

# Q3 2016

## Interim report for the third quarter 2016

Third quarter 2016 compared with second quarter 2016

- Strong profit driven by income increases
- Higher net interest income due to increased volumes and lending margins
- Net commission income benefited from higher income from cards and asset management
- Increased demand for interest rate hedging positive for net gains and losses on financial items
- Stable credit quality
- Stronger capitalisation

“We have decided to speed up the transformation to the modern bank we want to be, where customers can do all their daily banking in our digital channels.”

Birgitte Bonnesen,  
President and CEO

Financial information	Q3	Q2		Jan-Sep	Jan-Sep	
SEKm	2016	2016	%	2016	2015	%
Total income	10 265	11 870	-14	31 441	28 167	12
Net interest income	6 062	5 732	6	17 417	17 234	1
Net commission income	2 838	2 795	2	8 278	8 322	-1
Net gains and losses on financial items at fair value <sup>1)</sup>	669	877	-24	1 946	406	
Other income <sup>1)</sup>	696	2 466	-72	3 800	2 205	72
Total expenses	4 029	4 020	0	12 037	12 094	0
Profit before impairments	6 236	7 850	-21	19 404	16 073	21
Impairment of intangible assets					254	
Credit impairments	201	538	-63	774	195	
Tax expense <sup>2)</sup>	1 215	1 037	17	3 213	3 651	-12
Profit for the period attributable to the shareholders of Swedbank AB	4 816	6 270	-23	15 397	11 914	29
Earnings per share, continuing operations, SEK, after dilution	4.31	5.62		13.80	10.68	
Return on equity, %	15.8	21.0		16.8	13.8	
C/I ratio	0.39	0.34		0.38	0.43	
Common Equity Tier 1 capital ratio, %	23.8	23.0		23.8	23.0	
Credit impairment ratio, %	0.05	0.14		0.07	0.02	

<sup>1)</sup> One-off income from VISA, SEK 2 115m during second quarter 2016 whereof Net gains and losses on financial items at fair value SEK 457m and Other income SEK 1 658m.

<sup>2)</sup> One-off tax expense of SEK 447m during second quarter 2015.

## CEO Comment

The Group Executive Committee and I worked in the third quarter to put our strategic priorities into effect. As a result of this work, we have decided to speed up the transformation to the modern bank we want to be, where customers can do all their daily banking in our digital channels and where we provide them with the best tools to obtain an overview of their finances.

Currently, one of the most important things is to continue to build competence in three areas: Savings, Loans and Digital Banking. We will also develop tools to more proactively meet our customers' needs. In line with this I appointed a permanent head of Digital Banking during the quarter. The unit has Group-wide responsibility for digital development and innovation.

I am convinced this is the right time to make investments like these, which are made possible by our strong financial position.

### **Continue earning our customers' trust**

Our customers play a central role in all our businesses. In the Baltic countries we already have the industry's most satisfied customers as well as a brand that holds its own against multinationals such as Google and Facebook. In Sweden, on the other hand, we have not come as far. The annual customer survey SQI Bank, which was published in October, shows that the banking industry in general has a poorer reputation than a year ago. We are not satisfied with our result. We are currently in the midst of an in-depth annual review of the feedback we have received from around 40 000 customers on what they think of us. We have also established a feedback loop in our customer centres, and we will introduce it at our branches next year. This gives us another tool to use in our efforts to meet customer demand, and we will work even harder to continue to earn their trust.

### **Strong financial result**

The third quarter started with continued volatility in the wake of the British referendum to leave the EU. Geopolitically as well there was turmoil in parts of the world. We also saw a number of bright spots, however. The European economy continues to stabilise, albeit at a slow pace. In Sweden and the Baltic countries, economic activity is relatively high, and the recovery continues in the US.

Swedbank's financial results were strong despite a seasonally calmer summer quarter. Increased lending volumes in both Sweden and the Baltic countries, coupled with higher lending margins, continued to strengthen net interest income despite falling market interest rates. The introduction of the mortgage amortisation requirement in Sweden in June had only a mildly dampening effect on the mortgage market, and lending volumes have continued to rise. The imbalance between supply and demand is still large enough that measures targeted at households and banks, such as the amortisation requirement, do not seem to be having a long-term impact on the mortgage market. Instead, there are reports, for example, that a growing number of

companies are having problems recruiting in major urban areas due to the housing shortage. It is clear that Sweden's long-term economic development is threatened unless our politicians take the necessary measures to stimulate new construction and infrastructure investments.

In our Baltic businesses we saw further signs during the quarter that consumer confidence is strengthening. Lending volumes, both corporate and household, again rose. As a result, the Baltic operations have posted lending growth, though modest, in four of the last five quarters. The ongoing consolidation of the Baltic banking sector continued during the quarter, when two of Swedbank's competitors announced plans to merge. This is a welcome development, since it strengthens the financial markets in the Baltic countries and paves the way for better offerings for customers.

Stock market gains during the quarter led to increased commission income in asset management. The card business also performed well. Certain corporate customers were very active and sought out hedging solutions for their interest rate exposures, which meant a slightly stronger result in interest rate derivatives. As expected, activity was seasonally lower in other product areas.

Our cost effectiveness, which is one of our financial goals, is market-leading. I am proud of the cost conscious culture we have succeeded in creating in the bank. At the same time there are areas, mentioned above, where we want to accelerate the rate of investment. We also expect compensation to the savings banks to rise going forward due to higher lending margins in 2016. For the full-year 2017 we therefore estimate total expenses at SEK 16.7bn.

Credit impairments were again recognised during the quarter for oil related exposures, although smaller in scope than previously. The loan portfolio's credit quality in all other operations, Swedish and Baltic, remained very good.

### **Taking on challenges with self-confidence and confidence**

Our capitalisation was further strengthened during the quarter. We feel comfortable with the buffer we have in relation to the minimum requirements given to us by the Swedish Financial Supervisory Authority in this year's capital adequacy assessment process. Swedbank's strong capitalisation, stable profitability and low risk were confirmed by the EBA's stress tests in July. This gives us the financial conditions to continue to pursue initiatives at a brisk tempo to meet our customers' expectations of a modern bank.



Birgitte Bonnesen  
President and CEO

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

## Financial overview

Income statement SEKm	Q3 2016	Q2 2016	%	Q3 2015	%	Jan-Sep 2016	Jan-Sep 2015	%
Net interest income	6 062	5 732	6	5 811	4	17 417	17 234	1
Net commission income	2 838	2 795	2	2 736	4	8 278	8 322	-1
Net gains and losses on financial items at fair value	669	877	-24	4		1 946	406	
Other income	696	2 466	-72	683	2	3 800	2 205	72
<b>Total income</b>	<b>10 265</b>	<b>11 870</b>	<b>-14</b>	<b>9 234</b>	<b>11</b>	<b>31 441</b>	<b>28 167</b>	<b>12</b>
Staff costs	2 315	2 314	0	2 257	3	6 936	7 104	-2
Other expenses	1 714	1 706	0	1 622	6	5 101	4 990	2
<b>Total expenses</b>	<b>4 029</b>	<b>4 020</b>	<b>0</b>	<b>3 879</b>	<b>4</b>	<b>12 037</b>	<b>12 094</b>	<b>0</b>
<b>Profit before impairments</b>	<b>6 236</b>	<b>7 850</b>	<b>-21</b>	<b>5 355</b>	<b>16</b>	<b>19 404</b>	<b>16 073</b>	<b>21</b>
Impairment of intangible assets				254			254	
Impairment of tangible assets	1	1	0	16	-94	10	53	-81
Credit impairments, net	201	538	-63	130	55	774	195	
<b>Operating profit</b>	<b>6 034</b>	<b>7 311</b>	<b>-17</b>	<b>4 955</b>	<b>22</b>	<b>18 620</b>	<b>15 571</b>	<b>20</b>
Tax expense	1 215	1 037	17	1 012	20	3 213	3 651	-12
<b>Profit for the period from continuing operations</b>	<b>4 819</b>	<b>6 274</b>	<b>-23</b>	<b>3 943</b>	<b>22</b>	<b>15 407</b>	<b>11 920</b>	<b>29</b>
Profit for the period from discontinued operations, after tax				-11			6	
Profit for the period	4 819	6 274	-23	3 932	23	15 407	11 926	29
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>4 816</b>	<b>6 270</b>	<b>-23</b>	<b>3 928</b>	<b>23</b>	<b>15 397</b>	<b>11 914</b>	<b>29</b>

Key ratios and data per share	Q3 2016	Q2 2016	Q3 2015	Jan-Sep 2016	Jan-Sep 2015
Return on equity, % <sup>1)</sup>	15.8	21.0	13.5	16.8	13.8
Earnings per share before dilution, continuing operations, SEK <sup>2)</sup>	4.33	5.65	3.57	13.87	10.78
Earnings per share after dilution, continuing operations, SEK <sup>2)</sup>	4.31	5.62	3.52	13.80	10.68
C/I ratio	0.39	0.34	0.42	0.38	0.43
Equity per share, SEK <sup>2)</sup>	111.6	107.4	107.5	111.6	107.5
Loan/deposit ratio, %	166	152	187	166	187
Common Equity Tier 1 capital ratio, %	23.8	23.0	23.0	23.8	23.0
Tier 1 capital ratio, %	26.2	25.3	25.7	26.2	25.7
Total capital ratio, %	29.3	28.3	28.9	29.3	28.9
Credit impairment ratio, %	0.05	0.14	0.04	0.07	0.02
Share of impaired loans, gross, %	0.35	0.34	0.35	0.35	0.35
Total provision ratio for impaired loans, %	57	58	58	57	58
Liquidity coverage ratio (LCR), % <sup>3)</sup>	131	138	135	131	135
Net stable funding ratio (NSFR), % <sup>4)</sup>	104	108	104	104	104

Balance sheet data SEKbn	30 Sep 2016	31 Dec 2015	%	30 Sep 2015	%
Loans to the public, excluding the Swedish National Debt Office and repurchase agreements	1 439	1 371	5	1 370	5
Deposits and borrowings from the public, excluding the Swedish National Debt Office and repurchase agreements	865	744	16	734	18
Shareholders' equity	124	123	1	119	4
Total assets	2 394	2 149	11	2 312	4
Risk exposure amount	404	389	4	404	0

1) Average shareholders' equity can be found on page 79-80 in the Fact book.

2) The number of shares and calculation of earnings per share are specified on page 42.

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

4) NSFR is governed by the EU's Capital Requirements Regulation (CRR). No weights have yet been established, however. Consequently, the measure cannot be calculated based on current rules. NSFR is therefore considered an alternative performance measure. It is presented in accordance with Swedbank's interpretation of the Basel Committee's recommendation (BCBS295). In Swedbank's opinion, the presentation of this measure is relevant for investors since it will be required in the near future and we already follow it as part of our internal governance.

Definitions of all key ratios can be found in Swedbank's Fact book on page 87.

## Overview

### Market

The British referendum to leave the EU has not had the major negative consequences the market had feared. Interest rates fell slightly during the quarter, while stocks recovered to earlier levels. Macro data for the eurozone published in recent months were on the stronger side. GDP growth has surpassed expectations at the same time that inflation is slowly creeping higher. The ECB put on hold any further monetary stimulus, while the Bank of England cut its benchmark rate in August and launched a new round of bond buying to reduce the risk of a British recession.

US GDP growth for the second quarter was lower than market expectations, despite strong domestic demand. The US central bank, the Federal Reserve, decided not to raise interest rates at its latest meeting in September in light of global uncertainty and wants to see further proof that the US economy is continuing to strengthen.

The commodities market has stabilised. OPEC's decision in September to reduce oil production for the first time since 2008 has pushed oil prices higher, and metal prices have also recovered.

The Swedish economy continues to post solid growth, but at a lower rate than before. GDP grew by 3.4 per cent on a calendar-adjusted basis in the second quarter, against 4.2 per cent in the previous quarter. Growth is driven by increased consumption and a significant rise in housing construction, while the export industry is sluggish. Low inflation remains a cause for concern for the Riksbank after the September numbers were markedly weaker than expected despite a weaker krona this autumn. Inflation expectations have risen slightly for the next two years, but fallen in the longer term. The housing market remains strong despite the introduction of a mortgage amortisation requirement this past summer, though there are signs of a slowdown in prices. Consumer credit growth decelerated during the summer months, but mortgages continue to grow at an annualised rate of just over 8 per cent.

During the second quarter GDP growth fell to 1.9 per cent in Lithuania, 2 per cent in Latvia and 0.8 per cent in Estonia. The downturn in Lithuania is probably temporary, since the labour market and credit growth among businesses and consumers remain strong. In Latvia the decline was mainly caused by lower investment, while energy production weighed on Estonia's GDP. Consumer spending remained the primary driver of economic growth in the three Baltic countries. Baltic exports were uneven in the second quarter. While showing signs of growth in Estonia and Latvia, they fell significantly in Lithuania.

The Stockholm stock exchange (OMXSPI) rose by 10 per cent in the third quarter. The Tallinn stock exchange (OMXTGI) gained 2.1 per cent, while the exchanges in Riga (OMXRGI) and Vilnius (OMXVGI) rose 14.2 per cent and 6.4 per cent, respectively, in the same period.

### Important to note

Since Swedbank intends to accelerate the rate of investment in the areas Savings, Loans and Digital

Banking at the same time that compensation to the savings banks is expected to rise going forward due to higher lending margins in 2016, total expenses are estimated at SEK 16.7bn in 2017.

## Third quarter 2016

Compared with second quarter 2016

### Result

Swedbank reported profit of SEK 4 816m in the third quarter of 2016, compared with SEK 6 270m in the previous quarter. The main reason for the decrease is that the second quarter included one-off tax-exempt income of SEK 2 115m related to the sale of Visa Europe.

The return on equity was 15.8 per cent (21.0), while the cost/income ratio was 0.39 (0.34).

Amounts in the table below exclude the income from the sale of Visa Europe and are alternative performance measures. These alternative performance measures exclude amounts that would not be adjusted in the comparable IFRS measures. Swedbank believes the presentation of this information is relevant to investors in order to provide more comparative information across the periods.

	2016 Q3	2016 Q2	2016 Q2 one- off income VISA	2016 Q2 excl one-off income VISA
<b>Income statement,SEKm</b>				
Net interest income	6 062	5 732		5 732
Net commission income	2 838	2 795		2 795
Net gains and losses on financial items at fair value	669	877	457	420
Share of profit or loss of associates	238	1 929	1 658	271
Other income	458	537		537
<b>Total income</b>	<b>10 265</b>	<b>11 870</b>	<b>2 115</b>	<b>9 755</b>
<b>Total expenses</b>	<b>4 029</b>	<b>4 020</b>		<b>4 020</b>
Impairments	202	539		539
<b>Operating profit</b>	<b>6 034</b>	<b>7 311</b>	<b>2 115</b>	<b>5 196</b>
Tax expense	1 215	1 037		1 037
<b>Profit for the period attributable to the shareholders of</b>	<b>4 816</b>	<b>6 270</b>	<b>2 115</b>	<b>4 155</b>
Return on equity	15.8	21.0		13.9
Cost/Income ratio	0.39	0.34		0.41

Income decreased by 14 per cent during the quarter to SEK 10 265m (11 870), mainly because net gains and losses on financial items at fair value and other income were positively affected by Visa in the second quarter. Excluding Visa, income increased by 5 per cent.

Net interest income rose by 6 per cent to SEK 6 062m (5 732). Higher lending volumes in Swedish Banking and Baltic Banking, as well as higher lending margins on the Swedish mortgage portfolio, contributed to the increase, but were offset somewhat by lower deposit margins.

Net commission income increased by 2 per cent to SEK 2 838m (2 795). The increase was mainly due to higher income from the card business and asset management.

Net gains and losses on financial items at fair value decreased to SEK 669m (877), mainly because Visa positively affected profit for Group Treasury within

Group Functions & Other by SEK 457m in the previous quarter. Excluding Visa, net gains and losses on financial items increased by SEK 249m. Lower volumes of repurchased covered bonds resulted in fewer negative valuation effects. Net gains and losses on financial items increased in Large Corporates & Institutions due to higher demand for interest rate hedging in a number of sectors.

Other income, including share of profit or loss of associates, decreased to SEK 696m (2 466), with the sale of Visa Europe having a positive effect of SEK 1 658m in the previous quarter. Excluding Visa, other income decreased by SEK 112m.

Expenses amounted to SEK 4 029m (4 020). Staff costs amounted to SEK 2 315m (2 314). Other expenses decreased, mainly as a result of lower activity during the summer months. The decline was partly offset by increased compensation to the savings banks.

Like the previous quarter, there was no impairment of intangible assets, while impairment of tangible assets amounted to SEK 1m (1).

Credit impairments decreased to SEK 201m (538) due to lower provisions within Large Corporates & Institutions. Swedish Banking reported minor credit impairments, while Baltic Banking reported recoveries.

The tax expense amounted to SEK 1 215m (1 037), corresponding to an effective tax rate of 20.1 per cent (14.2). The lower effective tax rate in the second quarter was affected by tax-exempt income on the sale of shares in Visa Europe, which Swedbank benefited from through its membership in Visa Sweden and Visa Europe. As previously estimated, the effective tax rate is expected to be 19-21 per cent in the medium term. If, however, the parliament adopts the proposal to eliminate the deductibility of interest on some subordinated loans, the future effective tax rate is likely to increase slightly.

Profit from discontinued operations amounted to SEK 0m (0).

## January-September 2016

Compared with January-September 2015

### Result

Profit for the first nine months of 2016 increased by 29 per cent to SEK 15 397m (11 914). Higher income, mainly due to the sale of Visa Europe and improved net gains and losses on financial items within Group Treasury, contributed to the increase, as did higher net interest income.

FX changes increased profit by SEK 2m.

The return on equity increased to 16.8 per cent (13.8), while the cost/income ratio improved to 0.38 (0.43).

Amounts in the table below exclude the income from the sale of Visa Europe and are alternative performance measures. These alternative performance measures exclude amounts that would not be adjusted in the comparable IFRS measures. Swedbank believes the presentation of this information is relevant to investors in

order to provide more comparative information across the periods.

	Jan-Sep 2016	Jan-Sep 2015 one-off income	Jan-Sep 2016 excl one- off income	Jan-Sep 2015
<b>Income statement, SEKm</b>				
Net interest income	17 417		17 417	17 234
Net commission income	8 278		8 278	8 322
Net gains and losses on financial items at fair value	1 946	457	1 489	406
Share of profit or loss of associates	2 358	1 658	700	708
Other income	1 442		1 442	1 497
<b>Total income</b>	<b>31 441</b>	<b>2 115</b>	<b>29 326</b>	<b>28 167</b>
<b>Total expenses</b>	<b>12 037</b>		<b>12 037</b>	<b>12 094</b>
Impairments	784		784	248
<b>Operating profit</b>	<b>18 620</b>	<b>2 115</b>	<b>16 505</b>	<b>15 825</b>
Tax expense	3 213		3 213	3 651
<b>Profit for the period attributable to the shareholders of</b>	<b>15 397</b>	<b>2 115</b>	<b>13 282</b>	<b>11 914</b>
Return on equity	16.8		14.6	13.8
Cost/Income ratio	0.38		0.41	0.43

Income increased by 12 per cent to SEK 31 441m (28 167), mainly due to the sale of Visa Europe. Excluding Visa, income rose by 4 per cent due to an improvement in net gains and losses on financial items, but also from higher net interest income. Income rose in Swedish Banking and Baltic Banking. Large Corporates & Institutions' income was in line with the same period in 2015. FX changes reduced income by SEK 50m, mainly because NOK weakened against SEK.

