accordance with Swedbank's interpretation of the Basel Committee's recommendation (BCBS295).	This measure is relevant for investors since it will be required in the near future and as it is already followed as part of internal governance.
Net interest margin before trading interest is deducted Calculated as Net interest income before trading interest is deducted, in relation to average total assets. The average is calculated using month-end figures 1), including the prior year end. The closest IFRS measure is Net interest income and can be reconciled in Note G8.	The presentation of this measure is relevant for investors as it considers all interest income and interest expense, independent of how it has been presented in the income statement.
Allocated equity Allocated equity is the operating segment's equity measure and is not directly required by IFRS. The Group's equity attributable to shareholders is allocated to each operating segment based on capital adequacy rules and estimated capital requirements based on the bank's internal Capital Adequacy Assessment Process (ICAAP). The allocated equity amounts per operating segment are reconciled to the Group Total equity, the nearest IFRS measure, in Note G5.	The presentation of this measure is relevant for investors since it used by Group management for internal governance and operating segment performance management purposes.
Return on allocated equity Calculated based on profit for the financial year for the operating segment (operating profit less estimated tax and non–controlling interests), in relation to average allocated equity for the operating segment. The average is calculated using month-end figures 1), including the prior year end. The allocated equity amounts per operating segment are reconciled to the Group Total equity, the nearest IFRS measure, in Note G5.	The presentation of this measure is relevant for investors since it used by Group management for internal governance and operating segment performance management purposes.
Income statement measures excluding VISA and Hemnet income Amounts related to Net gains and losses on financial items, Share of profit or loss of associates and other income are presented excluding the income related to the UC (2018) and Hemnet (2017). The amounts are reconciled to the relevant IFRS income statement lines on page 50.	The presentation of this measure is relevant for investors as it provides comparability of figures between reporting periods.
Return on equity excluding UC and Hemnet income Represents profit for the financial year allocated to shareholders excluding UC and Hemnet income in relation to average Equity attributable to shareholders' of the parent company. The average is calculated using month-end figures, including the prior year end. Profit for the financial year allocated to shareholders excluding UC (2018) and Hemnet (2017) income are reconciled to Profit for the financial year allocated to shareholders, the nearest IFRS measure, on page 50.	The presentation of this measure is relevant for investors as it provides comparability of figures between reporting periods.
Cost/Income ratio excluding UC and Hemnet income Total expenses in relation to total income excluding UC and Hemnet income. Total income excluding one-off UC (2018) and Hemnet (2017) income are reconciled to Total income, the nearest IFRS measure, on page 50.	The presentation of this measure is relevant for investors as it provides comparability of figures between reporting periods.
Other alternative performance measures These measures are defined on page 223 and are calculated from the financial statements without adjustment. • Cost/Income ratio • Credit impairment provision ratio Stage 3 loans • Credit Impairment ratio • Loan/Deposit ratio • Equity per share • Net interest margin • Provision ratio for impaired loans (2017) • Return on equity[1] • Return on total assets • Share of impaired loans, gross (2017) • Share of impaired loans, net (2017) • Share of Stage 3 loans, gross • Total credit impairment provision ratio • Total provision ratio for impaired loans (2017)	The presentation of these measures is relevant for investors since they are used by Group management for internal governance and operating segment performance management purposes.

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

Reports and notes – Sustainability

Sustainability report

Swedbank is strongly committed to the sound and sustainable development of its customers, employees and society as a whole. Economic, social, environmental and ethical sustainability are integrated in the business. Sustainability results are presented as an integral part of Swedbank's annual report. The sustainability report conforms to the Global Reporting Initiative's (GRI) framework, Standards version, Core level, and has been reviewed by the auditing firm Deloitte in accordance with the assurance report on page 214.

For Swedbank, sustainable business is distinguished by responsible decisions, value creation and transparency. Swedbank has committed to follow several international initiatives and has built an integrated sustainability framework for delegating responsibility and minimising risks. The UN Global Compact's ten principles and the UN Principles for Responsible Investments (UNPRI) are among the key commitments that guide Swedbank's work and are the basis of its position statements and routines.

The structure of the sustainability work is summarised below. The majority of Swedbank's commitments, governing documents and reports are shown here, giving an overview of sustainability management and how sustainability is implemented and monitored at Swedbank. Swedbank's view on responsible banking is presented in the sustainability report.

Reported information applies to the calendar year 2018 (previous report 2017), unless otherwise indicated, and spotlights the most important aspects of Swedbank's sustainability work.

The sustainability report comprises Swedbank and its subsidiaries (see Notes G1 and P24). The aim is to present areas where progress has made as well as where more work has to be done.

The notes show the results of the sustainability work from the standpoint of Swedbank's core processes: pay, finance, save/invest and procure. The results are also presented based on the bank's work on HR issues, the environment, taxes, anti-corruption, IT security, human rights and social engagement. Sustainability information is found on pages 14–19 and 188–208 and on www.swedbank.com.

Commitments

International commitments

- UN Global Compact
- UN Environmental Programme for the Financial Sector
- UN Guiding Principles on Business and Human Rights
- UN Principles for Responsible Investments
- ICC's Business Charter for Sustainable Development
- Montreal Carbon Pledge
- Global Investment Performance Standards
- Science Based Targets
- Task Force on Climate-Related Financial Disclosures

National commitments

- Swedish Association for Sustainable Business
- Financial Coalition against Commercial Sexual Exploitation of Children

Frameworks

Policies

- Anti-corruption policy
- Anti-money laundering and countering terrorist financing policy
- Credit policy
- Environmental policy
- Financial reporting and tax policy
- Gender equality and diversity policy
- Human rights policy
- Occupational health and safety policy
- Responsible investment policy
- Sustainability policy

Position statements

- Position on defence equipment
- Position on climate change
- Exclusion list

Code of Conduct

Supplier Code of Conduct

Sector guidelines

Governance

Board of Directors

- Ultimately responsible for governance of Swedbank's sustainability work by adopting policies

CEO

- Decides on the Group's position statements

Swedbank's Business Ethics Committee

- Consulted where sustainability and business ethics are critical factors in business decisions

Green Bond Committee

- Decides on green assets in accordance with Swedbank Green Bond Framework

Group Savings Sustainability Forum

- Consulted on sustainability related issues involving savings products

ISO 14001

- Certified environmental management system

Sustainability strategy and goals

Reporting

Reporting

- Annual Report including sustainability
- Responsible investments
- Climate report
- Climate impact of funds
- Impact report, green bonds

Materiality analysis

Swedbank dialogues daily with its stakeholders: customers, owners/investors, employees and society at large. Customer communication is through both digital and physical channels. Internally, there is an ongoing dialogue between employees and their managers. Swedbank also has continuous contact with authorities and other relevant stakeholders in society.

Each year Swedbank conducts customer surveys, brand surveys and opinion polls, and participates in industry forums that address current challenges and trends in society. Taken together, this provides guidance for Swedbank's work and a good sense of whether the bank is focused on the right things. It also gives Swedbank an opportunity to continuously develop and improve. The feedback received from stakeholders is very valuable – in the bank's strategic work and in business planning.

Materiality analysis

The latest materiality analysis was performed in 2017 to identify which topics Swedbank's stakeholders consider the most important to the bank's long-term survival – from an ethical, social, environmental and economically sustainable perspective. The analysis was conducted in Sweden, Estonia, Latvia and Lithuania.

The work began with an internal survey sent to around 40 key employees of the bank representing different business areas and staff functions in every market and with a good understanding of Swedbank's stakeholders. The responses were then used to support the analysis. The number of key topics was consolidated from 21 to 15 to focus on what Swedbank saw as most important to measure and is not captured in other customer surveys.

The materiality analysis was constructed on this basis. It consisted of a survey with 30 questions covering everything from economic stability to secure IT systems, climate change, social engagement and gender equality. The questions were sent to over 1 000 private customers, 800 corporate customers, 1 800 employees and 20 social partners (e.g. authorities and stakeholder groups). Interviews were conducted as well with 10 owners/investors. The stakeholders were asked how much they agree with specific statements about Swedbank, such as "Swedbank is a financially stable bank", and how important they considered each question.

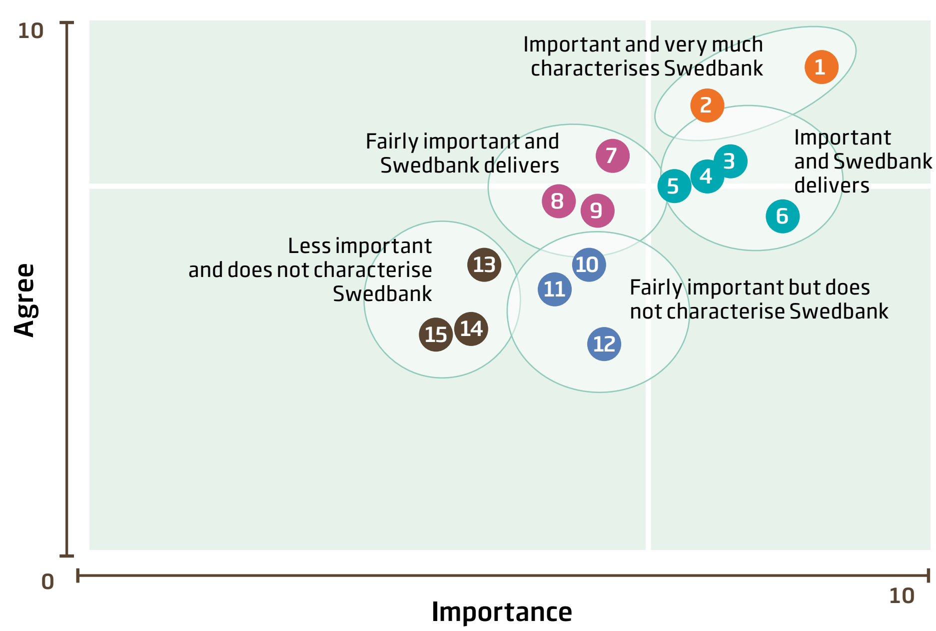
Results

The materiality analysis resulted in 15 key topics. The results showed great similarities between stakeholders and markets when it comes to what was valued most. All the topics were considered important to some degree, with the lowest average response for a single question of 8.1 (scale of 1 to 10). That Swedbank is a financially stable bank and has secure and reliable IT systems were considered the most important by respondents regardless of market. Other areas they valued highly were preventing corruption and money laundering; transparent reporting of profits, taxes and fees; easily available products and services; and responsible lending.

Being a financially stable bank is not only considered important, but also the area that Swedbank best lived up to, according to respondents. Taken together, the survey shows that Swedbank has a big impact on the national economy and on stakeholders' opinions and decisions. Swedbank considers the key topics to still be relevant and illustrate the bank's impact on society and importance to various stakeholder groups. Learn about how Swedbank takes responsibility for its impact on society and importance to customers, employees and other stakeholders on pages 14–19.

Key topics for Swedbank:

1) Financially stable bank
2) Availability
3) Prevent corruption and money laundering
4) Transparent reporting
5) Responsible lending
6) Secure IT systems
7) Profitability and competitive return for investors
8) Social engagement
9) Gender equality and diversity
10) Responsible owner
11) Attractive employer
12) Sound compensation culture
13) Sustainable products and services
14) Sustainable procurement
15) Prevent climate change



Stakeholder engagement

Stakeholder groups

Swedbank's stakeholders are divided into four main categories: Customers, Employees, Owners and Investors, and Society & the world around us. In addition, Swedbank interacts with a large number of other stakeholder groups to varying degrees. They include the following:

- Authorities
- Municipalities and county councils
- Regulators
- Pension managers
- Asset managers
- Analysts
- Journalists
- Unions
- Students
- Foundations
- Not-for-profit organisations
- Stakeholder organisations
- Trade organisations
- Associations
- Primary schools
- Secondary schools
- Colleges
- Universities
- Suppliers
- Subsidiaries
- Group companies
- Competitors
- Ratings agencies
- Sustainability indexes
- Auditors

Identifying and selecting stakeholders

Swedbank's stakeholders are those who are materially impacted by and have an impact on the bank's operations. This serves as the basis for selection of the overarching stakeholder groups. Based on the Group's framework, market analysis, internal discussions and active, structured measures to create and participate in various forums for dialogue and advocacy, Swedbank has developed a process to identify and select relevant stakeholders within each group.

Approach to stakeholder engagement

Swedbank's aim is to make decisions as close to the customer and local community as possible. This applies to business decisions as well as those related to the bank's other stakeholders.

Swedbank is strongly engaged in society and also communicates with other groups and individuals on issues that are important to the local community or society as a whole. Swedbank's Communications, Public Affairs and Sustainability units provide guidelines, support and coaching for stakeholder engagement and dialogue. Swedbank's home market stretches across four countries, and the stakeholder dialogue has been adapted therefore for local implementation.

Key topics in 2018

Some of the most important or notable topics that Swedbank dealt with during the year in the media and in discussions with stakeholders are described below.

Fraud

Fraud was a recurring media topic in 2018. There are a number of ways that people are exploited online, by email, phone and ATM. Fraudsters often claim to be calling from the bank, public authorities or other well-known companies. Swedbank has informed the media, notified selected customers by mail, and together with several major banks and the police authorities published information on how to protect against fraud.

Know Your Customer (KYC)

During the year Swedbank contacted customers digitally and by mail with questions to inform and ensure them that the bank is in compliance with current rules.

Swedbank joined a Nordic initiative last autumn to explore a common "Know Your Customer" infrastructure. How banks manage customer data is important to the fight against financial crime, money laundering and terrorist financing.

Housing market

The housing market remained an important issue for several stakeholder groups during the year. The Swedish market has aligned with Swedbank's forecast, with clear price differences between metropolitan areas and the rest of the country and between condos and single-family homes. A large supply of newly built condos, coupled with the new mortgage amortisation requirements, continues to squeeze prices in metropolitan areas, while condo prices in the rest of the country are stabilising at the same time that the single-family home market outside the metropolitan areas may see a further gain.

Partnerships

During the year Swedbank continued to expand collaborations and partnerships in order to increase its range of services. Swedbank and State Street, one of the world's leading financial service providers to institutional investors, entered a strategic partnership. Swedbank also continues to work with selected fintech providers to develop new digital solutions for small businesses and private customers that simplify, save time and provide customers an even better experience.

Material impacts and strategic policy documents

Key topic	Material impact			
	Employees	Customers	Society & the world around us	Owners & investors
Attractive employer	x		x	x
Availability		x		
Financially stable bank	x	x	x	x
Gender equality and diversity	x		x	
Prevent corruption and money laundering	x	x	x	x
Profitability and competitive return	x	x	x	x
Responsible lending		x	x	x
Sound compensation culture	x			x
Social engagement	x	x	x	x
Responsible owner		x	x	x
Secure IT systems		x		
Sustainable procurement			x	
Sustainable products and services		x	x	x
Transparent reporting	x	x	x	x

Strategic documents supporting the key topics

Anti-corruption policy
Code of Conduct
Conflict of interest policy
Credit policy
Environmental policy
Gender equality and diversity policy
Human rights policy
Impact report green bonds
Information security strategy
Occupational health and safety policy
Policy on responsible investments
Position statement on climate change
Position statement on defence industry
Salary principles at Swedbank
Sector guidelines
Supplier Code of Conduct
Sustainability policy
Sustainability risk analysis in lending

Precautionary principle

Swedbank follows the UN Global Compact's 10 principles, which include the precautionary principle. The bank has integrated sustainability risk analyses in its central processes and takes, among others, the following precautionary measures:

- In dialogue with customers and suppliers, sector guidelines are applied with information on specific risks, opportunities and recommendations related to various industries' sustainability problems.
- Sustainability risks are assessed as part of the financial analysis in connection with investments and lending.
- The bank's employees receive mandatory internal training on sustainable banking, ethics, the code of conduct, money laundering and terrorist financing, and the environment.
- Through the bank's ISO 14001-certified environmental management system, an annual analysis and assessment is made of the Group's environmental impacts and compliance with laws and environmental requirements from authorities and stakeholders.
- In partnership with the Financial Coalition against Child Pornography, Swedbank works actively to put an end to commercial child pornography by preventing payments through the financial system.
- Units throughout the Group can escalate sustainability issues related to business ethics, the environment and human rights to Swedbank's Business Ethics Committee for recommendation and guidance.

Sustainability management

Swedbank's vision and values guide its sustainability work. The governance model and operational structure are designed to support Swedbank's purpose – a sound and sustainable financial situation for the many households and businesses – and steer sustainability work in the bank. Sustainability management is largely integrated in the Group's operational controls and comprises the bank's sustainability policies, strategy, Group goals, implementation, monitoring and reporting. The goal is to maximise business and social benefits and minimise the negative effects of Swedbank's business and operations.

