Swedbank

Year-end report 2013

Stockholm, 28 January 2014

Fourth quarter 2013

Compared with third quarter 2013

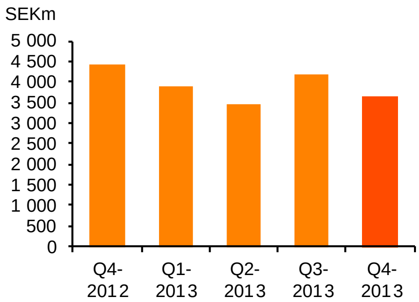
- The result for the quarter for continuing operations amounted to SEK 3 660m (4 187)
- Earnings per share for continuing operations amounted to SEK 3.34 (3.82) before dilution and SEK 3.31 (3.79) after dilution
- The return on equity for continuing operations was 13.6 per cent (16.2)
- The cost/income ratio was 0.46 (0.43)
- Net interest income amounted to SEK 5 626m (5 641)
- Profit before impairments decreased by 1 per cent to SEK 5 168m (5 230)
- Swedbank reported net recoveries of SEK 32m (56)
- The Common Equity Tier 1 ratio was 18.7 per cent according to Basel 2 (16.7 per cent on 31 December 2012). The Common Equity Tier 1 ratio according to Basel 3 was 18.3*** per cent (15.4 per cent on 31 December 2012)

Full-year 2013

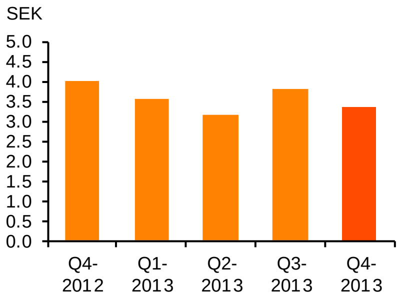
Compared with full-year 2012

- The result for the period for continuing operations amounted to SEK 15 241m (15 298)
- Earnings per share for continuing operations amounted to SEK 13.89* (13.94) before dilution and SEK 13.78* (13.88) after dilution
- The return on equity for continuing operations was 14.7 per cent (15.6)
- The cost/income ratio was 0.45 (0.46)
- Net interest income increased by 8 per cent to SEK 22 029m (20 361)
- Profit before impairments increased by 3 per cent to SEK 20 290m (19 708)
- Swedbank reported net credit impairments of SEK 60m (net recoveries of SEK 185m)
- The proposed dividend per share is SEK 10.10 (9.90)

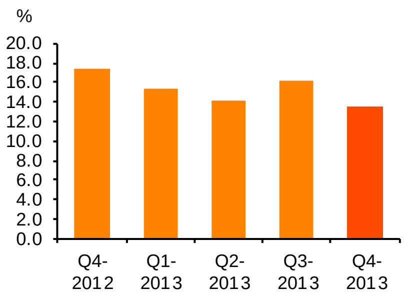
Profit for the quarter, continuing operations**



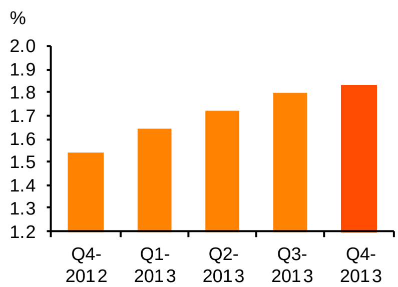
Earnings per share after dilution*, continuing operations**



Return on equity, continuing operations**



Common Equity Tier 1 ratio, %, Basel 3***



* Without deducting the preference share dividend, earnings per share for full-year 2013 were SEK 12.22 (12.97) for continuing operations after dilution. The calculations are specified on page 50.

** Russia and Ukraine are reported as discontinued operations.

*** According to Swedbank's current calculation based on the new regulations.

CEO Comment

There were a number of signs in 2013 that the global economy is slowly recovering, though much points to the fact that the recovery is fragile. In our home markets, economic conditions remained stable. Economic development and credit demand will be affected as central banks gradually phase out their stimulus measures. In parts of Europe, high debt levels pose structural challenges. In Sweden, a housing shortage in major cities continues to push debt levels higher, impeding households and potential growth.

Continued stable result

Last year was financially successful for us. Swedbank posted a profit for continuing operations of SEK 15.2bn for the full year, compared with SEK 15.3bn in 2012. Fourth quarter profit was weighed down slightly by write-offs in Ektornet, tax expenses and redeployment provisions. Large Corporates & Institutions reported strong numbers and the most recent Greenwich survey of large companies shows that the business area's offering is appreciated by prioritised customers in both Sweden and Norway. Baltic Banking also performed well, with increasing customer activity. This indicates that our long-term engagement in the Baltic countries is producing results and is appreciated. Latvia introduced the euro at the start of this year. This improves opportunities for future business. Lithuania also appears to be following the two other Baltic countries into the EMU. We are also pleased to see that we have strengthened our market position in Swedish mortgages.

Stress tests by the Riksbank and the Swedish Financial Supervisory Authority show that Swedbank is Sweden's strongest bank financially with the lowest overall risks. Swedbank's low risk level contributed to a further improvement in our relative costs for capital market funding during the year. Together with our focus on cost efficiency, this provides us with the room to invest, which is needed if we are to remain a modern and attractive bank in the future.

A bank in your pocket

During the year, our customers became more active in our digital channels. Close to four hundred thousand registered for the Mobile Bank and now have an easy-to-use bank branch in their pocket. We have specially designed Swedbank apps for companies and younger customers. We have continued to improve the digital platforms with smart new functions. For example, customers can now save "instantly" in the Mobile Bank and put away the old security token thanks to Mobile Bank ID. 2013 was also the year when the Swedish people really began "swishing" payments using their mobile phones.

We are seeing customer preferences change in other parts of our business as well. One obvious example is how the number of card purchases continues to rise on an annual basis at the same time that the number of ATM withdrawals and the total withdrawn amounts are declining. Our deposit and lending volumes have risen. Loan volumes saw the highest increase in SEK on a quarterly basis since I joined Swedbank. We saw our market position for Swedish mortgages strengthen without increasing our risk taking, while business lending volumes also rose during the quarter.

Increased availability and service

We are now devoting a larger portion of resources to improving the availability of advisory services and customer meetings. Already in 2013, we hired more advisors in Sweden. Resources tied to centralised staff functions are being reduced. The changes are intended to help expand business with our customers, as part of this, we are working actively with all forms of information and customer feedback.

Capital and dividend

We acknowledge the regulatory work in Sweden and the EU to reduce the risk of another financial crisis. It is important, however, that the new requirements strike a balance, so that they do not have any undesirable effects. If the Swedish requirements are too stringent, there is a risk they could slow the economy's recovery and impede the creation of new jobs and housing. We want to be a stable, secure bank at the same time that we want to help to finance new housing and business investment.

Our Common Equity Tier 1 ratio increased during the year to 18.3 per cent (15.4), according to Basel 3, after deducting the anticipated dividend. We are now awaiting a decision on future capital requirements, so that we can then set a new capital target. Based on indicated regulatory changes, our capital target will be higher than we previously assumed.

In line with the dividend policy, Swedbank's Board of Directors is proposing that the Annual General Meeting resolve to pay the shareholders a dividend of SEK 10.10 (9.90) per share for 2013. The dividend policy remains unchanged.

Outlook

With economic uncertainty and persistent structural problems in parts of the world, we are humble in our expectations and are prepared for an environment with low interest rates and weak credit demand. Our total expenses will therefore be kept at the same level in 2014 as in 2013 and we will continue to focus on profitability and improved efficiency.

Michael Wolf
President and CEO

Table of contents

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

Financial summary

Income statement SEKm	Q4 2013	Q3 2013	%	Q4 2012	%	Full-year 2013	Full-year 2012	%
Net interest income	5 626	5 641	0	5 346	5	22 029	20 361	8
Net commissions	2 699	2 520	7	2 502	8	10 132	9 614	5
Net gains and losses on financial items at fair value	461	170		830	-44	1 484	3 073	-52
Other income	866	894	-3	759	14	3 293	3 220	2
Total income	**9 652**	**9 225**	**5**	**9 437**	**2**	**36 938**	**36 268**	**2**
Staff costs	2 574	2 328	11	2 264	14	9 651	9 238	4
Other expenses	1 910	1 667	15	1 878	2	6 997	7 322	-4
Total expenses	**4 484**	**3 995**	**12**	**4 142**	**8**	**16 648**	**16 560**	**1**
Profit before impairments	**5 168**	**5 230**	**-1**	**5 295**	**-2**	**20 290**	**19 708**	**3**
Impairment of intangible assets	12			17	-29	182	20	
Impairment of tangible assets	311	95		141		693	407	70
Credit impairments	-32	-56	-43	-76	-58	60	-185	
Operating profit	**4 877**	**5 191**	**-6**	**5 213**	**-6**	**19 355**	**19 466**	**-1**
Tax expense	1 212	998	21	786	54	4 099	4 157	-1
Profit for the period from continuing operations	**3 665**	**4 193**	**-13**	**4 427**	**-17**	**15 256**	**15 309**	**0**
Profit for the period from discontinued operations, after tax	-48	-15		-174	-72	-2 340	-997	
Profit for the period	3 617	4 178	-13	4 253	-15	12 916	14 312	-10
Profit for the period attributable to the shareholders of Swedbank AB	**3 612**	**4 172**	**-13**	**4 252**	-15	**12 901**	**14 304**	**-10**

Key ratios and data per share	Q4 2013	Q3 2013	Q4 2012	Full-year 2013	Full-year 2012
Return on equity, continuing operations, %	13.6	16.2	17.5	14.7	15.6
Return on equity, total operations, %	13.4	16.1	16.9	12.5	14.6
Earnings per share before dilution, continuing operations, SEK [1]	3.34	3.82	4.03	13.89	13.94
Earnings per share after dilution, continuing operations, SEK [1]	3.31	3.79	4.01	13.78	13.88
Cost/income ratio	0.46	0.43	0.44	0.45	0.46
Loan/deposit ratio, %	203	202	212	203	212
Common Equity Tier 1 ratio, %, Basel 3 [2]	18.3	18.0	15.4	18.3	15.4
Tier 1 capital ratio, %, Basel 3 [2]	19.6	19.3	16.8	19.6	16.8
Capital adequacy ratio, %, Basel 3 [2]	20.7	20.4	18.5	20.7	18.5
Common Equity Tier 1 ratio, %, Basel 2	18.7	18.8	16.7	18.7	16.7
Tier 1 capital ratio, %, Basel 2	19.6	19.7	18.1	19.6	18.1
Capital adequacy ratio, %, Basel 2	20.1	20.2	19.0	20.1	19.0
Credit impairment ratio, %	-0.01	-0.02	-0.02	0.00	-0.01
Share of impaired loans, gross, %	0.55	0.69	1.05	0.55	1.05
Total provision ratio for impaired loans, %	54	53	62	54	62

Balance sheet data SEKbn	31 Dec 2013	31 Dec 2012	%
Loans to the public	1 265	1 239	2
Deposits and borrowings from the public	621	580	7
Shareholders' equity	110	103	6
Total assets	1 821	1 847	-1
Risk weighted assets, Basel 3 [2]	441	487	-10
Risk weighted assets, Basel 2	452	464	-3

[1] After deducting the preference share dividend, earnings per share for full-year 2013 were SEK 12.22 (12.97) for continuing operations after dilution. The calculations are specified on page 50.
[2] According to Swedbank's current calculation based on the new regulations.

The key ratios are based on profit and shareholders' equity allocated to shareholders of Swedbank.

Overview

Market

Global growth strengthened in 2013. Several major economies such as the US and the UK were positive surprises, while the trend in emerging economies was quite the opposite. In Europe, the EMU countries were able to leave the recession behind, and a growing number of indicators pointed during the autumn to a continued recovery.

Long-term bond yields rose during the year following a stronger US economy and expectations that the Federal Reserve would decide to taper its bond buying, which it did in December. Global inflation fell during the year due to low resource utilisation and declining commodity prices. As a result, deflation concerns grew in the EMU countries. In November the ECB cut its benchmark rate to 0.25 per cent. Low inflation and high unemployment are challenges for central banks and are delaying any rate hikes.

Growth in the Swedish economy in 2013 was weaker than what Swedbank had forecast. GDP growth averaged 0.8 per cent during the first three quarters of the year. Despite a brighter labour market outlook and positive wealth appreciation – with rising equity and home prices – consumer spending rose surprisingly little. Exports fell across the board. On the positive side, investments climbed, especially in housing. Low global inflation pressures and falling Swedish service prices contributed to significantly lower inflation than expected. The Riksbank cut the discount rate to 0.75 per cent in December.

Of the three Baltic countries, Latvia grew the fastest in 2013. Third quarter GDP growth was 4.5 per cent in Latvia, followed by 2.2 per cent in Lithuania and 0.7 per cent in Estonia. Strong Latvian consumption growth stood out. The rapid decline in unemployment, higher wage increases and very low inflation strengthened household purchasing power. Previously strong exports slowed in 2013. On 1 January 2014 Latvia joined the EMU. The effects are likely to be limited in the short term, but could reduce the country's vulnerability to external disruptions in the longer run. Estonia joined the EMU on 1 January 2012, and Lithuania is also poised for EMU membership.

Growth in the Lithuanian economy is increasingly being driven by stronger domestic demand. In 2013 investments accounted for the biggest increase. Households benefited from the improved labour market at the same time that real wages rose at an accelerating pace due to low inflation. Growth in the industrial sector was slowed by weak external demand, but also for industry-specific reasons.

Slower growth in the Estonian economy is mainly due to weaker investment and export growth. Households also account for the majority of growth here, driven by a stronger labour market and rising wages. At the same time rapidly falling unemployment and rising wage costs in Estonia, as well as in the other Baltic economies, are a challenge to the competitiveness of these countries.

The Stockholm stock exchange (OMXSPI) gained 23 per cent during the year. The Tallinn stock exchange (OMXTGI) rose by 11 per cent, the Riga stock exchange (OMXRGI) by 16 per cent and the Vilnius stock exchange (OMXVGI) by 19 per cent.

Important events during the quarter

The Board of Directors has proposed a dividend of SEK 10.10 (9.90) per share for the financial year 2013. This corresponds to a payout ratio of 75 per cent, excluding the cumulative negative translation difference of SEK 1 875m that was reclassified from other comprehensive income to profit and loss in connection with the sale of Swedbank's Ukrainian subsidiary. This was because the reclassification affected the bank's capital, capitalisation or cash flow in 2008-2009 rather than in 2013.

The Riksbank's latest stability report from November (Financial Stability 2013:2) indicates that Swedbank's Common Equity Tier 1 ratio was the least affected in a stress test of Sweden's four major banks.

Fourth quarter 2013

Compared with third quarter 2013

Result

Profit before impairments decreased by 1 per cent to SEK 5 168m (5 230). LC&I and Group Treasury within Group Functions & Other contributed positively. Profit before impairments decreased within Swedish Banking, but was stable within Baltic Banking.

Profit before impairments by business segment SEKm	**Q4 2013**	**Q3 2013**	**Q4 2012**
Swedish Banking	3 003	3 102	2 781
Large Corporates & Institutions	1 109	992	1 094
Baltic Banking	850	858	678
Group Functions & Other	206	282	742
Total excl FX effects	**5 168**	**5 234**	**5 296**
FX effects		-4	-1
Total	**5 168**	**5 230**	**5 295**

Quarterly profit was SEK 3 612m (4 172), down 13 per cent, mainly due to higher tangible assets writedowns and tax expenses. The result for continuing operations was SEK 3 660m (4 187). The result for discontinued operations was SEK -48m (-15) and mainly consists of the result from the Russian operations. The Ukrainian operations were sold during the second quarter.

Net recoveries amounted to SEK 32m (56), mainly due to higher net recoveries within Baltic Banking. LC&I also reported net recoveries during the fourth quarter, while Swedish Banking reported higher credit impairments than in the third quarter.

Tangible asset writedowns amounted to SEK 311m (95) and mainly relate to the writedown of Ektornet's property values. Intangible asset writedowns during the quarter amounted to SEK 12m (0), the large part of which related to writedowns of IT systems within Group Products.

The return on equity for continuing operations was 13.6 per cent (16.2). The cost/income ratio was 0.46 (0.43).

Income rose by 5 per cent to SEK 9 652m (9 225). Net gains and losses on financial items at fair value and higher commission income contributed the most. Net interest income was stable, while other income decreased slightly.

Net interest income was stable at SEK 5 626m (5 641). LC&I and Baltic Banking contributed positively, while net interest income within Swedish Banking and Group Treasury within Group Functions & Other decreased slightly. Positive contributions came from increased lending and deposit volumes within LC&I, Swedish Banking and Baltic Banking. Continued repricing within Baltic Banking also contributed positively, while mortgage margins for the Swedish portfolio as a whole were stable. Lower market interest rates affected net interest income negatively.

Net commission income rose by 7 per cent to SEK 2 699m (2 520). LC&I contributed with higher income from asset management, bond issues and corporate finance. Higher average assets under management, following a rise in equity prices, contributed to the increase in Swedish Banking, at the same time that the outsourcing of ATMs reduced the business segment's net commission income as well as costs; see also page 12.

Net gains and losses on financial items at fair value more than doubled to SEK 461m (170). Income from customer and proprietary trading increased within LC&I, which contributed positively. Group Treasury continued to have a negative effect during the quarter, though to less of an extent than during the third quarter, as a result of falling market rates and credit spreads.

Expenses increased by 12 per cent compared with the previous quarter to SEK 4 484m (3 995), mainly due to seasonally higher expenses for staff, marketing and consultants. Redeployment provisions within Group Functions & Other raised staff costs by SEK 100m. This is a result of a staff reallocation to customer-focused services within the Group and less need for personnel in the areas that worked with repossessed assets and problem loans. Social insurance charges associated with the share-related portion of variable compensation increased due to the rise in the Swedbank share. The increase was SEK 67m. Depreciation/amortisation increased by 23 per cent, mainly due to the impending move of the head office.

Expense analysis Group SEKm	**Q4 2013**	**Q3 2013**	**Q4 2012**
Swedish Banking	2 533	2 389	2 474
Large Corporates & Institutions	878	759	730
Baltic Banking	661	612	651
Group Functions & Other and Eliminations	412	245	295
Total excl FX effects	**4 484**	**4 005**	**4 150**
FX effects		-10	-8
Total expenses	**4 484**	**3 995**	**4 142**

The number of full-time positions were stable, and increased during the quarter by 1 to 14 265. The number increased within Swedish Banking, LC&I and Group Functions & Other, but decreased by 78 in Baltic Banking.

The tax expense amounted to SEK 1 212m (998), corresponding to an effective tax rate of 24.9 per cent (19.2). The relatively higher effective rate in the fourth quarter is mainly due to a taxable distribution of previous years' profits within the Estonian group, but also to a new assessment of deferred tax assets and a non-deductible writedown of properties within Ektornet, where no deferred tax assets were booked in connection with the writedown.

Full-year 2013

Compared with full-year 2012

Result

Profit before impairments increased by 3 per cent to SEK 20 290m (19 708). Stronger net interest income and higher commission income positively affected profit, while net gains and losses on financial items at fair value were lower year-on-year. Expenses were largely unchanged. Swedish Banking contributed the most to the higher result.

Profit before impairments by business segment SEKm	**Full-year 2013**	**Full-year 2012**	**Δ SEKm**
Swedish Banking	11 990	11 575	415
Large Corporates & Institutions	4 277	4 149	128
Baltic Banking	3 179	3 064	115
Group Functions & Other	844	863	-19
Total excl FX effects	**20 290**	**19 651**	**639**
FX effects		57	-57
Total	**20 290**	**19 708**	**582**

The result for the period decreased by 10 per cent to SEK 12 901m (14 304), mainly due to higher tangible and intangible asset writedowns and because the bank reported credit impairments of SEK 60m in 2013, compared with recoveries of SEK 185m for 2012. The result for continuing operations was SEK 15 241m (15 298). The result for discontinued operations was SEK -2 340m (-997), of which SEK 1 875m is a cumulative negative translation difference that was reclassified to the income statement from other comprehensive income in the second quarter in connection with the sale of the Ukrainian operations. For more information, see note 24.

In 2013 credit impairments of SEK 60m were reported compared with net recoveries of SEK 185m for 2012. LC&I and Swedish Banking reported credit impairments, while Baltic Banking reported net recoveries, though lower than in 2012. Tangible asset writedowns rose by SEK 286m to SEK 693m, with SEK 652m related to Ektornet. Intangible asset writedowns amounted to SEK 182m (20) and mainly related to the writedown of IT systems within Swedbank Finance AB (reported within Group Functions & Other) and LC&I during the second quarter.

Fluctuations in exchange rates, primarily the appreciation of the Swedish krona against the euro and the Baltic currencies, reduced profit by SEK 60m. The return on equity for continuing operations was 14.7 per cent (15.6). The cost/income ratio was 0.45 (0.46).

Income increased slightly to SEK 36 938m (36 268), mainly driven by Swedish Banking and LC&I. Changes in exchange rates reduced income by SEK 102m.

Net interest income rose by 8 per cent to SEK 22 029m (20 361). The fee for government guaranteed funding decreased by SEK 258m. The repricing of corporate lending contributed positively. Lower deposit margins due to falling Stibor and Euribor rates negatively affected net interest income. Fluctuations in exchange rates reduced net interest income by SEK 56m.

Net commission income rose by 5 per cent to SEK 10 132m (9 614). Increased activity in financing solutions and higher commission income from asset management due to an increase in assets under management were the biggest contributors. The outsourcing of ATMs by Swedish Banking has reduced net commission income as well as expenses. For more information, see page 12.