Net interest income rose by 1 per cent to SEK 17 417m (17 234). Within Swedish Banking net interest income increased as the positive effects of higher volumes and increased margins on mortgage loans offset the lower deposit margins. Net interest income also increased in Baltic Banking, but decreased within Large Corporates & Institutions and Group Treasury.

Net commission income fell by 1 per cent, from SEK 8 322m to SEK 8 278m. The main reason was lower asset management income.

Net gains and losses on financial items at fair value increased to SEK 1 946m (406), mainly due to an improvement in net gains and losses on financial items within Group Treasury resulting from a lower volume of repurchased covered bonds, lower credit spreads and the sale of Visa. Excluding Visa, net gains and losses on financial items rose by SEK 1 083m.

Other income, including share of profit or loss of associates, increased to SEK 3 800m (2 205), largely due to the income related to Visa Europe. Excluding Visa, other income decreased by SEK 63m.

Expenses amounted to SEK 12 037 m (12 094). Expenses decreased in Swedish Banking and Group Functions & Other, but increased slightly in Baltic Banking and Large Corporates & Institutions.

Impairment of intangible assets amounted to SEK 0m (254). Impairment of tangible assets fell to SEK 10m (53).

Credit impairments increased to SEK 774m (195) due to higher credit impairments in Large Corporates & Institutions, while Swedish Banking and Baltic Banking reported net recoveries during the period.

The tax expense amounted to SEK 3 213m (3 651), corresponding to an effective tax rate of 17.3 per cent (23.4). The tax rate is lower in 2016 than in 2015 partly because the year-earlier period was negatively affected by the tax effect of a one-off dividend from the Estonian sub-group and partly because 2016 is positively affected by the tax-exempt income from the sale of Swedbank's shares in Visa Europe through its membership in Visa Sverige and Visa Europe.

Profit for discontinued operations amounted to SEK 0m (6).

### Volume trend by product area

Swedbank's main business is organised in two product areas as of 1 June 2016: Group Lending & Payments and Group Savings.

#### Lending

Total lending to the public, excluding repos and the Swedish National Debt Office, increased by 1 per cent compared with the second quarter, from SEK 1 420bn to SEK 1 439bn, and by 5 per cent compared with the same period in 2015.

Loans to the public excl. the Swedish National Debt Office and repurchase agreements, SEKbn			
	2016 30 sep	2016 30 jun	2015 30 sep
Loans, private mortgage	761	749	725
of which Sweden	696	686	667
of which Baltic countries	63	61	55
Loans, private other incl tenant-owner associations	148	147	137
of which Sweden	134	134	125
of which Baltic countries	13	12	11
Loans, corporate	530	524	508
of which Sweden	406	403	393
of which Baltic countries	65	63	63
of which Norway	43	43	36
<b>Total</b>	<b>1 439</b>	<b>1 420</b>	<b>1 370</b>

Lending to Swedish mortgage customers accounted for the largest share of the increase, up SEK 10bn from the previous quarter. At the end of the quarter the Swedish mortgage portfolio amounted to SEK 696bn. Mortgage volumes in the Baltic countries increased in local currency to SEK 63bn during the quarter. The portfolio grew by 2 per cent in Lithuania, 1 per cent in Estonia, and was unchanged in Latvia.

The bank's strategy to digitise mortgage lending and apply the same prices regardless of channel has been supported during the year by a new process for renewing mortgages through the Mobile Bank and Internet Bank. By renewing digitally, customers can receive an individual rate based on the same pricing model used by the branches and Telephone Bank. The change has been positively received by customers.

Other private lending in Sweden, including to tenant-owner associations, grew by SEK 1bn during the quarter to SEK 148bn. Baltic Banking's volumes grew by 4 per cent in local currency.

Swedbank's Swedish consumer loan volume decreased by 1 per cent during the quarter to SEK 25bn, corresponding to a market share of about 10 per cent. The long-term process of fully digitising the consumer loan flow is continuing. The Baltic consumer loan

portfolio grew during the quarter by 3 per cent in local currency.

In total, corporate lending increased by SEK 6bn during the quarter to SEK 530bn. Much of the growth over an extended period has been in the real estate sector. About 42 per cent of the outstanding volume was related to properties. Corporate lending within Swedish Banking and Large Corporates & Institutions grew by SEK 4bn during the quarter to SEK 465bn. In Baltic Banking corporate lending increased by 1 per cent to SEK 65bn in local currency during the quarter. The loan portfolio in local currency grew by 1 per cent in Estonia and 2 per cent in Latvia, but decreased somewhat in Lithuania.

Negative market interest rates continue to affect the credit portfolio. A large share of new lending constitutes products with a base rate floor, where the reference rate is set at 0 instead of the actual negative rate. There are otherwise signs of a slight shift to fixed rate loans.

For more information on lending, see page 42 of the Fact book.

#### Payments

The number of payments has continued to rise – a combination of economic growth and the shift from cash to cards and e-payments. Swish users from Swedish banks now include over 4.8 million private customers and around 85 000 corporate customers.

	30 Sep 2016	30 Jun 2016	30 Sep 2015
<b>Number of cards</b>			
Issued cards, million	7.9	7.9	7.7
of which Nordic countries	4.1	4.1	4.0
of which Baltic countries	3.8	3.8	3.8

The corporate card issuance business grew in Sweden by 7 per cent compared with the same period in 2015. The bank's many small business customers continue to offer good potential to grow this business. The number of consumer cards in issue rose by 4 per cent in Sweden and 1 per cent in the Baltic countries. Compared with the same period in 2015 the value of payments with Swedbank cards in Sweden increased by 9 per cent, at the same time that ATM withdrawals dropped by 7 per cent.

In the Baltic countries, where Swedbank is working actively to promote card payments, the value increased by 10 per cent. In Sweden about 85 per cent of retail payments are made by card, and market growth is expected to remain good. In Estonia the corresponding card payment frequency is above 50 per cent. In Latvia and Lithuania it is somewhat lower but steadily rising. The acquisition of Danske Bank's card issuance business in Lithuania and Latvia was finalised during the year, leading to some increase in the number of payments and new cards in these countries.

The EU authorities have adopted several regulations that affect banks and payment services. Their aim is to accelerate the transition to digital payments. This is fully in line with Swedbank's work to make account and payment services available and easy to use in digital channels.

The interchange fees regulation (IFR), which took effect in 2015, adversely affects card issuance earnings but benefits the acquiring business. In Sweden the

regulation strengthens Swedbank's income, since the lower income from our own cardholders' purchases is offset by the acquisition of more card purchases from merchants at a new lower cost. Over time the price pressure on retailers' card fees is expected to increase, due to which the long-term financial effects of the new regulation are hard to determine. In the Baltic countries interchange fees are expected to be cut in half on debit and credit cards, putting pressure on income for card issuers. Because of this, Swedbank is currently reviewing its card pricing in the region. Swedbank is a net acquirer in the Baltics as well, which reduces the impact of the lower card issuance income.

Among other regulations is the Payment Services Directive (PSD2), which takes effect on 13 January 2018 at the latest. It introduces new competitors to the payments market, since they can issue payments, retrieve account information or link payment instruments to the customer's account in the bank with their approval. There is a risk therefore that banks will see their earnings from payment services decline at the same time that costs rise. Though these players do not have legal access to payment accounts until 2018, they are already active, especially in Sweden but also in the Baltic countries. Just like these new competitors, Swedbank, with its long experience with widely used customer channels such as the Internet Bank and Mobile Bank as well as digital payment services such as cards and Swish, has an opportunity to benefit from the new legislation. For example, the bank can offer a digital channel that gives private customers a good overview of their day-to-day finances even if their payment account is with another bank.

### Savings

Swedbank's deposits from private customers increased by SEK 8bn, most of which was in Sweden. Deposits from corporate customers increased in Sweden and the Baltic countries, but decreased in other countries due to lower volumes within Group Treasury.

Deposits from the public excl. the Swedish National Debt Office and repurchase agreements, SEKbn			
	2016 30 sep	2016 30 jun	2016 30 sep
Deposits, private	435	427	391
of which Sweden	341	335	307
of which Baltic countries	94	92	83
Deposits, corporate	430	509	343
of which Sweden	250	249	214
of which Baltic countries	82	77	69
of which other countries	98	183	60
<b>Total</b>	<b>865</b>	<b>936</b>	<b>734</b>

The market share for household deposits in Sweden was stable at 21 per cent as of 31 August (21 per cent as of 31 December 2015), while the share for corporate deposits rose to 20 per cent (19). For more information on deposits, see page 43 of the Fact book.

Asset management, SEKbn			
	30 Sep 2016	30 Jun 2016	30 Sep 2015
Assets under management	769	726	714
of which Sweden	726	686	679
of which Baltic countries	39	36	32
of which Norway	4	4	3
Discretionary asset management	369	367	340

Assets under management amounted to SEK 769bn (SEK 726bn as of 30 June 2016), of which SEK 764bn (721) relates to Swedbank Robur, while other volumes are in the Baltic subsidiaries. Discretionary assets under management increased to SEK 369bn (367). Swedbank Robur had a net outflow of SEK 0.6bn in the Swedish fund market in the third quarter (-3 in Q2). Inflows were positive in Swedish Banking but negative in the PPM system and among third-party distributors. The market recovered in the third quarter from the large outflow in June caused by Brexit. The inflow was mainly in equity funds, a third of which was in index funds. The market continued to see higher risk-taking with outflows from money market funds. The total net inflow in the market was SEK 9bn during the period, of which SEK 23bn in equity funds, SEK 6bn in mixed funds, SEK -17bn in fixed income funds and SEK -3bn in hedge funds. The market share for the third quarter was negative due to the net outflows from Swedbank Robur. Swedbank Robur is the largest player in Sweden, with a market share of 21.2 per cent as of 30 September 2016 measured in fund assets under management.

The share of equity funds that have outperformed their comparative indices (after fees) increased slightly to 41 per cent in the quarter, compared with 29 per cent at the end of the second quarter of 2016. The corresponding figures are 47 per cent (47) for fixed income funds and 23 per cent for mixed funds (30).

Swedbank was the eighth largest life insurance company in Sweden as of 30 June 2016, with a market share of about 6 per cent in premium payments excluding capital transfers. The market share for transferred capital was nearly 7 per cent, placing Swedbank seventh. Swedbank is the largest life insurance company in Estonia and the second largest in Lithuania. Its market shares as of 31 August were 39 and 23 per cent respectively. The market share in Latvia was 20 per cent. For the Baltic non-life business the market shares for total premium income rose during the period to between 3 and 15 per cent as of 31 August, with the highest share in Estonia. In home-owner's and vehicle insurance Swedbank is the market leader in Estonia with shares of 31 and 25 per cent respectively. Non-life insurance is offered in Sweden through the insurance company Tre Kronor.

### Credit and asset quality

Swedbank's credit portfolios remained stable in the third quarter. Credit impairments and impaired loans remained at low levels and were not affected by the weak global economic growth.

On 1 June the Swedish Financial Supervisory Authority (SFSA) introduced an amortisation requirement on new mortgages, similar to the one Swedbank introduced more than a year ago. The law requires new mortgages with a loan-to-value ratio of over 70 per cent to be amortised by at least 2 per cent of the original loan amount per year. New mortgages with a loan-to-value ratio of between 50 and 70 per cent must be amortised by at least 1 per cent. Amortisations in the Swedish mortgage portfolio amounted to about SEK 11.7bn in the last 12-month period. The average loan-to-value ratio for Swedbank's mortgages was 54 per cent in Sweden (57 on 31 December 2015), 49 per cent (51) in Estonia, 92 per cent (98) in Latvia and 73 per cent (79) in Lithuania, based on property level. For more information, see pages 52-53 of the Fact book.



Though oil prices were stable during the period, major oil companies remain hesitant to invest. Swedbank continues to have a close dialogue with impacted customers in oil related sectors with restructurings and reconstructions proceeding according to plan. During the third quarter one customer was unable to fulfil the obligations of a mutually agreed reconstruction, due to which the bank allocated a provision for an anticipated credit impairment. As a result, impaired loans increased during the quarter to 0.35 per cent (0.34) of total lending. In total, the provision ratio for impaired loans was 57 per cent (58). For more information on credit risk, see pages 45-51 of the Fact book.

Credit impairments, net by business segment SEKm	Q3 2016	Q2 2016	Q3 2015
Swedish Banking	41	-35	35
Baltic Banking	-28	50	-2
Estonia	-1	57	21
Latvia	8	2	-17
Lithuania	-35	-9	-6
Large Corporates & Institutions	188	545	97
Group Functions & Other		-22	0
<b>Total</b>	<b>201</b>	<b>538</b>	<b>130</b>

Credit impairments amounted to SEK 201m in the quarter and SEK 774m for the first nine months (SEK 195m for the same period in 2015). The year-on-year difference mainly relates to provisions for commitments in the oil sector. Assets taken over amounted to SEK 434m (SEK 441m as of 31 December 2015). For more information on assets taken over, see page 50 of the Fact book.

### Operational risks

No incidents affected our customers in the third quarter. Only a few minor IT disruptions occurred during the quarter. These disruptions did not markedly impact customers.

### Funding and liquidity

Swedbank was less active in the bond market during the quarter, as a continued inflow of deposits in 2016 has reduced the need for capital market funding. During the first nine months Swedbank issued SEK 116bn in long-term debt of which SEK 12bn in the third quarter. Covered bond issues accounted for the large part, SEK 11bn. The total issue volume for 2016 is expected to be lower than the original plan, amounting to about SEK 140bn. Maturities for the full-year 2016 amounted to SEK 110bn, nominal amount, at the beginning of the year. Issue plans are mainly affected by changes in deposit volumes and lending growth and are adjusted over the course of the year. Outstanding short-term funding, commercial paper and Certificates of Deposits included in debt securities in issue, as of 30 September amounted to SEK 163bn (166). At the same time SEK 263bn was placed with central banks. The liquidity reserve amounted to SEK 487bn (590) as of 30 September. The Group's liquidity coverage ratio (LCR) was 131 per cent (138), and for USD and EUR was 130 per cent and 253 per cent respectively. According to our interpretation of the Basel Committee's latest proposed Net Stable Funding Ratio (NSFR), Swedbank's NSFR was 104 per cent (108). For more information on funding and liquidity, see notes 15-17 on pages 34-35 and 62-78 of the Fact book.

### Ratings

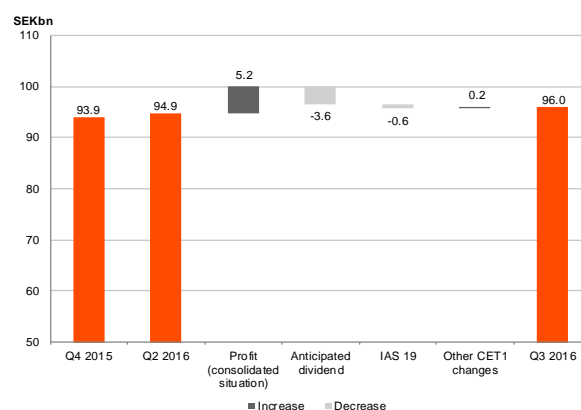
There were no changes in Swedbank's ratings in the third quarter.

### Capital and capital adequacy

The Common Equity Tier 1 capital ratio was 23.8 per cent on 30 September (23.0 per cent as of 30 June 2016 and 24.1 per cent as of 31 December 2015). Common Equity Tier 1 capital increased by SEK 1.1bn during the quarter to SEK 96.0bn. The bank's profit after deducting the proposed dividend positively affected Common Equity Tier 1 capital by SEK 1.6bn. The revaluation of the estimated pension liability according to IAS 19 reduced Common Equity Tier 1 capital by about SEK 0.6bn, mainly due to a lower discount rate.

Swedbank's leverage ratio was 4.5 per cent as of 30 September 2016 (4.2 per cent as of 30 June 2016).

#### Change in Common Equity Tier 1 capital, 2016, Swedbank consolidated situation

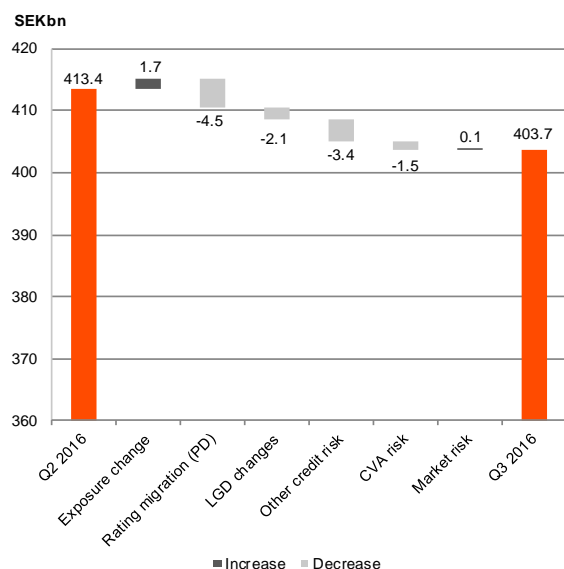


The risk exposure amount (REA) decreased by SEK 9.7bn during the third quarter to SEK 403.7bn (SEK 413.4bn as of 30 June 2016). The REA for credit risks decreased in total by SEK 8.3bn, mainly due to positive Probability of Default (PD) migrations, which helped to reduce the REA by SEK 4.5bn. The REA decreased by SEK 3.4bn due to lower other credit risk. This is mainly because a few past-due commitments within Swedish Banking have resumed meeting their obligations and because of provisions made for customers within Large Corporates & Institutions. Increased collateral values, which had a positive effect on Loss Given Default (LGD), helped to reduce the REA by SEK 2.1bn.

Exposure changes increased the REA by a total of SEK 1.7bn. Increased exposure to corporate and private customers raised the REA by SEK 5.5bn, of which SEK 2.2bn was FX effects. On the other hand, the REA according to the standardised approach decreased by SEK 3.8bn after previously transferred loans from Sparbanken Öresund were reclassified from retail exposures to exposures secured by residential property.

REA for credit valuation adjustments (CVA risk) decreased by SEK 1.5bn due to lower exposures. REA for market risks increased by SEK 0.1bn. REA for operational risks was unchanged during the quarter.

## Change in REA, 2016, Swedbank consolidated situation



### More clarity from SFSA about capital regulations - uncertainty persists internationally

The SFSA's Supervisory Review and Evaluation Process (SREP) for Swedbank for 2016 has been finalised. On this basis, Swedbank's Common Equity Tier 1 capital requirement for individual Pillar 2 risks is estimated at 2.0 per cent (0.9 per cent as of 30 June 2016). The requirement increased after the SFSA, in its SREP decision, applied the revised requirements for Swedish banks' internal risk-based models adopted in May, especially with regard to corporate risk weights. The revisions require banks to anticipate a larger proportion of economic downturns in their estimates of probability of default, which raised the Common Equity Tier 1 capital requirement by 0.5 percentage points, and to use a so-called maturity floor, which raised the requirement by 0.2 percentage points. The Pillar 2 requirement for interest rate risk in the banking book rose by 0.5 percentage points to 0.7 per cent. The requirement varies over time, mainly as a result of changes in the bank's liquidity portfolio as well as in the interest fixing periods of assets and liabilities.

