

Q2 2017

Interim report for the second quarter 2017

Second quarter 2017 compared with first quarter 2017

- Strong profit driven by higher income
- Increased mortgage volumes supported net interest income
- Net commission income benefited from higher card and asset management income
- Net gains and losses on financial items positively affected by higher FX trading activity
- Costs in line with expectations
- Additional provisions in oil related sectors
- Strong capitalisation

“During the second quarter we made several strategic decisions and implemented initiatives to create value-added for our customers.”

Birgitte Bonnesen,
President and CEO

Financial information	Q2	Q1		Jan-Jun	Jan-Jun	
SEKm	2017	2017	%	2017	2016	%
Total income	10 393	10 651	-2	21 044	20 834	1
Net interest income	6 090	5 971	2	12 061	11 013	10
Net commission income	3 000	2 822	6	5 822	5 440	7
Net gains and losses on financial items at fair value ²⁾	567	486	17	1 053	1 277	-18
Other income ¹⁾²⁾³⁾	736	1 372	-46	2 108	3 104	-32
Total expenses	3 966	4 003	-1	7 969	7 666	4
Profit before impairments	6 427	6 648	-3	13 075	13 168	-1
Impairment of intangible and tangible assets	1	2	-50	3	9	-67
Credit impairments	400	339	18	739	573	29
Tax expense	1 276	1 181	8	2 457	1 998	23
Profit for the period attributable to the shareholders of Swedbank AB	4 746	5 124	-7	9 870	10 581	-7
Earnings per share, SEK, after dilution	4,24	4,59		8,83	9,49	
Return on equity, %	15,6	15,9		15,7	17,4	
C/I ratio	0,38	0,38		0,38	0,37	
Common Equity Tier 1 capital ratio, %	24,6	24,2		24,6	23,0	
Credit impairment ratio, %	0,10	0,09		0,10	0,08	

¹⁾ One-off income from sale of Hemnet of SEK 680m during first quarter 2017.

²⁾ One-off income from VISA, SEK 2 115m during first half year 2016 of which Net gains and losses on financial items at fair value SEK 457m and Other income SEK 1 658m.

³⁾ 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

During the second quarter we made several strategic decisions and implemented initiatives to create value-added for our customers.

We signed an agreement to acquire PayEx, a Swedish payment service provider with a breadth and depth of expertise. PayEx will complement and strengthen our product offering in an area that is important to the bank and our customers. In addition, the company's strong innovative capabilities fit well with our values and will help keep us in the forefront with world-class payment solutions.

We also entered into a strategic partnership with the independent equity broker Kepler Cheuvreux that enables us to offer high-quality solutions in equity research and distribution.

Availability is very important to our customers. In the second quarter we launched a new Internet bank and Mobile bank with several additional functions. We also expanded the hours of our customer service centre, which is now open 24 hours a day, seven days a week, for both private and corporate customers.

Swedbank works to inspire customers and make it easier for them to make sustainable financing and investment choices. As proof of the success of our long-term sustainability work, 14 of Swedbank Robur's funds received the highest marks in a global climate impact rating by Climetrics. In May we launched another sustainability fund, Swedbank Robur Ethica Företagsobligationsfond, to complement the Ethica family with a sustainable corporate bond fund with a European focus.

To promote innovation and entrepreneurship, we launched a campaign in Sweden in June called Rivstart ("Flying Start"), an important aim of which is to identify and reward business ideas that clearly benefit society. Ten winners will receive seed capital and coaching to realise their ideas. We know how important new businesses are to local communities around the country.

All these initiatives deliver value to customers and make Swedbank a natural partner. Our long-term strategic focus is on continuing to develop solutions that create value-added for our customers.

Macroeconomic conditions are bright

Optimism has increased in many of the world's economies. In Europe the recovery is continuing. We also saw political risks decline somewhat in the quarter after several key elections, paving the way for continued growth. The UK's exit from the EU creates uncertainty, however.

Several of the world's central banks are now beginning to focus on how and when to phase out the stimulus measures taken during the financial crisis. The US Federal Reserve, for example, raised its benchmark rate in the second quarter.

The Swedish economy is being driven by consumer spending and an active housing market, and indicators point to continued strength during the quarter. In the

Baltic countries growth increased with support from improved global conditions.

The need for further reforms internationally to create more balanced economic and social development is great, especially in the labour and housing markets. While we also face challenges in Sweden, we are in an excellent position to address them and turn them into opportunities.

Solid profitability creates a sustainable business

Our profit for the second quarter was strong. Net interest income rose thanks to the continued growth of the mortgage portfolio. Increased customer activity in cards and payments and an upswing in equity prices improved net commission income. We were pleased to see the great interest from customers in our new equity fund, Swedbank Robur Microcap, which we launched in the quarter. The fund, which focuses on innovative Nordic startups, has already attracted nearly SEK 800m.

Lending to private customers in the Baltic countries continued to increase, mainly in mortgages. Smart ID, which was launched in the first quarter and facilitates digital identification and signatures, already has 174 000 users. The solution delivers value to customers and offers great business potential as mobile banking continues to grow.

Corporate lending decreased slightly in the quarter due to repayments. At the same time customer activity in FX trading and funding was high.

The situation in the oil sector has not changed appreciably. We increased credit impairments for our oil exposures in the second quarter. Swedbank's lending to the oil sector represents only a small share, just over 1 per cent, of our total lending. Credit quality in the rest of the loan portfolio remains high.

The financial results for the second quarter once again demonstrate Swedbank's sustainable profitability. Profit generates capital and allows us to support our customers when they need us, while also building up buffers should the market decline. In the second quarter we had a return on equity of 15.6 per cent and a Common Equity Tier 1 capital buffer that exceeded the Swedish Financial Supervisory Authority's minimum requirement by 2.6 percentage points.

Full speed ahead – high level of activity continues

After a positive and eventful quarter, we are now focused on the second half of the year with the goal to create more customer value. We will be taking several important steps, especially in our work to fully digitise the mortgage loan process. This autumn we will also begin planning for next year. I look forward to a very busy autumn with a high level of activity.



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	Q2 2017	Q1 2017	%	Q2 2016	%	Jan-Jun 2017	Jan-Jun 2016	%
Net interest income	6 090	5 971	2	5 552	10	12 061	11 013	10
Net commission income	3 000	2 822	6	2 795	7	5 822	5 440	7
Net gains and losses on financial items at fair value	567	486	17	877	-35	1 053	1 277	-18
Other income ¹⁾	736	1 372	-46	2 466	-70	2 108	3 104	-32
Total income	10 393	10 651	-2	11 690	-11	21 044	20 834	1
Staff costs	2 386	2 448	-3	2 314	3	4 834	4 621	5
Other expenses	1 580	1 555	2	1 526	4	3 135	3 045	3
Total expenses	3 966	4 003	-1	3 840	3	7 969	7 666	4
Profit before impairments	6 427	6 648	-3	7 850	-18	13 075	13 168	-1
Impairment of tangible assets	1	2	-50	1	0	3	9	-67
Credit impairments, net	400	339	18	538	-26	739	573	29
Operating profit	6 026	6 307	-4	7 311	-18	12 333	12 586	-2
Tax expense	1 276	1 181	8	1 037	23	2 457	1 998	23
Profit for the period	4 750	5 126	-7	6 274	-24	9 876	10 588	-7
Profit for the period attributable to the shareholders of Swedbank AB	4 746	5 124	-7	6 270	-24	9 870	10 581	-7

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	Q2 2017	Q1 2017	Q2 2016	Jan-Jun 2017	Jan-Jun 2016
Return on equity, % ¹⁾	15,6	15,9	21,0	15,7	17,4
Earnings per share before dilution, SEK ²⁾	4,26	4,61	5,65	8,87	9,54
Earnings per share after dilution, SEK ²⁾	4,24	4,59	5,62	8,83	9,49
C/I ratio	0,38	0,38	0,33	0,38	0,37
Equity per share, SEK ²⁾	111,3	107,3	107,4	111,3	107,4
Loan/deposit ratio, %	166	162	152	166	152
Common Equity Tier 1 capital ratio, %	24,6	24,2	23,0	24,6	23,0
Tier 1 capital ratio, %	27,8	27,5	25,3	27,8	25,3
Total capital ratio, %	32,5	30,6	28,3	32,5	28,3
Credit impairment ratio, % ³⁾	0,10	0,09	0,14	0,10	0,08
Share of impaired loans, gross, %	0,53	0,50	0,34	0,53	0,34
Total provision ratio for impaired loans, %	45	51	58	45	58
Liquidity coverage ratio (LCR), % ⁴⁾	128	137	138	128	138
Net stable funding ratio (NSFR), %	110	109	108	110	108

Balance sheet data SEKbn	30 Jun 2017	31 Dec 2016	%	30 Jun 2016	%
Loans to the public, excluding the Swedish National Debt Office and repurchase agreements	1 470	1 453	1	1 420	4
Deposits and borrowings from the public, excluding the Swedish National Debt Office and repurchase agreements	888	782	14	936	-5
Shareholders' equity	124	130	-4	119	4
Total assets	2 426	2 154	13	2 476	-2
Risk exposure amount	407	394	3	413	-2

¹⁾ Average shareholders' equity can be found on pages 73-74 in the Fact book.

²⁾ The number of shares and calculation of earnings per share are specified on page 44.

³⁾ For more information about credit impairment ratio, see page 42 of the Fact book.

⁴⁾ LCR - calculated in accordance with SFSA's regulations (FFFS 2012:6.).

Definitions of all key ratios can be found in Swedbank's Fact book on page 81.

Overview

Market

The European economic recovery continued in the second quarter and political risks have declined after last spring's elections in the Netherlands, France and the UK. The UK's upcoming exit from the EU creates uncertainty, however. In the US economic indicators were somewhat weaker than estimated, while the labour market continued to improve. Against the backdrop of falling US unemployment, now below 4.5 per cent, the Federal Reserve raised the target range for its benchmark interest rate to 1.00–1.25 per cent in June and signalled that it will gradually reduce its bond holdings. Uncertainty about US fiscal policy, including President Trump's promised tax cuts and infrastructure investments, persists.

The ECB left its key interest rate unchanged at the latest monetary policy meeting in May. Expectations of a gradually less expansionary policy have grown, however, following statements by ECB President Mario Draghi and stronger European macro data, which strengthened the euro against the dollar. The Swedish krona weakened against the euro but rose against the dollar in the quarter. Long-term bond yields rose in the eurozone, while US long-term yields fell slightly. Oil prices dropped in the second quarter despite OPEC's decision in May to extend production cutbacks until March of next year. A further increase in US oil production contributed to a global surplus.

The Swedish economy grew at a slightly slower rate in the first quarter than at the end of last year and GDP rose by 2.2 per cent on an annualised, calendar adjusted basis. Growth was driven by consumer spending and a big increase in housing investment, while export growth declined slightly. Tendency surveys such as the Purchasing Managers' Index and the National Institute of Economic Research's Economic Tendency Indicator show that the economy remained strong in the second quarter, which was also reflected in the labour market. In May 92 000 more people were working than in the same month a year earlier. Unemployment fell slightly to 6.7 per cent at the same time that the labour shortage became more widespread, mainly in construction but also in private services. Inflation and inflation expectations rose, though some of that increase can be attributed to temporary factors such as rising energy prices and a weaker krona. Inflation adjusted for interest rate effects, CPIF, was 1.9 per cent in June. Underlying inflation, CPIF excluding energy, was 1.9 per cent in the same month.

House prices in Sweden dipped slightly in the second quarter compared with the first, at the same time that residential construction was at the highest level since the days of the Million Homes Programme in the 1960s and 1970s. The introduction of the amortisation requirement in June 2016 and declining house prices helped to reduce the annual growth rate for residential mortgages to 7.1 per cent in May. In late May the Swedish Financial Supervisory Authority (SFSA) proposed a stricter amortisation requirement for households that borrow more than 4.5 times their gross income. Despite the slowdown in May, credit growth still exceeded wage growth, contributing to a further rise in household debt-to-income.

Growth in the Baltic economies further strengthened in the first quarter. The increase was strongest in Estonia, where GDP rose by 4.4 per cent compared with the first quarter of 2016, the largest gain in four years. In Latvia GDP rose by 4.0 per cent and in Lithuania by 3.9 per cent. Baltic exports benefited from an improved global market. Investments, which recovered at the end of last year in all three Baltic countries thanks to increased flows from the EU's structural funds, received further support in the second quarter from improved export conditions and higher domestic industrial production. Consumer spending was driven by higher wages and falling unemployment. The inflation rate in May was 3.3 per cent in Estonia, 3.2 per cent in Lithuania and 2.8 per cent in Latvia.

Important to note

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 53.

Group development

Result second quarter 2017 compared with first quarter 2017

Swedbank reported profit of SEK 4 746m in the second quarter of 2017, compared with SEK 5 124m in the previous quarter. The first quarter included a tax-exempt capital gain of SEK 680m on the sale of Hemnet. Excluding Hemnet income rose in every business area. FX changes increased profit by SEK 43m.

The return on equity was 15.6 per cent (15.9) and the cost/income ratio was 0.38 (0.38). Profit for the period and lower average capital due to the share dividend in the second quarter positively affected the return. In the first quarter the return was positively affected by the Hemnet gain.

Income decreased by 2 per cent to SEK 10 393m (10 651), mainly because other income was positively affected by Hemnet in the first quarter. Excluding Hemnet income rose by 4 per cent. FX changes increased income by SEK 93m.

Net interest income rose by 2 per cent to SEK 6 090m (5 971). An increase in Swedish mortgage lending volumes had a positive effect. The margins on the mortgage portfolio were stable. Net interest income from deposits was positively affected by improved margins due to higher market interest rates. A decrease in the resolution fund fee of SEK 83m and an extra day in the quarter also had a positive effect. The resolution fund fee for 2017 ultimately decided by the Swedish National Debt Office was lower than previously estimated.

Net commission income increased by 6 per cent to SEK 3 000m (2 822). Card income was seasonally higher. Asset management income increased, mainly thanks to rising equity prices. An extra day in the quarter also contributed positively.

Net gains and losses on financial items at fair value rose to SEK 567m (486). Increased income from FX trading contributed positively.

Other income decreased to SEK 736m (1 372) because the Hemnet sale positively affected the previous quarter by SEK 680m.

Expenses fell slightly to SEK 3 966m (4 003). Variable staff costs were lower than in the first quarter.

Credit impairments amounted to SEK 400m (339), mainly due to increased provisions within Large Corporates & Institutions for oil related commitments. Swedish Banking and Baltic Banking reported minor losses.

The tax expense amounted to SEK 1 276m (1 181), corresponding to an effective tax rate of 21.2 per cent (18.7). The difference in the effective tax rate between quarters is because the first quarter was affected by the tax-exempt capital gain on the Hemnet sale. Excluding this gain the effective tax rate would have been 21.0 per cent in the first quarter. The Group's effective tax rate is estimated at 20-22 per cent in the medium term.

Result January-June 2017 compared with January-June 2016

Profit fell to SEK 9 870m, compared with SEK 10 581m in the first half of 2016. The decrease is mainly because one-off income was higher in the first half of 2016 (sale of Visa Europe) than the same period in 2017 (sale of Hemnet). FX changes increased profit by SEK 61m.

Excluding one-off income profit increased to SEK 9 190m (8 466), as shown in the table below.

	Jan-Jun 2017	Jan-Jun 2017 excl. one- off income Hemnet	Jan-Jun 2016	Jan-Jun 2016 excl. one- off income VISA
Income statement, SEKm				
Net interest income	12 061	12 061	11 013	11 013
Net commission income	5 822	5 822	5 440	5 440
Net gains and losses on financial items at fair value of which VISA	1 053	1 053	1 277 457	820
Share of profit or loss of associates of which VISA	379	379	2 120 1 658	462
Other income ¹⁾ of which Hemnet	1 729 680	1 049	984	984
Total income	21 044	20 364	20 834	18 719
Total expenses	7 969	7 969	7 666	7 666
Impairments	742	742	582	582
Operating profit	12 333	11 653	12 586	10 471
Tax expense	2 457	2 457	1 998	1 998
Profit for the period attributable to the shareholders of Swedbank AB	9 870	9 190	10 581	8 466
Return on equity	15,7	14,6	17,4	13,9
Cost/Income ratio	0,38	0,39	0,37	0,41

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 15.7 per cent (17.4) and the cost/income ratio was 0.38 (0.37). Excluding one-off income the return on equity was 14.6 per cent (13.9).

Income increased to SEK 21 044m (20 834). Excluding one-off items it rose by SEK 1 645m. FX changes increased income by SEK 167m.

Net interest income rose by 10 per cent to SEK 12 061m (11 013). Higher lending volumes and margins on Swedish mortgages contributed positively. An increase in the resolution fund fee of SEK 282m had a negative effect on net interest income. The Swedish National Debt Office doubled the fee compared with 2016.

Net commission income rose by 7 per cent to SEK 5 822m (5 440). Higher asset management income due to rising equity prices and increased card income contributed positively, while lower commissions from Corporate Finance had a negative effect.

Net gains and losses on financial items at fair value fell to SEK 1 053m (1 277), mainly because income related to the Visa Europe sale had a positive effect in the first half of 2016.

