Q1 2018

Interim report Q1 2018, 24 April 2018

Interim report for the first quarter 2018

First quarter 2018 compared with fourth quarter 2017

- Increased lending volumes supported net interest income
- Lower contribution from asset management and cards weighed on net commission income
- Net gains and losses benefited from higher demand on interest rate hedging
- Cost development in line with expectations
- Good asset quality
- Stronger capitalisation

"Our strong financial position gives us the conditions we need to deliver on our ambitious plans in the next two years."

Birgitte Bonnesen,
President and CEO

Financial information SEKm	Q1 2018[1)]	Q4 2017[2)]	%	Q1 2017[2)]	%
Total income	**10 740**	**10 976**	**1**	**10 651**	**1**
Net interest income	6 294	6 326	-1	5 971	5
Net commission income	3 081	3 335	-8	2 859	8
Net gains and losses on financial items at fair value	559	356	57	486	15
Other income[3)4)]	806	959	-16	1 335	-40
Total expenses	**4 169**	**4 563**	**-9**	**4 003**	**4**
Profit before impairments	6 571	6 413	2	6 648	-1
Impairment of intangible and tangible assets		86		2	
Credit impairments	127	311	-59	339	-63
Tax expense	1 410	1 277	10	1 181	19
Profit for the period attributable to the shareholders of Swedbank AB	**5 033**	**4 737**	**6**	**5 124**	**-2**

Earnings per share, SEK, after dilution	4.50	4.23		4.59	
Return on equity, %	15.4	14.4		15.9	
C/I ratio	0.39	0.42		0.38	
Common Equity Tier 1 capital ratio, %	24.8	24.6		24.2	
Credit impairment ratio, %	0.03	0.08		0.09	

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

CEO Comment

The year began with a high level of activity. In Swedish Banking our private customers can now apply for, and directly receive, a loan commitment digitally. More than half of loan commitments – mortgages and consumer credits – are now wholly digitalised. At the same time, an increasing part of our sales is done through our digital channels. During the quarter we have also extensively worked on compliance with the new regulations GDPR and PSD2. This included increasing customer awareness of customer data management.

The purpose of all these activities is to increase customer value and make banking easier. Our products maintain high quality. For example, Swedbank was ranked number one in Trade Finance in Sweden in Prospera's 2018 survey. The survey also showed that customers are highly likely to recommend the bank to others. In asset management two of our funds – Ny Teknik and Realinvest – were named the best in their categories by Lipper Fund Awards. The funds have provided a consistently strong risk-adjusted return in relation to similar funds in over 20 other countries.

Stronger position in sustainable financing
Goal-oriented work to strengthen our range of sustainable products continued in the first quarter. Swedbank topped the list of banks issuing green bonds on behalf of customers in the Nordic region. In addition, we ourselves issued our second green bond, this time in Swedish kronor. The proceeds will finance sustainable properties and investments in renewable energy, to reduce CO2 emissions.

Proof that our sustainability work is producing results is that our fund management company, Swedbank Robur, won the pension advisor Söderberg & Partners' award as the year's most sustainable asset manager in Sweden. The reason cited was Swedbank Robur's many years of work as an active owner to improve the sustainability efforts of publicly listed companies.

An important initiative in the quarter was an exhibition we helped to arrange together with the Friends Foundation called "Arenans Barn" at Friends Arena in Stockholm. The exhibition is a reminder to us all that 60 000 children a year are bullied.

Robust internal control systems critical to financial stability
The authorities in our Baltic home markets took action in the quarter to strengthen the financial system controls with respect to money laundering and terrorist financing. We welcome these measures and are dialoguing closely with the authorities in each country to ensure that financial stability is maintained, but also to further strengthen our own processes and systems. In Lithuania, for example, we have already taken action to improve our processes after the Lithuanian central bank identified deficiencies in our internal control systems and documentation in the area of money laundering prevention.

Stable and flexible IT infrastructure
We have chosen over the years to update and improve our IT infrastructure step-by-step. As a result, we are currently in a strong position with good opportunities to build on our existing platforms without any great need to replace our core systems.

To make our development work more effective, we have, as I mentioned in the last quarter, reorganised our IT and business development units. The reorganisation is built on the agile and innovative culture that already exists in the bank. Since IT development resources are now being combined with the business operations, our delivery capabilities will be strengthened and the quality of deliveries will improve.

A few years ago we also established an organisation to quickly evaluate potential partnerships, investments and acquisitions in the fintech sector. This is an important aspect when we look ahead and is decisive if we are going to develop solutions that increase customer value or find partners.

Swedish housing market shows signs of stabilising
The Swedish housing market was again a focus in the quarter. Ongoing price adjustments have entered a more stable phase in much of the country. This positions us well to now shift our focus to meeting demand for affordable housing, primarily in large metropolitan regions. As a bank for the many households, we are prepared to finance these projects.

Our financial results were strong in the quarter. Lending volumes to both private and corporate customers grew in all our home markets, while margins were generally stable. Commission income was lower due to expected seasonal effects in card payments and asset management, while securities commissions fell as a consequence of a less favourable stock market. FX effects and higher customer activity in interest rate derivatives strengthened earnings.

Cost discipline is part of our corporate culture. Total expenses in the quarter were in line with our target: total expenses of less than SEK 17bn per annum in both 2018 and 2019.

Credit quality remains good in all our home markets. Our capital position was further strengthened in the quarter and the buffer vis-à-vis the minimum requirements set by the Swedish Financial Supervisory Authority increased.

Our strong financial position gives us the conditions we need to deliver on our ambitious plans in the next two years. I look forward to the rest of the year with great confidence.

Birgitte Bonnesen

Birgitte Bonnesen
President and CEO

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

Financial overview

Income statement SEKm	Q1 2018	Q4 2017	%	Q1 2017	%
Net interest income	6 294	6 326	-1	5 971	5
Net commission income	3 081	3 335	-8	2 859	8
Net gains and losses on financial items at fair value	559	356	57	486	15
Other income[1)]	806	959	-16	1 335	-40
Total income	**10 740**	**10 976**	**-2**	**10 651**	**1**
Staff costs	2 632	2 697	-2	2 448	8
Other expenses	1 537	1 866	-18	1 555	-1
Total expenses	**4 169**	**4 563**	**-9**	**4 003**	**4**
Profit before impairments	**6 571**	**6 413**	**2**	**6 648**	**-1**
Impairment of intangible assets		79			
Impairment of tangible assets		7		2	
Credit impairments, net	127	311	-59	339	-63
Operating profit	**6 444**	**6 016**	**7**	**6 307**	**2**
Tax expense	1 410	1 277	10	1 181	19
Profit for the period	5 034	4 739	6	5 126	-2
Profit for the period attributable to the shareholders of Swedbank AB	**5 033**	**4 737**	**6**	**5 124**	**-2**

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

Key ratios and data per share	Q1 2018	Q4 2017	Q1 2017
Return on equity, %	15.4	14.4	15.9
Earnings per share before dilution, SEK[1)]	4.51	4.25	4.61
Earnings per share after dilution, SEK [1)]	4.50	4.23	4.59
C/I ratio	0.39	0.42	0.38
Equity per share, SEK [1)]	109.7	119.8	107.3
Loan/deposit ratio, %	163	177	162
Common Equity Tier 1 capital ratio, %	24.8	24.6	24.2
Tier 1 capital ratio, %	27.5	27.3	27.5
Total capital ratio, %	31.2	30.7	30.6
Credit impairment ratio, %	0.03	0.08	0.09
Share of Stage 3 loans, gross, %	0.70		
Share of impaired loans, gross, %		0.55	0.50
Total credit impairment provision ratio, %	0.35		
Liquidity coverage ratio (LCR), %	140	171	127
Net stable funding ratio (NSFR), %	110	110	109

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

Balance sheet data SEKbn	31 Mar 2018	31 Dec 2017	%	31 Mar 2017	%
Loans to the public, excluding the Swedish National Debt Office and repurchase agreements	1 528	1 502	2	1 457	5
Deposits and borrowings from the public, excluding the Swedish National Debt Office and repurchase agreements	940	847	11	898	5
Shareholders' equity	123	133	-8	119	3
Total assets	2 469	2 213	12	2 489	-1
Risk exposure amount	411	408	1	411	0

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

Overview

Market

The global economy continues to show solid growth. The long-running economic expansion in the US has produced strong job growth and an unemployment rate of around 4 per cent. In March the Federal Reserve raised its benchmark rate for the sixth time since December 2015, to a range of 1.50-1.75 per cent. Long-term US rates have risen as well due to increased expectations of further rate hikes. The US president announced tariffs on imported steel and aluminium in March. At the same time tensions have grown between the US and China with a risk of further tariffs as the US tries to reduce its huge trade deficit, mainly vis-à-vis China. This created greater volatility in the financial markets. The US large cap index, the S&P 500, fell 1.2 per cent in the quarter. The Stockholm Stock Exchange's large cap OMXS30 index fell 2.6 per cent. It was also affected by dividends during the quarter.

The eurozone also showed solid growth at the same time that unemployment dropped to the lowest level since before the financial crisis in 2008-2009. However, the Purchasing Managers' Index in Europe fell three months in a row albeit from high levels. The European Central Bank (ECB) kept its benchmark rate at 0 per cent at its March meeting, which helped to raise the rate differential between the US and the eurozone. The US dollar, despite higher Fed rates, weakened against the euro since the start of the year, which can be partly explained by expectations of slightly less expansionary policy from the ECB.

The strong global conditions have had an impact on the Swedish economy. In the fourth quarter of 2017 exports were the biggest contributor to growth. In total, GDP rose 0.9 per cent compared with the preceding quarter and 3.3 per cent at a calendar-adjusted annual rate. Investment, which previously had been driving growth, slowed at the end of last year due to lower business and housing investment. Household consumption has levelled off somewhat in the wake of stock market volatility and lower house prices. House prices climbed 3.0 per cent in the first three months of the year compared with year-end 2017. On a full-year basis, however, prices were down 4.5 per cent. Total household lending continued to grow at an annual rate of 7.0 per cent in February, of which mortgage loans grew 7.2 per cent on an annual basis, unchanged compared with the end of December. The trend towards rising employment and falling unemployment continued. Wage growth on the other hand remained modest despite widespread labour shortages. The inflation rate (CPIF) fell at the start of the first quarter, which coupled with a weaker housing market led to a decline in the krona against both the dollar and the euro. In March, however, the CPIF rose to 2 per cent, in line with the Riksbank's target but slightly lower than market expectations.

The Baltic economies continue to report stronger growth than the eurozone average, supported by solid global economic conditions and strong domestic demand. The highest growth rate was in Estonia, where GDP rose 5.3 per cent in the fourth quarter compared with the same period in 2016, followed by Latvia (4.7 per cent) and Lithuania (3.8 per cent). Falling unemployment in the Baltic countries is contributing to a rapid rise in wage growth in the region. The inflation rate fell in recent months, however, after having fluctuated around a peak of 3-4 per cent in Estonia and Latvia. In March inflation was 2.8 per cent in Estonia, followed by Lithuania (2.7 per cent) and Latvia (2.1 per cent).

Important to note

Swedbank adopted the new reporting standard IFRS 9 Financial Instruments as of the financial year 2018. IFRS 9 replaces IAS 39 and contains among other things new rules on the classification and measurement of financial instruments. The application of IFRS 9 reduced equity by SEK 2.1bn and had a negative effect on the Common Equity Tier 1 capital ratio of 0.06 percentage points between 31 December 2017 and 1 January 2018. According to the transition rules, which apply until the end of 2022, part of the increase in the reserve for credit impairments can be reported in Common Equity Tier 1 capital. The transition rules are not obligatory and Swedbank has decided not to apply them. Comparative figures have not been restated. See note 28 for more information.

Swedbank will present contractually accrued interest for financial instruments as part of the carrying amount for the asset or liability in the balance sheet. Previously, contractual interest was recognised in the items Prepaid expenses and accrued income and Accrued expenses and prepaid income in the balance sheet. The change positively affected loans to the public by SEK 1.7bn between 31 December 2017 and 1 January 2018, but does not affect the size of the total balance sheet. Comparative figures have not been restated.

After reviewing the services provided to the savings banks, Swedbank transferred part of the income that was previously recognised in Other income to Commission income. The change was made to better reflect the scope of these services. For the full-year 2017 the change means that SEK 176m was transferred from Other income to Commission income, mostly to the item Payment processing commissions. The change has no effect on Swedbank's total income. Comparative figures have been restated.

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

Group development

Result first quarter 2018 compared with fourth quarter 2017

Swedbank reported profit of SEK 5 033m in the first quarter 2018, compared with SEK 4 737m in the previous quarter. Expenses were lower as the fourth quarter had been negatively affected by SEK 300m to establish a restructuring reserve as a result of organisational changes in Swedbank's IT and business development organisation. Lower credit impairments also had a positive effect. FX changes increased profit by SEK 20m.

The return on equity was 15.4 per cent (14.4) and the cost/income ratio was 0.39 (0.42).

Income decreased in total by 2 per cent, to SEK 10 740m (10 976) mainly because net commission income and other income including the share of profit or loss of associates were lower. FX effects increased income by SEK 49m.

Net interest income fell 1 per cent to SEK 6 294m (6 326). An increase in the resolution fee of SEK 81m and fewer days during the quarter had a negative effect. Increased lending volumes and positive FX effects after the Swedish krona weakened against the euro contributed positively.

Net commission income fell 8 per cent to SEK 3 081m (3 335). Income from securities commissions and asset management fell due to less favourable stock market development and because annual performance based fees positively affected income in the fourth quarter. This was partly offset by positive net flows in the quarter. Card commissions were seasonally lower because the holiday shopping season generated higher income in the fourth quarter.

Net gains and losses on financial items at fair value rose to SEK 559m (356). The main reasons were an improved result within Large Corporates & Institutions due to FX effects, higher demand for interest rate hedging products in Norway and because maturing derivative exposures resulted in positive valuation adjustments (CVA). The result also improved because the fourth quarter was negatively affected by SEK 85m related to FX effects from Ektornet's net investment in foreign operations. Net gains and losses on financial items within Group Treasury decreased because the fourth quarter was positively affected by increased volatility in the currency swap market.

Other income including the share of profit or loss of associates fell to SEK 806m (959). The main reasons were that the fourth quarter was positively affected by lower provisions within the life insurance business and a higher result for EnterCard.

Expenses fell to SEK 4 169m (4 563). Staff costs decreased as the fourth quarter was negatively affected by SEK 300m due to the above-mentioned restructuring reserve. Other expenses were also lower. FX effects increased expenses by SEK 21m.

Credit impairments, according to IFRS 9, amounted to SEK 127m (SEK 311m, according to IAS 39, in the fourth quarter 2017). See note 28 for more information on the transition to IFRS 9.

Impairment of intangible assets amounted to SEK 0m (79) as the fourth quarter included impairments associated with earlier acquisitions of fund and deposit volumes. Impairment of tangible assets amounted to SEK 0m (7).

The tax expense amounted to SEK 1 410m (1 277), corresponding to an effective tax rate of 21.9 per cent (21.2). The difference in the effective tax rate between quarters is largely due to changes in the tax laws in Latvia, which resulted in an increase in the tax rate from 15 to 20 per cent. The Group's effective tax rate is estimated at 21-23 per cent in the medium term at the current Swedish corporate tax rate of 22 per cent. In light of the proposed reduction of the Swedish rate to 20.6 per cent as of 2021, the effective corporate tax rate would be reduced by approximately 1 percentage point (20-22 per cent).

Result first quarter 2018 compared with first quarter 2017

Profit decreased to SEK 5 033m, compared with SEK 5 124m in the equivalent period in 2017, mainly because the 2017 result was positively affected by the Hemnet sale, which resulted in a tax-exempt capital gain of SEK 680m.

The table below shows profit excluding the gain on the Hemnet sale in 2017. Adjusted for this one-off income, profit rose SEK 589m, mainly thanks to higher net interest income and commission income. FX changes increased profit by SEK 26m.

Income statement, SEKm	**Q1 2018**	**Q1 2017**	**Q1 2017 excl. income Hemnet**
Net interest income	6 294	5 971	5 971
Net commission income	3 081	2 859	2 859
Net gains and losses on financial items at fair value	559	486	486
Share of profit or loss of associates	235	175	175
Other income[1)]	571	1 160	480
of which Hemnet		*680*	
Total income	**10 740**	**10 651**	**9 971**
Total expenses	**4 169**	**4 003**	**4 003**
Impairments	127	341	341
Operating profit	**6 444**	**6 307**	**5 627**
Tax expense	1 410	1 181	1 181
Profit for the period attributable to the shareholders of Swedbank AB	**5 033**	**5 124**	**4 444**
Non-controlling interests	1	2	2
Return on equity	15.4	15.9	13.8
Cost/Income ratio	0.39	0.38	0.40

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

The return on equity was 15.4 per cent (15.9) and the cost/income ratio was 0.39 (0.38).