Swedbank's total Common Equity Tier 1 capital requirement rose during the quarter to 21.6 per cent, compared with Swedbank's Common Equity Tier 1 capital ratio of 23.8 per cent as of 30 September 2016. The requirement decreased because the required risk weight floor for mortgages in Pillar 2 increased in relation to the total risk exposure amount. The total requirement takes into account Swedbank's Common Equity Tier 1 capital requirement for individual Pillar 2 risks of 2.0 per cent as well as all announced increases in countercyclical buffer values, including the increase in the Swedish countercyclical buffer value to 2.0 per cent in March 2017.

Work on capital requirements is also being done at an international level. The Basel Committee, among others, is trying to improve the comparability of banks' capital ratios. This includes revisions to the standardised approach for calculating capital requirements for credit, market and operational risks, limits on the banks' opportunities to use internal models for credit risk, the introduction of a minimum leverage ratio requirement and the possibility of a capital floor for banks that use

internal models. Owing to uncertainty about the new requirements and how and when they will be implemented, it is still too early to draw any conclusions about the possible impact on Swedbank. With robust profitability and strong capitalisation, Swedbank is well positioned to meet future changes in capital requirements.

### Other events

On 30 July the European Banking Authority (EBA) announced the results of the stress test it conducted of 51 European banks. The results showed that Swedbank has sufficient capital to withstand a severe stress scenario.

On 22 August Lars Friberg was appointed Head of Financial Institutions within Large Corporates & Institutions. Lars Friberg was previously Head of Group HR. Elisabeth Wretlinge Zorn was appointed acting head of Group HR.

On 30 August Lars Ljungälv was named Head of Large Corporates within Large Corporates & Institutions. He was previously a Regional Head within Swedish Banking and is a member of Swedbank's Group Executive Committee.

On 7 September Swedbank announced that its Nomination Committee ahead of the 2017 Annual General Meeting of Swedbank AB will consist of the following members:

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

Swedbank's Annual General Meeting will be held in Stockholm on 30 March 2017.

### Events after 30 September 2016

On 6 October Lotta Lovén was named Head of Digital Banking in Swedbank. She previously shared leadership with Girts Bērziņš, who has now assumed a new role as Head of Strategy within Digital Banking. Both will remain members of the Group Executive Committee.

In early October the remaining private mortgages from Sparbanken Öresund were transferred to Swedbank. A large share of private customers from Sparbanken Öresund have had mortgages with other lenders. These volumes have gradually been transferred to Swedbank since the acquisition of Sparbanken Öresund in May 2014. A technical transfer of the remaining volume of about SEK 13bn took place in October.

## Swedish Banking

- Continued strong mortgage growth and higher lending margins increased net interest income
- Higher income from cards and asset management lifted net commission income
- Focus on savings

### Income statement

SEKm	Q3 2016	Q2 2016	%	Q3 2015	%	Jan-Sep 2016	Jan-Sep 2015	%
Net interest income	3 802	3 592	6	3 407	12	10 875	9 884	10
Net commission income	1 813	1 718	6	1 719	5	5 149	5 423	-5
Net gains and losses on financial items at fair value	67	106	-37	65	3	248	182	36
Share of profit or loss of associates	211	271	-22	201	5	672	707	-5
Other income	173	207	-16	189	-8	542	599	-10
<b>Total income</b>	<b>6 066</b>	<b>5 894</b>	<b>3</b>	<b>5 581</b>	<b>9</b>	<b>17 486</b>	<b>16 795</b>	<b>4</b>
Staff costs	854	825	4	864	-1	2 540	2 674	-5
Variable staff costs	48	37	30	41	17	108	130	-17
Other expenses	1 581	1 574	0	1 486	6	4 674	4 609	1
Depreciation/amortisation	26	25	4	26	0	76	81	-6
<b>Total expenses</b>	<b>2 509</b>	<b>2 461</b>	<b>2</b>	<b>2 417</b>	<b>4</b>	<b>7 398</b>	<b>7 494</b>	<b>-1</b>
<b>Profit before impairments</b>	<b>3 557</b>	<b>3 433</b>	<b>4</b>	<b>3 164</b>	<b>12</b>	<b>10 088</b>	<b>9 301</b>	<b>8</b>
Credit impairments	41	-35		35	17	-7	135	
<b>Operating profit</b>	<b>3 516</b>	<b>3 468</b>	<b>1</b>	<b>3 129</b>	<b>12</b>	<b>10 095</b>	<b>9 166</b>	<b>10</b>
Tax expense	746	765	-2	671	11	2 192	1 951	12
Profit for the period	2 770	2 703	2	2 458	13	7 903	7 215	10
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>2 767</b>	<b>2 699</b>	<b>3</b>	<b>2 454</b>	<b>13</b>	<b>7 893</b>	<b>7 203</b>	<b>10</b>
Non-controlling interests	3	4	-25	4	-25	10	12	-17
Return on allocated equity, % <sup>1)</sup>	20.5	20.6		18.9		20.0	18.6	
Loan/deposit ratio, %	228	229		246		228	246	
Credit impairment ratio, % <sup>2)</sup>	0.01	-0.01		0.01		0.00	0.02	
Cost/income ratio	0.41	0.42		0.43		0.42	0.45	
Loans, SEKbn	1 111	1 096	1	1 060	5	1 111	1 060	5
Deposits, SEKbn	488	479	2	431	13	488	431	13
Full-time employees	4 292	4 318	-1	4 589	-6	4 292	4 589	-6

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

2) For more information about the Credit impairment ratio see page 48 of the Fact book.

### Result

#### Third quarter 2016 compared with second quarter 2016

Profit increased by 3 per cent, from SEK 2 699m to SEK 2 767m, mainly due to higher net interest income and net commission income.

Net interest income rose to SEK 3 802m (3 592) due to increased lending and deposit volumes, higher mortgage margins and an extra day of interest during the quarter. This was partly offset by lower market interest rates, which adversely affected deposit margins.

Household mortgage volume amounted to SEK 698bn as of 30 September, up 2 per cent. The increase was driven by higher property sales and additional loans. As of 31 August the share of the year's net mortgage growth was 21 per cent and the total market share was 24.5 per cent (24.7 per cent as of 31 December 2015).

Lending to corporates increased to SEK 278bn (275). The increase has mainly been in forestry and agriculture, property management and corporate services. The market share, including corporate lending within Large Corporates & Institutions, was 18.5 per cent in August (18.6 per cent as of 31 December 2015).

Household deposit volume increased by SEK 6bn during the quarter. Swedbank's share of household deposits was 20.9 per cent as of 31 August (20.8 per cent as of 31 December 2015).

Corporate deposits within Swedish Banking increased by SEK 3bn during the period. Swedbank's market share, including corporate lending within Large Corporates & Institutions, was 20.4 per cent as of 31 August (19.3 per cent as of 31 December 2015).

Net commission income increased by 6 per cent, mainly because card commissions were seasonally stronger and benefited from one-off income of SEK 50m from MasterCard. Market-driven increases in asset management income also contributed to the improvement. The net fund flow was positive, with outflows from equity and fixed income funds and inflows to mixed funds.

The share of associates' profit decreased due to one-off income in Entercard in the previous quarter.

Total expenses increased due to higher staff costs.

Credit impairments of SEK 41m were recognised in the third quarter, compared with net recoveries of SEK 35m in the second quarter.

## January-September 2016 compared with January-September 2015

Profit for the period increased by 10 per cent, from SEK 7 215m to SEK 7 903m, due to increased income, lower expenses and credit impairments.

Net interest income increased by 10 per cent mainly through higher deposit volumes and mortgage margins. This was partly offset by lower deposit margins.

Net commission income decreased by 5 per cent, mainly due to lower asset management income, which was affected by reduced fund fees and weak market performance. Income from equity trading and structured products decreased, partly offset by higher card and payment commissions resulting from higher volumes.

The share of associates' profit fell, mainly due to one-off income related to Entercard and Sparbanken Skåne in 2015.

Expenses decreased during the period, mainly related to staff costs.

Net recoveries of SEK 7m were recognised during the period. In the same period of 2015 credit impairments of SEK 135m were recognised.

## Business development

Swedish Banking is continuing to develop uniform ways to respond more quickly to the changing needs of our customers, who are doing more of their banking through the bank's digital channels and customer centres.

During the period we expanded the functions for electronic documents and made more documents available in the beta version of the new Internet Bank. We also launched a new digital tool to securely communicate with private customers.

The new amortisation law led to robust market activity in the second quarter. Thus far we have not seen any decrease in volume due to the law.

The results of this year's Swedish Quality Index survey, in which over 500 Swedbank customers participated, showed that the banking industry in general has a poorer reputation than a year ago, and also Swedbank lost ground. We developed new services during the year, not least digital, that have proven popular with customers, but it is simply not enough. For many people, personal finance is becoming more complex, creating a greater need for personalised advice, which we will continue to offer private and corporate customers in pace with digital developments. We also have to be better at showcasing our broad-based social engagement, an issue valued highly by many bank customers.

As part of the improvements we are making, we continue to query customers for their opinions of our services and offerings. For example, we continuously survey customers at our branches and customer centres. As part of an extensive customer survey this autumn, around 40 000 private and corporate customers will be contacted for interviews.

We have continued to focus on savings, and in the third quarter a campaign was launched on monthly savings for children. In addition, a new payment and credit card offering was launched in August.

On the corporate side we are working to strengthen our offering for SMEs. In collaboration with the savings banks and the Swedish Federation of Business Owners (Företagarna), we conducted a survey of small business owners during the quarter, according to which they expect continued growth in the year ahead despite a slight slowdown in the economy.



Christer Trägårdh  
Head of Swedish Banking

**Sweden is Swedbank's largest market**, with around 4 million private customers and more than 250 000 corporate customers. This makes it Sweden's largest bank by number of customers. Through our digital channels (Internet Bank and Mobile Bank), the Telephone Bank and branches, and with the cooperation of savings banks and franchisees, we are always available. Swedbank is part of the community. Branch managers have a strong mandate to act in their local communities. The bank's presence and engagement are expressed in various ways. A project called "Young Jobs", which has created several thousand trainee positions for young people, has played an important part in recent years. Swedbank has 256 branches in Sweden.

## Baltic Banking

- Rising lending volumes raised net interest income
- Stable credit quality
- Customers benefit from new digital solutions

### Income statement

SEKm	Q3 2016	Q2 2016	%	Q3 2015	%	Jan-Sep 2016	Jan-Sep 2015	%
Net interest income	1 045	954	10	900	16	2 933	2 596	13
Net commission income	511	498	3	511	0	1 492	1 504	-1
Net gains and losses on financial items at fair value	59	53	11	48	23	158	143	10
Other income	126	128	-2	107	18	373	358	4
<b>Total income</b>	<b>1 741</b>	<b>1 633</b>	<b>7</b>	<b>1 566</b>	<b>11</b>	<b>4 956</b>	<b>4 601</b>	<b>8</b>
Staff costs	238	225	6	204	17	671	623	8
Variable staff costs	19	15	27	20	-5	54	57	-5
Other expenses	359	351	2	350	3	1 041	1 044	0
Depreciation/amortisation	28	28	0	32	-13	86	104	-17
<b>Total expenses</b>	<b>644</b>	<b>619</b>	<b>4</b>	<b>606</b>	<b>6</b>	<b>1 852</b>	<b>1 828</b>	<b>1</b>
<b>Profit before impairments</b>	<b>1 097</b>	<b>1 014</b>	<b>8</b>	<b>960</b>	<b>14</b>	<b>3 104</b>	<b>2 773</b>	<b>12</b>
Impairment of tangible assets	1			6	-83	1	5	-80
Credit impairments	-28	50		-2		-20	-60	-67
<b>Operating profit</b>	<b>1 124</b>	<b>964</b>	<b>17</b>	<b>956</b>	<b>18</b>	<b>3 123</b>	<b>2 828</b>	<b>10</b>
Tax expense	152	127	20	132	15	417	1 327	-69
Profit for the period	972	837	16	824	18	2 706	1 501	80
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>972</b>	<b>837</b>	<b>16</b>	<b>824</b>	<b>18</b>	<b>2 706</b>	<b>1 501</b>	<b>80</b>
Return on allocated equity, % <sup>1)</sup>	19,2	16,7		16,2		17,5	9,7	
Loan/deposit ratio, %	85	85		90		85	90	
Credit impairment ratio, % <sup>2)</sup>	-0,08	0,16		-0,01		-0,02	-0,06	
Cost/income ratio	0,37	0,38		0,39		0,37	0,40	
Loans, SEKbn	141	136	4	129	9	141	129	9
Deposits, SEKbn	166	159	4	144	15	166	144	15
Full-time employees	3 917	3 962	-1	3 786	3	3 917	3 786	3

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

2) For more information about the Credit impairment ratio see page 48 of the Fact book.

### Result

#### Third quarter 2016 compared with second quarter 2016

Profit rose by 16 per cent to SEK 972m (837). The increase was mainly driven by higher net interest income combined with net recoveries in Estonia and Lithuania. FX effects contributed positively by SEK 28m.

In total, net interest income increased by 6 per cent in local currency, largely due to the transfer of Danske Bank's loan portfolios at the end of the previous quarter. Higher lending volumes in general and an extra day of interest during the quarter also contributed to the increase. FX effects raised net interest income by SEK 30m.

Lending volumes rose by 2 per cent in local currency, largely driven by improved consumer confidence and wage increases. Household lending increased by 2 per cent, while corporate lending rose by 1 per cent. Total lending grew by 2 per cent in Estonia and Lithuania, while in Latvia the trend was stable.

Deposits increased by 2 per cent in local currency. Deposits rose from both households and businesses.

Net commission income was unchanged in local currency. Income from payments and cards fell after a seasonally strong second quarter. The decline was

offset, however, by higher commissions from securities and lending.

Net gains and losses on financial items rose by 5 per cent in local currency. Other income fell by 4 per cent in local currency.

Total expenses increased by 1 per cent in local currency due to higher staff costs.

Net recoveries amounted to SEK 28m, compared with credit impairments of SEK 50m in the previous quarter. Estonia and Lithuania reported net recoveries, while Latvia reported credit impairments.

#### January-September 2016 compared with January-September 2015

Profit increased to SEK 2 706m (1 501), mostly due to higher tax expenses resulting from an extra dividend from the Estonian subsidiary in the previous year. FX changes reduced profit for the period by SEK 14m.

Net interest income in local currency rose by 13 per cent. The increase is mainly due to higher lending volumes, lower deposit guarantee fees and somewhat higher margins on mortgages. To offset the impact of negative interest rates, base rate floors are applied. FX changes reduced net interest income for the period by SEK 1m.

Lending volumes increased by 7 per cent in local currency. The increase was mainly evident in the mortgage portfolio, largely driven by the loan portfolios acquired from Danske Bank.

Deposit volumes grew by 13 per cent in local currency.

Net commission income decreased slightly in local currency. Higher customer activity strengthened payment commissions. The number of card purchases rose by 10 per cent. At the same time net commission income was negatively affected by the new regulation on card interchange fees. Asset management commissions fell due to lower management fees for pension funds.

Net gains and losses on financial items at fair value increased by 10 per cent in local currency. Other income rose by 4 per cent in local currency.

Total expenses increased by 1 per cent. The increase was a result of higher staff costs, but was offset by somewhat lower expenses for IT and premises as well as the VAT refund in Lithuania in the first quarter.

Net recoveries amounted to SEK 20m, compared with net recoveries of SEK 60m in the same period of 2015.

## Business development

Swedbank continued to strengthen its customer offering in the third quarter. Contactless student cards were launched at the same time that an expansion of the infrastructure for contactless card terminals was begun. Starting from the end of September, contactless credit and debit cards are made available to all customers. In addition, various campaigns continue to promote banking by mobile phone. As a result, the number of active Mobile Bank users has increased by 50 per cent in one year.

The Baltic banking market is consolidating. In June Swedbank took over Danske Bank's private customer portfolios. In August two competitors announced plans to merge their Baltic units. We see consolidation as a positive step for banks and their customers. It makes the market more resilient, efficient and widely available, with more resources for investments and better offerings for customers.

In the annual survey of Most Loved Brands in the Baltic countries, Swedbank came in fourth with the highest score among financial institutions, maintaining its strong position from last year, behind only Google, Facebook and YouTube.



Priit Perens  
Head of Baltic Banking

**Swedbank is the largest bank** by number of customers in Estonia, Latvia and Lithuania, with around 4 million private customers and over a quarter million corporate customers. According to surveys, Swedbank is also the most respected company in the financial sector. Through its digital channels (Telephone Bank, Internet Bank and Mobile Bank) and branches, the bank is always available. Swedbank is part of the local community. Its local social engagement is expressed in many ways, with initiatives to promote education, entrepreneurship and social welfare. Swedbank has 35 branches in Estonia, 41 in Latvia and 67 in Lithuania.

## Large Corporates & Institutions

- Stable income despite seasonally lower activity
- Good cost control
- Improved digital offering

### Income statement

SEKm	Q3 2016	Q2 2016	%	Q3 2015	%	Jan-Sep 2016	Jan-Sep 2015	%
Net interest income	833	827	1	862	-3	2 424	2 580	-6
Net commission income	535	610	-12	506	6	1 643	1 483	11
Net gains and losses on financial items at fair value	590	545	8	314	88	1 538	1 477	4
Other income	18	21	-14	33	-45	64	104	-38
<b>Total income</b>	<b>1 976</b>	<b>2 003</b>	<b>-1</b>	<b>1 715</b>	<b>15</b>	<b>5 669</b>	<b>5 644</b>	<b>0</b>
Staff costs	348	357	-3	330	5	1 061	1 050	1
Variable staff costs	62	58	7	57	9	172	211	-18
Other expenses	410	430	-5	354	16	1 225	1 146	7
Depreciation/amortisation	28	15	87	15	87	57	48	19
<b>Total expenses</b>	<b>848</b>	<b>860</b>	<b>-1</b>	<b>756</b>	<b>12</b>	<b>2 515</b>	<b>2 455</b>	<b>2</b>
<b>Profit before impairments</b>	<b>1 128</b>	<b>1 143</b>	<b>-1</b>	<b>959</b>	<b>18</b>	<b>3 154</b>	<b>3 189</b>	<b>-1</b>
Impairment of tangible assets	1	1	0			8		
Credit impairments	188	545	-66	97	94	830	120	
<b>Operating profit</b>	<b>939</b>	<b>597</b>	<b>57</b>	<b>862</b>	<b>9</b>	<b>2 316</b>	<b>3 069</b>	<b>-25</b>
Tax expense	208	103		190	9	374	459	-19
Profit for the period	731	494	48	672	9	1 942	2 610	-26
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>731</b>	<b>494</b>	<b>48</b>	<b>672</b>	<b>9</b>	<b>1 942</b>	<b>2 610</b>	<b>-26</b>
Return on allocated equity, % <sup>1)</sup>	14,6	10,1		13,5		13,3	17,4	
Loan/deposit ratio, %	153	149		176		153	176	
Credit impairment ratio, % <sup>2)</sup>	0,24	0,66		0,13		0,44	0,09	
Cost/income ratio	0,43	0,43		0,44		0,44	0,43	
Loans, SEKbn	187	188	-1	181	3	187	181	3
Deposits, SEKbn	123	126	-2	103	19	123	103	19
Full-time employees	1 266	1 253	1	1 237	2	1 266	1 237	2

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

2) For more information about the Credit impairment ratio see page 48 of the Fact book.