Net gains and losses on financial items at fair value decreased by 52 per cent to SEK 1 484m (3 073). The repurchase of government guaranteed bonds during the second quarter and covered bond repurchases during the year negatively affected net gains and losses on financial items at fair value. The results from equity, fixed income and currency trading were lower than in the same period in 2012, when the first-quarter results were very strong due to favourable market conditions.

Expenses were largely unchanged at SEK 16 648m (16 560). Within Group Functions & Other, expenses for Ektornet and Swedbank Finance AB decreased. Within Swedbank Finance AB, the decrease was mainly due to a reclassification, which at the same time reduced net interest income. Expenses for transport and security fell by SEK 181m, telephone and postage expenses by SEK 83m and other expenses by SEK 142m. IT development and staff costs rose. Higher variable staff costs are due to the addition of a new share-based programme for 2013 to the accruals of the previous share-based programmes for 2010, 2011 and 2012. Since 1 July 2010 Swedbank pays part of its variable remuneration in the form of shares. Share-based remuneration is accrued until the shares are settled. As a result, variable remuneration allocated to employees during the period differs from the recognised amount. A more detailed analysis of variable remuneration is provided on page 14 of the fact book[1]. Changes in exchange rates reduced expenses by SEK 44m.

Expense analysis Group SEKm	**Full-year 2013**	**Full-year 2012**	**∆ SEKm**
Swedish Banking	9 726	9 791	-65
Large Corporates & Institutions	3 205	2 961	244
Baltic Banking	2 444	2 404	40
Group Functions & Other and Eliminations	1 273	1 360	-87
Total excl FX effects	**16 648**	**16 516**	**132**
FX effects		44	-44
Total expenses	**16 648**	**16 560**	**88**

The number of full-time positions decreased during the year by 596, of which 363 were in Ukraine and Russia, 402 in Baltic Banking and 111 in Ektornet (Group Functions & Other). Within Swedish Banking and LC&I, the number of full-time positions increased by 82 and 27, respectively. The remaining increase is mainly due to IT related personnel within Group Functions & Other.

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

The tax expense amounted to SEK 4 099m (4 157), corresponding to an effective tax rate of 21.2 per cent (21.4). The underlying effective tax rate was lower in 2013 than in 2012 due to a reduction of the Swedish corporate tax rate as of 1 January 2013. During the fourth quarter the tax expense was negatively affected by one-time effects, without which the effective tax rate would have been nearly 19.5 per cent in 2013.

Credit and asset quality

The bank's credit portfolio is of high quality, with low credit impairments and few customers with current or anticipated payment problems. The low risk in the credit portfolio was confirmed by the Riksbank's November stability report, which indicated that Swedbank's Common Equity Tier 1 ratio was the least affected in a stress test of Sweden's four major banks. The quality of the Baltic credit portfolio improved during the year, with a lower share of impaired loans and improved risk profile among customers. This was mainly due to macroeconomic conditions in the Baltic countries.

Credit demand in Swedbank's home markets was low in 2013. Swedbank's lending rose by 2.6 per cent, or SEK 30.3bn, of which SEK 3.8bn is due to currency effects. In Sweden, mortgage lending increased by SEK 15.9bn. Corporate lending within LC&I and Swedish Banking increased by SEK 10.9bn. In Baltic Banking, the lending portfolio grew slightly in Estonia and Lithuania, calculated in local currency, but decreased in Latvia. The discontinuation of the Russian and Ukrainian operations reduced lending volume by SEK 4.2bn. Credit demand in the fourth quarter was stronger than in the third, with an increase of 1.7 per cent. The increase was mainly attributable to mortgages and corporate lending within Swedish Banking as well as corporate lending within LC&I.

The average loan-to-value ratio of Swedbank's mortgages in Sweden was 62.2 per cent (63.5) as of 31 December, based on property level. The corresponding figure for new mortgages in Sweden was 69.9 per cent in 2013. The rate of increase in house prices in major Baltic cities has stabilised. The average loan-to-value ratio in Baltic Banking was 84.9 per cent, while the ratio for new lending was under 70 per cent. With respect to new lending in Sweden in 2013, 93 per cent of the households with a loan-to-value ratio over 75 per cent are amortising their loans. Of those who do not have an amortisation schedule, many have agreed to begin amortising within two years of signing their loan. For the portfolio as a whole, 81 per cent (73) of households with a loan-to-value ratio over 75 per cent are amortising.

Impaired loans decreased in 2013 by SEK 6.4bn to SEK 7.5bn and correspond to 0.6 per cent of total lending. The average provision ratio for impaired loans is 38 per cent. This is in addition to portfolio provisions for unidentified impaired loans as an added safety margin, producing a total provision ratio of 54 per cent. The discontinuation of the Russian and Ukrainian operations accounted for SEK 3bn of the decrease in impaired loans. Within Baltic Banking, impaired loans fell by SEK 3.8bn, mainly due to the winding down of problem loans from the crisis years of 2008 - 2009 and improved quality in the loan portfolio. The SEK 27bn in impaired loans in Baltic Banking attributable to problem loans from the crisis years has gradually been reduced to SEK 5.0bn. The loans have been restructured, amortised or written off. Within LC&I, impaired corporate loans increased by SEK 0.7bn, owing to a few large commitments, while in Swedish Banking they decreased by SEK 0.2bn during the year. Impaired loans to private customers decreased. The share of Swedish mortgages past due by more than 60 days was stable at 0.09 per cent of the portfolio (0.13). The share of impaired mortgages in Baltic Banking fell, mainly in Latvia. The share of mortgages past due by more than 60 days was 0.7 per cent in Estonia (1.3), 7.4 per cent in Latvia (10.7) and 4.4 per cent in Lithuania (5.6).

Impaired loans, by business segment SEKm	**Dec 31 2013**	**Dec 31 2013**
Swedish Banking	1 547	1 824
Large Corporates & Institutions	906	246
Baltic Banking	5 046	8 871
Estonia	1 338	2 181
Latvia	2 145	4 449
Lithuania	1 563	2 241
Group Functions & Other		2 997
Summa	**7 499**	**13 938**

Credit impairments amounted to SEK 60m in 2013 (recoveries of SEK 185m in 2012). Credit impairments within Swedish Banking and LC&I totalled SEK 518m. Continued positive macro development in the Baltic countries led to recoveries. Additional write-offs of SEK 93.5m were booked in Latvia during the fourth quarter for a portion of the impaired loans in the mortgage portfolio.

Credit impairments, net by business segment SEKm	**Full-year 2013**	**Full-year 2012**
Swedish Banking	338	286
Large Corporates & Institutions	180	194
Baltic Banking	-437	-685
Estonia	-267	-343
Latvia	2	-124
Lithuania	-172	-218
Group Functions & Other	-21	20
Total	**60**	**-185**

The value of repossessed assets in the Group fell by SEK 3.0bn to SEK 2.1bn in 2013. During the year properties within Ektornet with a book value of SEK 2.8bn were sold. For more information on Ektornet, see page 19.

Funding and liquidity

In 2013 Swedbank issued a total of SEK 103bn in long-term debt instruments, of which SEK 73bn related to covered bonds and SEK 26bn to senior debt. Issuance during the fourth quarter amounted to SEK 14bn, of which covered bonds accounted for SEK 12bn and senior debt for SEK 1bn. Demand for private placements remained high. The bank's total issuance in 2013 fell below the plan presented early in the year. The main reasons were low credit growth in the mortgage market and the bank's good liquidity. During the next 12 months the bank plans to issue a total of approximately SEK 120bn to meet maturing long-term funding with a nominal value of SEK 103bn. Liquidity in excess of the refinancing needs will be used in day-to-day management to repurchase covered bonds.

The average maturity of all capital market funding arranged through the bank's short- and long-term programmes was 29 months as 31 December 2013 (31 as of 30 September). The average maturity of long-term funding issued in 2013 was 53 months. The bank's short-term funding is mainly used as a cash management tool, not to finance lending to the public. Outstanding volume decreased by SEK 27bn during the quarter to SEK 101bn.

Issued long-term debt SEKbn	**Q4 2013**	**Q3 2013**	**Q2 2013**	**Q1 2013**
Covered bonds	12	16	23	23
of which SEK	11	15	14	13
of which EUR	1	1	9	1
of which USD				7
of which Other				2
Senior unsecured bonds	1	4	5	16
Structured retail bonds (SPAX)	1		1	1
Total	**14**	**20**	**29**	**40**

Swedbank's liquidity reserve, which is reported in accordance with the Swedish Bankers' Association's definition, amounted to SEK 184bn on 31 December 2013 (236 as of 30 September). In addition to the liquidity reserve, liquid securities in other parts of the Group amounted to SEK 53bn (39 as of 30 September). The liquidity reserve and Liquidity Coverage Ratio (LCR) fluctuate over time depending, among other things, on the maturity structure of the bank's issued securities. According to current Swedish regulations in effect as of 1 January 2013, the Group's LCR was142 per cent on 31 December (147 as of 30 September). Distributed by USD and EUR, LCR was 618 and 662 per cent, respectively. In early 2013 the Basel Committee published a new recommendation on the definition of LCR. According to Swedbank's interpretation, LCR would have been 168 per cent as of 31 December (180 as of 30 September).

According to Swedbank's interpretation of the current draft regulation, the Group's Net Stable Funding Ratio (NSFR) was 89 per cent on 31 December (91 as of 30 September). According to Swedbank's interpretation of the Basel Committee's latest proposed changes, NSFR would amount to 97 per cent. The main liquidity measure used by the Board of Directors and executive management is the so-called survival horizon, which shows how long the bank could manage long periods of stress in capital markets, where access to new financing is limited. At present the bank would survive more than 12 months with the capital markets completely shut down. This applies to the Group's total liquidity as well as liquidity in USD and EUR.

For more information on the above, see page 63-77 of the fact book.

Ratings

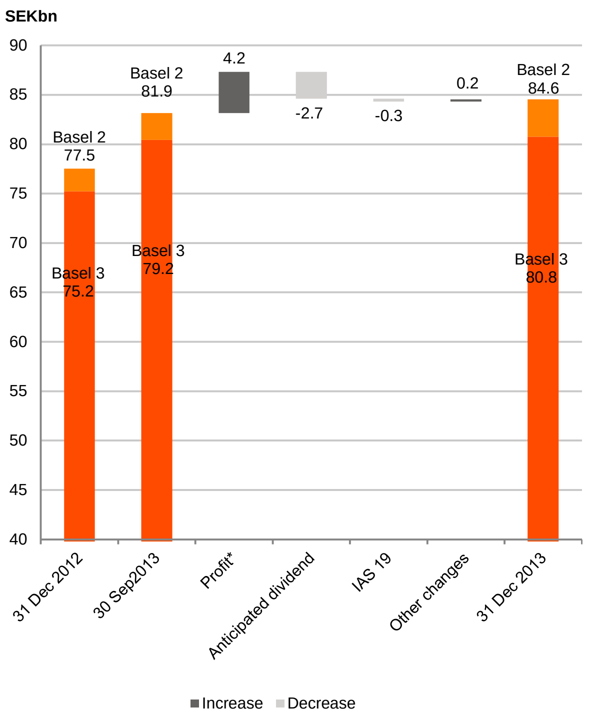
In 2013 Swedbank's relative rating improved. In June Moody's upgraded Swedbank's long-term rating one notch to A1 with a stable outlook, at the same time that its short-term rating of P1 was affirmed. In July S&P revised Swedbank's outlook from negative to stable. At the same time Swedbank's and Swedbank Mortgage's long-term and short-term ratings of A+ and A-1 were affirmed.

Capital and capital adequacy

The Common Equity Tier 1 ratio according to Basel 3 continued to strengthen during the quarter to 18.3 per cent on 31 December, according to Swedbank's current calculation based on the new regulations that took effect on 1 January 2014 (18.0 per cent on 30 September 2013 and 15.4 per cent on 31 December 2012). The introduction of new capital buffers requires implementation in Swedish law and will take effect later in 2014. The Common Equity Tier 1 ratio according to Basel 2 was 18.7 per cent on 31 December (18.8 and 16.7, respectively). Because the new regulations have entered into force, Swedbank's capital adequacy reporting according to Basel 2 will cease as of 1 January 2014 and will not be included in the interim report for the first quarter 2014.

Common Equity Tier 1 capital (Basel 2) rose by slightly over SEK 1.4bn during the quarter to SEK 84.6bn at year-end. The increase was mainly due to profit, after deducting the anticipated dividend and including dividend of EUR 50m from Swedbank's Baltic insurance company. As of 1 January 2013 new rules entered into force on the recognition of pensions (accounting standard IAS 19). The revisions create volatility in the estimated pension liability, which also affects equity through other comprehensive income. Common Equity Tier 1 capital decreased by approximately SEK 0.3bn during the fourth quarter due to falling discount rates, which are used in the calculation of the pension liability. For the 12-month period, Common Equity Tier 1 capital however increased by approximately SEK 1.8bn due to rising discount rates.

Change in Common Equity Tier 1 capital 2013, Swedbank financial companies group

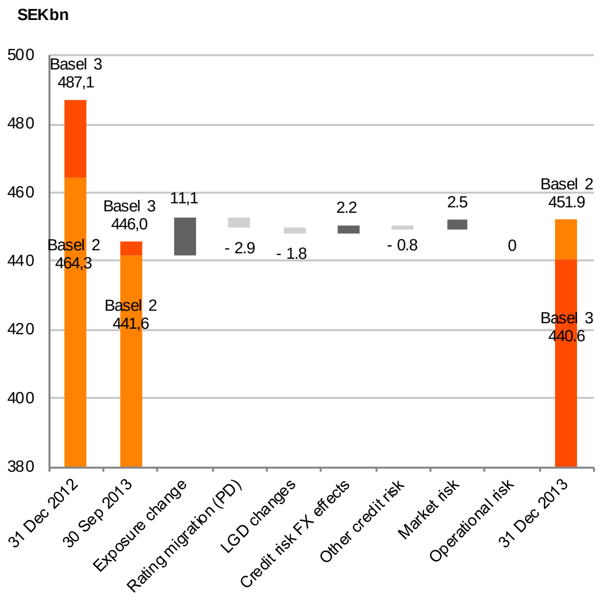


* Profit for financial companies group.

Risk weighted assets (Basel 2) increased by about SEK 10bn during the fourth quarter to SEK 452bn. The risk weighted amount for credit risks rose by nearly SEK 8bn. Increased exposures, mainly to credit institutions in Swedish Banking and LC&I, raised the risk weighted amount by SEK 11bn. Positive rating migrations, mainly among corporate customers in Baltic Banking and Swedish Banking, reduced the risk weighted amount by SEK 2.9bn, while higher collateral values reduced the risk weighted amount by SEK 1.8bn. Fluctuations in exchange rates, mainly attributable to the Baltic credit portfolio, raised the risk weighted amount for credit risks by SEK 2.2bn due to the depreciation of the Swedish krona against the euro during the fourth quarter.

The risk weighted amount for market risks increased by SEK 2.5bn in the fourth quarter, mainly due to increased exposures within LC&I. The risk weighted amount for operational risks was unchanged as of 31 December compared with 30 September.

Change in risk weighted assets 2013, Swedbank financial companies group



In December 2013 the Swedish Financial Supervisory Authority (SFSA) published new requirements effective 1 January 2014 to complement the EU's new Capital Requirements Regulation (CRR). SFSA's requirements change the consolidation method for associates so that they are normally consolidated according to the equity method instead of full consolidation. Because Sparbanken Rekarne AB, Färs och Frosta Sparbank AB, Swedbank Sjuhärad AB, Vimmerby Sparbank AB, Bankernas Depå AB and Bankernas Automatbolag AB are consolidated as of 1 January according to the equity method, the capital base and risk weighted amount for the financial companies group are reduced. This has a slightly positive effect on the Common Equity Tier 1 ratio. The change is included in the capital calculation according to Basel 3 as per 31 December and explains the smaller negative effect in relation to Basel 2, compared with the estimate reported on 30 September.

In May SFSA announced its decision to introduce a risk weight floor of 15 per cent for the Swedish mortgage portfolio, in line with the proposal announced in November 2012. The floor will be introduced as a supervisory measure within Pillar 2. Consequently, the reported capital ratios will not be affected, since the calculations are made according to the rules for Pillar 1. Based on an average risk weight in Swedbank's Swedish mortgage portfolio of 4.3 per cent according to

Pillar 1 as of 31 December and the Swedish Common Equity Tier 1 capital requirement of 12 per cent (as of 2015), Swedbank, as per SFSA's decision to raise the floor, has to maintain additional Common Equity Tier 1 capital of SEK 10.0bn for Swedish mortgages. This corresponds to 2.2 percentage points of the Common Equity Tier 1 ratio according to Pillar 1. In its internal controls, Swedbank has for some time allocated additional capital to its mortgage business equivalent to the risk weight floor that has now been announced. In November SFSA announced its intention to further increase the risk weight floor, to 25 per cent. Calculated according to the same method as above, this increase would mean an additional SEK 9.3bn in Common Equity Tier 1 capital for Swedbank. As a whole, a risk weight floor of 25 per cent would mean that Swedbank would have to maintain a total of SEK 19.3bn in additional Common Equity Tier 1 capital for its Swedish mortgages, corresponding to 4.3 percentage points of the Common Equity Tier 1 ratio according to Pillar 1. At present Swedbank already has sufficient Common Equity Tier 1 capital to meet the proposed increase in the risk weight floor. SFSA is also responsible for deciding on the countercyclical buffer in connection with Sweden's implementation of CRD IV later in 2014. In announcing the increase in the risk weight floor, SFSA stated that it may be necessary to prioritise this in exchange for a lower countercyclical buffer.

When CRR takes effect, SFSA will be able to grant banks waivers from the current Basel 1 floor. The Basel 1 floor is a back-stop for the lowest level of the capital base requirement, which was introduced in connection with the transition from Basel 1 to Basel 2. Swedish authorities had previously announced that this floor would be eliminated in connection with the introduction of the new, higher capital requirements. In December, however, SFSA said it did not intend to eliminate the floor. As a result, the Basel 1 floor will remain in effect in Sweden in the same way it does today i.e. designed as 80 per cent of the capital requirement calculated according to Basel 1. SFSA's position does not entail a change with regard to the floor compared with current regulations.

Discussions among regulators and other interested parties on the harmonisation of risk weights intensified during the year. One topic of debate is how the leverage ratio can be used to ensure a minimum capital level in relation to the size of the balance sheet. With the EU's new capital adequacy rules (CRD IV/CRR) as of 1 January 2014, banks are now obliged to report their leverage ratios to supervisory authorities. The measure will be evaluated by the authorities prior to the possible introduction of a minimum requirement in 2018. Swedbank's leverage ratio (according to CRR) was 4.6 per cent on 31 December.

Market risk

The majority of the Group's market risks are of a structural or strategic nature and are managed by Group Treasury. Structural interest rate risks arise when the maturity of the Group's assets and liabilities, such as deposits and lending, do not coincide. The risks are managed within given mandates by matching the maturities directly or by using various derivatives such as interest rate swaps. Net interest income sensitivity is also affected by structural risks in the bank's deposit operations, where various products show different sensitivity to changes in market interest rates. Strategic currency risks arise primarily through risks tied to holdings in foreign subsidiaries and their financing. Market risks also arise in LC&I's trading operations in connection with customer transactions and by maintaining a secondary market for various types of securities.

Swedbank measures market risks with a Value-at-Risk (VaR) model, among other things. VaR expresses a loss level that statistically will be exceeded by a specific probability during a set time horizon. Swedbank uses a 99 per cent probability and a time horizon of one day. This means that the potential loss for the portfolio, based on historical data, will exceed VaR on one day of 100.

The table below shows Swedbank's VaR*) performance during the year.

VaR by risk category

SEKm	Jan-Dec 2013 (2012) Max	Min	Average	31 Dec 2013	31 Dec 2012
Interest risk	99 (141)	49 (69)	75 (102)	66	71
Currency rate risk	17 (14)	2 (3)	8 (6)	10	5
Stock price risk	9 (14)	1 (3)	3 (7)	3	4
Diversification			-12 (-19)	-13	-14
Total	**101 (131)**	**58 (66)**	**74 (96)**	**66**	**66**

**) The VaR model was complemented during the year by new risk factors, due to which the year-on-year figures are not directly comparable. VaR here excludes strategic currency rate risks, since a VaR measurement based on a time horizon of one day is not relevant.*

For individual risk types, VaR is complemented by various risk measures based on sensitivity to changes in market prices. Risk taking is also monitored with stress tests. An increase in all market interest rates of one percentage point as of 31 December 2013 would have reduced the Group's net gains and losses on financial items at fair value by SEK 608m, compared with a decrease of SEK 52m as of 31 December 2012.

Operational risks

IT operations and accessibility in the Internet Bank and Telephone Bank were further stabilised in 2013. Compared with the previous year, the number of major IT-related incidents fell by 62 per cent. At the same time the average time it took to address the incidents was down 45 per cent (January–November 2013). Long-term measures to improve the bank's IT infrastructure are continuing according to plan.

Swedbank's measures to actively inform customers of the importance of IT security have produced positive results, including a reduction in sophisticated fraud attempts affecting customers. Fraud attempts through fake emails and web ads are still increasing, however, which could affect Swedbank's customers. Expenses associated with operational risk events were limited to approximately SEK 100m (85m) for 2013.

Other events

Swedbank's Annual General Meeting will be held at Dansens Hus, Barnhusgatan 14 in Stockholm, at 10:00 am on Wednesday, 19 March 2014. More information on the Annual General Meeting will be available on the website, www.swedbank.se, under the tab About Swedbank/Corporate governance

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Events after 31 December 2013

Latvia adopted the euro as national currency as from 1 January 2014.