Income rose 1 per cent to SEK 10 740m (10 651). FX changes raised income by SEK 82m. Excluding one-off items income rose 8 per cent.

Net interest income rose 5 per cent to SEK 6 294m (5 971). The increase was mainly due to higher lending volumes, the large part of which related to Swedish mortgages. The increase in the resolution fund fee of SEK 39m had a negative effect on net interest income.

Net commission income rose 8 per cent to SEK 3 081m (2,859) mainly due to increased asset management income as a result of an active equity market and the PayEx acquisition.

Net gains and losses on financial items at fair value rose to SEK 559m (486) mainly because of an improved result within Large Corporates & Institutions.

Other income including the share of profit or loss of associates fell to SEK 806m (1 335) due to the above-mentioned Hemnet sale positively affecting the 2017 result.

Expenses rose to SEK 4 169m (4 003) mainly due to increased staff costs after the PayEx acquisition. FX effects raised expenses by SEK 33m.

Credit impairments, according to IFRS 9, amounted to SEK 127m (SEK 339m, according to IAS 39, in the first quarter 2017). See note 28 for more information on the transition to IFRS 9.

The tax expense amounted to SEK 1 410m (1 181), corresponding to an effective tax rate of 21.9 per cent (18.7). The difference in the effective tax rate between 2017 and 2018 is largely because the first quarter 2017 was affected by the tax-exempt capital gain on the Hemnet sale. The Group's effective tax rate is estimated at 21-23 per cent in the medium term at the current Swedish corporate tax rate of 22 per cent. In light of the proposed reduction of the corporate tax rate in Sweden to 20.6 per cent as of 2021, the effective tax rate would be reduced by approximately 1 percentage point (20-22 per cent).

Volume trend by product area

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

Lending

Total lending to the public, excluding repos and lending to the Swedish National Debt Office, rose SEK 26bn to SEK 1 528bn (1 502) compared with the end of the fourth quarter 2017. Compared with 31 March 2017 the increase was SEK 71bn, corresponding to growth of 5 per cent. FX changes positively affected lending by SEK 10bn compared with 31 December 2017 and by SEK 12bn compared with the first quarter 2017.

Loans to the public excl. the Swedish National Debt Office and repurchase agreements, SEKbn	31 Mar 2018	31 Dec 2017	31 Mar 2017
Loans, private mortgage	844	829	790
of which Swedish Banking	771	760	726
of which Baltic Banking	73	69	64
Loans, private other incl tenant-owner associations	153	152	150
of which Swedish Banking	138	138	138
of which Baltic Banking	14	13	12
of which Large Corporates & Inst.	1	1	
Loans, corporate	531	521	517
of which Swedish Banking	255	252	252
of which Baltic Banking	72	67	65
of which Large Corporates & Inst.	204	202	200
Total	**1 528**	**1 502**	**1 457**

Lending to mortgage customers within Swedish Banking increased SEK 11bn to SEK 771bn (760) compared with 31 December 2017. The total market share was 24 per cent as of 28 February (24 per cent as of 31 December 2017). Other private lending including lending to tenant-owner associations was unchanged in the quarter.

Baltic Banking's mortgage volume grew 1 per cent in local currency to the equivalent of SEK 73bn.

Swedbank's Swedish consumer loan volume was SEK 30bn (30), corresponding to a market share of about 9 per cent. Consumer loans include unsecured loans as well as loans secured by a car or a boat. The Baltic consumer loan portfolio grew slightly in the quarter to the equivalent of SEK 8.0bn on 31 March.

Corporate lending rose SEK 10bn in the quarter to SEK 531bn. Corporate lending increased in all business segments. Swedish Banking's volume was affected when SEK 0.8bn was reclassified from the corporate to the private portfolio. In Sweden the market share was 17 per cent as of 28 February (17 per cent as of 31 December 2017).

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

Payments

The total number of Swedbank cards in issue at the end of the quarter was 8.0 million, unchanged compared with the end of the fourth quarter. Compared with the first quarter 2017 the number of cards in issue rose 1 per cent.

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

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

A total of 296 million purchases were made in Sweden with Swedbank cards in the first quarter, an increase of 4 per cent compared with the first quarter 2017. In the Baltic countries there were 123 million Swedbank card purchases, an increase of 13 per cent.

The number of Swedbank's acquired card transactions also rose year-on-year. In the Nordic countries there were 611 million in the first quarter, up 4 per cent from the first quarter 2017. In the Baltic countries the corresponding figures were 87 million and 9 per cent.

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

To make it easier for customers to pay for small purchases by card, Swedbank offers contactless cards. The Baltic launch was in 2016. In Sweden contactless functionality is being added to all replacement cards and newly issued cards as of 2017. At the same time payment terminals in stores are being upgraded to accept contactless cards. In the Baltic countries more than 50 per cent of terminals support contactless payments. In Sweden the corresponding figure is currently over 40 per cent, but the number of contactless terminals is expected to grow quickly and reach more than 50 per cent of stores in 2018.

The number of domestic payments in Sweden fell 4 per cent in the fourth quarter 2017 but rose 11 per cent on an annual basis. Swedbank's market share of payments through the Bankgiro system was 36 per cent. The number of international payments fell 4 per cent compared with the fourth quarter 2017 and rose 11 per cent on an annual basis.

Savings

Total deposits within the business segments – Swedish Banking, Baltic Banking and Large Corporates & Institutions – rose SEK 30bn to SEK 868bn (832) compared with the end of the fourth quarter 2017. Total deposits from the public, including volumes attributable to Group Treasury within Group Functions & Other, increased SEK 93bn in the quarter to SEK 940bn (847). Exchange rates positively affected deposits by SEK 10bn compared with the end of the fourth quarter 2017 and by SEK 15bn compared with the end of the first quarter 2017.

Deposits from the public excl. the Swedish National Debt Office and repurchase agreements, SEKbn	31 Mar 2018	31 Dec 2017	31 Mar 2017
Deposits, private	484	473	442
of which Swedish Banking	367	362	343
of which Baltic Banking	117	111	99
Deposits, corporate	456	374	456
of which Swedish Banking	156	163	147
of which Baltic Banking	78	74	69
of which Large Corporates & Inst.	150	128	146
of which Group Functions & Other	72	9	94
Total	**940**	**847**	**898**

Swedbank's deposits from private customers rose SEK 11bn in the quarter to SEK 484bn (473). Increases were reported in both Swedish Banking and Baltic Banking.

Corporate deposits in the business segments rose in total by SEK 19bn in the quarter, most of which was attributable to Large Corporates & Institutions. Deposits decreased SEK 7bn in Swedish Banking and rose SEK 4bn in Baltic Banking. In Large Corporates & Institutions corporate deposits rose SEK 22bn. As in the equivalent period in 2017, the large part related to increased deposits from financial institutions after year-end.

Deposits within Group Treasury rose SEK 63bn largely due to higher volumes from US money market funds.

Market shares in Sweden were stable in the quarter. The market share for household deposits was 21 per cent as of 31 December (21 per cent as of 31 December 2017) and for corporate deposits was 19 per cent (20). For more information on deposits, see page 37 of the Fact book.

Asset management, SEKbn	31 Mar 2018	31 Dec 2017	31 Mar 2017
Total Asset Management	**1 300**	**1 259**	**1 216**
Assets under management	**890**	**876**	**833**
Assets under management, Robur	884	871	829
of which Sweden	839	829	792
of which Baltic countries	46	43	37
of which eliminations	-1	-1	-1
Assets under management, Other, Baltic countries	5	5	5
Discretionary asset management	**410**	**383**	**383**

Assets under management by Swedbank Robur rose 2 per cent in the quarter to SEK 884bn as of 31 March (SEK 871bn as of 31 December 2017), of which SEK 839bn related to the Swedish fund business and SEK 46bn to the Baltic fund business. The increases in both Sweden and the Baltic countries were mainly due to positive net flows and higher asset values.

The net flow in the Swedish fund market was volatile in the first quarter, mainly due to a turbulent stock market. Cumulatively for the period, the net flow was SEK 8.2bn (SEK 26.1bn in the first quarter 2017), of which there were inflows of SEK 1.9bn to fixed income funds, SEK 4.0bn to mixed funds and SEK 3.0bn to hedge funds and other funds, as well as outflows of SEK 0.7bn from equity funds.

For Swedbank Robur the period began with strong positive net flows in retail and third party distribution. Flows fell somewhat in February and March, however, as they did for the total Swedish fund market. The net flow for the institutional business increased during the quarter. In total, the net flow for the Swedish fund business amounted to SEK 5.3bn in the first quarter. This led to a net flow market share of 65 per cent.

The net flow in the Baltic countries remained positive at SEK 1.4bn. By assets under management, Swedbank Robur is the largest player in the Swedish and Baltic fund markets. As of 31 March the market share in Sweden was 21 per cent. In Estonia and Latvia it was 42 per cent and in Lithuania it was 37 per cent.

Assets under management, life insurance SEKbn	31 Mar 2018	31 Dec 2017	31 Mar 2017
Sweden	180	177	167
of which collective occupational pensions	83	80	74
of which endowment insurance	64	64	62
of which occupational pensions	23	23	20
of which other	9	10	9
Baltic countries	5	5	5

Life insurance assets under management in Sweden rose 2 per cent in the quarter to SEK 180bn. Swedbank has a market share of about 6 per cent in premium payments excluding capital transfers. Total transferred capital amounts to SEK 31.3bn. The market share for transferred capital remains at 12 per cent, ranking Swedbank second in the total transfer market. Swedbank is the largest life insurance company in Estonia and the second largest in Lithuania and Latvia. The market shares as of 31 January were 43 per cent in Estonia, 23 per cent in Lithuania and 19 per cent in Latvia.

Credit and asset quality

Swedbank's credit portfolio is well-balanced with low risk and low credit impairments. In the first quarter credit impairments amounted to SEK 127m (SEK 311m in the fourth quarter) and mainly related to expected credit impairments within Swedish Banking. The credit impairment ratio was 0.03 per cent (0.08). The share of loans in stage 3 (gross) amounted to 0.70 per cent of total lending. The provision ratio for loans in stage 3 was 28 per cent. For more information on asset quality, see pages 39-46 of the Fact book.

Credit impairments, net by business segment SEKm	Q1 2018	Q4 2017	Q1 2017
Swedish Banking	253	264	-3
Baltic Banking	-26	-12	-66
Estonia	-12	-15	-10
Latvia	-9	8	-27
Lithuania	-5	-5	-29
Large Corporates & Institutions	-100	59	408
Total	**127**	**311**	**339**

House prices in Sweden have stabilised somewhat after declining in the fourth quarter 2017. In many larger locations there is still a housing shortage, and uncertainty about prices has made some buyers hesitant. There are differences as well in what homebuyers are looking for and in the supply of new housing.

Housing development projects represent a limited share of Swedbank's total credit portfolio. Loans to property developers have strict requirements on the number of sold units and the finances of new tenant-owner associations. A large share of Swedbank's lending to the segment is to large, established companies with which Swedbank has a long-term relationship.

The average loan-to-value ratio of Swedbank's mortgages was 55 per cent (54) in Sweden, 47 per cent (48) in Estonia, 78 per cent (79) in Latvia and 62 per cent (64) in Lithuania, based on property level. For new lending in the quarter the loan-to-value ratio was 69 per cent in Sweden, 70 per cent in Estonia, 75 per cent in Latvia and 76 per cent in Lithuania. Amortisations in the Swedish mortgage portfolio amounted to about SEK 13bn in the latest 12-month period. For more information, see pages 45-46 of the Fact book.

Operational risks

Losses related to operational risks remained low in the first quarter. One incident occurred in the period that affected customers with instalment contracts. As a result, they did not receive the correct information for their tax returns. All affected customers were informed of the error.

Funding and liquidity

In the first quarter Swedbank issued its second green bond, this time in SEK. Activity in the first quarter was otherwise lower than in the first quarter 2017. In the quarter Swedbank issued SEK 40bn in long-term debt, of which SEK 36bn related to covered bond issues. Total issuance volume for 2018 is expected to be lower than in 2017. Maturities for the full-year 2018 amount nominally to SEK 111bn from the beginning of the year. Issuance plans are based on future long-term funding maturities and are mainly affected by changes in deposit volumes and lending growth, and are therefore adjusted over the course of the year. Outstanding short-term funding, commercial paper and Certificates of Deposit included in debt securities in issue amounted to SEK 183bn as of 31 March (SEK 150bn as of 31 December). At the same time, cash and balance with central banks amounted to SEK 404bn (208). The liquidity reserve amounted to SEK 532bn (349) as of 31 March. The Group's liquidity coverage ratio (LCR) was 140 per cent (171), and for USD and EUR was 222 and 273 per cent respectively. The net stable funding ratio (NSFR) was 110 per cent (110). For more information on funding and liquidity, see notes 15-17 on pages 41-42 and pages 55–71 of the Fact book.

Ratings

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

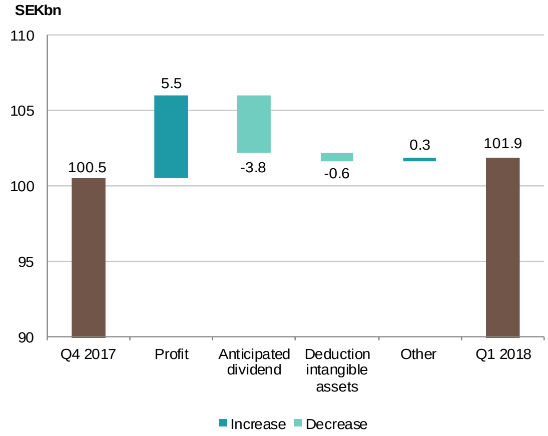
Capital and capital adequacy

Capital ratio

The Common Equity Tier 1 capital ratio was 24.8 per cent as of 31 March (24.6 per cent as of 31 December 2017), compared with the requirement of 22.0 per cent.

Common Equity Tier 1 capital increased to SEK 101.9bn (SEK 100.5bn as of 31 December 2017). The increase is mainly due to profit after deducting the proposed dividend, which raised Common Equity Tier 1 capital by SEK 1.7bn. The revaluation of the estimated pension liability (IAS 19) reduced Common Equity Tier 1 capital by SEK 0.1bn. The introduction of IFRS 9 and an increased deduction for intangible assets also affected Common Equity Tier 1 capital negatively.

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



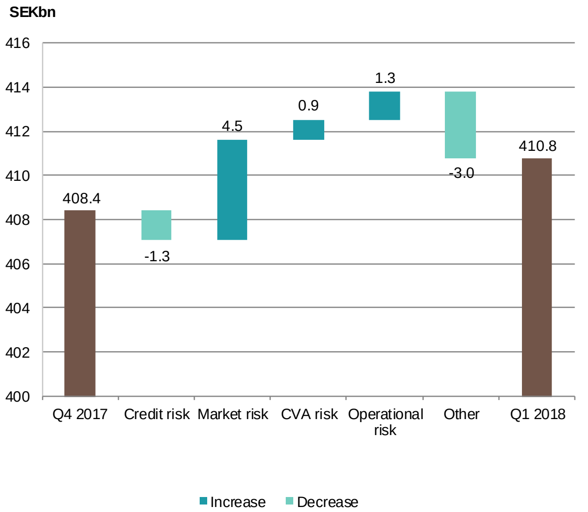
REA rose to SEK 410.8bn (SEK 408.4bn as of 31 December 2017). The increase is mainly due to an increase in REA for market risk of SEK 4.5bn caused by increased exposures. An increase in REA for CVA of SEK 0.9bn also contributed to the higher total REA.

REA for operational risk increased SEK 1.3bn. The annual recalculation of REA for operational risk was done in the quarter, which resulted in an increase in REA mainly due to increased income and because PayEx is included in the standardised approach instead of the basic indicator approach.

REA for credit risk decreased SEK 1.3bn. In the quarter the threshold for retail exposures within Baltic Banking was raised from EUR 200 000 to EUR 800 000. As a result, exposures were transferred from the exposure class corporate to exposure class retail, because of which the exposures in question received a lower risk weight since the average risk weight for retail exposures is lower than for corporate exposures. The LGD model for Baltic retail exposures was updated at the same time. The estimated decrease in REA for this amounted to SEK 4.9bn in the quarter. These effects have been partly offset by increased exposures and FX effects.