Other income decreased to SEK 2 108m (3 104), because one-off income was higher in the first half of 2016.

Expenses rose to SEK 7 969m (7 666) due to increased pension costs and salary increases.

Credit impairments increased to SEK 739m (573), mainly due to increased provisions for oil related commitments within Large Corporates & Institutions. Swedish Banking reported credit impairments while Baltic Banking reported net recoveries.

The tax expense amounted to SEK 2 457m (1 998), corresponding to an effective tax rate of 19.9 per cent (15.9). The effective tax rate for 2017 has been positively affected by the tax-exempt capital gain on the Hemnet sale, but negatively by the elimination of the deductibility of interest on subordinated liabilities in 2017. The same period in 2016 was positively affected by tax-exempt income from the sale of Swedbank's shares in Visa Europe. The Group's effective tax rate is estimated at 20-22 per cent in the medium term.

Volume trend by product area

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

Lending

Total lending to the public, excluding repos and the Swedish National Debt Office, increased by SEK 13bn to SEK 1 470bn (1 457) compared with the first quarter. Compared with 30 June 2016 the increase was SEK 50bn, or growth of 3.5 per cent.

Loans to the public excl. the Swedish National Debt Office and repurchase agreements, SEKbn			
	30 Jun 2017	31 mar 2017	30 Jun 2016
Loans, private mortgage	802	790	749
of which Swedish Banking	737	726	687
of which Baltic Banking	65	64	61
of which Large Corporates & Inst.			1
Loans, private other incl tenant-owner associations	152	150	147
of which Swedish Banking	139	138	134
of which Baltic Banking	12	12	12
of which Large Corporates & Inst.	1		1
Loans, corporate	516	517	524
of which Swedish Banking	249	252	275
of which Baltic Banking	65	65	63
of which Large Corporates & Inst.	202	200	186
Total	1 470	1 457	1 420

Lending to Swedish mortgage customers within Swedish Banking increased by SEK 11bn to SEK 737bn (726) compared with 31 March. In Baltic Banking mortgage volume grew by 1.4 per cent in local currency to the equivalent of SEK 65bn.

Other private lending, including to tenant-owner associations, grew by SEK 2bn in the quarter.

Swedbank's Swedish consumer loan volume amounted to SEK 31bn, corresponding to a market share of about 10 per cent. Consumer loans include unsecured loans as well as loans secured by a car or boat. The Baltic consumer loan portfolio grew in the quarter by 3 per cent in local currency to the equivalent of around SEK 7.5bn.

Corporate lending fell by a total of SEK 1bn in the quarter to SEK 516bn. Corporate lending decreased by SEK 3bn within Swedish Banking and grew by SEK 2bn within Large Corporates & Institutions. Within Baltic Banking corporate lending decreased slightly in local currency.

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

Payments

The total number of cards in issue from Swedbank at the end of the quarter was 8.0 million, unchanged compared with the end of the first quarter. Compared with the second quarter of 2016 the number of cards in issue increased by 1.2 per cent.

In Sweden the number of cards in issue was 4.2 million at the end of the second quarter. Compared with the same period in 2016 corporate card issuance increased by 0.9 per cent and consumer card issuance by 2.0 per cent. The increase in the number of consumer cards is largely driven by the growing number of young people who are signing up for 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 cards in issue was 3.8 million.

	30 Jun 2017	31 Mar 2017	30 Jun 2016
Number of cards			
Issued cards, million	8,0	8,0	7,9
of which Sweden	4,2	4,2	4,1
of which Baltic countries	3,8	3,8	3,8

A total of 317 million purchases were made in Sweden with Swedbank cards in the second quarter, an increase of 7 per cent compared with the second quarter of 2016.

In the Baltic countries there were 121 million card purchases, an increase of 12 per cent.

The number of acquired card transactions also increased year-on-year. In the Nordic countries the number of acquired card transactions was 619 million in the second quarter, an increase of 8 per cent compared with the second quarter of 2016. In the Baltic countries the corresponding figures were 89 million and 9 per cent.

Card payments in stores for the market in total was over 85 per cent in Sweden and over 50 per cent in Estonia, while the figures were slightly lower in Latvia and Lithuania. Swedbank is working actively to increase card payments in stores by encouraging more retailers to accept cards and advising customers to pay by card in stores instead of cash.

To make it easier for customers to pay for small purchases by card, Swedbank offers contactless cards. The launch began in the Baltic countries in 2016 and is continuing gradually in Sweden in 2017 for various types of cards. At the same time payment terminals at 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 around 20 per cent, but the number of terminals with contactless functionality is expected to grow quickly and reach more than 50 per cent of stores in 2018.

The number of domestic payments handled by Swedbank rose by 16 per cent in Sweden and by 1 per cent in the Baltic countries compared with the second quarter of 2016. Swedbank's market share of payments through the Bankgiro system was 37 per cent. The number of international payments rose by 8 per cent in Sweden and 15 per cent in the Baltic countries compared with the second quarter of 2016.

To better capitalise on emerging opportunities in e-commerce, Swedbank has created a new unit, Commerce, within Group Lending & Payments, which will focus on providing retailers with comprehensive payment solutions. We have also signed an agreement to acquire the payment service provider PayEx and are now awaiting approval from regulatory authorities. The acquisition complements Swedbank's payment and financing services and creates further opportunities to continue developing attractive long-term payment services for retailers and their customers.

Savings

Total deposits within the business segments – Swedish Banking, Baltic Banking and Large Corporates & Institutions – increased by SEK 1bn to SEK 805bn (804) compared with the end of the first quarter. Of this total, 58 per cent (58) related to on demand deposits. Total deposits from the public, including volumes attributable to Group Treasury within Group Functions & Other, decreased by SEK 10bn in the quarter to SEK 888bn.

Swedbank's deposits from private customers increased by SEK 15bn in the quarter to SEK 457bn (442). Within Swedish Banking deposits increased by SEK 12bn partly due to a tax refund during the quarter.

Deposits from the public excl. the Swedish National Debt Office and repurchase agreements, SEKbn	30 Jun 2017	31 Mar 2017	30 Jun 2016
Deposits, private	457	442	427
of which Swedish Banking	355	343	335
of which Baltic Banking	102	99	92
Deposits, corporate	431	456	509
of which Swedish Banking	155	147	144
of which Baltic Banking	67	69	67
of which Large Corporates & Inst.	126	146	126
of which Group Functions & Other	83	94	172
Total	888	898	936

Corporate deposits decreased by a total of SEK 25bn in the quarter. Deposits within Large Corporates & Institutions decreased by SEK 20bn, mainly due to withdrawals of temporary deposits by financial institutions. In Swedish Banking deposits increased by SEK 8bn and in Baltic Banking they decreased by SEK 2bn. Deposits within Group Treasury decreased by SEK 11bn largely due to lower volumes from US money market funds.

The market share for household deposits in Sweden was stable at 21 per cent as of 31 May (21 per cent as of 31 December 2016). The market share for corporate deposits fell slightly to 19 per cent (20). For more information on deposits, see page 37 of the Fact book.

Asset management, SEKbn	30 Jun 2017	31 Mar 2017	30 Jun 2016
Assets under management	840	833	726
Assets under management, Robur	835	829	721
of which Sweden	796	791	687
of which Baltic countries	39	37	31
of which Norway			4
Assets under management, Other, Baltic countries	5	5	4
Discretionary asset management	386	383	367

Fund assets under management by Swedbank Robur continued to rise in the second quarter to SEK 835bn as (829bn) of 30 June, of which SEK 796bn (791) relates to the Swedish fund business. The increase is due to higher asset values. Fund assets under management by Swedbank Robur's Baltic business increased to SEK 39bn (37) due to rising asset values and positive net flows.

The total net inflow to the Swedish fund market was SEK 33.4bn in the quarter, of which SEK 8.1bn was in equity funds, SEK 9.0bn in mixed funds, SEK 15.0bn in fixed income funds and SEK 1.3bn in hedge funds and other funds.

After a positive start to the year, Swedbank Robur's net inflow in the Swedish fund market was negative in the second quarter at SEK -5.6bn (SEK 2.6bn in the first quarter). The negative flow is primarily due to capital reallocations by institutional investors. The net flow from Swedish Banking and the savings banks, including insurance, improved to SEK 3.9bn (1.8).

The net flow in the Baltic countries stayed positive in the second quarter at SEK 1.1bn (1.3).

By assets under management, Swedbank Robur is the largest player in the fund markets of Sweden and the Baltic countries. In Sweden the market share was 21 per cent as of 30 June. The market share was 41 per

cent in Estonia, 42 per cent in Latvia and 37 per cent in Lithuania.

Two new funds were launched in the second quarter: Microcap, an equity fund specialising in innovative Nordic startups, and Ethica Företagsobligationsfond, a sustainable fund that invests in European corporate bonds. The response has been positive, with net inflows of SEK 798m in Microcap, which was launched in April, and SEK 1.3bn in Ethica Företagsobligationsfond, which was launched in May.

Assets under management, life insurance SEKbn	30 Jun 2017	31 Mar 2017	30 Jun 2016
Sweden	170	167	144
of which collective occupational pensions	76	74	63
of which endowment insurance	63	62	55
of which occupational pensions	21	20	17
of which other	9	9	9
Baltic countries	5	5	4

Life insurance assets under management in Sweden increased by SEK 3bn in the quarter to SEK 170bn. The net inflow was SEK 1.3bn.

Swedbank was the eighth largest life insurance company in Sweden in the first quarter of 2017, with a market share of about 7 per cent in premium payments excluding capital transfers. The market share for transferred capital was 9 per cent, placing Swedbank fourth. Swedbank is the largest life insurance company in Estonia and the second largest in Lithuania and Latvia. Its market shares as of 31 May were 44 per cent in Estonia, 23 per cent in Lithuania and 22 per cent in Latvia.

Credit and asset quality

Stable economic growth in our home markets has supported the trend towards generally low credit impairments. Oil related sectors face continued uncertainty, however. The major oil companies are still reluctant to invest due to the low oil prices. Swedbank continues to carefully follow the sector's development and maintains a close dialogue with impacted customers.

Credit impairments amounted to SEK 400m in the quarter (SEK 339m in the first quarter) and mainly related to provisions for anticipated credit impairments for existing commitments in the oil related sector. Credit impairments in others sectors remained very low.

Credit impairments, net by business segment SEKm	Q2 2017	Q1 2017	Q2 2016
Swedish Banking	86	-3	-35
Baltic Banking	7	-66	50
Estonia	10	-10	57
Latvia	2	-27	2
Lithuania	-5	-29	-9
Large Corporates & Institutions	307	408	545
Group Functions & Other			-22
Total	400	339	538

The credit impairment ratio was 0.10 per cent (0.09 as of 31 March). The share of impaired loans (gross) increased in the quarter to 0.53 per cent (0.50) of total lending. The total provision ratio for impaired loans was

45 per cent (51). For more information on asset quality, see pages 39-45 of the Fact book.

New residential construction in Sweden is the highest in many years and is leading to increased mortgage volumes. While new construction has caught up with demand in some locations, the housing shortage still persists in many metropolitan areas and is pushing prices higher. Volume and prices are rising more slowly than before, however, partly due to the amortisation requirement introduced last year. Swedbank supports the SFSA's proposal for a tighter amortisation requirement for households with high debt. The effects of the new proposal are expected to correspond to the effects of the debt to income cap the bank already applies.

Swedbank's Swedish mortgages increased by 1.5 per cent in the quarter, or 6.1 per cent on an annual basis. This is a lower growth rate than in previous years and lower than the market in total. The average loan-to-value ratio of Swedbank's mortgages was 53 per cent (54) in Sweden, 48 per cent (48) in Estonia, 82 per cent (86) in Latvia and 67 per cent (67) in Lithuania, based on property level. For new lending in the quarter the loan-to-value ratio was 68 per cent in Sweden, 68 per cent in Estonia, 74 per cent in Latvia and 74 per cent in Lithuania. Amortisations in the Swedish mortgage portfolio amounted to about SEK 13bn in the last 12-month period. For more information, see pages 46-47 of the Fact book.

Operational risks

No incidents occurred in the second quarter that significantly impacted our customers. In late May the bank suffered a payment-related disruption, due to which payments had to be handled manually for about three hours, causing some delays.

The bank's safeguards effectively blocked the global cyberattacks in the quarter. Losses related to operational risks remained low.

Funding and liquidity

In the second quarter Swedbank stayed active in the international bond markets. The bank took advantage of favourable market conditions and chose to fund future maturities early on. Swedbank issued SEK 29bn in long-term debt, of which SEK 27bn related to covered bond issues. The total issuance volume for 2017 is expected to be slightly higher than in 2016. Maturities for the full-year 2017 are nominally SEK 166bn from the beginning of the year. Issuance plans are mainly affected by changes in deposit volumes and lending growth and are 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 159bn as of 30 June (SEK 230bn as of 31 March 2017). At the same time SEK 435bn (408) was placed with central banks. The liquidity reserve amounted to SEK 559bn (593) as of 30 June. The Group's liquidity coverage ratio (LCR) was 128 per cent (137), and for USD and EUR was 161 and 192 per cent respectively. The net stable funding ratio (NSFR) was 110 per cent (109). For more information on funding and liquidity, see notes 15-17, and pages 56-71 of the Fact book.

Ratings

During the second quarter there were no changes in Swedbank's ratings.

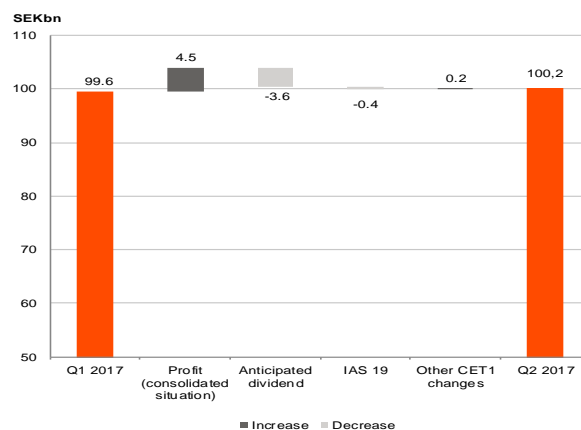
Capital and capital adequacy

Capital ratio

The Common Equity Tier 1 capital ratio was 24.6 per cent on 30 June (24.2 per cent as of 31 March). Common Equity Tier 1 capital increased by SEK 0.7bn during the quarter to SEK 100.2bn. Profit, after deducting the proposed dividend, positively affected Common Equity Tier 1 capital by SEK 0.9bn. The revaluation of the estimated pension liability according to IAS 19 reduced Common Equity Tier 1 capital by about SEK 0.4bn, mainly due to experience-based actuarial losses.

In May Swedbank issued a EUR 650m Tier 2 loan to optimise its capital structure. The issue has a 10.5-year maturity with a redemption option after 5.5 years. The issue strengthened Swedbank's total capital ratio by 1.5 percentage points.

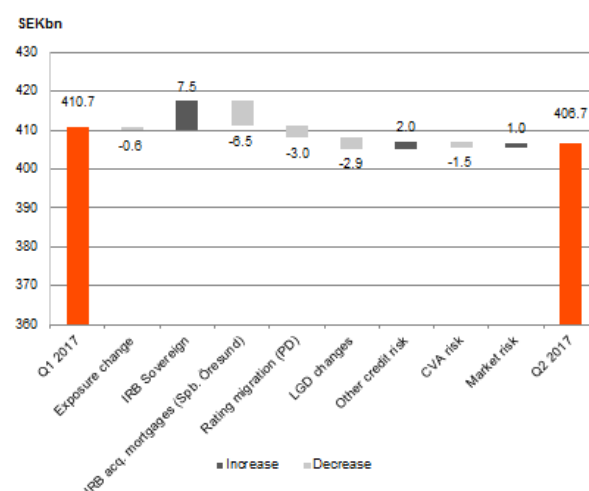
Change in Common Equity Tier 1 capital, 2017, Swedbank consolidated situation



Swedbank's leverage ratio as of 30 June 2017 was 4.8 per cent (4.7). The ratio increased because total assets were lower at the end of the second quarter of 2017 than at the end of the first quarter of 2017.

The risk exposure amount (REA) decreased by SEK 4.0bn in the second quarter to SEK 406.7bn (410.7).

Change in REA, 2017, Swedbank consolidated situation



REA for credit risks decreased by a total of SEK 3.5bn. REA for credit valuation adjustments (CVA risk) decreased by SEK 1.5bn due to lower exposures. REA for market risks increased by SEK 1.0bn, mainly driven by higher interest rate risks in the trading book. REA for operational risks was unchanged during the quarter.

Changes in exposures increased REA for credit risk by SEK 0.4bn. This was mainly due to a switch to the IRB approach to calculate REA for two types of exposures: exposures to central governments and central banks as well as to loans obtained in connection with the acquisition of Sparbanken Öresund. As a result, the exposures' risk weights have changed. The average risk weight for exposures to central governments and central banks has risen from 0 per cent to 1.5 per cent, increasing the REA by SEK 7.5bn. The average risk weight for exposures related to converted credits from Sparbanken Öresund decreased, reducing the REA by SEK 6.5bn. The remaining decrease in the REA from exposure changes of SEK 0.6bn is mainly due to lower exposures to financial institutions.