The sustainability strategy clearly sets out Swedbank's aim to promote social development and has incorporated the UN's global sustainable development goals and the Paris Agreement. The strategy is based on Swedbank's governing framework (policies, position statements and sector guidelines) and is implemented in close collaboration with the business unit managers as specific unit goals and activities to ensure compliance with the Group's goals and business planning.

Governing framework

The Board of Directors is ultimately responsible for governance of sustainability work and adopts the bank's policies in the area (available on swedbank.com/sustainability). These policies apply to the Group and are designed to set a general standard for managing the business and ensuring that employees comply with current laws and regulations.

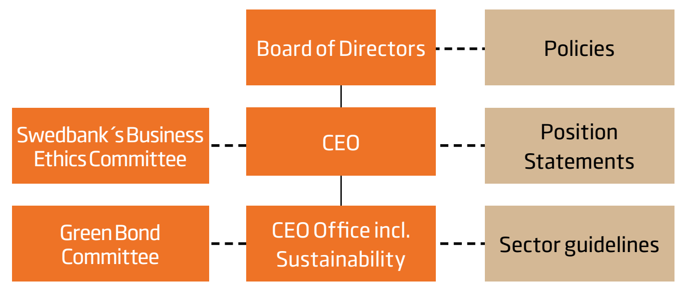
The Group's positions on the defence industry and climate change are decided by the bank's CEO. These instructions contain more detailed regulations than a policy. The CEO can issue instructions for implementing a policy.

Swedbank's sector guidelines, which support the sustainability analysis, are established by the Head of the CEO Office, who is also ultimately responsible for them. The overarching goal of the sector guidelines is to promote sustainability in the bank's relationships with corporate customers, portfolio companies and suppliers to the Swedbank Group.

Group Sustainability, which is led by the Group Head of Sustainability, consists of an expert group of five employees and is part of the CEO Office. The Group Head reports directly and indirectly to the Group Executive Committee and is responsible for developing the bank's sustainability, environmental and human rights policies and guidelines as well as for the bank's strategy, monitoring and reporting in the area. However, responsibility for implementation and performance rests with the entire company. A strategic analysis of credit risks is conducted annually by Group Risk with recommendations to the business segments for their business planning. The overarching aim is to consistently maintain the bank's low risk profile. In recent years climate-related risks and opportunities have taken on greater urgency and are now being integrated in the bank's strategy and operational plans.

Business Ethics Committee

To complement the rules on sustainability and business ethics, Swedbank has a Business Ethics Committee to handle these issues. Questions regarding the environment, human rights, social responsibility, business ethics and corruption can be escalated to the committee from any part of the organisation. The committee's role is to provide guidance on business decisions associated with sustainability risks and in this way reduce negative impacts.



Climate and environmental management

Swedbank's climate and environmental work is guided by an environmental management system with ISO 14001 certification. The purpose of the system is to better organise and structure environmental work, reduce impacts and encourage sustainable business. The bank prepares, introduces, maintains and continuously improves the system in accordance with the requirements of the standard. The environmental management system and environmental policy complement the Group's sustainability policy and provide specific guidelines for the bank's environmental work.

The bank's environmental policy and goals address the most significant impacts, show the way forward and focus attention on measures that can make the biggest difference for the environment. On this basis ambitious efforts are made to responsibly manage resources and reduce climate impacts in several of the bank's core processes, including by reducing direct emissions from business travel, energy consumption at our offices and through procurement. As part of the environmental management system, reporting is provided continuously for the annual "Management Review" and for internal and external audits of the system.

During the year Swedbank joined the Science Based Targets Initiative, which uses scientific methods to identify and support innovative methods to establish greenhouse gas reduction goals for companies in line with the Paris Agreement. Swedbank will contribute to the methodology that can result in scientific targets for the entire financial industry. These targets will guide and govern the bank's sustainability work. During the year Swedbank also endorsed TCFD's recommendations, which affect the bank's governance, strategy, risk management, targets, metrics and reporting on the climate and environment.

Tracking and monitoring Swedbank's key issues

- Results, return on equity and capital adequacy ratios are tracked.
- Customer satisfaction is tracked through Swedbank's annual customer satisfaction survey.
- Targets tied to priority areas are tracked by all managers in the Group Executive Committee.
- Amortisation levels down to 50 per cent of a property's value are tracked.
- Financial education and social initiatives are tracked by measuring the number of lectures in schools and the number of copies of Lyckoslanten that are distributed, among other variables.
- The number of sustainability risk assessments in the lending process is measured and tracked continuously.
- Sustainability analyses of Swedish and internationally listed companies and their results are reported and tracked continuously.
- CO_2 estimates are made for Swedbank Robur's equity and mixed funds and reported annually.
- In connection with purchases, Swedbank ensures that the supplier code of conduct is signed.
- Suppliers are continuously tracked to ensure compliance with Swedbank's supplier code of conduct and other commitments, including through on-site visits.
- Internal energy consumption, business travel, security transports, resource consumption and waste management are continuously tracked.
- Direct climate impacts are measured, calculated and tracked.
- The list of excluded companies is continuously tracked.
- Private and business advisors are tracked continuously through scorecards, where each manager can gauge employee performance against common goals.
- The annual employee survey measures employees' engagement, their likelihood of recommending the bank, leadership indexes etc.
- Each business area's gender distribution and diversity are tracked quarterly.
- Internal training and mandatory e-learning on e.g. sustainable banking, the code of conduct and money laundering guidelines are tracked by each manager.
- The number of loan applications escalated to Swedbank's Business Ethics Committee is tracked. Minutes from the committee meetings are distributed to the CEO and the Group Executive Committee.

Awards during the year

Swedbank tops Nordic region's largest sustainability study – Swedbank was again named the most sustainable bank in the Sustainable Brand Index Business to Business, based on a survey of decision makers in Sweden's largest companies.

Sustainability Index 2018 – Swedbank in Latvia received an award in the platinum category.

Equal Pay Employer – Swedbank in Latvia received an award for the country's most equal pay, based on the results of Fonte's annual national survey.

Swedbank Robur named Fund Manager of the Year in 2018 – Swedbank Robur was named Fund manager of the Year in 2018 by Sweden's largest fund marketplace, fondmarknaden.se, for high returns and integrating sustainability in its investments as well as for launching new sustainability focused products.

National Responsible Business Awards in Lithuania – Swedbank was recognised as Lithuania's most socially responsible company for major efforts in financial education, promoting volunteerism and building an open and sustainable society in Lithuania.

Green Banking Awards – Swedbank was named the best green bank in Sweden by Capital Finance International.

Climetrics Climate Impact Rating – Swedbank Robur was named the world's leading fund manager regarding climate smart fund management in Climetrics' climate rating based on data from CDP.

Responsible Business Awards – Swedbank received the highest award, gold, from the Responsible Business Forum in Estonia.

Sustainability indexes

Swedbank's results in external sustainability indexes and investor surveys during the year are shown below. The results provide a measure of Swedbank's sustainability performance based on the priorities of various stakeholders.

Sustainability index/ranking	2018	2017	2016
AllBright (ranking)[1]	32	47	71
CDP (score)[2]	B	B	B
Dow Jones Sustainability Index (score)[3]	79	81	77
Fair Finance Guide (score %)[4]	64	61	55
FTSE4Good ESG rating (score)[5]	4.4	4.1	4.3
ISS Corporate Governance (score)[6]	1	–	–
Sustainalytics (score)[7]	80	–	–

1) Swedbank's ranking among 329 companies in 2018.
2) Max score is A. Average for the finacial sector in 2018 is B-.
3) Max score is 100. New calculation method in 2018. Score for 2017 is restated according to the new method. Swedbank is not included in the DJSI World Index, but is included in the DJSI Europe.
4) Max score is 100.
5) Swedbank has qualified for FTSE4Good Index. Max score is 5.
6) Risk level 1-10 (1 low risk, 10 high risk). Refers to risk level for Environment, Social, Governance criteria.
7) ESG Rating, Outperformer

S1 Pay

Swedbank's digital services make it easy for customers to contact the bank and do their banking whenever and however they want. Availability, regardless of channel, is one of the most important factors mentioned in customer surveys. Outside branches, a range of services are available on digital platforms such as the Mobile Bank, Internet Bank and Facebook.

Availability

Availability is consistently high for every customer group, and several initiatives have been taken to make it easier to obtain and understand the products and services that the bank offers. This includes introductory videos for the Mobile Bank and Mobile Bank ID in eight languages besides Swedish, security information in 12 languages, and options that allow the hearing impaired to receive personal assistance by phone. Several partnerships have been established with organisations representing the disabled, including Funka.nu, to design the website to work as well as possible for as many customers as possible. In addition, the security token is available with larger buttons and louder sound, and folders/product sheets are printed in Braille. To increase digital inclusion in older adults, digital workshops are held at several branches and for pensioners' networks.

Payments and e-commerce

The payments industry is rapidly changing, driven by new technology, new providers and laws that further open up the market. During the year rules were introduced to encourage electronic payments, make the EU's inner market more accessible to individuals and businesses, increase competition, security and consumer protection, and reduce fees. The General Data Protection Regulation (GDPR) and Payment Service Directive (PSD2) took effect during the year.

Back in 2017 Swedbank set up a test environment for PSD2, where outside developers could test their services and ideas against a databank. New third-party collaborations were launched during the year in subscription services with Mina Tjänster in Sweden, in factoring with Erply in the Baltic countries and with SpeedLedger in Sweden, creating added customer value.

Payment transactions and cards

Swedbank continues to develop digital services for payments and cards. The bank is the largest payment processor in the Baltic countries and has the largest number of bank giro transactions in Sweden.

In terms of cards Swedbank is one of the largest payment processors in the EU, the tenth largest in number of purchases with cards issued by the bank and the fifth largest payment acquirer from retailers. The number of card payments has continued to increase, while cash withdrawals are falling. Contactless cards, which can be scanned at checkout for payments of less than SEK 200, continued to be distributed during the year. The same functionality applies to contactless payments by mobile phone using SamsungPay and the Masterpass digital wallet. In this way customers can feel secure shopping online by phone or tablet. Contactless cards are also a more economical way to distribute bank cards, since they have a longer life than chip cards, which wear out faster.

Prepaid cards are another service available to municipalities, county councils, authorities and state-owned enterprises. They are used to pay out financial assistance and benefits to people without an ID number or bank account, and as a collective debit card for employees of schools, public housing, social services etc. The service enables municipalities to replace cash handling with electronic payments. The card can be used in all stores and ATMs. Around 50 per cent of the country's municipalities also use the service, in addition to agreements with state-owned enterprises, municipal authorities and county councils.

Card acquiring

Swedbank is also growing in retail card acquiring in its home markets and in Norway, Denmark and Finland. During the year nearly 3 billion card purchases were acquired from retailers. Through the acquisition of PayEx retailers have access to a complete range of services for physical stores as well as e-commerce, including a checkout service with all the usual payment and financing options.

Collaborations/Partnerships

The number of mobile payments processed through Swish continues to rise. Swish is a collaboration with other banks and processes payments between private individuals and retailers in Sweden, including ecommerce businesses.

Swedbank is one of several Nordic banks that are exploring a harmonisation of the local payment infrastructure and payment products in the Nordic region, called P27. The aim is to better support pan-Nordic payment traffic, increase competition and stimulate trade and growth in the region. The vision is to create the world's first zone for domestic and international payments in multiple currencies (SEK, DKK, NOK and EUR).

Through a strategic collaboration between Swedbank and Intrum Justitia, customers having or on their way to having financial difficulties can get help to prevent and manage problems as quickly as possible.

Another industry partnership is the Financial Coalition against Child Pornography, where the focus is on putting an end to commercial child pornography by preventing payments through the financial system.

Sweden	2018	2017	2016
Cards (million)	4.3	4.2	4.2
Number of card purchases (million)	1 320	1 248	1 173
Branches	186	218	248
Number of digitally active customers (million)[1]	3.0	2.9	–
Share of sales in digital channels, (%)	50	49	47
– whereof Daily Banking products[2]	29	29	24
– whereof Savings & Pension	82	81	76
– whereof Private Lending	11	6	7
– whereof Corporate	6	5	–
– whereof Insurance	10	10	–
Swish payments (million)[3]	192	130	–

1) Number of customers with at least 3 logins including shake balance inqueries in a digital channel in the last month. Including savings banks.
2) Refers to cards and payments.
3) Swebank and the Savings banks.

Estonia	2018	2017	2016
Cards (million)	1.1	1.1	1.1
Number of card purchases (million)	211	192	–
Branches	33	34	35
Accessible branches	31	32	33
ATMs	391	392	419
Number of digitally active customers (million)[1]	0.5	0.5	–
Share of sales in digital channels, (%)	52	46	43
– where of Daily Banking products[2]	52	47	47
– where of Savings & Pension	63	52	50
– where of Private lending	68	60	54
– whereof Corporate	15	10	–
– whereof Insurance	54	47	–

1) Number of customers with at least 3 logins including shake balance inqueries in a digital channel in the last month.
2) Refers to cards and payments.

Latvia	2018	2017	2016
Cards (million)	1.0	1.0	1.0
Number of card purchases (million)	165	142	–
Branches	33	36	41
Accessible branches	25	26	30
ATMs	367	389	396
Number of digitally active customers (million)[1]	0.6	0.5	–
Share of sales in digital channels, (%)	51	43	36
– whereof Daily Banking products[2]	47	40	37
– whereof Savings & Pension	46	42	40
– whereof Private lending	64	58	57
– whereof Corporate	6	3	–
– whereof Insurance	77	68	–

1) Number of customers with at least 3 logins including shake balance inqueries in a digital channel in the last month.
2) Refers to cards and payments.

Lithuania	2018	2017	2016
Cards (million)	1.7	1.7	1.7
Number of card purchases (million)	161	132	–
Branches	59	63	65
Accessible branches	59	59	62
ATMs	416	418	423
Number of digitally active customers (million)[1]	0.7	0.6	–
Share of sales in digital channels, (%)	65	51	39
– whereof Daily Banking products[2]	67	53	42
– whereof Savings & Pension	77	69	58
– whereof Private lending	54	42	31
– whereof Corporate	14	10	–
– whereof Insurance	72	43	–

1) Number of customers with at least 3 logins including shake balance inqueries in a digital channel in the last month.
2) Refers to cards and payments.

S2 Save/Invest

Swedbank and Swedbank Robur believe that responsible and sustainable investments make a difference in the long run. Sustainability has become an increasingly important and integral part of asset management, and demand is increasing. Various forms of sustainable savings are offered by the asset management business.

Sustainability in Swedbank Robur's funds

Swedbank's subsidiary, Swedbank Robur, has a goal to be a leader in responsible investments. To achieve this, Swedbank Robur makes it easier for customers who want to incorporate sustainability into their investment decisions. Sustainability criteria have been introduced in more funds and new products with more sustainability content have been launched. Openness and simplicity have been key values for the bank and fund management company for years, and the increased interest legislators are now showing in the issue of transparent fund information on sustainability is positive.

As a major owner on the Stockholm Stock Exchange and with holdings in nearly 3 000 companies in and outside Sweden, Swedbank Robur has a responsibility and an opportunity to have an impact. Through dialogue and active ownership, the fund management company encourages companies to address sustainability issues and govern responsibly. During the year Swedbank Robur's responsible investment policy was further developed. It serves as the basis for sustainability work and applies to all of the fund management company's funds. In the policy Swedbank Robur clearly states that its investments are guided by the UN's global sustainable development goals. The new Global Impact fund, which invests in companies with products and services that directly contribute to the global goals, was launched in May.

Integrated asset management

Sustainability is integrated in the investment philosophy. Sustainability criteria were part of the analysis for fixed income, index and equity investments and are spelled out for the funds in the responsible investment policy. Swedbank Robur's team of sustainability analysts visits companies, evaluates their risks and opportunities, and gives concrete feedback on improvements. This is factored into investment analysis and stock selection. Certain funds have actively invested in companies that specifically address the environment and climate change, human rights, fair labour and business ethics.

Impact as an owner

Swedbank Robur is an active owner and maintains continuous contact with the boards and managements of companies in which its funds are major shareholders. The aim is to generate a sustainable return from the stocks that the funds own. Swedbank Robur encourages these companies to reduce their sustainability risks and develop their businesses based on sustainability aspects. Swedbank Robur impacts companies around the world on its own and in collaboration with e.g. PRI's investor groups, analysis service providers and lobbying groups. In addition to working directly with companies, a number of themes have been identified where entire industries can be impacted. Dialogues during the year touched on climate change and energy, palm oil production, the rights of the child, living wages and forest production.