Swedish Banking

- Stable net interest income
- Improved market position in mortgages
- Increased use and activity in digital channels

Income statement

SEKm	Q4 2013	Q3 2013	%	Q4 2012	%	Full-year 2013	Full-year 2012	%
Net interest income	3 448	3 473	-1	3 353	3	13 620	13 491	1
Net commissions	1 649	1 577	5	1 554	6	6 364	6 155	3
Net gains and losses on financial items at fair value	31	28	11	37	-16	126	161	-22
Share of profit or loss of associates	209	239	-13	153	37	849	788	8
Other income	199	174	14	158	26	757	771	-2
Total income	**5 536**	**5 491**	**1**	**5 255**	**5**	**21 716**	**21 366**	**2**
Staff costs	888	874	2	844	5	3 499	3 399	3
Variable staff costs	67	48	40	20		230	139	65
Other expenses	1 535	1 438	7	1 579	-3	5 865	6 129	-4
Depreciation/amortisation	43	29	48	31	39	132	124	6
Total expenses	**2 533**	**2 389**	**6**	**2 474**	**2**	**9 726**	**9 791**	**-1**
Profit before impairments	**3 003**	**3 102**	**-3**	**2 781**	**8**	**11 990**	**11 575**	**4**
Credit impairments	140	106	32	91	54	338	286	18
Operating profit	**2 863**	**2 996**	**-4**	**2 690**	**6**	**11 652**	**11 289**	**3**
Tax expense	617	678	-9	458	35	2 516	2 694	-7
Profit for the period	2 246	2 318	-3	2 232	1	9 136	8 595	6
Profit for the period attributable to the shareholders of Swedbank AB	**2 241**	**2 312**	**-3**	**2 232**	**0**	**9 122**	**8 585**	**6**
Non-controlling interests	5	6	-17			14	10	40
Return on allocated equity, %	27.6	28.1		28.0		27.9	27.1	
Loan/deposit ratio, %	244	244		242		244	242	
Credit impairment ratio, %	0.06	0.05		0.04		0.04	0.03	
Cost/income ratio	0.46	0.44		0.47		0.45	0.46	
Loans, SEKbn	937	925	1	912	3	937	912	3
Deposits, SEKbn	385	378	2	377	2	385	377	2
Full-time employees	5 004	4 969	1	4 922	2	5 004	4 922	2

Development January - December

The result for the period amounted to SEK 9 122m (8 585), the result of stable income, expenses and credit impairments. The lower Swedish corporate tax rate affected earnings positively.

Net interest income was stable during the year compared with 2012. The repricing of corporate credit largely offset lower deposit margins, which were adversely affected by declining market interest rates. Stibor fell slightly during the fourth quarter, and in 2013 averaged about 80 basis points less than the previous year. For the portfolio as a whole, the mortgage margin was stable.

Household deposit volume in the bank rose by 1 per cent in 2013, largely in the fourth quarter. Swedbank's share of household deposits was slightly over 21 per cent at the end of the period (22 per cent as of 31 December 2012). Corporate deposits within Swedish Banking rose by SEK 5bn, or 5 per cent, during the year. The increase was primarily in the fourth quarter. Swedbank's market share was 18 per cent as of 30 November (16 per cent as of 31 December 2012), including corporate deposits within LC&I. Fund values rose during the year, mainly driven by rising equity prices. The market share, measured as assets under management, was 24 per cent (25 per cent as of 31 December 2012)

Mortgage lending volume steadily increased during the year at the same time that Swedbank gradually improved its market position. Swedbank's share of net growth was 14 per cent during the period January-November 2013. Swedbank's share of the total market was 25 per cent (26 per cent as of 31 December 2012). Mortgage volume increased by SEK 7bn during the fourth quarter. Corporate lending volume within Swedish Banking increased by SEK 6bn during the year, of which SEK 4bn was in the fourth quarter. The market share was 17 per cent (17 per cent as of 31 December 2012), including corporate lending within LC&I.

Net commission income rose by 3 per cent in 2013. The increase was mainly due to higher fund volumes in the wake of rising share prices, but also to net inflows, mainly to short-term fixed income funds and collective occupational pensions. Higher income from lending and guarantee commissions also contributed positively, while payment commissions decreased. Since January 2013 Bankomat AB has gradually taken over responsibility for Swedbank's ATMs. Swedbank pays a commission to Bankomat AB for this service. As a result, net payment commissions and expenses have both decreased. Commissions paid to Bankomat AB amounted to nearly SEK 95m in the fourth quarter and SEK 250m for the full-year. At the same time administration and maintenance expenses decreased by about SEK 150m. This is in addition to other income of about SEK 80m from the savings banks in 2013, as well as less need for investments in new ATMs. During the fourth quarter, net commission income improved somewhat, with the largest contribution from increased fund volumes and higher commissions.

Expenses for the full-year fell by 1 per cent year-on-year. Reduced manual cash handling has led to lower transport and security expenses. Expenses during the fourth quarter were slightly higher on a seasonal basis, mainly driven by marketing and increased staff costs due to the hiring of more advisors.

Credit quality remained good, although credit impairments rose slightly during the period due to increased provisions within the retail and service sectors. The share of impaired loans was 0.16 per cent (0.19).

Risk weighted assets amounted to SEK 202bn, unchanged from 31 December 2012. The effects of the increased exposure have been offset by the effects of positive rating migrations.

During the fourth quarter Svensk Fastighetsförmedling was acquired by Swedbank Franchise. Swedbank Franchise has submitted the acquisition for approval by the Swedish Competition Authority. A response is expected in March.

A number of new services with new or improved functionality were introduced in the bank's digital channels during the quarter. One example is Spontanspar ("Instant Savings"), which facilitates savings by mobile phone directly to a managed account without logging in. As of 31 December, 20 000 customers had used the service.

Use of Swedbank's digital channels continues to grow. The Internet Bank had 3.6 million users at year-end, an increase of 120 000 during the year, while the Mobile Bank had 1.6 million (+338 000) and the iPad Bank had 385 000 (+253 000).

The 2013 "Mobile Gala", held in Stockholm in November, presented its gold award to Swish for the year's best mobile payment solution. Swish is a service shared with other Swedish banks that facilitates practically instantaneous payments between private customers, from one bank account to another. As of 31 December there were 726 000 Swish users, a gain of 76 000. Swedbank's and the savings bank's share was 39.6 per cent.

Customers' increasing card usage is clearly visible. In 2013 the number of card purchases in stores rose by 11 per cent and the aggregate value by 7 per cent. On a rolling twelve-month basis the number of ATM transactions decreased by 9 per cent. The total value of withdrawals fell by 8 per cent. Of the total number of card transactions, ATM withdrawals accounted for 9 per cent.

The magazine Privata Affärer gave Swedbank its award as a "Bank for everyone" for its services for the disabled, confirmation that our digitalisation efforts are providing opportunities for more people.

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 in number of customers. Through our digital channels (Telephone Bank, Internet Bank and Mobile Bank) and branches, and with the support of cooperating savings banks and franchisees, we are always available. Swedbank is part of the local community. Our branch managers have the authority to act locally. 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, is an important example in recent years. Swedbank has 305 branches in Sweden. The various product areas are described on page 21.*

Large Corporates & Institutions

- Increased income from corporate finance and bond issues
- Stronger customer focus is creating new business
- Continued margin pressure on new loans to large companies

Income statement

SEKm	Q4 2013	Q3 2013	%	Q4 2012	%	Full-year 2013	Full-year 2012	%
Net interest income	889	864	3	795	12	3 387	3 041	11
Net commissions	559	467	20	536	4	1 968	1 833	7
Net gains and losses on financial items at fair value	491	387	27	492	0	1 960	2 253	-13
Share of profit or loss of associates							6	
Other income	48	37	30	34	41	167	51	
Total income	**1 987**	**1 755**	**13**	**1 857**	**7**	**7 482**	**7 184**	**4**
Staff costs	302	269	12	278	9	1 150	1 125	2
Variable staff costs	118	99	19	75	57	409	365	12
Other expenses	441	375	18	377	17	1 588	1 459	9
Depreciation/amortisation	17	16	6	13	31	58	47	23
Total expenses	**878**	**759**	**16**	**743**	**18**	**3 205**	**2 996**	**7**
Profit before impairments	**1 109**	**996**	**11**	**1 114**	**0**	**4 277**	**4 188**	**2**
Impairment of intangible assets						56	4	
Credit impairments	5	7	-29	162	-97	180	194	-7
Operating profit	**1 104**	**989**	**12**	**952**	**16**	**4 041**	**3 990**	**1**
Tax expense	360	211	71	84		1 044	1 010	3
Profit for the period	744	778	-4	868	-14	2 997	2 980	1
Profit for the period attributable to the shareholders of Swedbank AB	**744**	**778**	**-4**	**868**	**-14**	**2 997**	**2 980**	**1**
Return on allocated equity, %	20.3	18.3		18.3		17.3	15.5	
Loan/deposit ratio, %	173	208		209		173	209	
Credit impairment ratio, %	0.01	0.01		0.23		0.08	0.08	
Cost/income ratio	0.44	0.43		0.40		0.43	0.42	
Loans, SEKbn	154	148	4	149	3	154	149	3
Deposits, SEKbn	89	71	25	71	25	89	71	25
Full-time employees	1 070	1 064	1	1 043	3	1 070	1 043	3

Development January - December
The result amounted to SEK 2 997m for full-year, an increase of 1 per cent year-on-year. The result was positively affected by increased income from lending, asset management and bond issues. The return on allocated equity was 17.3 per cent.

Net interest income increased by 11 per cent in 2013 to SEK 3 387m, mainly due to interest income from acquisition financing, loans and loan syndications within Investment Banking. Lending volume rose by 3 per cent, or SEK 5bn. Net interest income during the fourth quarter increased by 3 per cent to SEK 889m. Business activity within Large Corporates was high during the quarter. Lending volumes increased at the same time that margin pressure on new loans continued. Deposit volumes also rose within Large Corporates as a result of new business from existing customers.

Net commission income rose by 7 per cent in 2013 to SEK 1 968m. The increase mainly related to loans, asset management and bond issues. During the fourth quarter net commission income was SEK 559m, up 20 per cent, mainly due to asset management, bond issues and corporate finance. A number of major bond issues were completed in Sweden, including for Fabege, as well as in Norway, including for Ewos. Swedbank's market share for Swedish issues was 21 per cent in 2013. The corresponding figure in Norway was 18 per cent, making Swedbank the leader in Sweden and the second largest player in Norway.

Net gains and losses on financial items at fair value decreased by 13 per cent during the year to SEK 1 960m. During the fourth quarter net gains and losses on financial items at fair value rose by 27 per cent to SEK 491m. Market risks were relatively stable during the quarter, while volatility in the Nordic fixed income and FX markets was fairly high, which benefited customer and proprietary trading.

Total expenses increased by 7 per cent compared with 2012, mainly related to IT expenses and staff costs, which increased during the fourth quarter.

Credit impairments amounted to SEK 180m for 2013, of which SEK 5m related to the fourth quarter. The share of impaired loans was 0.38 per cent (0.10). Credit quality in the loan portfolio remains good.

Risk weighted assets rose by SEK 9bn during the quarter to SEK 137bn. Risk weighted assets for credit risk increased by SEK 6bn, mainly due to increased corporate lending and higher utilisation of existing credit facilities. Risk weighted assets related to market risk increased by SEK 3bn.

The most recent Greenwich survey of large companies shows that Swedbank's offering is appreciated by prioritised customers in both Sweden and Norway.

***Large Corporates & Institutions** is responsible for Swedbank's offering to customers with revenue over SEK 2 billion and those whose needs are considered complex due to multinational operations or a need for sophisticated financing solutions. The business segment is also responsible for developing corporate and capital market products for other parts of the bank and the Swedish savings banks. LC&I works closely with customers, who receive advice on decisions that create jobs and sustainable growth in the long-term. The business segment has around 1 100 employees at offices in Sweden, Norway, Estonia, Latvia, Lithuania, Finland, Luxembourg, China and the US.*

Baltic Banking

- New coordinated organisational structure in place
- Repricing contributed positively
- Successful euro introduction in Latvia

Income statement

SEKm	Q4 2013	Q3 2013	%	Q4 2012	%	Full-year 2013	Full-year 2012	%
Net interest income	844	807	5	760	11	3 156	3 291	-4
Net commissions	454	446	2	366	24	1 733	1 522	14
Net gains and losses on financial items at fair value	84	98	-14	80	5	316	295	7
Other income	129	102	26	83	55	418	384	9
Total income	**1 511**	**1 453**	**4**	**1 289**	**17**	**5 623**	**5 492**	**2**
Staff costs	194	175	11	193	1	746	743	0
Variable staff costs	19	18	6	16	19	63	63	0
Other expenses	396	382	4	394	1	1 495	1 482	1
Depreciation/amortisation	52	29	79	30	73	140	124	13
Total expenses	**661**	**604**	**9**	**633**	**4**	**2 444**	**2 412**	**1**
Profit before impairments	**850**	**849**	**0**	**656**	**30**	**3 179**	**3 080**	**3**
Impairment of intangible assets	1					1		
Impairment of tangible assets	16	1		8	100	23	15	53
Credit impairments	-177	-147	20	-329	-46	-437	-685	-36
Operating profit	**1 010**	**995**	**2**	**977**	**3**	**3 592**	**3 750**	**-4**
Tax expense	183	84		155	18	396	387	2
Profit for the period	827	911	-9	822	1	3 196	3 363	-5
Profit for the period attributable to the shareholders of Swedbank AB	**827**	**911**	**-9**	**822**	**1**	**3 196**	**3 363**	**-5**
Return on allocated equity, %	15.1	16.6		13.3		14.0	13.6	
Loan/deposit ratio, %	100	106		108		100	108	
Credit impairment ratio, %	-0.59	-0.50		-1.15		-0.37	-0.59	
Cost/income ratio	0.44	0.42		0.49		0.43	0.44	
Loans, SEKbn	119	117	2	115	3	119	115	3
Deposits, SEKbn	120	110	9	107	12	120	107	12
Full-time employees	3 753	3 831	-2	4 155	-10	3 753	4 155	-10

Development January - December
The result for 2013 amounted to SEK 3 196m, compared with SEK 3 363m a year earlier. The decrease was mainly due to lower net interest income and net recoveries, while expenses were largely unchanged.

Net interest income decreased by 4 per cent in local currency in 2013. Lower market rates negatively affected net interest income, while increased deposit volumes and repricing contributed positively. Costs associated with capital and regulatory changes continued to rise, because of which efforts to correctly price lending were intensified. During the year one fifth of the corporate portfolio was repriced, and the price of new lending will continue to reflect regulatory changes. Fluctuations in exchange rates reduced net interest income by SEK 16m. Net interest income in local currency rose by 3 per cent during the fourth quarter, mainly driven by increased deposit margins and a strong volume increase in deposit volumes.

Lending volumes were unchanged in local currency in 2013. Consumer lending increased slightly and corporate lending was stable, while mortgage lending decreased slightly. Lending grew during the year in Estonia and Lithuania, while in Latvia it decreased due to amortisations, write-offs and limited new loan volumes. In addition, Swedbank acquired Unicredit's loan portfolio during the quarter with a volume of SEK 363m in all three countries, half of which is in Estonia.

Swedbank's market share in lending in the Baltic countries was 28 per cent as of 30 November (28 per cent as of 31 December 2012).

Deposit volumes grew by 8 per cent in local currency during the year. Private deposits rose by 6 per cent and corporate deposits by 9 per cent. The Latvian deposit portfolio increased the most, followed by Estonia's and Lithuania's. Swedbank's market share in deposits was 30 per cent as of 30 November (31 per cent as of 31 December 2012). Deposits increased in Latvia during the fourth quarter, partly because retail customers deposited more money than usual ahead of the euro adoption. The loan-to-deposit ratio for Baltic Banking was 100 per cent (108 per cent as of 31 December 2012).

Net commission income rose by 14 per cent in local currency in 2013. The increase was mainly due to higher customer activity, a new pricing model which contributed to higher payment commissions, and increased sales of basic products and services. The number of active customers continued to rise in 2013 and is now 2.6 million, up 76 000.

Net gains and losses on financial items at fair value rose by 7 per cent in local currency. The increase was mainly due to higher foreign exchange activity. In 2014 the FX business is expected to decline in Latvia as a result of the euro adoption.

Total expenses increased by 2 per cent in local currency in 2013, including euro adoption costs of SEK 57m in Latvia. Expenses for marketing, premises, consultants, telecommunications and insurance decreased. To increase efficiency and improve cooperation, a coordinated organisation was implemented in the Baltic operations. Retail operations have been further optimised, and the number of branches has been reduced by 10 to 181. Increased digitalisation and customers' increased use of digital channels resulted in a reduction in the number full-time employees of 402, or 10 per cent, during the year.

Net recoveries amounted to SEK 437m, compared with SEK 685m for 2012. The recoveries were generated in the corporate portfolio, while the mortgage portfolio in Latvia generated impairments. During the fourth quarter a portion of impaired loans in the mortgage portfolio in Latvia was written off. Other portfolios generated recoveries.

Impaired loans continued to decline during the year. Half of the decline related to Latvia and the other half was divided between Estonia and Lithuania. Impaired loans, gross, fell to SEK 5.0bn (SEK 8.9bn as of 31 December 2012). The decrease was mainly due to amortisations, write-offs and loans that have started to perform, while the inflow of new impaired loans was limited. Credit quality has strengthened through a gradual increase in new lending, which carries lower risk.

Risk weighted assets decreased by SEK 7bn during the year to SEK 88bn, mainly driven by the corporate portfolio, which was the result of active portfolio quality management, higher corporate profits and rating upgrades. Furthermore, all new sales are focused on low and medium risk profiles.

During the fourth quarter a distribution was made by the Baltic insurance companies to the Estonian parent company totalling SEK 445m. This resulted in a tax expense of SEK 105m in Estonia. The distribution strengthened Swedbank's capitalisation.

On 1 January Latvia successfully joined the eurozone. The transition went smoothly. Swedbank has maintained a high level of customer satisfaction in the Baltic countries. During the year Swedbank ranked fifth in the annual survey of Most Loved Brands in the Baltic countries. Swedbank received the highest points among companies that are in contact with their customers full-time, and was the only bank among the 30 highest ranking companies.

***Swedbank is the largest bank** in number of customers in Estonia, Latvia and Lithuania, with around 4 million private customers and more than 250 000 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 50 branches in Estonia, 54 in Latvia and 77 in Lithuania. The various product areas are described on page 21.*

Group Functions & Other

Income statement

SEKm	Q4 2013	Q3 2013	%	Q4 2012	%	Full-year 2013	Full-year 2012	%
Net interest income	461	498	-7	452	2	1 880	557	
Net commissions	3	4	-25	27	-89	-30	31	
Net gains and losses on financial items at fair value	-145	-343	-58	221		-918	364	
Share of profit or loss of associates		1		1		3	4	-25
Other income	373	439	-15	404	-8	1 425	1 450	-2
Total income	**692**	**599**	**16**	**1 105**	**-37**	**2 360**	**2 406**	**-2**
Staff costs	926	797	16	805	15	3 322	3 246	2
Variable staff costs	73	48	52	46	59	245	171	43
Other expenses	-622	-634	-2	-625	0	-2 460	-2 433	-1
Depreciation/amortisation	109	105	4	135	-19	409	557	-27
Total expenses	**486**	**316**	**54**	**361**	**35**	**1 516**	**1 541**	**-2**
Profit before impairments	**206**	**283**	**-27**	**744**	**-72**	**844**	**865**	**-2**
Impairment of intangible assets	11			17	-35	125	16	
Impairment of tangible assets	295	94		133		670	392	71
Credit impairments		-22				-21	20	
Operating profit	**-100**	**211**		**594**		**70**	**437**	**-84**
Tax expense	52	25		89	-42	143	66	
Profit for the period from continuing operations	**-152**	**186**		**505**		**-73**	**371**	
Profit for the period from discontinued operations, after tax	-48	-15		-174	-72	-2 340	-997	
Profit for the period	-200	171		331		-2 413	-626	
Profit for the period attributable to the shareholders of Swedbank AB	**-200**	**171**		**330**		**-2 414**	**-624**	
Non-controlling interests				1		1	-2	
Full-time employees	4 438	4 400	1	4 741	-6	4 438	4 741	-6

Development January - December
Income for Group Functions & Other consists of net interest income and net gains and losses on financial items, which mainly come from Group Treasury. Other income primarily consists of revenue from the savings banks as well as sales revenue and operating income from Ektornet. Income amounted to SEK 2 360m (2 406).

Expenses for Group Functions & Other decreased by 1 per cent in 2013 to SEK 1 516m (1 541). Excluding the net of services purchased and sold internally, expenses fell by 3 per cent to SEK 6 982m (7 179). The decrease was mainly due to lower costs for IT operations and depreciation as well as other expenses. Depreciation fell due to a reclassification within Swedbank Finance AB, which at the same time reduced net interest income, as well as lower depreciation in Ektornet. The decrease in other expenses is mainly attributable to Ektornet, where property management expenses are dropping as the portfolio is dissolved. Staff costs rose during the fourth quarter due to redeployment provisions. This is a result of a staff reallocation to more customer-focused services within the Group, mainly affects Group Products. Within the risk organisation, the bank's resources in areas that worked with repossessed assets and problem loans have been reduced.