Within REA for credit risks positive PD migrations (Probability of Default), mainly to corporates and private individuals, contributed to a decrease of SEK 3.0bn. Increased collateral values, which have a negative effect on Loss Given Default (LGD), reduced REA for credit risks by SEK 2.9bn. Other credit risk increased REA by SEK 2.0bn, mainly because additional customers defaulted on their loans before provisions could be allocated for these commitments.

Capital requirement

Swedbank's total Common Equity Tier 1 capital requirement increased in the quarter to 22.0 per cent, compared with Swedbank's Common Equity Tier 1 capital ratio of 24.6 per cent as of 30 June 2017. The requirement increased because the capital requirement with respect to the risk weight floor for mortgages in Pillar 2 increased. This was due to an increase in the volume of mortgages subject to the risk weight floor after the switch to an internal risk classification method (IRB) to calculate REA for exposures to the loans obtained through the acquisition of Sparbanken Öresund. The total requirement takes into account Swedbank's Common Equity Tier 1 capital requirement for individual Pillar 2 risks of 2.0 per cent as well as all announced increases in the countercyclical buffer values.

Future capital regulations

In November 2016 the EU Commission proposed a package of reforms to the EU's rules for banks. The proposal contained amendments in a number of areas, including the capital requirements within Pillar 2, the framework for a minimum requirement for own funds and eligible liabilities (MREL), and authorisation to reduce the own funds and eligible liabilities. The proposal also introduces a new category of debt that banks can use to fulfil the MREL.

The Resolution Act enables the Swedish National Debt Office to write down a bank's liabilities in a crisis in order to absorb losses or convert the liabilities to equity. To ensure that they have sufficient capital and liabilities to write down or convert, the banks will have to fulfil the MREL as of 1 January 2018. Swedbank currently meets this requirement.

Senior unsecured bonds will initially be considered eligible liabilities. As of 2022, however, the banks'

eligible liabilities must be subordinated to the liabilities that are excluded from write-down or conversion. The EU Commission has proposed that the EU's member states amend their national insolvency laws to introduce a new category of debt that meets this requirement. In June 2017 the EU's finance ministers decided to support the proposal. The EU Parliament is expected to rule on it in autumn 2017. If it too supports the proposal, Sweden would have to amend its Rights of Priority Act in 2018 or possibly the beginning of 2019. This would enable Swedish banks to issue debt instruments to fulfil MREL.

The Basel Committee has been working for several years to limit the international differences between banks' risk weights, including a possible capital floor for banks that use internal models. After its meeting in June 2017 the Basel Committee announced that it had not yet finalised the rule changes but would continue its work.

Until the new rules are finalised, it remains uncertain how Swedbank will be affected. The EU must first decide whether, and if so how, they will be implemented in the EU. Thereafter Swedish lawmakers and authorities will have to decide how they will be implemented in Sweden. With its robust profitability and strong capitalisation, however, Swedbank is well positioned to meet future changes in capital requirements.

Other events

On 4 April Swedbank announced that it had entered into a partnership with and invested in the fintech company Mina Tjänster ("My Services"). Mina Tjänster's personal finances app, which is currently available in Swedish, makes it easier for people to manage their subscriptions to the services they use in their everyday lives. The partnership will give Swedbank's customers access to the tool.

On 5 May Swedbank announced that it had signed an agreement to acquire the payment service provider PayEx. The acquisition complements Swedbank's e-commerce payment solutions and creates good opportunities to continue to develop comprehensive payment solutions for retailers and their customers. The acquisition is being financed using Swedbank's own resources and is subject to the customary approvals by regulatory authorities, including the SFSA and the Swedish Competition Authority. The acquisition will have a somewhat negative impact on Swedbank's Common Equity Tier 1 capital ratio. More information on the financial effects for Swedbank will be communicated when the acquisition is completed.

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

On 19 June Swedbank announced that it had entered into a strategic partnership with Europe's leading independent equity broker, Kepler Cheuvreux. The partnership combines Swedbank's advisory skills and Equity Capital Markets ("ECM") relationships with Kepler Cheuvreux's research expertise and distribution reach.

Through the partnership, the bank's customers gain access to one of the market's largest high-quality research footprints in the Nordics, covering over 900 European stocks, including 300 Nordic. Swedbank is investing in a 6 per cent equity stake in Kepler Cheuvreux and will have one seat on the board of directors.

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

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

Events after 30 June 2017

On 13 July the Swedish Competition Authority decided to approve Swedbank's acquisition of PayEx. Swedbank now also awaits the SFSA's and the Norwegian Competition Authority's approval before the acquisition can be completed.

Swedish Banking

- Continued positive trend in mortgage volumes and lower resolution fund fee supported net interest income
- Increased card commissions and asset management income strengthened net commission income
- New version of the Internet bank and Mobile bank with expanded functions for mortgages and consumer loans

Income statement

SEKm	Q2 2017	Q1 2017	%	Q2 2016	%	Jan-Jun 2017	Jan-Jun 2016	%
Net interest income	3 792	3 637	4	3 413	11	7 429	6 733	10
Net commission income	1 881	1 757	7	1 723	9	3 638	3 343	9
Net gains and losses on financial items at fair value	105	97	8	100	5	202	174	16
Share of profit or loss of associates	208	144	44	271	-23	352	461	-24
Other income ⁴⁾	129	828	-84	162	-20	957	294	
Total income	6 115	6 463	-5	5 669	8	12 578	11 005	14
Staff costs	797	827	-4	799	0	1 624	1 635	-1
Variable staff costs	32	32	0	35	-9	64	58	10
Other expenses	1 371	1 332	3	1 363	1	2 703	2 680	1
Depreciation/amortisation	17	17	0	25	-32	34	50	-32
Total expenses	2 217	2 208	0	2 222	0	4 425	4 423	0
Profit before impairments	3 898	4 255	-8	3 447	13	8 153	6 582	24
Credit impairments	86	-3		-35		83	-48	
Operating profit	3 812	4 258	-10	3 482	9	8 070	6 630	22
Tax expense	823	757	9	765	8	1 580	1 456	9
Profit for the period	2 989	3 501	-15	2 717	10	6 490	5 174	25
Profit for the period attributable to the shareholders of Swedbank AB	2 985	3 499	-15	2 713	10	6 484	5 167	25
Non-controlling interests	4	2	100	4	0	6	7	-14
Return on allocated equity, % ¹⁾	21,4	25,4		20,7		23,4	20,0	
Loan/deposit ratio, %	221	228		229		221	229	
Credit impairment ratio, % ²⁾	0,03	0,00		-0,01		0,01	-0,01	
Cost/income ratio	0,36	0,34		0,39		0,35	0,40	
Loans, SEKbn ³⁾	1 125	1 116	1	1 096	3	1 125	1 096	3
Deposits, SEKbn ³⁾	510	490	4	479	6	510	479	6
Full-time employees	4 091	4 148	-1	4 223	-3	4 091	4 223	-3

1) For information about average allocated equity see page 16 of the Fact book.

2) For more information about the credit impairment ratio see page 42 of the Fact book.

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

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

Result

Second quarter 2017 compared with first quarter 2017

Profit decreased to SEK 2 985m (3 499), mainly due to one-off income of SEK 680m from the sale of Hemnet in the first quarter.

Net interest income rose by 4 per cent to SEK 3 792m (3 637). Increased mortgage volumes positively affected net interest income. The margins in the mortgage portfolio were stable. Slightly higher margins in corporate lending also had a positive effect. Net interest income from deposits were positively affected by improved margins owing to higher market interest rates. A lower resolution fund fee contributed positively.

Household mortgage volume amounted to SEK 737bn at the end of the quarter, an increase of SEK 11bn. As of 31 May 2017 the share of the year's net mortgage growth was 17 per cent and the total market share was 24.6 per cent (24.8 per cent as of 31 December 2016).

Corporate lending decreased by SEK 3bn to SEK 249bn (252), of which SEK 105bn was loans to property management companies.

The market share, including corporate lending within Large Corporates & Institutions, was 17.7 per cent in May (18.4 per cent as of 31 December 2016).

Household deposit volume increased by SEK 12bn in the quarter, partly due to the tax refund in June. Swedbank's share of household deposits was 20.7 per cent as of 31 May 2017 (20.8 per cent as of 31 December 2016).

Corporate deposits within Swedish Banking increased by SEK 8bn in the quarter. Swedbank's market share, including corporate lending within Large Corporates & Institutions, was 19.0 per cent as of 31 May (20.3 per cent as of 31 December 2016).

Net commission income rose by 7 per cent to SEK 1 881m (1 757), mainly due to increased asset management income resulting from higher equity prices

and net inflows to funds as well as increased card commissions.

Other income decreased, mainly due to the sale of Hemnet in the first quarter.

Total expenses were stable. Staff costs decreased slightly, while maintenance costs for premises increased in the quarter.

Credit impairments of SEK 86m were reported in the second quarter, compared with net recoveries of SEK 3m in the first quarter. The credit impairments are mainly due to a number of corporate customers in various sectors.

January-June 2017 compared with January-June 2016

Profit increased to SEK 6 484m (5 167) thanks to increased income.

Net interest income increased by 10 per cent to SEK 7 429m (6 733), mainly through increased lending volumes and mortgage margins. This was offset by the transfer of business volumes and financial results for a number of large corporate customers to Large Corporates & Institutions in the first quarter of 2017 and a higher resolution fund fee compared with 2016.

Net commission income increased by 9 per cent to SEK 3 638m (3 343). The increase was mainly due to higher equity prices and net inflows to funds as well as increased card commissions.

Other income increased, mainly due to the sale of Fastighetsbyråns holding in Hemnet.

Total expenses were stable.

Credit impairments of SEK 83m were reported during the period, compared with net recoveries of SEK 48m in the first half of 2016. The credit impairments are mainly due to a number of corporate customers in various sectors.

Business development

Swedish Banking introduced a new regional organisation during the quarter with four regions instead of five. The aim is to improve coordination and efficiency to meet the changing needs of customers, more of whom are banking through the bank's digital channels and by phone through our customer service centre. The service centre is now open 24 hours a day, 7 days a week, for both private customers and businesses.

During the quarter we launched our new Internet bank and Mobile bank, which have a new uniform design and expanded functions for mortgages and consumer loans.

We have entered into a partnership with the personal finances app Mina Tjänster ("My Services"), where users can easily manage their subscriptions and contracts. We have also launched a new social online investing platform for customers in collaboration with the US fintech company Sprinklebit.

On the corporate side we have launched a campaign called Swedbank Rivstart ("Flying Start"), which includes a contest that runs until 31 August 2017. The purpose of the contest is to find new entrepreneurs with strong business ideas and a desire to make society a little better. Ten winners will each receive SEK 250 000 in seed capital and support to develop and implement their ideas.



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 it 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 225 branches in Sweden.

Baltic Banking

- Increased lending supported net interest income
- Higher net commission income due to increased customer activity
- FX effects positively impacted profit

Income statement

SEKm	Q2 2017	Q1 2017	%	Q2 2016	%	Jan-Jun 2017	Jan-Jun 2016	%
Net interest income	1 044	1 001	4	954	9	2 045	1 888	8
Net commission income	561	527	6	498	13	1 088	981	11
Net gains and losses on financial items at fair value	52	53	-2	53	-2	105	99	6
Other income ⁴⁾	157	137	15	128	23	294	247	19
Total income	1 814	1 718	6	1 633	11	3 532	3 215	10
Staff costs	222	219	1	219	1	441	423	4
Variable staff costs	11	17	-35	15	-27	28	35	-20
Other expenses	400	373	7	356	12	773	692	12
Depreciation/amortisation	25	27	-7	28	-11	52	58	-10
Total expenses	658	636	3	618	6	1 294	1 208	7
Profit before impairments	1 156	1 082	7	1 015	14	2 238	2 007	12
Impairment of tangible assets	1	2	-50			3		
Credit impairments	7	-66		50	-86	-59	8	
Operating profit	1 148	1 146	0	965	19	2 294	1 999	15
Tax expense	155	159	-3	127	22	314	265	18
Profit for the period	993	987	1	838	18	1 980	1 734	14
Profit for the period attributable to the shareholders of Swedbank AB	993	987	1	838	18	1 980	1 734	14
Return on allocated equity, % ¹⁾	19,7	19,5		16,8		19,5	17,1	
Loan/deposit ratio, %	84	84		85		84	85	
Credit impairment ratio, % ²⁾	0,02	-0,19		0,16		-0,09	0,01	
Cost/income ratio	0,36	0,37		0,38		0,37	0,38	
Loans, SEKbn ³⁾	142	141	1	136	4	142	136	4
Deposits, SEKbn ³⁾	169	168	1	159	6	169	159	6
Full-time employees	3 653	3 754	-3	3 918	-7	3 653	3 918	-7

1) For information about average allocated equity see page 18 of the Fact book.

2) For more information about the credit impairment ratio see page 42 of the Fact book.

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

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

Result

Second quarter 2017 compared with first quarter 2017

Profit increased slightly to SEK 993m (987). Higher income was offset by credit impairments (compared with net recoveries in the previous quarter) as well as higher expenses. FX effects raised profit by SEK 14m.

Net interest income rose by 3 per cent in local currency due to higher lending income. The margins in the mortgage portfolio continued to rise somewhat, while the margins in corporate lending were stable. FX effects increased net interest income by SEK 15m.

Lending volumes rose by about 0.5 per cent in local currency. Household lending increased by 2 per cent, while corporate lending decreased. Total lending grew in all three Baltic countries.

Deposit volumes were stable in local currency. Volumes increased in Latvia but decreased in Estonia and Lithuania.

Net commission income rose by 5 per cent in local currency thanks to higher card commissions resulting from increased customer activity.

Net gains and losses on financial items decreased by 5 per cent in local currency. Other income increased by 13 per cent in local currency thanks to higher income from the insurance business.

Total expenses rose by 2 per cent in local currency mainly due to higher marketing expenses and staff costs.

Credit impairments amounted to SEK 7m, compared with net recoveries of SEK 66m in the first quarter. Estonia and Latvia reported credit impairments, while Lithuania reported net recoveries. Underlying credit quality remained strong.

January-June 2017 compared with January-June 2016

Profit increased to SEK 1 980m (1 734), mainly due to higher income. FX effects raised profit by SEK 66m.

Net interest income rose by 5 per cent in local currency. The increase was mainly due to higher lending volumes. A change in the internal allocation of fees related to the resolution fund and deposit guarantee positively affected net interest income. FX effects raised net interest income by SEK 69m.

Lending volumes rose by 3 per cent in local currency. The lending portfolio grew in all three countries, with the strongest growth in mortgages, consumer loans and private leasing.

Deposit volumes increased by 4 per cent in local currency. Growth in household deposits was strong, while corporate deposits decreased.

Net commission income rose by 7 per cent in local currency thanks to higher income from asset management, payment processing in Estonia and Latvia, and the service packages introduced in Lithuania in the fourth quarter of 2016.

Net gains and losses on financial items increased slightly in local currency, mainly due to higher income from FX trading. Other income rose by 15 per cent in local currency thanks to higher income from the insurance business.

Total expenses rose by 3 per cent in local currency. The increase is mainly due to higher staff costs and because the first half of 2016 was positively affected by a VAT refund in Lithuania. Expenses for premises and depreciation decreased.

Net recoveries amounted to SEK 59m, compared with credit impairments of SEK 8m in the first half of 2016.

Business development

During the quarter we continued to improve functionality in our digital channels. For corporate customers we have further developed the Swedbank Gateway service to make it easier for small businesses to link their enterprise system to their bank account. For private customers we added push notifications in the Mobile Bank in June.

Smart ID, which was launched in the previous quarter, has performed strongly. The number of users rose to 174 000 in June, compared with 60 000 in March, and the number of logins during the quarter amounted to 4.6 million. With Smart ID customers can identify themselves, sign contracts and confirm payments.

According to an independent survey by Kantar Emor in May, Swedbank ranks among the ten most popular brands in all three Baltic countries. In Latvia it is the most popular brand for the third consecutive year. In Estonia Swedbank came third and in Lithuania eighth.

On 30 June Charlotte Elsnitz was appointed Head of the business area Baltic Banking and joined the Group Executive Committee. She succeeded Priit Perens, who has been given a senior position in Group Credit. Charlotte was previously CFO for Baltic Banking.



Priit Perens / Charlotte Elsnitz
Head of Baltic Banking

Swedbank is the largest bank by number of customers in Estonia, Latvia and Lithuania, with around 3.2 million private customers and over 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 35 branches in Estonia, 36 in Latvia and 65 in Lithuania.