Swedbank Robur attends and votes at annual meetings and participates in the nomination committees of listed Swedish companies. Important issues include board composition, management compensation, including share-related incentive programs, sustainability and that systems in place for governance, control and information disclosure. Swedbank Robur wants boards to have the right combination of competence, experience and diversity, including gender parity, and to balance independent and non-independent directors. The boards should also actively address sustainability issues pertinent to their companies. The companies where Swedbank Robur has been on the nomination committee on average have reached gender parity in terms of newly elected directors, with a growing share of women and a higher number than for listed companies as a whole again in 2018.

In the case of US companies, the fund management company has voted for several shareholder proposals on climate change and the environment, cybersecurity and data privacy.

Exclusions

Swedbank Robur does not invest in companies that manufacture, modernise, sell or buy cluster bombs, antipersonnel mines, chemical and biological weapons, and nuclear weapons. Companies that generate more than 30 per cent of their revenue from coal production or produce pornographic material are excluded as well. In November a decision was made to exclude companies that generate more than 5 per cent of their revenue from tobacco products from all funds as for 1 January 2019. Companies have also been excluded because of serious violations of international norms and conventions to protect people and the environment, without showing a willingness to change. Several funds have applied more extensive criteria and excluded products such as alcohol, tobacco, gambling, weapons and pornography, as well as companies that produce fossil fuels.

Asset management[1]	2018	2017	2016
Total assets under management (SEKbn)	1 266	1 252	1 170
– of which in funds (SEKbn)	857	871	789
Assets under management with enhanced sustainability work (%)[2]	50	34	40
– of which managed with positive & negative criteria (%)[3]	5	5	4
– of which managed with primarily negative criteria (%)[4]	45	29	36

1) Asset management as of 31 December 2018.
2) Includes sustainability funds and discretionary management with enhanced sustainability work.
3) Share of total assets under management, managed in Ethica, Talenten, Förbundsfond, Global Impact, Stiftelsefond and Humanfond.
4) Share of total assets under management. Exclusions according to criteria for Access and Transfer funds, which were expanded on 1 January, as well as according to Folksam and KPA's criteria.

Engagement funds (no.)	2018	2017	2016
Companies contacted on sustainability issues[1]	425	299	382
– of which companies listed in Sweden	74	81	65
– of which companies listed outside Sweden	351	218	317
– of which companies contacted by own analysts	186	160	160
No. of contacts, own analysts	265	261	283
– of which meetings[2]	142	96	79
Participation in nominating committees	424	336	295
– of which in companies listed in Sweden	232	195	171
– of which in companies listed outside Sweden	192	141	124
Participation in annual general meetings in Sweden	91	81	69
– Share of women on corporate boards (%)[2,3,4]	38	37	36

1) Contacted by own analysts (186), by suppliers (84) and through collaborations (155).
2) Teleconferences and face-to-face meetings.
3) Including eight general meetings of privately held companies.
4) Of which 90 in companies publicly listed in Sweden and one in a company listed in Finland.
5) In boards where Swedbank Robur participated in the nomination committee.
6) The comparison is made separately for each individual year, since the companies vary from year to year. Baseline for the years 2016–2018 was 33%, 34% and 35%, an annual increase of about 3 percentage points.
7) Including CEO if elected as board member at AGM.

Analysis for sustainability funds	2018	2017	2016
Sustainability analyses of listed Swedish companies (no.)	60	17	69
Sustainability analyses, Swedish indexes (approx. no.)[2]	180	180	175
Sustainability analyses, international indexes (approx. no.)[3]	2 320	2 350	1 800

1) The 2018 figure contains analyses of Swedish and international companies. 2016 and 2017 include only Swedish companies. The decrease in the number of analyses in 2017 was due to a revised analysis process and change in comparative indexes.
2) Analysis of companies in SIX PRX and Sthlm Benchmark Cap GI.
3) Analysis of companies in MSCI World and iBoxx EUR Corporates 1–5.

Products with sustainability profile, SEKm	2018	2017	2016
Assets under management in sustainability funds			
– Ethica Sweden	6 970	7 866	4 945
– Ethica Sweden MEGA	1 895	2 709	2 473
– Ethica Global	2 589	2 364	2 039
– Ethica Global MEGA	11 790	11 131	4 824
– Ethica Företagsobligationsfond	2 178	1 978	–
– Ethica Obligation	9 755	9 361	8 433
– Ethica Obligation Utd	8 995	8 840	10 219
– Global Impact[1]	848	–	–
– Humanfond[2]	1 892	2 207	2 090
– Talenten Aktiefond MEGA	2 642	1 968	1 689
– Talenten Räntefond MEGA	1 379	1 132	1 134
– Stiftelsefond Utd	837	901	–
– Stiftelsefond	444	552	–
Charitable donations from Swedbank Robur Humanfond[1]	42	45	42

1) The fund was started on 29 May and invests in companies that contribute to the UN's global sustainable development goals.
2) Humanfonden had a total of 29 231 investors and 74 affiliated charities.

Carbon footprint of the funds

Swedbank Robur has increased its collaborations on climate issues. Through networks such as Swedish Investors for Sustainable Development (SISD), Climate Action 100+ and International Investors Group on Climate Change (IIGCC), Swedbank Robur works actively to encourage governments and companies to transition to sustainable solutions. Climate issues have been part of sustainability analysis and corporate engagement. Companies with especially high emissions and a big climate impact have been contacted to get them to speed up the transition. Swedbank Robur annually reports the carbon footprint[1] of its equity and mixed funds. Further steps have been taken with the help of the Task Force on Climate-related Financial Disclosures (TCFD) to determine how the companies in the funds will be affected financially by climate change.

1) How much CO_2 the companies in a fund emit in relation to their revenues.

Climate footprint of selected funds compared with their respective indexes[1]	tonnes CO_2e/ SEKm, fund	tonnes CO_2e/ SEKm, index
Three largest funds (assets under management, SEKm)		
– Allemansfond Komplett (59 087)	5	23
– Aktiefond Pension (43 916)	29	23
– Kapitalinvest (36 586)	7	23
Regional equity funds (assets under management, SEKm)		
– Sverigefond (14 148)	16	9
– Europafond (9 837)	29	26
– Globalfond (24 510)	10	29
– Amerikafond (8 723)	9	22
– Asienfond (4 032)	36	48

1) The calculations are based on fund holdings as of 3 July 2018. Footprint of the fund in relation to footprint of the fund's comparative index.

Climate footprint, Ethica, tonnes of CO_2e/ SEKm[1]	2018	2017	2016
Ethica Global			
– fund	4	8	7
– MSCI World Index	25	33	37
Ethica Sweden			
– fund	6	13	11
– OMX Stockholm Benchmark Cap GI	9	16	16

1) Tonnes CO_2e/SEKm. Calculations based on fund holdings on 3 July 2018, 30 June 2017 and 30 June 2016.

Structured products

Swedbank also offers savings in the form of equity-linked bonds with or without capital protection, where the return is tied to various asset classes and markets, so-called SPAX and Aktiebevis. Some have special ethical requirements that exclude companies associated e.g. with a lack of respect for human rights or unfair labour practices. Certain indexes are chosen specifically because they exclude coal and oil production. The investments can focus on companies that benefit from future investments to resolve major global challenges.

Structured products with sustainability profile, SEKm	2018	2017	2016
SPAX Europa Hållbar[1]	52	78	–
SPAX Global Hållbar[2]	208	121	–
SPAX Horisont Sverige/Sverige Horisont	–	–	113
SPAX Hållbar Horisont	–	89	28
SPAX Jämställdhet	11	–	–
SPAX Klimatsmart	–	–	65
SPAX Norden Hållbar	–	9	–
SPAX Pension[3]	42	–	–
SPAX Sverige	–	–	71
SPAX Vatten	–	–	24
SPAX Världen Hållbar[4]	12	243	–
SPAX We Effect Refugee	–	–	10
Aktiebevis Autocall Svenska Bolag	–	9	–
Aktiebevis Global Skydd 80	–	–	10
Aktiebevis Sweden Etik / Balans/ Östersjölax	–	–	24
Aktiebevis WinWin Svenska Bolag	–	80	–

1) SPAX Europa Hållbar issued six times in 2018.
2) SPAX Global Hållbar issued 18 times in 2018.
3) SPAX Pension issued four times in 2018.
4) SPAX Världen Hållbar issued two times in 2018.

S3 Finance

Swedbank promotes responsible long-term lending by assessing each customer's long-term financial situation and advising them on any sustainability risks.

Amortisation

To slow the rise in recent years in consumer debt, the Swedish Financial Supervisory Authority has tightened mortgage amortisation requirements, which aligns with Swedbank's responsible lending approach. The table shows amortisations in relation to loan-to-value.

Availability and digital solutions

Swedbank's aim is to be available for the many households. Swedbank evaluates and improves availability for its customers' various needs, including through digital offers that make lending services even more available and everyday banking easier. Mortgage commitments were automated during the year and Swedbank completed preparations to automate and digitalise the Swedish mortgage lending process.

Sustainability analysis

Sustainability risks are taken into consideration in all credit decisions. A more detailed sustainability analysis is done for corporate loan applications of over SEK 5m in Sweden and EUR 0.8m in the Baltic countries. For other customers a general assessment is made of sustainability related factors with the scope that the individual case warrants given the nature and complexity of the business.

The sustainability analysis is supported by 13 sector guidelines. The guidelines are a tool to provide better insight into the sustainability problems facing various industries as well as suggestions and advice on which aspects should be addressed by the customer. Swedbank also has two position statements on the climate and defence industry to describe its views on these two areas. In the climate statement, Swedbank states that it will refrain from directly financing coal-fired power plants and from investing and financing companies that generate over 30 per cent of their revenue from coal production.

During the year Swedbank created a checklist for real estate-related sustainability risks. The checklist serves as a tool to dialogue with customers on property-related risks. Because real estate accounts for nearly half of Swedbank's lending, this is a strategic sector to maximise the impact of the bank's sustainability risk management.

If a case is found to have an elevated sustainability risk, it is escalated to Swedbank's Business Ethics Committee for further evaluation and guidance. The committee handles cases involving the environment, human rights, social responsibility, business ethics and corruption. Swedbank has a Group-wide list of companies excluded from investment. To be excluded, a company must have violated various international norms on human rights, anti-corruption, fair labour and the environment. The cases submitted to the committee in 2018 involved ethical dilemmas related e.g. to defence materiel, the bank's participation in various types of funding structures, cryptocurrencies, cannabis and gambling.

Corporate lending	2018	2017	2016
Corporate lending (SEKm)	547 724	521 001	521 638
Renewable energy lending (SEKm)[1]	7 756	7 466	10 131
Number of customers with renewable energy loans[1]	158	138	157
Sustainability risk analysis in lending			
– Swedish Banking (no. of business loan applications approved)	42 740[2]	34 297[2]	39 590
– Baltic Banking (no. of business loans approved)	2 102	1 873	1 513
– Large Corporates and Institutions (no. of business loans approved/endorsed)[3]	1 448	1 291	–
No. of credit cases escalated to Swedbank's Business Ethics Committee	5	2	4
No. of cases escalated to Swedbank's Business Ethics Committee	13	11	20

1) Total renewable energy lending refers to hydropower, wind, solar, biomass district heating and biogas.
2) Includes analyses by Swedbank Finans from December 2017.
3) Refers to companies and began being measured in 2017.

Private lending (Sweden)	2018	2017	2016
Energy loans (SEKm)[1]	38	42	57
Households with loan-to-value ratios above 70% of property value (%)	16	11	11
Share of households with loan-to-value ratios above 70% that amortise (new lending)[2]	99	99	98
Share of households with loan-to-value ratios above 70% that amortise (total portfolio)	97	96	93

1) Energy loans are available to customers in Sweden and used to finance residential energy savings.
2) New lending refers to all mortgages paid out in the fourth quarter of each year.

Share of corporate lending by country, %	2018	2017	2016
Sweden	86	86	76
Estonia	5	5	6
Latvia	2	2	3
Lithuania	3	3	4
Norway	3	3	8
Finland	1	1	2
Other	0[1]	0[1]	1

1) The share is 0.5%.

Share of corporate lending by sector, %	2018	2017	2016
Property management	42	42	43
Agriculture, forestry and fishing	13	13	13
Manufacturing	9	9	9
Retail	6	6	6
Shipping	4	5	5
Public sector and utilities	4	4	5
Construction	4	4	4
Corporate services	5	5	4
Transportation	3	3	3
Finance and insurance	2	2	2
Hotel and restaurant	2	1	1
Information and communications	2	2	1
Other corporate lending	4	4	4

Green bonds

Green bonds create value for the company, investors and society as a whole. In 2017 Swedbank established a framework for green bonds and in October 2017 the bank issued its first green bond, with a volume of EUR 500m. During the year Swedbank published a Green Bond Impact Report for 2017, which explains the green asset register's volume and impact as of 31 December 2017. The report is available on Swedbank's official website.

In March 2018 Swedbank issued a second green bond, with a volume of SEK 2bn and a five-year tenor. The invested capital will mainly be used to finance sustainable investments in properties and renewable energy sources that produce a lower carbon footprint.

Swedbank is also strongly focused on green products for capital market customers. Swedbank Debt Capital Market, in the business area Large Corporates and Institutions, offers green bonds, social bonds, sustainability bonds and related advice. This benefits issuers that seek green financing, e.g. companies and municipalities, as well as investors who actively demand sustainable investments e.g. insurance companies, pension managers and fund managers.

Green bonds	2018	2017	2016
Green bonds issued durig the year (SEKm)[1]	2 000	4 866	–
Issuing institute for green bonds (number)[2]	30	12	8
Issuing institute for green bonds, total compiled from the start (SEKbn)[2]	56.7	28.2	20.4

1) Swedbank AB issuer (funding of wind power and green buildings).
2) Swedbank AB acted as lead manager (funding of e.g. solar, wind and hydropower).

S4 Procure

The central procurement process ensures that reported purchases over EUR 50 000 are supported by the bank's central procurement unit. Swedbank has signed additional framework agreements in the last three years, which has led to a reduction in the total number of procurement cases since call-offs under existing framework agreements have been possible. This is especially evident in the consulting area.

Code of conduct for suppliers

Risks related to sustainable procurement for Swedbank include reputational and quality risks. To minimise them, the central procurement unit requires all suppliers to sign Swedbank's code of conduct as part of a binding contract. The code governs important areas such as human rights, labour practices, business ethics and the environment. In addition, certain sustainability issues are included directly in the specific tender, such as relevant certifications and process descriptions.

Sustainability analysis

New suppliers are also classified based on industry- and country-specific sustainability risks with the support of Swedbank's sector guidelines. Suppliers whose sustainability risks are identified as high are required to conduct a self-assessment of how well they meet the requirements of Swedbank's code of conduct. In special cases suppliers are visited, so-called look-arounds, and if necessary proposed changes are drawn up together with the supplier and then followed up. If there is any ambiguity, the case can be escalated to Swedbank's Business Ethics Committee for recommendation and guidance.

Monitoring

Existing suppliers are mainly monitored through an ongoing dialogue and by the bank's internal auditors. Look-arounds are done to ensure that contracted suppliers, selected based on risk classification, follow through on their commitments. Since Swedbank's business areas own all supplier agreements and demand specifications locally, certain agreements can be signed in certain cases without the central procurement unit.

Supply management

In 2018 Swedbank established a digital supplier platform to more easily assess suppliers from a sustainability perspective. A pilot test has started where upwards of 200 of Swedbank's largest suppliers are allowed to approve the updated code of conduct and answer how and where their production is carried out, in which countries they operate etc. A number of key performance indicators are then created for each supplier. These data are then used in Swedbank's sustainability work with the overarching purpose of promoting a sustainable supply chain together with the bank's suppliers.

Supplier audits	2018	2017	2016
No. of reported purchases that have undergone sustainability assessment[1]	155	375	470
Share of reported purchases that have undergone sustainability assessment (%)[2]	61	–	–
Supplier visits conducted (no.)[3]	–	30	30

1) The decrease is due to an increase in the number of framework agreements.
2) Percentage based on total purchase price.
3) No supplier visits were conducted during the year.

S5 Environmental impacts

Swedbank works actively to reduce the environmental impacts its operations give rise to. This work builds on an environmental management system certified according to ISO 14001. It enables Swedbank to work in a structured way to continuously reduce its impacts: those generated indirectly through financing, investments, payments and procurement, and directly through Swedbank's internal operations.