Group Products
Established on 1 January 2013, Group Products (GP) consists of around 1 800 employees in Sweden, Estonia, Latvia and Lithuania. GP is responsible for a large part of Swedbank's product areas with a strategy to support the business segments by reducing the complexity of the product range and simplifying sales in the various distribution channels. The product areas GP is responsible for – cards, payments, lending, deposits, insurance and asset management – are described in more detail on page 21. GP also comprises the subsidiary Swedbank Franchise AB, which in turn includes the real estate and business brokerages and a legal service provider.

In GP's revenue and expense model, revenue from Swedbank's customers is posted by each business segment and GP receives compensation from the business segment to cover its expenses. GP's external revenue largely comes from the savings banks for the products their customers use.

Expenses, excluding the net of services purchased and sold internally, amounted to SEK 3 318m for 2013 (3 318). Staff costs increased due to redeployment provisions. This was offset by lower IT maintenance expenses thanks to increased efficiencies as well as lower mailing costs resulting from increased digitalisation.

Group Treasury
Group Treasury is responsible for the bank's funding, liquidity and capital planning. The Group's equity is allocated to each business segment on the basis of capital adequacy rules and how much capital is needed based on the bank's Internal Capital Adequacy Assessment Process (ICAAP). Group Treasury prices all flows in the Group through an internal interest rate, where the most important parameters are maturity, interest fixing period, currency, and the need for liquidity reserves.

Group Treasury's result over time should be nearly nil, with the exception of earnings that may arise in debt and liquidity management within given risk mandates.

The fee paid to the Swedish National Debt Office for government guaranteed funding is charged against Group Treasury. Risk hedging by Group Treasury is generally achieved with financial instruments. The volatility in results over time is largely due to accounting-based fluctuations in these hedges.

Net interest income for 2013 amounted to SEK 2 013m, compared with SEK 678m in the previous year. Of the change, SEK 259m is due to lower fees for the government guaranteed funding. Repurchases of covered bonds contributed positively to the change. Group Treasury's net interest income has also been strengthened by positions that have benefited from lower market rates.

Net gains and losses on financial items at fair value for 2013 amounted to SEK -922m, compared with SEK 316m in the previous year. The main reason for the negative result is the effects of the repurchases, which are reflected in offsetting positive effects on net interest income over time.

Russia and Ukraine

The Russian and Ukrainian operations are reported as discontinued operations. During the second quarter the sale of the Ukrainian subsidiary was finalised. The full-year result for discontinued operations was SEK -2 348m (-984m) and includes the reclassification of SEK -1 875m from other comprehensive income to the income statement in connection with the sale of the Ukrainian subsidiary. The reclassification does not affect Swedbank's capital, capitalisation or cash flow and has therefore been excluded from the Board of Directors' dividend proposal for 2013.

The full-year result for the Russian operations amounted to SEK -112m (61). The formal liquidation of the legal entity OAO Swedbank is under way. The bank's application to revoke its banking licence in Russia was approved on 1 October. Swedbank's net lending in Russia (including leasing) amounted to SEK 1bn as of 31 December. The lending portfolio in Russia, mainly consisting of high quality corporate loans, will decrease as customers amortise their loans. Swedbank has real estate assets worth about SEK 83m in Russia, which will be sold.

Ektornet

Ektornet was founded to manage and develop the assets Swedbank repossessed after the financial crisis in 2008-2009. Repossessed assets decreased to SEK 1 856m during the year (SEK 4 606m as of 31 December 2012). The sale of remaining properties continues. Portions of the remaining assets are such that the pace of sales is expected to be more protracted going forward.

Assets taken over SEKm	31 Dec 2013	31 Dec 2012
Sweden		374
Finland		281
Estonia	160	304
Latvia	839	1 665
Lithuania	142	351
USA	451	1 217
Ukraine	243	364
Total properties	**1 835**	**4 556**
Shares	22	50
Total	**1 856**	**4 606**

In 2013 properties were sold for SEK 2 799m (1 655) with an aggregate capital gain of SEK 361m (212). The sales of portions of the shareholding produced a capital gain of SEK 82m. Sales proceeds in the fourth quarter amounted to SEK 874m (SEK 796m for Q4 2012) with a gain of SEK 137m (64). Sales during the fourth quarter mainly related to a hotel in the US, a number of large housing complexes and commercial properties in Latvia, and a shopping centre in Ukraine. The remaining properties in Sweden were sold as well. Property values in the portfolio were written down by SEK 652m (392), including SEK 277m (133) in the fourth quarter. The majority of the write-downs are attributable to Ukraine and the US. The full-year result was SEK -463m (-406). Expenses decreased by 35 per cent to SEK 396m (610).

The number of employees at the end of the period was 93, compared with 204 at year-end 2012. The number of properties, including apartments and the like, was 1 366 (2 528 at year-end 2012), of which 783 were in Latvia (1 695 at year-end 2012).

***Group Functions & Other** consists of three types of centralised business support units: Group Products, Group Staffs, and Ektornet (which manages the remaining assets repossessed in the wake of the financial crisis) and the remainder of previous operations in Russia and Ukraine. Group staffs, comprising Accounting & Finance (including Group Treasury and Communication), Risk, IT, Compliance, Public Affairs, HR and Legal, operate across business segments and serve as strategic and administrative support.*

Eliminations

Income statement

SEKm	Q4 2013	Q3 2013	Q4 2012	Full-year 2013	Full-year 2012
Net interest income	-16	-1	-14	-14	-19
Net commissions	34	26	19	97	73
Net gains and losses on financial items at fair value					
Other income	-92	-98	-74	-326	-234
Total income	**-74**	**-73**	**-69**	**-243**	**-180**
Staff costs	-13		-13	-13	-13
Variable staff costs					
Other expenses	-61	-73	-56	-230	-167
Depreciation/amortisation					
Total expenses	**-74**	**-73**	**-69**	**-243**	**-180**

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

Product areas

Swedbank intends to gradually expand its product reporting. This is being done outside the consolidated accounts, which means that in most cases the figures cannot be directly traced to specific items in the financial statements. Responsibility for the product units currently rests with Group Products within Group Functions & Other, but the results are reported in several legal units and in the three business segments.

Card business

Swedbank issues cards and acquires card payments from merchants in all its home markets as well as in Denmark and Norway. Credit card operations in Sweden, Denmark and Norway are conducted through Entercard AB, a joint venture with Barclays Bank. Other card business takes place within the bank. In its four home markets as a whole, Swedbank has a market share for card payment acquisitions and issuing of nearly 50 per cent. When a purchase by card is made where Swedbank is the payment acquirer, Swedbank receives a commission. Every time a purchase is made using a Swedbank-issued card, the bank receives interbank compensation. Similarly, Swedbank pays compensation to other card issuers when their cards are used in stores where Swedbank is the payment acquirer.

Swedbank is Europe's fifth largest card payment acquirer based on number of transactions. As a payment acquirer, Swedbank enables retailers to accept payment through card terminals and online. Revenue mainly comes from the transaction fees received as compensation for infrastructure, administration and payment guarantees. As a card issuer, the bank generates revenue for access to a card, exchange fees for foreign purchases and interest income from outstanding credit card balances. In card payment acquisitions, rapidly expanding e-commerce is one of Swedbank's most important growth areas. In most retail sectors, e-commerce has a growth rate far exceeding that of traditional brick and mortar stores. Swedbank's payment acquisition volume in e-commerce rose by just over 70 per cent during the year.

Swedbank's aim is to grow in e-commerce and become a leading player in its home markets. The potential is in part in our market position in the physical card space and our expertise in the payment area. For retailers, the bank offers e-commerce solutions as a complement to other payment solutions.

The number of transactions made by card is rising in all of Swedbank's home markets as a result of economic growth and less use of cash. A large share of transaction revenue is due more to the number of transactions than the transaction value. This makes issuing and acquiring revenue less volatile during periods of slower economic growth.

Swedbank is the eleventh largest bank card issuer in Europe based on number of transactions. Sweden is among the countries in the world with the highest levels of card usage. In Sweden, nearly 80 per cent of retail purchases are made by card. Transaction growth is about 10 per cent per year and volume growth about 5 per cent. The percentage of card transactions in stores is also high in Estonia (55 per cent), with an annual growth rate of about 8 per cent. In Latvia and Lithuania, card usage is lower (35 and 20 per cent, respectively), but the growth rate is expected to be higher than in Sweden and Estonia.

Card related income SEKm	Full-year 2013	Full-year 2012	%
Card acquiring	770	775	-1
of which Nordic countries	647	667	-3
of which Baltic countries	123	109	13
Card issuing	1 652	1 434	15
of which Sweden	1 097	1 066	3
of which Baltic countries	555	368	51
Net interest income, credit cards	302	223	36
of which Sweden	67	64	5
of which Baltic countries	235	159	48
Entercard*	1 338	1 291	4
Total Card related income	**4 062**	**3 723**	**9**

* Swedbank's share of Entercard's total income. Entercard is consolidated into Swedbank Group by the equity method.

Income growth during the year was mainly due to an increased number of card issuance transactions as well as higher credit volumes in Entercard. Stable card issuance revenue in Sweden is the result of transaction volume. Higher card issuance revenue in the Baltic countries is due to an increased number of transactions and higher annual fees. Lower compensation from card payment acquisitions in the Baltic countries following an adjustment to interbank compensation in 2012 has been partly offset by increased card usage.

The increase in the number of acquisition transactions was 12 per cent in Sweden, 6 per cent in Estonia, 15 per cent in Latvia and 18 per cent in Lithuania. In terms of acquisition volume, the Nordic countries account for about 90 per cent, although growth is higher in the Baltic countries. Income is not growing at the same pace as the volume of acquired payments or the number of acquired transactions due to price pressure from increased competition and tighter regulations. The expansion of the payment business to Norway and Denmark generated 2.3 per cent of transactions and 5.5 per cent of income. The number of card purchases increased by 11 per cent during the year, with the largest increases in Latvia and Lithuania at 18 and 16 per cent, respectively. In card issuance, the biggest growth opportunity is in corporate cards, where the bank has historically been weaker and where small business customers offer significant potential.

Key ratios, cards	Full-year 2013	Full-year 2012	%
Card acquiring transactions, millions	1 776	1 595	11
Card acquiring volume, SEKbn	440	402	9
Issued cards, millions	7.7	7.8	-1
Card purchases (POS), millions	1 200	1 080	11
POS/total card turnover, %	66	63	

Proposal to cap interchange fees for card transactions

In July the EU Commission presented a proposal to cap the interchange fees paid by payment acquirers to card issuers. The draft regulation is expected to take effect no earlier than the fourth quarter of 2014. Swedbank is working actively with other banks and organisations to discuss the current proposal and ensure that regulations have as sound a basis as possible. For Swedbank's card issuance business, it will mean lower revenue. The credit card business will be affected more than the bank card business, since interbank compensation there is higher. The effect on the Swedish operations is limited, but more significant in the Baltic countries due to the current high level of interbank compensation. At the same time expenses in the card payment acquiring business will decrease. The total impact for Swedbank depends on pricing competition between payment acquiring services.

Insurance business

Swedbank has life insurance operations in all its home markets and non-life operations in the Baltic countries. Non-life insurance is offered in Sweden through a third-party solution with the insurance company Tre Kronor. Insurance products are sold through the distribution channels of Swedbank and the savings banks.

Premium payments SEKm	Full-year 2013	Full-year 2012	%
Sweden	13 441	12 591	7
of which collective occupational pension	3 212	3 392	-5
of which endowment insurance	6 917	6 139	13
of which occupational pension	2 004	1 795	12
of which risk insurance	665	627	6
of which other	643	638	1
Baltic countries	1 061	988	7
of which life insurance	666	619	8
of which non-life insurance	395	369	7

Sweden

Swedbank's life insurance company is the sixth largest in the Swedish market, with a market share in premium payments of about 7 per cent. Total premium income rose by 7 per cent to SEK 13.4bn in 2013. In savings products, the biggest increase is in endowment insurance for the corporate market as a result of information and education measures.

Over 100 000 of Swedbank's risk protection (Trygga) policies were sold during the period, an increase of 19 per cent year-on-year. Due to an ageing population and shift in responsibility from society to the individual, demand for pension and insurance products is expected to grow. The largest potential for Swedbank in Sweden is in risk products such as life and health insurance as well as in occupational pensions. Today only 20 per cent of Swedbank's and the savings banks' corporate customers with revenues of SEK 1-100m have an occupational pension solution for their employees from Swedbank Försäkring.

Premium payments from collective and occupational pensions amounted to SEK 5.2bn (5.2) during the year. Premium income from occupational pensions increased, mainly due to capital transferred from other insurers. At the same time income from collective pensions fell. This was mainly due to the bank's decision to stop selling traditional pension insurance as part of the KAP-KL collective pension, which means that no new premiums are being placed.

From 1 July until summer 2018 Swedbank Försäkring is a company of choice for the collectively negotiated occupational pension plan (ITP), which permits it to offer collective occupational pensions to 1.5 million private sector employees. Swedbank Försäkring offers 22 funds (about half from Robur) with the highest aggregate ratings of all company options.

Baltic countries

In Estonia and Lithuania, Swedbank is the largest life insurance company, with market shares of 37 and 23 per cent, respectively. The market share in Latvia was 15 per cent. Life insurance operations are divided into risk insurance and savings products. Swedbank mainly focuses on risk insurance for existing loan customers in the retail banking market, where it sees significant opportunities to promote sound and sustainable finances because of the limited social safety net in the Baltic countries.

Sales of risk insurance to loan customers in Baltic Banking were successful in 2013. Sales of credit life, a life insurance product tied to a bank loan, increased by 5 per cent in local currency and now amount to SEK 69m. Around 32 per cent of the bank's borrowers currently have credit life insurance. Sales of unit linked insurance increased by 58 per cent in terms of new policies. Premium payments for the total life insurance operations amounted to SEK 666m, an increase of 8 per cent in local currency.

The market shares for non-life insurance in Estonia, Latvia and Lithuania are 14, 3 and 1 per cent, respectively. In non-life insurance, Swedbank mainly offers solutions for private customers. The largest product areas are auto and home insurance, which are offered together with leasing and mortgages. Due to lower auto and home sales in recent years, more focus has been placed on other products such as loan payment protection, which covers loan expenses in the event of an illness or job loss, as well as homeowners insurance sold through bank branches. Total premium income for non-life insurance amounted to SEK 395m during the year, an increase of 8 per cent in local currency.

Assets under management SEKbn	31 Dec 2013	31 Dec 2012	%
Sweden	118.2	103.0	15
of which collective occupational pension	47.6	39.3	21
of which endowment insurance	49.6	45.8	8
of which occupational pension	12.4	10.0	24
of which other	8.6	8.1	7
Baltic countries	3.4	3.2	8
of which life insurance	3.4	3.2	8

Assets under management in the Swedish insurance operations rose by 15 per cent to SEK 118.2bn in 2013, of which SEK 103.5bn relates to unit linked and deposit insurance. The increase is due to higher equity prices and a positive net inflow. Assets under management in the Baltic life insurance company appreciated by 4 per cent in local currency to SEK 3.4bn. The increase relates to unit linked insurance, which accounted for SEK 2.1bn. The traditional managed portfolio decreased owing to large pension disbursements.

Insurance related income SEKm	Full-year 2013	Full-year 2012	%
Sweden	1 491	1 446	3
of which life insurance	1 418	1 400	1
of which non-life insurance	73	46	60
Baltic countries	390	428	-9
of which life insurance	197	216	-9
of which non-life insurance	194	212	-9
Total insurance related income	**1 881**	**1 874**	

Revenue

Swedbank's aggregate insurance revenue amounted to SEK 1 881m (1 874m). In the Swedish life insurance business, falling interest rates have led to a lower return on equity. At the same time the increase in assets under management and an improved risk result owing to higher volumes have contributed to higher revenue. The total increase for Swedish life insurance was 1 per cent. Revenue for the Swedish non-life business also rose, partly as a result of a 10 per cent increase in the number of contracts to nearly 225 000.

Revenue for the Baltic life and non-life businesses decreased. In this case as well, falling interest rates meant a lower return on the assets, primarily for the life insurance business, where lower capital, due to the distribution to the parent company, led to lower interest income. Revenue for the Baltic non-life business amounted to SEK 194m at year-end, down 8 per cent in local currency. The decrease was mainly due to a lower risk result caused by higher claims – following a snowy winter early in the year – compared with 2012, which had a relatively low level of claims.

Asset management operations

Swedbank's asset management operations are conducted through the Swedbank Robur group in Swedbank's four home markets and Norway. In total, Swedbank Robur offers around 120 funds as well as discretionary asset management, including management of pension assets. Fund assets under management amounted to SEK 889bn (782) at the end of the period, of which SEK 585bn was in Sweden, where the market share was 24 per cent as of 31 December in terms of assets under management. Discretionary assets under management amounted to SEK 278bn.

Of the year's total net inflow to the Swedish fund market, the majority was to mixed funds (SEK 55.6bn), equity funds (SEK 42.6bn) and short-term fixed income funds (SEK 15.6bn). Long-term fixed income funds saw a net outflow. The total net inflow to Swedbank Robur's funds in Sweden was SEK 9.3bn, where flows mainly went to investment solutions (mixed funds) and short-term fixed income funds. The inflow corresponded to a market share of 8.8 per cent as of 31 December.

Measures to clarify and simplify the customer offering continued in 2013, with a total of 14 fund mergers and discontinued funds.

Asset management Key ratios, SEKbn	Full-year 2013	Full-year 2012	%
Total income, SEKm	4 113	3 715	11
Assets under management	611	529	16
of which Sweden	589	510	15
of which Baltics	20	17	17
of which Norway	2	2	14
Discretionary asset management	278	253	10
of which Sweden	276	251	10
of which Baltics	2	2	

Income from capital market products amounted to SEK 4 113m during the year, an increase of 11 per cent from 2012. The improvement was mainly from an increase in average capital as a result of higher equity prices and positive net flows. Fund assets increased by 15 per cent. Fourth quarter income rose by SEK 94m. Average assets under management rose by 3 per cent.

Income from institutional management in Sweden, excluding Swedbank Robur's funds, amounted to SEK 126m during the year, a decrease of SEK 47m compared with 2012. The decrease was mainly because the Folksam LO funds have been managed by Swedbank Robur since the fourth quarter 2012, which is reflected in a corresponding increase in fund management.

Swedbank Robur's actively managed funds are presented at least twice a year in "Dina Fonder" (Your Funds). In November and December, two Robur funds - Allemansfond Komplett and Kapitalinvest - were criticized in the Swedish media which stated that the funds were not actively managed despite being marketed as such, as well as having the same fee as other actively managed funds. In addition, it was stated that the marketing was inadequate. On 24 January the Swedish Consumer Agency informed its decision to assess the marketing of these two funds. The Swedish Financial Supervisory Authority has said it would look into this matter from a sector perspective in spring.

Payment operations

Swedbank is a leader in payment and cash management products in its four home markets. Growth in the payment area is based on economic growth and on customers' increasing use of payment means other than cash.

The payment area is strongly affected by changes in the operating environment. Rapid technological developments are creating a challenge in the form of increased competition from e-commerce companies. Swedbank is well prepared in this regard in terms of infrastructure and customer base as well as opportunities to capitalise on economies of scale when unified European legislation facilitates cross-border trade in products and services. The development of a common payment zone for the euro enables the bank to offer services to customers with eurozone operations without having to set up business in every country. It also facilitates increased coordination and efficiency improvements in the bank's products and systems.

Online payment services are an important growth area for Swedbank. Today over 2.99 million customers in Sweden and 2.16 million in the Baltic countries have access to payment services through the Internet Bank and the Mobile Bank. The number of transactions through these channels grew by 8.1 per cent in 2013. In addition, there are over 700 000 users of BankID, which facilitates payments online and by mobile phone. Swish, a solution for mobile payments shared with other Swedish banks, has over 726 000 customers, of which just over 287 000 are customers of Swedbank and the savings banks

When doing business abroad, companies face very different risks than at home. Swedbank's Trade Finance offering gives importers and exporters the opportunity to mitigate financial risk and improve liquidity in markets where normal means of payment do not work. The principal products are cash against documents (CAD), letters of credit and bank guarantees. Customers increasingly demand customised solutions and new ways to improve liquidity. As these markets mature, the business shrinks. In times of crisis demand tends to grow, just like in situations where companies enter new markets. One challenge for the bank's Trade Finance offering is the new payment and financing solutions being arranged between importers and exporters (Open Account and Supply Chain Finance), which in recent years have accounted for a larger share of growing global trade.

Payments **Key figures**	**Full-year 2013**	**Full-year 2012**	**%**
International payments (millions)	10.0	9.2	8
of which Sweden	4.4	4.2	6
of which Baltic countries	5.6	5.1	10
Domestic payments (millions)	841.6	800.0	5
of which Sweden	621.3	591.8	5
of which Baltic countries	220.3	208.2	6
E-services payments (millions)	187.0	116.8	60
of which Sweden	162.9	96.4	69
of which Baltic countries	24.1	20.3	19
Trade Finance, new deals	21 647	23 361	-7
of which Sweden	9 032	9 888	-9
of which Baltic countries	12 615	13 473	-6
Factoring portfolio, SEKm	4 033	4 006	1
of which Sweden	2 267	2 260	
of which Baltic countries	1 767	1 746	1

Domestic payments include salary and mass payments, giro payments, direct debit payments, internet payments.

E-services payments include E-invoices, bank link payments, mobile phone top-up transactions, number of signing-transactions and ID transactions through E-ID/BankID.

Since Bankomat AB took over responsibility for Swedbank's ATMs, Swedbank pays Bankomat AB a commission, which explains the lower net commission income. For more information, see Swedish Banking on page 12.

