Fourth quarter 2014

Compared with third quarter 2014

- The result for continuing operations amounted to SEK 3 798m (4 562)
- Earnings per share for continuing operations were SEK 3.45 (4.14) before dilution and SEK 3.42 (4.10) after dilution
- The return on equity for continuing operations was 13.3 per cent (16.6)
- The cost/income ratio was 0.46 (0.41)
- Net interest income amounted to SEK 5 809m (5 829)
- Profit before impairments was SEK 5 086m (5 986)
- Credit impairments were SEK 254m (235)
- The Common Equity Tier 1 capital ratio was 21.2 per cent (20.7)

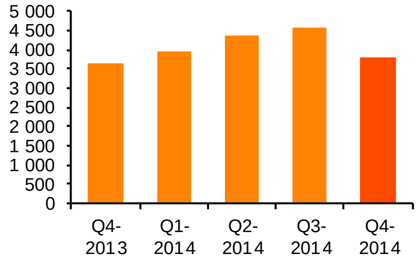
Full-year 2014

Compared with full-year 2013

- The result for the period for continuing operations was SEK 16 709m (15 241)
- Earnings per share for continuing operations were SEK 15.17 (13.89) before dilution and SEK 15.05 (13.79) after dilution[1)]
- The return on equity for continuing operations was 15.2 per cent (14.7)
- The cost/income ratio was 0.45 (0.45)
- Net interest income amounted to SEK 22 642m (22 029)
- Profit before impairments amounted to SEK 21 702m (20 290)
- Credit impairments were SEK 419m (60)
- The Common Equity Tier 1 capital ratio was 21.2 per cent (18.3)
- The proposed dividend is SEK 11.35 per share (10.10)

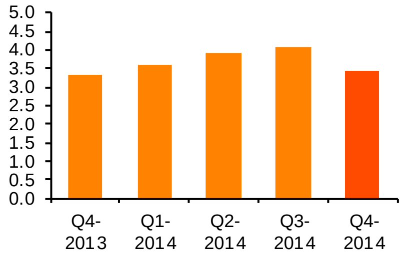
Profit for the quarter, continuing operations

SEKm



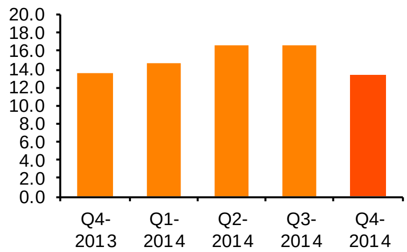
Earnings per share after dilution, continuing operations

SEK



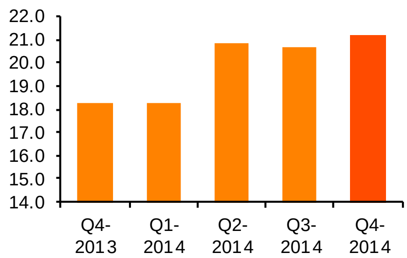
Return on equity, continuing operations

%



Common Equity Tier 1 capital ratio, %,

%



1) Including deduction of preference share dividend, earnings per share for full-year 2013 were SEK 10.11 for total operations after dilution. The calculations are specified on page 54.

CEO Comment

Our priorities at the start of 2014 were to improve customer value, strengthen our market position and increase cost efficiency. I am pleased with the results of the work we have done, although we still have challenges ahead of us – especially in our work to increase customer value.

Customers appreciate our digital offering
We are working to simplify our customers' everyday lives by increasing availability and providing more digital services. Our customers are increasingly choosing our self-service solutions in the Mobile Bank and the Internet Bank. This has led to fewer teller transactions while also leaving us more time for customers who need advisory services. Customers are also increasingly choosing card and electronic payments. Use of the Swish service is growing, now also among businesses, as is interest in our electronic payment solution for small businesses, Babs Micro.

Due to the changes in tax-deductible pension contributions in Sweden, we launched additional digital services during the fourth quarter. Customers can now open investment savings accounts and transfer monthly savings from individual pension savings to investment savings accounts and change fund distributions directly through the Mobile Bank. We are the first life insurance company in the Baltic countries to allow customers to digitally obtain new policies, change existing policies and report claims.