The transition to IFRS 9 has reduced REA by SEK 0.7bn.

Change in REA 2018, Swedbank consolidated situation



The leverage ratio was 4.7 per cent (5.2 per cent as of 31 December 2017). The ratio decreased because total assets were higher at the end of the first quarter 2018 than at the end of the fourth quarter 2017.

Capital requirement

The total Common Equity Tier 1 capital requirement, as a percentage of REA, was 22.0 per cent (21.9 per cent as of 31 December 2017). The requirement rose because the capital requirement with respect to the risk weight floor for mortgages in Pillar 2 increased and because the countercyclical buffer in Pillar 1 increased due to the higher REA. The total requirement takes into account Swedbank's Common Equity Tier 1 capital requirement for individual Pillar 2 risks of 1.8 per cent as well as all announced increases in the countercyclical buffer values.

Future capital regulations

In February 2018 the Swedish Ministry of Finance presented a proposal for a new order of priority for repayment of creditors in the Resolution Act effective 29 December 2018. The purpose is to simplify issues of debt instruments that comply with the future terms for subordinated debt in the minimum requirement for own funds and eligible liabilities (MREL).

On 28 March the Swedish Financial Supervisory Authority published a proposal to change the method for the application of the risk weight floor for Swedish mortgages to ensure a level playing field in the Swedish mortgage market. The proposal would replace the current risk weight floor, which today is applied within the overall capital assessment in Pillar 2 with a capital requirement within Pillar 1. The proposed measures, if accepted at the EU level, would enter into force on 31 December 2018. For Swedbank the proposal, if implemented, would lead to an increase in REA and thus a decrease in the reported Common Equity Tier 1 capital ratio and the capital requirement expressed as a percentage of REA. In SEK terms, however, Swedbank's capital requirement and capital base will change marginally.

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.

Events after 31 March 2018

On April 20, Moody's, the credit rating agency, upgraded Swedbank AB's long-term credit rating to Aa2 from Aa3. The upgrade reflects Moody's expectations that the bank will issue additional loss-absorbing debt that comply with the future terms for subordinated debt in the minimum requirement for own funds and eligible liabilities (MREL). At the same time, Moody's placed Swedbank's AT1 ratings under review for downgrade if the Swedish Financial Authority adopts the proposal to move the mortgage risk-weight floor from Pillar 2 to Pillar 1.

On April 23, Swedbank announced an EUR 3m investment in the fintech company Meniga. Meniga and Swedbank have been collaborating since 2017 to improve Swedbank's digital customer experience through a financial activity flow and a platform for data aggregation.

The Finnish credit information company Asiakastieto Group Plc has come to an agreement with all owners of UC AB to acquire the company for a consideration of approximately SEK 3.5bn. Swedbank owns 20 per cent of the shares in UC which today is treated as an associate company and will receive 1,765,669 shares in Asiakastieto, equivalent to 7.4 per cent of the company post transaction completion, and approximately SEK 200m in cash. Swedbank intends to be a long term shareholder of the new group. The transaction will result in a tax-free capital gain of approximately SEK 670m and is expected to close in the second quarter of 2018. The transaction is subject to approval from the relevant competition authorities.

Swedish Banking

- Stable net interest income despite increased resolution fund fee
- Increased consumer and corporate lending volumes
- Launch of a number of digital solutions

Income statement

SEKm	Q1 2018	Q4 2017	%	Q1 2017	%
Net interest income	3 877	3 861	0	3 638	7
Net commission income	1 884	1 960	-4	1 765	7
Net gains and losses on financial items at fair value	96	108	-11	97	-1
Share of profit or loss of associates	202	300	-33	144	40
Other income[1)]	185	217	-15	829	-78
Total income	**6 244**	**6 446**	**-3**	**6 473**	**-4**
Staff costs	794	772	3	805	-1
Variable staff costs	32	3		31	3
Other expenses	1 432	1 519	-6	1 349	6
Depreciation/amortisation	14	17	-18	16	-13
Total expenses	**2 272**	**2 311**	**-2**	**2 201**	**3**
Profit before impairments	**3 972**	**4 135**	**-4**	**4 272**	**-7**
Impairment of intangible assets		80			
Credit impairments	253	264	-4	-3	
Operating profit	**3 719**	**3 791**	**-2**	**4 275**	**-13**
Tax expense	800	757	6	761	5
Profit for the period	2 919	3 034	-4	3 514	-17
Profit for the period attributable to the shareholders of Swedbank AB	**2 918**	**3 032**	**-4**	**3 512**	**-17**
Non-controlling interests	1	2	-50	2	-50
Return on allocated equity, %	19.7	21.3		25.5	
Loan/deposit ratio, %	222	219		228	
Credit impairment ratio, %	0.09	0.09		0.00	
Cost/income ratio	0.36	0.36		0.34	
Loans, SEKbn[2)]	1 164	1 150	1	1 116	4
Deposits, SEKbn[2)]	523	525	0	490	7
Full-time employees	3 901	3 980	-2	4 075	-4

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

Result

First quarter 2018 compared with fourth quarter 2017
Swedish Banking reported profit of SEK 2 918m (3 032). Higher net interest income was offset by lower net commission income and smaller contributions from the insurance business and EnterCard.

Net interest income rose slightly to SEK 3 877m (3 861). Increased lending volumes positively affected net interest income. Residential mortgage volumes amounted to SEK 771bn at the end of the quarter, an increase of SEK 11bn. The margin in the mortgage portfolio increased slightly. Corporate lending rose to SEK 255bn (252). The margins in corporate lending were stable. The higher resolution fund fee negatively affected net interest income. Household deposit volumes increased SEK 5bn in the quarter, while corporate deposits fell SEK 7bn. Deposit margins were stable.

Net commission income decreased 4 per cent to SEK 1 884m (1 960) mainly because falling stock prices generated lower income from securities trading and asset management.

The income contribution from PayEx decreased due to a SEK 35m reallocation to Large Corporates & Institutions.

The share of profit or loss of associates decreased mainly due to lower income from EnterCard.

Other income decreased mainly as a result of lower income from the life insurance business, which was positively affected by lower provisions in the fourth quarter.

Total expenses fell 2 per cent. Staff costs increased while property maintenance and other costs decreased.

Impairment of intangible assets amounted to SEK 0m (80). The impairment loss on intangible assets recognised in the fourth quarter 2017 is associated with previously acquired fund and deposit volumes.

Credit impairments of SEK 253m were recognised during the quarter, according to IFRS 9, the large part of which relates to individually assessed loans in Stage 3.

First quarter 2018 compared with first quarter 2017
Profit decreased 17 per cent to SEK 2 918m (3 512) mainly due to the income from the Hemnet sale in 2017.

This was partly offset by improved net interest income and higher net commission income.

Net interest income increased 7 per cent to SEK 3 877m (3 638) due to higher lending volumes. This was partly offset by lower deposit margins and a higher resolution fund fee compared with 2017.

Net commission income rose 7 per cent to SEK 1 884m (1 765). The increase was mainly due to increased income from fund management, but also increased income from service concepts following the acquisition of PayEx.

Other income fell due to the sale of Fastighetsbyrån's holding in Hemnet in 2017, which generated a tax-exempt capital gain of SEK 680m.

Total expenses increased. Staff costs decreased somewhat. The consolidation of PayEx in August 2017 has increased expenses.

Credit impairments of SEK 253m were recognised during the period, according to IFRS 9. The large part relates to individually assessed loans in Stage 3.

Business development

We began 2018 by making it even easier for customers to manage their finances. It is now possible to apply for a consumer loan digitally with up to two co-applicants. Customers can also apply for and directly receive a loan commitment digitally. In addition, our savings and investment function has been integrated in the app for private customers.

We also continue to develop digital services for corporate customers. It is now possible to apply for Swish for commerce directly in the online corporate bank. We also offer a package of the most popular e-commerce payment services and a new digital partial payment service, which has been made possible by the PayEx acquisition.

Pension campaigns during the quarter targeted both individuals and businesses. The response was positive and led to more advisory conversations, with many customers deciding to open pension accounts or raise their monthly contributions. To help customers better understand their personal finances, we launched a podcast during the quarter called "Let's talk" and during International Money Week we met with secondary school students for the same purpose.

In late March Swedbank won the Swedish Communication Association's award for best communication in the private sector category. As part of our social commitment, we have joined with the Friends Foundation to install an exhibition called "Arenans Barn" at Friends Arena. The exhibition is a reminder that 60 000 children a year are bullied, which is about the seating capacity of the arena.

Christer Trägårdh
Head of Swedish Banking

Sweden is Swedbank's largest market, *with around 4 million private customers and more than 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 savings banks and franchisees, we are always available. Swedbank is part of the community. Branch managers have a strong mandate to act in their local communities. The bank's presence and engagement are expressed in various ways. A project called "Young Jobs", which has created several thousand trainee positions for young people, has played an important part in recent years. Swedbank has 205 branches in Sweden.*

Baltic Banking

- Further increases in household and corporate lending volumes
- FX effects positively affected profit
- New funds were introduced to strengthen our pension offering

Income statement

SEKm	Q1 2018	Q4 2017	%	Q1 2017	%
Net interest income	1 103	1 116	-1	1 001	10
Net commission income	593	711	-17	527	13
Net gains and losses on financial items at fair value	55	59	-7	53	4
Other income[1)]	154	167	-8	136	13
Total income	**1 905**	**2 053**	**-7**	**1 717**	**11**
Staff costs	210	230	-9	203	3
Variable staff costs	14	12	17	16	-13
Other expenses	413	470	-12	390	6
Depreciation/amortisation	24	25	-4	27	-11
Total expenses	**661**	**737**	**-10**	**636**	**4**
Profit before impairments	**1 244**	**1 316**	**-5**	**1 081**	**15**
Impairment of tangible assets		7		2	
Credit impairments	-26	-12		-66	-61
Operating profit	**1 270**	**1 321**	**-4**	**1 145**	**11**
Tax expense	180	229	-21	157	15
Profit for the period	1 090	1 092	0	988	10
Profit for the period attributable to the shareholders of Swedbank AB	**1 090**	**1 092**	**0**	**988**	**10**
Return on allocated equity, %	19.2	20.8		19.5	
Loan/deposit ratio, %	82	81		84	
Credit impairment ratio, %	-0.07	-0.03		-0.19	
Cost/income ratio	0.35	0.36		0.37	
Loans, SEKbn[2)]	159	149	7	141	13
Deposits, SEKbn[2)]	195	185	5	168	16
Full-time employees	3 499	3 476	1	3 590	-3

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

Result

First quarter 2018 compared with fourth quarter 2017
Profit was stable at SEK 1 090m (1 092). Lower income was partly offset by lower expenses and higher recoveries. FX effects positively affected profit by SEK 19m.

Net interest income fell 3 per cent in local currency mainly because there were fewer days in the quarter. Mortgage margins continued to rise somewhat, while margins in corporate lending were slightly lower. FX effects positively affected net interest income by SEK 20m.

Lending volumes rose 2 per cent in local currency. Household lending rose 2 per cent driven by wage increases. Corporate lending rose 3 per cent. Total lending grew in all three Baltic countries. FX effects positively affected lending by SEK 7bn.

Deposits rose 1 per cent in local currency thanks to increased deposits from both households and corporates. FX effects positively affected deposits by SEK 9bn.

Net commission income fell 18 per cent in local currency due to lower income from asset management and cards. Asset management income was positively affected in the fourth quarter by performance based fees.

Net gains and losses on financial items decreased 8 per cent due to seasonally lower customer activity.

Other income decreased 9 per cent in local currency partly due to lower sales of repossessed assets.

Total expenses decreased 12 per cent in local currency due to seasonally higher expenses in the previous quarter.

Credit impairments amounted to income of SEK 26m, according to IFRS 9. The income came from all three Baltic countries. Underlying credit quality remained solid.

First quarter 2018 compared with first quarter 2017
Profit increased to SEK 1 090m (988) thanks to higher net interest income and net commission income. FX effects positively affected profit by SEK 49m.

Net interest income rose 5 per cent in local currency. The increase was mainly due to higher lending volumes. FX effects positively contributed to net interest income by SEK 51m.

Lending volumes rose 5 per cent in local currency bolstered by growth in all the major portfolios: mortgages, consumer finance, corporate lending and leasing. Total lending grew in all three Baltic countries. FX effects positively affected lending by SEK 11bn.

Deposits rose 7 per cent in local currency. Deposits increased from both household and corporate customers. FX effects positively affected deposits by SEK 14bn.

Net commission income grew 7 per cent in local currency mainly thanks to higher card and payment income.

Net gains and losses on financial items were practically unchanged in local currency.

Other income rose 8 per cent in local currency due to higher income from the insurance business.

Total expenses decreased 1 per cent in local currency mainly due to lower expenses for marketing and premises.

Credit impairments amounted to income of SEK 26m, according to IFRS 9.

Business development

In the first quarter 2018 Swedbank continued to improve the customer experience in the digital channels. We began issuing Smart ID at our branches in March to customers who need our support to switch from code card logins to Smart ID in all Baltic countries. Smart ID was launched at the beginning of the year and is used for identification, signing contracts and payment confirmations by mobile phone. Thus far, a half million customers in the Baltic countries have begun using Smart ID.

To improve our savings offering, lifecycle funds have been introduced in Latvia and Lithuania. These funds offer a new way to invest pension capital based on year of birth. In Estonia, the funds have been available since last summer.

To make the leasing process more convenient and faster, a new tool, VendorNet, was launched late last year. The tool is being used by a growing number of vendors to automatically transfer lease applications to Swedbank.

We continue to adapt the ways we interact with our customers to better meet their expectations. We have merged three branches and created one additional advisory team in Lithuania as well another one in Latvia.

Charlotte Elsnitz
Head of Baltic Banking

***Swedbank is the largest bank** by number of customers in Estonia, Latvia and Lithuania, with around 3.3 million private customers and around 300 000 corporate customers. According to surveys, Swedbank is also the most respected company in the financial sector. Through its digital channels (Telephone Bank, Internet Bank and Mobile Bank) and branches, the bank is always available. Swedbank is part of the local community. Its local social engagement is expressed in many ways, with initiatives to promote education, entrepreneurship and social welfare. Swedbank has 34 branches in Estonia, 34 in Latvia and 61 in Lithuania.*

Large Corporates & Institutions

- Net gains and losses on financial items benefited from higher demand for interest rate hedging products
- Good credit quality
- More issues strengthened Swedbank's position in green bonds

Income statement

SEKm	Q1 2018	Q4 2017	%	Q1 2017	%
Net interest income	930	934	0	823	13
Net commission income	621	656	-5	580	7
Net gains and losses on financial items at fair value	564	333	69	452	25
Other income[1)]	22	42	-48	28	-21
Total income	**2 137**	**1 965**	**9**	**1 883**	**13**
Staff costs	363	351	3	385	-6
Variable staff costs	57	-8		72	-21
Other expenses	514	495	4	453	13
Depreciation/amortisation	25	24	4	16	56
Total expenses	**959**	**862**	**11**	**926**	**4**
Profit before impairments	**1 178**	**1 103**	**7**	**957**	**23**
Credit impairments	-100	59		408	
Operating profit	**1 278**	**1 044**	**22**	**549**	
Tax expense	270	209	29	103	
Profit for the period	1 008	835	21	446	
Profit for the period attributable to the shareholders of Swedbank AB	**1 008**	**835**	**21**	**446**	
Return on allocated equity, %	16.9	14.3		8.9	
Loan/deposit ratio, %	137	158		137	
Credit impairment ratio, %	-0.16	0.08		0.67	
Cost/income ratio	0.45	0.44		0.49	
Loans, SEKbn[2)]	205	203	1	200	3
Deposits, SEKbn[2)]	150	128	17	146	3
Full-time employees	1 236	1 266	-2	1 291	-4

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

Result

First quarter 2018 compared with fourth quarter 2017
Profit increased to SEK 1 008m (835). The main reasons were higher net gains and losses on financial items and lower credit impairments.

Net interest income was stable at SEK 930m (934). Lending volumes and margins were stable. Fewer days in the quarter had a negative effect on net interest income at the same time that the contribution from deposits decreased slightly.

Net commission income decreased to SEK 621m (656). The main reason was that the fourth quarter was positively affected by increased variable compensation for discretionary asset management as well as annual fees related to Swedbank's role as a liquidity guarantor in the covered bond market.