Direct environmental impacts

Swedbank has cut the greenhouse emissions it directly generates internally by more than half since 2010. The Group's goal for 2018 was achieved through an emissions reduction of more than 60 per cent compared with the 2010 total. In 2018 measurements were expanded to include PayEx's environmentally related data in the Group's environmental reporting, and yet the reduction goal was still met.

Emissions are largely generated through energy consumption and heating in Swedbank's branch offices as well as through business travel. The internal property department at Swedbank encourages the use of energy-efficient and space-saving properties and works continuously with property owners to adopt energy conservation measures in the buildings where Swedbank operates. During the year Swedbank's head office in Sundbyberg received a BREEAM rating of excellent for its environmental performance and healthy work environments.

Swedbank also works continuously to increase the percentage of meetings through digital platforms. Swedbank believes this generates positive feedback by freeing up more time and resources for its employees as well as reducing travel time and the impact of business travel.

During the year Swedbank purchased carbon offsets for 6 500 tonnes of emissions through the Godarwi project in India. The project meets GOLD standard certification and includes production of renewable energy through a solar heating facility that generates electricity. Aside from the climate benefit that the project provides, the equivalent of two per cent of certified emission reduction revenue is donated to local projects.

Greenhouse gas emissions[1], tonnes CO_2e	2018	2017	2016
Total emissions	26 983	29 342	37 357
Reduction target 2018, 60%[2]	28 912	28 912	28 912
Carbon offsetting[3]	6 500	–	–
Total emissions after carbon offsetting	20 483	–	–
Emissions by scope according to GHG protocol			
Emissions scope 1[4]	1 017	780	881
Emissions scope 2[5]	6 014	7 771	16 583
Emissions scope 3[6]	19 952	20 791	19 893
Emissions by country			
Emissions, Sweden	16 151	16 743	15 841
Emissions, Estonia[8]	3 797	3 940	12 291
Emissions, Latvia	2 602	3 321	3 242
Emissions, Lithuania	3 511	4 391	4 626
Emissions, other[7]	922	947	1 357
Energy-related emissions according to Scope 2			
Market-based[8]	6 014	7 771	16 583
Location-based	21 588	23 395	23 322

1) Carbon dioxide, methane and nitrous oxide. In all GHG calculations, Swedbank has used Ecometrica software through a system called Our Impact, administered by U&We. Emissions are reported in accordance with the Greenhouse Gas Protocol (World Resources Institute).
2) The base year is 2010, when Swedbank reported 72 279 tonnes of CO_2 emissions.
3) Carbon offsets relate to the GOLD standard Godarwi project in India.
4) Swedbank's direct emissions. Based on fuel consumption in company cars and refrigerant gas loss. Emissions from cooling equipment are estimated using operational controls (based on weight and type of cooling medium). Emissions from company-owned vehicles are estimated with the help of the bank's financial controls. None of Swedbank's Scope 1 emissions are biogenic.
5) Swedbank's indirect emissions in the form of electricity consumption and heating/cooling. Emissions are estimated based on operational controls in Swedbank's offices/ buildings. District cooling where Swedbank does not have operational control and which has been estimated based on m2 has been eliminated for 2017.
6) Swedbank's other indirect emissions from business travel, security transports, paper consumption, water consumption and waste. None of Swedbank's Scope 3 emissions are biogenic.
7) Norway, Finland, Denmark, USA, Luxembourg and China.
8) The emissions reduction between 2016–2017 is due to procurement of guarantees of origin for the electricity consumed in Estonia.

Emissions by category, tonnes CO_2e	2018	2017	2016
Sweden			
Office premises	2 579	3 040	3 550
Business travel	13 393	13 536	12 145
Other emissions[1]	179	167	146
Estonia			
Office premises	1 807	1 888	10 484
Business travel	1 937	1 999	1 753
Other emissions[1]	53	53	54
Latvia			
Office premises	1 386	2 151	2 258
Business travel	1 137	1 084	892
Other emissions[1]	79	86	92
Lithuania			
Office premises	1 104	1 620	2 228
Business travel	2 264	2 606	2 258
Other emissions[1]	143	165	140
Other countries			
Office premises	373	356	429
Business travel	547	588	925
Other emissions[1]	2	3	3

1) Security transports and paper consumption.

Other environmental data	2018	2017	2016
Energy consumption in our offices (MWh)	105 425	114 658	116 335
Electricity consumption in our offices (MWh)	57 598	65 379	66 158
Renewable electricity as a share of total electricity consumption (%)[1]	90	82	69
Paper consumption (tonnes)	1 184	1 075	929
Water consumption (m^3/FTE)	8	7	8
Recycled waste (tonnes)	406	401	473
Incinerated waste (tonnes)	335	317	312
Landfill waste (tonnes)	276	220	363

1) Renewable energy refers to wind, biomass and hydroelectric power.

Internal energy consumption[1]	2018	2017	2016
Total emissions from energy consumption (tonnes CO_2e/MWh)	0.06	0.07	0.14
Energy consumption per employee (MWh/FTE)	6.5	8.1	7.6
Energy consumption per m^2 (MWh/m^2)	0.237	0.251	0.252

1) Swedbank's indirect energy consumption consists of consumption of energy, heating, cooling and gas.

Comparative figures, tonnes CO_2e[1]	2018	2017	2016
Total emissions per employee	1.68	2.02	2.44
Scope 1 and 2 emissions per employee	0.44	0.59	1.14
Total emissions per office space	0.061	0.064	0.081
Scope 1 and 2 emissions per m^2 office space	0.016	0.019	0.038

1) Excluding carbon offsets for 6 500 tonnes of emissions.

Indirect environmental impacts

Swedbank takes a broad range of measures to reduce its indirect environmental impacts and has identified climate change as a key sustainability issue to actively address. How indirect environmental impacts through investing, financing, paying and procuring are managed is covered in each area. Swedbank pledged during the year to follow the Science Based Target Initiative (SBTI), which means among other things that it will implement climate targets for the bank's indirect emissions in accordance with the Paris Agreement, when SBTI publishes the method for the financial sector.

One example of indirect environmental impacts is the leasing business, where Swedbank is one of Sweden's largest fleet owners, with around 62 400 vehicles. As part of AutoPlan fleet administration, which comprises around 43 800 vehicles, customers receive assistance in drafting green car policies, support on sustainability issues, and help measuring and reporting their carbon footprint. Swedbank AutoPlan holds annual environmental seminars that cover current topics and have been well-attended and highly appreciated. Swedbank has its own fleet of company cars and works actively to reduce environmental impacts. The table below shows the downward trend in GHG emissions from Swedbank's company cars and from all new company cars acquired by Swedbank AutoPlan.

Auto leasing AutoPlan	2018	2017	2016
Leasing of vehicles (tonnes CO_2e)[1]	196 497	198 120	192 143
Total number of leased cars	42 839	43 537	42 573
Average emissions, new cars CO_2 (g/km)[2]	111.9	112.5	115.5
Average emissions, total CO_2 (g/km)[2]	115.1	119.0	125.7
Average emissions, new company cars in Swedbank CO_2 (g/km)	92.3	92.9	108.3

1) Emissions based on fuel consumption and fuel type per vehicle over one year.
2) Refers to company cars administered by Swedbank AutoPlan.

S6 Employees

Swedbank's most important resource is its employees. In a business based on competence and that has become increasingly complex, they are becoming even more important. It is critical to retain qualified and engaged employees by offering good working conditions and career opportunities with the bank.

Skills development

Employees who continuously develop and gain experience from different parts of the bank pave the way for better customer offers and in doing so help customers to be successful. The financial industry is undergoing major change with a number of new laws, regulations and guidelines. It is critical therefore that individuals develop their skills. Swedbank offers skills development through internal training and by having employees create personal short- and long-term development plans together with their manager. Skills are largely developed in daily work, in collaboration with other employees and through internal mobility. In addition, the bank offers a large range of its own courses, including on leadership, agile practices and skills development, to support employees who work with customers.

Gender equality and diversity

Gender equality and diversity are a priority for Swedbank and are reflected throughout the company. They are important to the business, the work environment, customer interactions, and to attract and retain talent.

Swedbank is an inclusive bank with the aim that its employees reflect the local community where they work. This has been a long-term goal for several years, and the work continues. The Group Executive Committee has this high on its agenda, and a systematic approach has been taken throughout the Group to prevent discrimination. The emphasis has been on areas where unconscious biases could cause us to make unequal decisions e.g. salaries, recruiting and careers, parenthood, and occupational health and safety. During the year around 50 groups of nearly 1 000 managers attended workshops on gender equality, diversity, inclusion and the importance of norms. The bank's leaders will continue this work with their teams. All business areas and Group functions are involved and set goals in their business plans.

To create a more diverse and inclusive bank with employees from different backgrounds, measures are taken each year to promote diversity and fight discrimination and harassment, which are then evaluated on a regular basis. The guidelines on discrimination and harassment are periodically reviewed and all Human Resource partners receive training on these issues. It is clear that this is essentially a question of respect for human rights, and the bank has zero tolerance for all forms of discrimination. All employees share a responsibility for a healthy work environment free from discrimination and harassment.

Active efforts to achieve gender parity at all levels of the bank have resulted in an increase in the percentage of female specialists, middle managers and senior employees. In upper management the percentage has increased from 29 to 42 per cent since the effort was initiated in 2014.

The results are tracked on a regular basis and measures are taken to improve oversight and awareness. Wage differences are monitored and the work done in recent years to investigate, identify and mitigate unwarranted wage differences has led to improvements. In Latvia, for example, Swedbank was named the country's most gender equal company during the year.

Occupational health and safety

Occupational health and safety is strategically important, and major efforts are made to prevent illness and address any problems that arise. The work environment at Swedbank is safe, stimulating and fosters high performance and long-term relationships internally and externally. Sustainable employees lead to sustainable customer relationships, which in turn create sustainable results for the bank.

Swedbank tries to prevent health issues by setting goals for sustainable employees, tracking absenteeism and responding proactively to early signs of illness. During the year an overhaul of occupational health and safety work was begun. In addition to previous investments in physical health, work is now being intensified on psychosocial aspects. At the same time an adjustment was done of the Group's occupational health and safety goals as follows:

– Total sickness absence (rolling 12 months) <2.8%
– Sustainable Employee Index> 85%
– Zero tolerance for discrimination, harassment and victimisation

Employee surveys

Swedbank has conducted annual employee surveys for years, with high response rates and improved results in all the surveys in 2017: Human Capital Report, Leadership Index, Employee Index and Sustainable Employee Index. The likelihood of recommending Swedbank as an employer, the so-called eNPS score, also improved in the previous year.

In 2018 a review was done of the employee surveys. A new supplier has been hired and a new survey method has been implemented. The two surveys that will be conducted on a regular basis are the Engagement Pulse (EP) and Human Capital Report. (HCR). EP measures engagement and provides a reference point for employees, managers and teams to use with their teams. EP will be conducted every two months and consists of 7 questions, one of which is the eNPS. HCR is an annual survey on such strategically important areas as leadership, corporate culture, health, gender equality and diversity.

Total number and share of new employees by gender, age group and country, %	2018	2017	2016
Number of new employees	1 877	1 598	1680
Women	62	60	61
Men	38	40	39
0–29 years	59	60	65
30–44 years	32	30	29
45–59 years	8	9	6
60– years	1	1	0
Sweden	30	36	31
Estonia	24	22	21
Latvia	17	17	13
Lithuania	29	25	35

Total number of employees by employment type 2018, by gender	Female	Male	Total
Full-time	8 796	5 165	13 961
Part-time	1 471	551	2 022
Total	**10 267**	**5 716**	**15 983**

Total number of employees by employment contract 2018, by gender	Female	Male	Total
Permanent	9 418	5 321	14 739
Temporary	849	395	1 244
Total	**10 267**	**5 716**	**15 983**

Total number of employees by employment contract 2018, by region	Sweden	Estonia	Latvia	Lithuania	Total
Permanent	8 049	2 531	1 713	2 446	14 739
Temporary	843	122	137	142	1 244
Total	**8 892**	**2 653**	**1 850**	**2 588**	**15 983**

Internal training[1]	2018	2017	2016
Total number of training hours	465 165	449 083	362 349
Training costs (SEKm)	123	121	117
Training hours per full-time employee (average FTE)	32	31	24
– training hours men	18	18	11
– training hours women	24	25	17
– training hours managers	28	26	19
– training hours specialists	21	10	8
Training programs in environment, sustainability, code of conduct and anti-money laundering (number)	3 456	12 204	9 299
Training programs in sustainable banking and money laundering and terrorist financing (number)	25 743	3 158	5 266

1) The number of training hours measures only how large a percentage of skills-building activities is through traditional training (e-training and classroom training). The table also includes the savings banks.

Employee survey, index	2018	2017	2016
Engagement index, Results/Comparison[1]	–	84	82
Recommendation index, Results/Comparison[2]	24	21	15
Leadership index, Results/Comparison[1]	–	86	85

1) Swedbank revised its employee survey in 2018, so no comparable data are available.
2) Likelihood of recommending Swedbank as an employer externally. Calculated on a scale of 0–10, where the share of negative responses (0–6) is subtracted from the share of positive responses (9–10).

Rate of employee turnover by gender, age group and country, %	2018	2017	2016
Women	9.2	10.0	9.2
Men	10.8	11.4	9.1
0–29 years	13.8	15.0	10.0
30–44 years	9.6	10.3	8.2
45–59 years	5.4	5.4	5.3
60– years	17.3	36.4	36.8
Sweden	8.7	9.3	8.7
Estonia	10.0	9.5	9.7
Latvia	10.9	13.4	10.1
Lithuania	12.4	12.8	14.5
Group total	9.7	10.3	9.9

Wage difference women vs. men, management positions[1] by country, %[2]	2018	2017	2016
Sweden	–22	–21	–22
Estonia	–28	–31	–38
Latvia	–43	–46	–46
Lithuania	–36	–29	–30
Group total	–32	–33	–35

1) Includes management positions at every level. HR responsibility is the common denominator for this category.
2) The table does not take into consideration either profession or management level. One reason for the differences may be that men still hold more management positions at a higher level with higher salaries.

Wage difference women vs. men, management positions[1] by business area, %[2]	2018	2017	2016
Swedish Banking	–17	–16	–18
Large Corporates & Institutions	–48	–44	–43
Baltic Banking	–41	–41	–40
Group Functions	–21	–19	–24

1) Includes management positions at every level. HR responsibility is the common denominator for this category.
2) The table does not take into consideration either profession or management level. One reason for the differences may be that men still hold more management positions at a higher level with higher salaries.

Wage difference women vs. men, specialists by country, %	2018	2017	2016
Sweden	–20	–21	–22
Estonia	–36	–38	–35
Latvia	–29	–30	–29
Lithuania	–35	–35	–35
Group total	–34	–37	–38

Wage difference female vs. male, specialists by business area, %	2018	2017	2016
Swedish Banking	–14	–15	–15
Large Corporates & Institutions	–36	–39	–40
Baltic Banking	–30	–33	–30
Group Functions	–21	–24	–24

Labour/management relations	2018	2017	2016
Percentage of employees with collective or local agreement or covered by Labour law – Sweden[1]	100	100	100
Percentage of employees covered by collective bargaining agreements[2]	69	69	70

1) The members of the Group Executive Committee are not covered by collective agreements (except the holiday regulations) and the Act on Employment Protection.
2) 100 per cent in Sweden and Lithuania.

Level of education, %	2018	2017	2016
Sweden			
University degree	39	40	40
Other university education	13	14	14
Upper secondary school	47	45	45
Other education	1	1	1
Estonia			
University degree	61	61	60
Other university education	12	13	14
Upper secondary school	20	19	19
Other education	7	7	7
Latvia			
University degree	72	72	68
Other university education	16	16	23
Upper secondary school	12	12	9
Other education	0	0	0
Lithuania			
University degree	81	83	85
Other university education	6	7	7
Upper secondary school	5	4	4
Other education	8	6	4

Age distribution, %	2018	2017	2016
Sweden			
0–29 years	20	19	18
30–44 years	35	36	36
45–59 years	37	38	39
60– years	8	7	7
Estonia			
0–29 years	21	21	23
30–44 years	53	55	55
45–59 years	23	21	20
60– years	3	3	2
Latvia			
0–29 years	24	26	27
30–44 years	62	61	61
45–59 years	13	12	11
60– years	1	1	1
Lithuania			
0–29 years	32	29	30
30–44 years	48	51	50
45–59 years	17	18	18
60– years	3	2	2

S7 IT security and crime prevention

Society's rapid digitisation is accelerating the transition from branches to mobile and internet banking, which is raising demand for stable IT environments and protection against external threats. It is critical that Swedbank's stakeholders have confidence in the security of the bank's IT systems, including stable and reliable digital channels and internal IT environments. Only then can they truly have confidence in society.