In December Swedbank's Mobile Bank celebrated five years. The latest customer satisfaction survey shows that over 90 per cent of our customers are satisfied or highly satisfied with the Mobile Bank. The expense tracker we launched last summer contributed strongly to the result.

While we still face big challenges in traditional banking, our latest customer satisfaction survey, where over 40 000 customers were asked about the bank and our offering, shows that the trend is heading in the right direction. Satisfaction improved among both private and corporate customers and showed that branches with the lowest satisfaction have made the biggest gains. We are working continuously and systematically to address the opinions expressed in these surveys, including how we handle complaints and long waiting times. Thanks to this valuable input, we are seeing positive results, but have more to do.

We are growing where our customers are growing
We have worked conscientiously to strengthen customer relations and increase cost efficiency. In addition, the bank's solid risk profile has resulted in lower funding costs, which will benefit our customers in the form of lower prices. Our position and the competitive strength of our offering are especially evident in the housing market – among both companies and mortgage customers. The fourth quarter saw continued good lending growth in the Swedish operations, especially in the real estate sector, which also contributed to a high level of advisory activity on the corporate side, mainly in terms of preference share issues.

This is positive, and I cannot stress enough the importance of the housing issue for our customers. The Swedish population is growing at the same time that more people are moving to cities. These trends provide the potential for economic growth. Unfortunately, the measures that have been taken to date to increase the housing stock and stop the price rise have been insufficient, which is pushing households further into debt. We need more infrastructure investment in combination with a faster pace of housing construction, a development to which we will gladly contribute.

Cost control creates opportunities to invest in our customer offering
Economic and political conditions in Europe worsened during the quarter and were distinguished by growing concerns. The drop in energy prices, the deteriorating economic situation in Russia and major currency movements changed the risk scenario.

The turbulent global environment has not markedly affected our customers, however, who still stand strong. We continue to work with and support those customers who could be affected by problems. Earnings in our Baltic operations are still strong and credit quality is good despite the situation in Russia.

Cost control in the bank is good and we reached our target. Our aim to further reduce costs to SEK 16bn for 2016 is an important element in strengthening our customer offering by giving us the flexibility to invest in more competitive solutions. A smaller cost base also helps us to accommodate low inflation and a low interest rate environment as well as increased competition in the wake of digitisation.

Our capitalisation is still strong with large buffers to withstand economic downturns. There is still some uncertainty about capital regulations, mainly on an international level. We expect they will be clarified for the most part in 2015.

In line with the dividend policy, Swedbank's Board of Directors is proposing to the Annual General Meeting a dividend of SEK 11.35 (10.10) per share for 2014. The dividend policy remains firm.

Michael Wolf
President and CEO

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

Financial summary

Income statement SEKm	Q4 2014	Q3 2014	%	Q4 2013	%	Full-year 2014	Full-year 2013	%
Net interest income	5 809	5 829	0	5 626	3	22 642	22 029	3
Net commission income	2 882	2 816	2	2 699	7	11 204	10 132	11
Net gains and losses on financial items at fair value	69	799	-91	461	-85	1 986	1 484	34
Other income	619	706	-12	866	-29	3 472	3 293	5
Total income	**9 379**	**10 150**	**-8**	**9 652**	**-3**	**39 304**	**36 938**	**6**
Staff costs	2 452	2 469	-1	2 574	-5	10 259	9 651	6
Other expenses	1 841	1 695	9	1 910	-4	7 343	6 997	5
Total expenses	**4 293**	**4 164**	**3**	**4 484**	**-4**	**17 602**	**16 648**	**6**
Profit before impairments	**5 086**	**5 986**	**-15**	**5 168**	**-2**	**21 702**	**20 290**	**7**
Impairment of intangible assets				12		1	182	-99
Impairment of tangible assets	33	19	74	311	-89	256	693	-63
Credit impairments	254	235	8	-32		419	60	
Operating profit	**4 799**	**5 732**	**-16**	**4 877**	**-2**	**21 026**	**19 355**	**9**
Tax expense	1 000	1 164	-14	1 212	-17	4 301	4 099	5
Profit for the period from continuing operations	**3 799**	**4 568**	**-17**	**3 665**	**4**	**16 725**	**15 256**	**10**
Profit for the period from discontinued operations, after tax	-3	-2	50	-48	-94	-262	-2 340	-89
Profit for the period	3 796	4 566	-17	3 617	5	16 463	12 916	27
Profit for the period attributable to the shareholders of Swedbank AB	**3 795**	**4 560**	**-17**	**3 612**	**5**	**16 447**	**12 901**	**27**