Large Corporates & Institutions

- Higher income due to increased customer FX trading activity and lower resolution fund fee
- Credit impairment provisions for oil related commitments
- Swedbank has entered into a strategic partnership with Europe's leading independent equity broker, Kepler Cheuvreux

Income statement

SEKm	Q2	Q1	%	Q2	%	Jan-Jun	Jan-Jun	%
	2017	2017		2016		2017	2016	
Net interest income	892	823	8	825	8	1 715	1 591	8
Net commission income	587	580	1	605	-3	1 167	1 101	6
Net gains and losses on financial items at fair value	515	452	14	552	-7	967	955	1
Other income ⁴⁾	21	28	-25	21	0	49	46	7
Total income	2 015	1 883	7	2 003	1	3 898	3 693	6
Staff costs	380	382	-1	357	6	762	713	7
Variable staff costs	42	72	-42	58	-28	114	110	4
Other expenses	445	453	-2	430	3	898	815	10
Depreciation/amortisation	17	16	6	15	13	33	29	14
Total expenses	884	923	-4	860	3	1 807	1 667	8
Profit before impairments	1 131	960	18	1 143	-1	2 091	2 026	3
Impairment of tangible assets				1			7	
Credit impairments	307	408	-25	545	-44	715	642	11
Operating profit	824	552	49	597	38	1 376	1 377	0
Tax expense	177	104	70	103	72	281	165	70
Profit for the period	647	448	44	494	31	1 095	1 212	-10
Profit for the period attributable to the shareholders of Swedbank AB	647	448	44	494	31	1 095	1 212	-10
Return on allocated equity, % ¹⁾	11,4	9,0		10,1		10,3	12,6	
Loan/deposit ratio, %	160	137		149		160	149	
Credit impairment ratio, % ²⁾	0,43	0,67		0,66		0,59	0,51	
Cost/income ratio	0,44	0,49		0,43		0,46	0,45	
Loans, SEKbn ³⁾	203	200	2	188	8	203	188	8
Deposits, SEKbn ³⁾	126	146	-14	126	0	126	126	0
Full-time employees	1 266	1 258	1	1 255	1	1 266	1 255	1

1) For information about average allocated equity see page 24 of the Fact book.

2) For more information about the credit impairment ratio see page 42 of the Fact book.

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

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

Result

Second quarter 2017 compared with first quarter 2017

Profit increased to SEK 647m (448) due to increased income and lower credit impairments.

Net interest income increased by 8 per cent to SEK 892m (823), mainly due to a lower resolution fund fee. Net interest income from deposits rose due to increased volumes from financial institutions, which are charged for negative interest rates. Swedbank still charges only financial institutions for deposits in a few currencies.

Net commission income increased by 1 per cent to SEK 587m (580). The increase is mainly related to increased card income.

Net gains and losses on financial items at fair value increased by 14 per cent to SEK 515m (452). Higher income from FX trading contributed positively. Income from equity trading decreased, partly due to low activity in the market ahead of the French election. Favourable

valuation adjustments of derivative exposures also contributed positively.

Total expenses decreased by 4 per cent, mainly due to lower variable staff costs.

Credit impairments amounted to SEK 307m (408) in the second quarter, corresponding to a credit impairment ratio of 0.43 per cent. The credit impairments are attributable to provisions for oil related commitments in Norway.

January-June 2017 compared with January-June 2016

Profit decreased to SEK 1 095m (1 212). Increased income was offset by increased expenses, increased credit impairments and higher tax.

Net interest income increased by 8 per cent to SEK 1 715m (1 591). Net interest income from deposits rose due to increased volumes attributable to the transfer of a number of corporate customers from Swedish Banking. Net interest income related to deposits increased due to increased volumes from financial

institutions, which are charged for negative interest rates. A higher resolution fund fee had a negative effect.

Net commission income increased by 6 per cent to SEK 1 167m (1 101). The increase mainly relates to increased loan guarantees and guarantee commissions as well as increased custody fees. In Corporate Finance income decreased for equity issues, which was partly compensated by higher income from bond issues.

Net gains and losses on financial items at fair value increased by 1 per cent to SEK 967m (955). Low volatility in the financial markets resulted in lower income from equity and FX trading. The decrease was compensated by positive valuation adjustments of derivative exposures.

Total expenses increased by 8 per cent compared with the first half of 2016, mainly due to higher costs for staff, IT and premises.

Credit impairments amounted to SEK 715m compared with SEK 642m in the first half of 2016. The impairments were mainly attributable to increased provisions for exposures in oil related sectors. The share of impaired loans was 1.6 per cent.

Tax increased, since the first quarter of 2016 included a positive one-off tax effect.

Business development

Swedbank entered into a strategic partnership with Europe's leading independent equity broker, Kepler Cheuvreux. Together we are creating one of the Nordic region's strongest brokerages in advice, research and equity trading. Our analysts will eventually broaden coverage to around 900 European stocks, some 300 of them Nordic. Our corporate clients also gain access to a network of more than 1 200 institutional investors in Europe and the US.

Swedbank's Norwegian business has been very active and completed several major deals during the quarter. We continued to recruit key employees to replace those who left the bank's Norwegian business in February and to accommodate the higher level of activity.

As part of the new framework agreement with the Swedish National Debt Office on payment solutions for Swedish government agencies and enterprises, Swedbank, in tight competition, has become the leading supplier with a market share of about 90 per cent of all transactions. The agreement covers all 235 state agencies and enterprises and consolidates Swedbank's position as the leader in the Swedish payments market.

We have expanded our FX trading hours and now serve our clients during US trading hours as well. This autumn we expect to offer FX trading 24 hours a day as part of an effort to become the main bank for more of our major corporate clients.



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	Q2			Q1			Q2			Jan-Jun		Jan-Jun	
	2017	2017	%	2016	%		2017	2016	%		%		
Net interest income	363	512	-29	360	1		875	801	9				
Net commission income	-39	-54	-28	-36	8		-93	3					
Net gains and losses on financial items at fair value	-106	-114	-7	171			-220	49					
Share of profit or loss of associates	-4	31		1 658			27	1 659	-98				
Other income ¹⁾	298	262	14	276	8		560	483	16				
Total income	512	637	-20	2 429	-79		1 149	2 995	-62				
Staff costs	870	848	3	779	12		1 718	1 557	10				
Variable staff costs	32	51	-37	53	-40		83	90	-8				
Other expenses	-714	-688	4	-735	-3		-1 402	-1 377	-2				
Depreciation/amortisation	82	75	9	87	-6		157	172	-9				
Total expenses	270	286	-6	184	47		556	442	26				
Profit before impairments	242	351	-31	2 245	-89		593	2 553	-77				
Impairment of tangible assets								2					
Credit impairments				-22				-29					
Operating profit	242	351	-31	2 267	-89		593	2 580	-77				
Tax expense	121	161	-25	42			282	112					
Profit for the period	121	190	-36	2 225	-95		311	2 468	-87				
Profit for the period attributable to the shareholders of Swedbank AB	121	190	-36	2 225	-95		311	2 468	-87				
Full-time employees	5 176	4 907	5	4 651	11		5 176	4 651	11				

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

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

Second quarter 2017 compared with first quarter 2017

Profit decreased to SEK 121m (190) in the quarter. Profit within Group Treasury decreased to SEK 148m (230).

Net interest income decreased to SEK 363m (512). Net interest income within Group Treasury decreased to SEK 395m (514), mainly because the first quarter was positively affected by covered bond repurchases.

Net gains and losses on financial items improved slightly to SEK -106m (-114). Net gains and losses on financial items within Group Treasury improved to SEK -100m (-118) as a result of lower covered bond repurchases in the quarter. In addition, the first quarter was positively affected by year-end related volatility in the currency swap market.

Expenses decreased somewhat to SEK 270m (286).

January-June 2017 compared with January-June 2016

Profit decreased to SEK 311m (2 468). Group Treasury's profit decreased to SEK 378m (2 435).

Net interest income rose to SEK 875m (801). Group Treasury's net interest income increased to SEK 909m (840) due to more favourable terms for currency swaps in early 2017.

Net gains and losses on financial items at fair value decreased to SEK -220m (49). Net gains and losses on financial items within Group Treasury decreased to SEK -218m (56). The first half of 2016 was positively affected by a gain of SEK 457m on the sale of Visa Europe. Excluding the Visa effect net gains and losses on financial items increased within Group Treasury, mainly due to year-end related volatility in the currency swap market in early 2017.

The share of the profit or loss of associates decreased to SEK 27m (1 659), which is due to the Visa sale in the first half of 2016.

Expenses increased to SEK 556m (442), mainly due to higher staff and IT costs.

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

Eliminations

Income statement

SEKm	Q2 2017	Q1 2017	%	Q2 2016	%	Jan-Jun 2017	Jan-Jun 2016	%
Net interest income	-1	-2	-50			-3		
Net commission income	10	12	-17	5	100	22	12	83
Net gains and losses on financial items at fair value	1	-2		1	0	-1		
Other income ¹⁾	-73	-58	26	-50	-46	-131	-86	-52
Total income	-63	-50	26	-44	43	-113	-74	-53
Staff costs				-1				
Variable staff costs								
Other expenses	-63	-50	26	-43	47	-113	-74	-53
Depreciation/amortisation								
Total expenses	-63	-50	26	-44	43	-113	-74	-53

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.

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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	Q2 2017	Q1 2017	%	Q2 2016	%	Jan-Jun 2017	Jan-Jun 2016	%
Interest income	8 688	8 334	4	7 714	13	17 022	15 983	7
Negative yield on financial assets	-592	-424	40			-1 016		
Interest income, including negative yield on financial assets	8 096	7 910	2	7 714	5	16 006	15 983	0
Interest expenses	-2 208	-2 087	6	-2 162	2	-4 295	-4 970	-14
Negative yield on financial liabilities	202	148	36			350		
Interest expenses, including negative yield on financial liabilities	-2 006	-1 939	3	-2 162	-7	-3 945	-4 970	-21
Net interest income (note 5)	6 090	5 971	2	5 552	10	12 061	11 013	10
Commission income	4 317	4 036	7	4 011	8	8 353	7 694	9
Commission expenses	-1 317	-1 214	8	-1 216	8	-2 531	-2 254	12
Net commission income (note 6)	3 000	2 822	6	2 795	7	5 822	5 440	7
Net gains and losses on financial items at fair value (note 7)	567	486	17	877	-35	1 053	1 277	-18
Insurance premiums	671	640	5	549	22	1 311	1 054	24
Insurance provisions	-464	-444	5	-346	34	-908	-694	31
Net insurance	207	196	6	203	2	403	360	12
Share of profit or loss of associates	204	175	17	1 929	-89	379	2 120	-82
Other income	325	1 001	-68	334	-3	1 326	624	
Total income	10 393	10 651	-2	11 690	-11	21 044	20 834	1
Staff costs	2 386	2 448	-3	2 314	3	4 834	4 621	5
Other expenses (note 8)	1 439	1 420	1	1 371	5	2 859	2 736	4
Depreciation/amortisation	141	135	4	155	-9	276	309	-11
Total expenses	3 966	4 003	-1	3 840	3	7 969	7 666	4
Profit before impairments	6 427	6 648	-3	7 850	-18	13 075	13 168	-1
Impairment of intangible assets (note 14)								
Impairment of tangible assets	1	2	-50	1	0	3	9	-67
Credit impairments (note 9)	400	339	18	538	-26	739	573	29
Operating profit	6 026	6 307	-4	7 311	-18	12 333	12 586	-2
Tax expense	1 276	1 181	8	1 037	23	2 457	1 998	23
Profit for the period	4 750	5 126	-7	6 274	-24	9 876	10 588	-7
Profit for the period attributable to the shareholders of Swedbank AB	4 746	5 124	-7	6 270	-24	9 870	10 581	-7
Non-controlling interests	4	2	100	4	0	6	7	-14
SEK								
Earnings per share, SEK	4,26	4,61		5,65		8,87	9,54	
after dilution	4,24	4,59		5,62		8,83	9,49	

Statement of comprehensive income, condensed

Group SEKm	Q2	Q1		Q2		Jan-Jun	Jan-Jun	
	2017	2017	%	2016	%	2017	2016	%
Profit for the period reported via income statement	4 750	5 126	-7	6 274	-24	9 876	10 588	-7
Items that will not be reclassified to the income statement								
Remeasurements of defined benefit pension plans	-511	-604	-15	-1 762	-71	-1 115	-4 117	-73
Share related to associates	-16	-20	-20	-58	-72	-36	-118	-69
Income tax	116	137	-15	401	-71	253	932	-73
Total	-411	-487	-16	-1 419	-71	-898	-3 303	-73
Items that may be reclassified to the income statement								
Exchange differences, foreign operations								
Gains/losses arising during the period	298	-87		853	-65	211	1 128	-81
Hedging of net investments in foreign operations:								
Gains/losses arising during the period	-176	81		-666	-74	-95	-908	-90
Cash flow hedges:								
Gains/losses arising during the period		-113		-22		-113	59	
Reclassification adjustments to income statement, net interest income	4	3	33	5	-20	7	9	-22
Share of other comprehensive income of associates	-42	-14		44		-56	74	
Income tax								
Income tax	40	7		152	-74	47	188	-75
Reclassification adjustments to income statement, tax	-1	-1		-1	-20	-2	-2	-22
Total	123	-124		365	-66	-1	548	
Other comprehensive income for the period, net of tax	-288	-611	-53	-1 054	-73	-899	-2 755	-67
Total comprehensive income for the period	4 462	4 515	-1	5 220	-15	8 977	7 833	15
Total comprehensive income attributable to the shareholders of Swedbank AB	4 459	4 512	-1	5 216	-15	8 971	7 826	15
Non-controlling interests	3	3	0	4	-25	6	7	-14

For January-June 2017 an expense of SEK 898m (3 303) was recognised in other comprehensive income after tax, including remeasurements of defined benefit pension plans in associates. The 2017 expense arose primarily because market interest rates fell from year end. As per June 30 the discount rate, which is used to calculate the closing pension obligation, was 2.57 per cent, compared with 2.79 per cent at year end. The market's future inflation expectations were unchanged compared with the beginning of the year. The inflation assumption was 1.84 per cent. Actuarial losses based on experience by SEK 363m included. The fair value of plan assets increased during the first half year 2017 by SEK 81m. As a whole, the obligation for defined benefit pension plans exceeded the fair value of plan assets by SEK 2 374m.

For January-June 2017 an exchange difference of SEK 211m (1 128) was recognised for the Group's foreign net investments in subsidiaries. In addition, an exchange rate difference of SEK -56m (73) 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 155m is not taxable. Since the large part of the Group's foreign net investments is hedged against currency risk, a loss of SEK 95m before tax arose for the hedging instruments, compared with a year-earlier loss of SEK 908m.

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

Balance sheet, condensed

Group SEKm	30 Jun 2017	31 Dec 2016	Δ SEKm	%	30 Jun 2016	%
Assets						
Cash and balance with central banks	432 540	121 347	311 193		356 146	21
Loans to credit institutions (note 10)	38 624	32 197	6 427	20	129 696	-70
Loans to the public (note 10)	1 521 973	1 507 247	14 726	1	1 511 090	1
Value change of interest hedged item in portfolio hedge	1 007	1 482	-475	-32	2 478	-59
Interest-bearing securities	127 112	182 072	-54 960	-30	160 236	-21
Financial assets for which customers bear the investment risk	173 051	160 114	12 937	8	146 885	18
Shares and participating interests	12 501	23 897	-11 396	-48	19 432	-36
Investments in associates	7 211	7 319	-108	-1	6 975	3
Derivatives (note 18)	76 372	87 811	-11 439	-13	99 314	-23
Intangible fixed assets (note 14)	14 795	14 279	516	4	14 060	5
Tangible assets	1 867	1 864	3	0	1 929	-3
Current tax assets	1 326	1 796	-470	-26	3 139	-58
Deferred tax assets	155	160	-5	-3	180	-14
Other assets	12 408	8 067	4 341	54	19 081	-35
Prepaid expenses and accrued income	5 179	4 551	628	14	5 373	-4
Total assets	2 426 121	2 154 203	271 918	13	2 476 014	-2
Liabilities and equity						
Amounts owed to credit institutions (note 15)	154 974	71 831	83 143		166 872	-7
Deposits and borrowings from the public (note 16)	909 223	792 924	116 299	15	955 794	-5
Financial liabilities for which customers bear the investment risk	173 859	161 051	12 808	8	147 595	18
Debt securities in issue (note 17)	891 296	841 673	49 623	6	915 707	-3
Short positions, securities	21 269	11 614	9 655	83	16 757	27
Derivatives (note 18)	70 813	85 589	-14 776	-17	82 900	-15
Current tax liabilities	1 303	992	311	31	810	61
Deferred tax liabilities	2 045	2 438	-393	-16	2 142	-5
Pension provisions	2 374	1 406	968	69	2 576	-8
Insurance provisions	1 872	1 820	52	3	1 809	3
Other liabilities and provisions	30 934	14 989	15 945		28 672	8
Accrued expenses and prepaid income	9 459	10 917	-1 458	-13	12 206	-23
Subordinated liabilities (note 17)	32 522	27 254	5 268	19	22 702	43
Total liabilities	2 301 943	2 024 498	277 445	14	2 356 542	-2
Equity						
Non-controlling interests	192	190	2	1	181	6
Equity attributable to shareholders of the parent company	123 986	129 515	-5 529	-4	119 291	4
Total equity	124 178	129 705	-5 527	-4	119 472	4
Total liabilities and equity	2 426 121	2 154 203	271 918	13	2 476 014	-2

Balance sheet analysis

Total assets have increased by SEK 272bn from 1 January 2017. Assets increased mainly due to higher cash and balances with central banks, which rose by SEK 311bn. The increases are mainly attributable to higher deposits with the US Federal Reserve and central banks in the euro system. Deposits and borrowings from the public, excluding the National Debt Office and repos rose by a total of SEK 106bn mainly volumes from US money market funds, which increased by SEK 82bn. Interest-bearing securities, Treasury bills, decreased by SEK 55bn, and have been replaced with balances with central banks. Lending to the public, excluding the National Debt Office and repos, increased by SEK 17bn. The increase primarily relates to Sweden

of which SEK 18bn was mortgages. Lending to credit institutions increased by SEK 6bn at the same time that amounts owed to them increased by SEK 83bn. Balance sheet items related to credit institutions fluctuate over time depending on repos, among other things. The market value of derivatives decreased on both the asset and liability side, mainly due to large movements in interest rates and currencies. The increase in securities in issue was mainly a result of higher issued volumes compared with repaid short-term securities funding of SEK 64bn. Long-term securities funding increased by SEK 54bn as an effect of higher issued volumes compared with repaid funding.