### Result

#### Third quarter 2016 compared with second quarter 2016

Profit for the third quarter of 2016 increased by 48 per cent compared with the second quarter of 2016. Lower income was offset by lower credit impairments.

Net interest income increased marginally and was positively affected by an extra day of interest. Lending volumes and lending margins were stable. FX changes positively affected volumes by SEK 2.8bn.

Underlying credit demand remained low, as did overall activity. Deposit margins were stable and volumes decreased by 2 per cent, mainly due to lower deposits from financial institutions. Swedbank still only charges financial institutions for deposits in a few currencies.

Net commission income fell by 12 per cent. The decrease is mainly related to seasonally lower activity in corporate finance. The market for low-rated Norwegian corporate bond issues has remained weak in the wake of low oil prices and dampened investment in the sector.

Net gains and losses on financial items at fair value increased by 8 per cent, partly due to higher demand for interest rate hedging in a number of sectors.

Compared with the previous quarter total expenses decreased by 1 per cent, mainly due to seasonally lower staff costs in Norway.

Credit impairments amounted to SEK 188m in the third quarter, corresponding to a credit impairment ratio of 0.24 per cent. The credit impairments were primarily attributable to a single oil related exposure. Oil producers are continuing to adapt to lower oil prices, which is putting further pressure on utilisation and contract rates for offshore companies.

#### January-September 2016 compared with January-September 2015

Profit decreased by 26 per cent year-on-year, mainly due to increased credit impairments.

Net interest income decreased by 6 per cent to SEK 2 424m. Lending volume was 3 per cent higher, while margins in the loan portfolio declined. FX changes positively affected volume by SEK 4.4bn. Net interest income related to deposits increased after financial institutions began charging for negative interest rates in the second quarter of 2015, at the same time that deposit volumes rose by 19 per cent.

Net commission income increased by 11 per cent to SEK 1 643m. Card income rose due to lower fees paid

to Visa and MasterCard. Income from bond issues has decreased due to lower activity.

Net gains and losses on financial items at fair value rose by SEK 61m, an increase of 4 per cent. Negative credit valuation adjustments (CVA) on derivative exposures due to increased counterparty risk have been offset by positive results from equity and fixed income trading.

Total expenses increased by 2 per cent compared with the same period in 2015, mainly due to increased IT expenses.

Credit impairments amounted to SEK 830m, compared with SEK 120m in the same period of 2015. The impairments were primarily attributable to increased provisions for exposures in oil related sectors. Large Corporates & Institutions' share of impaired loans was 0.53 per cent.

## Business development

Large Corporates & Institutions continued during the quarter to further improve its customer-focused service model. The aim is to offer a service better suited to the unique needs of the largest customer groups and at the same time more efficiently utilise our specialised expertise. Increased cooperation with the product units is part of this initiative.

To further develop our business model and strategy and strengthen Swedbank's position as a business bank, Large Corporates & Institutions recruited a number of new executives in the third quarter, including Lars Ljungälv, the new Head of Large Corporates. To contribute to the Group-wide focus on corporates, the focus here as well is on greater cooperation between every unit of the bank that works with corporate customers.

During the quarter the business area also improved its processes to better manage operational risks and more efficiently implement new regulations.

Digitisation is a key to meeting customers' changing expectations and behaviours, and we are working actively to develop our digital platforms for FX trading and cash management, among other things. For example, we have established cooperations with several major international banks and thereby broadened our range of currencies. These efforts have produced results, and in the third quarter revenue from FX trading through our digital channels increased compared with the previous year.



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

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



# Group Functions & Other

## Income statement

SEKm	Q3 2016	Q2 2016	%	Q3 2015	%	Jan-Sep 2016	Jan-Sep 2015	%
Net interest income	382	359	6	642	-40	1 185	2 174	-45
Net commission income	-30	-36	-17	-21	43	-27	-147	-82
Net gains and losses on financial items at fair value	-49	169		-423	-88		-1 395	
Share of profit or loss of associates	27	1 658	-98			1 686	1	
Other income	191	230	-17	210	-9	598	587	2
<b>Total income</b>	<b>521</b>	<b>2 380</b>	<b>-78</b>	<b>408</b>	<b>28</b>	<b>3 442</b>	<b>1 220</b>	
Staff costs	699	746	-6	692	1	2 194	2 180	1
Variable staff costs	48	51	-6	49	-2	136	179	-24
Other expenses	-765	-764	0	-696	10	-2 203	-2 231	1
Depreciation/amortisation	85	87	-2	91	-7	257	282	-9
<b>Total expenses</b>	<b>67</b>	<b>120</b>	<b>-44</b>	<b>136</b>	<b>-51</b>	<b>384</b>	<b>410</b>	<b>-6</b>
<b>Profit before impairments</b>	<b>454</b>	<b>2 260</b>	<b>-80</b>	<b>272</b>	<b>67</b>	<b>3 058</b>	<b>810</b>	
Impairment of intangible assets				254			254	
Impairment of tangible assets	-1			10		1	48	-98
Credit impairments		-22				-29		
<b>Operating profit</b>	<b>455</b>	<b>2 282</b>	<b>-80</b>	<b>8</b>		<b>3 086</b>	<b>508</b>	
Tax expense	109	42		19		230	-86	
<b>Profit for the period from continuing operations</b>	<b>346</b>	<b>2 240</b>	<b>-85</b>	<b>-11</b>		<b>2 856</b>	<b>594</b>	
Profit for the period from discontinued operations, after tax				-11			6	
Profit for the period	346	2 240	-85	-22		2 856	600	
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>346</b>	<b>2 240</b>	<b>-85</b>	<b>-22</b>		<b>2 856</b>	<b>600</b>	
Non-controlling interests								
Full-time employees	4 527	4 514	0	4 317	5	4 527	4 317	5

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

### Third quarter of 2016 compared with second quarter of 2016

Profit for continuing operations decreased to SEK 346m during the quarter (2 240). The reason was that Group Treasury's profit fell to SEK 271m (2 178) from the second quarter, which was positively affected by tax-exempt income of SEK 2 115m related to the sale of Visa Europe.

Net interest income increased to SEK 382m (359). Net interest income in Group Treasury was stable at SEK 401m (387).

Net gains and losses on financial items at fair value fell to SEK -49m (169). Net gains and losses on financial items within Group Treasury fell to SEK -51m (166), with the sale of Visa Europe positively affecting the second quarter by SEK 457m. In addition, lower volumes of covered bond repurchases resulted in fewer negative valuation effects.

The share of profit or loss of associates decreased to SEK 27m (1 658) due to the sale of Visa Europe in the second quarter.

Expenses decreased, which was mainly a result of lower staff costs.

Impairment of intangible assets amounted to SEK 0m (0). Impairment of tangible assets amounted to SEK 1m (0). Profit for discontinued operations was SEK 0m (0).

### January-September 2016 compared with January-September 2015

Profit for continuing operations increased to SEK 2 856m (594) due to an increase in profit within Group Treasury to SEK 2 706m (784).

Net interest income fell to SEK 1 185m (2 174). Group Treasury's net interest income decreased to SEK 1 241m (2 227) due to previously taken positions having matured and lower income from the bank's liquidity portfolio.

Net gains and losses on financial items at fair value improved to SEK 0m (-1 395). Net gains and losses on financial items within Group Treasury increased to SEK 5m (-1 403) due to a lower volume of covered bond repurchases, tighter credit spreads and the sale of Visa Europe.

The share of profit or loss of associates increased to SEK 1 686m (1), which is explained by the sale of Visa Europe.

Expenses decreased somewhat due to lower variable staff costs and depreciation/amortisation.

Impairment of intangible assets amounted to SEK 0m (254). Impairment of tangible assets decreased to SEK 1m (48). Profit for discontinued operations amounted to SEK 0m (6).

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

# Eliminations

## Income statement

SEKm	Q3 2016	Q2 2016	%	Q3 2015	%	Jan-Sep 2016	Jan-Sep 2015	%
Net interest income								
Net commission income	9	5	80	21	-57	21	59	-64
Net gains and losses on financial items at fair value	2	4	-50			2	-1	
Other income	-50	-49	-2	-57	12	-135	-151	11
<b>Total income</b>	<b>-39</b>	<b>-40</b>	<b>3</b>	<b>-36</b>	<b>8</b>	<b>-112</b>	<b>-93</b>	<b>-20</b>
Staff costs	-1							
Variable staff costs								
Other expenses	-38	-40	5	-36	6	-112	-93	-20
Depreciation/amortisation								
<b>Total expenses</b>	<b>-39</b>	<b>-40</b>	<b>3</b>	<b>-36</b>	<b>8</b>	<b>-112</b>	<b>-93</b>	<b>-20</b>

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

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

## Income statement, condensed

Group SEKm	Q3 2016	Q2 2016	%	Q3 2015	%	Jan-Sep 2016	Jan-Sep 2015	%
Interest income	8 062	7 894	2	8 645	-7	24 387	26 880	-9
Interest expenses	-2 000	-2 162	-7	-2 834	-29	-6 970	-9 646	-28
<b>Net interest income (note 5)</b>	<b>6 062</b>	<b>5 732</b>	<b>6</b>	<b>5 811</b>	<b>4</b>	<b>17 417</b>	<b>17 234</b>	<b>1</b>
Commission income	4 027	4 011	0	4 111	-2	11 721	12 385	-5
Commission expenses	-1 189	-1 216	-2	-1 375	-14	-3 443	-4 063	-15
<b>Net commission income (note 6)</b>	<b>2 838</b>	<b>2 795</b>	<b>2</b>	<b>2 736</b>	<b>4</b>	<b>8 278</b>	<b>8 322</b>	<b>-1</b>
Net gains and losses on financial items at fair value (note 7)	669	877	-24	4		1 946	406	
Insurance premiums	501	549	-9	464	8	1 555	1 495	4
Insurance provisions	-327	-346	-5	-301	9	-1 021	-980	4
<b>Net insurance</b>	<b>174</b>	<b>203</b>	<b>-14</b>	<b>163</b>	<b>7</b>	<b>534</b>	<b>515</b>	<b>4</b>
Share of profit or loss of associates	238	1 929	-88	201	18	2 358	708	
Other income	284	334	-15	319	-11	908	982	-8
<b>Total income</b>	<b>10 265</b>	<b>11 870</b>	<b>-14</b>	<b>9 234</b>	<b>11</b>	<b>31 441</b>	<b>28 167</b>	<b>12</b>
Staff costs	2 315	2 314	0	2 257	3	6 936	7 104	-2
Other expenses (note 8)	1 547	1 551	0	1 458	6	4 625	4 475	3
Depreciation/amortisation	167	155	8	164	2	476	515	-8
<b>Total expenses</b>	<b>4 029</b>	<b>4 020</b>	<b>0</b>	<b>3 879</b>	<b>4</b>	<b>12 037</b>	<b>12 094</b>	<b>0</b>
<b>Profit before impairments</b>	<b>6 236</b>	<b>7 850</b>	<b>-21</b>	<b>5 355</b>	<b>16</b>	<b>19 404</b>	<b>16 073</b>	<b>21</b>
Impairment of intangible assets (note 14)				254			254	
Impairment of tangible assets	1	1	0	16	-94	10	53	-81
Credit impairments (note 9)	201	538	-63	130	55	774	195	
<b>Operating profit</b>	<b>6 034</b>	<b>7 311</b>	<b>-17</b>	<b>4 955</b>	<b>22</b>	<b>18 620</b>	<b>15 571</b>	<b>20</b>
Tax expense	1 215	1 037	17	1 012	20	3 213	3 651	-12
<b>Profit for the period from continuing operations</b>	<b>4 819</b>	<b>6 274</b>	<b>-23</b>	<b>3 943</b>	<b>22</b>	<b>15 407</b>	<b>11 920</b>	<b>29</b>
Profit for the period from discontinued operations, after tax				-11			6	
Profit for the period	4 819	6 274	-23	3 932	23	15 407	11 926	29
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>4 816</b>	<b>6 270</b>	<b>-23</b>	<b>3 928</b>	<b>23</b>	<b>15 397</b>	<b>11 914</b>	<b>29</b>
of which profit for the period from continuing operations	4 816	6 270	-23	3 939	22	15 397	11 908	29
of which profit for the period from discontinued operations				-11			6	
Non-controlling interests	3	4	-25	4	-25	10	12	-17
of which profit for the period from continuing operations	3	4	-25	4	-25	10	12	-17
<b>SEK</b>								
Earnings per share, continuing operations, SEK	4.33	5.65		3.57		13.87	10.78	
after dilution	4.31	5.62		3.52		13.80	10.68	
Earnings per share, total operations, SEK	4.33	5.65		3.56		13.87	10.79	
after dilution	4.31	5.62		3.51		13.80	10.69	

## Statement of comprehensive income, condensed

Group SEKm	Q3			Q2			Q3			Jan-Sep		
	2016	2016	%	2015	%	2015	2016	2015	%	2016	2015	%
<b>Profit for the period reported via income statement</b>	<b>4 819</b>	<b>6 274</b>	<b>-23</b>	<b>3 932</b>	<b>23</b>		<b>15 407</b>	<b>11 926</b>	<b>29</b>			
<b>Items that will not be reclassified to the income statement</b>												
Remeasurements of defined benefit pension plans	-775	-1 762	-56	755			-4 892	2 497				
Share related to associates	-23	-58	-60	11			-141	60				
Income tax	176	401	-56	-168			1 108	-562				
<b>Total</b>	<b>-622</b>	<b>-1 419</b>	<b>-56</b>	<b>598</b>			<b>-3 925</b>	<b>1 995</b>				
<b>Items that may be reclassified to the income statement</b>												
Exchange differences, foreign operations												
Gains/losses arising during the period	772	853	-9	841	-8		1 900	-486				
Reclassification adjustments to income statement, net gains and losses on financial items at fair value	-3						-3					
Hedging of net investments in foreign operations:												
Gains/losses arising during the period	-650	-666	-2	-570	14		-1 558	511				
Cash flow hedges:												
Gains/losses arising during the period	72	-22		13			131	161	-19			
Reclassification adjustments to income statement, net interest income	4	5	-20	7	-43		13	7	86			
Share of other comprehensive income of associates	72	44	64	-93			146	-93				
Income tax												
Income tax	127	152	-17	124	3		315	-148				
Reclassification adjustments to income statement, tax	-1	-1	0	-2	-43		-3	-2	86			
<b>Total</b>	<b>393</b>	<b>365</b>	<b>8</b>	<b>320</b>	<b>23</b>		<b>941</b>	<b>-50</b>				
<b>Total comprehensive income for the period, net of tax</b>	<b>-229</b>	<b>-1 054</b>	<b>-78</b>	<b>918</b>			<b>-2 984</b>	<b>1 945</b>				
<b>Total comprehensive income for the period</b>	<b>4 590</b>	<b>5 220</b>	<b>-12</b>	<b>4 850</b>	<b>-5</b>		<b>12 423</b>	<b>13 871</b>	<b>-10</b>			
<b>Total comprehensive income attributable to the shareholders of Swedbank AB</b>												
	<b>4 587</b>	<b>5 216</b>	<b>-12</b>	<b>4 846</b>	<b>-5</b>		<b>12 413</b>	<b>13 858</b>	<b>-10</b>			
Non-controlling interests	3	4	-25	4	-25		10	13	-23			

For Jan-Sep 2016 an expense of SEK 3 925m (-1 995) was recognised in other comprehensive income after tax, including remeasurements of defined benefit pension plans in associates. The 2016 expense arose primarily because market interest rates fell from the beginning of the year. As of 30 September the discount rate, which is used to calculate the closing pension obligation, was 2.10 per cent, compared with 3.53 per cent at the beginning of the year. The market's future inflation expectations fell slightly compared with the beginning of the year. The inflation assumption was 1.56%. The market value of assets under management decreased during 2016 by SEK 341m. As a whole, the obligation for defined benefit pension plans exceeded the market value of the assets under management by SEK 3 337m.

For Jan-Sep 2016 an exchange difference of SEK 1900m (486) was recognised for the Group's foreign net investments in subsidiaries. In addition, an exchange rate difference of SEK 146m for the Group's foreign net investments in associates is included in Share related to associates. The gain related to subsidiaries and associates mainly arose because the Swedish krona weakened against the euro respective Norwegian krona. The total gain of SEK 2 043m is not taxable. Since the large part of the Group's foreign net investments is hedged against currency risk, a loss of SEK 1 558m before tax arose for the hedging instruments, compared with a year-earlier gain of SEK 511m.