Intelligence and collaborations
For security work to be effective, access is needed to intelligence. Swedbank works with a number of public and private actors to track and understand threats to the financial sector. Swedbank's security response team collaborates with others in the sector, in addition to police authorities. As a bank, Swedbank is obligated to report suspicions of market abuse such as insider trading, market manipulation and unlawful disclosure of inside information (MAR). According to the Anti-Money Laundering Act (the Money Laundering and Terrorist Financing (Prevention Act), Swedbank is also obligated, without delay, to report suspicions of money laundering or terrorist financing (SAR) to the Financial Intelligence Unit within the Swedish Police.

Internal rules
To prevent its payment systems from being exploited for criminal activity, Swedbank has built up a set of internal rules, processes and support functions to ensure that we comply with applicable laws and regulations in the area. Swedbank has an obligation to know all its customers, understand where their money comes from and why they want a relationship with the bank, to better detect unusual behaviour. Through the a "Know Your Customer" process, system support to monitor transactions and reconciliations of customer databases against sanction lists, Swedbank minimises these risks.

Swedbank is also a certified TF-CSIRT Trusted Introducer since 2010. Swedbank has organised a central function responsible for coordinating and leading information security work. It is led by the bank's Chief Information Security Officer (CISO) and maintains an effective management system for information security as well as functions for incident response and proactive security testing of the bank's IT environment. Every business area also has Information Security Managers, who coordinate security work locally.

Crime prevention	2018	2017	2016
Number of suspicious orders and transactions (MAR) reported	43	40	22
Number of reports on suspicious transactions regarding money laundering / terrorist financing (SAR)	2 773	1 927	1 751
Number of branch office robberies[1]	0	0	0
Number of advisors with Swedsec licence[2]	4 035	4 062	4 160
Number of employees that completed the annual knowledge update (ÅKU)[2]	6 143	3 971	3 903

1) Refers to Sweden, Estonia, Latvia and Lithuania.
2) Refers to Sweden.

S8 Anti-corruption

Swedbank's operations and conduct should be reflective of the bank's values: simple, open and caring. Everything Swedbank does should be characterised by high ethical standards, where Swedbank and its employees actively assess every transaction, relationship and activity from the standpoint of the bank's ethical norms and positions. This is achieved through a strong commitment to anti-corruption work.

Framework
Swedbank's Board has adopted a Group anti-corruption policy and a policy to combat money laundering and terrorism financing. In addition, a code of conduct has been implemented for employees, which clarifies the bank's positions in a series of guidelines, including on gifts and events and employees' second jobs. These documents spell out the bank's commitments, role and routines internally and in relations with customers and partners.

Sustainability analysis
Through a sustainability analysis, factors such as the environment, human rights, business ethics and corruption are taken into account in lending, investments and procurement (the results are shown on page 197).

Events
Events and activities arranged by the bank to strengthen and build business relationships must comply with applicable laws and fair business practices and be arranged in accordance with the bank's internal rules. For the sake of transparency, control and monitoring, the bank has created a handbook with concrete guidelines on customer events and introduced a reporting system for employeesl.

Whistleblower system
For Swedbank it is important that risks and irregularities are detected and addressed in time. An internal whistleblower routine has been established for the Group, where employees can anonymously report suspected violations of internal or external rules. In 2018 a total of 58 whistleblower reports were filed.

Sideline work
The basic rule at Swedbank is that for sideline work to be approved, it cannot interfere with the employee's performance, benefit a competitor, cause reputational harm, pose a conflict of interest or be inappropriate. Employees' sideline work is evaluated annually.

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

Business Ethics Committee
Swedbank's Business Ethics Committee addresses issues where the environment, human rights, social responsibility, business ethics or corruption are a critical factor in business decisions. The committee's role is to guide the entire organisation in order to minimise sustainability risks and any negative impacts for the bank. The members represent the bank's various business areas and Group Functions, including representatives from the Group Executive Committee and Swedbank's Head of Sustainability. The number of cases escalated to the Business Ethics Committee are tracked, and the minutes from the committee's meetings are distributed to the CEO and the Group Executive Management (see page 197).

Incident during the year
On 15 February 2018 the Bank of Lithuania, after a routine inspection of Swedbank's activities in Lithuania, issued a warning to Swedbank and demanded that it remedy the deficiencies that were identified in Swedbank's internal control systems, processes and documentation for money laundering prevention. Swedbank took the findings from the inspection very seriously and initiated a series of measures aimed at improving internal control systems, ensuring relevant customer due diligence data and enhancing processes and routines. The deficiencies pointed out by the Bank of Lithuania have been corrected. A warning is the lowest level of sanction that the Bank of Lithuania can issue.

S9 Taxes

Being a good taxpayer and contributing to the community is an important part of a company's sustainability work. In accordance with Swedbank's vision and values, it is important to address tax issues responsibly, ethically and transparently. This responsibility applies to tax issues that affect both the bank and customers.

Taxes are an important sustainability issue for Swedbank. Since 2008 Swedbank has a Group-wide tax policy adopted by the Board of Directors. Swedbank openly reports operating profits, assets and tax costs in every country where it operates. Swedbank acts transparently in communications with tax authorities in all these countries.

Swedbank's economic contributions

In addition to paying corporate tax, Swedbank is a major employer in its home markets and provides work more for than 15 000 people. By paying social security contributions for its employees, the bank contributes to social protection. Swedbank incurs large net costs for value-added tax (VAT). In addition, Swedbank pays bank fees in the form of a resolution fee and a deposit guarantee fee, which contribute to the financial stability of society. Swedbank's total cost for taxes and social security was approximately SEK 8 768m in 2018. During the year Swedbank also paid approximately SEK 2 069m in bank fees.

Operating taxes

The sustainability analysis conducted in connection with corporate loan applications requires the borrower to transparently reports taxes. Swedbank has internal processes to reduce the risk that its operations are exploited for tax evasion.

Swedbank does not engage in artificial transactions whose main purpose is to avoid taxes. Swedbank withholds, pays and reports the taxes that its private customers owe for interest, dividends and various types of savings.

In addition to the tax policy, the Swedbank Group has position statements on tax issues. References to taxes can be found in Swedbank's sector guidelines as well as in Swedbank's public positions on investments and asset management.

2018	Sweden	Estonia	Latvia	Lithuania	Norway	USA	Other[1]
Operating profit (SEKm)	19 062	2 768	1 189	1 542	1 477	106	408
Assets (SEKm)	1 808 342	119 511	62 271	99 863	81 184	104 624	74 862
Number of employees[2]	8 149	2 405	1 631	2 268	267	15	130
Tax expense (SEKm)	3 981	500	233	244	327	25	64
Non-deductible VAT (SEKm)	1 165	59	32	68	21	–	–
Social security contributions (SEKm)	1 529	221	86	141	62	2	8
Resolution fees (SEKm)	1 587	27	23	17	–	–	–
Deposit guarantee fees (SEKm)	265	45	58	47	–	–	–

1) Finland, Denmark, Luxembourg, China, Spain and South Africa.
2) Number of Group employees at year-end excluding longterm absentees in relation to hours worked expressed as full-time positions.

S10 Human rights

Swedbank shall always act in accordance with universal human rights. This commitment extends to every market where Swedbank is active and in relation to all its business relationships.

Policy and commitments

As a basis for its responsibility to respect human rights, Swedbank follows the UN's Guiding Principles Reporting Framework and the UN's Global Compact. The principles encourage companies to be aware of human rights risks and to strengthen human rights in their businesses. Swedbank Robur has signed the Principles for Responsible Investment (PRI), an open global initiative for institutional investors supported by the UN, which addresses among other things respect for human rights in investments.

A Group policy on human rights clarifies Swedbank's responsibility to take precautionary measures and prevent human rights violations. Swedbank's code of conduct also requires all employees to abide by Swedbank's values and show equal respect for everyone. On this basis, Swedbank continuously assesses human rights risks in its processes and business decisions.

Human rights in lending and investments

Swedbank conducts a sustainability analysis in connection with all corporate loan applications. The analysis addresses with the customer any risks associated e.g. with its supply chain. If the company has production, procurement or sales in high-risk countries, its ability to manage sustainability related risks is critical (the results are shown on page 197). As support for the analysis, the advisor has guidelines on sustainability risks specific to each sector, such as human rights risks, which are designed to facilitate dialogue and risk assessment. If the company is considered to have significant sustainability risks, the case is forwarded to a credit committee for final decision.

Swedbank Robur's investment process includes a sustainability analysis, part of which covers human rights. The analysis varies in scope for different funds depending on factors such as industry and geography. Special attention is given to industries and regions with elevated risks e.g. companies operating in low-cost countries or non-democracies. Swedbank Robur actively dialogues with companies to improve their sustainability and profitability and to prevent and reduce serious consequences for people and the environment. There are various types of dialogues, e.g. with companies with especially high risks that are on Swedbank Robur's watch list, to follow up incidents, in connection with a sustainability analysis, on topics such as human rights, and as stakeholders in companies in which the funds are major investors. Human rights is also one of the four areas that serve as a basis for determining whether a company can be included in Swedbank Robur's sustainability funds. Children are often a vulnerable group and Swedbank Robur has issued a position statement on children's rights, which is used to influence companies. The purpose is to declare Swedbank Robur's position and its expectation that companies consider children's rights.

Swedbank has adopted a Group position on the defence industry, which sets the conditions for providing financial services to the sector and is protection against human rights violations. This includes a prohibition against investments in and financing of nuclear weapons and applies to all markets where Swedbank operates.

Respect for human rights in the supply chain

Swedbank assesses risks related to human rights in its procurement process. The scope of the risk assessment depends on the industry and where the supplier is located geographically, which is determined through an initial screening. If the supplier is considered high risk in terms of human rights, a more thorough evaluation is conducted and requirements are set for managing human rights in the contract. Swedbank also conducts supplier visits and regularly dialogues with suppliers to verify that established requirements are being followed.

Gender equality and diversity

Knowledge is critical to successfully integrate sustainability aspects and work systematically with improvements. All employees of the Swedbank Group receive basic mandatory training on sustainability covering topics such as gender equality and human rights. The number of training hours is shown on page 200.

Gender equality and diversity are important to the bank's work environment and corporate culture. The work is based on a central diversity and gender equality plan, and every manager is graded based on diversity and equality goals as part of their performance. The Group Executive Committee has focused for several years on and accelerated development in these issues. This also means a stronger focus on integrating gender equality and diversity in the business. Every unit is involved and sets goals for the area in its business plans.

S11 Social engagement

Swedbank's social engagement has shaped the bank and its operations. From the very beginning the goal was to encourage the public to save and achieve long-term economic stability. As a major financial player, the bank impacts and is impact by what happens in society, and our commitment to education, the labour market and entrepreneurship is strong. Positive development in these areas benefits society as well as the bank.

Social engagement

Swedbank's initiatives inspire and encourage people to actively participate in and improve society. They also provide an opportunity to build talent and for the individual and society as a whole to develop.

"A Job at Last" is an example of an initiative where labour market inclusion for foreign-born academics contributes to the bank's talent management. In cooperation with the Swedish Public Employment Service, Swedbank has been able to hire trainees for up to 6 months, which in many cases has led to permanent employment with the bank.

Swedbank Latvia launched a mortgage assistance programme in 2015 to help economically disadvantaged families finance a home. Since the programme was launched, the bank has financed 3 446 loans for a total of EUR 234m. Since March 2018 Swedbank Latvia has also participated in a similar state-run assistance programme for mortgage borrowers up to 35 years of age with a higher education or vocational training. The programme provides a state guarantee of 20 per cent of the loan amount (up to EUR 50 000) with at least a 5 per cent down payment.

Financial education

Financial competence and education play a big role for both individuals and society. Through Swedbank's various initiatives, young people are taught about personal finances in school. In this way the bank reaches all groups in society, regardless of background, and teaches them about money, savings and how, through conscious choices, they can affect their finances and future career.

"Young Economy" is an initiative by Swedbank and the savings banks in Sweden through which 60 000 students attended personal finance lectures in 2018. "Ready for Life" is a similar initiative in Latvia, and the "I Will Be" project in Lithuania is giving students a better understanding of the labour market and help with their future careers. In Estonia around 10 per cent employees guest lectured and about 400 (15%) are registered on the digital platform Back to School.

Lyckoslanten, a magazine for students ages 10–12, has contributed since 1926 to a better understanding of financial issues. The partnership with the foundation Friends in Sweden is another important educational initiative, in this case to prevent bullying.

Swedbank's personal and business economists are active in the public debate and educate customers and the public on topical financial issues in their respective areas. Swedbank also arranges seminars on financial issues and other current topics related to its social engagement. The bank participates in among other things Politicians' Week in Almedalen, Sweden, and its equivalent in Latvia, LAMPA, an event to promote dialogue between politicians and voters.

Encouraging entrepreneurship and innovation

Many new business owners and enterprising employees are needed for the country and Swedbank to grow. Through various initiatives and collaborations, Swedbank promotes and educates entrepreneurs. Among other things, the bank helps to teach young people about entrepreneurship in school, thereby encouraging new businesses and job creators. This benefits both society and the bank.

Junior Achievement in Sweden and Latvia, "Everyone Can Be Great" in Lithuania and Prototron in Estonia are various types of entrepreneurial collaborations for young people. The Estonian initiative Prototron is working to eliminate the funding gap for tech startups by giving them an opportunity to develop their ideas into working prototype. A collaboration between Swedbank, Tallinn University of Technology and Science Park Tehnopol, Prototron has to date financed 59 projects with EUR 730 000 and helped to get 25 new products to market.

A business networking platform was created by Swedbank in Latvia, the Institute of Finances and other external partners in 2013. This innovative digital platform for current and potential corporate customers facilitates business contacts and development between customers and other social networks. In 2018 the Business Network was visited by more than 200 000 unique users.

Social investments, SEKm	2018	2017	2016
Social investments, total	105	121	116
–of which Sweden	92	88	91
–of which Estonia	7	9	7
–of which Latvia	3[1]	17	14
–of which Lithuania	4	7	4

1) Contributions to the donation portal ziedot.lv were discontinued during the year.

Social investments per engagement, %	Sweden	Estonia	Latvia	Lithuania
Sponsorship of social activities	48	65	78	26
Employees' social engagement during working hours	5	23	4	21
Management costs	1	12	15	53
Products and services with a social value	0	0	3	0
Gifts from customers via the bank's products and services	46	0	0	0

Number of lectures	2018	2017	2016
Sweden[1]	2 183	2 128	1 971
Estonia	117[2]	347	612
Latvia	573	1 031	520
Lithuania	433	539	280

1) Including savings banks.
2) Focus on e-learning in Estonia, through which the bank met 13 000 students.

	2018	
Direct economic value generated and distributed, %	SEKm	%[1]
Total income	44 222	–
Interest paid to the public (deposits)	1 234	3
Interest paid on other funding/financing	14 713	33
Deposit guarantee fees	414	1
Resolution fees	1656	4
Tax for the year	5 365	12
Non-deductible VAT	1 345	3
Social insurance costs and pensions	3 177	7
Salaries and fees incl shares in Swedbank	6 777	15
Payments to suppliers, home markets	8 354	19
Proposed shareholder dividend	15 885	36
Profit for the year reinvested in the bank	5 277	12

1) Distribution of financial value creation in relation to total value.

GRI Standards Index

Swedbank reports according to the GRI Standards, Core level. Shown below are the GRI indicators associated with the key topics that were defined based on the bank's materiality analysis, and how these key topics coincide with GRI's general and topic-specific disclosures. The same table shows how Swedbank's work supports the Global Compact's ten principles and how well Swedbank lives up to the new act on sustainability reporting. One or more disclosures are reported for each key topic. Swedbank has used one or more of GRI's disclosures where available and report them in the table below with GRI's designations. For key topics that lack GRI disclosures, the bank's own disclosures have been used. At least one general or topic-specific disclosure is reported for each of our key topics in accordance with the GRI Standards.