Key ratios and data per share	Q4 2014	Q3 2014	Q4 2013	Full-year 2014	Full-year 2013
Return on equity, continuing operations, %	13.3	16.6	13.6	15.2	14.7
Return on equity, total operations, %	13.3	16.6	13.4	15.0	12.5
Earnings per share before dilution, continuing operations, SEK [1)]	3.45	4.14	3.34	15.17	13.89
Earnings per share after dilution, continuing operations, SEK [1)]	3.42	4.10	3.31	15.05	13.79
Cost/income ratio	0.46	0.41	0.46	0.45	0.45
Equity per share, SEK [1)]	106.3	101.1	99.8	106.3	99.8
Loan/deposit ratio, %	201	193	203	201	203
Common Equity Tier 1 capital ratio, %, Basel 3 [2)]	21.2	20.7	18.3	21.2	18.3
Tier 1 capital ratio, %, Basel 3 [2)]	22.4	21.9	19.6	22.4	19.6
Total capital ratio, %, Basel 3 [2)]	25.5	24.9	20.7	25.5	20.7
Credit impairment ratio, %	0.07	0.07	-0.01	0.03	0.00
Share of impaired loans, gross, %	0.41	0.47	0.55	0.41	0.55
Total provision ratio for impaired loans, %	53	55	54	53	54
Liquidity coverage ratio (LCR), %	120	132	142	120	142
Net stable funding ratio (NSFR), % [3)]	98	102	97	98	97

Balance sheet data SEKbn	31 Dec 2014	31 Dec 2013	%
Loans to the public	1 405	1 265	11
Deposits and borrowings from the public	677	621	9
Shareholders' equity	117	110	7
Total assets	2 121	1 824	16
Risk exposure amount, Basel 3 [2)]	414	441	-6

[1)] Including deduction of the preference share dividend, earnings per share for full-year 2013 were SEK 10.11 for total operations after dilution. The calculations are specified on page 54.
[2)] The capital ratios for 2013 are based on Swedbank's knowledge of the new regulations at that point in time.
[3)] NSFR according to Swedbank's best understanding of the Basel Committee's new NSFR recommendation (BCBS295).

The key ratios are based on profit and shareholders' equity attributable to shareholders of Swedbank.
Key ratios and text comments regarding lending and deposits relate to volumes excluding Swedish National Debt Office and repos.

Overview

Market

Globally, the fourth quarter was marked by positive economic data from the US, where the labour market strengthened and growth was higher than expected – benefiting from falling energy prices and lower interest rates. Signals from Europe were less favourable, with weak forward-looking indicators and lower than expected industrial production. Low energy prices produced negative Inflation. The European Central Bank signalled that it would be expand its bond buying in early 2015, which it did in mid-January in order to maintain low interest rates and spur lending and growth in the eurozone. The euro weakened significantly against the dollar during the fourth quarter and long-term market interest rates continued to fall.

The Swedish economy did well, with data on retail sales confirming strong activity domestically. For Swedish exporters, conditions remained sluggish, which contributed to lower industrial production. The labour market developed positively, with employment and the number of hours worked rising and unemployment decreasing. The weaker krona, especially against the dollar, slightly affected inflation during the quarter at the same time that sharply falling oil prices had the opposite effect. The Riksbank maintained a 0% interest rate at its most recent policy meeting in December and is forecasting that it will not begin raising rates until autumn 2016. The Riksbank stressed that a decision whether to take further action could be made at the February meeting if inflation remains at a low level. Low interest rates, population growth and higher employment contributed to increased housing demand. At the same time the supply of housing available for sale continued to fall. Housing construction rose substantially in 2014 and accounted for a significant share of GDP growth. The December agreement between the government and alliance parties had limited impact on the financial markets but averted a snap election. The risk that a weakened parliament could impede reforms that are critical to Swedish competitiveness still remains, however.