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

## Balance sheet, condensed

Group SEKm	30 Sep 2016	31 Dec 2015	Δ SEKm	%	30 Sep 2015	%
<b>Assets</b>						
Cash and balance with central banks	262 773	186 312	76 461	41	266 466	-1
Loans to credit institutions (note 10)	94 354	86 418	7 936	9	108 628	-13
Loans to the public (note 10)	1 526 635	1 413 955	112 680	8	1 441 293	6
Value change of interest hedged item in portfolio hedge	2 413	1 009	1 404		1 526	58
Interest-bearing securities	182 525	165 162	17 363	11	190 091	-4
Financial assets for which customers bear the investment risk	155 859	153 442	2 417	2	147 192	6
Shares and participating interests	24 200	11 074	13 126		9 527	
Investments in associates	7 228	5 382	1 846	34	5 290	37
Derivatives (note 18)	93 294	86 107	7 187	8	99 550	-6
Intangible fixed assets (note 14)	14 293	13 690	603	4	13 900	3
Investment properties		8	-8		70	
Tangible assets	1 928	1 981	-53	-3	2 036	-5
Current tax assets	3 858	1 662	2 196		2 764	40
Deferred tax assets	183	192	-9	-5	185	-1
Pension assets		1 274	-1 274			
Other assets	18 948	14 677	4 271	29	15 807	20
Prepaid expenses and accrued income	5 252	6 362	-1 110	-17	7 048	-25
Group of assets classified as held for sale		148	-148		143	
<b>Total assets</b>	<b>2 393 743</b>	<b>2 148 855</b>	<b>244 888</b>	<b>11</b>	<b>2 311 516</b>	<b>4</b>
<b>Liabilities and equity</b>						
Amounts owed to credit institutions (note 15)	158 128	150 493	7 635	5	153 303	3
Deposits and borrowings from the public (note 16)	879 181	748 271	130 910	17	755 727	16
Financial liabilities for which customers bear the investment risk	156 741	157 836	-1 095	-1	150 340	4
Debt securities in issue (note 17)	905 496	826 535	78 961	10	950 795	-5
Short positions, securities	19 424	8 191	11 233		36 636	-47
Derivatives (note 18)	81 014	68 681	12 333	18	74 317	9
Current tax liabilities	1 329	105	1 224		1 301	2
Deferred tax liabilities	1 987	3 071	-1 084	-35	2 456	-19
Pension provisions	3 337	17	3 320		-134	
Insurance provisions	1 854	1 728	126	7	1 777	4
Other liabilities and provisions	26 541	22 715	3 826	17	28 084	-5
Accrued expenses and prepaid income	11 629	13 243	-1 614	-12	12 631	-8
Subordinated liabilities	22 899	24 613	-1 714	-7	25 260	-9
Liabilities directly associated with group of assets classified as held for sale		14	-14		4	
<b>Total liabilities</b>	<b>2 269 560</b>	<b>2 025 513</b>	<b>244 047</b>	<b>12</b>	<b>2 192 497</b>	<b>4</b>
<b>Equity</b>						
Non-controlling interests	184	179	5	3	178	3
Equity attributable to shareholders of the parent company	123 999	123 163	836	1	118 841	4
<b>Total equity</b>	<b>124 183</b>	<b>123 342</b>	<b>841</b>	<b>1</b>	<b>119 019</b>	<b>4</b>
<b>Total liabilities and equity</b>	<b>2 393 743</b>	<b>2 148 855</b>	<b>244 888</b>	<b>11</b>	<b>2 311 516</b>	<b>4</b>

### Balance sheet analysis

Total assets have increased by SEK 245bn from 1 January 2016. Assets increased mainly due to higher cash and balances with central banks, which rose by SEK 76bn. The increase is mainly attributable to higher deposits with the US Federal Reserve and central banks in the euro system. Deposits and borrowings from the public rose by a total of SEK 131bn, mainly volumes from US money market funds, which increased by SEK 62bn. Lending to credit institutions rose by SEK 8bn at the same time that amounts owed to them increased by SEK 8bn. Balance sheet items related to credit institutions fluctuate over time depending on repos, among other things. The market value of derivatives increased on both the asset and liability side, mainly due to large movements in interest rates and currencies. Excluding the National Debt Office and repos, lending volumes increased by SEK 69bn. The increase primarily relates to Sweden. SEK 32bn of the increase is attributable to mortgages in Sweden. The increase in securities in issue was mainly a result of higher issued volumes compared with repaid short-term securities funding of SEK 54bn and higher issued volumes compared with repaid long-term securities funding of SEK 29bn.

Investments in associate increased by SEK 1 689m because the associate VISA Sweden sold its share in VISA Europe to VISA Inc. See also page 5.

# Statement of changes in equity, condensed

Group SEKm	Shareholders' equity					Non-controlling interests		Total equity	
	Share capital	Other contributed equity <sup>1)</sup>	Exchange differences, subsidiaries and associates	Hedging of net investments in foreign operations	Cash flow hedges	Retained earnings	Total		
<b>January-September 2015</b>									
<b>Opening balance 1 January 2015</b>	<b>24 904</b>	<b>17 275</b>	<b>2 564</b>	<b>-1 801</b>	<b>-105</b>	<b>74 366</b>	<b>117 203</b>	<b>170</b>	<b>117 373</b>
Dividends						-12 539	-12 539	-5	-12 544
Share based payments to employees						342	342		342
Deferred tax related to share based payments to employees						-49	-49		-49
Current tax related to share based payments to employees						63	63		63
Repurchase of own shares for trading purposes						-22	-22		-22
Acquired non-controlling interest						-8	-8		-8
Associates' acquisition of non-controlling interest						-7	-7		-7
Total comprehensive income for the period			-581	396	134	13 909	13 858	13	13 871
of which reported through profit or loss						11 914	11 914	12	11 926
of which reported through other comprehensive income			-581	396	134	1 995	1 944	1	1 945
<b>Closing balance 30 September 2015</b>	<b>24 904</b>	<b>17 275</b>	<b>1 983</b>	<b>-1 405</b>	<b>29</b>	<b>76 055</b>	<b>118 841</b>	<b>178</b>	<b>119 019</b>
<b>January-December 2015</b>									
<b>Opening balance 1 January 2015</b>	<b>24 904</b>	<b>17 275</b>	<b>2 564</b>	<b>-1 801</b>	<b>-105</b>	<b>74 366</b>	<b>117 203</b>	<b>170</b>	<b>117 373</b>
Dividends						-12 539	-12 539	-5	-12 544
Share based payments to employees						413	413		413
Deferred tax related to share based payments to employees						-42	-42		-42
Current tax related to share based payments						63	63		63
Disposal of own shares for trading purposes						33	33		33
Acquired non-controlling interest						-8	-8		-8
Associates' acquisition of non-controlling interest						-7	-7		-7
Total comprehensive income for the period			-1 728	1 097	122	18 556	18 047	14	18 061
of which reported through profit or loss						15 727	15 727	13	15 740
of which reported through other comprehensive income			-1 728	1 097	122	2 829	2 320	1	2 321
<b>Closing balance 31 December 2015</b>	<b>24 904</b>	<b>17 275</b>	<b>836</b>	<b>-704</b>	<b>17</b>	<b>80 835</b>	<b>123 163</b>	<b>179</b>	<b>123 342</b>
<b>January-September 2016</b>									
<b>Opening balance 1 January 2016</b>	<b>24 904</b>	<b>17 275</b>	<b>836</b>	<b>-704</b>	<b>17</b>	<b>80 835</b>	<b>123 163</b>	<b>179</b>	<b>123 342</b>
Dividends						-11 880	-11 880	-5	-11 885
Share based payments to employees						304	304		304
Deferred tax related to share based payments to employees						-36	-36		-36
Current tax related to share based payments to employees						35	35		35
Total comprehensive income for the period			2 042	-1 214	113	11 472	12 413	10	12 423
of which reported through profit or loss						15 397	15 397	10	15 407
of which reported through other comprehensive income			2 042	-1 214	113	-3 925	-2 984		-2 984
<b>Closing balance 30 September 2016</b>	<b>24 904</b>	<b>17 275</b>	<b>2 878</b>	<b>-1 918</b>	<b>130</b>	<b>80 730</b>	<b>123 999</b>	<b>184</b>	<b>124 183</b>

<sup>1)</sup> Other contributed equity consists mainly of share premiums.

## Cash flow statement, condensed

Group SEKm	Jan-Sep 2016	Full-year 2015	Jan-Sep 2015
<b>Operating activities</b>			
Operating profit	18 620	20 371	15 571
Profit for the period from discontinued operations		-6	6
Adjustments for non-cash items in operating activities	1 203	74	-3 771
Taxes paid	-4 891	-4 660	-4 017
Increase/decrease in loans to credit institutions	-7 802	27 173	5 087
Increase/decrease in loans to the public	-107 913	-17 976	-37 356
Increase/decrease in holdings of securities for trading	-30 777	4 820	-19 989
Increase/decrease in deposits and borrowings from the public including retail bonds	123 248	76 381	80 170
Increase/decrease in amounts owed to credit institutions	6 209	-19 342	-17 582
Increase/decrease in other assets	-9 525	30 492	18 829
Increase/decrease in other liabilities	33 922	-46 395	-6 604
<b>Cash flow from operating activities</b>	<b>22 294</b>	<b>70 932</b>	<b>30 344</b>
<b>Investing activities</b>			
Business combinations	-19		
Business disposals		245	245
Acquisitions of and contributions to associates	-5	-10	-10
Acquisitions of other fixed assets and strategic financial assets	-370	-3 021	-368
Disposals/maturity of other fixed assets and strategic financial assets	928	516	863
<b>Cash flow from investing activities</b>	<b>534</b>	<b>-2 270</b>	<b>730</b>
<b>Financing activities</b>			
Issuance of interest-bearing securities	116 799	229 220	188 008
Redemption of interest-bearing securities	-107 923	-132 963	-119 265
Issuance of commercial paper etc.	711 431	941 257	730 557
Redemption of commercial paper etc.	-657 455	-1 019 742	-664 854
Dividends paid	-11 885	-12 544	-12 545
<b>Cash flow from financing activities</b>	<b>50 967</b>	<b>5 228</b>	<b>121 901</b>
<b>Cash flow for the period</b>	<b>73 795</b>	<b>73 890</b>	<b>152 975</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>186 312</b>	<b>113 768</b>	<b>113 768</b>
Cash flow for the period	73 795	73 890	152 975
Exchange rate differences on cash and cash equivalents	2 666	-1 346	-277
<b>Cash and cash equivalents at end of the period</b>	<b>262 773</b>	<b>186 312</b>	<b>266 466</b>



## Note 1 Accounting policies

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

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

The accounting policies applied in the interim report conform to those applied in the Annual Report for 2015, which was prepared in accordance with International Financial Reporting Standards as adopted by the European Union and interpretations thereof. There have been no significant changes to the Group's accounting policies set out in the 2015 Annual Report, except for the changes as set out below.

### **Other IFRS changes**

The amended standards which have been adopted have not had a significant effect on the financial position, results or disclosures of the Group or the parent company. For more information about these, refer to page 76 of the 2015 Annual Report.

## Note 2 Critical accounting estimates

Presentation of consolidated financial statements in conformity with IFRS requires the executive management to make judgments and estimates that affect the recognised amounts for assets, liabilities and disclosures of contingent assets and liabilities as of the closing day as well as the recognised income and expenses during the report period. The executive management continuously evaluates these judgments and estimates, including assessing control over investment funds, the fair value of financial instruments, provisions for credit impairments, impairment testing of

goodwill, deferred taxes and defined benefit pension provisions. There have been no significant changes to the basis upon which the critical accounting policies and judgments have been determined compared with 31 December 2015.

## Note 3 Changes in the Group structure

### **External**

During the third quarter of 2016 the Group acquired all shares in the Lithuanian fund management company UAB Danske Capital investicijų valdymas for SEK 21 m.

## Note 4 Operating segments (business areas)

Jan-Sep 2016 SEKm	Swedish Banking	Baltic Banking	Large Corporates & Institutions	Group Functions & Other	Eliminations	Group
<b>Income statement</b>						
Net interest income	10 875	2 933	2 424	1 185		17 417
Net commission income	5 149	1 492	1 643	-27	21	8 278
Net gains and losses on financial items at fair value	248	158	1 538		2	1 946
Share of profit or loss of associates	672			1 686		2 358
Other income	542	373	64	598	-135	1 442
<b>Total income</b>	<b>17 486</b>	<b>4 956</b>	<b>5 669</b>	<b>3 442</b>	<b>-112</b>	<b>31 441</b>
of which internal income	148		46	271	-465	
Staff costs	2 540	671	1 061	2 194		6 466
Variable staff costs	108	54	172	136		470
Other expenses	4 674	1 041	1 225	-2 203	-112	4 625
Depreciation/amortisation	76	86	57	257		476
<b>Total expenses</b>	<b>7 398</b>	<b>1 852</b>	<b>2 515</b>	<b>384</b>	<b>-112</b>	<b>12 037</b>
<b>Profit before impairments</b>	<b>10 088</b>	<b>3 104</b>	<b>3 154</b>	<b>3 058</b>		<b>19 404</b>
Impairment of tangible assets		1	8	1		10
Credit impairments	-7	-20	830	-29		774
<b>Operating profit</b>	<b>10 095</b>	<b>3 123</b>	<b>2 316</b>	<b>3 086</b>		<b>18 620</b>
Tax expense	2 192	417	374	230		3 213
Profit for the period from continuing operations	7 903	2 706	1 942	2 856		15 407
Profit for the period from discontinued operations, after tax						
Profit for the period	7 903	2 706	1 942	2 856		15 407
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>7 893</b>	<b>2 706</b>	<b>1 942</b>	<b>2 856</b>		<b>15 397</b>
Non-controlling interests	10					10
<b>Balance sheet, SEKbn</b>						
Cash and balances with central banks		3	3	257		263
Loans to credit institutions	40		323	5	-274	94
Loans to the public	1 111	141	267	8		1 527
Bonds and other interest-bearing securities		1	73	112	-3	183
Financial assets for which customers bear inv. risk	153	3				156
Investments in associates	3			4		7
Derivatives			101	45	-53	93
Total tangible and intangible assets	3	11		2		16
Other assets	3	32	45	750	-775	55
<b>Total assets</b>	<b>1 313</b>	<b>191</b>	<b>812</b>	<b>1 183</b>	<b>-1 105</b>	<b>2 394</b>
Amounts owed to credit institutions	60		191	128	-221	158
Deposits and borrowings from the public	492	167	133	91	-4	879
Debt securities in issue			18	894	-7	905
Financial liabilities for which customers bear inv. risk	153	4				157
Derivatives			106	29	-54	81
Other liabilities	554		344	-12	-819	67
Subordinated liabilities				23		23
<b>Total liabilities</b>	<b>1 259</b>	<b>171</b>	<b>792</b>	<b>1 153</b>	<b>-1 105</b>	<b>2 270</b>
Allocated equity	54	20	20	30		124
<b>Total liabilities and equity</b>	<b>1 313</b>	<b>191</b>	<b>812</b>	<b>1 183</b>	<b>-1 105</b>	<b>2 394</b>
<b>Key figures</b>						
Return on allocated equity, %	20.0	17.5	13.3	12.9		16.8
Cost/income ratio	0.42	0.37	0.44	0.11		0.38
Credit impairment ratio, %	0.00	-0.02	0.44	-0.18		0.07
Loan/deposit ratio, %	228	85	153			166
Loans, SEKbn	1 111	141	187			1 439
Deposits, SEKbn	488	166	123	88		865
Risk exposure amount, Basel 3, SEKbn	182	81	119	22		404
Full-time employees	4 292	3 917	1 266	4 527		14 002

Jan-Sep 2015 SEKm	Swedish Banking	Baltic Banking	Large Corporates & Institutions	Group Functions & Other	Eliminations	Group
<b>Income statement</b>						
Net interest income	9 884	2 596	2 580	2 174		17 234
Net commission income	5 423	1 504	1 483	-147	59	8 322
Net gains and losses on financial items at fair value	182	143	1 477	-1 395	-1	406
Share of profit or loss of associates	707			1		708
Other income	599	358	104	587	-151	1 497
<b>Total income</b>	<b>16 795</b>	<b>4 601</b>	<b>5 644</b>	<b>1 220</b>	<b>-93</b>	<b>28 167</b>
of which internal income	130		89	272	-491	
Staff costs	2 674	623	1 050	2 180		6 527
Variable staff costs	130	57	211	179		577
Other expenses	4 609	1 044	1 146	-2 231	-93	4 475
Depreciation/amortisation	81	104	48	282		515
<b>Total expenses</b>	<b>7 494</b>	<b>1 828</b>	<b>2 455</b>	<b>410</b>	<b>-93</b>	<b>12 094</b>
<b>Profit before impairments</b>	<b>9 301</b>	<b>2 773</b>	<b>3 189</b>	<b>810</b>		<b>16 073</b>
Impairment of intangible assets				254		254
Impairment of tangible assets		5		48		53
Credit impairments	135	-60	120			195
<b>Operating profit</b>	<b>9 166</b>	<b>2 828</b>	<b>3 069</b>	<b>508</b>		<b>15 571</b>
Tax expense	1 951	1 327	459	-86		3 651
Profit for the period from continuing operations	7 215	1 501	2 610	594		11 920
Profit for the period from discontinued operations, after tax				6		6
Profit for the period	7 215	1 501	2 610	600		11 926
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>7 203</b>	<b>1 501</b>	<b>2 610</b>	<b>600</b>		<b>11 914</b>
Non-controlling interests	12					12
<b>Balance sheet, SEKbn</b>						
Cash and balances with central banks		2	3	261		266
Loans to credit institutions	44		282	24	-241	109
Loans to the public	1 060	129	252			1 441
Bonds and other interest-bearing securities		1	64	133	-8	190
Financial assets for which customers bear inv. risk	146	3			-2	147
Investments in associates	3			2		5
Derivatives			105	51	-56	100
Total tangible and intangible assets	2	11		3		16
Other assets	6	21	27	729	-745	38
<b>Total assets</b>	<b>1 261</b>	<b>167</b>	<b>733</b>	<b>1 203</b>	<b>-1 052</b>	<b>2 312</b>
Amounts owed to credit institutions	83		221	84	-235	153
Deposits and borrowings from the public	437	144	120	61	-6	756
Debt securities in issue	1		17	946	-13	951
Financial liabilities for which customers bear inv. risk	147	3				150
Derivatives			100	30	-56	74
Other liabilities	542		256	28	-742	84
Subordinated liabilities				25		25
<b>Total liabilities</b>	<b>1 210</b>	<b>147</b>	<b>714</b>	<b>1 174</b>	<b>-1 052</b>	<b>2 193</b>
Allocated equity	51	20	19	29		119
<b>Total liabilities and equity</b>	<b>1 261</b>	<b>167</b>	<b>733</b>	<b>1 203</b>	<b>-1 052</b>	<b>2 312</b>
<b>Key figures</b>						
Return on allocated equity, %	18.6	9.7	17.4	3.6		13.8
Cost/income ratio	0.45	0.40	0.43	0.34		0.43
Credit impairment ratio, %	0.02	-0.06	0.09	0.00		0.02
Loan/deposit ratio, %	246	90	176			187
Loans, SEKbn	1 060	129	181			1 370
Deposits, SEKbn	431	144	103	56		734
Risk exposure amount, Basel 3, SEKbn	188	74	122	20		404
Full-time employees	4 589	3 786	1 237	4 317		13 929

## Operating segments' accounting policies

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

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

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

## Note 5 Net interest income

Group SEKm	Q3 2016	Q2 2016	%	Q3 2015	%	Jan-Sep 2016	Jan-Sep 2015	%
<b>Interest income</b>								
Loans to credit institutions	15	31	-52	62	-76	108	242	-55
Loans to the public	7 732	7 627	1	8 113	-5	23 043	25 312	-9
Interest-bearing securities	137	172	-20	251	-45	535	1 030	-48
Derivatives	256	226	13	59		914	58	
Other	231	272	-15	247	-6	755	727	4
<b>Total interest income</b>	<b>8 371</b>	<b>8 328</b>	<b>1</b>	<b>8 732</b>	<b>-4</b>	<b>25 355</b>	<b>27 369</b>	<b>-7</b>
of which interest income reported in net gains and losses on financial items at fair value	309	434	-29	87		968	489	98
<b>Interest income according to income statement</b>	<b>8 062</b>	<b>7 894</b>	<b>2</b>	<b>8 645</b>	<b>-7</b>	<b>24 387</b>	<b>26 880</b>	<b>-9</b>
<b>Interest expenses</b>								
Amounts owed to credit institutions	-134	-122	10	-81	65	-367	-229	60
Deposits and borrowings from the public	-293	-331	-11	-289	1	-934	-1 082	-14
of which deposit guarantee fees	-101	-131	-23	-155	-35	-356	-465	-23
Debt securities in issue	-3 649	-3 096	18	-3 721	-2	-9 849	-11 148	-12
Subordinated liabilities	-235	-228	3	-279	-16	-726	-771	-6
Derivatives	2 507	1 784	41	1 752	43	5 446	4 121	32
Other	-176	-164	7	-208	-15	-526	-600	-12
of which government stabilisation fund fee	-164	-153	7	-188	-13	-486	-548	-11
<b>Total interest expenses</b>	<b>-1 980</b>	<b>-2 157</b>	<b>-8</b>	<b>-2 826</b>	<b>-30</b>	<b>-6 956</b>	<b>-9 709</b>	<b>-28</b>
of which interest expense reported in net gains and losses on financial items at fair value	20	5		8		14	-63	
<b>Interest expense according to income statement</b>	<b>-2 000</b>	<b>-2 162</b>	<b>-7</b>	<b>-2 834</b>	<b>-29</b>	<b>-6 970</b>	<b>-9 646</b>	<b>-28</b>
<b>Net interest income</b>	<b>6 062</b>	<b>5 732</b>	<b>6</b>	<b>5 811</b>	<b>4</b>	<b>17 417</b>	<b>17 234</b>	<b>1</b>
<b>Net interest margin</b>	<b>1.04</b>	<b>1.02</b>		<b>1.01</b>		<b>1.03</b>	<b>1.01</b>	