Payments **Income, SEKm**	**Full-year 2013**	**Full-year 2012**	**%**
Net commission income	977	1 133	-14
of which Nordic countries	475	690	-31
of which Baltic countries	502	443	13

Lending/deposits

Swedbank's lending operations are concentrated in Sweden, Estonia, Latvia and Lithuania. In addition, lending is provided in Norway and to a lesser extent in certain other countries such as Finland, Denmark and the US. Loan products account for about 70 per cent of Swedbank's assets on the balance sheet.

Swedbank's total lending to private customers and corporations amounts to SEK 1 215bn (1 184 as of 31 December 2012). The largest part consists of household lending, with mortgages to Swedish private customers and tenant-owner associations accounting for about 50 per cent of the total. Swedbank's market share for Swedish mortgages is 25 per cent. Over one million customers obtain their mortgages through Swedbank Mortgage, and lending is geographically distributed throughout the country.

Swedbank is also a major player in corporate lending in Sweden, with lending of SEK 441bn and a market share of 17 per cent as of 30 November (unchanged from 31 December 2012). Major sectors in Sweden include property-related lending, which accounts for SEK 166bn, and the forestry and agricultural sector with SEK 68bn, where Swedbank has a dominant position. Swedbank is the largest lender in the Baltic countries, with market shares of 20-40 per cent. Estonia accounts for nearly half of Swedbank's Baltic loan portfolio, and there Swedbank has a market share of nearly 40 per cent. Total lending in the Baltic countries amounts to SEK 119bn, half of which is to households and half to corporates. Major sectors for corporate lending in the Baltic countries include commercial real estate and manufacturing.

Swedbank is also a big player in deposits in its home markets. Total deposit volume as of 31 December amounted to SEK 599bn (558), of which SEK 341bn (332) was to private customers and SEK 258bn (226) to corporate customers. About 81 per cent of Swedbank's total deposit volume was in its Swedish operations.

For more information on Swedbank's lending and deposits, see each business segment.

Financial information - contents

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

Income statement, condensed

Group SEKm	Q4 2013	Q3 2013	%	Q4 2012	%	Full-year 2013	Full-year 2012	%
Interest income	10 919	10 867		11 738	-7	43 968	50 503	-13
Interest expenses	-5 293	-5 226	1	-6 392	-17	-21 939	-30 142	-27
Net interest income (note 5)	**5 626**	**5 641**		**5 346**	**5**	**22 029**	**20 361**	**8**
Commission income	3 957	3 683	7	3 596	10	14 692	13 656	8
Commission expenses	-1 258	-1 163	8	-1 094	15	-4 560	-4 042	13
Net commissions (note 6)	**2 699**	**2 520**	**7**	**2 502**	**8**	**10 132**	**9 614**	**5**
Net gains and losses on financial items at fair value (note 7)	461	170		830	-44	1 484	3 073	-52
Insurance premiums	421	376	12	494	-15	1 714	1 802	-5
Insurance provisions	-240	-247	-3	-367	-35	-1 067	-1 207	-12
Net insurance	**181**	**129**	**40**	**127**	**43**	**647**	**595**	**9**
Share of profit or loss of associates	209	240	-13	154	36	852	798	7
Other income	476	525	-9	478		1 794	1 827	-2
Total income	**9 652**	**9 225**	**5**	**9 437**	**2**	**36 938**	**36 268**	**2**
Staff costs	2 574	2 328	11	2 264	14	9 651	9 238	4
Other expenses (note 8)	1 689	1 488	14	1 669	1	6 258	6 470	-3
Depreciation/amortisation	221	179	23	209	6	739	852	-13
Total expenses	**4 484**	**3 995**	**12**	**4 142**	**8**	**16 648**	**16 560**	**1**
Profit before impairments	**5 168**	**5 230**	**-1**	**5 295**	**-2**	**20 290**	**19 708**	**3**
Impairment of intangible assets (note 14)	12			17	-29	182	20	
Impairment of tangible assets	311	95		141		693	407	70
Credit impairments (note 9)	-32	-56	-43	-76	-58	60	-185	
Operating profit	**4 877**	**5 191**	**-6**	**5 213**	**-6**	**19 355**	**19 466**	**-1**
Tax expense	1 212	998	21	786	54	4 099	4 157	-1
Profit for the period from continuing operations	**3 665**	**4 193**	**-13**	**4 427**	**-17**	**15 256**	**15 309**	
Profit for the period from discontinued operations, after tax	-48	-15		-174	-72	-2 340	-997	
Profit for the period	3 617	4 178	-13	4 253	-15	12 916	14 312	-10
Profit for the period attributable to the shareholders of Swedbank AB	**3 612**	**4 172**	**-13**	**4 252**	**-15**	**12 901**	**14 304**	**-10**
of which profit for the period from continuing operations	3 660	4 187	-13	4 426	-17	15 241	15 298	
of which profit for the period from discontinued operations	-48	-15		-174	-72	-2 340	-994	
Non-controlling interests	5	6	-17	1		15	8	88
of which profit for the period from continuing operations	5	6	-17	1		15	11	36
of which profit for the period from discontinued operations							-3	

Statement of comprehensive income, condensed

Group SEKm	Q4 2013	Q3 2013	%	Q4 2012	%	Full-year 2013	Full-year 2012	%
Profit for the period reported via income statement	**3 617**	**4 178**	**-13**	**4 253**	**-15**	**12 916**	**14 312**	**-10**
Items that will not be reclassified to the income statement								
Remeasurements of defined benefit pension plans	-318	506		-209	52	2 264	-1 653	
Share related to associates	-10	13		-9	11	12	-43	
Income tax	71	-114		-15		-500	374	
Total	**-257**	**405**		**-233**	**10**	**1 776**	**-1 322**	
Items that may be reclassified to the income statement								
Exchange differences, foreign operations								
Gains/losses arising during the period	1 185	-669		837	42	1 258	-1 480	
Reclassification adjustments to income statement, net gains and losses on financial items at fair value or profit for the period from discontinued operation				1		1 875		
Hedging of net investments in foreign operations:								
Gains/losses arising during the period	-927	576		-668	39	-910	1 050	
Cash flow hedges:								
Gains/losses arising during the period	-112	-32		-116	-3	-210	-614	66
Reclassification adjustments to income statement, net interest income	12	24	-50	29	-59	83	193	-57
Share of other comprehensive income of associates	-10	-43	-77	22		-115	21	
Income tax	228	-123		296	-23	230	-74	
Total	**376**	**-267**		**401**	**-6**	**2 211**	**-904**	
Other comprehensive income for the period, net of tax	**119**	**138**	**-14**	**168**	**-29**	**3 987**	**-2 226**	
Total comprehensive income for the period	**3 736**	**4 316**	**-13**	**4 421**	**-15**	**16 903**	**12 086**	**40**
Total comprehensive income attributable to the shareholders of Swedbank AB	**3 730**	**4 310**	**-13**	**4 420**	**-16**	**16 887**	**12 078**	**40**
Non-controlling interests	6	6		1		16	8	100

In 2013 revenue of SEK 1 776m (-1 322) was recognised in other comprehensive income after tax. This includes the revaluation of defined benefit pension plans in associates. The revenue arose mainly due to an increase in the discount rate used to calculate the pension obligation, from 2.84% to 3.44%.

In 2013 a positive exchange difference of SEK 1 258m (-1 480) was recognised for the Group's foreign net investments in subsidiaries. In addition, an exchange difference of SEK -117m for the Group's foreign net investments in associates is included in Share related to associates. The revenue from subsidiaries arose due to the depreciation of the Swedish krona against the euro and other Baltic currencies correlated with the euro. The expense related to associates arose because the Swedish krona appreciated against the Norwegian krone. The net revenue of SEK 1 141m is not taxable. Since the large part of the Group's foreign net assets are hedged against currency risk, a loss of SEK -910m (1 050) before tax arose related to the hedging instruments.

The revaluation of defined benefit pension plans and translation of net investments in foreign operations could be volatile in some periods based on changes in the discount rate and exchange rates.

Key ratios

Group SEKm	Q4 2013	Q3 2013	Q4 2012	Full-year 2013	Full-year 2012
Earnings per share, continuing operations, SEK[1]	3.34	3.82	4.03	13.89	13.94
after dilution[1]	3.31	3.79	4.01	13.78	13.88
Earnings per share, discontinued operations, SEK[1]	-0.04	-0.02	-0.16	-2.13	-0.91
after dilution[1]	-0.04	-0.02	-0.16	-2.13	-0.91
Earnings per share, total operations, SEK[1]	3.30	3.80	3.87	11.76	13.03
after dilution[1]	3.27	3.77	3.86	11.66	12.98
Equity per share, SEK	99.82	96.29	87.08	99.82	87.08
Return on equity, continuing operations, %	13.6	16.2	17.5	14.7	15.6
Return on equity, total operations, %	13.4	16.1	16.9	12.5	14.6
Credit impairment ratio, %	-0.01	-0.02	-0.02	0.00	-0.01

[1] After deducting the preference share dividend, earnings per share for full-year 2013 were SEK 12.22 (12.97) for continuing operations after dilution. The calculations are specified on page 50.

Balance sheet, condensed

Group SEKm	31 Dec 2013	31 Dec 2012	%
Assets			
Cash and balance with central banks	59 382	130 058	-54
Loans to credit institutions (note 10)	82 278	85 480	-4
Loans to the public (note 10)	1 264 910	1 238 864	2
Value change of interest hedged item in portfolio hedge	62		
Interest-bearing securities	182 399	135 807	34
Financial assets for which customers bear the investment risk	119 448	104 194	15
Shares and participating interests	7 109	8 106	-12
Investments in associates	3 640	3 552	2
Derivatives (note 18)	64 352	102 265	-37
Intangible fixed assets (note 14)	13 658	13 440	2
Investment properties	685	2 393	-71
Tangible assets	3 140	4 638	-32
Current tax assets	895	1 082	-17
Deferred tax assets	417	657	-37
Other assets	9 578	8 380	14
Prepaid expenses and accrued income	6 992	7 736	-10
Group of assets classified as held for sale	1 862	208	
Total assets	**1 820 807**	**1 846 860**	**-1**
Liabilities and equity			
Amounts owed to credit institutions (note 15)	121 621	122 202	0
Deposits and borrowings from the public (note 16)	620 853	579 663	7
Debt securities in issue (note 17)	727 706	767 454	-5
Financial liabilities for which customers bear the investment risk	120 577	105 104	15
Derivatives (note 18)	55 011	92 141	-40
Current tax liabilities	1 893	1 378	37
Deferred tax liabilities	2 383	2 641	-10
Short positions, securities	17 519	18 229	-4
Other liabilities	14 269	16 624	-14
Accrued expenses and prepaid income	14 194	16 782	-15
Provisions	4 698	7 073	-34
Subordinated liabilities	10 159	14 307	-29
Liabilities directly associated with group of assets classified as held for sale	219	76	
Equity	109 705	103 186	6
of which non-controlling interests	165	154	7
of which attributable to shareholders of Swedbank AB	109 540	103 032	6
Total liabilities and equity	**1 820 807**	**1 846 860**	**-1**

Statement of changes in equity, condensed

Group SEKm	Shareholders' equity							Non-controlling interests	Total equity
	Share capital	**Other contri-buted equity***	**Exchange differences, subsidiaries and associates**	**Hedging of net investments in foreign operations**	**Cash flow hedges**	**Retained earnings**	**Total**		
January-December 2012									
Closing balance 31 December 2011	**24 383**	**17 187**	**-2 389**	**136**	**268**	**58 408**	**97 993**	**140**	**98 133**
Change in accounting policy regarding defined benefit pension plans according to IAS 19						-1 582	-1 582		-1 582
Opening balance 1 January 2012	**24 383**	**17 187**	**-2 389**	**136**	**268**	**56 826**	**96 411**	**140**	**96 551**
Dividends						-5 825	-5 825	-6	-5 831
Decrease in share capital	-611					611			
Bonus issue	1 132					-1 132			
Reversal of VAT costs incurred on rights issues in 2008 and 2009		88					88		88
Share based payments to employees						314	314		314
Deferred tax related to share based payments to employees						19	19		19
Associates' acquisition of shares in Swedbank AB						-54	-54		-54
Changes in ownership interest in subsidiary						1	1	-2	-1
Business disposals								-2	-2
Contribution								16	16
Total comprehensive income for the period			-1 459	865	-310	12 982	12 078	8	12 086
Closing balance 31 December 2012	**24 904**	**17 275**	**-3 848**	**1 001**	**-42**	**63 742**	**103 032**	**154**	**103 186**
January-Decmber 2013									
Opening balance 1 January 2013	**24 904**	**17 275**	**-3 848**	**1 001**	**-42**	**63 742**	**103 032**	**154**	**103 186**
Dividends						-10 880	-10 880	-5	-10 885
Share based payments to employees						418	418		418
Deferred tax related to share based payments to employees						83	83		83
Associates' acquisition of shares in Swedbank AB						-14	-14		-14
Associates' disposal of shares in Swedbank AB						14	14		14
Total comprehensive income for the period			3 015	-708	-97	14 677	16 887	16	16 903
Closing balance 31 December 2013	**24 904**	**17 275**	**-833**	**293**	**-139**	**68 040**	**109 540**	**165**	**109 705**

In connection to the rights issues in 2008 and 2009 an assessment was made on the non-deductable VAT Swedbank AB would have to pay on transaction costs. This assessment was partly changed in the second quarter 2011 based on a new tax case ruling. The VAT expense decreased by SEK 35m after income tax. The income tax expense on the VAT amount was SEK 12m. During the third quarter 2012 the VAT expense was further decreased by SEK 88m after income tax due to a reassessment made by the Swedish Tax Agency. The income tax expense on the VAT amount was SEK 31m.

*Other contributed equity consists mainly of share premiums.

Cash flow statement, condensed

Group SEKm	Full-year 2013	Full-year 2012
Operating activities		
Operating profit	19 355	19 466
Profit for the period from discontinued operations	-2 340	-997
Adjustments for non-cash items in operating activities	-500	-460
Taxes paid	-2 961	-3 202
Increase/decrease in loans to credit institutions	2 597	10 760
Increase/decrease in loans to the public	-28 775	-32 215
Increase/decrease in holdings of securities for trading	-46 814	-6 334
Increase/decrease in deposits and borrowings from the public including retail bonds	38 016	21 504
Increase/decrease in amounts owed to credit institutions	-1 811	-15 011
Increase/decrease in other assets	32 732	610
Increase/decrease in other liabilities	-35 849	-2 202
Cash flow from operating activities	**-26 350**	**-8 081**
Investing activities		
Business combinations	-254	-6
Business disposals	119	2
Acquisitions of and contributions to associates	-4	-30
Acquisitions of other fixed assets and strategic financial assets	-835	-1 842
Disposals/maturity of other fixed assets and strategic financial assets	2 482	3 796
Cash flow from investing activities	**1 508**	**1 920**
Financing activities		
Issuance of interest-bearing securities	103 085	142 962
Redemption of interest-bearing securities	-126 236	-155 970
Issuance of commercial paper etc.	493 982	485 486
Redemption of commercial paper etc.	-506 627	-494 412
Dividends paid	-10 885	-5 831
Changes in ownership interest in subsidiary		-1
Contribution		16
Cash flow from financing activities	**-46 681**	**-27 750**
Cash flow for the period	**-71 523**	**-33 911**
Cash and cash equivalents at the beginning of the period	**130 058**	**164 307**
Cash flow for the period	-71 523	-33 911
Exchange rate differences on cash and cash equivalents	807	-338
Cash and cash equivalents in acquired companies	41	
Cash and cash equivalents at end of the period	**59 383**	**130 058**

Note 1 Accounting policies

The year-end report has been prepared in accordance with IAS 34, Interim Financial Reporting. The 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 Swedish Financial Supervisory Authority.

The Parent Company has prepared its accounts in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies, the directives of the Swedish Financial Supervisory Authority and recommendation RFR 2 of the Financial Reporting Council.

The accounting policies applied in the year-end report conform to the accounting policies applied in the preparation of the consolidated financial statements and the annual report for 2012 with the exceptions and new standards below.

Revised IAS 19 Employee Benefits

The revised IAS 19 is applied as of 2013. This means that statement UFR 4 from the Financial Reporting Council on accounting for the special employer's contribution and tax on returns is no longer applied. Instead the revised IAS 19 describes how taxes on pension benefits should be reported. In accounting for the tax on returns the statement UFR 9 on accounting for tax on returns from the Financial Reporting Council is applied as well. The application of the revised IAS 19 means that the so-called corridor approach has been abolished in accounting for defined benefit pensions. Actuarial gains and losses on the pension liability are instead recognised directly when they arise in other comprehensive income as a revaluation of defined benefit pension plans. Revaluations recognised in other comprehensive income may not be reversed to the income statement in subsequent periods. When calculating the pension expense recognised through the income statement, an employer may no longer use its own assumed return on assets under management. Instead interest income is calculated with the same interest rate used in the calculation of the interest expense for the pension liability. The difference between the estimated interest income and the actual return on assets under management is recognised immediately in other comprehensive income as a revaluation of defined-benefit pension plans. Comparative figures have been restated for 2012, which means that the opening equity balance as of 1 January 2012 has been adjusted due to the revised accounting policies, which also resulted in adjustments to the reported values of equity shares in associates. In total, the revised accounting policies reduced the opening equity balance as of 1 January 2012 by SEK 1 582m. The effect is recognised separately in equity. Other changes between previously reported amounts and new comparative figures are reported in note 27 Effects of changes in accounting policies.

Revised IAS 1 Presentation of Financial Statements
As of 2013 other comprehensive income is divided into two parts: components that will not be reclassified to the income statement and components that have been or will be reclassified to the income statement.

Revised IFRS 7 Financial Instruments: Disclosures
As of 2013 disclosures are provided on financial assets and financial liabilities which are offset in the balance sheet or are subject to various legally binding netting arrangements or other similar risk-reducing agreements. See note 21.

IFRS 13 Fair Value Measurement
The new standard IFRS 13 replaces the guidance on fair value measurement which had been found in each IFRS standard. The standard defines fair value and how it is determined. It also includes new disclosure requirements, due to which IAS 34 Interim reporting has been expanded and interim reports issued as of 2013 will include specific disclosures on financial instruments at fair value and whose fair value is calculated in accordance with level 3 in the fair value hierarchy. The revision to IAS 34 also means that disclosures on the fair value of financial instruments recognised at amortised cost will be provided in interim reports. See note 19. The introduction of the standard has otherwise had no material impact on how the Group measures fair values or on its financial position or results.

Other IFRS changes
No new or revised IFRS and IFRIC interpretations besides those above have been applied or had a significant effect on the financial position, results or disclosures pertaining to the Group or parent company.

Discontinued operations
Discontinued operations refer to the part of the Group which has been classified as held for sale and constitute operations conducted within a geographical area as well as subsidiaries acquired solely for the purpose of resale. Net profit from discontinued operations, including future gains or losses on divestments and reversals of exchange rate differences for foreign net investments from other comprehensive income, is presented as a single amount after net profit from continuing operations. Since the first quarter 2013 the operations in Russia and Ukraine were classified as held for sale, since at the time of classification they were available for immediate sale in their current condition and it was very likely that a sale would take place within one year. Comparative income statement figures have been restated. See note 27 Effects of changes in accounting policies.

Assets classified as held for sale and liabilities attributable to these assets are reported in the balance sheet on separate lines as of the classification date.

The operations in Ukraine were divested in the second quarter of 2013. Portions of the Russian operations were divested as well.

Change in value of interest rate-hedged items in portfolio hedges
As of the first quarter 2013 fair values are hedged for interest rate exposure in any portfolio with financial assets where the hedged portion is identified as a single amount rather than as individual assets. Because the hedge relates to a portfolio rather than individual balance sheet items, the hedged items' change in value is recognised on a separate line in the balance sheet called Change in value of interest rate-hedged items in portfolio hedges. Portfolio hedges are otherwise recognised in the same way as individual balance sheet items that are recognised as hedges at fair value.

Trading-related interest income and interest expenses
As of 2013 interest income and interest expenses from financial instruments held for trading within the Large Corporates & Institutions ("LC&I") together with related interest, are reported as Net gains and losses on financial items at fair value. Comparative figures have been restated. See note 27 Effects of changes in accounting policies.

Commission income and commission expenses
As of 2013 a revised distribution is applied between commission income and commission expenses, asset management commissions, related to compensation for mutual fund sales. Comparative figures have been restated. See note 27 Effects of changes in accounting policies.

Operating segments
The operating segments have changed as of 2013. The changes follow the organisational changes that have been made in Swedbank's business area organisation.

Responsibility for retail operations in the Nordic branch offices, with the exception of the branch office in Denmark, has been transferred from Swedish Banking to LC&I. Moreover, a large number of customers have been transferred from Swedish Banking to LC&I. Asset Management is no longer reported as a separate segment and instead is included in Group Functions & Other. Income, business volumes and cost-based compensation related to asset management are reported within Swedish Banking, LC&I and Baltic Banking based on where each customer belongs. Group Shared Services and a number of small support functions have been moved from Group Functions & Other to Swedish Banking. Comparative figures have been restated.

Future changes to IFRS
Revisions which have been issued but not yet applied are being evaluated in terms of how they are expected to affect the financial reports of the Group and parent company. Thus far there is no apparent material impact on the financial position or results. More disclosures will be needed, however. Nor are the revisions issued to date expected to materially affect capital requirements, the capital base and large exposures. A number of draft revisions have been issued as well, e.g. concerning the impairment of financial assets in the category amortised cost, hedge accounting and leasing. Although they will affect Swedbank's financial reporting, the extent cannot be determined until the rules have been finalised.

Note 2 Critical accounting estimates

The Group uses various estimates and assumptions about the future to determine the value of certain assets and liabilities. The most important assumptions by amount are made for impairment provisions and impairment testing of goodwill.