The Baltic countries were affected by weak exports due to lower global demand, especially in Europe. Gradually rising exports to new markets and slightly better conditions in existing export markets are expected to accelerate export growth in 2015 and 2016. The impact of the crisis in Russia and Ukraine has been limited so far and concentrated in a few sectors. On the other hand, the downturn in the Russian economy is expected to continue amid increasing fears of recession and, not least, the substantially weaker Russian rouble. To date geopolitical tensions have created uncertainty and made companies in the Baltics more cautious about investing. Unemployment continued to decline in the fourth quarter and wages increased, resulting in continued strong household consumption. Further improvements in the labour market will require higher export growth, however. As of 2015 all three Baltic countries share the same currency, the euro.

The Stockholm stock exchange (OMXSPI) gained 12 per cent during the year. The Tallinn stock exchange (OMXTGI) fell by 8 per cent and the Riga stock exchange (OMXRGI) by 11 per cent, while the Vilnius stock exchange (OMXVGI) gained 7 per cent.

Important to note

The bank's total expenses for 2014 amounted to SEK 17.6bn, compared with a target of SEK 17.7bn, including the acquisition of Sparbanken Öresund. The goal of reducing total expenses for 2016 to SEK 16bn, which was announced in connection with the Q3 interim report, is still in place. This is a consequence of increasing digitisation, which creates greater competition and price pressure and will ensure Swedbank's continued competitiveness. The savings consist of synergies related to the acquisition of Sparbanken Öresund, lower costs due to increased digitisation and changes in distribution forms, as well as reductions in personnel, primarily in Group functions. The staff reduction is expected to be achieved mainly through attrition.

The Board of Directors proposes that the Annual General Meeting extend the current repurchase programme, which authorises the Board to decide to repurchase shares up to a maximum of one tenth of all the shares in Swedbank (including treasury shares acquired by the securities operations), by one year and extend the mandate to issue convertibles in the form of subordinated debt that can be converted to shares. The proposals are motivated as two of several measures to give the Board the opportunity to continuously adapt the bank's capital structure to current capital needs.

The proposed dividend is SEK 11.35 (10.10) per share for the financial year 2014. This corresponds to a dividend ratio of 75 per cent. The proposed record day for the dividend is 30 March. The last day for trading in Swedbank's shares with the right to the dividend will be 26 March. If the Annual General Meeting accepts the Board of Directors' proposal, the dividend is expected to be paid out by Euroclear on 2 April 2015.

Swedbank's Annual General Meeting will be held at 10 am (CET) on Thursday, 26, March 2015 at Dansens Hus, Barnhusgatan 14, Stockholm. More information on the Annual General Meeting will be made available on the bank's website, www.swedbank.se, under the heading About Swedbank/Corporate governance.

Fourth quarter 2014

Compared with third quarter 2014

Result

The quarterly result decreased by 17 per cent to SEK 3 795m (4 560). Income decreased while expenses rose on a seasonal basis. Credit impairments were stable at a low level. Profit before impairments decreased by 15 per cent to SEK 5 086m (5 986). The business segments were stable with the exception of Group Functions & Other, where the result for Group Treasury decreased. The return on equity was 13.3 per cent (16.6). The cost/income ratio was 0.46 (0.41).

Profit before impairments by business segment excl FX effects SEKm	Q4 2014	Q3 2014	Q4 2013
Swedish Banking	2 924	2 986	3 010
Baltic Banking	859	907	891
Large Corporates & Institutions	1 025	979	1 116
Group Functions & Other	278	1 109	208
Total excl FX effects	**5 086**	**5 981**	**5 224**
FX effects		5	-56
Total	**5 086**	**5 986**	**5 168**

Income decreased by 8 per cent to SEK 9 379m (10 150). Net commission income increased while net interest income was in line with the previous quarter. Net gains and losses on financial items at fair value decreased significantly in Group Treasury within Group Functions & Other.