Net gains and losses on financial items at fair value increased to SEK 564m (333). The increase mainly relates to positive FX effects. Value adjustments due to expired derivative exposures and higher demand for interest rate hedging products in Norway also contributed positively to profit.

Compared with the previous quarter total expenses rose to SEK 959m (862). Variable staff costs increased due to an adjustment in the previous quarter for employees who left the Norwegian operations in 2017.

Credit impairments amounted to income of SEK 100m, according to IFRS 9. The reason was, among other things, that improved risk factors such as probability of default reduced estimated provisions for credit impairments. Model calibrations since the transition to IFRS 9 have also reduced estimated provisions for credit impairments.

First quarter 2018 compared with first quarter 2017
Profit increased to SEK 1 008m (446) due to higher income and lower credit impairments.

Net interest income increased to SEK 930m (823) due to improved lending margins. Higher lending volumes contributed as well.

Net commission income increased to SEK 621m (580) mainly due to income from PayEx, which was acquired in 2017. Lending-related commissions rose as well. Funding- and advisory-related commissions decreased.

Net gains and losses on financial items at fair value increased to SEK 564m (452). The increase mainly related to positive FX effects, value adjustments for derivatives.

Total expenses rose SEK 959m (926) mainly due to the acquisition of PayEx in 2017 and increased depreciation.

Credit impairments amounted to income of SEK 100m, according to IFRS 9.

Business development

During the quarter Swedbank ranked first in Trade Finance inSweden in Prospera's survey for 2018. In one year Swedbank has risen from fifth place in the ranking to first. In addition to the highest score for overall performance, the survey showed that customers are highly likely to recommend the bank. In addition, the magazine Global Finance named Swedbank the best Trade Finance provider in Estonia, Latvia and Lithuania.

Swedbank continued during the quarter to spread awareness about sustainability and sustainable financing solutions. During the quarter we were the first bank in Sweden to launch a sustainability study to measure progress in Sweden and the Baltic countries, which businesses and politicians can use to prioritise their actions to create a sustainable society. The study is based on the UN's 17 global goals for sustainable development in Agenda 2030 and identifies strengths and weaknesses in four sustainability categories: sustainable medium-term growth, social inclusion, environmental protection, democracy and governance. The results of the study were published in the *Swedbank Economic Outlook* in January.

In the quarter Swedbank issued an SEK 1.5bn green bond to the property company Hemfosa to finance a new energy-efficient hospital in Gardemoen, Norway. In 2018 Swedbank ranked first among Nordic green bond issuers, according to data from Bloomberg, with a market share of nearly 20 per cent and a total of 9 new issues in the quarter.

Elisabeth Beskow Ola Laurin

Elisabeth Beskow & Ola Laurin
Co-Heads of Large Corporates & Institutions

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

Group Functions & Other

Income statement

SEKm	Q1 2018	Q4 2017	%	Q1 2017	%
Net interest income	387	418	-7	511	-24
Net commission income	-28	-6		-25	12
Net gains and losses on financial items at fair value	-157	-145	8	-114	38
Share of profit or loss of associates	33	47	-30	31	6
Other income[1)]	260	264	-2	226	15
Total income	**495**	**578**	**-14**	**629**	**-21**
Staff costs	1 111	1 314	-15	883	26
Variable staff costs	51	23		53	-4
Other expenses	-949	-723	31	-721	32
Depreciation/amortisation	105	105	0	76	38
Total expenses	**318**	**719**	**-56**	**291**	**9**
Profit before impairments	**177**	**-141**		**338**	**-48**
Impairment of intangible assets		-1			
Credit impairments					
Operating profit	**177**	**-140**		**338**	**-48**
Tax expense	160	82	95	160	0
Profit for the period	17	-222		178	-90
Profit for the period attributable to the shareholders of Swedbank AB	**17**	**-222**		**178**	**-90**
Full-time employees	5 969	5 866	2	5 111	17

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

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

First quarter 2018 compared with fourth quarter 2017
Profit improved to SEK 17m (-222) mainly because a restructuring reserve of SEK 300m was established in the fourth quarter. Profit within Group Treasury decreased to SEK 214m (247).

Net interest income fell to SEK 387m (418). Net interest income within Group Treasury fell to SEK 397m (414) partly due to lower covered bond repurchases during the quarter.

Net gains and losses on financial items decreased to SEK -157m (-145). Net gains and losses on financial items within Group Treasury declined to SEK -157m (-88) because the fourth quarter benefited from increased volatility in the currency swap market at the end of 2017, which resulted in positive valuation effects.

Expenses decreased to SEK 318m (719) because the above-mentioned restructuring reserve was expensed in the fourth quarter.

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

First quarter 2018 compared with first quarter 2017
Profit decreased to SEK 17m (178). Group Treasury's profit decreased to SEK 214m (230).

Net interest income fell to SEK 387m (511). Group Treasury's net interest income decreased to SEK 397m (514) mainly due to lower covered bond repurchases during the quarter.

Net gains and losses on financial items at fair value decreased to SEK -157m (-114). Net gains and losses on financial items within Group Treasury decreased to SEK -157m (-118) mainly due to year-end related volatility in the currency swap market in early 2017.

Expenses increased to SEK 318m (291) mainly due to the PayEx acquisition in the second half of 2017.

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

Eliminations

Income statement

SEKm	Q1 2018	Q4 2017	%	Q1 2017	%
Net interest income	-3	-3	0	-2	50
Net commission income	11	14	-21	12	-8
Net gains and losses on financial items at fair value	1	1	0	-2	
Other income[1)]	-50	-78	-36	-59	-15
Total income	**-41**	**-66**	**-38**	**-51**	**-20**
Staff costs					
Variable staff costs					
Other expenses	-41	-66	-38	-51	-20
Depreciation/amortisation					
Total expenses	**-41**	**-66**	**-38**	**-51**	**-20**

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

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

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

Income statement, condensed

Group SEKm	Q1 2018[1)]	Q4 2017[2)]	%	Q1 2017[2)]	%
Interest income	8 779	8 720	1	8 334	5
Negative yield on financial assets	-645	-659	-2	-424	52
Interest income, including negative yield on financial assets	**8 134**	**8 061**	**1**	**7 910**	**3**
Interest expenses	-2 021	-1 957	3	-2 087	-3
Negative yield on financial liabilities	181	222	-18	148	22
Interest expenses, including negative yield on financial liabilities	**-1 840**	**-1 735**	**6**	**-1 939**	**-5**
Net interest income (note 5)	**6 294**	**6 326**	**-1**	**5 971**	**5**
Commission income	4 469	4 782	-7	4 073	10
Commission expenses	-1 388	-1 447	-4	-1 214	14
Net commission income (note 6)	**3 081**	**3 335**	**-8**	**2 859**	**8**
Net gains and losses on financial items at fair value (note 7)	559	356	57	486	15
Insurance premiums	698	686	2	640	9
Insurance provisions	-443	-382	16	-444	0
Net insurance	**255**	**304**	**-16**	**196**	**30**
Share of profit or loss of associates	235	347	-32	175	34
Other income	316	308	3	964	-67
Total income	**10 740**	**10 976**	**-2**	**10 651**	**1**
Staff costs	2 632	2 697	-2	2 448	8
Other expenses (note 8)	1 369	1 695	-19	1 420	-4
Depreciation/amortisation	168	171	-2	135	24
Total expenses	**4 169**	**4 563**	**-9**	**4 003**	**4**
Profit before impairments	**6 571**	**6 413**	**2**	**6 648**	**-1**
Impairment of intangible assets (note 14)		79			
Impairment of tangible assets		7		2	
Credit impairments (note 9)	127	311	-59	339	-63
Operating profit	**6 444**	**6 016**	**7**	**6 307**	**2**
Tax expense	1 410	1 277	10	1 181	19
Profit for the period	5 034	4 739	6	5 126	-2
Profit for the period attributable to the shareholders of Swedbank AB	**5 033**	**4 737**	**6**	**5 124**	**-2**
Non-controlling interests	1	2	-50	2	-50
SEK					
Earnings per share, SEK	4.51	4.25		4.61	
after dilution	4.50	4.23		4.59	

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

Statement of comprehensive income, condensed

Group SEKm	Q1 2018[1)]	Q4 2017	%	Q1 2017	%
Profit for the period reported via income statement	5 034	4 739	6	5 126	-2
Items that will not be reclassified to the income statement					
Remeasurements of defined benefit pension plans	-148	-776	-81	-604	-75
Share related to associates, Remeasurements of defined benefit pension plans	-6	-22	-73	-20	-70
Change in fair value attributable to changes in own credit risk of financial liabilities designated at fair value	6				
Income tax	32	176	-82	137	-77
Total	**-116**	**-622**	**-81**	**-487**	**-76**
Items that may be reclassified to the income statement					
Exchange rate differences, foreign operations					
Gains/losses arising during the period	1 963	732		-87	
Reclassification adjustments to income statement, net gains and losses on financial items at fair value		4			
Hedging of net investments in foreign operations:					
Gains/losses arising during the period	-1 565	-515		81	
Reclassification adjustments to income statement, net gains and losses on financial items at fair value		81			
Cash flow hedges:					
Gains/losses arising during the period	14	34	-59	-113	
Reclassification adjustments to income statement, net interest income		3		3	
Foreign currency basis risk:					
Gains/losses arising during the period	-36				
Reclassification adjustments to income statement, Net gains and losses on financial items at fair value					
Share of other comprehensive income of associates	92	-49		-14	
Income tax					
Income tax	341	89		7	
Reclassification adjustments to income statement, tax		-1		-1	
Total	**809**	**378**		**-124**	
Other comprehensive income for the period, net of tax	**693**	**-244**		**-611**	
Total comprehensive income for the period	**5 727**	**4 495**	**27**	**4 515**	**27**
Total comprehensive income attributable to the shareholders of Swedbank AB	**5 726**	**4 493**	**27**	**4 512**	**27**
Non-controlling interests	1	2	-50	3	-67

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

For January-March 2018 an expense of SEK 116m (487) after tax was recognised in other comprehensive income, including remeasurements of defined benefit pension plans in associates. As per March 31 the discount rate, which is used to calculate the closing pension obligation, was 2.54 per cent, compared with 2.56 per cent at year end. The inflation assumption was 1.95 per cent compared with 1.95 per cent at year end. The fair value of plan assets decreased during the first quarter 2018 by SEK 136m. As a whole, the obligation for defined benefit pension plans exceeded the fair value of plan assets by SEK 3 329m (1 944).

For January-March 2018 an exchange difference of SEK 1 963m (-87) was recognised for the Group's foreign net investments in subsidiaries. In addition, an exchange rate difference of SEK 92m (-15) for the Group's foreign net investments in associates is included in Share related to associates. The gain related to subsidiaries mainly arose because the Swedish krona weakened during the year against the euro. The total gain of SEK 2 055m is not taxable. Since the large part of the Group's foreign net investments is hedged against currency risk, a loss of SEK 1 565m before tax arose for the hedging instruments, compared with a year-earlier loss of SEK 81m.

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

Balance sheet, condensed

Group SEKm	31 Mar 2018[1)]	31 Dec 2017	Δ SEKm	%	31 Mar 2017	%
Assets						
Cash and balance with central banks	398 889	200 371	198 518	99	407 299	-2
Loans to credit institutions (note 10)	36 021	30 746	5 275	17	39 128	-8
Loans to the public (note 10)	1 574 433	1 535 198	39 235	3	1 525 393	3
Value change of interest hedged item in portfolio hedge	1 032	789	243	31	1 228	-16
Interest-bearing securities	147 858	145 034	2 824	2	174 754	-15
Financial assets for which customers bear the investment risk	182 487	180 320	2 167	1	168 293	8
Shares and participating interests	8 201	19 850	-11 649	-59	46 014	-82
Investments in associates	6 376	6 357	19	0	7 265	-12
Derivatives (note 18)	62 594	55 680	6 914	12	76 642	-18
Intangible fixed assets (note 14)	16 931	16 329	602	4	14 367	18
Tangible assets	1 981	1 955	26	1	1 845	7
Current tax assets	1 550	1 375	175	13	1 200	29
Deferred tax assets	181	173	8	5	187	-3
Other assets	29 189	14 499	14 690		20 331	44
Prepaid expenses and accrued income	1 404	3 960	-2 556	-65	4 739	-70
Total assets	**2 469 127**	**2 212 636**	**256 491**	**12**	**2 488 685**	**-1**
Liabilities and equity						
Amounts owed to credit institutions (note 15)	142 493	68 055	74 438		128 015	11
Deposits and borrowings from the public (note 16)	953 763	855 609	98 154	11	917 647	4
Financial liabilities for which customers bear the investment risk	184 272	181 124	3 148	2	170 535	8
Debt securities in issue (note 17)	902 370	844 204	58 166	7	975 920	-8
Short positions, securities	32 671	14 459	18 212		20 507	59
Derivatives (note 18)	42 303	46 200	-3 897	-8	62 657	-32
Current tax liabilities	1 543	1 980	-437	-22	2 233	-31
Deferred tax liabilities	1 686	2 182	-496	-23	2 168	-22
Pension provisions	3 329	3 200	129	4	1 944	71
Insurance provisions	1 884	1 834	50	3	1 825	3
Other liabilities and provisions	49 999	25 059	24 940	100	45 673	9
Accrued expenses and prepaid income	3 387	9 650	-6 263	-65	12 954	-74
Subordinated liabilities (note 17)	26 679	25 508	1 171	5	26 980	-1
Total liabilities	**2 346 379**	**2 079 064**	**267 315**	**13**	**2 369 058**	**-1**
Equity						
Non-controlling interests	203	200	3	2	193	5
Equity attributable to shareholders of the parent company	122 545	133 372	-10 827	-8	119 434	3
Total equity	**122 748**	**133 572**	**-10 824**	**-8**	**119 627**	**3**
Total liabilities and equity	**2 469 127**	**2 212 636**	**256 491**	**12**	**2 488 685**	**-1**

[1)] The Q1 2018 results reflect the adoption of IFRS 9 Financial instruments and prior periods have not been restated. Refer to Note 1 for further information.

Balance sheet analysis

Total assets have increased by SEK 256bn from 1 January 2018. Assets increased mainly due to higher cash and balances with central banks, which rose by SEK 199bn. The increase is mainly attributable to higher deposits with the US Federal Reserve and central banks in the euro system. Deposits and borrowings from the public, excluding the National Debt Office and repos, rose by a total of SEK 93bn. Interest-bearing securities, Treasury bills, increased by SEK 3bn. Lending to the public, excluding the National Debt Office and repos, increased by SEK 27bn. Swedish mortgages increased by SEK 11bn. Amounts owed to credit institutions increased by SEK 74bn. Balance sheet items related to credit institutions fluctuate over time depending on repos, among other things. The increase in securities in issue was mainly a result of higher issued volumes compared with repaid short-term securities funding of SEK 33bn and long-term securities funding by SEK 11bn as an effect of higher issued volumes compared with repaid funding. The increase of Securities in issue was offset by repurchased covered bond loans of SEK 6bn.