GRI 101: Foundation	GRI 200: Economic
GRI 102: General Disclosures	GRI 300: Environmental
GRI 103: Management Approach	GRI 400: Social

Disclosure number	Disclosure title	Page/reference number	Global Compact (principle no.)
GRI 102: General disclosures			
102-1	Name of the organisation	Front cover	
102-2	Activities, brands, products, and services	99 note G6	
102-3	Location of headquarters	55 note G1	
102-4	Location of operations	2, 100 note G7	
102-5	Ownership and legal form	20–21	
102-6	Markets served	2, 100 note G7	
102-7	Scale of the organisation	2–3	
102-8	Information on employees and other workers	106 note G13, 200-201	1–6
102-9	Supply chain	198	1–6
102-10	Significant changes to the organisation and its supply chain	4, 54	1–10
102-11	Precautionary principle or approach	55 note G2, 191	7–9
102-12	External initiatives	188	
102-13	Memberships of associations	188	
Identified material aspects and boundaries			
102-14	Statement from senior decision-maker	6–7	
Ethics and integrity			
102-16	Values, principles, standards, and norms of behaviour	1, 188, 191	1–10
Governance			
102-18	Governance structure	30–47	
Stakeholder engagement			
102-40	List of stakeholder groups	190	
102-41	Collective bargaining agreements	200–201	3
102-42	Identifying and selecting stakeholders	190	
102-43	Approach to stakeholder engagement	190	
102-44	Key topics and concerns raised	190	
Reporting practice			
102-45	Entities included in the consolidated financial statements	31, 188	
102-46	Defining report content and topic Boundaries	189–193	1–10
102-47	List of key topics	189	
102-48	Restatements of information	55 note G2, 198	
102-49	Changes in reporting	189	
102-50	Reporting period	188, 214	
102-51	Date of most recent report	188	
102-52	Reporting cycle	188	
102-53	Contact point for questions regarding the report	225	
102-54	Claims of reporting in accordance with the GRI Standards	188, 205	
102-55	GRI content index	205	
102-56	External assurance	188, 214	1–10

GRI Topic-specific disclosures

Below is a list of specific disclosures associated with the key topics as defined based on the year's materiality analysis, and how well these key topics coincide with GRI's topic-specific disclosures. The same table shows how our work supports the Global Compacts ten principles and UN's global sustainability goals.

One or more disclosures are reported for each key topic. We have used one or more of GRI's disclosures where available and report them in the table below using GRI's designations. For key topics that lack GRI disclosures, Swedbank has used its own disclosures, which do not have GRI designations. At least one topic-specific disclosure is reported for each of our key topics in accordance with the GRI Standards.

Disclosure number	Key topics	Topic-specific disclosure	Page/reference number	Global Compact (princip nr)	SDG
	Sound lending culture			1–10	
GRI 103: Management Approach					
103-1		Explanation of the key topic and its boundary	15, 17, 188–189, 197		
103-2		Management	17, 30–47, 192		
103-3		Sustainability management assessment	197		
		Households with loan-to-value ratio over 70% of property value	197		
		Share of households with loan-to-value ratio over 70% that amortise	197		
	Responsible owner			1–10	
103-1		Explanation of the key topic and its boundary	14, 17, 188 –189, 197		
103-2		Management	17, 30–47, 192		
103-3		Sustainability management assessment	195–196		
G4-FS10		Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	196		
	Attractive employer			1–6	
GRI 103: Management Approach					
103-1		Explanation of the key topic and its boundary	16, 188–189,200		
103-2		Management	30–47, 192		
103-3		Sustainability management assessment	200–201		
GRI 401: Employment					
401-1		New employee hires and employee turnover	200		
401-3		Parental Leave	106, note G13		
GRI 404: Training and Education					
404-1		Average hours of training per year per employee	200		
	Financially stable bank			1–10	
GRI 103: Management Approach					
103-1		Explanation of the key topic and its boundary	14, 17, 22–29, 188–189		
103-2		Management	30–47, 192		
103-3		Sustainability management assessment	3, 22–29		
GRI 201: Economic Performance					
201-1		Direct economic value generated and distributed	204		
		Results and ROE	3, 50–51		
		Capital adequacy ratio	90 note G4		
		Profit for the year	3, 50–51		
		Dividend per share	3, 20–21		
	Profitability and competitive return			1–10	
GRI 103: Management Approach					
103-1		Explanation of the key topic and its boundary	20–29, 188–189		
103-2		Management	30–47, 192		
103-3		Sustainability management assessment	3, 22–29		
201-1		Direct economic value generated and distributed	204		
		Results and ROE	3, 50–51		
		Capital adequacy ratio	90 note G4		
		Profit for the year	3, 20–21		
		Dividend per share	3, 20–21		

Disclosure number	Key topics	Topic-specific disclosure	Page/reference number	Global Compact (princip nr)	SDG
	Sustainable procurement			1–10	
GRI 103: Management Approach					
103-1		Explanation of the key topic and its boundary	15, 188–189, 198		
103-2		Management	30–47, 192		
103-3		Sustainability management assessment	198		
GRI 308: Supplier Environmental Assessment					
308-1		New suppliers screened using environmental criteria	198		
GRI 414: Supplier Social Assessment					
414-1		New suppliers screened using social criteria	198		
	Sustainable products and services			1–10	
GRI 103: Management Approach					
103-1		Explanation of the key topic and its boundary	14–15, 188–189		
103-2		Management	30–47, 192		
103-3		Sustainability management assessment	18–19, 195		
G4-FS6		Percentage of the portfolio for business lines by specific region, size and by sector	197		
G4-FS7		Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	196		
G4-FS8		Monetary value of products and services designed to deliver a specific enviromental benefit for each business line broken down by purpose	196–197		
	Gender equality and diversity			1–6	
GRI 103: Management Approach					
103-1		Explanation of the key topic and its boundary	16, 188–189		
103-2		Management	30–47, 192		
103-3		Sustainability management assessment	18–19, 200		
GRI 405: Diversity and Equal Opportunity					
405-1		Diversity of governance bodies and employees	30–47, 106 note G13, 200		
	Prevent climate change			7–9	
GRI 103: Management Approach					
103-1		Explanation of the key topic and its boundary	16–17, 188–189, 198		
103-2		Management	17, 30–47, 192		
103-3		Sustainability management assessment	18–19, 198–199		
GRI 302: Energy					
302-3		Energy intensity	199		
GRI 305: Emissions					
305-1		Direct (Scope 1) GHG emissions	198		
305-2		Energy indirect (Scope 2) GHG emissions	198		
305-3		Other indirect (Scope 3) GHG emissions	198		
305-4		GHG emissions intensity	199		
	Prevent corruption and money laundering			10	
GRI 103: Management Approach					
103-1		Explanation of the key topic and its boundary	15–16, 188–189		
103-2		Management	30–47, 192		
103-3		Sustainability management assessment	202		
GRI 205: Anti-Corruption					
205-1		Operations assessed for risks related to corruption	202		
		Percentage of suppliers undergoing business ethics risk assessments	198		
		Percentage of holdings in fund portfolios undergoing business ethics risk assessments	196		
		Number of corporate customers undergoing business ethics risk assessments	197		
205-2		Communication and training on anti-corruption policies and procedures	202		

Disclosure number	Key topic	Topic-specific disclosure	Page/reference number	Global Compact (princip nr)	SDG
	Social engagement			1–6	
GRI 103: Management Approach					
103-1		Explanation of the key topic and its boundary	14, 188–189, 204		
103-2		Management	30–47, 192		
103-3		Sustainability management assessment	18–19, 204		
GRI 201: Economic Performance					
201-1		Direct economic value generated and distributed	204		
	Sound compensation culture			1–6, 10	
GRI 103: Management Approach					
103-1		Explanation of the key topic and its boundary	188–189, 200		
103-2		Management	30–47, 192		
103-3		Sustainability management assessment	106 note G13, 200–201		
		Compensation within Swedbank	106 note G13		
GRI 201: Economic performance					
201-3		Defined benefit plan obligations and other retirement plans	106 note G13		
GRI 405: Diversity and Equal Opportunity					
		Gender pay gap	200–201		
	Secure IT systems			3–6, 10	
GRI 103: Management Approach					
103-1		Explanation of the key topic and its boundary	16, 188–189		
103-2		Management	30–47, 192		
103-3		Sustainability management assessment	202		
	Availability			1–2	
GRI 103: Management Approach					
103-1		Explanation of the key topic and its boundary	188–189		
103-2		Management	30–47, 192		
103-3		Sustainability management assessment	194		
GRI-413		Access points in low-populated or economically disadvantaged areas by type	194		
GRI-413		Initiatives to improve access to financial services for disadvantaged people	194		
	Transparent reporting			1–10	
GRI 103: Management Approach					
103-1		Explanation of the key topic and its boundary	188–189, 203		
103-2		Management	30–47, 192		
103-3		Sustainability management assessment	203		
201-1		Direct economic value generated and distributed	204		
		Reporting of taxes for the year	111, note G18, 203		
		Reporting of profit for the year	3, 50–51		

In 2017 the Annual Accounts Act was amended (chapter 6, paragraph 12) to require sustainability reporting. The new requirements stipulate that a sustainability report must contain the sustainability disclosures needed to understand the company's development, financial position and results, and the consequences of its operations, including disclosures on topics concerning the environment, social conditions, personnel, respect for human rights and preventing corruption. The following table, with page references to the report, is presented to clarify how Swedbank meets the new legal requirements.

Page reference by area	Environment	HR	Social conditions	Human rights	Anti-corruption
Business model	12-13	12-13	12-13	12-13	12-13
Material risks	189, 192, 198–199	189, 192, 200–201	189, 192, 204	189, 192, 203	189, 192, 202
Policy, results and indicators	191, 198–199 Environmental policy available on swedbank.com/sustainability	191, 200–201 Occupational health and safety policy available on swedbank.com/sustainability	191, 204 Gender equality and diversity policy available on swedbank.com/sustainability	191, 203 Human rights policy available on swedbank.com/sustainability	191, 202 Anti-corruption policy available on swedbank.com/sustainability
Management of risks	Note G3, page 66, Pillar 3 report,available on swedbank.com	Note G3, page 66, Pillar 3 report,available on swedbank.com	Note G3, page 66, Pillar 3 report,available on swedbank.com	Note G3, page 66, Pillar 3 report,available on swedbank.com	Note G3, page 66, Pillar 3 report,available on swedbank.com

Signatures of the Board of Directors and the CEO

The Board of Directors and the President hereby affirm that the annual report has been prepared in accordance with the Act on Annual Accounts in Credit Institutions and Securities Companies (ÅRKL), the instructions and general guidelines of the Swedish Financial Supervisory Authority (FFFS 2008:25) and the Swedish Financial Accounting Standards Council's recommendation RFR 2 Accounting for Legal Entities, and provides an accurate portrayal of the Parent Company's position and earnings and that the Board of Directors' Report provides an accurate review of trends in the company's operations, position and earnings, as well as describes significant risks and instability factors faced by the company.

The Board of Directors and the President hereby affirm that the consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and provide an accurate portrayal of the Group's position and earnings and that the Board of Directors' report for the Group provides an accurate review of trends in the Group's operations, position and earnings, as well as describes significant risks and instability factors faced by the Group.

Stockholm, 19 February 2019

Lars Idermark
Chair

Ulrika Francke
Vice Chair

Bodil Eriksson

Mats Granryd

Bo Johansson

Anna Mossberg

Peter Norman

Siv Svensson

Magnus Uggla

Camilla Linder
Employee representative

Roger Ljung
Employee representative

Birgitte Bonnesen
President and CEO

Our auditors' report was submitted on 19 February 2019

Deloitte AB

Patrick Honeth
Authorised Public Accountant

Auditors' report

To the annual meeting of the shareholders of Swedbank AB (publ), corporate identity number 502017-7753

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Swedbank AB (publ) for the financial year 2018-01-01 – 2018-12-31 except for the corporate governance statement on pages 30–47. The annual accounts and consolidated accounts of the company are included on pages 22–186 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. Our opinions do not cover the corporate governance statement on pages 30–47. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Judgments and estimates with respect to valuation of loan receivables

Recognition and measurement of financial instruments as regulated in IFRS 9 is a complex area with significant impact on Swedbank's business and financial reporting. IFRS 9 is a new and complex accounting standard which requires significant judgment to determine the loan loss provision.

Key areas of judgment include:

- The interpretation of the requirements to determine loan loss provisions under application of IFRS 9, which is reflected in the Bank's expected credit loss model.
- The identification of exposures with a significant deterioration in credit quality.
- Assumptions used in the expected credit loss model such as the financial condition of the counterparty, expected future cash flows and forward looking macroeconomic factors (e.g. unemployment rates, interest rates, gross domestic product growth, property prices).

At December 31, 2018, loans to the public amounted to 1 627 368 million, with loan loss provisions of 6 023 million. Given the significance of loans to the public (representing 72% of total assets), the impact from the inherent uncertainty and subjectivity involved in assessing loan loss provisions, as well as the extensive disclosures required under IFRS 9, we consider this to be a key audit matter for our audit. Refer to critical judgments and estimates in note G2 and P1 in the financial statements and related disclosures of credit risk in note G3, G17, P2 and P13.

Our audit procedures included, but were not limited to:

- We evaluated key controls within the loan loss provision process to verify if they are appropriately designed and operated effectively during the year; including key controls for approval, recording and monitoring of loans, input, accuracy, completeness and approval of loan loss provision. We also obtained an understanding of the process for key decisions from management and committee meetings that form part of the approval process for loan loss provisions.
- We involved our IT specialists and designed tests to verify if the key controls operated effectively during the year for the IT application used in the credit impairment process and verified the integrity of data used as input to the models including the transfer of data between source systems and the impairment models. We obtained an understanding of system-based and manual controls over the recognition and measurement of loan loss provisions and for key controls designed tests to verify if the controls operated effectively during the year.
- We assessed, supported by our credit risk modelling specialists, the modelling techniques and model methodologies against the requirements of IFRS 9. We assessed the sufficiency of a selection of the underlying models developed for loan loss provisions. We involved our credit risk modelling specialists in the consideration of principal credit risk modelling decisions against requirements of IFRS 9 and industry practice. We evaluated key assumptions, evaluated the calculation methodology and traced a sample of loans back to source data. We re-performed certain model calculations to evaluate the risk parameter inputs and outputs and ECL (Expected Credit Loss) amounts for appropriateness. We evaluated key assumptions such as thresholds used to determine SICR (Significant Increase in Credit Risk) and forward looking macroeconomic scenarios including the related weighting.

- We examined a sample of exposures in detail and performed procedures to evaluate timely identification of exposures with a significant deterioration in credit quality.
- For loan loss provision assessed on an individual basis we examined a selection of individual loan exposure in detail, and evaluated management assessment of the recoverable amount. We tested the assumptions underlying the loan loss provision, including forecast of future cash flows, valuation of underlying collateral and estimates of recovery on default.
- Finally, we assessed the completeness and accuracy of the disclosures relating to loan loss provision to assess compliance with disclosure requirements included in IFRS.

Valuation of complex or illiquid financial instruments

The valuation of financial instruments is a key area of focus of our audit given the degree of complexity involved in valuing some of the financial instruments and the judgments and estimates made by management.

At December 31, 2018, financial instruments measured at fair value, comprised of assets of SEK 332 786 million and liabilities of SEK 263 965 million. For financial instruments that are actively traded and for which quoted market prices are available, there is a high level of objectivity in determining the market price (level 1 instruments). When observable market prices are not available, the fair value of such financial instrument is subject to significant estimation uncertainty (level 2 and 3 instruments). The valuation of such instruments is determined through different valuation techniques, which often includes significant judgments and estimates made by management. In our audit we had a specific focus on the instruments in level 2 and 3, where estimation uncertainty is particularly high, which is why these instruments are considered to be a key audit matter for our audit.

Refer to critical judgments and estimates in note G2 and P1 in the financial statement and related disclosures of financial instruments at fair value in note G45, G46 and P40.

Our audit procedures included, but were not limited to:

- We obtained an understanding of the key controls in the valuation process, and designed tests to verify if the controls operated effectively during the year, which included controls over data inputs into valuation models, validation of valuation models and changes to existing models.
- For level 1 instruments, we tested the fair value by comparing recorded fair values with publicly available market data. For the level 2 and 3 instruments, we assessed the appropriateness of the models and inputs. This work included valuing a sample of financial instruments using independent models and source data and comparing the results to Swedbank's valuations.
- For instruments with significant and unobservable inputs, mainly certain derivatives, we used internal valuation experts to assess and evaluate the different assumptions used.
- We also obtained an understanding of the methodology and inputs used by management to determine the valuation adjustments in the derivatives portfolio and assessed its alignment with IFRS and market practice. We further designed tests to verify that the methodology described had been implemented.
- Finally, we assessed the completeness and accuracy of the disclosures relating to financial instruments at fair value to assess compliance with disclosure requirements included in IFRS.