Statement of changes in equity, condensed

Group SEKm	Shareholders' equity				Non-controlling interests		Total equity		
	Share capital	Other contributed equity ¹⁾	Exchange differences, subsidiaries and associates	Hedging of net investments in foreign operations	Cash flow hedges	Retained earnings	Total		
January-June 2016									
Opening balance 1 January 2016	24 904	17 275	836	-704	17	80 835	123 163	179	123 342
Dividends						-11 880	-11 880	-5	-11 885
Share based payments to employees						208	208		208
Deferred tax related to share based payments to employees						-61	-61		-61
Current tax related to share based payments to employees						35	35		35
Total comprehensive income for the period			1 201	-707	54	7 278	7 826	7	7 833
of which reported through profit or loss						10 581	10 581	7	10 588
of which reported through other comprehensive income			1 201	-707	54	-3 303	-2 755		-2 755
Closing balance 30 June 2016	24 904	17 275	2 037	-1 411	71	76 415	119 291	181	119 472
January-December 2016									
Opening balance 1 January 2016	24 904	17 275	836	-704	17	80 835	123 163	179	123 342
Dividends						-11 880	-11 880	-5	-11 885
Share based payments to employees						378	378		378
Deferred tax related to share based payments to employees						-15	-15		-15
Current tax related to share based payments						34	34		34
Contribution								3	3
Total comprehensive income for the period			1 765	-1 044	60	17 054	17 835	13	17 848
of which reported through profit or loss						19 539	19 539	13	19 552
of which reported through other comprehensive income			1 765	-1 044	60	-2 485	-1 704		-1 704
Closing balance 31 December 2016	24 904	17 275	2 601	-1 748	77	86 406	129 515	190	129 705
January-June 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						188	188		188
Deferred tax related to share based payments to employees						-31	-31		-31
Current tax related to share based payments to employees						38	38		38
Total comprehensive income for the period			155	-74	-82	8 972	8 971	6	8 977
of which reported through profit or loss						9 870	9 870	6	9 876
of which reported through other comprehensive income			155	-74	-82	-898	-899		-899
Closing balance 30 June 2017	24 904	17 275	2 756	-1 822	-5	80 878	123 986	192	124 178

¹⁾ Other contributed equity consists mainly of share premiums.

Cash flow statement, condensed

Group SEKm	Jan-Jun 2017	Full-year 2016	Jan-Jun 2016
Operating activities			
Operating profit	12 333	23 761	12 586
Adjustments for non-cash items in operating activities	-2 780	-2 174	-17
Taxes paid	-1 841	-3 583	-3 479
Increase/decrease in loans to credit institutions	-6 413	54 341	-43 163
Increase/decrease in loans to the public	-15 153	-90 692	-94 526
Increase/decrease in holdings of securities for trading	66 160	-29 220	-3 252
Increase/decrease in deposits and borrowings from the public including retail bonds	115 237	38 245	203 096
Increase/decrease in amounts owed to credit institutions	83 066	-79 929	15 624
Increase/decrease in other assets	8 090	7 829	-16 034
Increase/decrease in other liabilities	-9 988	27 777	32 404
Cash flow from operating activities	248 711	-53 645	103 239
Investing activities			
Business combinations		-19	
Business disposals	6	20	
Acquisitions of and contributions to associates		-7	
Acquisitions of other fixed assets and strategic financial assets	-384	-451	252
Disposals/maturity of other fixed assets and strategic financial assets	936	763	31
Cash flow from investing activities	558	306	283
Financing activities			
Issuance of interest-bearing securities	114 864	160 474	104 295
Redemption of interest-bearing securities	-108 521	-147 393	-85 169
Issuance of commercial paper etc.	542 845	816 259	463 413
Redemption of commercial paper etc.	-472 926	-831 404	-405 793
Dividends paid	-14 699	-11 885	-11 885
Cash flow from financing activities	61 563	-13 949	64 861
Cash flow for the period	310 832	-67 288	168 383
Cash and cash equivalents at the beginning of the period	121 347	186 312	186 312
Cash flow for the period	310 832	-67 288	168 383
Exchange rate differences on cash and cash equivalents	361	2 323	1 451
Cash and cash equivalents at end of the period	432 540	121 347	356 146

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.

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 Report for 2016, 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 2016 Annual Report, except for the changes as set out below.

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

Swedbank and the Savings banks, as of 1 January 2017, changed their bilateral contract regarding how the compensation will be divided between brokerage

services and on-going administrative services for mortgages. Brokerage services costs for loans will be added to the loans acquisitions value and will be part of the loans effective interest. It causes that the transaction cost reports as a reduction of the interest income during the loans term. Costs for administrative services will be reported as an expense. Restatement of the historical comparative figures has been made according the new agreement to better illustrate trends between periods. The change affects the interest income and expenses, but not the total result. Change in presentation of revenues and expenses will be presented in the note 27.

Other IFRS changes

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

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 policies and judgments have been determined compared with 31 December 2016.

Note 3 Changes in the Group structure

No significant changes to the Group structure occurred during the first half year 2017.

Note 4 Operating segments (business areas)

Jan-Jun 2017 SEKm	Swedish Banking	Baltic Banking	Large Corporates & Institutions	Group Functions & Other	Eliminations	Group
Income statement						
Net interest income	7 429	2 045	1 715	875	-3	12 061
Net commission income	3 638	1 088	1 167	-93	22	5 822
Net gains and losses on financial items at fair value	202	105	967	-220	-1	1 053
Share of profit or loss of associates	352			27		379
Other income ¹	957	294	49	560	-131	1 729
Total income	12 578	3 532	3 898	1 149	-113	21 044
of which internal income	50		21	354	-425	
Staff costs	1 624	441	762	1 718		4 545
Variable staff costs	64	28	114	83		289
Other expenses	2 703	773	898	-1 402	-113	2 859
Depreciation/amortisation	34	52	33	157		276
Total expenses	4 425	1 294	1 807	556	-113	7 969
Profit before impairments	8 153	2 238	2 091	593		13 075
Impairment of tangible assets		3				3
Credit impairments	83	-59	715			739
Operating profit	8 070	2 294	1 376	593		12 333
Tax expense	1 580	314	281	282		2 457
Profit for the period	6 490	1 980	1 095	311		9 876
Profit for the period attributable to the shareholders of Swedbank AB	6 484	1 980	1 095	311		9 870
Non-controlling interests	6					6
Balance sheet, SEKbn						
Cash and balances with central banks		3	8	422		433
Loans to credit institutions	5		57	196	-219	39
Loans to the public	1 125	143	253	1		1 522
Bonds and other interest-bearing securities		1	44	85	-3	127
Financial assets for which customers bear inv. risk	169	4				173
Investments in associates	4			3		7
Derivatives			86	26	-36	76
Total tangible and intangible assets	2	11	1	3		17
Other assets	7	32	25	462	-494	32
Total assets	1 312	194	474	1 198	-752	2 426
Amounts owed to credit institutions	27		172	169	-213	155
Deposits and borrowings from the public	515	170	148	82	-6	909
Debt securities in issue			18	879	-6	891
risk	170	4				174
Derivatives			82	25	-36	71
Other liabilities	544		31	-15	-491	69
Subordinated liabilities				33		33
Total liabilities	1 256	174	451	1 173	-752	2 302
Allocated equity	56	20	23	25		124
Total liabilities and equity	1 312	194	474	1 198	-752	2 426
Key figures						
Return on allocated equity, %	23,4	19,5	10,3	2,1		15,7
Cost/income ratio	0,35	0,37	0,46	0,48		0,38
Credit impairment ratio, % ²	0,01	-0,09	0,59	0,00		0,10
Loan/deposit ratio, %	221	84	160			166
Loans, SEKbn ³	1 125	142	203			1 470
Deposits, SEKbn ³	510	169	126	83		888
Risk exposure amount, SEKbn	167	79	135	26		407
Full-time employees	4 091	3 653	1 266	5 176		14 186
Allocated equity, average, SEKbn	55	20	21	29		126

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

²⁾ For more information about the Credit impairment ratio see page 42 of the Fact book.

³⁾ Excluding the Swedish National Debt Office and repurchase agreements.

Jan-Jun 2016 SEKm	Swedish Banking	Baltic Banking	Large Corporates & Institutions	Group Functions & Other	Eliminations	Group
Income statement						
Net interest income	6 733	1 888	1 591	801		11 013
Net commission income	3 343	981	1 101	3	12	5 440
Net gains and losses on financial items at fair value	174	99	955	49		1 277
Share of profit or loss of associates	461			1 659		2 120
Other income ¹	294	247	46	483	-86	984
Total income	11 005	3 215	3 693	2 995	-74	20 834
of which internal income	54		34	322	-410	
Staff costs	1 635	423	713	1 557		4 328
Variable staff costs	58	35	110	90		293
Other expenses	2 680	692	815	-1 377	-74	2 736
Depreciation/amortisation	50	58	29	172		309
Total expenses	4 423	1 208	1 667	442	-74	7 666
Profit before impairments	6 582	2 007	2 026	2 553		13 168
Impairment of tangible assets			7	2		9
Credit impairments	-48	8	642	-29		573
Operating profit	6 630	1 999	1 377	2 580		12 586
Tax expense	1 456	265	165	112		1 998
Profit for the period	5 174	1 734	1 212	2 468		10 588
Profit for the period attributable to the shareholders of Swedbank AB	5 167	1 734	1 212	2 468		10 581
Non-controlling interests	7					7
Balance sheet, SEKbn						
Cash and balances with central banks		3	4	349		356
Loans to credit institutions	39		70	229	-208	130
Loans to the public	1 097	136	273	5		1 511
Bonds and other interest-bearing securities		1	67	97	-5	160
Financial assets for which customers bear inv. risk	144	3				147
Investments in associates	3			4		7
Derivatives			107	51	-59	99
Total tangible and intangible assets	2	11		3		16
Other assets	5	27	39	534	-555	50
Total assets	1 290	181	560	1 272	-827	2 476
Amounts owed to credit institutions	59		200	111	-203	167
Deposits and borrowings from the public	484	159	141	177	-5	956
Debt securities in issue			18	906	-8	916
risk	145	3				148
Derivatives			110	32	-59	83
Other liabilities	546		70		-552	64
Subordinated liabilities				23		23
Total liabilities	1 234	162	539	1 249	-827	2 357
Allocated equity	56	19	21	23		119
Total liabilities and equity	1 290	181	560	1 272	-827	2 476
Key figures						
Return on allocated equity, %	20,0	17,1	12,6	16,2		17,4
Cost/income ratio	0,40	0,38	0,45	0,15		0,37
Credit impairment ratio, % ²	-0,01	0,01	0,51	-0,27		0,08
Loan/deposit ratio, %	229	85	149			152
Loans, SEKbn ³	1 096	136	188			1 420
Deposits, SEKbn ³	479	159	126	172		936
Risk exposure amount, SEKbn	189	78	124	22		413
Full-time employees	4 223	3 918	1 255	4 651		14 047
Allocated equity, average, SEKbn	52	20	19	30		122

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

²⁾ For more information about the Credit impairment ratio see page 42 of the Fact book.

³⁾ Excluding the Swedish National Debt Office and repurchase agreements.

Operating segments' accounting policies

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

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

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

Note 5 Net interest income

Group SEKm	Q2 2017	Q1 2017	%	Q2 2016	%	Jan-Jun 2017	Jan-Jun 2016	%
Interest income								
Loans to credit institutions	8	1		31	-74	9	93	-90
Loans to the public	7 523	7 463	1	7 447	1	14 986	14 969	0
Interest-bearing securities	50	70	-29	172	-71	120	398	-70
Derivatives	209	289	-28	226	-8	498	658	-24
Other	367	274	34	272	35	641	524	22
Total interest income including negative yield on financial assets	8 157	8 097	1	8 148	0	16 254	16 642	-2
deduction of trading interests reported in net gains and losses on financial items at fair value	61	187	-67	434	-86	248	659	-62
Interest income, including negative yield on financial assets, according to income statement	8 096	7 910	2	7 714	5	16 006	15 983	0
Interest expenses								
Amounts owed to credit institutions	-175	-148	18	-122	43	-323	-233	39
Deposits and borrowings from the public	-339	-266	27	-331	2	-605	-641	-6
of which deposit guarantee fees	-119	-118	1	-131	-9	-237	-255	-7
Debt securities in issue	-2 935	-3 129	-6	-3 096	-5	-6 064	-6 200	-2
Subordinated liabilities	-311	-304	2	-228	36	-615	-491	25
Derivatives	2 089	2 340	-11	1 784	17	4 429	2 939	51
Other	-263	-350	-25	-164	60	-613	-350	75
of which government resolution fund fee	-261	-343	-24	-153	71	-604	-322	88
Total interest expenses including negative yield on financial liabilities	-1 934	-1 857	4	-2 157	-10	-3 791	-4 976	-24
deduction of trading interests reported in net gains and losses on financial items at fair value	72	82	-12	5		154	-6	
Interest expenses, including negative yield on financial liabilities, according to income statement	-2 006	-1 939	3	-2 162	-7	-3 945	-4 970	-21
Net interest income	6 090	5 971	2	5 552	10	12 061	11 013	10
Net interest margin before trading interest is deducted	1,01	1,05		0,99		1,03	0,99	
Average total assets	2 464 936	2 386 467	3	2 426 073	2	2 419 633	2 368 372	2

Note 6 Net commission income

Group SEKm	Q2 2017	Q1 2017	%	Q2 2016	%	Jan-Jun 2017	Jan-Jun 2016	%
Commission income								
Payment processing	435	424	3	427	2	859	852	1
Card commissions	1 275	1 133	13	1 173	9	2 408	2 229	8
Service concepts	157	147	7	131	20	304	259	17
Asset management and custody fees	1 524	1 454	5	1 278	19	2 978	2 541	17
Life insurance	168	169	-1	166	1	337	327	3
Brokerage and other securities	144	168	-14	133	8	312	269	16
Corporate finance	49	45	9	147	-67	94	165	-43
Lending	239	222	8	245	-2	461	480	-4
Guarantees	68	54	26	54	26	122	105	16
Deposits	51	49	4	31	65	100	66	52
Real estate brokerage	57	43	33	70	-19	100	116	-14
Non-life insurance	20	13	54	16	25	33	30	10
Other commission income	130	115	13	140	-7	245	255	-4
Total commission income	4 317	4 036	7	4 011	8	8 353	7 694	9
Commission expenses								
Payment processing	-268	-244	10	-255	5	-512	-494	4
Card commissions	-533	-469	14	-517	3	-1 002	-920	9
Service concepts	-3	-2	50	-4	-25	-5	-8	-38
Asset management and custody fees	-352	-324	9	-286	23	-676	-564	20
Life insurance	-48	-46	4	-45	7	-94	-90	4
Brokerage and other securities	-60	-76	-21	-59	2	-136	-75	81
Lending and guarantees	-15	-11	36	-19	-21	-26	-38	-32
Non-life insurance	-5	-4	25	-3	67	-9	-6	50
Other commission expenses	-33	-38	-13	-28	18	-71	-59	20
Total commission expenses	-1 317	-1 214	8	-1 216	8	-2 531	-2 254	12
Total Net commission income	3 000	2 822	6	2 795	7	5 822	5 440	7

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

Group SEKm	Q2 2017	Q1 2017	%	Q2 2016	%	Jan-Jun 2017	Jan-Jun 2016	%
Valuation category, fair value through profit or loss								
Shares and share related derivatives	373	-67		567	-34	306	710	-57
of which dividend	126	98	29	47		224	25	
Interest-bearing securities and interest related derivatives	10	293	-97	241	-96	303	527	-43
Loans to the public	-258	-377	-32	-375	-31	-635	-547	16
Financial liabilities	53	80	-34	30	77	133	-2	
Other financial instruments				-162			-126	
Total fair value through profit or loss	178	-71		301	-41	107	562	-81
Hedge accounting								
Ineffective part in hedge accounting at fair value	22	17	29	-74		39	-135	
of which hedging instruments	-1 319	-2 065	-36	1 943		-3 384	6 252	
of which hedged items	1 341	2 082	-36	-2 017		3 423	-6 387	
Ineffective part in portfolio hedge accounting at fair value	29	-31		-13		-2	-34	-94
of which hedging instruments	251	223	13	-550		474	-1 503	
of which hedged items	-221	-254	-13	537		-475	1 469	
Total hedge accounting	51	-14		-87		37	-169	
Loan receivables at amortised cost	30	26	15	42	-29	56	75	-25
Financial liabilities valued at amortised cost	-42	-244	-83	-181	-77	-286	-212	35
Trading related interest								
Interest income	61	187	-67	435	-86	248	660	-62
Interest expense	72	82	-12	5		154	-6	
Total trading related interest	133	269	-51	440	-70	402	654	-39
Change in exchange rates	217	520	-58	362	-40	737	367	
Total net gains and losses on financial items at fair value	567	486	17	877	-35	1 053	1 277	-18
Distribution by business purpose								
Financial instruments for trading related business	853	825	3	1 128	-24	1 678	1 659	1
Financial instruments intended to be held to contractual maturity	-286	-339	-16	-251	14	-625	-382	64
Total	567	486	17	877	-35	1 053	1 277	-18