Net interest income amounted to SEK 5 809m (5 829). Net interest income decreased slightly in Swedish Banking, increased slightly in Group Treasury and was stable in the other business segments. Group Treasury's net interest income benefited from falling market interest rates, which adversely affected deposit margins within Swedish Banking and Baltic Banking. Higher lending volumes in Swedish Banking and LC&I contributed positively. Lending margins for Swedish mortgages increased slightly during the quarter, while new lending margins were unchanged. Due to a retroactive adjustment for the year, the provision for the stability fee increased during the fourth quarter, reducing net interest income by SEK 71m.

Net commission income increased to SEK 2 882m (2 816). Swedish Banking contributed positively while net commission income was slightly lower in LC&I. Income from corporate finance was higher because the bank led a number of preference share issues in the property sector and due to increased M&A activity in the Norwegian operations, among other things. Payment commissions increased on a seasonal basis while lending related commissions decreased.

Net gains and losses on financial items at fair value decreased to SEK 69m (799). Net gains and losses on financial items at fair value in LC&I increased. Group Treasury's net result decreased mainly due to higher covered bond repurchases and negative valuation effects caused by increased credit spreads.

Other income decreased by 12 per cent to SEK 619m (706). The share of profit or loss of associates decreased due to a lower result in the credit card company Entercard. Other income decreased in Ektornet while net insurance rose, mainly due to revised assumptions for future claim provisions as well as reversals of previous non-life provisions.

Expenses increased by 3 per cent to SEK 4 293m (4 164). Expenses increased slightly on a seasonal basis within all business segments. Staff costs were stable while other expenses increased slightly.

The number of full-time employees was in line with the previous quarter. The number decreased in Group Functions & Other as well as in Swedish Banking, but increased in Baltic Banking and LC&I.

Credit impairments were SEK 254m (235). Credit impairments decreased within LC&I. Baltic Banking reported recoveries, but at a lower level. In Swedish Banking credit impairments rose, but remained at low levels.

Tangible asset writedowns amounted to SEK 33m (19) and primarily relate to impairments within Ektornet. Repossessed properties within Ektornet decreased to SEK 778m (916).

The tax expense amounted to SEK 1 000m (1 164), corresponding to an effective tax rate of 20.8 per cent (20.3).

The result from discontinued operations was SEK -3m (-2). The result for Russia was SEK -172m, of which SEK 289m were impairments – a result of loan sales as part of the continued wind-down as well as the depreciation of the rouble. In Lithuania a shareholding recognised in discontinued operations was sold with a capital gain of SEK 163m.

Full-year 2014

Compared with full-year 2013

Result

The result for the period rose by 27 per cent to SEK 16 447m (12 901). Income, expenses and credit impairments increased, while impairments fell. Fluctuations in exchange rates, primarily the depreciation of the Swedish krona against the euro, raised profit by SEK 187m. The result for continuing operations was SEK 16 709m (15 241) and for discontinued operations was SEK -262m (-2 340). In 2013 SEK -1 875m was reclassified to the income statement from other comprehensive income related to the sale of the Ukrainian operations, compared with a corresponding reclassification of SEK -223m in 2014 to wind down the Russian operations.

Profit before impairments increased by 7 per cent to SEK 21 702m (20 290). Baltic Banking and LC&I improved their results, but Group Treasury within Group Functions & Other increased the most. Profit within Swedish Banking was stable. The return on equity for continuing operations improved to 15.2 per cent (14.7). The cost/income ratio was 0.45 (0.45).