Impairment of goodwill

At December 31, 2018, goodwill amounted to SEK 13 549 million, primarily related to Baltic Banking. According to IAS 36 Impairment of assets, an assessment is required annually to establish whether an impairment of goodwill is required.

The impairment assessment is based on future cash flows discounted at an appropriate discount rate. The estimation of future cash flows and the level to which they are discounted is inherently uncertain and requires significant judgments. Given the extent of judgments and the size of the goodwill amount, we consider this to be a key audit matter for our audit.

Refer to critical judgments and estimates in Note G2 and P1 in the financial statement and related disclosures of goodwill in note G30 and P26.

Our audit procedures included, but were not limited to:

- We assessed that the methodology and impairment model used are in accordance with IAS 36.
- We assessed, together with our valuation experts, the different judgment areas and assumptions in the discounted cash flow model, for example discount rates, long-term growth, credit impairments and cost levels.
- Key inputs in the model were agreed to supporting documents, such as business/financial plans.
- We evaluated the governance over the impairment testing process by ensuring the involvement of appropriate competencies in the assessments and that decisions were made at the correct level.
- Finally, we assessed the completeness and accuracy of the disclosures relating to goodwill to assess compliance with disclosure requirements included in IFRS.

IT-systems that support complete and accurate financial reporting

Swedbank is dependent on their IT-systems to (1) serve customers, (2) support their business processes, (3) ensure complete and accurate processing of financial transactions and (4) support the overall internal control framework. Several of Swedbank's internal controls over financial reporting are depending upon automated application controls and completeness and integrity of reports generated by the IT-systems. Given the high dependency on technology, we consider this to be a key audit matter for our audit.

Swedbank categorizes their key IT-risk and control domains relating to financial reporting in the following sections:

- Modifications to the IT-environment
- Operations and monitoring of the IT-environment
- Information security

Modifications to the IT-environment

Inappropriate modifications to the IT-environment may result in systems that do not function as expected and result in unreliable data processing with impact on financial reporting. Hence management has implemented processes and controls to support that changes to the IT-environment are appropriately implemented and function consistently with management's intentions.

Our audit procedures included, but were not limited to:

We obtained an understanding and tested key controls to verify if they operated effectively during the year over;

- management's principles and processes for modifications to the IT-environment,
- management's testing and monitoring of modifications in the IT-environment,
- management's procedures to segregate duties or monitor changes involving personnel working with development and production environments.

Operations and monitoring of the IT-environment

Inappropriate operation and monitoring of the IT- environment may result in the inability to prevent or detect incorrect data processing. Hence management has implemented processes and controls to support that IT environment is continuously monitored and that incorrect data processing is identified and corrected.

Our audit procedures included, but were not limited to:

We obtained an understanding of and tested key controls to verify if they operated effectively during the year over;

- IT-System job scheduling and alarm configuration capabilities,
- IT-System and job monitoring capabilities and alarm monitoring.

Information security

If physical and logical security tools and controls are not implemented and configured appropriately, key control activities may be ineffective, desired segregation of duties may not be maintained, and information may be modified inappropriately, become unavailable or disclosed inappropriately. This is of particular importance considering the current cyber threat level. Hence management has implemented processes and controls to support that information is safeguarded through access controls and that known vulnerabilities are timely managed.

Our audit procedures included, but were not limited to:

We obtained an understanding and tested key controls to verify if they operated effectively during the year over;

- the process for identity and access management, including access granting, change and removal,
- processes and tools to ensure availability of data as per user requests and business requirements, including data back-up and restore procedures,
- security governance and system hardening to protect systems and data from unauthorised use, including logging of security events and procedures to identify known vulnerabilities.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–21, 187–208, 215–224. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibilities for the audit of the annual accounts and consolidated accounts is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/revisornsansvar. This description forms part of the auditor´s report".

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Swedbank AB (publ) for the financial year 2018-01-01 – 2018-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's Responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibilities for the audit of the management's administration is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description forms part of the auditor´s report.

The Auditor's Examination of the Corporate Governance Statement

The Board of Directors is responsible for that the corporate governance statement on pages 30–47 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevU 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

Deloitte AB, was appointed auditor of Swedbank AB by the general meeting of the shareholders on March 22, 2018 and has been the company's auditor since prior to June 17, 1994.

Stockholm February 19, 2019
Deloitte AB

Patrick Honeth
Authorised public accountant

Auditor's Limited Assurance Report on Swedbank AB's Sustainability Report

To Swedbank AB, corporate identity number 502017-7753
This is the translation of the auditor's report in Swedish.

Introduction

We have been engaged by the Board of Directors and the President of Swedbank AB to undertake a limited assurance engagement of the Swedbank AB's Sustainability Report for the year 2018. The Company has defined the scope of the Sustainability Report on page 188.

Responsibilities of the Board of Directors and the Executive Management for the Sustainability Report

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, as explained on page 188 in the Sustainability Report, and are the parts of the Sustainability Reporting Guidelines (published by The Global Reporting Initiative (GRI)) which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Swedbank AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

Accordingly, the conclusion of the procedures performed do not express a reasonable assurance conclusion.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report, is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

Stockholm 19 February 2019

Deloitte AB

Patrick Honeth Authorised Public Accountant	Elisabeth Werneman Authorised Public Accountant

Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in Swedbank AB (publ), corporate identity number 502017-7753

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2018 on pages 12-13, 66, 189, 191-192, 198-204 and that it has been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor´s opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm 19 February 2019

Deloitte AB

Patrick Honeth
Authorised Public Accountant

Annual General Meeting

The Annual General Meeting will be held at Oscarsteatern, Kungsgatan 63, Stockholm on Thursday, 28 March 2019.

Notification of attendance

Shareholders who wish to attend the Annual General Meeting must:

- be recorded in the share register maintained by Euroclear Sweden AB (Euroclear) on 22 March 2019.
- notify the company of their intention to participate and the number of persons who will accompany them (max. 2) well before and preferably not later than 22 March 2019.

Notification may be submitted online at www.swedbank.com/ir under Corporate Governance/Annual General Meeting or in writing to Swedbank, c/o Euroclear, Box 7839, SE-103 98 Stockholm, Sweden marking the envelope "Swedbank's AGM" or by telephone +46 8 402 90 60. When notifying the company, please indicate your name, personal/company registration number (for Swedish citizens or companies), address and telephone number. Participation by proxy is permitted, provided the proxy is no more than one year old and is submitted to Swedbank well in advance of the meeting, preferably not later than 22 March 2019. If issued by a legal entity, the proxy must be accompanied by a certified registration certificate or other document attesting to the authority of the signatory.

Nominee-registered shares

To be entitled to attend the meeting, shareholders whose shares are nominee-registered must request to have them temporarily re-registered in their own names in the shareholders' register maintained by Euroclear. The re-registration process must be completed by the nominee well in advance of the record day 22 March 2019.

Notice and agenda

A list of the items on the agenda for the Annual General Meeting is included in the notice of the meeting. The notice will be published no later than 20 February 2019 at http://www.swedbank.com/ir under the heading Annual General Meeting and in Post och Inrikes Tidningar (The Official Swedish Gazette) on 22 February. An announcement of notice publication will also be published in Dagens Nyheter and elsewhere.

Dividend

The Board of Directors recommends that shareholders receive a dividend of SEK 14,20 per ordinary share. The proposed record day for the dividend is 1 April 2019. The last day for trading in Swedbank's shares including the right to the dividend is 28 March 2019. If the Annual General Meeting adopts the Board of Directors' recommendation, the dividend is expected to be paid by Euroclear on 4 April 2019.

Market shares

	Market shares, per cent					Volumes, SEKbn				
Sweden	**2018**	**2017**	**2016**	**2015**	**2014**	**2018**	**2017**	**2016**	**2016**	**2015**
Private Market										
Deposits[1]	20	20	20	20	21	381	357	337	310	286
Lending	23	23	23	23	24	904	867	825	770	731
of which mortgage lending	24	24	25	25	25	800	761	720	665	627
Bank Cards (thousands)	n.a.	n.a.	n.a.	n.a.	n.a.	4 291	4 226	4 152	4 066	3 903
Corporate Market										
Deposits[1]	18	17	18	17	16	186	173	163	140	126
Lending[1]	18	18	20	20	20	415	399	403	391	381

	Market shares, per cent					Volumes, SEKbn				
Baltic countries	**2018**	**2017**	**2016**	**2015**	**2014**	**2018**	**2017**	**2016**	**2016**	**2015**
Private Market										
Estonia (as of 2018-11)										
Deposits	55	55	55	55	54	43	39	35	30	29
Lending	47	46	47	47	46	40	36	33	30	29
of which mortgage lending	46	46	46	46	45	36	33	30	27	27
Bank Cards (thousands) (as of 2017-09)	62	60	60	60	60	966	1 118	1 108	1 104	1 100
Latvia (as of 2018-09)										
Deposits	34	32	31	28	28	29	26	24	20	19
Lending	33	31	31	29	29	18	17	16	15	16
of which mortgage lending	37	34	34	31	31	15	14	14	13	14
Bank Cards (thousands)	46	45	43	43	42	1 007	1 000	988	982	978
Lithuania (as of 2018-09)										
Deposits	42	40	40	37	37	54	47	43	34	33
Lending	35	34	34	28	28	33	29	26	19	18
of which mortgage lending	35	33	33	26	27	30	26	23	16	16
Bank Cards (thousands)	51	51	50	48	49	1 664	1 673	1 705	1 659	1 700

	Market shares, per cent					Volumes, SEKbn				
Baltic countries	**2018**	**2017**	**2016**	**2015**	**2014**	**2018**	**2017**	**2016**	**2016**	**2015**
Corporate Market										
Estonia (as of 2018-11)										
Deposits	47	43	43	41	36	40	35	35	32	28
Lending	37	37	34	34	34	42	37	34	31	31
Latvia (as of 2018-09)										
Deposits	25	15	15	12	12	19	17	19	18	17
Lending	19	17	16	17	17	16	15	15	17	16
Lithuania (as of 2018-09)										
Deposits	27	25	25	24	22	21	18	17	13	13
Lending	19	18	18	23	23	20	18	19	21	19

1) Swedbank has updated the definitions of corporate lending and deposits in Sweden from Q2 2018. Corporate lending includes lending to non-financial corporations. Corporate deposits includes deposits from non-financial corporations. Previous periods have been restated.

Five-year summary

Key ratios	2018	2017	2016	2015	2014
Profit					
Return on equity, %	16,1	15,1	15,8	13,5	15,0
Return on equity continuing operations, %	16,1	15,1	15,8	13,5	15,2
Return on total assets, %	0,84	0,79	0,82	0,67	0,80
Cost/income ratio	0,38	0,39	0,38	0,43	0,44
Net interest margin before trading interest is deducted, %	1,02	1,03	1,01	0,98	1,10
Capital adequacy					
Common Equity Tier 1 ratio, %	16,3	24,6	25,0	24,1	21,2
Tier 1 capital ratio, %	18,0	27,3	28,7	26,9	22,4
Total capital ratio, %	21,5	30,7	31,8	30,3	25,5
Common Equity Tier 1 capital	103 812	100 510	98 679	93 926	87 916
Tier 1 capital	114 761	111 560	112 960	104 550	92 914
Total own Funds	136 993	125 256	125 189	117 819	105 588
Risk exposure amount	637 882	408 351	394 135	389 098	414 214
Credit quality					
Credit impairment ratio, %	0,03	0,08	0,09	0,04	0,03
Total credit impairment provision ratio, %	0,37	n/a	n/a	n/a	n/a
Share of Stage 3 loans, gross, %	0,69	n/a	n/a	n/a	n/a
Share of impaired loans, gross, %	n/a	0,55	0,52	0,40	0,41
Provision ratio for impaired loans, %	n/a	34	33	40	35
Total provision ratio for impaired loans, %	n/a	45	46	56	53

Other data	2018	2017	2016	2015	2014
Private customers, million [1)]	7,3	7,4	7,3	7,2	7,29
Corporate customers, thousands	620	625	651	640	642
Full-time employees	14 865	14 588	14 061	13 893	14 583
Branches [2)]	519	565	603	658	709
ATMs [2)]	1 166	1 199	1 238	1 290	1 397

1) Number of private customers in the baltic countries are reported according to a new definition as from 2015, lowering the reported number of customers by approximately 0.8 million for 2014. Historical figures have been restated accordingly.
2) Including savings banks and partly owned banks.

Comments to five-year summary

2018 – Profit for the year rose 9 per cent to SEK 21 162m, compared with SEK 19 350m 2017. The increase was due to higher net interest income and net commission income as well as an increase in other income. Lower credit impairments also contributed positively. Income increased 5 per cent to SEK 44 222m (42 203). Expenses rose to SEK 16 835m (16 415), largely due to increased staff costs following the acquisition of PayEx. Credit impairments according to IFRS 9 amounted to SEK 521m.

2017 – Profit for the year decreased to SEK 19 350m, compared with SEK 19 539m in the equivalent period in 2016, mainly because the 2016 result was positively affected by a gain of SEK 2 115m on the sale of Visa Europe. Income increased 4 per cent to SEK 42 438m (40 821). Expenses rose to SEK 16 415m (15 627) mainly due to increased staff costs. A restructuring reserve of SEK 300m was established during the year due to changes in the IT organisation. PayEx added SEK 194m to expenses. FX effects raised expenses by SEK 64m. Credit impairments fell to SEK 1 285m (1 367) due to lower provisions for oil related commitments within Large Corporates & Institutions. Credit impairments increased in Swedish Banking due to provisions for a number of individual commitments while Baltic Bankingreported net recoveries

2016 – Profit for the year increased by 24 per cent to SEK 19 539m (15 727). Increased income, mainly due to the sale of Visa Europe, improved net gains and losses on financial items within Group Treasury and higher net interest income contributed positively to the result.

Expenses decreased to SEK 15 627m (15 816). The main reason was higher compensation to the savings banks due to higher lending margins during the year. Staff costs amounted to SEK 9 376m (9 395). Credit impairments increased to SEK 1 367m (594) due to increased provisions within Large Corporates & Institutions for oil related commitments, while Swedish Banking and Baltic Banking reported net recoveries during the period.

2015 – The result for the year decreased by 4 per cent, mainly due to lower net gains and losses on financial items at fair value and a one-off tax expense. Expenses decreased by 7 per cent and was due to one-off expenses of SEK 615m in connection with the acquisition of Sparbanken Öresund in 2014, but also due to efficiencies. Impairment of intangible assets consisted of an IT system writedown and the writedown of a previously acquired asset management assignment. Total lending to the public, excluding repos and the Swedish National Debt Office, increased by 3 per cent, primarily driven by private mortgage lending. Swedbank's increased deposits were mainly driven by Swedish Banking

2014 – Profit before credit impairments increased by 7 per cent. All business segments, as well as the acquisition of Sparbanken Öresund, contributed to higher income. Stronger commission income and net interest income contributed the most. Net gains and losses on financial items also increased, while other income decreased excluding the one-off effect of SEK 461m from the acquisition of Sparbanken Öresund. Expenses increased by 6 per cent to SEK 17 119m, slightly below the expense target. Of these expenses, SEK 615m were one-off expenses attributable to the acquisition of Sparbanken Öresund during the second quarter 2014. Excluding Sparbanken Öresund, expenses decreased slightly.