Note 8 Other expenses

Group SEKm	Q2 2017	Q1 2017	%	Q2 2016	%	Jan-Jun 2017	Jan-Jun 2016	%
Premises and rents	279	287	-3	266	5	566	534	6
IT expenses	475	491	-3	424	12	966	873	11
Telecommunications and postage	30	40	-25	37	-19	70	70	0
Advertising, PR and marketing	74	70	6	72	3	144	134	7
Consultants	90	70	29	92	-2	160	162	-1
Compensation to savings banks	56	56	0	58	-3	112	118	-5
Other purchased services	169	177	-5	175	-3	346	339	2
Security transport and alarm systems	19	14	36	17	12	33	33	0
Supplies	21	18	17	26	-19	39	49	-20
Travel	67	59	14	65	3	126	113	12
Entertainment	11	11	0	13	-15	22	23	-4
Repair/maintenance of inventories	41	31	32	23	78	72	54	33
Other expenses	107	96	11	103	4	203	234	-13
Total other expenses	1 439	1 420	1	1 371	5	2 859	2 736	4

Note 9 Credit impairments

Group SEKm	Q2 2017	Q1 2017	%	Q2 2016	%	Jan-Jun 2017	Jan-Jun 2016	%
Provision for loans individually assessed as impaired								
Provisions	2	384	-99	522	-100	386	599	-36
Reversal of previous provisions	-23	-47	-51	3		-70	-244	-71
Provision for homogenous groups of impaired loans, net	6	11	-45	5	20	17	10	70
Total	-15	348		530		333	365	-9
Portfolio provisions for loans individually assessed as not impaired	16	-57		124	-87	-41	161	
Write-offs								
Established losses	252	105		322	-22	357	914	-61
Utilisation of previous provisions	-197	-50		-379	-48	-247	-770	-68
Recoveries	-44	-114	-61	-59	-25	-158	-90	76
Total	11	-59		-116		-48	54	
Credit impairments for contingent liabilities and other credit risk exposures	388	107		0		495	-7	
Credit impairments	400	339	18	538	-26	739	573	29
Credit impairment ratio, % ¹⁾	0,10	0,09		0,14		0,10	0,08	

¹⁾ For more information about credit impairment ratio, see page 42 of the Fact book.

Note 10 Loans

Group SEKm	30 Jun 2017			31 Dec 2016		30 Jun 2016	
	Loans before provisions	Provisions	Loans after provisions Carrying amount	Loans after provisions Carrying amount	%	Loans after provisions Carrying amount	%
Loans to credit institutions							
Banks	20 959		20 959	18 579	13	110 164	-81
Repurchase agreements, banks	1 893		1 893	617		2 218	-15
Other credit institutions	13 908		13 908	12 766	9	13 369	4
Repurchase agreements, other credit institutions	1 864		1 864	235		3 945	-53
Loans to credit institutions	38 624		38 624	32 197	20	129 696	-70
Loans to the public							
Private customers	955 346	794	954 552	931 670	2	896 238	7
Private, mortgage	802 658	491	802 167	782 972	2	749 475	7
Housing cooperatives	110 055	30	110 025	107 762	2	106 206	4
Private, other	42 633	273	42 360	40 936	3	40 557	4
Corporate customers	518 643	2 918	515 725	521 638	-1	524 245	-2
Agriculture, forestry, fishing	68 646	102	68 544	65 992	4	65 229	5
Manufacturing	44 431	259	44 172	44 940	-2	44 362	0
Public sector and utilities	22 760	48	22 712	25 264	-10	24 737	-8
Construction	18 796	122	18 674	19 777	-6	21 883	-15
Retail	28 626	151	28 475	28 202	1	30 427	-6
Transportation	14 930	23	14 907	15 265	-2	13 564	10
Shipping and offshore	26 182	1 344	24 838	27 567	-10	30 590	-19
Hotels and restaurants	7 529	34	7 495	8 893	-16	9 041	-17
Information and communications	10 705	36	10 669	8 064	32	6 676	60
Finance and insurance	13 612	22	13 590	12 497	9	14 518	-6
Property management	218 261	252	218 009	223 404	-2	222 117	-2
Residential properties	64 255	52	64 203	64 154	0	65 162	-1
Commercial	83 740	86	83 654	87 942	-5	91 958	-9
Industrial and Warehouse	44 922	41	44 881	45 145	-1	40 704	10
Other	25 344	73	25 271	26 163	-3	24 293	4
Professional services	24 656	428	24 228	23 221	4	23 402	4
Other corporate lending	19 509	97	19 412	18 552	5	17 699	10
Loans to the public excluding the Swedish National Debt Office and repurchase agreements	1 473 989	3 712	1 470 277	1 453 308	1	1 420 483	4
Swedish National Debt Office	2 818		2 818	5 079	-45	6 779	-58
Repurchase agreements, Swedish National Debt Office	7 560		7 560	3 797	99	6 279	20
Repurchase agreements, public	41 318		41 318	45 063	-8	77 549	-47
Loans to the public	1 525 685	3 712	1 521 973	1 507 247	1	1 511 090	1
Loans to the public and credit institutions	1 564 309	3 712	1 560 597	1 539 444	1	1 640 786	-5

Note 11 Impaired loans etc.

Group SEKm	30 Jun 2017	31 Dec 2016	%	30 Jun 2016	%
Impaired loans, gross	8 225	8 095	2	5 548	48
Provisions for individually assessed impaired loans	2 169	2 254	-4	1 480	47
Provision for homogenous groups of impaired loans	547	453	21	564	-3
Impaired loans, net	5 509	5 388	2	3 504	57
of which private customers	981	1 113	-12	1 253	-22
of which corporate customers	4 528	4 275	6	2 251	
Portfolio provisions for loans individually assessed as not impaired	996	1 048	-5	1 174	-15
Share of impaired loans, gross, % ¹⁾	0,53	0,52	2	0,34	56
Share of impaired loans, net, % ¹⁾	0,35	0,35	0	0,21	67
Provision ratio for impaired loans, % ¹⁾	33	33	0	37	-11
Total provision ratio for impaired loans, % ¹⁾	45	46	-2	58	-22
Past due loans that are not impaired	3 626	3 164	15	3 862	-6
of which past due 5-30 days	2 326	1 768	32	2 299	1
of which past due 31-60 days	765	857	-11	786	-3
of which past due 61-90 days	285	269	6	299	-5
of which past due more than 90 days	250	270	-7	478	-48

¹⁾ For more information about impaired loans see page 44-45 in the Fact book.

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

Group SEKm	30 Jun 2017	31 Dec 2016	%	30 Jun 2016	%
Buildings and land	213	257	-17	296	-28
Shares and participating interests	31	3		3	
Other property taken over	123	120	3	135	-9
Total assets taken over for protection of claims	367	380	-3	434	-15
Cancelled leases	25	25	0	9	
Total assets taken over for protection of claims and cancelled leases	392	405	-3	443	-12
of which acquired by Ektomet group	91	139	-35	213	-57

Note 13 Credit exposures

Group SEKm	30 Jun 2017	31 Dec 2016	%	30 Jun 2016	%
Assets					
Cash and balances with central banks	432 540	121 347		356 146	21
Interest-bearing securities	127 112	182 072	-30	160 236	-21
Loans to credit institutions	38 624	32 197	20	129 696	-70
Loans to the public	1 521 973	1 507 247	1	1 511 090	1
Derivatives	76 372	87 811	-13	99 314	-23
Other financial assets	14 855	10 853	37	22 092	-33
Total assets	2 211 476	1 941 527	14	2 278 574	-3
Contingent liabilities and commitments					
Guarantees	43 233	42 750	1	37 213	16
Commitments	265 607	262 701	1	260 294	2
Total contingent liabilities and commitments	308 840	305 451	1	297 507	4
Total credit exposures	2 520 316	2 246 978	12	2 576 081	-2

Note 14 Intangible assets

Group SEKm	30 Jun 2017	31 Dec 2016	%	30 Jun 2016	%
With indefinite useful life					
Goodwill	12 463	12 408	0	12 272	2
Total	12 463	12 408	0	12 272	2
With finite useful life					
Customer base	523	559	-6	581	-10
Internally developed software	1 394	989	41	812	72
Other	415	323	28	395	5
Total	2 332	1 871	25	1 788	30
Total intangible assets	14 795	14 279	4	14 060	5

Impairment testing of intangible assets

As of 30 June 2017 there were no indicators of impairment.

Note 15 Amounts owed to credit institutions

Group SEKm	30 Jun 2017	31 Dec 2016	%	30 Jun 2016	%
Amounts owed to credit institutions					
Central banks	15 783	22 079	-29	30 921	-49
Banks	136 243	47 771		124 583	9
Other credit institutions	2 693	1 968	37	2 022	33
Repurchase agreements - banks	234	13		9 346	-97
Repurchase agreements - other credit institutions	21				
Amounts owed to credit institutions	154 974	71 831		166 872	-7

Note 16 Deposits and borrowings from the public

Group SEKm	30 Jun 2017	31 Dec 2016	%	30 Jun 2016	%
Deposits from the public					
Private customers	456 657	441 817	3	427 186	7
Corporate customers	431 032	340 214	27	509 167	-15
Deposits from the public excluding the Swedish National Debt Office and repurchase agreements	887 689	782 031	14	936 353	-5
Swedish National Debt Office	250	1		3	
Repurchase agreements - public	21 284	10 892	95	19 438	9
Deposits and borrowings from the public	909 223	792 924	15	955 794	-5

Note 17 Debt securities in issue and subordinated liabilities

Group SEKm	30 Jun	31 Dec	%	30 Jun	%
	2017	2016		2016	
Commercial Paper and Certificates of Deposits	159 016	102 225	56	165 872	-4
Covered bonds	540 357	558 295	-3	568 232	-5
Senior unsecured bonds	176 884	166 161	6	166 710	6
Structured retail bonds	15 039	14 992	0	14 893	1
Total debt securities in issue	891 296	841 673	6	915 707	-3
Subordinated liabilities	32 522	27 254	19	22 702	43
Total debt securities in issue and subordinated liabilities	923 818	868 927	6	938 409	-2

Turnover during the period	Jan-Jun	Full year	%	Jan-Jun	%
	2017	2016		2016	
Opening balance	868 927	851 148	2	851 148	2
Issued	657 711	976 733	-33	567 113	16
Repurchased	-48 263	-44 963	7	-14 281	
Repaid	-533 186	-933 835	-43	-476 808	12
Change in market value or in hedged item in fair value hedge accounting	-6 647	-8 240	-19	3 870	
Changes in exchange rates	-14 724	28 084		7 367	
Closing balance	923 818	868 927	6	938 409	-2

Note 18 Derivatives

Group SEKm	Nominal amount 31 Mar 2017			Nominal amount		Positive fair value		Negative fair value	
	Remaining contractual maturity			2017	2016	2017	2016	2017	2016
	< 1 yr.	1-5 yrs.	> 5 yrs.	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec
Derivatives in fair value hedges	70 561	387 908	60 650	519 119	531 489	12 548	16 676	931	587
Derivatives in portfolio fair value hedges	37 500	137 875	13 830	189 205	171 230	326	223	1 654	2 063
Derivatives in cash flow hedges	77	1 716	7 573	9 366	9 364			526	494
Non-hedging derivatives	5 224 275	3 362 655	694 490	9 281 420	9 614 077	75 192	82 749	81 412	96 150
Gross amount	5 332 413	3 890 154	776 543	9 999 110	10 326 160	88 066	99 648	84 523	99 294
Offset amount (see also note 21)	-2 222 432	-1 399 186	-372 271	-3 993 889	-3 332 268	-11 694	-11 837	-13 710	-13 705
Total	3 109 981	2 490 968	404 272	6 005 221	6 993 892	76 372	87 811	70 813	85 589

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 2 520m and SEK 504m respectively.

Note 19 Financial instruments at fair value

Group SEKm	30 Jun 2017			31 Dec 2016		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Assets						
Financial assets covered by IAS 39						
Cash and balances with central banks	432 540	432 540		121 347	121 347	
Treasury bills etc.	51 358	51 294	64	107 647	107 571	76
Loans to credit institutions	38 624	38 624		32 197	32 197	
Loans to the public	1 526 283	1 521 973	4 310	1 512 686	1 507 247	5 439
Value change of interest hedged items in portfolio hedge	1 007	1 007		1 482	1 482	
Bonds and interest-bearing securities	75 824	75 818	6	74 508	74 501	7
Financial assets for which the customers bear the investment risk	173 051	173 051		160 114	160 114	
Shares and participating interest	12 501	12 501		23 897	23 897	
Derivatives	76 372	76 372		87 811	87 811	
Other financial assets	14 854	14 854		10 851	10 851	
Total	2 402 414	2 398 034	4 380	2 132 540	2 127 018	5 522
Investment in associates		7 211			7 319	
Non-financial assets		20 876			19 866	
Total		2 426 121			2 154 203	
Liabilities						
Financial liabilities covered by IAS 39						
Amounts owed to credit institutions	154 974	154 974		71 615	71 831	-216
Deposits and borrowings from the public	909 205	909 223	-18	792 905	792 924	-19
Debt securities in issue	899 074	891 296	7 778	849 097	841 673	7 424
Financial liabilities for which the customers bear the investment risk	173 859	173 859		161 051	161 051	
Subordinated liabilities	32 544	32 522	22	27 254	27 254	
Derivatives	70 813	70 813		85 589	85 589	
Short positions securities	21 269	21 269		11 614	11 614	
Other financial liabilities	37 081	37 081		22 524	22 524	
Total	2 298 818	2 291 037	7 781	2 021 649	2 014 460	7 189
Non-financial liabilities		10 906			10 038	
Total		2 301 943			2 024 498	

Group 30 Jun 2017 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.	15 915	4 976		20 891
Loans to credit institutions		3 734		3 734
Loans to the public		168 113		168 113
Bonds and other interest-bearing securities	34 807	37 598		72 405
Financial assets for which the customers bear the investment risk	173 052			173 052
Shares and participating interests	12 071	3	427	12 501
Derivatives	196	76 135	41	76 372
Total	236 041	290 559	468	527 068
Liabilities				
Amounts owed to credit institutions		254		254
Deposits and borrowings from the public		21 284		21 284
Debt securities in issue	3 160	19 731		22 891
Financial liabilities for which the customers bear the investment risk		173 859		173 859
Derivatives	190	70 623		70 813
Short positions, securities	21 269			21 269
Total	24 619	285 751		310 370

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. 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 a majority of 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 material 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 2016 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.	16 740	5 429		22 169
Loans to credit institutions		852		852
Loans to the public		190 512		190 512
Bonds and other interest-bearing securities	42 650	28 183		70 833
Financial assets for which the customers bear the investment risk	160 115			160 115
Shares and participating interests	23 604	135	158	23 897
Derivatives	138	87 608	65	87 811
Total	243 247	312 719	223	556 189
Liabilities				
Amounts owed to credit institutions		13		13
Deposits and borrowings from the public		10 892		10 892
Debt securities in issue	3 270	19 830		23 100
Financial liabilities for which the customers bear the investment risk		161 051		161 051
Derivatives	75	85 514		85 589
Short positions, securities	11 614			11 614
Total	14 959	277 300		292 259

Group SEKm	Assets		
	Equity instruments	Derivatives	Total
Changes in level 3			
January-June 2017			
Opening balance 1 January 2017	158	65	223
Purchases	204		204
Sale of assets	-1		-1
Maturities		-19	-19
Transferred from Level 2 to Level 3	64		64
Transferred from Level 3 to Level 2		-14	-14
Gains or losses	2	9	11
of which in the income statement, net gains and losses on financial items at fair value	2	9	11
of which changes in unrealised gains or losses for items held at closing day		2	2
Closing balance 30 June 2017	427	41	468

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 7m.