Provisions for impairments

For loans that have been identified as impaired as well as portfolios of loans with similar credit terms which have been affected by a loss event, assumptions are made as to when in the future the cash flows will be received as well as their size. Provisions for impairments are made for the difference between the present value of these projected cash flows and the claims' carrying amount. Decisions are therefore based on various estimates and executive management's judgments about current market conditions. Portfolio provisions are based on loss estimates made in accordance with capital adequacy rules.

The Group's provisions in the Baltic operations decreased from SEK 4 578m to SEK 2 564m in 2013. The changes were based on the losses that executive management judged as most likely against the backdrop of the current economic outlook within a reasonable assumption range.

Impairment testing of goodwill

When goodwill is tested for impairment, future cash flows are estimated for the cash-generating unit that the goodwill refers to and has been allocated to. As far as possible, the assumptions that are used, or part of those assumptions, are based on outside sources. Nevertheless, the calculation largely depends on the executive management's own assumptions. The assumptions are made based on indefinite ownership of the asset.

The Group's goodwill amounted to SEK 11 760m as of 31 December 2013, of which SEK 9 034m related to the investment in the Baltic operations. There were no indications to warrant impairment testing as of the closing day.

Note 3 Changes in the Group structure

External

During the first quarter of 2013 an agreement was signed to sell the Ukrainian subsidiary JSC Swedbank to Mykola Lagun, the majority owner of Delta Bank in Ukraine. The sale was finalised during the second quarter of 2013, when the necessary regulatory approval was received and control of the company was transferred to the buyer. As a result, the operations have been derecognised from the balance sheet. The financial effects are disclosed in note 24 Discontinued operations.

Svensk Fastighetsförmedling was acquired by Swedbank Franchise AB on the 16th of December 2013, the acquisition price was SEK 254m. Intangible assets amounting to SEK 99m was identified in the acquisition.

Internal

In March 2013 Swedbank AS Estonia acquired the minority share (49.67%) in the company Swedbank Life Insurance SE from Swedbank AS Latvia.

Following the acquisition the company is wholly owned by Swedbank AS in Estonia. Segment reporting is not affected by the change.

Note 4 Operating segments (business areas)

Jan-Dec 2013 SEKm	Swedish Banking	Large Corporates & Institutions	Baltic Banking	Group Functions & Other	Eliminations	Group
Income statement						
Net interest income	13 620	3 387	3 156	1 880	-14	22 029
Net commissions	6 364	1 968	1 733	-30	97	10 132
Net gains and losses on financial items at fair value	126	1 960	316	-918		1 484
Share of profit or loss of associates	849			3		852
Other income	757	167	418	1 425	-326	2 441
Total income	**21 716**	**7 482**	**5 623**	**2 360**	**-243**	**36 938**
of which internal income	196	4	4	-604	400	
Staff costs	3 499	1 150	746	3 322	-13	8 704
Variable staff costs	230	409	63	245		947
Other expenses	5 865	1 588	1 495	-2 460	-230	6 258
Depreciation/amortisation	132	58	140	409		739
Total expenses	**9 726**	**3 205**	**2 444**	**1 516**	**-243**	**16 648**
Profit before impairments	**11 990**	**4 277**	**3 179**	**844**		**20 290**
Impairment of intangible assets		56	1	125		182
Impairment of tangible assets			23	670		693
Credit impairments	338	180	-437	-21		60
Operating profit	**11 652**	**4 041**	**3 592**	**70**		**19 355**
Tax expense	2 516	1 044	396	143		4 099
Profit for the period from continuing operations	9 136	2 997	3 196	-73		15 256
Profit for the period from discontinued operations, after tax				-2 340		-2 340
Profit for the period	9 136	2 997	3 196	-2 413		12 916
Profit for the period attributable to the shareholders of Swedbank AB	**9 122**	**2 997**	**3 196**	**-2 414**		**12 901**
Non-controlling interests	14			1		15
Balance sheet, SEKbn						
Cash and balances with central banks		3	2	54		59
Loans to credit institutions	41	371	1	186	-517	82
Loans to the public	937	204	119	5		1 265
Bonds and other interest-bearing securities		55	1	129	-3	182
Financial assets for which customers bear inv. risk	117		2			119
Investments in associates	3			1		4
Derivatives		85		24	-45	64
Total tangible and intangible assets	3		10	6		19
Other assets	6	19	10	771	-779	27
Total assets	**1 107**	**737**	**145**	**1 176**	**-1 344**	**1 821**
Amounts owed to credit institutions	83	198		349	-508	122
Deposits and borrowings from the public	385	111	120	10	-5	621
Debt securities in issue		16	1	722	-11	728
Financial liabilities for which customers bear inv. risk	119		2			121
Derivatives		80		20	-45	55
Other liabilities	487	317		25	-775	54
Subordinated liabilities				10		10
Total liabilities	**1 074**	**722**	**123**	**1 136**	**-1 344**	**1 711**
Allocated equity	33	15	22	40		110
Total liabilities and equity	**1 107**	**737**	**145**	**1 176**	**-1 344**	**1 821**
Key figures						
Return on allocated equity, continuing operations, %	27.9	17.3	14.0	-0.2		14.7
Return on allocated equity, total operations, %	27.9	17.3	14.0	-7.9		12.5
Cost/income ratio	0.45	0.43	0.43	0.64		0.45
Credit impairment ratio, %	0.04	0.08	-0.37	-0.07		0.00
Loan/deposit ratio, %	244	173	100	84		203
Loans, SEKbn	937	154	119	5		1 215
Deposits, SEKbn	385	89	120	5		599
Risk-weighted assets, SEKbn	202	137	87	26		452
Full-time employees	5 004	1 070	3 753	4 438		14 265

Jan-Dec 2012 SEKm	Swedish Banking	Large Corporates & Institutions	Baltic Banking	Group Functions & Other	Eliminations	Group
Income statement						
Net interest income	13 491	3 041	3 291	557	-19	20 361
Net commissions	6 155	1 833	1 522	31	73	9 614
Net gains and losses on financial items at fair value	161	2 253	295	364		3 073
Share of profit or loss of associates	788	6		4		798
Other income	771	51	384	1 450	-234	2 422
Total income	**21 366**	**7 184**	**5 492**	**2 406**	**-180**	**36 268**
of which internal income	212	7	2	-1 098	877	
Staff costs	3 399	1 125	743	3 246	-13	8 500
Variable staff costs	139	365	63	171		738
Other expenses	6 129	1 459	1 482	-2 433	-167	6 470
Depreciation/amortisation	124	47	124	557		852
Total expenses	**9 791**	**2 996**	**2 412**	**1 541**	**-180**	**16 560**
Profit before impairments	**11 575**	**4 188**	**3 080**	**865**		**19 708**
Impairment of intangible assets		4		16		20
Impairment of tangible assets			15	392		407
Credit impairments	286	194	-685	20		-185
Operating profit	**11 289**	**3 990**	**3 750**	**437**		**19 466**
Tax expense	2 694	1 010	387	66		4 157
Profit for the period from continuing operations	8 595	2 980	3 363	371		15 309
Profit for the period from discontinued operations, after tax				-997		-997
Profit for the period	8 595	2 980	3 363	-626		14 312
Profit for the period attributable to the shareholders of Swedbank AB	**8 585**	**2 980**	**3 363**	**-624**		**14 304**
Non-controlling interests	10			-2		8
Balance sheet, SEKbn						
Cash and balances with central banks	1	7	3	119		130
Loans to credit institutions	33	262		193	-403	85
Loans to the public	912	200	115	12		1 239
Bonds and other interest-bearing securities		57	2	83	-6	136
Financial assets for which customers bear inv. risk	102		2			104
Investments in associates	3			1		4
Derivatives		125		41	-64	102
Total tangible and intangible assets	3	1	10	7		21
Other assets	8	15	3	652	-652	26
Total assets	**1 062**	**667**	**135**	**1 108**	**-1 125**	**1 847**
Amounts owed to credit institutions	73	206		240	-397	122
Deposits and borrowings from the public	377	94	107	8	-6	580
Debt securities in issue		16	1	762	-12	767
Financial liabilities for which customers bear inv. risk	103		2			105
Derivatives		120		35	-63	92
Other liabilities	478	212		21	-647	64
Subordinated liabilities				14		14
Total liabilities	**1 031**	**648**	**110**	**1 080**	**-1 125**	**1 744**
Allocated equity	31	19	25	28		103
Total liabilities and equity	**1 062**	**667**	**135**	**1 108**	**-1 125**	**1 847**
Key figures						
Return on allocated equity, continuing operations, %	27.1	15.5	13.6	1.7		15.6
Return on allocated equity, total operations, %	27.1	15.5	13.6	-2.8		14.6
Cost/income ratio	0.46	0.42	0.44	0.64		0.46
Credit impairment ratio, %	0.03	0.08	-0.57	0.09		-0.01
Loan/deposit ratio, %	242	209	108	261		212
Loans, SEKbn	912	149	115	8		1 184
Deposits, SEKbn	377	71	107	3		558
Risk-weighted assets, SEKbn	202	134	95	33		464
Full-time employees	4 922	1 043	4 155	4 741		14 861

Operating segments’ accounting policies

The operating segment reporting is based on Swedbank’s accounting policies, organisation and management accounts. 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).

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

The assumptions for internal capital allocation were changed during the third quarter 2013 due to expected changes in capital adequacy requirements. This change has had a marginal effect on the allocation of capital between the business segments.

Note 5 Net interest income

Group SEKm	Q4 2013	Q3 2013	%	Q4 2012	%	Full-year 2013	Full-year 2012	%
Interest income								
Loans to credit institutions	98	175	-44	285	-66	679	1 436	-53
Loans to the public	10 344	10 369	0	11 255	-8	41 588	47 575	-13
Interest-bearing securities	605	516	17	541	12	2 147	2 833	-24
Derivatives	-104	-55	89	-65	60	63	198	-68
Other	162	106	53	114	42	502	501	0
Total interest income	**11 105**	**11 111**	**0**	**12 130**	**-8**	**44 979**	**52 543**	**-14**
of which interest income reported in net gains and losses on financial items at fair value	186	244	-24	392	-53	1 011	2 040	-50
Interest income according to income statement	**10 919**	**10 867**	**0**	**11 738**	**-7**	**43 968**	**50 503**	**-13**
Interest expenses								
Amounts owed to credit institutions	-122	-181	-33	-236	-48	-656	-1 108	-41
Deposits and borrowings from the public	-1 225	-1 207	1	-1 571	-22	-5 040	-7 379	-32
of which deposit guarantee fees	-144	-129	12	-146	-1	-560	-554	1
Debt securities in issue	-4 620	-4 438	4	-5 016	-8	-18 709	-21 741	-14
of which commissions for government guaranteed funding	-20	-21	-5	-81	-75	-129	-387	-67
Subordinated liabilities	-123	-126	-2	-192	-36	-625	-999	-37
Derivatives	693	619	12	487	42	2 658	244	
Other	-127	-147	-14	-179	-29	-548	-676	-19
of which government stabilisation fund fee	-114	-131	-13	-147	-22	-491	-569	-14
Total interest expenses	**-5 524**	**-5 480**	**1**	**-6 707**	**-18**	**-22 920**	**-31 659**	**-28**
of which interest income reported in net gains and losses on financial items at fair value	-231	-254	-9	-315	-27	-981	-1 517	-35
Interest expense according to income statement	**-5 293**	**-5 226**	**1**	**-6 392**	**-17**	**-21 939**	**-30 142**	**-27**
Net interest income	**5 626**	**5 641**	**0**	**5 346**	**5**	**22 029**	**20 361**	**8**
Net interest margin	**1.20**	**1.21**		**1.14**		**1.17**	**1.12**	

Note 6 Net commissions

Group SEKm	Q4 2013	Q3 2013	%	Q4 2012	%	Full-year 2013	Full-year 2012	%
Commission income								
Payment processing	454	436	4	437	4	1 729	1 736	0
Card commissions	1 040	1 089	-4	984	6	4 053	3 758	8
Service concepts	114	112	2	91	25	442	337	31
Asset management and custody fees	1 394	1 284	9	1 245	12	5 141	4 703	9
Life insurance	119	129	-8	125	-5	503	522	-4
Brokerage and other securities	159	109	46	130	22	558	483	16
Corporate finance	163	54		124	31	350	339	3
Lending	227	211	8	181	25	853	698	22
Guarantees	51	46	11	44	16	187	181	3
Deposits	17	14	21	5		63	61	3
Real estate brokerage	43	46	-7	44	-2	169	158	7
Non-life insurance	27	17	59	15	80	89	62	44
Other commission income	149	136	10	171	-13	555	618	-10
Total commission income	**3 957**	**3 683**	**7**	**3 596**	**10**	**14 692**	**13 656**	**8**
Commission expenses								
Payment processing	-256	-252	2	-204	25	-914	-727	26
Card commissions	-509	-510	0	-435	17	-1 892	-1 665	14
Service concepts	-4	-4	0	-5	-20	-16	-16	0
Asset management and custody fees	-284	-253	12	-277	3	-1 028	-988	4
Life insurance	-60	-55	9	-53	13	-226	-207	9
Brokerage and other securities	-94	-42		-67	40	-292	-244	20
Lending and guarantees	-16	-13	23	-13	23	-57	-49	16
Other commission expenses	-35	-34	3	-40	-13	-135	-146	-8
Total commission expenses	**-1 258**	**-1 163**	**8**	**-1 094**	**15**	**-4 560**	**-4 042**	**13**
Total net commissions	**2 699**	**2 520**	**7**	**2 502**	**8**	**10 132**	**9 614**	**5**

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

Group SEKm	Q4 2013	Q3 2013	%	Q4 2012	%	Full-year 2013	Full-year 2012	%
Valuation category, fair value through profit or loss								
Shares and related derivatives	32	-131		39	-18	70	176	-60
of which dividend	3	10	-70	8	-63	248	266	-7
Interest-bearing securities and related derivatives	3 681	-3 968		4 562	-19	6 763	-5 783	
Loans	596	-3		450	32	-2 129	1 570	
Financial liabilities	-4 095	3 907		-4 652	-12	-4 330	4 905	
Other financial instruments		-1		-2		8	-5	
Total fair value through profit or loss	**214**	**-196**		**397**	-46	**382**	**863**	-56
Hedge accounting								
Ineffective part in hedge accounting at fair value	14	-25		53	-74	-33	215	
of which hedging instruments	-22	-654	-97	-1 111	-98	-7 696	4 301	
of which hedged items	36	629	-94	1 164	-97	7 663	-4 086	
Ineffective part in hedging of net investments in foreign operations	-5	-8	-38	-19	-74	-49	36	
Total hedge accounting	**9**	**-33**		**34**	**-74**	**-82**	**251**	
Loan receivables at amortised cost	**34**	**45**	**-24**	**34**	**0**	**137**	**111**	**23**
Financial liabilities valued at amortised cost	**-2**			**47**		**-133**	**51**	
Trading related interest								
Interest income	186	244	-24	392	-53	1 011	2 040	-50
Interest expense	-231	-254	-9	-315	-27	-981	-1 517	-35
Total trading related interest	**-45**	**-10**		**77**		**30**	**523**	**-94**
Change in exchange rates	**251**	**364**	**-31**	**241**	**4**	**1 150**	**1 274**	**-10**
Total net gains and losses on financial items at fair value	**461**	**170**		**830**	**-44**	**1 484**	**3 073**	**-52**

Distribution by business purpose

Financial instruments for trading related business	**438**	**404**	**8**	**605**	**-28**	**1 963**	**2 380**	**-18**
Financial instruments intended to be held to contractual maturity	**23**	**-234**		**225**	**-90**	**-479**	**693**	
Total	**461**	**170**		**830**	**-44**	**1 484**	**3 073**	**-52**

Note 8 Other expenses

Group SEKm	Q4 2013	Q3 2013	%	Q4 2012	%	Full-year 2013	Full-year 2012	%
Premises and rents	319	293	9	318	0	1 193	1 232	-3
IT expenses	491	404	22	415	18	1 650	1 574	5
Telecommunications and postage	34	32	6	56	-39	141	224	-37
Advertising, PR and marketing	114	71	61	120	-5	354	333	6
Consultants	87	49	78	62	40	265	249	6
Compensation to savings banks	162	168	-4	165	-2	662	623	6
Other purchased services	178	157	13	150	19	647	602	7
Security transport and alarm systems	21	45	-53	93	-77	207	388	-47
Supplies	32	29	10	34	-6	120	132	-9
Travel	67	38	76	51	31	201	171	18
Entertainment	17	11	55	14	21	49	49	0
Repair/maintenance of inventories	40	47	-15	29	38	158	140	13
Other expenses	127	144	-12	162	-22	611	753	-19
Total other expenses	**1 689**	**1 488**	**14**	**1 669**	**1**	**6 258**	**6 470**	**-3**

Note 9 Credit impairments

Group SEKm	Q4 2013	Q3 2013	%	Q4 2012	%	Full-year 2013	Full-year 2012	%
Provision for loans individually assessed as impaired								
Provisions	221	2		-161		484	410	18
Reversal of previous provisions	-124	-73	70	-282	-56	-387	-798	-52
Provision for homogenous groups of impaired loans, net	-281	-73		-146	92	-445	-386	15
Total	**-184**	**-144**	**28**	**-589**	**-69**	**-348**	**-774**	**-55**
Portfolio provisions for loans individually assessed as not impaired	**-116**	**-90**	**29**	**-217**	**-47**	**-281**	**-621**	**-55**
Write-offs								
Established losses	1 034	550	88	2 016	-49	2 925	4 450	-34
Utilisation of previous provisions	-576	-248		-1 148	-50	-1 702	-2 878	-41
Recoveries	-120	-98	22	-68	76	-383	-343	12
Total	**338**	**204**	**66**	**800**	**-58**	**840**	**1 229**	**-32**
Credit impairments for contingent liabilities and other credit risk exposures	**-70**	**-26**		**-70**	**0**	**-151**	**-19**	
Credit impairments	**-32**	**-56**	**-43**	**-76**	**-58**	**60**	**-185**	
Credit impairment ratio, %	-0.01	-0.02		-0.02		0.00	-0.01	

Note 10 Loans

Group	31 Dec 2013			31 Dec 2012	
SEKm	Loans before provisions	Provisions	Loans after provisions Carrying amount	Loans after provisions Carrying amount	%
Loans to credit institutions					
Banks	73 281	63	73 218	68 886	6
Repurchase agreements, banks	5 498		5 498	4 975	11
Other credit institutions	1 342		1 342	671	100
Repurchase agreements, other credit institutions	2 220		2 220	10 948	-80
Loans to credit institutions	**82 341**	**63**	**82 278**	**85 480**	**-4**
Loans to the public					
Private customers	777 338	1 576	775 762	754 791	3
Private, mortgage	657 217	1 186	656 031	638 884	3
Housing cooperatives	87 177	42	87 135	82 131	6
Private,other	32 944	348	32 596	33 776	-3
Corporate customers	441 388	2 435	438 953	429 652	2
Agriculture, forestry, fishing	68 058	146	67 912	65 835	3
Manufacturing	38 115	439	37 676	44 997	-16
Public sector and utilities	21 452	42	21 410	19 613	9
Construction	14 650	119	14 531	14 046	3
Retail	29 052	236	28 816	28 506	1
Transportation	12 260	70	12 190	14 145	-14
Shipping and offshore	25 695	223	25 472	21 157	20
Hotels and restaurants	5 984	47	5 937	6 056	-2
Information and communications	4 524	15	4 509	2 710	66
Finance and insurance	17 680	10	17 670	18 595	-5
Property management	166 082	602	165 480	158 680	4
Residential properties	46 409	161	46 248	47 924	-3
Commercial	71 949	135	71 814	76 196	-6
Industrial and Warehouse	30 116	62	30 054	24 286	24
Other	17 608	244	17 364	10 274	69
Professional services	14 837	289	14 548	11 594	25
Other corporate lending	22 999	197	22 802	23 718	-4
Loans to the public excluding the Swedish National Debt Office and repurchase agreements	**1 218 726**	**4 011**	**1 214 715**	**1 184 443**	**3**
Swedish National Debt Office	2 257		2 257	6 470	-65
Repurchase agreements, Swedish National Debt Office	11 163		11 163	7 957	40
Repurchase agreements, public	36 775		36 775	39 994	-8
Loans to the public	**1 268 921**	**4 011**	**1 264 910**	**1 238 864**	**2**
Loans to the public and credit institutions	**1 351 262**	**4 074**	**1 347 188**	**1 324 344**	**2**

Note 11 Impaired loans etc.

Group SEKm	31 Dec 2013	31 Dec 2012	%
Impaired loans, gross	7 499	13 938	-46
Provisions for individually assessed impaired loans	1 509	4 942	-69
Provision for homogenous groups of impaired loans	1 309	2 135	-39
Impaired loans, net	**4 681**	**6 861**	**-32**
of which private customers	2 073	3 046	-32
of which corporate customers	2 608	3 815	-32
Portfolio provisions for loans individually assessed as not impaired	1 256	1 545	-19
Share of impaired loans, gross, %	0.55	1.05	
Share of impaired loans, net, %	0.35	0.52	
Provision ratio for impaired loans, %	38	51	
Total provision ratio for impaired loans, % *	54	62	
Past due loans that are not impaired	**4 969**	**6 633**	**-25**
of which past due 5-30 days	2 956	4 188	-29
of which past due 31-60 days	1 059	1 408	-25
of which past due 61 days or more	954	1 037	-8

* Total provision i.e. all provisions for claims in relation to impaired loans, gross.