Statement of changes in equity, condensed

Group SEKm	Share capital	Other contri-buted equity[1]	Exchange differences, subsidiaries and associates	Hedging of net investments in foreign operations	Cash flow hedges	Foreign currency basis risk reserve	Own credit risk reserve	Retained earnings	Total	Non-controlling interests	Total equity
	Shareholders' equity										
January-March 2018											
Closing balance 31 December 2017	**24 904**	**17 275**	**3 602**	**-2 255**	**28**			**89 818**	**133 372**	**200**	**133 572**
Amendments due to the adoption of IFRS 9					**-38**	**38**	**-36**	**-2 105**	**-2 141**	**2**	**-2 139**
Opening balance 1 January 2018	**24 904**	**17 275**	**3 602**	**-2 255**	**-10**	**38**	**-36**	**87 713**	**131 231**	**202**	**131 433**
Dividends								-14 517	**-14 517**		**-14 517**
Share based payments to employees								103	**103**		**103**
Deferred tax related to share based payments to employees								-19	**-19**		**-19**
Current tax related to share based payments to employees								21	**21**		**21**
Total comprehensive income for the period			2 055	-1 221	11	-36	5	4 912	**5 726**	1	**5 727**
of which reported through profit or loss								5 033	**5 033**	1	**5 034**
of which reported through other comprehensive income			2 055	-1 221	11	-36	5	-121	**693**		**693**
Closing balance 31 December 2016	**24 904**	**17 275**	**5 657**	**-3 476**	**1**	**2**	**-31**	**78 213**	**122 545**	**203**	**122 748**
January-December 2017											
Opening balance 1 January 2017	**24 904**	**17 275**	**2 601**	**-1 748**	**77**			**86 406**	**129 515**	**190**	**129 705**
Dividends								-14 695	**-14 695**	-4	**-14 699**
Share based payments to employees								307	**307**		**307**
Deferred tax related to share based payments to employees								-35	**-35**		**-35**
Current tax related to share based payments to employees								38	**38**		**38**
Total comprehensive income for the period			1 001	-507	-49			17 797	**18 242**	14	**18 256**
of which reported through profit or loss								19 350	**19 350**	14	**19 364**
of which reported through other comprehensive income			1 001	-507	-49			-1 553	**-1 108**		**-1 108**
Closing balance 31 December 2017	**24 904**	**17 275**	**3 602**	**-2 255**	**28**			**89 818**	**133 372**	**200**	**133 572**
January-March 2017											
Opening balance 1 January 2017	**24 904**	**17 275**	**2 601**	**-1 748**	**77**			**86 406**	**129 515**	**190**	**129 705**
Dividends								-14 695	**-14 695**		**-14 695**
Share based payments to employees								103	**103**		**103**
Deferred tax related to share based payments to employees								-38	**-38**		**-38**
Current tax related to share based payments to employees								37	**37**		**37**
Total comprehensive income for the period			-103	63	-85			4 637	**4 512**	3	**4 515**
of which reported through profit or loss								5 124	**5 124**	2	**5 126**
of which reported through other comprehensive income			-103	63	-85			-487	**-612**	1	**-611**
Closing balance 31 March 2017	**24 904**	**17 275**	**2 498**	**-1 685**	**-8**			**76 450**	**119 434**	**193**	**119 627**

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

Cash flow statement, condensed

Group SEKm	Jan-Mar 2018	Full-year 2017	Jan-Mar 2017
Operating activities			
Operating profit	6 444	24 542	6 307
Adjustments for non-cash items in operating activities	-4 604	-1 248	370
Taxes paid	-2 136	-3 714	344
Increase/decrease in loans to credit institutions	-5 013	1 819	-6 938
Increase/decrease in loans to the public	-32 425	-26 994	-19 161
Increase/decrease in holdings of securities for trading	7 733	43 195	-13 951
Increase/decrease in deposits and borrowings from the public including retail bonds	89 281	59 559	125 129
Increase/decrease in amounts owed to credit institutions	73 044	-4 513	56 335
Increase/decrease in other assets	-21 269	25 279	833
Increase/decrease in other liabilities	60 347	-59 577	9 032
Cash flow from operating activities	**171 402**	**58 348**	**158 300**
Investing activities			
Business combinations		-1 268	
Business disposals		6	58
Acquisitions of and contributions to associates			
Acquisitions of other fixed assets and strategic financial assets	-2 532	-592	-111
Disposals/maturity of other fixed assets and strategic financial assets	2 369	1 057	650
Cash flow from investing activities	**-163**	**-797**	**597**
Financing activities			
Issuance of interest-bearing securities	39 949	180 835	86 077
Redemption of interest-bearing securities	-35 000	-207 991	-74 362
Issuance of commercial paper etc.	209 385	1 055 189	274 642
Redemption of commercial paper etc.	-175 501	-992 764	-144 479
Dividends paid	-14 517	-14 699	-14 695
Cash flow from financing activities	**24 316**	**20 570**	**127 183**
Cash flow for the period	**195 555**	**78 121**	**286 080**
Cash and cash equivalents at the beginning of the period	**200 371**	**121 347**	**121 347**
Cash flow for the period	195 555	78 121	286 080
Exchange rate differences on cash and cash equivalents	2 963	903	-128
Cash and cash equivalents at end of the period	**398 889**	**200 371**	**407 299**

During the first quarter of 2017, the associated company Hemnet AB was sold. Swedbank received a payment of SEK 649m. The capital gain was SEK 680 million.

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

Note 1 Accounting policies

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

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

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

Financial Instruments (IFRS 9)

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

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

Revenue from contracts with customers (IFRS 15)

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

Changed presentation of Commission income

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

Changed presentation of accrued interest

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

Note 2 Critical accounting estimates

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

Note 3 Changes in the Group structure

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

Note 4 Operating segments (business areas)

Acc Q1 2018 SEKm	Swedish Banking	Baltic Banking	Large Corporates & Institutions	Group Functions & Other	Eliminations	Group
Income statement						
Net interest income	3 877	1 103	930	387	-3	6 294
Net commission income	1 884	593	621	-28	11	3 081
Net gains and losses on financial items at fair value	96	55	564	-157	1	559
Share of profit or loss of associates	202			33		235
Other income[1]	185	154	22	260	-50	571
Total income	**6 244**	**1 905**	**2 137**	**495**	**-41**	**10 740**
of which internal income	9		14	113	-136	0
Staff costs	794	210	363	1 111		2 478
Variable staff costs	32	14	57	51		154
Other expenses	1 432	413	514	-949	-41	1 369
Depreciation/amortisation	14	24	25	105		168
Total expenses	**2 272**	**661**	**959**	**318**	**-41**	**4 169**
Profit before impairments	**3 972**	**1 244**	**1 178**	**177**		**6 571**
Impairment of intangible assets						
Impairment of tangible assets						
Credit impairments	253	-26	-100			127
Operating profit	**3 719**	**1 270**	**1 278**	**177**		**6 444**
Tax expense	800	180	270	160		1 410
Profit for the period	2 919	1 090	1 008	17		5 034
Profit for the period attributable to the shareholders of Swedbank AB	**2 918**	**1 090**	**1 008**	**17**		**5 033**
Non-controlling interests	1					1
Net commission income						
Commission income						
Payment processing	189	164	98	49	-4	496
Cards	537	344	463	-3	-91	1 250
Asset management and custody	1 215	101	284	-1	-9	1 590
Lending and Guarantees	68	56	166	1	3	294
Other commission income[1]	521	84	253	-17	-2	839
Total	**2 530**	**749**	**1 264**	**29**	**-103**	**4 469**
Commission expenses	**646**	**156**	**643**	**57**	**-114**	**1 388**
Net commission income	**1 884**	**593**	**621**	**-28**	**11**	**3 081**

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

Balance sheet, SEKbn	Swedish Banking	Baltic Banking	Large Corporates & Institutions	Group Functions & Other	Eliminations	Group
Cash and balances with central banks		3	7	389		399
Loans to credit institutions	6		65	186	-221	36
Loans to the public	1 164	160	246	4		1 574
Interest-bearing securities		2	47	102	-3	148
Financial assets for which customers bear inv. risk	178	4				182
Investments in associates	4			2		6
Derivatives			64	30	-31	63
Total tangible and intangible assets	2	12	1	4		19
Other assets	3	43	35	448	-487	42
Total assets	**1 357**	**224**	**465**	**1 165**	**-742**	**2 469**
Amounts owed to credit institutions	25		181	148	-212	142
Deposits and borrowings from the public	529	195	165	72	-7	954
Debt securities in issue		1	16	891	-6	902
Financial liabilities for which customers bear inv. risk	179	5				184
Derivatives			59	14	-31	42
Other liabilities	562		19		-486	95
Subordinated liabilities				27		27
Total liabilities	**1 295**	**201**	**440**	**1 152**	**-742**	**2 346**
Allocated equity	62	23	25	13		123
Total liabilities and equity	**1 357**	**224**	**465**	**1 165**	**-742**	**2 469**
Key figures						
Return on allocated equity, %	19.7	19.2	16.9	0.3	0.0	15.4
Cost/income ratio	0.36	0.35	0.45	0.64	0.00	0.39
Credit impairment ratio, %	0.09	-0.07	-0.16	0.00		0.03
Loan/deposit ratio, %	222	82	137			163
Loans, SEKbn[2]	1 164	159	205			1 528
Deposits, SEKbn[2]	523	195	150	72		940
Risk exposure amount, SEKbn	171	81	138	21		411
Full-time employees	3 901	3 499	1 236	5 969		14 605
Allocated equity, average, SEKbn	59	23	24	25		131

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

Acc Q1 2017 SEKm	Swedish Banking	Baltic Banking	Large Corporates & Institutions	Group Functions & Other	Eliminations	Group
Income statement						
Net interest income	3 638	1 001	823	511	-2	5 971
Net commission income	1 765	527	580	-25	12	2 859
Net gains and losses on financial items at fair value	97	53	452	-114	-2	486
Share of profit or loss of associates	144			31		175
Other income[1]	829	136	28	226	-59	1 160
Total income	**6 473**	**1 717**	**1 883**	**629**	**-51**	**10 651**
of which internal income	24		10	96	-130	
Staff costs	805	203	385	883		2 276
Variable staff costs	31	16	72	53		172
Other expenses	1 349	390	453	-721	-51	1 420
Depreciation/amortisation	16	27	16	76		135
Total expenses	**2 201**	**636**	**926**	**291**	**-51**	**4 003**
Profit before impairments	**4 272**	**1 081**	**957**	**338**		**6 648**
Impairment of tangible assets		2				2
Credit impairments	-3	-66	408			339
Operating profit	**4 275**	**1 145**	**549**	**338**		**6 307**
Tax expense	761	157	103	160		1 181
Profit for the period	3 514	988	446	178		5 126
Profit for the period attributable to the shareholders of Swedbank AB	**3 512**	**988**	**446**	**178**		**5 124**
Non-controlling interests	2					2
Net commission income						
Commission income						
Payment processing	187	155	72	42	-3	453
Cards	517	299	402		-77	1 141
Asset management and custody	1 095	98	271	-2	-8	1 454
Lending and Guarantees	72	49	161	2	-7	277
Other commission income[1]	510	64	176	1	-3	748
Total	**2 381**	**665**	**1 082**	**43**	**-98**	**4 073**
Commission expenses	**616**	**138**	**502**	**68**	**-110**	**1 214**
Net commission income	**1 765**	**527**	**580**	**-25**	**12**	**2 859**

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

Balance sheet, SEKbn	Swedish Banking	Baltic Banking	Large Corporates & Institutions	Group Functions & Other	Eliminations	Group
Cash and balances with central banks		3	7	397		407
Loans to credit institutions	6		49	224	-240	39
Loans to the public	1 116	140	269			1 525
Interest-bearing securities		1	46	130	-2	175
Financial assets for which customers bear inv. risk	164	4				168
Investments in associates	4			3		7
Derivatives			84	33	-40	77
Total tangible and intangible assets	2	11		3		16
Other assets	6	33	63	483	-510	75
Total assets	**1 298**	**192**	**518**	**1 273**	**-792**	**2 489**
Amounts owed to credit institutions	21		195	146	-234	128
Deposits and borrowings from the public	495	168	167	94	-6	918
Debt securities in issue			18	964	-6	976
Financial liabilities for which customers bear inv. risk	167	4				171
Derivatives			82	21	-40	63
Other liabilities	559		34		-506	87
Subordinated liabilities				27		27
Total liabilities	**1 242**	**172**	**496**	**1 252**	**-792**	**2 370**
Allocated equity	56	20	22	21		119
Total liabilities and equity	**1 298**	**192**	**518**	**1 273**	**-792**	**2 489**
Key figures						
Return on allocated equity, %	25.5	19.5	8.9	2.1		15.9
Cost/income ratio	0.34	0.37	0.49	0.46		0.38
Credit impairment ratio, %	0.00	-0.19	0.67	0.00		0.09
Loan/deposit ratio, %	228	84	137			162
Loans, SEKbn[2]	1 116	141	200			1 457
Deposits, SEKbn[2]	490	168	146	94		898
Risk exposure amount, SEKbn	173	79	134	25		411
Full-time employees	4 075	3 590	1 291	5 111		14 067
Allocated equity, average, SEKbn	55	20	20	33		129

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

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

Operating segments accounting policies

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

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

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

Note 5 Net interest income

Group SEKm	Q1 2018	Q4 2017	%	Q1 2017	%
Interest income					
Loans to credit institutions	17	70	-76	1	
Loans to the public	7 548	7 502	1	7 463	1
Interest-bearing securities	21	24	-13	70	-70
Derivatives	423	302	40	289	46
Other	186	242	-23	274	-32
Total interest income including negative yield on financial assets	**8 195**	**8 140**	**1**	**8 097**	**1**
deduction of trading interests reported in net gains and losses on financial items at fair value	61	79	-23	187	-67
Interest income, including negative yield on financial assets, according to income statement	**8 134**	**8 061**	**1**	**7 910**	**3**
Interest expenses					
Amounts owed to credit institutions	-289	-255	13	-148	95
Deposits and borrowings from the public	-295	-305	-3	-266	11
of which deposit guarantee fees	-104	-106	-2	-118	-12
Debt securities in issue	-2 920	-3 054	-4	-3 129	-7
Subordinated liabilities	-241	-268	-10	-304	-21
Derivatives	2 330	2 548	-9	2 340	0
Other	-390	-308	27	-350	11
of which government resolution fund fee	-382	-301	27	-343	11
Total interest expenses including negative yield on financial liabilities	**-1 805**	**-1 642**	**10**	**-1 857**	**-3**
deduction of trading interests reported in net gains and losses on financial items at fair value	35	93	-62	82	-57
Interest expenses, including negative yield on financial liabilities, according to income statement	**-1 840**	**-1 735**	**6**	**-1 939**	**-5**
Net interest income	**6 294**	**6 326**	**-1**	**5 971**	**5**
Net interest margin before trading interest is deducted	**1.06**	**1.07**		**1.05**	
Average total assets	**2 400 397**	**2 433 413**	**-1**	**2 386 467**	**1**

Note 6 Net commission income

Group SEKm	Q1 2018	Q4 2017	%	Q1 2017	%
Commission income					
Payment processing	496	504	-2	453	9
Cards	1 250	1 333	-6	1 141	10
Service concepts	296	299	-1	147	
Asset management and custody	1 590	1 751	-9	1 454	9
Life insurance	153	159	-4	169	-9
Securites	111	154	-28	168	-34
Corporate finance	29	26	12	45	-36
Lending	241	241	0	222	9
Guarantees	52	56	-7	54	-4
Deposits	49	49	0	49	0
Real estate brokerage	39	45	-13	43	-9
Non-life insurance	16	27	-41	13	23
Other	147	138	7	115	28
Total commission income	**4 469**	**4 782**	**-7**	**4 073**	**10**
Commission expenses					
Payment processing	-261	-289	-10	-244	7
Cards	-539	-569	-5	-469	15
Service concepts	-45	-47	-4	-2	
Asset management and custody	-371	-355	5	-324	15
Life insurance	-44	-49	-10	-46	-4
Securites	-74	-65	14	-76	-3
Lending and guarantees	-14	-18	-22	-11	27
Non-life insurance	-6	-8	-25	-4	50
Other	-34	-47	-28	-38	-11
Total commission expenses	**-1 388**	**-1 447**	**-4**	**-1 214**	**14**
Net commission income					
Payment processing	235	215	9	209	12
Cards	711	764	-7	672	6
Service concepts	251	252	0	145	73
Asset management and custody	1 219	1 396	-13	1 130	8
Life insurance	109	110	-1	123	-11
Securites	37	89	-58	92	-60
Corporate finance	29	26	12	45	-36
Lending and guarantees	279	279	0	265	5
Deposits	49	49	0	49	0
Real estate brokerage	39	45	-13	43	-9
Non-life insurance	10	19	-47	9	11
Other	113	91	24	77	47
Total Net commission income	**3 081**	**3 335**	**-8**	**2 859**	**8**

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

Group SEKm	Q1 2018	Q4 2017	%	Q1 2017	%
Fair value through profit or loss					
Shares and share related derivatives	343	197	74	-67	
of which dividend	60	56	6	98	-39
Interest-bearing securities and interest related derivatives	-137	-51		293	
Loans to the public	4	-168		-377	
Financial liabilities	68	67	2	80	-15
Other financial instruments	-8	5			
Total fair value through profit or loss	**270**	**50**		**-71**	
Hedge accounting					
Ineffective part in hedge accounting at fair value	-45	64		17	
of which hedging instruments	-845	-1 109	-24	-2 065	-59
of which hedged items	800	1 174	-32	2 082	-62
Ineffective part in portfolio hedge accounting at fair value	26	-38		-31	
of which hedging instruments	-217	92		223	
of which hedged items	243	-129		-254	
Total hedge accounting	**-19**	**26**		**-14**	**36**
Derecognition gain or loss for loans at amortised cost	**26**	**30**	**-13**	**26**	**0**
Derecognition gain or loss for financial liabilities at amortised cost	**-17**	**-24**	**-30**	**-244**	**-93**
Trading related interest					
Interest income	61	79	-22	187	-67
Interest expense	35	93	-62	82	-57
Total trading related interest	**96**	**172**	**-44**	**269**	**-64**
Change in exchange rates	**203**	**102**	**98**	**520**	**-61**
Total net gains and losses on financial items at fair value	**559**	**356**	**57**	**486**	**15**

Note 8 Other expenses

Group SEKm	Q1 2018	Q4 2017	%	Q1 2017	%
Premises and rents	284	309	-8	287	-1
IT expenses	464	553	-16	491	-5
Telecommunications and postage	35	36	-3	40	-13
Advertising, PR and marketing	68	111	-39	70	-3
Consultants	51	99	-48	70	-27
Compensation to savings banks	56	56	0	56	0
Other purchased services	184	237	-22	177	4
Security transport and alarm systems	13	21	-38	14	-7
Supplies	19	36	-47	18	6
Travel	56	67	-16	59	-5
Entertainment	10	21	-52	11	-9
Repair/maintenance of inventories	32	29	10	31	3
Other expenses	97	120	-19	96	1
Total other expenses	**1 369**	**1 695**	**-19**	**1 420**	**-4**

Note 9 Credit impairments

Group SEKm	Q1 2018 (IFRS 9)
Loans at amortised cost	
Credit impairment provisions - Stage 1	-89
Credit impairment provisions - Stage 2	201
Credit impairment provisions - Stage 3	-205
Credit impairment provisions - Credit impaired, Purchased or originated	2
Total	**-91**
Write-offs	-97
Recoveries	61
Total	**-36**
Total loans at amortised cost	**-127**
Commitments and financial guarantees	
Credit impairment provisions - Stage 1	-4
Credit impairment provisions - Stage 2	37
Credit impairment provisions - Stage 3	-15
Total	**18**
Write-offs	-18
Total	**-18**
Total commitments and financial guarantees	
Financial assets at fair value through profit or loss	
Total Credit impairments	**-127**
Credit impairment ratio, %	0.03

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

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

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

Determination of a significant increase in credit risk

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

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

Financial instruments originated on or after 1 January 2018 are excluded from the sensitivity analysis due to that the portfolio is relatively small as of 31 March 2018 and the impact of changing lifetime PD thresholds in the assessment of significant increase in credit risk on those loans is negligible due to a short period since origination.