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

Changes in level 3 Group SEKm	Assets		
	Equity instruments	Derivatives	Total
January-June 2016			
Opening balance 1 January 2016	73	114	187
Purchases	3		3
VISA Inc. C shares received	63		63
Sale of assets	-3		-3
Maturities		-13	-13
Transferred from Level 2 to Level 3		2	2
Transferred from Level 3 to Level 2		-5	-5
Gains or losses	7	-28	-21
of which in the income statement, net gains and losses on financial items at fair value	7	-28	-21
of which changes in unrealised gains or losses for items held at closing day	17	-29	-12
Closing balance 30 June 2016	143	70	213

Note 20 Pledged collateral

Group SEKm	30 Jun	31 Dec	%	30 Jun	%
	2017	2016		2016	
Loan receivables ¹	537 087	542 278	-1	545 565	-2
Financial assets pledged for policyholders	170 497	157 804	8	144 796	18
Other assets pledged	48 247	37 546	29	51 410	-6
Pledged collateral	755 831	737 628	2	741 771	2

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

Note 21 Offsetting financial assets and liabilities

Group SEKm	Assets			Liabilities		
	30 Jun 2017	31 Dec 2016	%	30 Jun 2017	31 Dec 2016	%
Financial assets and liabilities, which have been offset or are subject to netting or similar agreements						
Gross amount	149 988	152 098	-1	117 178	111 865	5
Offset amount	-22 468	-16 340	38	-24 484	-18 208	34
Net amounts presented in the balance sheet	127 520	135 758	-6	92 694	93 657	-1
Related amounts not offset in the balance sheet						
Financial instruments, netting arrangements	48 119	46 691	3	48 119	46 691	3
Financial Instruments, collateral	36 860	40 853	-10	12 851	4 391	
Cash, collateral	666	12 676	-95	3 798	13 775	-72
Total amount not offset in the balance sheet	85 645	100 220	-15	64 768	64 857	0
Net amount	41 875	35 538	18	27 926	28 800	-3

The amounts offset for financial assets and financial liabilities include cash collateral offsets of SEK 2 520m and SEK 504m respectively.

Note 22 Capital adequacy, consolidated situation

Capital adequacy SEKm	30 Jun 2017	31 Dec 2016	30 Jun 2016
Shareholders' equity according to the Group's balance sheet	123 986	129 515	119 291
Non-controlling interests	73	78	75
Anticipated dividend	-7 402	-14 695	-7 936
Deconsolidation of insurance companies	346	96	-194
Value changes in own financial liabilities	40	-2	4
Cash flow hedges	5	-77	-71
Additional value adjustments ¹⁾	-629	-598	-840
Goodwill	-12 551	-12 497	-12 360
Deferred tax assets	-110	-114	-106
Intangible assets	-1 997	-1 601	-1 530
Net provisions for reported IRB credit exposures	-1 496	-1 376	-1 391
Shares deducted from CET1 capital	-46	-50	-40
Common Equity Tier 1 capital	100 219	98 679	94 902
Additional Tier 1 capital	12 949	14 281	9 651
Total Tier 1 capital	113 168	112 960	104 553
Tier 2 capital	18 828	12 229	12 315
Total capital	131 996	125 189	116 868
Minimum capital requirement for credit risks, standardised approach	3 185	3 800	4 313
Minimum capital requirement for credit risks, IRB	21 330	21 478	22 183
Minimum capital requirement for credit risk, default fund contribution	49	34	2
Minimum capital requirement for settlement risks	0	0	0
Minimum capital requirement for market risks	778	754	908
Trading book	750	732	893
of which VaR and SVaR	489	563	552
of which risks outside VaR and SVaR	261	169	341
FX risk other operations	28	22	15
Minimum capital requirement for credit value adjustment	381	424	622
Minimum capital requirement for operational risks	4 988	4 972	4 972
Additional minimum capital requirement, Article 3 CRR ²⁾	1 829	69	69
Minimum capital requirement	32 540	31 531	33 069
Risk exposure amount credit risks, standardised approach	39 812	47 503	53 911
Risk exposure amount credit risks, IRB	266 619	268 473	277 283
Risk exposure amount default fund contribution	609	431	29
Risk exposure amount settlement risks	0	0	0
Risk exposure amount market risks	9 723	9 419	11 345
Risk exposure amount credit value adjustment	4 782	5 297	7 786
Risk exposure amount operational risks	62 345	62 152	62 152
Additional risk exposure amount, Article 3 CRR ²⁾	22 860	860	860
Risk exposure amount	406 750	394 135	413 366
Common Equity Tier 1 capital ratio, %	24,6	25,0	23,0
Tier 1 capital ratio, %	27,8	28,7	25,3
Total capital ratio, %	32,5	31,8	28,3
Capital buffer requirement ³⁾	30 Jun	31 Dec	30 Jun
%	2017	2016	2016
CET1 capital requirement including buffer requirements	11,3	11,0	11,0
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	1,0	1,0
of which systemic risk buffer	3,0	3,0	3,0
CET 1 capital available to meet buffer requirement ⁴⁾	20,1	20,5	18,5
Capital adequacy Basel 1 floor ⁵⁾	30 Jun	31 Dec	30 Jun
SEKm	2017	2016	2016
Capital requirement Basel 1 floor	75 876	75 749	73 591
Own funds Basel 3 adjusted according to rules for Basel 1 floor	133 492	126 565	118 259
Surplus of capital according to Basel 1 floor	57 616	50 816	44 668
Leverage ratio	30 Jun	31 Dec	30 Jun
	2017	2016	2016
Tier 1 Capital, SEKm	113 168	112 960	104 553
Leverage ratio exposure, SEKm	2 336 422	2 098 179	2 460 715
Leverage ratio, %	4,8	5,4	4,2

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

²⁾ To rectify for underestimation of default frequency in the model for corporate exposures, Swedbank has decided to hold more capital until the updated model has been approved by the Swedish FSA.

³⁾ Buffer requirement according to Swedish implementation of CRD IV

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

⁵⁾ Basel 1 floor based on the higher of the Basel 3 capital requirement and 80% of Basel 1 capital requirement. In the latter case the own funds is adjusted according to CRR article 500.4

The consolidated situation for Swedbank as of 30 June 2017 comprised the Swedbank Group with the

exception of insurance companies. The Entercard Group was included as well through the proportionate consolidation method.

The note contains the information made public according to the Swedish Financial Supervisory Authority Regulation FFFS 2014:12, chap. 8. Additional periodic information according to Regulation (EU) No

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

Swedbank Consolidated situation Credit risk, IRB SEKm	Exposure value		Average risk weight, %		Minimum capital requirement	
	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec
	2017	2016	2017	2016	2017	2016
Central government or central banks exposures	513 596		1		602	
Institutional exposures	75 406	83 959	16	16	992	1 072
Corporate exposures	502 734	508 765	33	35	13 443	14 065
Retail exposures	1 076 404	1 032 298	7	7	5 895	5 772
of which mortgage	975 894	936 542	5	5	3 719	3 633
of which other	100 510	95 756	27	28	2 176	2 139
Non credit obligation	8 027	12 182	62	58	398	569
Total credit risks, IRB	2 176 167	1 637 204	12	16	21 330	21 478

Exposure amount, Risk exposure amount and Minimum capital requirement, consolidated situation			
30 Jun 2017 SEKm	Exposure amount	Risk exposure amount	Minimum capital requirement
Credit risks, STD	57 109	39 812	3 185
Central government or central banks exposures	122		
Regional governments or local authorities exposures	1 652	214	17
Public sector entities exposures	5 681	119	9
Multilateral development banks exposures	5 138	23	2
International organisation exposures	515		
Institutional exposures	7 487	164	13
Corporate exposures	5 217	4 880	390
Retail exposures	12 943	9 457	757
Exposures secured by mortgages on immovable property	6 046	2 118	169
Exposures in default	449	459	37
Exposures in the form of covered bonds	63	6	1
Equity exposures	8 191	19 674	1 574
Other items	3 605	2 698	216
Credit risks, IRB	2 176 167	266 619	21 330
Central government or central banks exposures	513 596	7 525	602
Institutional exposures	75 406	12 397	992
Corporate exposures	502 734	168 041	13 443
of which specialized lending in category 1	14	10	1
of which specialized lending in category 2	295	255	20
of which specialized lending in category 3	528	607	49
of which specialized lending in category 4	193	482	39
of which specialized lending in category 5	309		
Retail exposures	1 076 404	73 694	5 895
of which mortgage lending	975 894	46 491	3 719
of which other lending	100 510	27 203	2 176
Non-credit obligation	8 027	4 962	398
Credit risks, Default fund contribution		609	49
Settlement risks	0	0	0
Market risks		9 723	778
Trading book		9 380	750
of which VaR and SVaR		6 111	489
of which risks outside VaR and SVaR		3 269	261
FX risk other operations		343	28
Credit value adjustment	21 333	4 782	381
Operational risks		62 345	4 988
of which Standardised approach		62 345	4 988
Additional risk exposure amount, Article 3 CRR		22 860	1 829
Total	2 254 609	406 750	32 540

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

31 Dec 2016
SEKm

	Exposure amount	Risk exposure amount	Minimum capital requirement
Credit risks, STD	351 879	47 503	3 800
Central government or central banks exposures	245 746	449	36
Regional governments or local authorities exposures	32 453	276	22
Public sector entities exposures	5 551	60	5
Multilateral development banks exposures	6 411	20	2
International organisation exposures	609		
Institutional exposures	5 456	127	10
Corporate exposures	4 909	4 630	370
Retail exposures	14 315	10 485	839
Exposures secured by mortgages on immovable property	23 884	8 361	669
Exposures in default	391	403	32
Exposures in the form of covered bonds	69	7	1
Equity exposures	8 088	19 691	1 575
Other items	3 997	2 994	240
Credit risks, IRB	1 637 204	268 473	21 478
Institutional exposures	83 959	13 406	1 072
Corporate exposures	508 765	175 810	14 065
of which specialized lending in category 1	13	9	1
of which specialized lending in category 2	321	274	22
of which specialized lending in category 3	555	638	51
of which specialized lending in category 4	261	654	52
of which specialized lending in category 5	260	0	0
Retail exposures	1 032 298	72 151	5 772
of which mortgage lending	936 542	45 410	3 633
of which other lending	95 756	26 741	2 139
Non-credit obligation	12 182	7 106	569
Credit risks, Default fund contribution		431	34
Settlement risks	0	0	0
Market risks		9 419	754
Trading book		9 147	732
of which VaR and SVaR		7 033	563
of which risks outside VaR and SVaR		2 114	169
FX risk other operations		272	22
Credit value adjustment	21 393	5 297	424
Operational risks		62 152	4 972
of which Standardised approach		62 152	4 972
Additional risk exposure amount, Article 3 CRR		860	69
Total	2 010 476	394 135	31 531

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 a capital base 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.

Basel 1 floor

The transition rules state that the minimum capital requirement must not fall below 80 per cent of the requirement according to the older Basel 1 rules.

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 30 June 2017 the internal capital assessment for Swedbank's consolidated situation amounted to SEK 29.2bn (SEK 31.3bn as of 31 March 2017). The capital to meet the internal capital assessment, i.e. the capital base, amounted to SEK 132.0bn (SEK 125.8bn as of 31 March 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 24.8bn (SEK 24.9bn as of 31 March 2017) and the capital base is SEK 107.8bn (SEK 99.1bn as of 31 March 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 2016 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 2016 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, 30 Jun 2017

Group	< 5 years	5-10 years	>10 years	Total
Swedbank, the Group	-719	41	126	-552
of which SEK	-1 653	-55	96	-1 612
of which foreign currency	934	95	31	1 060
Of which financial instruments at fair value reported through profit or loss	553	178	64	795
of which SEK	-495	39	26	-430
of which foreign currency	1 048	139	38	1 225

Note 25 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 26 Swedbank's share

	30 Jun 2017	31 Dec 2016	%	30 Jun 2016	%
SWED A					
Share price, SEK	205,30	220,30	-7	175,70	17
Number of outstanding ordinary shares	1 113 629 515	1 110 731 820	0	1 110 731 820	0
Market capitalisation, SEKm	228 628	244 694	-7	195 156	17

	30 Jun 2017	31 Dec 2016	30 Jun 2016
Number of outstanding shares			
Issued shares			
SWED A	1 132 005 722	1 132 005 722	1 132 005 722
Repurchased shares			
SWED A	-18 376 207	-21 273 902	-21 273 902
Repurchase of own shares for trading purposes			
SWED A			
Number of outstanding shares on the closing day	1 113 629 515	1 110 731 820	1 110 731 820

Within Swedbank's share-based compensation programme, Swedbank AB has during Q1 2017 transferred 2 490 310 shares, and during Q2 2017 transferred 407 385 shares at no cost to employees.

	Q2 2017	Q1 2017	Q2 2016	Jan-Jun 2017	Jan-Jun 2016
Earnings per share					
Average number of shares					
Average number of shares before dilution	1 113 487 141	1 112 126 000	1 110 547 108	1 112 810 330	1 109 323 285
Weighted average number of shares for potential ordinary shares that incur a dilutive effect due to share-based compensation programme	4 598 508	5 335 204	5 142 135	5 248 639	6 147 713
Average number of shares after dilution	1 118 085 649	1 117 461 204	1 115 689 244	1 118 058 969	1 115 470 998
Profit, SEKm					
Profit for the period attributable to shareholders of Swedbank	4 746	5 124	6 270	9 870	10 581
Earnings for the purpose of calculating earnings per share	4 746	5 124	6 270	9 870	10 581
Earnings per share, SEK					
Earnings per share before dilution	4,26	4,61	5,65	8,87	9,54
Earnings per share after dilution	4,24	4,59	5,62	8,83	9,49

Note 27 Effects of changed reporting of the compensation to the Savings banks for mortgage loans

Income statement

Group SEKm	New reporting		Previous reporting	New reporting		Previous reporting	New reporting		Previous reporting
	2016 Q2	Change	2016 Q2	2016 Jan-Jun	Change	2016 Jan-Jun	2016 Full-year	Change	2016 Full-year
Interest income	7 714	-180	7 894	15 983	-342	16 325	32 914	-814	33 728
Negative yield on financial assets							-1 543		-1 543
Interest income, including negative yield on financial assets	7 714	-180	7 894	15 983	-342	16 325	31 371	-814	32 185
Interest expenses	-2 162		-2 162	-4 970		-4 970	-9 256		-9 256
Negative yield on financial liabilities							735		735
Interest expenses, including negative yield on financial liabilities	-2 162		-2 162	-4 970		-4 970	-8 521		-8 521
Net interest income (note 5)	5 552	-180	5 732	11 013	-342	11 355	22 850	-814	23 664
Net commission income (note 6)	2 795		2 795	5 440		5 440	11 333		11 333
Net gains and losses on financial items at fair value (note 7)	877		877	1 277		1 277	2 231		2 231
Net insurance	203		203	360		360	754		754
Share of profit or loss of associates	1 929		1 929	2 120		2 120	2 467		2 467
Other income	334		334	624		624	1 186		1 186
Total income	11 690	-180	11 870	20 834	-342	21 176	40 821	-814	41 635
Staff costs	2 314		2 314	4 621		4 621	9 376		9 376
Other expenses (note 8)	1 371	-180	1 551	2 736	-342	3 078	5 622	-814	6 436
Depreciation/amortisation	155		155	309		309	629		629
Total expenses	3 840	-180	4 020	7 666	-342	8 008	15 627	-814	16 441
Profit before impairments	7 850		7 850	13 168		13 168	25 194		25 194
Impairment of intangible assets (note 14)							35		35
Impairment of tangible assets	1		1	9		9	31		31
Credit impairments (note 9)	538		538	573		573	1 367		1 367
Operating profit	7 311		7 311	12 586		12 586	23 761		23 761
Tax expense	1 037		1 037	1 998		1 998	4 209		4 209
Profit for the period	6 274		6 274	10 588		10 588	19 552		19 552
Profit for the period attributable to the shareholders of Swedbank AB	6 270		6 270	10 581		10 581	19 539		19 539
Non-controlling interests	4		4	7		7	13		13
C/I-ratio	0,33		0,34	0,37		0,38	0,38		0,39

For more information see note 1 Accounting policies.