Income statement, SEKm	**2018**	**2017**	**2016**	**2015**	**2014**
Net interest income	25 228	24 595	22 850	22 476	22 159
Net commissions	12 836	12 206	11 502	11 199	11 204
Net gains and losses on financial items	2 112	1 934	2 231	571	1 986
Net insurance	1 192	937	754	708	581
Share of profit or loss of associates	1 028	736	2 263	863	980
Other income	1 826	1 795	1 017	1 290	1 911
Total income	**44 222**	**42 203**	**40 617**	**37 107**	**38 821**
Staff costs	10 284	9 945	9 376	9 395	10 259
Other expenses	5 865	5 870	5 622	5 749	6 142
Depreciation/amortisation of tangible and intangible fixed assets	686	600	629	672	718
Total expenses	**16 835**	**16 415**	**15 627**	**15 816**	**17 119**
Profit before impairments	**27 387**	**25 788**	**24 990**	**21 291**	**21 702**
Impairments of intangible fixed assets	306	175	35	254	1
Impairments of tangible fixed assets	8	21	31	72	256
Credit impairments	521	1 285	1 367	594	419
Operating profit	**26 552**	**24 307**	**23 557**	**20 371**	**21 026**
Tax expense	5 374	4 943	4 005	4 625	4 301
Profit from continuing operations	21 178	19 364	19 552	15 746	16 725
Profit for the period from discontinued operations, after tax				–6	–262
Profit for the year	21 178	19 364	19 552	15 740	16 463
Profit for the year attributable to:					
Shareholders in Swedbank AB	**21 162**	**19 350**	**19 539**	**15 727**	**16 447**
Non-controlling interests	16	14	13	13	16

Balance sheet, SEKm	2018	2017	2016	2015	2014
Loans to credit institutions	36 268	30 746	32 197	86 418	113 820
Loans to the public	1 627 368	1 535 198	1 507 247	1 413 955	1 404 507
Interest-bearing securities					
Treasury bills and other bills eligible for refinancing with central banks	99 579	85 903	107 571	76 552	46 225
Bonds and other interest-bearing securities	53 312	59 131	74 501	88 610	124 455
Shares and participating interests					
Financial assets for which customers bear the investment risk	177 868	180 320	160 114	153 442	143 319
Shares and participating interests	4 921	19 850	23 897	11 074	9 931
Shares and participating interests in associates	6 088	6 357	7 319	5 382	4 924
Derivatives	39 665	55 680	87 811	86 107	123 202
Others	201 023	239 451	153 546	227 315	150 914
Total assets	**2 246 092**	**2 212 636**	**2 154 203**	**2 148 855**	**2 121 297**
Amounts owed to credit institutions	57 218	68 055	71 831	150 493	171 453
Deposits and borrowings from the public	920 750	855 609	792 924	748 271	676 679
Debt securities in issue	804 360	844 204	841 673	826 535	835 012
Financial liabilities for which customers bear the investment risk	178 662	181 124	161 051	157 836	146 177
Derivatives	31 316	46 200	85 589	68 681	85 694
Other	81 993	58 364	44 176	49 084	69 952
Subordinated liabilities	34 184	25 508	27 254	24 613	18 957
Equity	137 609	133 572	129 705	123 342	117 373
Total liabilities and equity	**2 246 092**	**2 212 636**	**2 154 203**	**2 148 855**	**2 121 297**

Three-year summary

Swedish Banking

SEKm	2018	2017	2016
Income statement			
Net interest income	15 403	15 103	13 969
Net commissions	7 595	7 481	6 967
Net gains and losses on financial items	400	398	306
Share of profit or loss of associates	693	654	618
Other income	1 484	1 311	583
Total income	**25 575**	**24 947**	**22 443**
Staff costs	3 116	3 137	3 106
Variable staff costs	71	103	136
Other expenses	5 776	5 621	5 517
Depreciation/amortization	57	67	97
Total expenses	**9 020**	**8 928**	**8 856**
Profit before impairments	**16 555**	**16 019**	**13 587**
Impairment of intangible assets		80	
Impairment of tangible assets			
Credit impairments	727	413	–51
Operating profit	**15 828**	**15 526**	**13 638**
Tax expense	3 047	2 946	2 768
Profit for the year attributable to: Shareholders of Swedbank AB	**12 765**	**12 566**	**10 857**
Non-controlling interests	16	14	13
Balance sheet, SEKbn			
Cash and balances with central banks			
Loans to credit institutions	6	5	5
Loans to the public	1 188	1 150	1 135
Bonds and other interest-bearing securities			
Financial assets for which customers bear inv. risk	174	176	156
Derivatives			
Other assets	9	15	10
Total assets	**1 377**	**1 346**	**1 306**
Amounts owed to credit institutions	28	26	24
Deposits and borrowings from the public	564	530	500
Debt securities in issue			
Financial liabilities for which customers bear inv. risk	174	177	157
Derivatives			
Other liabilities	548	556	572
Subordinated liabilities			
Total liabilities	**1 314**	**1 289**	**1 253**
Allocated equity	63	57	53
Total liabilities and equity	**1 377**	**1 346**	**1 306**
Income items			
Income from external customers	25 519	24 845	22 342
Income from transactions with other business areas	56	102	101
Key ratios			
Return on allocated equity, %	20,8	22,5	20,5
Loans/deposits	213	219	229
Loans, excluding repurchase agreements and Swedish National Debt Office, SEKbn	1188	1150	1135
Deposits, excluding repurchase agreements andSwedish National Debt Office, SEKbn	559	525	496
Credit impairment ratio, %	0.06	0.04	0.00
Cost/income ratio	0.35	0.36	0.39
Risk exposure amount	382	171	182
Full-time employees	3 846	3 980	4 090
Allocated equity, average, SEKbn	61	56	53

Three-year summary

Baltic Banking

SEKm	2018	2017	2016
Income statement			
Net interest income	4 768	4 221	3 994
Net commissions	2 503	2 364	2 074
Net gains and losses on financial items	272	220	220
Share of profit or loss of associates			
Other income	737	621	520
Total income	**8 280**	**7 426**	**6 808**
Staff costs	946	858	828
Variable staff costs	57	50	64
Other expenses	1 840	1 666	1 546
Depreciation/amortization	91	102	113
Total expenses	**2 934**	**2 676**	**2 551**
Profit before impairments	**5 346**	**4 750**	**4 257**
Impairment of intangible assets			
Impairment of tangible assets	8	21	21
Credit impairments	–208	–97	–35
Operating profit	**5 546**	**4 826**	**4 271**
Tax expense	802	822	580
Profit for the year attributable to: Shareholders of Swedbank AB	**4 744**	**4 004**	**3 691**
Non-controlling interests			
Balance sheet, SEKbn			
Cash and balances with central banks	3	3	3
Loans to credit institutions			
Loans to the public	169	149	140
Bonds and other interest-bearing securities	1	2	1
Financial assets for which customers bear inv. risk	4	4	4
Derivatives			
Other assets	73	52	47
Total assets	**250**	**210**	**195**
Amounts owed to credit institutions			
Deposits and borrowings from the public	221	185	171
Debt securities in issue	1		
Financial liabilities for which customers bear inv. risk	5	4	4
Derivatives			
Other liabilities			
Subordinated liabilities			
Total liabilities	**227**	**189**	**175**
Allocated equity	23	21	20
Total liabilities and equity	**250**	**210**	**195**
Income items			
Income from external customers	8 280	7 426	6 811
Income from transactions with other business areas			
Key ratios			
Return on allocated equity, %	20,6	19,2	18,1
Loans/deposits	77	81	83
Loans, excluding repurchase agreements and Swedish National Debt Office, SEKbn	170	149	140
Deposits, excluding repurchase agreements andSwedish National Debt Office, SEKbn	221	185	170
Credit impairment ratio, %	–0.13	–0.07	–0.03
Cost/income ratio	0.35	0.36	0.37
Risk exposure amount	89	82	79
Full-time employees	3 569	3 476	3 642
Allocated equity, average, SEKbn	23	21	20

Three-year summary

Large Corporates & Institutions

SEKm	2018	2017	2016
Income statement			
Net interest income	3 963	3 545	3 333
Net commissions	2 620	2 348	2 336
Net gains and losses on financial items	1 791	1 854	2 068
Share of profit or loss of associates			
Other income	158	123	77
Total income	**8 532**	**7 870**	**7 814**
Staff costs	1 420	1 454	1 529
Variable staff costs	208	148	233
Other expenses	2 168	1 837	1 652
Depreciation/amortization	84	78	76
Total expenses	**3 880**	**3 517**	**3 490**
Profit before impairments	**4 652**	**4 353**	**4 324**
Impairment of intangible assets			35
Impairment of tangible assets			8
Credit impairments	13	969	1 482
Operating profit	**4 639**	**3 384**	**2 799**
Tax expense	1 005	725	456
Profit for the year attributable to: Shareholders of Swedbank AB	**3 634**	**2 659**	**2 343**
Non-controlling interests			
Balance sheet, SEKbn			
Cash and balances with central banks	3	8	2
Loans to credit institutions	116	54	43
Loans to the public	260	228	228
Bonds and other interest-bearing securities	46	27	34
Financial assets for which customers bear inv. risk			
Derivatives	46	63	97
Other assets	17	39	33
Total assets	**488**	**419**	**437**
Amounts owed to credit institutions	209	179	164
Deposits and borrowings from the public	143	138	127
Debt securities in issue	13	18	18
Financial liabilities for which customers bear inv. risk			
Derivatives	45	60	103
Other liabilities	53		5
Subordinated liabilities			
Total liabilities	**463**	**395**	**417**
Allocated equity	25	24	20
Total liabilities and equity	**488**	**419**	**437**
Income items			
Income from external customers	8 405	7 823	7 760
Income from transactions with other business areas	127	47	54
Key ratios			
Return on allocated equity, %	14,3	12,0	12,0
Loans/deposits	157	158	148
Loans, excluding repurchase agreements and Swedish National Debt Office, SEKbn	220	203	178
Deposits, excluding repurchase agreements andSwedish National Debt Office, SEKbn	140	128	116
Credit impairment ratio, %	0.01	0.40	0.59
Cost/income ratio	0.45	0.45	0.45
Risk exposure amount	146	137	110
Full-time employees	1 256	1 266	1 304
Allocated equity, average, SEKbn	25	22	20

Definitions

CAPITAL REQUIREMENT REGULATIONS, CRR, STATED IN EU REGULATION NO 575/2013

Additional Tier 1 capital
Capital instruments and related share premium accounts that fulfill certain regulatory conditions after considering regulatory adjustments.

Average risk weight
Total risk exposure amount divided by the total exposure value for a number of exposures.

Common Equity Tier 1 capital
Capital consisting of capital instruments, related share premium accounts, retained earnings and other comprehensive income after considering regulatory adjustments.

Common Equity Tier 1 capital ratio
Common Equity Tier 1 capital in relation to the total risk exposure amount.

Expected loss (EL)
Expected loss shall provide an indication of the mean value of the credit losses that Swedbank may reasonably be expected to incur. The expected loss (EL) is the product of the parameters PD, LGD and exposure value.

Exposure value IRB
The exposure after taking into account credit risk mitigation with substitution effects and credit conversion factors, the exposure value is the value to which the risk weight is applied when calculating the risk exposure amount.

Leverage ratio
Tier 1 capital in relation to the total exposure measure, where the exposure measure includes both on- and off-balance sheet items.

Loss given default (LGD)
Loss given default (LGD) measures how large a proportion of the exposure amount that is expected to be lost in the event of default.

Minimum capital requirement
The minimum capital a bank must hold for its credit, market, credit value adjustment, settlement and operational risks according to Pillar I, i.e. 8% of total risk exposure amount.

Own funds
The sum of Tier 1 and Tier 2 capital.

Probability of default (PD)
The probability of default (PD) indicates the risk that a counterparty or contract will default within a 12-month period.

Risk exposure amount
Risk weighted exposure value i.e. the exposure value after considering the risk inherent in the asset.

Tier 1 capital
The sum of Common Equity Tier 1 capital and Additional Tier 1 capital according to article 25 in CRR.

Tier 1 capital ratio
Tier 1 capital in relation to the total risk exposure amount.

Tier 2 capital
Capital instruments and subordinated loans and related share premium accounts that fulfill certain regulatory conditions after considering regulatory adjustments.

Total capital ratio
Own funds in relation to the total risk exposure amount.

ALTERNATIVE PERFORMANCE MEASURES

Allocated equity
Allocated equity is the operating segment's equity measure and is not a measure that is directly required by IFRS. The Group's equity attributable to shareholders is allocated to each operating segment based on capital adequacy rules and estimated capital requirements based on the bank's internal Capital Adequacy Assessment Process (ICAAP).

Cost/income ratio
Total expenses in relation to total income.

Credit impairment provision ratio Stage 3 loans
Credit impairment provisions Stage 3 in relation to the gross carrying amount Stage 3 loans.

Credit impairment ratio
Credit impairment on loans and other credit risk provisions, net, in relation to the opening balance of loans to credit institutions and loans to public after provisions.

Equity per share
Shareholders' equity in relation to the number of shares outstanding.

Loan/deposit ratio
Lending to the public excluding Swedish National Debt Office and repurchase agreements in relation to deposits from the public excluding Swedish National Debt Office and repurchase agreements.

Net interest margin
Callculated as Net interest margin, in relation to average total assets. The average is calculated using month-end figures, including the prior year end.

Net interest margin before trading interest is deducted
Calculated as Net interest margin before trading interest is deducted, in relation to average total assets. The average is calculated using month-end figures, including the prior year end.

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

Provision ratio for impaired loans (2017)
Provisions for impaired loans assessed individually in relation to impaired loans, gross.

ALTERNATIVE PERFORMANCE MEASURES, CONT.

Return on allocated equity
Calculated based on profit for the financial year for the operating segments (operating profit less estimated tax and non-controlling interests), in relation to average allocated equity for the operating segment. The average is calculated using month-end figures, including the prior year end.

Return on equity
Profit for the financial year allocated to shareholders in relation to average equity attributable to shareholders' of the parent company. The average is calculated using month-end figures, including the prior year end.

Return on total assets
Profit for the financial year in relation to average total assets. The average is calculated using month-end figures, including the prior year end.

Share of impaired loans, gross (2017)
Carrying amount of impaired loans, gross, in relation to the carrying amount of loans to credit institutions and the public excluding provisions.

Share of impaired loans, net (2017)
Carrying amount of impaired loans, net, in relation to the carrying amount of loans to credit institutions and the public.

Share of Stage 3 loans, gross
Carrying amount of Stage 3 loans, gross, in relation to the carrying amount of loans to credit institutions and the public excluding provisions.

Total credit impairment provision ratio
Credit impairment provisions in relation to the gross carrying amount loans

Total provision ratio for impaired loans (2017)
All provisions (individually assessed and portfolio) for loans in relation to impaired loans, gross.

OTHER

Cash flow per share
Cash flow for the year in relation to the weighted average number of shares outstanding during the year.

Credit impairment
Established losses and provisions for the year less recoveries related to loans as well as the year's net expenses for guarantees and other contingent liabilities.

Default
Credit exposures are regarded to be in default if there has been an assessment indicating that the counterpart is unlikely to pay its credit obligations as agreed or if the counterpart is past due more than 90 days.

Duration
The average weighted maturity of payment flows calculated at present value and expressed in number of years.

Earnings per share after dilution
Profit for the year allocated to shareholders in relation to the weighted average number of shares outstanding during the year, rights issue adjustment factor included, adjusted for the dilution effect of potential shares.

Earnings per share before dilution
Profit for the year allocated to shareholders in relation to the weighted average number of shares outstanding during the year, rights issue adjustment factor included.

Exposure at default (EAD)
Exposure at default (EAD) measures the utilised exposure at default. For off-balance sheet exposures, EAD is calculated by using a credit conversion factor (CCF) estimating the future utilisation level of unutilised amounts.

Impaired loans (2017)
Loans where there is, on individual level, objective evidence of a loss event, and where this loss event has an impact on the cash flow of the exposure. Impaired loans, gross, less specific provisions for loans assessed individually constitute impaired loans, net.

Individual provisions (2017)
Provisions for individual exposures classified as impaired.

Interest fixing period
Contracted period during which interest on an asset or liability is fixed.

Liquidity Coverage Ratio (LCR)
The LCR was introduced by the EU through the Delegated act on LCR in October 2015. The LCR is used to define a quantitative regulatory requirement on European banks' liquidity risk. A LCR ratio above 100% implies that the bank has enough of liquid assets to cover its liquidity over 30 calendar day time horizon under a significantly severe liquidity stress scenario.

Maturity
The time remaining until an asset or liability's terms change or its maturity date.

Net asset value per share
Shareholders' equity according to the balance sheet and the equity portion of the difference between the book value and fair value of the assets and liabilities divided by the number of shares outstanding at year-end.

Number of employees
The number of employees at year-end, excluding long-term absences, in relation to the number of hours worked expressed in terms of full-time positions.

P/E ratio
Market capitalisation at year-end in relation to Profit for the financial year allocated to shareholders.

Portfolio provisions (2017)
An interim step to individual provisions The provisions are related to a loss event within a group of exposures with similar credit risk characteristics. A loss event has taken place but the impact cannot yet be connected to an individual exposure. The impact of the loss event can be reliably calculated on a group of exposures.

Price/equity
The share price at year-end in relation to the equity per share at year-end.

Restructured loan
A loan where the terms have been modified to more favorable for the borrower, due to the borrower's financial difficulties.

Total return
Share price development during the year including the actual dividend, in relation to the share price at the beginning of the year.

VaR
Value at Risk (VaR) is a statistical measure used to quantify market risk. VaR is defined as the expected maximum loss in value of a portfolio with a given probability over a certain time horizon.

Yield
Dividend per share in relation to the share price at year-end.

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