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

			Impairment provision impact of			
Internal risk rating grade at initial recognition	**PD band at initial recognition**	**Threshold, rating downgrade[1) 2) 3)]**	**Increase in threshold by 1 grade**	**Decrease in threshold by 1 grade**	**Recognised credit impairment provisions 31 March 2018**	**Share of total portfolio (%) in terms of gross carrying amount 31 March 2018**
13-21	< 0.5%	3 - 8 grades	-4.6%	10.9%	1 154	58%
9-12	0.5-2.0%	1 - 5 grades	-8.2%	11.7%	916	13%
6-8	2.0-5.7%	1 - 3 grades	-5.6%	6.2%	317	5%
0-5	>5.7% and <100%	1 - 2 grades	-1.5%	0.0%	316	2%
			-5.6%	9.3%	2 704	78%
Financial instruments subject to the low credit risk exemption					20	16%
Stage 3 financial instruments					3 433	1%
Financial instruments with initial recognition after 1 January 2018					101	5%
Total provisions[4)]					**6 258**	**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 644m.

Incorporation of forward-looking macroeconomic scenarios

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

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

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

Set out below are the credit impairment provisions as at 31 March 2018 that would result from the worst-case and best-case scenarios, which are considered reasonably possible, being assigned probabilities of 100%.

Business area	Scenario	Credit impairment provisions resulting from the scenario	Difference from the recognised probability- weighted credit impairment provisions, %
Swedish Banking	Worst case scenario	1 929	17%
	Best case scenario	1 452	-12%
Baltic Banking	Worst case scenario	1 370	37%
	Best case scenario	795	-21%
LC&I	Worst case scenario	5 316	48%
	Best case scenario	2 191	-39%
Group[1)]	Worst case scenario	8 615	38%
	Best case scenario	4 439	-29%

[1)] Including Group Functions & Other

Measurement of 12-month and lifetime expected credit losses

The key inputs used for measuring expected credit losses are:

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

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

Probability of default (PD)

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

Loss given default (LGD)

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

Exposure at default (EAD)

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

Expected lifetime

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

IFRS 9 vs Regulatory capital framework

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

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

Individually assessed provisions

The Group assesses significant credit-impaired exposures individually and without the use of modelled inputs. The credit impairment provisions for these exposures are established using the discounted expected cash flows and considering a minimum of two possible outcomes, one of which is a loss outcome. The possible outcomes consider both macroeconomic and non-macroeconomic (borrower-specific) scenarios. The estimation of future cash flows takes into account a range of relevant factors such as the amount and sources of cash flows, the level and quality of the borrower's earnings, the realisable value of collateral, the Group's position relative to other claimants, the likely cost and duration of the work-out process and current and future economic conditions. The amount and timing of future recoveries depend on the future performance of the borrower and the valuation of collateral, both of which might be affected by future economic conditions; additionally, collateral may not be readily marketable. Judgements change as new information becomes available or as work-out strategies evolve, resulting in regular revisions to the credit impairment provisions. The change in credit impairment provisions recognised in the income statement in relation to individually assessed loans is SEK 213m.

Credit impairments, historical values IAS 39

Group SEKm	Q1 2017 (IAS 39)	Q2 2017 (IAS 39)	Q3 2017 (IAS 39)	Q4 2017 (IAS 39)	Jan-Mar 2017 (IAS 39)	Jan-Dec 2017 (IAS 39)
Provision for loans individually assessed as impaired						
Provisions	384	2	282	319	384	987
Reversal of previous provisions	-47	-23	-23	-174	-47	-267
Provision for homogenous groups of impaired loans, net	11	6	1	-14	11	4
Total	**348**	**-15**	**260**	**131**	**348**	**724**
Portfolio provisions for loans individually assessed as not impaired	**-57**	**16**	**-38**	**39**	**-57**	**-40**
Write-offs						
Established losses	105	252	121	323	105	801
Utilisation of previous provisions	-50	-197	-57	-127	-50	-431
Recoveries	-114	-44	-51	-62	-114	-271
Total	**-59**	**11**	**13**	**134**	**-59**	**99**
Credit impairments for contingent liabilities and other credit risk exposures	**107**	**388**	**0**	**7**	**107**	**502**
Credit impairments	**339**	**400**	**235**	**311**	**339**	**1 285**
Credit impairment ratio, %	0,09	0,10	0,06	0,08	0,09	0,08

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

Note 10 Loans

Group SEKm	31 Mar 2018 Gross carrying amount (IFRS 9)	31 Mar 2018 Credit Impairment Provision (IFRS 9)	31 Mar 2018 Carrying amount (IFRS 9)	31 Dec 2017 Carrying amount (IAS 39)	%	31 Mar 2017 Carrying amount (IAS 39)	%
Loans to credit institutions							
Banks	17 671	14	17 657	15 499	14	23 120	-24
Repurchase agreements, banks	95		95	45		1 753	-95
Other credit institutions	15 688		15 688	14 736	6	13 384	17
Repurchase agreements, other credit institutions	2 581		2 581	466		871	
Loans to credit institutions	**36 035**	**14**	**36 021**	**30 746**	**17**	**39 128**	**-8**
Loans to the public							
Private customers	998 067	899	997 168	980 649	2	939 921	6
Private, mortgage	845 067	588	844 479	828 924	2	789 617	7
Housing cooperatives	108 741	33	108 708	109 174	0	109 046	0
Private,other	44 259	278	43 981	42 551	3	41 258	7
Corporate customers	536 098	4 694	531 404	521 001	2	517 343	3
Agriculture, forestry, fishing	68 771	188	68 583	67 705	1	66 441	3
Manufacturing	44 853	348	44 505	48 071	-7	45 262	-2
Public sector and utilities	21 652	51	21 601	21 231	2	23 967	-10
Construction	19 078	96	18 982	20 033	-5	20 915	-9
Retail	31 570	393	31 177	28 869	8	29 296	6
Transportation	15 354	32	15 322	17 040	-10	14 833	3
Shipping and offshore	24 574	2 200	22 374	23 254	-4	25 434	-12
Hotels and restaurants	8 008	33	7 975	7 441	7	8 740	-9
Information and communications	13 171	157	13 014	10 964	19	8 410	55
Finance and insurance	12 012	29	11 983	12 319	-3	12 177	-2
Property management	229 248	551	228 697	218 728	5	220 931	4
Residential properties	71 192	109	71 083	66 528	7	63 868	11
Commercial	87 460	153	87 307	83 409	5	85 863	2
Industrial and Warehouse	43 903	66	43 837	43 542	1	45 356	-3
Other	26 693	223	26 470	25 249	5	25 844	2
Professional services	31 315	518	30 797	26 249	17	23 778	30
Other corporate lending	16 492	98	16 394	19 097	-14	17 159	-4
Loans to the public excluding the Swedish National Debt Office and repurchase agreements	**1 534 165**	**5 593**	**1 528 572**	**1 501 650**	**2**	**1 457 264**	**5**
Swedish National Debt Office	5 640		5 640	8 501	-34	1 113	
Repurchase agreements, Swedish National Debt Office	3 826		3 826	2 862	34	5 327	-28
Repurchase agreements, public	36 395		36 395	22 185	64	61 689	-41
Loans to the public	**1 580 026**	**5 593**	**1 574 433**	**1 535 198**	**3**	**1 525 393**	**3**
Loans to the public and credit institutions	**1 616 061**	**5 607**	**1 610 454**	**1 565 944**	**3**	**1 564 521**	**3**
of which accrued interest	2 541						

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

Note 11 Loan stage allocation and credit impairment provisions

Group SEKm	31 Mar 2018 (IFRS 9)
Credit institutions	
Stage 1	
Gross carrying amount	35 736
Credit impairment provisions	12
Carrying amount	**35 724**
Stage 2	
Gross carrying amount	299
Credit impairment provisions	2
Carrying amount	**297**
Total carrying amount for credit institutions	**36 021**
Public, private customers	
Stage 1	
Gross carrying amount	942 558
Credit impairment provisions	68
Carrying amount	**942 490**
Stage 2	
Gross carrying amount	52 912
Credit impairment provisions	325
Carrying amount	**52 587**
Stage 3	
Gross carrying amount	2 597
Credit impairment provisions	506
Carrying amount	**2 091**
Total carrying amount for public, private customers	**997 168**
Public, corporate customers	
Stage 1	
Gross carrying amount	520 715
Credit impairment provisions	412
Carrying amount	**520 303**
Stage 2	
Gross carrying amount	52 591
Credit impairment provisions	1 644
Carrying amount	**50 947**
Stage 3	
Gross carrying amount	8 653
Credit impairment provisions	2 638
Carrying amount	**6 015**
Total carrying amount for public, corporate customers	**577 265**
Totals	
Gross carrying amount Stage 1	1 499 009
Gross carrying amount Stage 2	105 802
Gross carrying amount Stage 3	11 250
Total Gross carrying amount	**1 616 061**
Credit impairment provisions Stage 1	492
Credit impairment provisions Stage 2	1 971
Credit impairment provisions Stage 3	3 144
Total credit impairment provisions	**5 607**
Total carrying amount	**1 610 454**
Share of Stage 3 loans, gross, %[1)]	0.70
Share of Stage 3 loans, net, %[1)]	0.50
Credit impairment provision ratio Stage 1 loans	0.03
Credit impairment provision ratio Stage 2 loans	1.86
Credit impairment provision ratio Stage 3 loans	27.95
Total credit impairment privision ratio	0.35

Reconciliation of credit impairment provisions for loans

Loans to the public and credit institutions	Non Credit-Impaired		Credit-Impaired	
SEKm	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount				
Gross carrying amount as of 1 January 2018	**1 440 894**	**120 226**	**10 194**	**1 571 313**
Gross carrying amount as of 31 March 2018	**1 499 009**	**105 802**	**11 250**	**1 616 061**
Credit impairment provisions				
Credit impairment provisions as of 1 January 2018	**399**	**2 140**	**2 861**	**5 401**
New and derecognosed financial assets, net	52	-69	-45	-62
Changes in risk factors	25	22	-57	-10
Changes in macroeconomic scenarios	25	45	1	71
Changes due to expert credit judgement (individual assessments and manual adjustments)			56	55
Stage transfers	-13	-197	277	67
from stage 1 to stage 2	*-45*	*194*		*149*
from stage 1 to stage 3	*-7*		*20*	*13*
from stage 2 to stage 1	*39*	*-154*		*-115*
from stage 2 to stage 3		*-237*	*257*	*20*
Change in exchange rates	4	33	54	91
Other		-3	-3	-6
Credit impairment provisions as of 31 March 2018	**492**	**1 971**	**3 144**	**5 607**
Carrying amount				
Opening balance as of 1 January 2018	**1 440 495**	**118 085**	**7 332**	**1 565 912**
Closing balance as of 31 March 2018	**1 498 517**	**103 831**	**8 106**	**1 610 454**

Impaired loans, historical values IAS 39

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

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

Group SEKm	31 Mar 2018	31 Dec 2017	%	31 Mar 2017	%
Buildings and land	134	142	-6	208	-36
Shares and participating interests				3	
Other	81	79	3	145	-44
Total	**215**	**221**	**-3**	**356**	**-40**

Note 13 Credit exposures

Group SEKm	31 Mar 2018	31 Dec 2017	%	31 Mar 2017	%
Assets					
Cash and balances with central banks	398 889	200 371	99	407 299	-2
Interest-bearing securities	147 858	145 034	2	174 754	-15
Loans to credit institutions	36 021	30 746	17	39 128	-8
Loans to the public	1 574 433	1 535 198	3	1 525 393	3
Derivatives	62 594	55 680	12	76 642	-18
Other financial assets	29 109	16 772	74	22 998	27
Total assets	**2 248 904**	**1 983 801**	**13**	**2 246 214**	**0**
Contingent liabilities and commitments					
Guarantees	52 037	44 057	18	43 438	20
Commitments	258 154	262 921	-2	257 148	0
Total contingent liabilities and commitments	**310 191**	**306 978**	**1**	**300 586**	**3**
Total credit exposures	**2 559 095**	**2 290 779**	**12**	**2 546 800**	**0**

Note 14 Intangible assets

Group SEKm	31 Mar 2018	31 Dec 2017	%	31 Mar 2017	%
With indefinite useful life					
Goodwill	13 564	13 100	4	12 385	10
Total	**13 564**	**13 100**	**4**	**12 385**	**10**
With finite useful life					
Customer base	456	471	-3	540	-16
Brand name	161	161	0		
Internally developed software	1 995	1 844	8	1 114	79
Other	755	753	0	328	
Total	**3 367**	**3 229**	**4**	**1 982**	**70**
Total intangible assets	**16 931**	**16 329**	**4**	**14 367**	**18**

Impairment testing of intangible assets

As of 31 March 2018 there were no indicators of impairment.

Note 15 Amounts owed to credit institutions

Group SEKm	31 Mar 2018	31 Dec 2017	%	31 Mar 2017	%
Amounts owed to credit institutions					
Central banks	28 899	23 200	25	18 454	57
Banks	107 402	41 609		105 670	2
Other credit institutions	3 597	3 246	11	2 216	62
Repurchase agreements - banks	47			1 675	-97
Repurchase agreements - other credit institutions	2 548				
Amounts owed to credit institutions	**142 493**	**68 055**		**128 015**	**11**

Note 16 Deposits and borrowings from the public

Group SEKm	31 Mar 2018	31 Dec 2017	%	31 Mar 2017	%
Deposits from the public					
Private customers	483 963	473 404	2	441 901	10
Corporate customers	455 808	373 223	22	456 054	0
Deposits from the public excluding the Swedish National Debt Office and repurchase agreements	**939 771**	**846 627**	**11**	**897 955**	**5**
Swedish National Debt Office	270	275			
Repurchase agreements - Swedish National Debt Office	3 262				
Repurchase agreements - public	10 460	8 707	20	19 692	-47
Deposits and borrowings from the public	**953 763**	**855 609**	**11**	**917 647**	**4**

Note 17 Debt securities in issue and subordinated liabilities

Group SEKm	31 Mar 2018	31 Dec 2017	%	31 Mar 2017	%
Commercial papers	184 810	149 974	23	229 685	-20
Covered bonds	554 304	519 845	7	545 863	2
Senior unsecured bonds	149 665	159 536	-6	185 168	-19
Structured retail bonds	13 591	14 849	-8	15 203	-11
Total debt securities in issue	**902 370**	**844 204**	**7**	**975 919**	**-8**
Subordinated liabilities	26 679	25 508	5	26 980	-1
Total debt securities in issue and subordinated liabilities	**929 049**	**869 712**	**7**	**1 002 899**	**-7**

Turnover during the period	Jan-Mar 2018	Full year 2017	%	Jan-Mar 2017	%
Closing balance	**869 712**				
Changed presentation of accrued interest [1]	**6 361**				
Opening balance	**876 073**	**868 927**	**1**	**868 927**	**1**
Issued	249 334	1 236 024	-80	360 719	-31
Repurchased	-5 609	-91 067	-94	-33 284	-83
Repaid	-204 892	-1 109 693	-82	-185 558	10
Change in market value or in hedged item in fair value hedge accounting	-1 620	-12 472	-87	-3 122	-48
Changes in exchange rates	15 763	-22 007		-4 783	
Closing balance	**929 049**	**869 712**	**7**	**1 002 899**	**-7**

1) See further information in note 28.