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

Group SEKm	31 Dec 2013	31 Dec 2012	%
Buildings and land	2 011	4 905	-59
Shares and participating interests	22	50	-56
Other property taken over	19	16	19
Total assets taken over for protection of claims	**2 052**	**4 971**	**-59**
Cancelled leases	63	95	-34
Total assets taken over for protection of claims and cancelled leases	**2 115**	**5 066**	**-58**
of which acquired by Ektornet	1 856	4 606	-60

Note 13 Credit exposures

Group SEKm	31 Dec 2013	31 Dec 2012	%
Assets			
Cash and balances with central banks	59 382	130 058	-54
Interest-bearing securities	182 399	135 807	34
Loans to credit institutions	82 278	85 480	-4
Loans to the public	1 264 910	1 238 864	2
Derivatives	64 352	102 265	-37
Other financial assets	15 403	14 547	6
Total assets	**1 668 724**	**1 707 021**	**-2**
Contingent liabilities and commitments			
Loan guarantees	21 937	22 342	-2
Loan commitments	198 209	188 176	5
Total contingent liabilities and commitments	**220 146**	**210 518**	**5**
Total credit exposures	**1 888 870**	**1 917 539**	**-1**

Note 14 Intangible assets

Group SEKm	31 Dec 2013	31 Dec 2012	%
With indefinite useful life			
Goodwill	11 760	11 452	3
Total	**11 760**	**11 452**	**3**
With finite useful life			
Customer base	856	876	-2
Internally developed software	386	590	-35
Other	656	522	26
Total	**1 898**	**1 988**	**-5**
Total intangible assets	**13 658**	**13 440**	**2**

Goodwill	Full-year 2013	Full-year 2012
Cost		
Opening balance	**15 682**	**15 996**
Additions through business combinations	19	
Disposals	-2 394	
Exchange rate differences	394	-314
Closing balance	**13 701**	**15 682**
Accumulated amortisation and impairments		
Opening balance	**-4 230**	**-4 234**
Impairments		-3
Disposals	2 394	
Exchange rate differences	-105	7
Closing balance	**-1 941**	**-4 230**
Carrying amount	**11 760**	**11 452**

Impairment testing of intangible assets

Goodwill and other intangible assets are tested for impairment annually or when there are indications that the recoverable amount of the assets is lower than their carrying amount. The recoverable amount is the higher of fair value less costs to sell and value in use. Swedbank calculates value in use by estimating an asset's future cash flows and calculating them at present value with a discount rate. Estimated cash flows and discount rates are derived from external sources whenever possible and appropriate, but must in large part be determined based on executive management's own assumptions. Executive management also determines whether there is any need for a new test during the year.

In 2012 a minor goodwill item was impaired by SEK 3m. There were otherwise no indications to necessitate a new impairment test of goodwill during the year. The annual test did not lead to any impairment. As of 31 December 2013 there were no indications that warranted a new impairment test of goodwill.

In the second quarter 2013 internally developed software was impaired by SEK 170m.

Note 15 Amounts owed to credit institutions

Group SEKm	31 Dec 2013	31 Dec 2012	%
Amounts owed to credit institutions			
Central banks	7 618	3 574	
Banks	102 591	106 262	-3
Other credit institutions	3 289	3 656	-10
Repurchase agreements - banks	7 873	5 976	32
Repurchase agreements - other credit institutions	250	2 734	-91
Amounts owed to credit institutions	**121 621**	**122 202**	**0**

Note 16 Deposits from the public

Group SEKm	31 Dec 2013	31 Dec 2012	%
Deposits from the public			
Private customers	340 533	332 264	2
Corporate customers	258 376	225 633	15
Deposits from the public excluding the Swedish National Debt Office and repurchase agreements	**598 909**	**557 897**	**7**
Swedish National Debt Office	3	1	
Repurchase agreements - Swedish National Debt Office	7 829	7 107	10
Repurchase agreements - public	14 112	14 658	-4
Deposits and borrowings from the public	**620 853**	**579 663**	**7**

Note 17 Debt securities in issue

Group SEKm	31 Dec 2013	31 Dec 2012	%
Commercial paper	100 170	115 135	-13
Covered bonds	512 361	518 238	-1
Government guaranteed bonds	8 578	30 392	-72
Senior unsecured bonds	92 898	88 747	5
Structured retail bonds	13 699	14 942	-8
Total debt securities in issue	**727 706**	**767 454**	**-5**

Turnover during the period	Full-year 2013	Full-year 2012	%
Opening balance	**767 454**	**781 458**	**-2**
Issued	597 067	628 448	
Repurchased	-46 476	-76 725	
Repaid	-582 361	-572 509	
Change in market value	-2 803	12 329	
Exchange rate differences	-5 175	-5 547	
Closing balance	**727 706**	**767 454**	**-5**

Note 18 Derivatives

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

Group SEKm	Nominal amount 31 Dec 2013 Remaining contractual maturity < 1 yr.	 1-5 yrs.	 > 5 yrs.	Nominal amount 31 Dec 2013	 31 Dec 2012	Positive fair value 31 Dec 2013	 31 Dec 2012	Negative fair value 31 Dec 2013	 31 Dec 2012
Derivatives in fair value hedges	84 330	263 537	44 051	391 918	428 808	15 208	23 649	1 196	56
Derivatives in portfolio fair value hedges	5 000	46 100	1 750	52 850		38		414	
Derivatives in cash flow hedges	731	9 885	13 132	23 748	34 463			3 115	5 289
Derivatives in hedges of net investment in foreign operations	1 510			1 510	1 698	9			75
Other derivatives	7 792 813	6 191 638	579 491	14 563 942	11 208 258	54 245	81 140	55 434	89 245
Offset amount						-5 148	-2 524	-5 148	-2 524
Total	**7 884 384**	**6 511 160**	**638 424**	**15 033 968**	**11 673 227**	**64 352**	**102 265**	**55 011**	**92 141**
of which cleared	2 180 970	880 373	29 032	3 090 375	3 828 786	1 696	2 530	2 364	3 142

Note 19 Financial instruments carried at fair value

Group SEKm	31 Dec 2013 Fair value	 Carrying amount	 Difference	31 Dec 2012 Fair value	 Carrying amount	 Difference
Assets						
Financial assets covered by IAS 39						
Cash and balances with central banks	59 382	59 382		130 058	130 058	
Treasury bills etc.	56 852	56 814	38	20 557	20 483	74
Loans to credit institutions	82 231	82 278	-47	85 479	85 480	-1
Loans to the public	1 270 138	1 264 910	5 228	1 245 755	1 238 864	6 891
Value change of interest hedged items in portfolio hedge	62	62				
Bonds and interest-bearing securities	125 579	125 585	-6	115 320	115 324	-4
Financial assets for which the customers bear the investment risk	119 448	119 448		104 194	104 194	
Shares and participating interest	7 109	7 109		8 106	8 106	
Derivatives	64 352	64 352		102 265	102 265	
Other financial assets	15 403	15 403		14 547	14 547	
Total	**1 800 556**	**1 795 343**	**5 213**	**1 826 281**	**1 819 321**	**6 960**
Investment in associates		**3 640**			**3 552**	
Non-financial assets		**21 824**			**23 987**	
Total		**1 820 807**			**1 846 860**	
Liabilities						
Financial liabilities covered by IAS 39						
Amounts owed to credit institutions	121 621	121 621		122 202	122 202	
Deposits and borrowings from the public	620 816	620 853	-37	579 663	579 663	
Debt securities in issue	733 556	727 706	5 850	774 152	767 454	6 698
Financial liabilities for which the customers bear the investment risk	120 577	120 577		105 104	105 104	
Subordinated liabilities	10 072	10 159	-87	14 077	14 307	-230
Derivatives	55 011	55 011		92 141	92 141	
Short positions securities	17 519	17 519		18 229	18 229	
Other financial liabilities	24 987	24 987		29 762	29 762	
Total	**1 704 159**	**1 698 433**	**5 726**	**1 735 330**	**1 728 862**	**6 468**
Non-financial liabilities		**12 669**			**14 812**	
Total		**1 711 102**			**1 743 674**	

Group 31 Dec 2013 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
Determination of fair value from quoted market prices or valuation techniques				
Assets				
Treasury bills etc.	29 265	26 994		56 259
Loans to credit institutions		7 718		7 718
Loans to the public		371 354		371 354
Bonds and other interest-bearing securities	92 285	32 347		124 632
Financial assets for which the customers bear the investment risk	119 448			119 448
Shares and participating interests	6 912	140	57	7 109
Derivatives	93	64 126	133	64 352
Total	**248 003**	**502 679**	**190**	**750 872**
Liabilities				
Amounts owed to credit institutions		8 123		8 123
Deposits and borrowings from the public		24 407		24 407
Debt securities in issue	29 003	26 294		55 297
Financial liabilities for which the customers bear the investment risk		120 577		120 577
Derivatives	762	54 230	19	55 011
Short positions, securities	17 519			17 519
Total	**47 284**	**233 631**	**19**	**280 934**

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 trading volumes and 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 how the internal assumptions 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, if a type of financial instrument is to be transferred between levels.

There were no transfers of financial instruments between valuation levels 1 and 2 during the year.

Group 31 Dec 2012 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
Determination of fair value from quoted market prices or valuation techniques				
Assets				
Treasury bills etc.	17 812	1 846		19 658
Loans to credit institutions	60	15 923		15 983
Loans to the public		489 126		489 126
Bonds and other interest-bearing securities	83 263	30 182	342	113 787
Financial assets for which the customers bear the investment risk	104 194			104 194
Shares and participating interests	7 866	160	14	8 040
Derivatives	7	102 195	63	102 265
Total	**213 202**	**639 432**	**419**	**853 053**
Liabilities				
Amounts owed to credit institutions		8 710		8 710
Deposits and borrowings from the public		46 865		46 865
Debt securities in issue	33 900	39 360		73 260
Financial liabilities for which the customers bear the investment risk		105 104		105 104
Derivatives	625	91 516		92 141
Short positions, securities	18 229			18 229
Total	**52 754**	**291 555**		**344 309**

Changes in level 3	Assets				Liabilities
Group SEKm	Debt securities	Equity instruments	Derivatives	Total	Derivatives
January-December 2013					
Opening balance 1 January 2013	**342**	**14**	**63**	**419**	
Sale of assets		-11		**-11**	
Maturities	-342			**-342**	
Transferred from Level 2 to Level 3		54	120	**174**	26
Gains or losses			-50	**-50**	-7
of which in the income statement, net gains and losses on financial items at fair value			-50	**-50**	-7
of which changes in unrealised gains or losses for items held at closing day			-50	**-50**	-7
Closing balance 31 December 2013	**0**	**57**	**133**	**190**	**19**

Level 3 primarily contains unlisted equity instruments and illiquid options. The options hedge changes in the market value of hybrid debt instruments, so-called structured products. The structured products consist of a corresponding option element as well as a host contract, which in principle is an ordinary interest-bearing bond. When the Group determines the level on which the financial instruments will be reported, they are measured in their entirety on an individual basis. Since the option portion of the structured products is essentially the financial instrument's fair value, the internal assumptions normally used to value the illiquid option element do not have a material impact on the valuation. The financial instrument is then reported on level 2. Internal assumptions are of greater importance to individual options that hedge structured products, because of which several are reported as derivatives on level 3. In general, the Group always hedges market risks that arise in structured products, because of which differences between the carrying amount of assets and liabilities on level 3 do not reflect differences in the use of internal assumptions in valuations.

To estimate the sensitivity in the volatility of the illiquid options, two types of shifts have been used. The shifts are based on the type of product and are considered reasonable changes. A decrease in volatility of 20 per cent would reduce the fair value of all options in level 3 by approximately SEK 25m. An increase in volatility of 20 per cent would raise the fair value of all options in level 3 by approximately SEK 30m. The corresponding pair of value changes arises for financial instruments reported in level 2.

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

Changes in level 3	Assets				Liabilities
Group SEKm	Debt securities	Equity instruments	Derivatives	Total	Derivatives
January-December 2012					
Opening balance 1 January 2012	**390**	**71**		**461**	
Sale of assets		-7		**-7**	
Settlements		-51		**-51**	
Transferred from Level 2 to Level 3			63	**63**	
Gains or losses	-48	1		**-47**	
of which in the income statement, net gains and losses on financial items at fair value	-48	1		**-47**	
of which changes in unrealised gains or losses for items held at closing day	-48	1		**-47**	
Closing balance 31 December 2012	**342**	**14**	**63**	**419**	

Note 20 Pledged collateral

Group SEKm	31 Dec 2013	31 Dec 2012	%
Loan receivables	740 215	700 907	6
Financial assets pledged for policyholders	118 627	103 432	15
Other assets pledged	41 376	54 369	-24
Pledged collateral	**900 218**	**858 708**	**5**

Note 21 Offsetting financial assets and liabilities

The disclosures below refer to reported financial instruments that have been offset in the balance sheet or are subject to legally binding netting agreements, even when they have not been offset in the balance sheet, as well as to related rights to financial collateral. As of the closing day these financial instruments related to derivatives, repos (including reverse), security settlement claims and securities lending.

Group SEKm	Assets			Liabilities		
	31 Dec 2013	31 Dec 2012	%	31 Dec 2013	31 Dec 2012	%
Financial assets and liabilities, which have been offset or are subject to netting or similar agreements						
Gross amount	128 021	171 675	-25	94 332	128 914	-27
Offset amount	-10 454	-8 462	24	-10 454	-8 462	24
Net amounts presented in the balance sheet	**117 567**	**163 213**	**-28**	**83 878**	**120 452**	**-30**
Related amounts not offset in the balance sheet						
Financial instruments, netting arrangements	42 305	70 640	-40	42 305	70 640	-40
Financial Instruments, collateral	57 765	64 296	-10	32 127	31 549	2
Cash, collateral	10 757	16 775	-36	7 440	14 678	-49
Total amount not offset in the balance sheet	**110 827**	**151 711**	**-27**	**81 872**	**116 867**	**-30**
Net amount	**6 740**	**11 502**	**-41**	**2 006**	**3 585**	**-44**

Note 22 Capital adequacy

Capital adequacy, Basel 2 Swedbank financial companies group SEKm	31 Dec 2013	31 Dec 2012	% or pp
Shareholders' equity according to the Group's balance sheet	109 540	103 032	6
Non-controlling interests	165	154	7
Anticipated dividend	-11 100	-10 880	2
Deconsolidation of insurance companies	-1 982	-2 444	19
Associated companies consolidated according to purchase method	2 251	1 864	21
Unrealised value changes in financial liabilities due to changes in own creditworthiness	92	92	0
Cash flow hedges	139	42	
Goodwill	-11 198	-10 894	-3
Deferred tax assets	-399	-567	30
Intangible assets	-1 943	-1 880	-3
Net provisions for reported IRB credit exposures	-959	-938	-2
Shares deducted from Tier 1 capital*		-36	
Common Equity Tier 1 capital	**84 606**	**77 545**	**9**
Tier 1 capital contributions	5 536	6 270	-12
of which undated Tier 1 instruments that must be converted in a critical situation	0		
of which undated Tier 1 instruments without incentives to redeem		528	
of which fixed-term Tier 1 instruments or undated Tier 1 instruments with incentives to redeem	5 536	5 742	-4
Shares deducted from Tier 1 capital*	-1 527		
Total Tier 1 capital	**88 615**	**83 815**	**6**
Undated subordinated loans	25	28	-11
Fixed-term subordinated loans	4 618	8 028	-42
Net provisions for reported IRB credit exposures	-959	-938	-2
Shares deducted from Tier 2 capital*	-1 527	-36	
Total Tier 2 capital	**2 157**	**7 082**	**-70**
Deduction of shares in insurance companies*		-2 894	
Total capital base	**90 772**	**88 003**	**3**
Capital requirement for credit risks, standardised approach	1 936	2 276	-15
Capital requirement for credit risks, IRB	28 041	28 819	-3
Capital requirement for settlement risks	3	3	0
Capital requirement for market risks	1 688	1 723	-2
Trading book	1 095	1 028	7
of which VaR	530	502	6
of which risks outside VaR	565	526	7
Other operations	593	695	-15
Capital requirement for operational risks	4 486	4 326	4
Capital requirement	**36 154**	**37 147**	**-3**
RWA credit risks	374 711	388 688	-4
RWA settlement risks	40	26	54
RWA market risks	21 103	21 544	-2
RWA operational risks	56 077	54 081	4
Risk-weighted assets	**451 931**	**464 339**	**-3**
Common Equity Tier 1 ratio, %, Basel 2	**18.7**	**16.7**	**2.0**
Tier 1 capital ratio, %, Basel 2	**19.6**	**18.1**	**1.6**
Total capital adequacy ratio, %, Basel 2	**20.1**	**19.0**	**1.1**
Capital quotient, Basel 2	**2.51**	**2.37**	**0.14**

Capital adequacy Basel 2 transition rules SEKm	31 Dec 2013	31 Dec 2012	% or pp
Capital requirement	36 154	37 147	-3
Complement during transition period	26 697	24 382	9
Capital requirement including complement	**62 851**	**61 529**	**2**
Common Equity Tier 1 ratio, %, transition rules	**10.8**	**10.1**	**0.7**
Tier 1 capital ratio, %, transition rules	**11.3**	**10.9**	**0.4**
Total capital adequacy ratio, %, transition rules	**11.6**	**11.4**	**0.1**
Capital quotient, transition rules	**1.44**	**1.43**	**0.01**

Capital adequacy Basel 3** SEKm	31 Dec 2013	31 Dec 2012	% or pp
Common Equity Tier 1 capital, Basel 3	**80 826**	**75 242**	**7**
Tier 1 capital, Basel 3	**86 371**	**81 661**	**6**
Total capital base, Basel 3	**91 026**	**89 917**	**1**
Risk-weighted assets, Basel 3	**440 620**	**487 105**	**-10**
Common Equity Tier 1 ratio, %, Basel 3	**18.3**	**15.4**	**2.9**
Tier 1 capital ratio, Basel 3	**19.6**	**16.8**	**2.8**
Total capital adequacy ratio, %, Basel 3	**20.7**	**18.5**	**2.2**

* Earlier rule that insurance holdings be deducted from the total capital base expired on 1 January 2013. From the first quarter 2013 half of the deduction therefore comes from Tier 1 capital and half from Tier 2 capital .

** According to Swedbank's current calculation based on the new regulations.

The Internal Ratings-Based approach (IRB) is applied to the Swedish part of the Swedbank financial companies group, including the branch offices in New York and Oslo but excluding EnterCard and certain exposure classes such as the Kingdom of Sweden and Swedish municipalities, where the method is considered less suitable. The IRB approach is also applied to the majority of Swedbank's exposure classes in the Baltic countries.

As of 31 December 2013 the Swedbank financial companies group included the Swedbank Group, EnterCard Group, Sparbanken Rekarne AB, Färs och Frosta Sparbank AB, Swedbank Sjuhärad AB, Vimmerby Sparbank AB, Bankernas Depå AB and Bankernas Automatbolag AB. The insurance companies are included in the Group but not in the financial companies group under capital adequacy rules. The table above contains periodic information that must be provided according to the Swedish Financial Supervisory Authority's (SFSA) regulations and general advice (FFFS 2011:3)

Swedbank financial companies group Credit risks, Basel 2, IRB SEKm	Exposure after credit risk protection 31 Dec 2013	31 Dec 2012	%	Average risk weighting, % 31 Dec 2013	31 Dec 2012	Capital requirement 31 Dec 2013	31 Dec 2012	%
Institutional exposures	121 698	147 467	-17	13	15	1 294	1 757	-26
of which repurchase agreements	1 263	631		6	8	6	4	50
of which other lending	120 435	146 836	-18	13	15	1 288	1 753	-27
Corporate exposures	436 375	421 781	3	57	58	19 752	19 540	1
of which repurchase agreements	51	63	-19	11		0		
of which other lending	436 324	421 718	3	57	58	19 752	19 540	1
Retail exposures	896 994	868 307	3	9	9	6 226	6 592	-6
of which repurchase agreements	17	13	31	62		1		
of which mortgage lending	825 644	794 944	4	6	7	3 916	4 220	-7
of which other lending	71 333	73 350	-3	40	40	2 309	2 372	-3
Securitisation	941	1 122	-16	11	11	8	10	-20
Exposures without counterparties	11 890	13 993	-15	80	82	761	920	-17
Total credit risks, IRB	**1 467 898**	**1 452 670**	**1**	**24**	**25**	**28 041**	**28 819**	**-3**

Capital base

A deduction is made from the capital base for the difference between projected losses and provisions for the part of the portfolio calculated according to IRB. These projected losses are estimated in accordance with legislative and regulatory requirements and using information drawn from Swedbank's internal risk classification system. The calculations are characterised by the prudence concept, so that risks are overestimated rather than underestimated. SFSA's interpretation of legislation and regulations has, furthermore, built additional safety margins into the risk classification system. As a result, expected losses calculated in accordance with the capital adequacy rules exceed Swedbank's best estimate of loss levels and required provisions.

Capital requirements for credit risks according to standardised approach

Associated companies with the exception of the partly owned banks, a few minor subsidiaries and the subsidiaries in Russia use the standardised approach to calculate credit risks.

Capital requirements for credit risks according to IRB

The capital adequacy requirement for the portion of the portfolio calculated according to IRB increased by SEK 506m compared with the previous quarter. The average risk weight for household exposures was 9 per cent, of which 37 per cent in de in the Baltic portfolios and 7 per cent in other portfolios. The risk weight for corporate exposures was 57 per cent, of which 88 per cent in the Baltic portfolios and 52 per cent in other portfolios. For institutional exposures, the average risk weight was 10 per cent in the Baltic portfolios and 14 per cent in other portfolios, or in total 13 per cent.