Profit before impairments by business segment excl FX effects SEKm	Full-year 2014	Full-year 2013	Δ SEKm
Swedish Banking	11 926	12 027	-101
Baltic Banking	3 590	3 340	250
Large Corporates & Institutions	4 423	4 299	124
Group Functions & Other	1 763	836	927
Total excl FX effects	**21 702**	**20 502**	**1 200**
FX effects		-212	212
Total	**21 702**	**20 290**	**1 412**

Income rose by 6 per cent to SEK 39 304m (36 938). All business segments and the acquisition of Sparbanken Öresund contributed to the higher income. Stronger commission income and net interest income contributed the most. Net gains and losses on financial items also increased, while other income excluding one-off effects decreased by SEK 461m from the acquisition of Sparbanken Öresund. Changes in exchange rates increased income by SEK 325m.

Net interest income rose by 3 per cent to SEK 22 642m (22 029). Group Treasury's net interest income improved thanks to falling market interest rates. Repricing and increased deposit volumes contributed positively in Baltic Banking, while higher lending volumes and origination fees contributed to the improvement in LC&I. Swedish Banking's net interest income decreased. Lower market interest rates had an adverse effect, while increased lending volumes and higher mortgage margins contributed positively. Increased provisions to the stability fund reduced net interest income by SEK 125m. Fluctuations in exchange rates increased net interest income by SEK 164m.

Net commission income rose by 11 per cent to SEK 11 204m (10 132). Commission income from asset management was higher, mainly due to a bullish stock market, but also to net inflows. Card and real estate brokerage commissions rose as well, as did loan-related income.

Net gains and losses on financial items at fair value rose by 34 per cent to SEK 1 986m (1 484). The net result in Group Treasury within Group Functions & Other was less negative in 2014 mainly due to the positive effects of falling interest rates. Net gains and losses on financial items at fair value within LC&I were stable.

Other income increased by 5 per cent to SEK 3 472m (3 293), but decreased excluding one-off effects. In the second quarter 2014 a bargain purchase gain of SEK 461m was recognised on the acquisition of Sparbanken Öresund, in addition to one-off income of SEK 230m from the share of profit of the associated company Entercard. As a result of its significantly smaller property portfolio, Ektornet saw less sales activity year-on-year, which negatively affected other income.

Expenses increased by 6 per cent to SEK 17 602m (16 648), slightly below target. Of the total expenses, SEK 615m were one-off expenses resulting from the acquisition of Sparbanken Öresund in the second quarter 2014. Excluding Sparbanken Öresund expenses decreased slightly. Expenses within Group Functions & Other decreased the most, mainly due to Ektornet. Baltic Banking's expenses decreased in local currency. Expenses rose in Swedish Banking and LC&I. Changes in exchange rates increased expenses by SEK 113m.

Fixed staff costs rose as a result of an increased number of customer advisors and IT staff as well as salary adjustments. Variable payroll expenses decreased. Expenses for IT development were higher. Consulting expenses rose due to the integration of Sparbanken Öresund. Higher business activity increased compensation to the savings banks. Less cash handling and the outsourcing of ATMs led to lower expenses for transport and security. Expenses of SEK 136m were recognised in 2014 for the move to the new head office.

The number of full-time employees increased by 318 year-on-year due to the acquisition of Sparbanken Öresund. The number of positions in Group Functions & Other decreased due to reduced staff in Group Products – a result of increased efficiencies and digitised processes – and the winding down of Ektornet. Baltic Banking also reduced its staff. The number of full-time employees rose within LC&I as a result of conscious efforts to expand advisory services. In Swedish Banking the number of employees was stable excluding Sparbanken Öresund.

Credit impairments increased to SEK 419m (60). Baltic Banking reported recoveries but at a lower level than in 2013. LC&I reported higher credit impairments, mainly due to increased provisions for a problem loan in the third quarter. Credit impairments within Swedish Banking were lower. Tangible asset writedowns were SEK 256m (693), a decrease attributable to Ektornet. Intangible asset writedowns fell to SEK 1m (182).