## Note 6 Net commission income

Group SEKm	Q3 2016	Q2 2016	%	Q3 2015	%	Jan-Sep 2016	Jan-Sep 2015	%
<b>Commission income</b>								
Payment processing	430	427	1	426	1	1 282	1 263	2
Card commissions	1 257	1 173	7	1 321	-5	3 486	3 596	-3
Service concepts	132	131	1	121	9	391	378	3
Asset management and custody fees	1 361	1 278	6	1 362	0	3 902	4 285	-9
Life insurance	163	166	-2	163	0	490	500	-2
Brokerage and other securities	106	133	-20	112	-5	375	507	-26
Corporate finance	55	147	-63	49	12	220	182	21
Lending	251	245	2	251	0	731	770	-5
Guarantees	55	54	2	53	4	160	170	-6
Deposits	33	31	6	39	-15	99	122	-19
Real estate brokerage	57	70	-19	59	-3	173	201	-14
Non-life insurance	18	16	13	20	-10	48	55	-13
Other commission income	109	140	-22	135	-19	364	356	2
<b>Total commission income</b>	<b>4 027</b>	<b>4 011</b>	<b>0</b>	<b>4 111</b>	<b>-2</b>	<b>11 721</b>	<b>12 385</b>	<b>-5</b>
<b>Commission expenses</b>								
Payment processing	-255	-255	0	-242	5	-749	-756	-1
Card commissions	-475	-517	-8	-644	-26	-1 395	-1 753	-20
Service concepts	-3	-4	-25	-4	-25	-11	-12	-8
Asset management and custody fees	-298	-286	4	-313	-5	-862	-976	-12
Life insurance	-43	-45	-4	-48	-10	-133	-148	-10
Brokerage and other securities	-64	-59	8	-69	-7	-139	-219	-37
Lending and guarantees	-15	-19	-21	-18	-17	-53	-56	-5
Non-life insurance	-4	-3	33	-3	33	-10	-7	43
Other commission expenses	-32	-28	14	-34	-6	-91	-136	-33
<b>Total commission expenses</b>	<b>-1 189</b>	<b>-1 216</b>	<b>-2</b>	<b>-1 375</b>	<b>-14</b>	<b>-3 443</b>	<b>-4 063</b>	<b>-15</b>
<b>Total Net commission income</b>	<b>2 838</b>	<b>2 795</b>	<b>2</b>	<b>2 736</b>	<b>4</b>	<b>8 278</b>	<b>8 322</b>	<b>-1</b>

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

Group SEKm	Q3 2016	Q2 2016	%	Q3 2015	%	Jan-Sep 2016	Jan-Sep 2015	%
<b>Valuation category, fair value through profit or loss</b>								
Shares and share related derivatives	185	567	-67	210	-12	895	424	
of which dividend	8	47	-83	5	60	33	315	-90
Interest-bearing securities and interest related derivatives	568	241		-75		1 095	298	
Loans to the public	-464	-375	24	-489	-5	-1 011	-1 777	-43
Financial liabilities	109	30		689	-84	107	749	-86
Other financial instruments	-119	-162	-27	123		-245	132	
<b>Total fair value through profit or loss</b>	<b>279</b>	<b>301</b>	<b>-7</b>	<b>458</b>	<b>-39</b>	<b>841</b>	<b>-174</b>	
<b>Hedge accounting</b>								
Ineffective part in hedge accounting at fair value	-19	-87	-78	-65	-71	-188	-66	
of which hedging instruments	-1 173	1 393		1 147		3 576	-2 399	
of which hedged items	1 154	-1 480		-1 212		-3 764	2 333	
Ineffective part in hedging of net investments in foreign operations				-7				
<b>Total hedge accounting</b>	<b>-19</b>	<b>-87</b>	<b>-78</b>	<b>-72</b>	<b>-74</b>	<b>-188</b>	<b>-66</b>	
<b>Loan receivables at amortised cost</b>	<b>36</b>	<b>42</b>	<b>-14</b>	<b>74</b>	<b>-51</b>	<b>111</b>	<b>154</b>	<b>-28</b>
<b>Financial liabilities valued at amortised cost</b>	<b>-70</b>	<b>-181</b>	<b>-61</b>	<b>-676</b>	<b>-90</b>	<b>-282</b>	<b>-697</b>	<b>-60</b>
<b>Trading related interest</b>								
Interest income	308	435	-29	88		968	490	98
Interest expense	20	5		8		14	-63	
<b>Total trading related interest</b>	<b>328</b>	<b>440</b>	<b>-25</b>	<b>96</b>		<b>982</b>	<b>427</b>	
<b>Change in exchange rates</b>	<b>115</b>	<b>362</b>	<b>-68</b>	<b>124</b>	<b>-7</b>	<b>482</b>	<b>762</b>	<b>-37</b>
<b>Total net gains and losses on financial items at fair value</b>	<b>669</b>	<b>877</b>	<b>-24</b>	<b>4</b>		<b>1 946</b>	<b>406</b>	
<b>Distribution by business purpose</b>								
<b>Financial instruments for trading related business</b>	<b>692</b>	<b>1 128</b>	<b>-39</b>	<b>350</b>	<b>98</b>	<b>2 351</b>	<b>1 542</b>	<b>52</b>
<b>Financial instruments intended to be held to contractual maturity</b>	<b>-23</b>	<b>-251</b>	<b>-91</b>	<b>-346</b>	<b>-93</b>	<b>-405</b>	<b>-1 136</b>	<b>-64</b>
<b>Total</b>	<b>669</b>	<b>877</b>	<b>-24</b>	<b>4</b>		<b>1 946</b>	<b>406</b>	

## Note 8 Other expenses

Group SEKm	Q3 2016	Q2 2016	%	Q3 2015	%	Jan-Sep 2016	Jan-Sep 2015	%
Premises and rents	282	266	6	264	7	816	815	0
IT expenses	437	424	3	481	-9	1 310	1 363	-4
Telecommunications and postage	21	37	-43	39	-46	91	120	-24
Advertising, PR and marketing	62	72	-14	56	11	196	208	-6
Consultants	76	92	-17	72	6	238	216	10
Compensation to savings banks	283	238	19	192	47	743	585	27
Other purchased services	177	175	1	148	20	516	447	15
Security transport and alarm systems	18	17	6	21	-14	51	60	-15
Supplies	17	26	-35	24	-29	66	83	-20
Travel	39	65	-40	35	11	152	128	19
Entertainment	10	13	-23	11	-9	33	32	3
Repair/maintenance of inventories	25	23	9	26	-4	79	76	4
Other expenses	100	103	-3	89	12	334	342	-2
<b>Total other expenses</b>	<b>1 547</b>	<b>1 551</b>	<b>0</b>	<b>1 458</b>	<b>6</b>	<b>4 625</b>	<b>4 475</b>	<b>3</b>

## Note 9 Credit impairments

Group SEKm	Q3 2016	Q2 2016	%	Q3 2015	%	Jan-Sep 2016	Jan-Sep 2015	%
<b>Provision for loans individually assessed as impaired</b>								
Provisions	135	522	-74	174	-22	734	469	57
Reversal of previous provisions	-28	3		-36	-22	-272	-197	38
Provision for homogenous groups of impaired loans, net	-12	5		-15	-20	-2	-24	-92
<b>Total</b>	<b>95</b>	<b>530</b>	<b>-82</b>	<b>123</b>	<b>-23</b>	<b>460</b>	<b>248</b>	<b>85</b>
<b>Portfolio provisions for loans individually assessed as not impaired</b>	<b>-10</b>	<b>124</b>				<b>151</b>	<b>-45</b>	
<b>Write-offs</b>								
Established losses	283	322	-12	189	50	1 197	673	78
Utilisation of previous provisions	-135	-379	-64	-87	55	-905	-364	
Recoveries	-106	-59	80	-90	18	-196	-310	-37
<b>Total</b>	<b>42</b>	<b>-116</b>		<b>12</b>		<b>96</b>	<b>-1</b>	
<b>Credit impairments for contingent liabilities and other credit risk exposures</b>	<b>74</b>			<b>-5</b>		<b>67</b>	<b>-7</b>	
<b>Credit impairments</b>	<b>201</b>	<b>538</b>	<b>-63</b>	<b>130</b>	<b>55</b>	<b>774</b>	<b>195</b>	
Credit impairment ratio, %	0.05	0.14		0.04		0.07	0.02	

## Note 10 Loans

Group SEKm	30 Sep 2016			31 Dec 2015	30 Sep 2015		
	Loans before provisions	Provisions	Loans after provisions Carrying amount	Loans after provisions Carrying amount	%	Loans after provisions Carrying amount	%
<b>Loans to credit institutions</b>							
Banks	69 508		69 508	74 024	-6	75 852	-8
Repurchase agreements, banks	2 040		2 040	387		13 116	-84
Other credit institutions	13 214		13 214	10 655	24	9 454	40
Repurchase agreements, other credit institutions	9 592		9 592	1 352		10 206	-6
<b>Loans to credit institutions</b>	<b>94 354</b>		<b>94 354</b>	<b>86 418</b>	<b>9</b>	<b>108 628</b>	<b>-13</b>
<b>Loans to the public</b>							
Private customers	910 235	920	909 315	863 734	5	862 548	5
Private, mortgage	761 672	600	761 072	722 802	5	725 251	5
Housing cooperatives	107 308	40	107 268	101 608	6	100 963	6
Private, other	41 255	280	40 975	39 324	4	36 334	13
Corporate customers	532 312	2 357	529 955	506 830	5	507 590	4
Agriculture, forestry, fishing	66 301	127	66 174	64 707	2	74 330	-11
Manufacturing	45 822	397	45 425	41 942	8	43 875	4
Public sector and utilities	26 698	27	26 671	25 650	4	26 509	1
Construction	20 690	68	20 622	19 580	5	17 485	18
Retail	30 635	238	30 397	30 508	0	35 958	-15
Transportation	13 805	33	13 772	12 639	9	12 508	10
Shipping and offshore	30 689	838	29 851	29 744	0	28 276	6
Hotels and restaurants	8 968	33	8 935	7 088	26	8 764	2
Information and communications	7 087	18	7 069	5 666	25	5 541	28
Finance and insurance	12 835	24	12 811	13 167	-3	10 523	22
Property management	225 361	242	225 119	219 406	3	207 764	8
Residential properties	62 540	45	62 495	61 139	2	52 301	19
Commercial	95 222	70	95 152	90 575	5	90 096	6
Industrial and Warehouse	42 806	47	42 759	44 502	-4	41 569	3
Other	24 793	80	24 713	23 190	7	23 798	4
Professional services	25 896	219	25 677	21 269	21	17 203	49
Other corporate lending	17 525	93	17 432	15 464	13	18 854	-8
<b>Loans to the public excluding the Swedish National Debt Office and repurchase agreements</b>	<b>1 442 547</b>	<b>3 277</b>	<b>1 439 270</b>	<b>1 370 564</b>	<b>5</b>	<b>1 370 138</b>	<b>5</b>
Swedish National Debt Office	9 080		9 080	8 726	4	1 810	
Repurchase agreements, Swedish National Debt Office	6 918		6 918	1 817		469	
Repurchase agreements, public	71 367		71 367	32 848		68 876	4
<b>Loans to the public</b>	<b>1 529 912</b>	<b>3 277</b>	<b>1 526 635</b>	<b>1 413 955</b>	<b>8</b>	<b>1 441 293</b>	<b>6</b>
<b>Loans to the public and credit institutions</b>	<b>1 624 266</b>	<b>3 277</b>	<b>1 620 989</b>	<b>1 500 373</b>	<b>8</b>	<b>1 549 921</b>	<b>5</b>

## Note 11 Impaired loans etc.

Group SEKm	30 Sep 2016	31 Dec 2015	%	30 Sep 2015	%
Impaired loans, gross	5 708	6 035	-5	5 458	5
Provisions for individually assessed impaired loans	1 477	1 883	-22	1 478	0
Provision for homogenous groups of impaired loans	627	541	16	648	-3
<b>Impaired loans, net</b>	<b>3 604</b>	<b>3 611</b>	<b>0</b>	<b>3 332</b>	<b>8</b>
of which private customers	1 223	1 380	-11	1 592	-23
of which corporate customers	2 381	2 231	7	1 740	37
Portfolio provisions for loans individually assessed as not impaired	1 173	957	23	1 016	15
Share of impaired loans, gross, %	0.35	0.40	-13	0.35	0
Share of impaired loans, net, %	0.22	0.24	-8	0.22	0
Provision ratio for impaired loans, %	37	40	-8	39	-5
Total provision ratio for impaired loans, % <sup>1)</sup>	57	56	2	58	-2
<b>Past due loans that are not impaired</b>	<b>3 917</b>	<b>3 581</b>	<b>9</b>	<b>4 051</b>	<b>-3</b>
of which past due 5-30 days	2 671	2 127	26	2 482	8
of which past due 31-60 days	565	819	-31	865	-35
of which past due 61-90 days	279	424	-34	304	-8
of which past due more than 90 days	402	211	91	400	1

<sup>1)</sup> 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	30 Sep 2016	31 Dec 2015	%	30 Sep 2015	%
Buildings and land	269	408	-34	515	-48
Shares and participating interests	3	17	-82	18	-83
Other property taken over	136	6		8	
<b>Total assets taken over for protection of claims</b>	<b>408</b>	<b>431</b>	<b>-5</b>	<b>541</b>	<b>-25</b>
Cancelled leases	26	10		34	-24
<b>Total assets taken over for protection of claims and cancelled leases</b>	<b>434</b>	<b>441</b>	<b>-2</b>	<b>575</b>	<b>-25</b>
of which acquired by Ektornet group	174	311	-44	437	-60

## Note 13 Credit exposures

Group SEKm	30 Sep 2016	31 Dec 2015	%	30 Sep 2015	%
<b>Assets</b>					
Cash and balances with central banks	262 773	186 312	41	266 466	-1
Interest-bearing securities	182 525	165 162	11	190 091	-4
Loans to credit institutions	94 354	86 418	9	108 628	-13
Loans to the public	1 526 635	1 413 955	8	1 441 293	6
Derivatives	93 294	86 107	8	99 550	-6
Other financial assets	22 154	18 424	20	20 024	11
<b>Total assets</b>	<b>2 181 735</b>	<b>1 956 378</b>	<b>12</b>	<b>2 126 052</b>	<b>3</b>
<b>Contingent liabilities and commitments</b>					
Guarantees	38 809	35 958	8	28 719	35
Commitments	264 696	235 312	12	252 755	5
<b>Total contingent liabilities and commitments</b>	<b>303 505</b>	<b>271 270</b>	<b>12</b>	<b>281 474</b>	<b>8</b>
<b>Total credit exposures</b>	<b>2 485 240</b>	<b>2 227 648</b>	<b>12</b>	<b>2 407 526</b>	<b>3</b>

## Note 14 Intangible assets

Group SEKm	30 Sep 2016	31 Dec 2015	%	30 Sep 2015	%
<b>With indefinite useful life</b>					
Goodwill	12 468	12 010	4	12 256	2
<b>Total</b>	<b>12 468</b>	<b>12 010</b>	<b>4</b>	<b>12 256</b>	<b>2</b>
<b>With finite useful life</b>					
Customer base	580	617	-6	642	-10
Internally developed software	871	630	38	561	55
Other	374	433	-14	441	-15
<b>Total</b>	<b>1 825</b>	<b>1 680</b>	<b>9</b>	<b>1 644</b>	<b>11</b>
<b>Total intangible assets</b>	<b>14 293</b>	<b>13 690</b>	<b>4</b>	<b>13 900</b>	<b>3</b>



## Impairment testing of intangible assets

The annual test in 2015 did not lead to any impairment. As of 30 September 2016 there were no indicators of impairment.

## Note 15 Amounts owed to credit institutions

Group SEKm	30 Sep 2016	31 Dec 2015	%	30 Sep 2015	%
<b>Amounts owed to credit institutions</b>					
Central banks	24 941	7 704		12 971	92
Banks	127 820	140 462	-9	132 314	-3
Other credit institutions	2 973	1 508	97	3 479	-15
Repurchase agreements - banks	1 951	3		3 155	-38
Repurchase agreements - other credit institutions	443	816	-46	1 384	-68
<b>Amounts owed to credit institutions</b>	<b>158 128</b>	<b>150 493</b>	<b>5</b>	<b>153 303</b>	<b>3</b>

## Note 16 Deposits and borrowings from the public

Group SEKm	30 Sep 2016	31 Dec 2015	%	30 Sep 2015	%
<b>Deposits from the public</b>					
Private customers	435 275	398 718	9	391 263	11
Corporate customers	429 483	345 268	24	342 969	25
<b>Deposits from the public excluding the Swedish National Debt Office and repurchase agreements</b>	<b>864 758</b>	<b>743 986</b>	<b>16</b>	<b>734 232</b>	<b>18</b>
Swedish National Debt Office	1	1		2	
Repurchase agreements - public	14 422	4 284		21 493	-33
<b>Deposits and borrowings from the public</b>	<b>879 181</b>	<b>748 271</b>	<b>17</b>	<b>755 727</b>	<b>16</b>

## Note 17 Debt securities in issue

Group SEKm	30 Sep 2016	31 Dec 2015	%	30 Sep 2015	%
Commercial Paper and Certificates of Deposits	162 544	107 046	52	251 395	-35
Covered bonds	563 218	550 669	2	537 225	5
Senior unsecured bonds	164 665	154 244	7	148 176	11
Structured retail bonds	15 069	14 576	3	13 999	8
<b>Total debt securities in issue</b>	<b>905 496</b>	<b>826 535</b>	<b>10</b>	<b>950 795</b>	<b>-5</b>

Turnover during the period	Jan-Sep 2016	Full year 2015	%	Jan-Sep 2015	%
<b>Opening balance</b>	<b>826 535</b>	<b>835 012</b>	<b>-1</b>	<b>835 012</b>	<b>-1</b>
Issued	827 439	1 164 181	-29	912 269	-9
Repurchased	-18 336	-39 857	-54	-32 736	-44
Repaid	-744 665	-1 112 847	-33	-751 383	-1
Change in market value or in hedged item in fair value hedge accounting	201	-13 349		-7 956	
Changes in exchange rates	14 322	-6 605		-4 411	
<b>Closing balance</b>	<b>905 496</b>	<b>826 535</b>	<b>10</b>	<b>950 795</b>	<b>-5</b>

## 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, interest rates and currencies.

Group SEKm	Nominal amount 30 Sep 2016			Nominal amount		Positive fair value		Negative fair value	
	Remaining contractual maturity			2016	2015	2016	2015	2016	2015
	< 1 yr.	1-5 yrs.	> 5 yrs.	30 Sep	31 Dec	30 Sep	31 Dec	30 Sep	31 Dec
Derivatives in fair value hedges	105 385	369 041	50 361	524 787	506 684	22 235	18 038	97	452
Derivatives in portfolio fair value hedges	42 000	121 200	12 875	176 075	129 375	1	166	2 927	1 601
Derivatives in cash flow hedges	12 952	1 228	8 061	22 241	22 239	8		1 190	2 303
Other derivatives	6 265 020	2 895 835	703 796	9 864 651	9 434 393	94 543	81 854	102 468	79 167
<b>Gross amount</b>	<b>6 425 357</b>	<b>3 387 304</b>	<b>775 093</b>	<b>10 587 754</b>	<b>10 092 691</b>	<b>116 787</b>	<b>100 058</b>	<b>106 682</b>	<b>83 523</b>
Offset amount	-1 991 069	-1 295 605	-396 262	-3 682 936	-3 647 376	-23 493	-13 951	-25 668	-14 842
<b>Total</b>	<b>4 434 288</b>	<b>2 091 699</b>	<b>378 831</b>	<b>6 904 818</b>	<b>6 445 315</b>	<b>93 294</b>	<b>86 107</b>	<b>81 014</b>	<b>68 681</b>

The amounts offset for derivative assets and derivative liabilities include cash collateral offsets of SEK 3 070m and SEK 895m, respectively.