Note 18 Derivatives

Group SEKm	Nominal amount Remaining contractual maturity < 1 yr.	 1-5 yrs.	 > 5 yrs.	Nominal amount 2018 31 Mar	 2017 31 Dec	Positive fair value 2018 31 Mar	 2017 31 Dec	Negative fair value 2018 31 Mar	 2017 31 Dec
Derivatives in hedge accounting	**91 036**	**612 425**	**75 206**	**778 667**	**754 284**	**10 856**	**10 804**	**3 365**	**2 703**
Fair value hedges, interest rate swaps	50 486	417 890	55 000	523 376	504 072	10 545	10 514	1 789	977
Portfolio fair value hedges, interest rate swaps	40 550	192 754	12 575	245 879	240 905	200	278	1 524	1 392
Cash flow hedges, foreign currency swaps		1 781	7 631	9 412	9 307	111	12	52	334
Non-hedging derivatives	**5 608 974**	**3 439 554**	**836 151**	**9 884 679**	**10 663 497**	**64 349**	**54 489**	**55 161**	**56 381**
Gross amount	**5 700 010**	**4 051 979**	**911 357**	**10 663 346**	**11 417 781**	**75 205**	**65 293**	**58 526**	**59 084**
Offset amount (see also note 21)	-2 439 302	-1 816 556	-466 353	-4 722 211	-3 738 336	-12 611	-9 613	-16 223	-12 884
Total	**3 260 708**	**2 235 423**	**445 004**	**5 941 135**	**7 679 445**	**62 594**	**55 680**	**42 303**	**46 200**

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

The amounts offset for derivative assets and derivative liabilities include cash collateral offsets of SEK 4 045m and SEK 433m respectively.

Note 19 Fair value of financial instruments

Group SEKm	31 Mar 2018 Fair value	Carrying amount	Difference	31 Dec 2017 Fair value	Carrying amount	Difference
Assets						
Financial assets						
Cash and balances with central banks	398 889	398 889		200 371	200 371	
Treasury bills and other bills eligible for refinancing with central banks	80 289	80 231	58	85 961	85 903	58
Loans to credit institutions	36 021	36 021		30 746	30 746	
Loans to the public	1 578 473	1 574 433	4 040	1 532 977	1 535 198	-2 221
Value change of interest hedged items in portfolio hedge	1 032	1 032		789	789	
Bonds and interest-bearing securities	67 632	67 627	5	59 136	59 131	5
Financial assets for which the customers bear the investment risk	182 487	182 487		180 320	180 320	
Shares and participating interest	8 201	8 201		19 850	19 850	
Derivatives	62 594	62 594		55 680	55 680	
Other financial assets	29 108	29 108		16 772	16 772	
Total	**2 444 726**	**2 440 623**	**4 103**	**2 182 602**	**2 184 760**	**-2 158**
Investment in associates		**6 376**			**6 357**	
Non-financial assets		**22 128**			**21 519**	
Total		**2 469 127**			**2 212 636**	
Liabilities						
Financial liabilities						
Amounts owed to credit institutions	140 707	142 493	-1 786	68 055	68 055	
Deposits and borrowings from the public	953 747	953 763	-16	855 597	855 609	-12
Debt securities in issue	910 489	902 370	8 119	851 908	844 204	7 704
Financial liabilities for which the customers bear the investment risk	184 272	184 272		181 124	181 124	
Subordinated liabilities	26 686	26 679	7	25 525	25 508	17
Derivatives	42 303	42 303		46 200	46 200	
Short positions securities	32 671	32 671		14 459	14 459	
Other financial liabilities	48 993	48 993		31 219	31 219	
Total	**2 339 869**	**2 333 544**	**6 325**	**2 074 087**	**2 066 378**	**7 709**
Non-financial liabilities		**12 835**			**12 686**	
Total		**2 346 379**			**2 079 064**	

Financial instruments recognised at fair value

Group 31 Mar 2018 SEKm	Instruments with quoted market prices in active markets (Level 1)	Valuation techniques using observable market data (Level 2)	Valuation techniques using non-observable market data (Level 3)	Total
Assets				
Treasury bills etc.	13 326	6 482		19 808
Loans to credit institutions		2 676		2 676
Loans to the public		40 382		40 382
Bonds and other interest-bearing securities	29 987	34 266		64 253
Financial assets for which the customers bear the investment risk	182 487			182 487
Shares and participating interests	7 696		505	8 201
Derivatives	387	62 187	20	62 594
Total	**233 883**	**145 993**	**525**	**380 401**
Liabilities				
Amounts owed to credit institutions		2 594		2 594
Deposits and borrowings from the public		13 722		13 722
Debt securities in issue	3 053	18 330		21 383
Financial liabilities for which the customers bear the investment risk		184 272		184 272
Derivatives	318	41 985		42 303
Short positions, securities	32 671			32 671
Total	**36 042**	**260 903**		**296 945**

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

The methods are divided into three different levels:
• Level 1: Unadjusted, quoted price on an active market

• Level 2: Adjusted, quoted price or valuation model with valuation parameters derived from an active market
• Level 3: Valuation model where significant valuation parameters are non-observable and based on internal assumptions.

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

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

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

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

Changes in level 3	**Assets**		
Group **SEKm**	**Equity instruments**	**Derivatives**	**Total**
January-March 2018			
Opening balance 1 January 2018	**449**	**26**	**475**
Purchases	32		**32**
Sale of assets	-2		**-2**
Maturities		-6	**-6**
Settlements	-1		**-1**
Gains or losses	27		**27**
of which in the income statement, net gains and losses on financial items at fair value	8		**8**
of which changes in unrealised gains or losses for items held at closing day	18	-2	**16**
Closing balance 31 March 2018	**505**	**20**	**525**

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

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

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

Changes in level 3	Assets		
Group SEKm	**Equity instruments**	**Derivatives**	**Total**
January-March 2017			
Opening balance 1 January 2017	**158**	**65**	**223**
Maturities		-5	**-5**
Issues		2	**2**
Transferred from Level 3 to Level 2		-6	**-6**
Gains or losses	9	1	**10**
of which in the income statement, net gains and losses on financial items at fair value	9	1	**10**
of which changes in unrealised gains or losses for items held at closing day		4	**4**
Closing balance 31 March 2017	**167**	**57**	**224**

Note 20 Pledged collateral

Group SEKm	**31 Mar 2018**	**31 Dec 2017**	**%**	**31 Mar 2017**	**%**
Loan receivables[1]	542 924	518 805	5	533 581	2
Financial assets pledged for policyholders	180 323	177 317	2	167 181	8
Other assets pledged	35 843	33 020	9	45 425	-21
Pledged collateral	**759 090**	**729 142**	**4**	**746 187**	**2**

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

Note 21 Offsetting financial assets and liabilities

	Assets			Liabilities		
Group SEKm	**31 Mar 2018**	**31 Dec 2017**	**%**	**31 Mar 2018**	**31 Dec 2017**	**%**
Financial assets and liabilities, which have been offset or are subject to netting or similar agreements						
Gross amount	126 661	98 528	29	82 348	75 596	9
Offset amount	-21 401	-19 021	13	-25 013	-22 292	12
Net amounts presented in the balance sheet	**105 260**	**79 507**	**32**	**57 335**	**53 304**	**8**
Related amounts not offset in the balance sheet						
Financial instruments, netting arrangements	35 721	32 523	10	35 721	32 523	10
Financial Instruments, collateral	27 961	18 155	54	3 201	3 891	-18
Cash, collateral	13 353	9 125	46	9 806	9 340	5
Total amount not offset in the balance sheet	**77 035**	**59 803**	**29**	**48 728**	**45 754**	**6**
Net amount	**28 225**	**19 704**	**43**	**8 607**	**7 550**	**14**

The amounts offset for financial assets and financial liabilities include cash collateral offsets of SEK 4 045m and SEK 433m respectively.

Note 22 Capital adequacy, consolidated situation

Capital adequacy SEKm	31 Mar 2018	31 Dec 2017	31 Mar 2017
Shareholders' equity according to the Group's balance sheet	122 545	133 372	119 434
Non-controlling interests	67	67	76
Anticipated dividend	-3 774	-14 515	-3 842
Deconsolidation of insurance companies	371	-109	637
Value changes in own financial liabilities	30	39	31
Cash flow hedges	-1	-28	8
Additional value adjustments [1]	-701	-596	-863
Goodwill	-13 653	-13 188	-12 475
Deferred tax assets	-124	-142	-110
Intangible assets	-2 805	-2 697	-1 697
Net provisions for reported IRB credit exposures		-1 648	-1 593
Shares deducted from CET1 capital	-42	-45	-47
Common Equity Tier 1 capital	**101 913**	**100 510**	**99 559**
Additional Tier 1 capital	11 114	11 050	13 516
Total Tier 1 capital	**113 027**	**111 560**	**113 075**
Tier 2 capital	14 978	13 696	12 710
Total capital	**128 005**	**125 256**	**125 785**
Minimum capital requirement for credit risks, standardised approach	3 174	3 046	3 785
Minimum capital requirement for credit risks, IRB	21 007	21 245	21 020
Minimum capital requirement for credit risk, default fund contribution	37	27	36
Minimum capital requirement for settlement risks	0	0	0
Minimum capital requirement for market risks	1 052	695	696
Trading book	1 018	669	679
of which VaR and SVaR	652	486	444
of which risks outside VaR and SVaR	366	183	235
FX risk other operations	34	26	17
Minimum capital requirement for credit value adjustment	374	299	503
Minimum capital requirement for operational risks	5 182	5 079	4 988
Additional minimum capital requirement, Article 3 CRR [2]	2 037	2 277	1 829
Minimum capital requirement	**32 863**	**32 668**	**32 857**
Risk exposure amount credit risks, standardised approach	39 674	38 074	47 321
Risk exposure amount credit risks, IRB	262 584	265 563	262 748
Risk exposure amount default fund contribution	463	343	454
Risk exposure amount settlement risks	0	0	0
Risk exposure amount market risks	13 150	8 684	8 697
Risk exposure amount credit value adjustment	4 681	3 745	6 292
Risk exposure amount operational risks	64 779	63 482	62 345
Additional risk exposure amount, Article 3 CRR [2]	25 460	28 460	22 860
Risk exposure amount	**410 791**	**408 351**	**410 717**
Common Equity Tier 1 capital ratio, %	**24.8**	**24.6**	**24.2**
Tier 1 capital ratio, %	**27.5**	**27.3**	**27.5**
Total capital ratio, %	**31.2**	**30.7**	**30.6**

Capital buffer requirement [3] %	31 Mar 2018	31 Dec 2017	31 Mar 2017
CET1 capital requirement including buffer requirements	11.3	11.3	11.3
of which minimum CET1 requirement	4.5	4.5	4.5
of which capital conservation buffer	2.5	2.5	2.5
of which countercyclical capital buffer	1.3	1.3	1.3
of which systemic risk buffer	3.0	3.0	3.0
CET 1 capital available to meet buffer requirement [4]	20.3	20.1	19.7

Leverage ratio	31 Mar 2018	31 Dec 2017	31 Mar 2017
Tier 1 Capital, SEKm	113 027	111 560	113 075
Leverage ratio exposure, SEKm	2 383 757	2 126 851	2 424 180
Leverage ratio, %	4.7	5.2	4.7

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

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

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

Swedbank Consolidated situation	Exposure value		Average risk weight, %		Minimum capital requirement	
Credit risk, IRB SEKm	**31 Mar 2018**	**31 Dec 2017**	**31 Mar 2018**	**31 Dec 2017**	**31 Mar 2018**	**31 Dec 2017**
Central government or central banks exposures	510 001	322 276	1	2	527	394
Institutional exposures	60 431	64 071	20	18	948	899
Corporate exposures	512 471	508 895	32	33	13 099	13 584
Retail exposures	1 128 509	1 107 632	7	7	6 139	6 065
of which mortgage	1 017 586	1 002 551	5	5	3 838	3 812
of which other	110 923	105 081	26	27	2 301	2 253
Non credit obligation	7 153	7 042	51	54	294	303
Total credit risks, IRB	**2 218 565**	**2 009 916**	**12**	**13**	**21 007**	**21 245**

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

31 Mar 2018 SEKm	Exposure amount	Risk exposure amount	Minimum capital requirement
Credit risks, STD	**62 253**	**39 674**	**3 174**
Central government or central banks exposures	195		
Regional governments or local authorities exposures	1 903	221	18
Public sector entities exposures	3 052	93	7
Multilateral development banks exposures	4 355		
International organisation exposures	448		
Institutional exposures	13 609	359	29
Corporate exposures	4 412	4 254	340
Retail exposures	15 636	11 224	898
Exposures secured by mortgages on immovable property	6 103	2 138	171
Exposures in default	587	606	49
Exposures in the form of covered bonds	200	20	2
Exposures in the form of collective investment undertakings (CIUs)	10	10	1
Equity exposures	7 250	17 176	1 374
Other items	4 493	3 573	285
Credit risks, IRB	**2 218 565**	**262 584**	**21 007**
Central government or central banks exposures	510 001	6 586	527
Institutional exposures	60 431	11 850	948
Corporate exposures	512 471	163 735	13 099
of which specialized lending in category 1	4	3	0
of which specialized lending in category 2	315	267	21
of which specialized lending in category 3	372	428	34
of which specialized lending in category 4	141	351	28
of which specialized lending in category 5	328		
Retail exposures	1 128 509	76 732	6 139
of which mortgage lending	1 017 586	47 972	3 838
of which other lending	110 923	28 760	2 301
Non-credit obligation	7 153	3 681	294
Credit risks, Default fund contribution		**463**	**37**
Settlement risks	**0**	**0**	**0**
Market risks		**13 150**	**1 052**
Trading book		12 724	1 018
of which VaR and SVaR		8 154	652
of which risks outside VaR and SVaR		4 570	366
FX risk other operations		426	34
Credit value adjustment	**19 456**	**4 681**	**374**
Operational risks		**64 779**	**5 182**
of which Standardised approach		64 779	5 182
Additional risk exposure amount, Article 3 CRR		**25 460**	**2 037**
Total	**2 300 274**	**410 791**	**32 863**

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

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

Credit risks

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

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

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

Market risks

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

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

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

Credit value adjustment

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

Operational risk

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

Note 23 Internal capital requirement

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

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

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

As of 31 March 2018 the internal capital assessment for Swedbank's consolidated situation amounted to SEK 30.2bn (SEK 29.8bn as of 31 December 2017). The capital to meet the internal capital assessment, i.e. the capital base, amounted to SEK 128.0bn (SEK 125.3bn as of 31 December 2017) (see Note 22). Swedbank's internal capital assessment using its own models is not comparable with the estimated capital requirement that the SFSA releases quarterly.

The internally estimated capital requirement for the parent company is SEK 25.8bn (SEK 25.6bn as of 31 December 2017) and the capital base is SEK 107.2bn (SEK 103.4bn as of 31 December 2017) (see the parent company's note on capital adequacy).