The tax expense amounted to SEK 4 301m (4 099), corresponding to an effective tax rate of 20.5 per cent (21.2). The 2014 tax rate was lower than in 2013 due to a number of negative one-off effects during the fourth quarter 2013. The underlying tax expense is higher as of 2014 due to the Group's new dividend distribution policy, whereby about 60 per cent of profits generated by the Baltic subsidiaries from 2014 will be distributed to the parent company, Swedbank AB. Since profit in Estonia is not taxed until distribution, the policy has resulted in an increased tax expense for accounting purposes. In addition, the 2014 tax expense was positively affected by a tax-exempt gain in connection with the acquisition of Sparbanken Öresund, but also by almost offsetting impairments by Ektornet.

Credit and asset quality

Global political and economic tensions continued, with sharply falling energy prices, an economic slowdown in Russia and major currency movements, as well as a slower recovery in Europe. Although this increased risks in general, it did not significantly affect the Group's credit quality in its four home markets during the quarter. The falling oil prices affect companies in the offshore industry, especially the drilling and supply segments. The bank is not seeing any significant effects yet, since companies in these sectors have taken measures to hedge future cash flows. If low oil prices persist, the risk would increase, however. Total net lending to the shipping & offshore sector amounted to SEK 30.3bn. Of this amount, SEK 19.6bn related to offshore, including SEK 13.6bn from drilling & supply customers, and mainly comprises lending to stable, publicly listed companies with long-term customer contracts that are considered to have a lower risk than the sector in general. For other private and corporate customers, including companies active in shipping, the lower oil prices have had a neutral to positive effect. The bank's direct credit exposures to Russia further decreased to SEK 0.5bn at year-end. During the fourth quarter impairments of SEK 0.3bn were recognised in the Russian portfolio as a result of the sale of loans as the operations wind down and because of the weaker rouble. The Russian operations are reported as discontinued operations. The bank's total credit portfolio is distinguished by customers with low risk and good resilience in the event of an economic slowdown. During the quarter the European Central Bank and the European Banking Authority (EBA) confirmed the bank's strong credit quality and capitalisation in their respective stress tests.

Swedbank's lending increased by SEK 111bn or 9 per cent during the year to SEK 1 325bn, of which SEK 14bn is due to currency effects. Of the increase, SEK

38bn related to the fourth quarter, of which SEK 7bn to exchange rate effects. Mortgage lending in Sweden rose by SEK 37bn during the year. Corporate lending within Swedish Banking and LC&I increased by a total of SEK 57bn. The highest activity was in the property management sector, where Swedbank already had a strong position. The acquisition of Sparbanken Öresund in the second quarter increased lending by SEK 16.5bn, of which SEK 5.0bn was private lending and SEK 11.5bn corporate lending. Baltic Banking's lending portfolio grew slightly in Estonia and Lithuania, measured in local currency, but decreased slightly in Latvia.

During the fourth quarter the Swedish Financial Supervisory Authority (SFSA) proposed new amortisation requirements for Swedish mortgages whereby new mortgages will be repaid down to a 50% loan-to-value ratio. The rules are expected to be finalised in the first half of 2015. Swedbank already requires loan applicants to be able to handle similar amortisation levels. During the last 12 months 87 per cent of new mortgages granted in Sweden with a loan-to-value ratio over 70 per cent were being amortised. Amortisations in the Swedish mortgage portfolio amounted to about SEK 10.1bn in 2014. The average loan-to-value ratio for Swedbank's mortgages in Sweden was 60.1 per cent (62.2 as of 31 December 2013), based on property level as of year-end. For more information, see page 20 and pages 56-57 in the fact book.

Impaired loans decreased during the year by SEK 1.2bn to SEK 6.3bn and correspond to 0.41 per cent (0.55) of total lending. The provision ratio for impaired loans was 35 per cent (38). The total provision ratio, i.e. including portfolio provisions, was 53 per cent (54). The share of impaired mortgages in Baltic Banking continued to fall and now amounts to SEK 4.0bn. The share of Swedish mortgages past due by more than 60 days remained low at 0.07 per cent of the portfolio (0.09). For more information on credit risk, see pages 48-55 of the fact book.