## Note 19 Financial instruments at fair value

Group SEKm	30 Sep 2016			31 Dec 2015		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
<b>Assets</b>						
<b>Financial assets covered by IAS 39</b>						
Cash and balances with central banks	262 773	262 773		186 312	186 312	
Treasury bills etc.	70 983	70 900	83	76 628	76 552	76
Loans to credit institutions	94 354	94 354		86 418	86 418	
Loans to the public	1 533 877	1 526 635	7 242	1 419 486	1 413 955	5 531
Value change of interest hedged items in portfolio hedge	2 413	2 413		1 009	1 009	
Bonds and interest-bearing securities	111 633	111 625	8	88 618	88 610	8
Financial assets for which the customers bear the investment risk	155 859	155 859		153 442	153 442	
Shares and participating interest	24 200	24 200		11 074	11 074	
Derivatives	93 294	93 294		86 107	86 107	
Other financial assets	22 154	22 154		18 424	18 424	
<b>Total</b>	<b>2 371 541</b>	<b>2 364 207</b>	<b>7 334</b>	<b>2 127 518</b>	<b>2 121 903</b>	<b>5 615</b>
<b>Investment in associates</b>		<b>7 228</b>			<b>5 382</b>	
<b>Non-financial assets</b>		<b>22 308</b>			<b>21 569</b>	
<b>Total</b>		<b>2 393 743</b>			<b>2 148 854</b>	
<b>Liabilities</b>						
<b>Financial liabilities covered by IAS 39</b>						
Amounts owed to credit institutions	159 744	158 128	1 616	150 302	150 493	-191
Deposits and borrowings from the public	879 165	879 181	-16	748 254	748 271	-17
Debt securities in issue	913 154	905 496	7 658	832 196	826 535	5 661
Financial liabilities for which the customers bear the investment risk	156 741	156 741		157 836	157 836	
Subordinated liabilities	23 389	22 899	490	24 627	24 613	14
Derivatives	81 014	81 014		68 681	68 681	
Short positions securities	19 424	19 424		8 191	8 191	
Other financial liabilities	34 214	34 214		31 597	31 597	
<b>Total</b>	<b>2 266 845</b>	<b>2 257 097</b>	<b>9 748</b>	<b>2 021 683</b>	<b>2 016 217</b>	<b>5 466</b>
<b>Non-financial liabilities</b>		<b>12 463</b>			<b>9 297</b>	
<b>Total</b>		<b>2 269 560</b>			<b>2 025 514</b>	

Group 30 Sep 2016 SEKm	Instruments with quoted market prices in active markets (Level 1)	Valuation techniques using observable market data (Level 2)	Valuation techniques using non- observable market data (Level 3)	Total
<b>Assets</b>				
Treasury bills etc.	22 218	8 273		30 491
Loans to credit institutions		11 632		11 632
Loans to the public		231 061		231 061
Bonds and other interest-bearing securities	60 224	47 907		108 131
Financial assets for which the customers bear the investment risk	155 859			155 859
Shares and participating interests	23 898	136	166	24 200
Derivatives	101	93 111	82	93 294
<b>Total</b>	<b>262 300</b>	<b>392 120</b>	<b>248</b>	<b>654 668</b>
<b>Liabilities</b>				
Amounts owed to credit institutions		2 394		2 394
Deposits and borrowings from the public		14 476		14 476
Debt securities in issue	3 534	20 048		23 582
Financial liabilities for which the customers bear the investment risk		156 741		156 741
Derivatives	72	80 942		81 014
Short positions, securities	19 424			19 424
<b>Total</b>	<b>23 030</b>	<b>274 601</b>		<b>297 631</b>

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

The methods are divided into three different levels:

- Level 1: Unadjusted, quoted price on an active market
- Level 2: Adjusted, quoted price or valuation model with valuation parameters derived from an active market
- Level 3: Valuation model where a majority of valuation parameters are non-observable and based on internal assumptions.

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

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

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

Group 31 Dec 2015 SEKm	Instruments with quoted market prices in an active market (Level 1)	Valuation techniques using observable market data (Level 2)	Valuation techniques using non- observable market data (Level 3)	Total
<b>Assets</b>				
Treasury bills etc.	24 650	51 434		76 084
Loans to credit institutions		1 739		1 739
Loans to the public		230 976		230 976
Bonds and other interest-bearing securities	59 213	25 479		84 692
Financial assets for which the customers bear the investment risk	153 442			153 442
Shares and participating interests	10 908	93	73	11 074
Derivatives	166	85 827	114	86 107
<b>Total</b>	<b>248 379</b>	<b>395 548</b>	<b>187</b>	<b>644 114</b>
<b>Liabilities</b>				
Amounts owed to credit institutions		816		816
Deposits and borrowings from the public		4 447		4 447
Debt securities in issue	1 509	18 914		20 423
Financial liabilities for which the customers bear the investment risk		157 836		157 836
Derivatives	28	68 653		68 681
Short positions, securities	8 191			8 191
<b>Total</b>	<b>9 728</b>	<b>250 666</b>		<b>260 394</b>

Changes in level 3 Group SEKm	Assets		
	Equity instruments	Derivatives	Total
<b>January-September 2016</b>			
<b>Opening balance 1 January 2016</b>	<b>73</b>	<b>114</b>	<b>187</b>
Purchases	4		4
VISA Inc. C shares received	62		62
Sale of assets	-55		-55
Maturities		-13	-13
Issues		2	2
Transferred from Level 1 to Level 3	66		66
Transferred from Level 2 to Level 3		2	2
Transferred from Level 3 to Level 1			
Transferred from Level 3 to Level 2		-3	-3
Gains or losses	16	-20	-4
of which in the income statement, net gains and losses on financial items at fair value	16	-20	-4
of which changes in unrealised gains or losses for items held at closing day	18	-14	4
<b>Closing balance 30 September 2016</b>	<b>166</b>	<b>82</b>	<b>248</b>

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

For all options included in level 3 an analysis is performed based on historical movements in contract prices. Given this, it is not likely that future price movements will affect the market value for options in level 3 with more than +/- SEK 30m.

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

Changes in level 3 Group SEKm	Assets		
	Equity instruments	Derivatives	Total
<b>January-September 2015</b>			
<b>Opening balance 1 January 2015</b>	<b>77</b>	<b>81</b>	<b>158</b>
Purchases	26		<b>26</b>
Sale of assets	-14		<b>-14</b>
Maturities		-19	<b>-19</b>
Issues		3	<b>3</b>
Transferred from Level 2 to Level 3		162	<b>162</b>
Transferred from Level 3 to Level 2		-68	<b>-68</b>
Transferred from Level 3 to Level 1	-2		<b>-2</b>
Gains or losses	-3	-30	<b>-33</b>
of which in the income statement, net gains and losses on financial items at fair value		-30	<b>-30</b>
of which changes in unrealised gains or losses for items held at closing day		-3	<b>-3</b>
<b>Closing balance 30 September 2015</b>	<b>84</b>	<b>129</b>	<b>213</b>

## Note 20 Pledged collateral

Group SEKm	30 Sep 2016	31 Dec 2015	%	30 Sep 2015	%
Loan receivables	857 655	819 551	5	812 183	6
Financial assets pledged for policyholders	153 727	145 410	6	140 590	9
Other assets pledged	42 457	43 361	-2	53 494	-21
<b>Pledged collateral</b>	<b>1 053 839</b>	<b>1 008 322</b>	<b>5</b>	<b>1 006 267</b>	<b>5</b>

## Note 21 Offsetting financial assets and liabilities

Group SEKm	Assets			Liabilities		
	30 Sep 2016	31 Dec 2015	%	30 Sep 2016	31 Dec 2015	%
<b>Financial assets and liabilities, which have been offset or are subject to netting or similar agreements</b>						
Gross amount	209 493	134 805	55	127 984	88 752	44
Offset amount	-29 425	-16 950	74	-31 600	-17 841	77
<b>Net amounts presented in the balance sheet</b>	<b>180 068</b>	<b>117 855</b>	<b>53</b>	<b>96 384</b>	<b>70 911</b>	<b>36</b>
<b>Related amounts not offset in the balance sheet</b>						
Financial instruments, netting arrangements	51 306	44 698	15	51 306	44 698	15
Financial Instruments, collateral	77 587	32 614		4 502	3 041	48
Cash, collateral	15 563	19 915	-22	13 182	15 653	-16
<b>Total amount not offset in the balance sheet</b>	<b>144 456</b>	<b>97 227</b>	<b>49</b>	<b>68 990</b>	<b>63 392</b>	<b>9</b>
<b>Net amount</b>	<b>35 612</b>	<b>20 628</b>	<b>73</b>	<b>27 394</b>	<b>7 519</b>	

The amounts offset for financial assets and financial liabilities include cash collateral offsets of SEK 3 070m and SEK 895m, respectively.

## Note 22 Capital adequacy, consolidated situation

Capital adequacy SEKm	30 Sep 2016	31 Dec 2015	30 Sep 2015
Shareholders' equity according to the Group's balance sheet	123 999	123 163	118 841
Non-controlling interests	79	54	51
Anticipated dividend	-11 548	-11 828	-8 936
Deconsolidation of insurance companies	204	-1 249	-1 191
Value changes in own financial liabilities	-9	31	34
Cash flow hedges	-129	-17	-29
Additional value adjustments <sup>1)</sup>	-918	-474	-459
Goodwill	-12 558	-12 097	-12 344
Deferred tax assets	-109	-95	-83
Intangible assets	-1 547	-1 438	-1 413
Net provisions for reported IRB credit exposures	-1 370	-1 089	-1 381
Shares deducted from CET1 capital	-45	-42	
Defined benefit pension fund assets <sup>2)</sup>		-993	-110
<b>Common Equity Tier 1 capital</b>	<b>96 049</b>	<b>93 926</b>	<b>92 980</b>
Additional Tier 1 capital	9 634	10 624	10 741
<b>Total Tier 1 capital</b>	<b>105 683</b>	<b>104 550</b>	<b>103 721</b>
Tier 2 capital	12 526	13 269	13 136
<b>Total capital</b>	<b>118 209</b>	<b>117 819</b>	<b>116 857</b>
Minimum capital requirement for credit risks, standardised approach	4 005	3 823	3 973
Minimum capital requirement for credit risks, IRB	21 830	20 732	21 504
Minimum capital requirement for credit risk, default fund contribution	3	4	4
Minimum capital requirement for settlement risks	0	1	1
Minimum capital requirement for market risks	918	858	1 165
Trading book	910	848	1 151
of which VaR and SVaR	515	525	576
of which risks outside VaR and SVaR	395	323	575
FX risk other operations	8	10	14
Minimum capital requirement for credit value adjustment	500	594	618
Minimum capital requirement for operational risks	4 972	5 047	5 071
Additional minimum capital requirement, Article 3 CRR	69	69	
<b>Minimum capital requirement <sup>3)</sup></b>	<b>32 297</b>	<b>31 128</b>	<b>32 336</b>
Risk exposure amount credit risks	322 980	306 996	318 516
Risk exposure amount settlement risks	0	7	5
Risk exposure amount market risks	11 472	10 730	14 565
Risk exposure amount credit value adjustment	6 247	7 422	7 721
Risk exposure amount operational risks	62 152	63 083	63 389
Additional risk exposure amount, Article 3 CRR	860	860	
<b>Risk exposure amount</b>	<b>403 711</b>	<b>389 098</b>	<b>404 196</b>
<b>Common Equity Tier 1 capital ratio, %</b>	<b>23.8</b>	<b>24.1</b>	<b>23.0</b>
<b>Tier 1 capital ratio, %</b>	<b>26.2</b>	<b>26.9</b>	<b>25.7</b>
<b>Total capital ratio, %</b>	<b>29.3</b>	<b>30.3</b>	<b>28.9</b>
<b>Capital buffer requirement <sup>4)</sup></b>	<b>30 Sep</b>	<b>31 Dec</b>	<b>30 Sep</b>
<b>%</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>
CET1 capital requirement including buffer requirements	11.0	10.7	10.7
of which minimum CET1 requirement	4.5	4.5	4.5
of which capital conservation buffer	2.5	2.5	2.5
of which countercyclical capital buffer	1.0	0.7	0.7
of which systemic risk buffer	3.0	3.0	3.0
CET 1 capital available to meet buffer requirement <sup>5)</sup>	19.3	19.6	18.5
<b>Capital adequacy Basel 1 floor</b>	<b>30 Sep</b>	<b>31 Dec</b>	<b>30 Sep</b>
<b>SEKm</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>
Capital requirement Basel 1 floor	73 406	68 577	69 561
Own funds Basel 3 adjusted according to rules for Basel 1 floor	119 579	118 908	118 238
<b>Surplus of capital according to Basel 1 floor</b>	<b>46 173</b>	<b>50 331</b>	<b>48 677</b>
<b>Leverage ratio <sup>6)</sup></b>	<b>30 Sep</b>	<b>31 Dec</b>	<b>30 Sep</b>
	<b>2016</b>	<b>2015</b>	<b>2015</b>
Tier 1 Capital, SEKm	105 683	104 550	103 721
Leverage ratio exposure, SEKm	2 358 761	2 102 284	2 298 934
Leverage ratio, %	4.5	5.0	4.5

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

<sup>2)</sup> Net pension assets.

<sup>3)</sup> Total minimum capital requirement under Pillar 1, i.e. 8% of total risk exposure amount.

<sup>4)</sup> Buffer requirement according to Swedish implementation of CRD IV.

<sup>5)</sup> CET1 capital ratio as reported, less minimum requirement of 4.5% (excluding buffer requirements) and less any CET1 items used to meet the Tier 1 and total capital requirements.

<sup>6)</sup> Calculated according to applicable regulation at each respective reporting date.

The consolidated situation for Swedbank as of 30 September 2016 comprised the Swedbank Group with the exception of insurance companies. The Entercard Group was included as well through the proportionate consolidation method.

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

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

Swedbank Consolidated situation Credit risk, IRB SEKm	Exposure value		Average risk weighting, %		Minimum capital requirement <sup>1)</sup>	
	30 Sep 2016	31 Dec 2015	30 Sep 2016	31 Dec 2015	30 Sep 2016	31 Dec 2015
Institutional exposures	91 032	108 019	16	15	1 189	1 305
Corporate exposures	512 984	471 163	35	35	14 321	13 213
Retail exposures	1 018 154	974 908	7	7	5 724	5 670
of which mortgage	922 549	882 979	5	5	3 631	3 641
of which other	95 605	91 929	27	28	2 093	2 029
Securitisation		160		8		1
Non credit obligation	63 081	62 686	12	11	596	543
<b>Total credit risks, IRB</b>	<b>1 685 251</b>	<b>1 616 936</b>	<b>16</b>	<b>16</b>	<b>21 830</b>	<b>20 732</b>

<sup>1)</sup> Total minimum capital requirement under Pillar 1, i.e. 8% of total risk exposure amount.

**Risk exposure amount and Own funds requirement, consolidated situation**

30 Sep 2016 SEKm	Risk exposure amount	Minimum capital requirement
<b>Credit risks, STD</b>	<b>50 068</b>	<b>4 005</b>
Central government or central banks exposures	411	33
Regional governments or local authorities exposures	337	27
Public sector entities exposures	52	4
Multilateral development banks exposures	6	0
International organisation exposures		
Institutional exposures	879	70
Corporate exposures	8 019	642
Retail exposures	11 653	932
Exposures secured by mortgages on immovable property	5 601	448
Exposures in default	504	40
Exposures associated with particularly high risk		
Exposures in the form of covered bonds	7	1
Items representing securitisation positions		
Exposures to institutions and corporates with a short-term credit assessment		
Exposures in the form of units or shares in collective investment undertakings		
Equity exposures	19 685	1 575
Other items	2 914	233
<b>Credit risks, IRB</b>	<b>272 874</b>	<b>21 830</b>
Institutional exposures	14 861	1 189
Corporate exposures	179 020	14 321
of which specialized lending in category 1	15	1
of which specialized lending in category 2	251	20
of which specialized lending in category 3	632	51
of which specialized lending in category 4	818	65
of which specialized lending in category 5		
Retail exposures	71 547	5 724
of which mortgage lending	45 392	3 631
of which other lending	26 155	2 093
Securitisation		
Non-credit obligation	7 446	596
<b>Credit risks, Default fund contribution</b>	<b>38</b>	<b>3</b>
<b>Settlement risks</b>	<b>0</b>	<b>0</b>
<b>Market risks</b>	<b>11 472</b>	<b>918</b>
Trading book	11 373	910
of which VaR and SVaR	6 436	515
of which risks outside VaR and SVaR	4 937	395
FX risk other operations	99	8
<b>Credit value adjustment</b>	<b>6 247</b>	<b>500</b>
<b>Operational risks</b>	<b>62 152</b>	<b>4 972</b>
of which Standardised approach	62 152	4 972
<b>Additional risk exposure amount, Article 3 CRR</b>	<b>860</b>	<b>69</b>
<b>Total</b>	<b>403 711</b>	<b>32 297</b>

## Credit risks

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

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

The standard approach is applied to exposures, excluding capital requirements for default fund contributions, which are not calculated according to IRB.

## Market risks

Under current regulations capital adequacy for market risks can be based on either a standardised approach or an internal Value at Risk model, which requires the

approval of the SFSA. The parent company has received such approval and uses its internal VaR model for general interest rate risks, general and specific share price risks and foreign exchange risks in the trading book. The approval also covers operations in the Baltic countries with respect to general interest rate risks and foreign exchange risks in the trading book. Foreign exchange risks outside the trading book, i.e. in other operations, are mainly of a structural and strategic nature and are less suited to a VaR model.