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

Note 24 Risks and uncertainties

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

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

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

Group

SEKm	< 5 years	5-10 years	>10 years	Total
Swedbank, the Group	**49**	**-145**	**91**	**-6**
of which SEK	-1 346	-55	29	-1 373
of which foreign currency	1 395	-90	62	1 367
Of which financial instruments at fair value reported through profit or loss	**1 511**	**223**	**-66**	**1 668**
of which SEK	151	300	-134	317
of which foreign currency	1 360	-77	68	1 351

Note 25 Business Combinations 2017

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

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

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

Note 26 Related-party transactions

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

Note 27 Swedbank's share

	31 Mar 2018	31 Dec 2017	%	31 Mar 2017	%
SWED A					
Share price, SEK	187,0	197,9	-6	207,6	-10
Number of outstanding ordinary shares	1 116 670 928	1 113 629 621	0	1 113 222 130	0
Market capitalisation, SEKm	**208 817**	**220 387**	**-5**	**231 105**	**-10**

Number of outstanding shares	31 Mar 2018	31 Dec 2017	31 Mar 2017
Issued shares			
SWED A	1 132 005 722	1 132 005 722	1 132 005 722
Repurchased shares			
SWED A	-15 334 794	-18 376 101	-18 783 592
Repurchase of own shares for trading purposes			
SWED A			
Number of outstanding shares on the closing day	**1 116 670 928**	**1 113 629 621**	**1 113 222 130**

Within Swedbank's share-based compensation programme, Swedbank AB has during the first quarter 2018 transferred 3 041 307 shares at no cost to employees.

Earnings per share	Q1 2018	Q4 2017	Q1 2017
Average number of shares			
Average number of shares before dilution	1 114 909 893	1 113 629 621	1 112 126 000
Weighted average number of shares for potential ordinary shares that incur a dilutive effect due to share-based compensation programme	4 271 046	5 189 467	5 335 204
Average number of shares after dilution	1 119 180 940	1 118 819 088	1 117 461 204
Profit, SEKm			
Profit for the period attributable to shareholders of Swedbank	5 033	4 737	5 124
Earnings for the purpose of calculating earnings per share	5 033	4 737	5 124
Earnings per share, SEK			
Earnings per share before dilution	4.51	4.25	4.61
Earnings per share after dilution	4.50	4.23	4.59

Note 28 Effects of changes in accounting policies, IFRS9

Reconciliation of the balance sheet from IAS 39 to IFRS 9

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

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

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

Reclassification of financial assets at transition to IFRS 9

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

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

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

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

Loans to the public

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

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

Financial assets for which customers bear the investment risk

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

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

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

Shares and participating interests

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

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

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

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

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

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

Credit impairment provisions of loans to the public by operating segments

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

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

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

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

Impact of adopting IFRS 9 to equity

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

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

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

.

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

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

Income statement

Group SEKm	New reporting 2017 Q1	Change	Previous reporting 2017 Q1	New reporting 2017 Full-year	Change	Previous reporting 2017 Full-year
Interest income	8 334		8 334	34 494		34 494
Negative yield on financial assets	-424		-424	-2 306		-2 306
Interest income, including negative yield on financial assets	**7 910**		**7 910**	**32 188**		**32 188**
Interest expenses	-2 087		-2 087	-8 382		-8 382
Negative yield on financial liabilities	148		148	789		789
Interest expenses, including negative yield on financial liabilities	**-1 939**		**-1 939**	**-7 593**		**-7 593**
Net interest income (note 5)	**5 971**		**5 971**	**24 595**		**24 595**
Commission income	4 073	37	4 036	17 542	176	17 366
Commission expenses	-1 214		-1 214	-5 336		-5 336
Net commission income (note 6)	**2 859**	**37**	**2 822**	**12 206**	**176**	**12 030**
Net gains and losses on financial items at fair value (note 7)	486		486	1 934		1 934
Net insurance	**196**		**196**	**937**		**937**
Share of profit or loss of associates	175		175	971		971
Other income	964	-37	1 001	1 795	-176	1 971
Total income	**10 651**		**10 651**	**42 438**		**42 438**
Staff costs	2 448		2 448	9 945		9 945
Other expenses (note 8)	1 420		1 420	5 870		5 870
Depreciation/amortisation	135		135	600		600
Total expenses	**4 003**		**4 003**	**16 415**		**16 415**
Profit before impairments	**6 648**		**6 648**	**26 023**		**26 023**
Impairment of intangible assets (note 14)				175		175
Impairment of tangible assets	2		2	21		21
Credit impairments (note 9)	339		339	1 285		1 285
Operating profit	**6 307**		**6 307**	**24 542**		**24 542**
Tax expense	1 181		1 181	5 178		5 178
Profit for the period	5 126		5 126	19 364		19 364
Profit for the period attributable to the shareholders of Swedbank AB	**5 124**		**5 124**	**19 350**		**19 350**
Non-controlling interests	2		2	14		14
C/I-ratio	0.38		0.38	0.39		0.39

For more information see note 1 Accounting policies.

Net commission income

Group SEKm	New reporting 2017 Q1	Change	Previous reporting 2017 Q1	New reporting 2017 Full-year	Change	Previous reporting 2017 Full-year
Commission income						
Payment processing	453	29	424	1 916	144	1 772
Card commissions	1 141	8	1 133	5 098	33	5 065
Service concepts	147		147	807		807
Asset management and custody	1 454		1 454	6 240		6 240
Life insurance	169		169	660		660
Securites	168		168	557		557
Corporate finance	45		45	137		137
Lending	222		222	938		938
Guarantees	54		54	231		231
Deposits	49		49	200		200
Real estate brokerage	43		43	198		198
Non-life insurance	13		13	80		80
Other commission income	115		115	480	-1	481
Total commission income	**4 073**	**37**	**4 036**	**17 542**	**176**	**17 366**
Commission expenses						
Payment processing	-244		-244	-1 078		-1 078
Card commissions	-469		-469	-2 115		-2 115
Service concepts	-2		-2	-70		-70
Asset management and custody	-324		-324	-1 368		-1 368
Life insurance	-46		-46	-189		-189
Securites	-76		-76	-279		-279
Lending and guarantees	-11		-11	-60		-60
Non-life insurance	-4		-4	-23		-23
Other commission income	-38		-38	-154		-154
Total commission expenses	**-1 214**		**-1 214**	**-5 336**		**-5 336**
Net commission income						
Payment processing	209	29	180	838	144	694
Card commissions	672	8	664	2 983	33	2 950
Service concepts	145		145	737		737
Asset management and custody	1 130		1 130	4 872		4 872
Life insurance	123		123	471		471
Securites	92		92	278		278
Corporate finance	45		45	137		137
Lending and guarantees	265		265	1 109		1 109
Deposits	49		49	200		200
Real estate brokerage	43		43	198		198
Non-life insurance	9		9	57		57
Other commission	77		77	326	-1	327
Total Net commission income	**2 859**	**37**	**2 822**	**12 206**	**176**	**12 030**

Swedbank AB

Income statement, condensed

Parent company SEKm	Q1 2018	Q4 2017	%	Q1 2017	%
Interest income	4 648	4 573	2	4 281	9
Negative yield on financial assets	-646	-620	4	-383	69
Interest income, including negative yield on financial assets	**4 002**	**3 953**	**1**	**3 898**	**3**
Interest expenses	-1 128	-971	16	-1 045	8
Negative yield on financial liabilities	164	215	-24	140	17
Interest expenses, including negative yield on financial liabilities	**-964**	**-756**	**28**	**-905**	**7**
Net interest income	**3 038**	**3 197**	**-5**	**2 993**	**2**
Dividends received	6 552	5 414	21	3 016	
Commission income	2 361	2 572	-8	2 326	2
Commission expenses	-806	-874	-8	-716	13
Net commission income	**1 555**	**1 698**	**-8**	**1 610**	**-3**
Net gains and losses on financial items at fair value	55	243	-77	653	-92
Other income	326	454	-28	320	2
Total income	**11 526**	**11 006**	**5**	**8 592**	**34**
Staff costs	2 062	2 188	-6	2 032	1
Other expenses	1 120	1 467	-24	1 197	-6
Depreciation/amortisation and impairments of tangible and intangible fixed assets	1 161	1 223	-5	1 093	6
Total expenses	**4 343**	**4 878**	**-11**	**4 322**	**0**
Profit before impairments	**7 183**	**6 128**	**17**	**4 270**	**68**
Impairment of financial fixed assets		13			
Credit impairments	44	266	-83	396	-89
Operating profit	**7 139**	**5 849**	**22**	**3 874**	**84**
Appropriations		368			
Tax expense	727	988	-26	288	
Profit for the period	**6 412**	**4 493**	**43**	**3 586**	**79**

Statement of comprehensive income, condensed

Parent company SEKm	Q1 2018	Q4 2017	%	Q1 2017	%
Profit for the period reported via income statement	**6 412**	**4 493**	**43**	**3 586**	**79**
Total comprehensive income for the period	**6 412**	**4 493**	**43**	**3 586**	**79**

Balance sheet, condensed

Parent company SEKm	31 Mar 2018	31 Dec 2017	%	31 Mar 2017	%
Assets					
Cash and balance with central banks	334 687	136 061		352 768	-5
Loans to credit institutions	463 408	449 733	3	414 154	12
Loans to the public	416 043	398 666	4	438 400	-5
Interest-bearing securities	145 047	141 322	3	169 986	-15
Shares and participating interests	72 018	83 672	-14	104 411	-31
Derivatives	67 425	62 153	8	84 751	-20
Other assets	47 518	44 784	6	33 407	42
Total assets	**1 546 146**	**1 316 391**	**17**	**1 597 877**	**-3**
Liabilities and equity					
Amounts owed to credit institutions	181 120	95 106	90	153 726	18
Deposits and borrowings from the public	758 142	671 323	13	747 985	1
Debt securities in issue	345 201	322 684	7	429 237	-20
Derivatives	66 053	65 704	1	88 535	-25
Other liabilities and provisions	80 605	38 314		66 859	21
Subordinated liabilities	26 679	25 508	5	26 980	-1
Untaxed reserves	10 575	10 575	0	10 206	4
Equity	77 771	87 177	-11	74 349	5
Total liabilities and equity	**1 546 146**	**1 316 391**	**17**	**1 597 877**	**-3**
Pledged collateral	36 338	29 876	22	41 438	-12
Other assets pledged	3 021	3 355	-10	4 203	-28
Contingent liabilities	578 252	556 537	4	580 766	0
Commitments	226 346	230 690	-2	226 087	0

Statement of changes in equity, condensed

Parent company
SEKm

	Share capital	Share premium reserve	Statutory reserve	Retained earnings	Total
January-March 2018					
Closing balance 31 December 2017	**24 904**	**13 206**	**5 968**	**43 099**	**87 177**
Amendments due to the adoption of IFRS 9				**-1 406**	**-1 406**
Opening balance 1 January 2018	**24 904**	**13 206**	**5 968**	**41 693**	**85 771**
Dividend				-14 517	**-14 517**
Share based payments to employees				103	**103**
Deferred tax related to share based payments to employees				-18	**-18**
Current tax related to share based payments to				20	**20**
Total comprehensive income for the period				6 412	**6 412**
Closing balance 31 March 2018	**24 904**	**13 206**	**5 968**	**33 693**	**77 771**
January-December 2017					
Opening balance 1 January 2017	**24 904**	**13 206**	**5 968**	**41 277**	**85 355**
Dividend				-14 695	**-14 695**
Share based payments to employees				307	**307**
Deferred tax related to share based payments to employees				-31	**-31**
Current tax related to share based payments to employees				35	**35**
Total comprehensive income for the period				16 206	**16 206**
Closing balance 31 December 2017	**24 904**	**13 206**	**5 968**	**43 099**	**87 177**
January-March 2017					
Opening balance 1 January 2017	**24 904**	**13 206**	**5 968**	**41 277**	**85 355**
Dividend				-14 695	**-14 695**
Share based payments to employees				103	**103**
Deferred tax related to share based payments to employees				-35	**-35**
Current tax related to share based payments to employees				35	**35**
Total comprehensive income for the period				3 586	**3 586**
Closing balance 31 March 2017	**24 904**	**13 206**	**5 968**	**30 271**	**74 349**

Cash flow statement, condensed

Parent company **SEKm**	**Jan-Mar 2018**	**Full-year 2017**	**Jan-Mar 2017**
Cash flow from operating activities	180 136	21 630	127 287
Cash flow from investing activities	15 239	1 221	10 983
Cash flow from financing activities	3 251	49 016	150 305
Cash flow for the period	**198 626**	**71 868**	**288 575**
Cash and cash equivalents at beginning of period	136 061	64 193	64 193
Cash flow for the period	198 626	71 868	288 575
Cash and cash equivalents at end of period	**334 687**	**136 061**	**352 768**

Capital adequacy

Capital adequacy, Parent company SEKm	31 Mar 2018	31 Dec 2017	31 Mar 2017
Common Equity Tier 1 capital	**80 441**	**78 687**	**72 922**
Additional Tier 1 capital	11 103	11 040	13 505
Tier 1 capital	**91 544**	**89 727**	**86 427**
Tier 2 capital	15 646	13 683	12 695
Total capital	**107 190**	**103 410**	**99 122**
Minimum capital requirement	**25 182**	**25 012**	**24 881**
Risk exposure amount	**314 779**	**312 647**	**311 012**
Common Equity Tier 1 capital ratio, %	**25.6**	**25.2**	**23.5**
Tier 1 capital ratio, %	**29.1**	**28.7**	**27.8**
Total capital ratio, %	**34.1**	**33.1**	**31.9**

Capital buffer requirement[1] %	31 Mar 2018	31 Dec 2017	31 Mar 2017
CET1 capital requirement including buffer requirements	8.5	8.5	8.4
of which minimum CET1 requirement	4.5	4.5	4.5
of which capital conservation buffer	2.5	2.5	2.5
of which countercyclical capital buffer	1.5	1.5	1.4
CET 1 capital available to meet buffer requirement [2]	21.1	20.7	19.0

Leverage ratio	31 Mar 2018	31 Dec 2017	31 Mar 2017
Tier 1 Capital, SEKm	91 544	89 727	86 427
Total exposure, SEKm [3]	1 213 266	979 217	1 317 499
Leverage ratio, % [3]	7.6	9.2	6.6

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

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

31 Mar 2018 SEKm	Exposure amount	Risk exposure amount	Minimum capital requirement
Credit risks, STD	**1 058 959**	**78 410**	**6 273**
Central government or central banks exposures	18		
Regional governments or local authorities exposures	49	10	1
Public sector entities exposures	2 469		
Multilateral development banks exposures	3 939		
International organisation exposures	283		
Institutional exposures	979 998	557	45
Corporate exposures	3 757	3 621	290
Retail exposures	412	308	25
Exposures secured by mortgages on immovable property	2 612	914	73
Exposures in default			
Equity exposures	64 084	71 685	5 735
Other items	1 338	1 315	104
Credit risks, IRB	**1 010 681**	**157 843**	**12 627**
Central government or central banks exposures	436 563	5 240	419
Institutional exposures	62 330	12 709	1 017
Corporate exposures	413 156	116 537	9 323
of which specialized lending			
Retail exposures	96 092	21 021	1 682
of which mortgage lending	12 557	2 503	200
of which other lending	83 535	18 518	1 482
Non-credit obligation	2 540	2 336	186
Credit risks, Default fund contribution		**463**	**37**
Settlement risks	**0**	**0**	**0**
Market risks		**13 146**	**1 052**
Trading book		12 738	1 019
of which VaR and SVaR		8 190	655
of which risks outside VaR and SVaR		4 548	364
FX risk other operations		408	33
Credit value adjustment	**18 326**	**4 658**	**372**
Operational risks		**35 201**	**2 816**
Standardised approach		35 201	2 816
Additional risk exposure amount, Article 3 CRR		**25 058**	**2 005**
Total	**2 087 966**	**314 779**	**25 182**

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

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

Effects of changes in accounting policies, IFRS 9

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

Alternative performance measures

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

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

Other alternative performance measures

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

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

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

Signatures of the Board of Directors and the President

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

Stockholm, 23 April 2018

Lars Idermark
Chair

Ulrika Francke
Deputy Chair

Bodil Eriksson
Board Member

Mats Granryd
Board Member

Bo Johansson
Board Member

Anna Mossberg
Board Member

Peter Norman
Board Member

Annika Poutiainen
Board Member

Siv Svensson
Board Member

Magnus Uggla
Board Member

Camilla Linder
Board Member
Employee Representative

Roger Ljung
Board Member
Employee Representative

Birgitte Bonnesen
President and CEO

Review report

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

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

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

Stockholm, 23 April 2018
Deloitte AB

Patrick Honeth
Authorised Public Accountant

Publication of financial information

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

Financial calendar 2018

Interim report for the second quarter	18 July 2018
Interim report for the third quarter	23 October 2018

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