Net interest income

Group SEKm	New reporting 2016		Previous reporting 2016	New reporting 2016		Previous reporting 2016	New reporting 2016		Previous reporting 2016
	Q2	Change	Q2	Jan-Jun	Change	Jan-Jun	Full-year	Change	Full-year
Interest income									
Loans to credit institutions	31		31	93		93	64		64
Loans to the public	7 447	-180	7 627	14 969	-342	15 311	30 031	-814	30 845
Interest-bearing securities	172		172	398		398	651		651
Derivatives	226		226	658		658	1 093		1 093
Other	272		272	524		524	764		764
Total interest income including negative yield on financial assets	8 148	-180	8 328	16 642	-342	16 984	32 603	-814	33 417
deduction of trading interests reported in net gains and losses on financial items at fair value	434		434	659		659	1 232		1 232
Interest income, including negative yield on financial assets, according to income statement	7 714	-180	7 894	15 983	-342	16 325	31 371	-814	32 185
Interest expenses									
Amounts owed to credit institutions	-122		-122	-233		-233	-269		-269
Deposits and borrowings from the public	-331		-331	-641		-641	-1 100		-1 100
of which deposit guarantee fees	-131		-131	-255		-255	-466		-466
Debt securities in issue	-3 096		-3 096	-6 200		-6 200	-13 013		-13 013
Subordinated liabilities	-228		-228	-491		-491	-977		-977
Derivatives	1 784		1 784	2 939		2 939	7 638		7 638
Other	-164		-164	-350		-350	-689		-689
of which government stabilisation fund fee	-153		-153	-322		-322	-646		-646
Total interest expenses including negative yield on financial liabilities	-2 157		-2 157	-4 976		-4 976	-8 410		-8 410
deduction of trading interests reported in net gains and losses on financial items at fair value	5		5	-6		-6	111		111
Interest expenses, including negative yield on financial liabilities, according to income statement	-2 162		-2 162	-4 970		-4 970	-8 521		-8 521
Net interest income	5 552	-180	5 732	11 013	-342	11 355	22 850	-814	23 664
Net interest margin before trading interest is deducted	0,99	-0,03	1,02	0,99	-0,03	1,01	1,02	-0,03	1,05
Average total assets	2 426 073		2 426 073	2 368 372		2 368 372	2 373 930		2 373 930

Other expenses

Group SEKm	New reporting 2016		Previous reporting 2016	New reporting 2016		Previous reporting 2016	New reporting 2016		Previous reporting 2016
	Q2	Change	Q2	Jan-Jun	Change	Jan-Jun	Full-year	Change	Full-year
Premises and rents	266		266	534		534	1 131		1 131
IT expenses	424		424	873		873	1 834		1 834
Telecommunications and postage	37		37	70		70	118		118
Advertising, PR and marketing	72		72	134		134	285		285
Consultants	92		92	162		162	314		314
Compensation to savings banks	58	-180	238	118	-342	460	236	-814	1 050
Other purchased services	175		175	339		339	708		708
Security transport and alarm systems	17		17	33		33	72		72
Supplies	26		26	49		49	103		103
Travel	65		65	113		113	226		226
Entertainment	13		13	23		23	51		51
Repair/maintenance of inventories	23		23	54		54	111		111
Other expenses	103		103	234		234	433		433
Total other expenses	1 371	-180	1 551	2 736	-342	3 078	5 622	-814	6 436

Swedbank AB

Income statement, condensed

Parent company SEKm	Q2 2017	Q1 2017	%	Q2 2016	%	Jan-Jun 2017	Jan-Jun 2016	%
Interest income	4 520	4 281	6	3 772	20	8 801	7 758	13
Negative yield on financial assets	-546	-383	43			-929		
Interest income, including negative yield on financial assets	3 974	3 898	2	3 772	5	7 872	7 758	1
Interest expenses	-1 111	-1 045	6	-705	58	-2 156	-1 893	14
Negative yield on financial liabilities	186	140	33			326		
Interest expenses, including negative yield on financial liabilities	-925	-905	2	-705	31	-1 830	-1 893	-3
Net interest income	3 049	2 993	2	3 067	-1	6 042	5 865	3
Dividends received	3 368	3 016	12	3 172	6	6 384	13 128	-51
Commission income	2 444	2 289	7	2 366	3	4 733	4 493	5
Commission expenses	-786	-716	10	-771	2	-1 502	-1 436	5
Net commission income	1 658	1 573	5	1 595	4	3 231	3 057	6
Net gains and losses on financial items at fair value	742	653	14	879	-16	1 395	509	
Other income	376	357	5	360	4	733	644	14
Total income	9 193	8 592	7	9 073	1	17 785	23 203	-23
Staff costs	1 985	2 032	-2	1 940	2	4 017	3 866	4
Other expenses	1 313	1 197	10	1 113	18	2 510	2 268	11
Depreciation/amortisation and impairments of tangible and intangible fixed assets	1 116	1 093	2	1 099	2	2 209	2 189	1
Total expenses	4 414	4 322	2	4 152	6	8 736	8 323	5
Profit before impairments	4 779	4 270	12	4 921	-3	9 049	14 880	-39
Impairment of financial fixed assets				26			87	
Credit impairments	385	396	-3	500	-23	781	586	33
Operating profit	4 394	3 874	13	4 395	0	8 268	14 207	-42
Appropriations								
Tax expense	992	288		598	66	1 280	900	42
Profit for the period	3 402	3 586	-5	3 797	-10	6 988	13 307	-47

Statement of comprehensive income, condensed

Parent company SEKm	Q2 2017	Q1 2017	%	Q2 2016	%	Jan-Jun 2017	Jan-Jun 2016	%
Profit for the period reported via income statement	3 402	3 586	-5	3 797	-10	6 988	13 307	-47
Total comprehensive income for the period	3 402	3 586	-5	3 797	-10	6 988	13 307	-47

Balance sheet, condensed

Parent company SEKm	30 Jun 2017	31 Dec 2016	%	30 Jun 2016	%
Assets					
Cash and balance with central banks	379 968	64 193		310 767	22
Loans to credit institutions	449 085	409 763	10	500 408	-10
Loans to the public	419 186	430 406	-3	476 464	-12
Interest-bearing securities	123 608	175 865	-30	153 584	-20
Shares and participating interests	74 881	82 267	-9	75 359	-1
Derivatives	84 496	96 243	-12	111 246	-24
Other assets	33 344	35 437	-6	41 667	-20
Total assets	1 564 568	1 294 174	21	1 669 495	-6
Liabilities and equity					
Amounts owed to credit institutions	213 978	129 276	66	257 826	-17
Deposits and borrowings from the public	739 264	617 704	20	790 087	-6
Debt securities in issue	349 906	282 369	24	346 795	1
Derivatives	91 160	114 620	-20	117 310	-22
Other liabilities and provisions	49 689	27 390	81	45 760	9
Subordinated liabilities	32 522	27 254	19	22 702	43
Untaxed reserves	10 206	10 206	0	10 021	2
Equity	77 843	85 355	-9	78 994	-1
Total liabilities and equity	1 564 568	1 294 174	21	1 669 495	-6
Pledged collateral	43 418	33 624	29	47 895	-9
Other assets pledged	6 938	4 241	64	3 517	97
Contingent liabilities	574 577	588 167	-2	577 371	0
Commitments	232 027	232 134	0	225 160	3

Statement of changes in equity, condensed

Parent company SEKm					
	Share capital	Share premium reserve	Statutory reserve	Retained earnings	Total
January-June 2016					
Opening balance 1 January 2016	24 904	13 206	5 968	33 304	77 382
Dividend				-11 880	-11 880
Share based payments to employees				208	208
Deferred tax related to share based payments to employees				-53	-53
Current tax related to share based payments to employees				30	30
Total comprehensive income for the period				13 307	13 307
Closing balance 30 June 2016	24 904	13 206	5 968	34 916	78 994
January-December 2016					
Opening balance 1 January 2016	24 904	13 206	5 968	33 304	77 382
Dividend				-11 880	-11 880
Share based payments to employees				378	378
Deferred tax related to share based payments to employees				-13	-13
Current tax related to share based payments to employees				30	30
Total comprehensive income for the period				19 458	19 458
Closing balance 31 December 2016	24 904	13 206	5 968	41 277	85 355
January-June 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				188	188
Deferred tax related to share based payments to employees				-29	-29
Current tax related to share based payments to employees				36	36
Total comprehensive income for the period				6 988	6 988
Closing balance 30 June 2017	24 904	13 206	5 968	33 765	77 843

Cash flow statement, condensed

Parent company SEKm			
	Jan-Jun 2017	Full-year 2016	Jan-Jun 2016
Cash flow from operating activities	238 488	-61 179	108 618
Cash flow from investing activities	5 601	13 493	17 694
Cash flow from financing activities	71 686	-19 980	52 596
Cash flow for the period	315 775	-67 666	178 908
Cash and cash equivalents at beginning of period	64 193	131 859	131 859
Cash flow for the period	315 775	-67 666	178 908
Cash and cash equivalents at end of period	379 968	64 193	310 767

Capital adequacy

Capital adequacy, Parent company SEKm	30 Jun 2017	31 Dec 2016	30 Jun 2016
Common Equity Tier 1 capital	76 060	73 361	73 245
Additional Tier 1 capital	12 938	14 270	9 642
Tier 1 capital	88 998	87 631	82 887
Tier 2 capital	18 815	12 204	12 291
Total capital	107 813	99 835	95 179
Minimum capital requirement	25 184	23 537	25 133
Risk exposure amount	314 806	294 210	314 163
Common Equity Tier 1 capital ratio, %	24,2	24,9	23,3
Tier 1 capital ratio, %	28,3	29,8	26,4
Total capital ratio, %	34,3	33,9	30,3
Capital buffer requirement¹⁾ %	30 Jun 2017	31 Dec 2016	30 Jun 2016
CET1 capital requirement including buffer requirements	8,4	8,3	8,3
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	1,4	1,3	1,3
CET 1 capital available to meet buffer requirement ²⁾	19,7	20,4	18,8
Capital adequacy transition rules Basel 1 floor³⁾ SEKm	30 Jun 2017	31 Dec 2016	30 Jun 2016
Capital requirement Basel 1 floor	28 470	29 553	29 157
Own funds Basel 3 adjusted according to rules for Basel 1 floor	108 329	100 318	95 721
Surplus of capital according to Basel 1 floor	79 859	70 765	66 564
Leverage ratio %	30 Jun 2017	31 Dec 2016	30 Jun 2016
Tier 1 Capital, SEKm	88 998	87 631	82 887
Total exposure, SEKm ⁴⁾	1 225 224	1 004 780	1 414 356
Leverage ratio, % ⁴⁾	7,3	8,7	5,9

¹⁾ Buffer requirement according to Swedish implementation of CRD IV.

²⁾ CET1 capital ratio as reported, less minimum requirement of 4.5% (excluding buffer requirements) and less any CET1 items used to meet the Tier 1 and total capital requirements.

³⁾ Basel 1 floor based on the higher of the Basel 3 capital requirement and 80% of Basel 1 capital requirement. In the latter case the own funds is adjusted according to CRR article 500.4.

⁴⁾ 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			
30 Jun 2017	Exposure amount	Risk exposure amount	Minimum capital requirement
SEKm			
Credit risks, STD	1 041 894	79 279	6 342
Central government or central banks exposures	16		
Regional governments or local authorities exposures	79	16	1
Public sector entities exposures	3 332		
Multilateral development banks exposures	3 837		
International organisation exposures	361		
Institutional exposures	961 107	502	40
Corporate exposures	7 030	6 928	554
Retail exposures	486	363	29
Exposures secured by mortgages on immovable property	2 437	853	68
Exposures in default	0	0	
Equity exposures	62 513	69 936	5 595
Other items	694	681	55
Credit risks, IRB	1 034 716	162 689	13 015
Central government or central banks exposures	451 999	6 284	503
Institutional exposures	84 635	14 367	1 149
Corporate exposures	400 017	117 585	9 407
of which specialized lending			
Retail exposures	94 543	21 118	1 689
of which mortgage lending	13 547	2 843	227
of which other lending	80 996	18 275	1 462
Non-credit obligation	3 522	3 335	267
Credit risks, Default fund contribution		609	49
Settlement risks	0	0	0
Market risks		9 704	776
Trading book		9 365	749
of which VaR and SVaR		6 145	491
of which risks outside VaR and SVaR		3 220	258
FX risk other operations		339	27
Credit value adjustment	20 209	4 750	380
Operational risks		35 317	2 825
Standardised approach		35 317	2 825
Additional risk exposure amount, Article 3 CRR		22 458	1 797
Total	2 096 819	314 806	25 184

Exposure amount, Risk exposure amount and Minimum capital requirement, parent company			
31 Dec 2016	Exposure amount	Risk exposure amount	Minimum capital requirement
SEKm			
Credit risks, STD	1 230 996	76 530	6 122
Central government or central banks exposures	185 049	70	6
Regional governments or local authorities exposures	23 475	60	5
Public sector entities exposures	4 034	46	4
Multilateral development banks exposures	3 890	1	0
International organisation exposures	20		
Institutional exposures	944 642	753	60
Corporate exposures	3 734	3 665	293
Retail exposures	656	490	39
Exposures secured by mortgages on immovable property	2 317	811	65
Exposures in default	2	2	0
Equity exposures	62 321	69 787	5 583
Other items	856	846	68
Credit risks, IRB	600 185	166 590	13 327
Institutional exposures	90 999	14 860	1 189
Corporate exposures	409 505	124 448	9 956
of which specialized lending			
Retail exposures	91 458	21 429	1 714
of which mortgage lending	13 949	3 014	241
of which other lending	77 509	18 415	1 473
Non-credit obligation	8 223	5 853	468
Credit risks, Default fund contribution		431	35
Settlement risks	0	0	0
Market risks		9 291	743
Trading book		9 026	722
of which VaR and SVaR		7 030	562
of which risks outside VaR and SVaR		1 996	160
FX risk other operations		265	21
Credit value adjustment	20 138	5 252	420
Operational risks		35 659	2 853
Standardised approach		35 659	2 853
Additional risk exposure amount, Article 3 CRR		458	37
Total	1 851 319	294 210	23 537

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. These alternative performance measures are set out below.

Measure	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	Net interest margin before trading interest is deducted is calculated as Net interest income before trading interest is deducted, in relation to average total assets. The average is calculated using month-end figures, including the prior year end. 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 a measure that is directly required by IFRS. The Group's equity attributable to shareholders is allocated to each operating segment based on capital adequacy rules and estimated capital requirements based on the bank's internal Capital Adequacy Assessment Process (ICAAP). 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	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 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.										
Effective tax rate excluding tax-exempt Hemnet income	The effective tax rate excluding the tax-exempt Hemnet disposal income is calculated as Adjusted operating profit in relation to Tax expense. Adjusted operating profit represents Operating profit excluding the non-taxable one-off Hemnet income and is reconciled to Operating profit, the nearest IFRS measure below. SEKm Q1 2017 <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Operating profit</td> <td style="text-align: right;">6 307</td> </tr> <tr> <td>Non-taxable one-off Hemnet income</td> <td style="text-align: right;">680</td> </tr> <tr> <td>Adjusted operating profit</td> <td style="text-align: right;">5 627</td> </tr> <tr> <td>Tax expense</td> <td style="text-align: right;">181</td> </tr> <tr> <td>Adjusted effective tax rate</td> <td style="text-align: right;">21 %</td> </tr> </table>	Operating profit	6 307	Non-taxable one-off Hemnet income	680	Adjusted operating profit	5 627	Tax expense	181	Adjusted effective tax rate	21 %	The presentation of this measure is relevant for investors as it provides comparability of figures between reporting periods.
Operating profit	6 307											
Non-taxable one-off Hemnet income	680											
Adjusted operating profit	5 627											
Tax expense	181											
Adjusted effective tax rate	21 %											

Income statement measures excluding one-off VISA and Hemnet income	<p>Amounts related to Net gains and losses on financial items at fair value, Share of profit or loss of associates and other income are presented excluding the one-off income related to the VISA (2016) and Hemnet (2017).</p> <p>The amounts are reconciled to the relevant IFRS income statement lines on page 7.</p>	The presentation of this measure is relevant for investors as it provides comparability of figures between reporting periods.
Return on equity excluding VISA and Hemnet income	<p>Profit for the period allocated to shareholders excluding one-off VISA and Hemnet income in relation to average Equity attributable to shareholders' of the parent company. The average is calculated using month-end figures, including the prior year end.</p> <p>Profit for the period allocated to shareholders excluding one-off VISA (2016) and Hemnet (2017) income are reconciled to Profit for the period allocated to shareholders, the nearest IFRS measure on page 7.</p>	The presentation of this measure is relevant for investors as it provides comparability of figures between reporting periods.
Cost/Income ratio excluding VISA and Hemnet income	<p>Total expenses in relation to total income excluding one-off VISA and Hemnet income.</p> <p>Total income excluding one-off VISA (2016) and Hemnet (2016) income are reconciled to Total income, the nearest IFRS measure on page 7.</p>	The presentation of this measure is relevant for investors as it provides comparability of figures between reporting periods.
<p>Cost/Income ratio</p> <p>Credit Impairment ratio</p> <p>Loan/Deposit ratio</p> <p>Equity per share</p> <p>Provision ratio for impaired loans</p> <p>Return on equity</p> <p>Share of impaired loans, gross</p> <p>Share of impaired loans, net</p> <p>Total provision ratio for impaired loans</p>	<p>The alternative performance measures set out below are calculated from the financial statements without adjustment.</p> <p>Total expenses in relation to total income.</p> <p>Credit impairment on loans and other credit risk provisions (annualised), net, in relation to the opening balance of loans to credit institutions and loans to public after provisions.</p> <p>Lending to the public excluding Swedish National Debt Office and repurchase agreements in relation to deposits from the public excluding Swedish National Debt Office and repurchase agreements.</p> <p>Shareholders' equity in relation to the number of shares outstanding.</p> <p>Provisions for impaired loans assessed individually in relation to impaired loans, gross.</p> <p>Profit for the period (annualised) allocated to shareholders in relation to average equity attributable to shareholders' of the parent company. The average is calculated using month-end figures, including the prior year end.</p> <p>Carrying amount of impaired loans, gross, in relation to the carrying amount of loans to credit institutions and the public excluding provisions.</p> <p>Carrying amount of impaired loans, net, in relation to the carrying amount of loans to credit institutions and the public.</p> <p>All provisions (individually assessed and portfolio) for loans in relation to impaired loans, gross.</p>	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 - June 2017 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, 18 July 2017

Lars Idermark
Chair

Ulrika Francke
Deputy Chair

Bodil Eriksson
Board Member

Mats Granryd
Board Member

Bo Johansson
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 - 30 June 2017. 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, 18 July 2017
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 2017

Interim report for the third quarter 24 October 2017

Year-end report 2017 6 February 2018

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