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

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

## Credit value adjustment

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



## Operational risk

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

## Note 23 Internal capital requirement

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

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

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

## Basel 1 floor

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

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

As of 30 September 2016 the internal capital assessment for Swedbank's consolidated situation amounted to SEK 30.0bn (SEK 31.6bn as of 30 June 2016). The capital to meet the internal capital assessment, i.e. the capital base, amounted to SEK 118.2bn (SEK 116.9bn as of 30 June 2016) (see Note 22). Swedbank's internal capital assessment using its own models is not comparable with the estimated capital requirement that the SFSA releases quarterly.

The internally estimated capital requirement for the parent company is SEK 23.5bn (SEK 24.1bn as of 30 June 2016) and the capital base is SEK 93.3bn (SEK 95.2bn as of 30 June 2016) (see the parent company's note on capital adequacy).

In addition to what is stated in this interim report, risk management and capital adequacy according to the Basel 3 framework are described in more detail in Swedbank's annual report for 2015 as well as in Swedbank's yearly Risk and Capital Adequacy Report, available on [www.swedbank.com](http://www.swedbank.com).

## Note 24 Risks and uncertainties

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

In addition to what is stated in this interim report, detailed descriptions are provided in Swedbank's 2015 annual report and in the annual disclosure on risk management and capital adequacy according to Basel 2 rules, available on [www.swedbank.com](http://www.swedbank.com)

### Effect on value of assets and liabilities in SEK and foreign currency, including derivatives if interest rates increase by 100bp, 30 Sep 2016

Group SEKm	< 5 years	5-10 years	>10 years	Total
<b>Swedbank, the Group</b>	<b>-559</b>	<b>139</b>	<b>-24</b>	<b>-444</b>
of which SEK	-938	167	-79	-850
of which foreign currency	379	-28	55	406
<b>Of which financial instruments at fair value reported through profit or loss</b>	<b>-87</b>	<b>345</b>	<b>3</b>	<b>261</b>
of which SEK	-471	292	-82	-262
of which foreign currency	384	53	86	523

## Note 25 Related-party transactions

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

## Note 26 Swedbank's share

	30 Sep 2016	31 Dec 2015	%	30 Sep 2015	%
<b>SWED A</b>					
Share price, SEK	201.60	187.10	8	184.90	9
Number of outstanding ordinary shares	1 110 731 820	1 105 403 750	0	1 105 108 117	1
<b>Market capitalisation, SEKm</b>	<b>223 924</b>	<b>206 821</b>	<b>8</b>	<b>204 334</b>	<b>10</b>

	30 Sep 2016	31 Dec 2015	30 Sep 2015
<b>Number of outstanding shares</b>			
<b>Issued shares</b>			
SWED A	1 132 005 722	1 132 005 722	1 132 005 722
<b>Repurchased shares</b>			
SWED A	-21 273 902	-26 601 972	-26 601 972
<b>Repurchase of own shares for trading purposes</b>			
SWED A			-295 633
<b>Number of outstanding shares on the closing day</b>	<b>1 110 731 820</b>	<b>1 105 403 750</b>	<b>1 105 108 117</b>

Within Swedbank's share-based compensation programme, Swedbank AB has during 2016 transferred 5 328 070 shares at no cost to employees.

	Q3 2016	Q2 2016	Q3 2015	Jan-Sep 2016	Jan-Sep 2015
<b>Earnings per share</b>					
<b>Average number of shares</b>					
Average number of shares before dilution	1 110 731 820	1 110 547 108	1 105 400 254	1 109 796 224	1 104 723 323
Weighted average number of shares for potential ordinary shares that incur a dilutive effect due to share-based compensation programme	5 562 781	5 142 135	8 852 559	6 101 720	9 484 114
Average number of shares after dilution	1 116 294 601	1 115 689 244	1 114 252 814	1 115 897 944	1 114 207 437
<b>Profit, SEKm</b>					
Profit for the period attributable to shareholders of Swedbank	4 816	6 270	3 928	15 397	11 914
Earnings for the purpose of calculating earnings per share	4 816	6 270	3 928	15 397	11 914
<b>Earnings per share, SEK</b>					
Earnings per share before dilution	4.33	5.65	3.56	13.87	10.79
Earnings per share after dilution	4.31	5.62	3.51	13.80	10.69

# Swedbank AB

## Income statement, condensed

Parent company SEKm	Q3 2016	Q2 2016	%	Q3 2015	%	Jan-Sep 2016	Jan-Sep 2015	%
Interest income	3 803	3 772	1	3 750	1	11 561	12 002	-4
Interest expenses	-701	-705	-1	-771	-9	-2 594	-2 893	-10
<b>Net interest income</b>	<b>3 102</b>	<b>3 067</b>	<b>1</b>	<b>2 979</b>	<b>4</b>	<b>8 967</b>	<b>9 109</b>	<b>-2</b>
Dividends received	655	3 172	-79	1 259	-48	13 783	7 968	73
Commission income	2 321	2 366	-2	2 352	-1	6 814	7 035	-3
Commission expenses	-707	-771	-8	-870	-19	-2 143	-2 560	-16
<b>Net commission income</b>	<b>1 614</b>	<b>1 595</b>	<b>1</b>	<b>1 482</b>	<b>9</b>	<b>4 671</b>	<b>4 475</b>	<b>4</b>
Net gains and losses on financial items at fair value	160	879	-82	80	100	669	-59	
Other income	310	360	-14	314	-1	954	863	11
<b>Total income</b>	<b>5 841</b>	<b>9 073</b>	<b>-36</b>	<b>6 114</b>	<b>-4</b>	<b>29 044</b>	<b>22 356</b>	<b>30</b>
Staff costs	1 897	1 940	-2	1 867	2	5 763	5 840	-1
Other expenses	1 040	1 113	-7	1 115	-7	3 308	3 259	2
Depreciation/amortisation and impairments of tangible and intangible fixed assets	1 114	1 099	1	1 204	-7	3 303	3 318	0
<b>Total expenses</b>	<b>4 051</b>	<b>4 152</b>	<b>-2</b>	<b>4 186</b>	<b>-3</b>	<b>12 374</b>	<b>12 417</b>	<b>0</b>
<b>Profit before impairments</b>	<b>1 790</b>	<b>4 921</b>	<b>-64</b>	<b>1 928</b>	<b>-7</b>	<b>16 670</b>	<b>9 939</b>	<b>68</b>
Impairment of financial fixed assets	1	26	-96			88	102	-14
Credit impairments	221	500	-56	106		807	187	
<b>Operating profit</b>	<b>1 568</b>	<b>4 395</b>	<b>-64</b>	<b>1 822</b>	<b>-14</b>	<b>15 775</b>	<b>9 650</b>	<b>63</b>
Appropriations				-16			-49	
Tax expense	230	598	-62	441	-48	1 130	613	84
<b>Profit for the period</b>	<b>1 338</b>	<b>3 797</b>	<b>-65</b>	<b>1 397</b>	<b>-4</b>	<b>14 645</b>	<b>9 086</b>	<b>61</b>

## Statement of comprehensive income, condensed

Parent company SEKm	Q3 2016	Q2 2016	%	Q3 2015	%	Jan-Sep 2016	Jan-Sep 2015	%
<b>Profit for the period reported via income statement</b>	<b>1 338</b>	<b>3 797</b>	<b>-65</b>	<b>1 397</b>	<b>-4</b>	<b>14 645</b>	<b>9 086</b>	<b>61</b>
<b>Items that will not be reclassified to the income statement</b>								
Remeasurements of defined benefit pension plans				8			8	
Income tax				-1			-1	
<b>Total</b>				<b>7</b>			<b>7</b>	
<b>Items that may be reclassified to the income statement</b>								
Cash flow hedges:								
Gains/losses arising during the period				-1			1	
Reclassification adjustments to income statement, net interest income				-3			4	
Income tax							-2	
<b>Total</b>				<b>-4</b>			<b>3</b>	
<b>Other comprehensive income for the period, net of tax</b>				<b>3</b>			<b>10</b>	
<b>Total comprehensive income for the period</b>	<b>1 338</b>	<b>3 797</b>	<b>-65</b>	<b>1 400</b>	<b>-4</b>	<b>14 645</b>	<b>9 096</b>	<b>61</b>

## Balance sheet, condensed

Parent company SEKm	30 Sep 2016	31 Dec 2015	%	30 Sep 2015	%
<b>Assets</b>					
Cash and balance with central banks	208 490	131 859	58	229 706	-9
Loans to credit institutions	483 453	425 095	14	418 056	16
Loans to the public	474 957	416 482	14	441 859	7
Interest-bearing securities	174 960	157 412	11	188 255	-7
Shares and participating interests	80 153	70 325	14	69 776	15
Derivatives	103 511	98 300	5	110 960	-7
Other assets	42 624	39 595	8	36 565	17
<b>Total assets</b>	<b>1 568 148</b>	<b>1 339 068</b>	<b>17</b>	<b>1 495 177</b>	<b>5</b>
<b>Liabilities and equity</b>					
Amounts owed to credit institutions	247 339	220 983	12	202 153	22
Deposits and borrowings from the public	705 121	599 476	18	601 670	17
Debt securities in issue	341 061	275 845	24	411 435	-17
Derivatives	113 911	98 508	16	107 991	5
Other liabilities and provisions	47 346	32 240	47	64 746	-27
Subordinated liabilities	22 899	24 613	-7	24 313	-6
Untaxed reserves	10 021	10 021	0	9 994	0
Equity	80 450	77 382	4	72 875	10
<b>Total liabilities and equity</b>	<b>1 568 148</b>	<b>1 339 068</b>	<b>17</b>	<b>1 495 177</b>	<b>5</b>
Pledged collateral	38 774	40 671	-5	51 802	-25
Other assets pledged	3 685	3 666	1	9 788	-62
Contingent liabilities	583 381	575 291	1	575 328	1
Commitments	231 484	205 982	12	219 982	5

## Statement of changes in equity, condensed

Parent company SEKm						
	Share capital	Share premium reserve	Statutory reserve	Cash flow hedges	Retained earnings	Total
<b>January-September 2015</b>						
<b>Opening balance 1 January 2015</b>	<b>24 904</b>	<b>13 206</b>	<b>5 968</b>	<b>-3</b>	<b>31 907</b>	<b>75 982</b>
Dividend					-12 539	-12 539
Repurchase of own shares for trading purposes					-22	-22
Share based payments to employees					342	342
Deferred tax related to share based payments to employees					-40	-40
Current tax related to share based payments to employees					56	56
Total comprehensive income for the period				3	9 093	9 096
<b>Closing balance 30 September 2015</b>	<b>24 904</b>	<b>13 206</b>	<b>5 968</b>	<b>0</b>	<b>28 797</b>	<b>72 875</b>
<b>January-December 2015</b>						
<b>Opening balance 1 January 2015</b>	<b>24 904</b>	<b>13 206</b>	<b>5 968</b>	<b>-3</b>	<b>31 907</b>	<b>75 982</b>
Dividend					-12 539	-12 539
Disposal of own shares for trading purposes					33	33
Share based payments to employees					413	413
Deferred tax related to share based payments to employees					-34	-34
Current tax related to share based payments to employees					57	57
Total comprehensive income for the period				3	13 467	13 470
<b>Closing balance 31 December 2015</b>	<b>24 904</b>	<b>13 206</b>	<b>5 968</b>	<b>0</b>	<b>33 304</b>	<b>77 382</b>
<b>January-September 2016</b>						
<b>Opening balance 1 January 2016</b>	<b>24 904</b>	<b>13 206</b>	<b>5 968</b>	<b>0</b>	<b>33 304</b>	<b>77 382</b>
Dividend					-11 880	-11 880
Share based payments to employees					304	304
Deferred tax related to share based payments to employees					-32	-32
Current tax related to share based payments to employees					31	31
Total comprehensive income for the period					14 645	14 645
<b>Closing balance 30 September 2016</b>	<b>24 904</b>	<b>13 206</b>	<b>5 968</b>	<b>0</b>	<b>36 372</b>	<b>80 450</b>

## Cash flow statement, condensed

Parent company SEKm			
	Jan-Sep 2016	Full-year 2015	Jan-Sep 2015
Cash flow from operating activities	14 664	97 570	59 663
Cash flow from investing activities	17 482	6 911	6 831
Cash flow from financing activities	44 485	-46 424	89 410
<b>Cash flow for the period</b>	<b>76 631</b>	<b>58 057</b>	<b>155 904</b>
Cash and cash equivalents at beginning of period	131 859	73 802	73 802
Cash flow for the period	76 631	58 057	155 904
<b>Cash and cash equivalents at end of period</b>	<b>208 490</b>	<b>131 859</b>	<b>229 706</b>

## Capital adequacy

Capital adequacy, Parent company SEKm	30 Sep 2016	31 Dec 2015	30 Sep 2015
<b>Common Equity Tier 1 capital</b>	<b>71 173</b>	<b>68 222</b>	<b>66 334</b>
Additional Tier 1 capital	9 624	10 614	10 732
<b>Tier 1 capital</b>	<b>80 797</b>	<b>78 836</b>	<b>77 066</b>
Tier 2 capital	12 502	13 249	12 956
<b>Total capital</b>	<b>93 299</b>	<b>92 085</b>	<b>90 022</b>
<b>Minimum capital requirement<sup>1)</sup></b>	<b>24 368</b>	<b>24 395</b>	<b>25 215</b>
<b>Risk exposure amount</b>	<b>304 601</b>	<b>304 943</b>	<b>315 192</b>
<b>Common Equity Tier 1 capital ratio, %</b>	<b>23.4</b>	<b>22.4</b>	<b>21.0</b>
<b>Tier 1 capital ratio, %</b>	<b>26.5</b>	<b>25.9</b>	<b>24.5</b>
<b>Total capital ratio, %</b>	<b>30.6</b>	<b>30.2</b>	<b>28.6</b>
<b>Capital buffer requirement<sup>2)</sup></b> %	<b>30 Sep 2016</b>	<b>31 Dec 2015</b>	<b>30 Sep 2015</b>
CET1 capital requirement including buffer requirements	8.3	7.9	7.9
of which minimum CET1 requirement	4.5	4.5	4.5
of which capital conservation buffer	2.5	2.5	2.5
of which countercyclical capital buffer	1.3	0.9	0.9
CET 1 capital available to meet buffer requirement <sup>3)</sup>	18.9	17.9	16.6
<b>Capital adequacy transition rules Basel 1 floor<sup>4)</sup></b> SEKm	<b>30 Sep 2016</b>	<b>31 Dec 2015</b>	<b>30 Sep 2015</b>
Capital requirement Basel 1 floor	28 233	26 021	26 989
Own funds Basel 3 adjusted according to rules for Basel 1 floor	93 809	92 538	90 530
<b>Surplus of capital according to Basel 1 floor</b>	<b>65 576</b>	<b>66 517</b>	<b>63 541</b>
<b>Leverage ratio <sup>5)</sup></b> %	<b>30 Sep 2016</b>	<b>31 Dec 2015</b>	<b>30 Sep 2015</b>
Tier 1 Capital, SEKm	80 797	78 836	77 067
Total exposure, SEKm <sup>6)</sup>	1 287 086	1 094 371	1 310 919
Leverage ratio, %	6.3	7.2	5.9

<sup>1)</sup> Total minimum capital requirement under Pillar 1, i.e. 8% of total risk exposure amount.

<sup>2)</sup> Buffer requirement according to Swedish implementation of CRD IV.

<sup>3)</sup> CET1 capital ratio as reported, less minimum requirement of 4.5% (excluding buffer requirements) and less any CET1 items used to meet the Tier 1 and total capital requirements.

<sup>4)</sup> Basel 1 floor based on the higher of the Basel 3 capital requirement and 80% of Basel 1 capital requirement. In the latter case the own funds is adjusted according to CRR article 500.4.

<sup>5)</sup> Calculated according to applicable regulation at each respective reporting date.

<sup>6)</sup> Taking into account exemption according to CRR article 429.7 excluding certain intragroup exposures.

<b>Risk exposure amount and own funds requirement, parent company</b>		
<b>30 Sep 2016</b>	<b>Risk exposure amount</b>	<b>Minimum capital requirement</b>
<b>SEKm</b>		
<b>Credit risks, STD</b>	<b>80 684</b>	<b>6 455</b>
Central government or central banks exposures	65	5
Regional governments or local authorities exposures	74	6
Public sector entities exposures	46	4
Multilateral development banks exposures	1	0
International organisation exposures		
Institutional exposures	1 797	144
Corporate exposures	7 011	561
Retail exposures	2 125	170
Exposures secured by mortgages on immovable property	1 287	103
Exposures in default	121	10
Exposures associated with particularly high risk		
Exposures in the form of covered bonds		
Items representing securitisation positions		
Exposures to institutions and corporates with a short-term credit assessment		
Exposures in the form of units or shares in collective investment undertakings		
Equity exposures	67 316	5 385
Other items	841	67
<b>Credit risks, IRB</b>	<b>170 170</b>	<b>13 614</b>
Institutional exposures	16 498	1 320
Corporate exposures	126 848	10 148
of which specialized lending		
Retail exposures	20 610	1 649
of which mortgage lending	2 723	218
of which other lending	17 887	1 431
Securitisation		
Non-credit obligation	6 214	497
<b>Credit risks, Default fund contribution</b>	<b>38</b>	<b>3</b>
<b>Settlement risks</b>	<b>0</b>	<b>0</b>
<b>Market risks</b>	<b>11 385</b>	<b>911</b>
Trading book	11 289	903
of which VaR and SVaR	6 442	515
of which risks outside VaR and SVaR	4 847	388
FX risk other operations	96	8
<b>Credit value adjustment</b>	<b>6 208</b>	<b>497</b>
<b>Operational risks</b>	<b>35 659</b>	<b>2 853</b>
of which standardised approach	35 659	2 853
<b>Additional risk exposure amount, Article 3 CRR</b>	<b>457</b>	<b>37</b>
<b>Total</b>	<b>304 601</b>	<b>24 368</b>

## Signatures of the Board of Directors and the President

The Board of Directors and the President hereby certify that the interim report for January-September 2016 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, 24 October 2016

Lars Idermark  
Chair

Ulrika Francke  
Deputy Chair

Bodil Eriksson  
Board Member

Göran Hedman  
Board Member

Peter Norman  
Board Member

Pia Rudengren  
Board Member

Karl-Henrik Sundström  
Board Member

Siv Svensson  
Board Member

Camilla Linder  
Board Member  
Employee Representative

Roger Ljung  
Board Member  
Employee Representative

Birgitte Bonnesen  
President and CEO

## Review report

### Introduction

We have reviewed the interim report for Swedbank AB (publ) for the period 1 January-30 September 2016. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of review

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

### Conclusion

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

Stockholm, 24 October 2016  
Deloitte AB

Svante Forsberg  
Authorised Public Accountant



## Publication of financial information

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

### Financial calendar 2016

Year-end report for 2016	2 February 2017
Annual report for 2016	23 February 2017

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Information on Swedbank's strategy, values and share is also available on [www.swedbank.com](http://www.swedbank.com)

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