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 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 currency risks in the trading book. The approval also covers the operations in the Baltic countries, Swedbank Estonia AS, Swedbank Latvia AS and Swedbank Lithuania AB, with respect to general interest rate risks and currency risks in the trading book. Exchange rates 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 currency risks mainly arise through risks associated with holdings in foreign operations.

Operational risk

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

Transition rules

The transition rules state that the minimum capital requirement may not fall below 80 per cent of the requirement according to the Basel 1 rules. Swedish authorities have previously announced that this floor will be eliminated in connection with the introduction of the new, higher capital requirements under CRR. In December, however, SFSA announced that it currently does not intend to eliminate the floor.

Note 23 Risks and uncertainties

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

In addition to what is stated in this year-end report, detailed descriptions are provided in Swedbank’s 2012 annual report and in the annual disclosure on risk management and capital adequacy according to the Basel 2 rules, available on www.swedbank.com.

Note 24 Discontinued operations

Group		**Jan-Dec 2013**				**Jan-Dec 2012**		
SEKm	**Russia**	**Ukraine**	**Lithuania**	**Total**	**Russia**	**Ukraine**	**Lithuania**	**Total**
Profit from discontinued operations								
Income	133	22	225	**380**	219	143	118	**480**
Expenses	140	65	216	**421**	184	266	131	**581**
Profit before impairments	-7	-43	9	**-41**	35	-123	-13	**-101**
Impairments	-119	-2		**-121**	42	-973		**-931**
Operating profit	-126	-45	9	**-162**	77	-1 096	-13	**-1 032**
Tax expense	14	24	-1	**37**	-16	51		**35**
Post-tax profit for the period of discontinued operations	**-112**	**-21**	**8**	**-125**	**61**	**-1 045**	**-13**	**-997**
Post-tax profit for the period recognised on the measurement at fair value less sale costs		-340		**-340**				
Reclassification to the income statement of cumulated exchange differences		-1 875		**-1 875**				
Profit for the period from discontinued operations	**-112**	**-2 236**	**8**	**-2 340**	**61**	**-1 045**	**-13**	**-997**

		31 Dec 2013				**31 Dec 2013**		
Group of assets classified as held for sale	**Russia**	**Ukraine**	**Lithuania**	**Total**	**Russia**	**Ukraine**	**Lithuania**	**Total**
Loans to the public	1 027			**1 027**				
of which impaired loans	430			**430**				
of which provisions	251			**251**				
Non-current tangible assets	2		102	**104**			109	109
Other assets	607		124	**731**			99	99
Total assets	**1 636**		**226**	**1 862**			**208**	**208**
Liabilities directly associated with group of assets classified as held for sale								
Amounts owed to credit institutions							29	29
Other liabilities	121		98	**219**			47	47
Total liabilities	**121**		**98**	**219**			**76**	**76**

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. The partly owned savings banks are significant associates. Färs & Frosta Sparbank AB holds 5 330 000 shares in Swedbank AB. The Group’s interest in these shares has reduced equity in the consolidated statements by SEK 116m.

Other significant relations include Swedbank’s pension funds and Sparinstitutens Pensionskassa SPK, which safeguard employees’ post-employment benefits. These related parties use Swedbank for customary banking services.

Note 26 Swedbank's share

	31 Dec 2013	31 Dec 2012	%
SWED A			
Share price, SEK	181.00	127.00	43
Number of outstanding ordinary shares	1 099 005 722	918 149 816	20
Market capitalisation, SEKm	**198 920**	**116 605**	**71**
SWED PREF			
Share price, SEK		126.80	
Number of outstanding preference shares		180 855 906	
Market capitalisation, SEKm		**22 933**	
Total market capitalisation, SEKm	**198 920**	**139 538**	**43**

Repurchased shares have been taken into consideration when calculating the market capitalisation. Swedbank's share, ticker symbol SWED A, is listed on the OMX Nordic Exchange and traded in the Large cap segment.

Number of outstanding shares	31 Dec 2013	31 Dec 2012
Issued shares		
SWED A	1 132 005 722	951 149 816
SWED PREF		180 855 906
Repurchased shares		
SWED A	-33 000 000	-33 000 000
Swedbank's share of associates' holding of shares		
SWED A	-1 599 000	-600 000
SWED PREF		-999 000
Number of outstanding shares on the closing day	**1 097 406 722**	**1 097 406 722**

During the first quarter 2013 180 855 906 preference shares were converted to ordinary shares. Following the conversion Swedbank has solely ordinary shares in issue.

Earnings per share	Q4 2013	Q3 2013	Q4 2012	Full-year 2013	Full-year 2012
Average number of shares					
Average number of shares before dilution	1 097 406 722	1 097 406 722	1 097 479 079	1 097 381 722	1 097 720 626
Weighted average number of shares for potential ordinary shares that incur a dilutive effect due to share-based compensation programme	9 393 291	8 190 074	4 973 985	8 800 392	4 223 670
Average number of shares after dilution	1 106 800 013	1 105 596 796	1 102 453 064	1 106 182 114	1 101 944 296
Profit, SEKm					
Profit for the period attributable to shareholders of Swedbank	3 612	4 172	4 252	12 901	14 304
Preference dividends on non-cumulative preference shares declared in respect of the period				1 722	1 004
Earnings for the purpose of calculating earnings per share	3 612	4 172	4 252	11 179	13 300
Earnings per share, SEK					
Earnings per share before dilution without dividends on non-cumulative preference shares	3.30	3.80	3.87	11.76	13.03
Earnings per share after dilution without dividends on non-cumulative preference shares	3.27	3.77	3.86	11.66	12.98
Earnings per share before dilution *	3.30	3.80	3.87	10.19	12.12
Earnings per share after dilution *	3.26	3.77	3.86	10.11	12.07

* When calculating earnings per share according to IAS 33, the non-cumulative preference share dividend is deducted from profit in the period the dividend is declared.

Note 27 Effects of changes in accounting policies

Income statement, condensed **Group** **SEKm**	**New reporting Q4 2012**	**Revised IAS 19**	**Discontinued operations**	**Transfer of interest and commissions**	**Previous reporting Q4 2012**	**New reporting Full-year 2012**	**Revised IAS 19**	**Discontinued operations**	**Transfer of interest and commissions**	**Previous reporting Full-year 2012**
Interest income	11 738		-41	-392	12 171	50 503		-340	-2 040	52 883
Interest expenses	-6 392		-1	315	-6 706	-30 142		36	1 517	-31 695
Net interest income (note 5)	**5 346**		**-42**	**-77**	**5 465**	**20 361**		**-304**	**-523**	**21 188**
Commission income	3 596		-4	238	3 362	13 656		-30	856	12 830
Commission expenses	-1 094		2	-238	-858	-4 042		8	-856	-3 194
Net commissions (note 6)	**2 502**		**-2**		**2 504**	**9 614**		**-22**		**9 636**
Net gains and losses on financial items at fair value (note 7)	830		1	77	752	3 073		16	523	2 534
Insurance premiums	494				494	1 802				1 802
Insurance provisions	-367				-367	-1 207				-1 207
Net insurance	**127**				**127**	**595**				**595**
Share of profit or loss of associates	154	-2			156	798	1			797
Other income	478		-9		487	1 827		-43		1 870
Total income	**9 437**	**-2**	**-52**		**9 491**	**36 268**	**1**	**-353**		**36 620**
Staff costs	2 264	-12	-79		2 355	9 238	51	-226		9 413
Other expenses (note 8)	1 669		-43		1 712	6 470		-184		6 654
Depreciation/amortisation	209		-11		220	852		-30		882
Total expenses	**4 142**	**-12**	**-133**		**4 287**	**16 560**	**51**	**-440**		**16 949**
Profit before impairments	**5 295**	**10**	**81**		**5 204**	**19 708**	**-50**	**87**		**19 671**
Impairment of intangible assets (note 14)	17				17	20				20
Impairment of tangible assets	141		-58		199	407		-59		466
Credit impairments (note 9)	-76		-87		11	-185		-872		687
Operating profit	**5 213**	**10**	**226**		**4 977**	**19 466**	**-50**	**1 018**		**18 498**
Tax expense	786	99	47		640	4 157	84	34		4 039
Profit for the period from continuing operations	**4 427**	**-89**	**179**		**4 337**	**15 309**	**-134**	**984**		**14 459**
Profit for the period from discontinued operations, after tax	-174		-178		4	-997		-984		
Profit for the period	4 253	-88			4 341	14 312	-134			14 446
Profit for the period attributable to the shareholders of Swedbank AB	**4 252**	**-88**			**4 340**	**14 304**	**-134**			**14 438**
of which profit for the period from continuing operations	4 426	-88	178		4 336	15 298	-134	984		14 448
of which profit for the period from discontinued operations	-174		-178		4	-994		-984		-10
Non-controlling interests	1				1	8				8
of which profit for the period from continuing operations	1				1	11				11
of which profit for the period from discontinued operations						-3				
Earnings per share, continued operations, SEK	4.03	-0.08	0.16		3.95	13.94	-0.12	0.90		13.16
after dilution	4.01	-0.09	0.16		3.94	13.88	-0.13	0.90		13.11
Earnings per share, discontinued operations, SEK	-0.16		-0.16		0.00	-0.91		-0.90		-0.01
after dilution	-0.16		-0.16		0.00	-0.91		-0.90		-0.01
Earnings per share, total operations, SEK	3.87	-0.08			3.95	13.03	-0.12			13.15
after dilution	3.86	-0.09			3.94	12.98	-0.13			13.11
Equity per share, SEK	87.08	-6.62			93.70	87.08	-6.62			93.70
Return on equity, continuing operations, %	17.5	0.2	0.7		16.7	15.6	0.2	1.0		14.4
Return on equity, total operations, %	16.9	0.2			16.7	14.6	0.2			14.4

Statement of comprehensive income Group SEKm	New reporting Q4 2012	Revised IAS 19	Previous reporting Q4 2012	New reporting Full-year 2012	Revised IAS 19	Previous reporting Full-year 2012
Profit for the period reported via income statement	**4 253**	**-88**	**4 341**	**14 312**	**-134**	**14 446**
Items that will not be reclassified to the income statement						
Remeasurements of defined benefit pension plans	-209	-209		-1 653	-1 653	
Share related to associates	-9	-9		-43	-43	
Income tax	-15	-15		374	374	
Total	**-233**	**-233**		**-1 322**	**-1 322**	
Items that may be reclassified to the income statement						
Exchange differences, foreign operations						
Gains/losses arising during the period	837		837	-1 480		-1 480
Reclassification adjustments to income statement, net gains and losses on financial items at fair value or profit for the period from discontinued operations						
Hedging of net investments in foreign operations:						
Gains/losses arising during the period	-668		-668	1 050		1 050
Cash flow hedges:						
Gains/losses arising during the period	-116		-116	-614		-614
Reclassification adjustments to income statement, net interest income	29		29	193		193
Share of other comprehensive income of associates	22		22	21		21
Income tax	296		296	-74		-74
Total	**401**		**401**	**-904**		**-904**
Other comprehensive income for the period, net of tax	**168**	**-233**	**401**	**-2 226**	**-1 322**	**-904**
Total comprehensive income for the period	**4 421**	**-321**	**4 742**	**12 086**	**-1 456**	**13 542**
Total comprehensive income attributable to the shareholders of Swedbank AB	**4 420**	**-321**	**4 741**	**12 078**	**-1 456**	**13 534**
Non-controlling interests	1		1	8		8

Balance sheet, condensed Group SEKm	New reporting 31 Dec 2012	Revised IAS 19	Previous reporting 31 Dec 2012
Assets			
Cash and balance with central banks	130 058		130 058
Loans to credit institutions (note 10)	85 480		85 480
Loans to the public (note 10)	1 238 864		1 238 864
Value change of interest hedged item in portfolio hedge			
Interest-bearing securities	135 807		135 807
Financial assets for which customers bear the investment risk	104 194		104 194
Shares and participating interests	8 106		8 106
Investments in associates	3 552	-81	3 633
Derivatives (note 18)	102 265		102 265
Intangible fixed assets (note 14)	13 440		13 440
Investment properties	2 393		2 393
Tangible assets	4 638		4 638
Current tax assets	1 082		1 082
Deferred tax assets	657		657
Other assets	8 380		8 380
Prepaid expenses and accrued income	7 736		7 736
Group of assets classified as held for sale	208		208
Total assets	**1 846 860**	**-81**	**1 846 941**
Liabilities and equity			
Amounts owed to credit institutions (note 15)	122 202		122 202
Deposits and borrowings from the public (note 16)	579 663		579 663
Debt securities in issue (note 17)	767 454		767 454
Financial liabilities for which customers bear the investment risk	105 104		105 104
Derivatives (note 18)	92 141		92 141
Current tax liabilities	1 378		1 378
Deferred tax liabilities	2 641	-835	3 476
Short positions, securities	18 229		18 229
Other liabilities	16 624		16 624
Accrued expenses and prepaid income	16 782		16 782
Provisions	7 073	3 792	3 281
Subordinated liabilities	14 307		14 307
Liabilities directly associated with group of assets classified as held for sale	76		76
Equity	103 186	-3 038	106 224
of which non-controlling interests	154		154
of which attributable to shareholders of Swedbank AB	103 032	-3 038	106 070
Total liabilities and equity	**1 846 860**	**-81**	**1 846 941**

Swedbank AB

Income statement, condensed

Parent company SEKm	Q4 2013	Q3 2013	%	Q4 2012	%	Full-year 2013	Full-year 2012	%
Interest income	4 564	4 634	-2	5 640	-19	19 172	24 730	-22
Interest expenses	-1 923	-1 981	-3	-2 851	-33	-8 566	-13 835	-38
Net interest income	**2 641**	**2 653**	**0**	**2 789**	**-5**	**10 606**	**10 895**	**-3**
Dividends received	3 851	889		5 989	-36	9 419	6 830	38
Commission income	1 730	1 541	12	1 637	6	6 415	6 233	3
Commission expenses	-414	-370	12	-299	38	-1 462	-1 192	23
Net commissions	**1 316**	**1 171**	**12**	**1 338**	**-2**	**4 953**	**5 041**	**-2**
Net gains and losses on financial items at fair value	613	389	58	602	2	1 795	2 889	-38
Other income	362	336	8	370	-2	1 342	1 314	2
Total income	**8 783**	**5 438**	**62**	**11 088**	**-21**	**28 115**	**26 969**	**4**
Staff costs	1 914	1 820	5	1 752	9	7 406	7 069	5
Other expenses	1 123	938	20	1 079	4	4 024	4 113	-2
Depreciation/amortisation	144	129	12	136	6	532	566	-6
Total expenses	**3 181**	**2 887**	**10**	**2 967**	**7**	**11 962**	**11 748**	**2**
Profit before impairments	**5 602**	**2 551**		**8 121**	**-31**	**16 153**	**15 221**	**6**
Impairment of financial fixed assets	277			743	-63	2 250	1 154	95
Credit impairments	148	109	36	227	-35	502	434	16
Operating profit	**5 177**	**2 442**		**7 151**	**-28**	**13 401**	**13 633**	**-2**
Appropriations	5	3	67	3 539	-100	6	3 626	-100
Tax expense	1 344	611		1 170	15	3 157	2 937	7
Profit for the period	**3 828**	**1 828**		**2 442**	**57**	**10 238**	**7 070**	**45**

Statement of comprehensive income, condensed

Parent company SEKm	Q4 2013	Q3 2013	%	Q4 2012	%	Full-year 2013	Full-year 2012	%
Profit for the period reported via income statement	**3 828**	**1 828**		**2 442**	**57**	**10 238**	**7 070**	**45**
Items that will not be reclassified to the income statement								
Remeasurements of defined benefit pension plans		5				5		
Income tax		-1				-1		
Total		**4**				**4**		
Items that may be reclassified to the income statement								
Cash flow hedges:								
Gains/losses arising during the period	-7	-21	-66	-13	-45	-51	-71	-28
Reclassification adjustments to income statement, net interest income	12	24	-49	29	-58	83	193	-57
Income tax	-1	1		-3	-67	-7	-31	77
Total	**4**	**4**	**0**	**13**	**-69**	**25**	**91**	**-73**
Other comprehensive income for the period, net of tax	**4**	**8**	**-50**	**13**	**-69**	**29**	**91**	**-68**
Total comprehensive income for the period	**3 832**	**1 836**		**2 455**	**56**	**10 267**	**7 161**	**43**

Balance sheet, condensed

Parent company SEKm	31 Dec 2013	31 Dec 2012	%
Assets			
Cash and balance with central banks	32 439	109 898	-70
Loans to credit institutions	388 521	350 439	11
Loans to the public	346 320	347 233	0
Interest-bearing securities	166 735	131 593	27
Shares and participating interests	63 197	66 245	-5
Derivatives	83 323	125 926	-34
Other assets	19 645	18 393	7
Total assets	**1 100 180**	**1 149 727**	**-4**
Liabilities and equity			
Amounts owed to credit institutions	195 096	195 584	0
Deposits and borrowings from the public	501 294	473 104	6
Debt securities in issue	214 605	242 295	-11
Derivatives	74 408	117 471	-37
Other liabilities and provisions	34 006	35 947	-5
Subordinated liabilities	10 083	14 522	-31
Untaxed reserves	6 305	6 299	0
Equity	64 383	64 505	0
Total liabilities and equity	**1 100 180**	**1 149 727**	**-4**
Pledged collateral	38 819	62 375	-38
Other assets pledged	3 206	1 090	
Contingent liabilities	538 949	546 571	-1
Commitments	180 548	166 087	9

Statement of changes in equity, condensed

Parent company
SEKm

	Share capital	Share premium reserve	Statutory reserve	Cash flow hedges	Retained earnings	Total
January-December 2012						
Opening balance 1 January 2012	**24 383**	**13 118**	**6 489**	**-123**	**18 884**	**62 751**
Dividend					-5 825	-5 825
Decrease share capital	-611				611	
Bonus issue	1 132		-521		-611	
Reversal of VAT costs incurred on rights issues in 2008 and 2009		88				88
Share based payments to employees					314	314
Deferred tax related to share based payments to employees					16	16
Total comprehensive income for the period				91	7 070	7 161
Closing balance 31 December 2012	**24 904**	**13 206**	**5 968**	**-32**	**20 459**	**64 505**
January-December 2013						
Opening balance 1 January 2013	**24 904**	**13 206**	**5 968**	**-32**	**20 459**	**64 505**
Dividend					-10 880	-10 880
Share based payments to employees					418	418
Deferred tax related to share based payments to employees					73	73
Total comprehensive income for the period				24	10 243	10 267
Closing balance 31 December 2013	**24 904**	**13 206**	**5 968**	**-8**	**20 313**	**64 383**

In connection to the rights issues in 2008 and 2009 an assessment was made on the non-deductable VAT Swedbank AB would have to pay on transaction costs. This assessment was partly changed in the second quarter 2011 based on a new tax case ruling. The VAT expense decreased by SEK 35m after income tax. The income tax expense on the VAT amount was SEK 12m. During the third quarter 2012 the VAT expense was further decreased by SEK 88m after income tax due to a reassessment made by the Swedish Tax Agency. The income tax expense on the VAT amount was SEK 31m.

Cash flow statement, condensed

Parent company SEKm	Full-year 2013	Full-year 2012
Cash flow from operating activities	-39 750	-25 955
Cash flow from investing activities	5 045	3 891
Cash flow from financing activities	-42 754	-22 430
Cash flow for the period	**-77 459**	**-44 494**
Cash and cash equivalents at beginning of period	109 898	154 392
Cash flow for the period	-77 459	-44 494
Cash and cash equivalents at end of period	**32 439**	**109 898**

Capital adequacy

Parent company SEKm	31 Dec 2013	31 Dec 2012	% or pp
Common Equity Tier 1 capital	**56 147**	**55 945**	**0**
Tier 1 capital	**60 188**	**62 215**	**-3**
Total capital base	**62 748**	**67 020**	**-6**
Capital requirement	**25 831**	**26 387**	**-2**
Capital requirement including complement	**25 831**	**26 387**	**-2**
Risk-weighted assets	**322 882**	**329 837**	**-2**
Common Equity Tier 1 ratio, %*	**17.4**	**17.0**	**0.4**
Tier 1 capital ratio, %*	**18.6**	**18.9**	**-0.2**
Total capital adequacy ratio, %*	**19.4**	**20.3**	**-0.9**
Capital quotient*	**2.43**	**2.54**	**-0.11**

* Key ratios refer to both transition rules and Basel 2.

Signatures of the Board of Directors and the President

The Board of Directors and the President certify that the year-end report for 2013 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, 27 January 2014

Anders Sundström
Chair

Lars Idermark
Deputy Chair

Olav Fjell
Board Member

Ulrika Francke
Board Member

Göran Hedman
Board Member

Anders Igel
Board Member

Pia Rudengren
Board Member

Charlotte Strömberg
Board Member

Karl-Henrik Sundström
Board Member

Siv Svensson
Board Member

Kristina Kjell
Board Member
Employee Representative

Jimmy Johnsson
Board Member
Employee Representative

Michael Wolf
President

Review report

Introduction

We have reviewed the year-end report for Swedbank AB (publ) for the period 1 January to 31 December 2013. The Board of Directors and the President are responsible for the preparation and presentation of this year-end report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this year-end report based on our review.

Scope of review

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

Conclusion

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

Stockholm, 27 January 2014
Deloitte AB

Svante Forsberg
Authorised Public Accountant

Publication of financial information

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

Swedbank will publish financial results on the following dates in 2014:

Interim report for the first quarter 2014 on 28 April 2014
Interim report for the second quarter 2014 on 16 July 2014
Interim report for the third quarter 2014 on 21 October 2014

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

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