Impaired loans, by business segment SEKm	**Dec 31 2014**	**Dec 31 2013**
Swedish Banking	1 642	1 547
Baltic Banking	3 991	5 046
Estonia	1 312	1 338
Latvia	1 465	2 145
Lithuania	1 214	1 563
Large Corporates & Institutions	648	906
Total	**6 281**	**7 499**

Credit impairments amounted to SEK 419m (60) during the year and related to new provisions for anticipated credit impairments within LC&I and Swedish Banking. The provisions relate to a few exposures. Baltic Banking reported continued recoveries, though at a lower level.

Credit impairments, net by business segment SEKm	**Full-year 2014**	**Full-year 2013**
Swedish Banking	246	338
Baltic Banking	-186	-437
Estonia	-31	-267
Latvia	-106	2
Lithuania	-49	-172
Large Corporates & Institutions	381	180
Group Functions & Other	-22	-21
Total	**419**	**60**

Repossessed assets have more than halved during the year to SEK 933m on 31 December, of which Ektornet accounted for SEK 778m. Ektornet's property values were written down by SEK 243m (652) during the year, mainly related to the US and Ukraine, of which SEK 23m was in the fourth quarter. For more information on repossessed assets, see page 35 of the fact book.

Funding and liquidity

The year saw a further decline in interest rates and lower credit spreads, even though the latter increased slightly during the fourth quarter. Activity in domestic and international capital markets was high. The introduction of new capital adequacy rules led to increased issuance of Tier 2 capital by banks in Europe. Demand for Swedbank's bonds and commercial paper remained high.

Swedbank issued a total of SEK 115bn (103) in long-term debt during the year. The most important source of financing, covered bonds, accounted for SEK 92bn (73). During the fourth quarter SEK 26bn was issued, of which SEK 23bn was covered bonds. The entire volume was issued in SEK. Other volumes refer to unsecured debt. In 2015 Swedbank plans to issue around SEK 160bn to meet increased lending volumes as well as maturing long-term funding with a nominal value of SEK 110bn, measured from the beginning of the year. Liquidity over and above the refinancing need is used in day-to-day management to repurchase covered bonds.

At year-end 2014 the total volume of short-term funding, which is mainly used as a cash management tool, amounted to SEK 195bn (100), of which SEK 127bn was placed with central banks.

The main liquidity measure is the survival horizon, which showed that the bank as of 31 December would survive more than 12 months with the capital markets completely shut down. This applies to total liquidity as well as liquidity in USD and EUR. For more information on the bank's funding and liquidity, see page 68 of the fact book.

Ratings

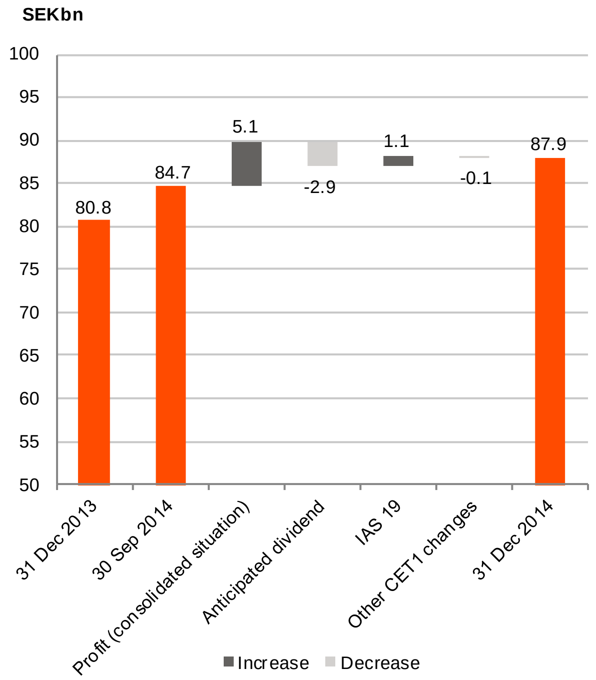
In 2014 Fitch revised its outlook for Swedbank's rating to positive. Standard & Poor's raised the bank's individual ratings. At the same time it revised its outlook for the ratings of Swedbank and 50 European banks to negative as a consequence of the EU Parliament's approval of the EU's Bank Recovery and Resolution Directive (BRRD). Moody's also revised its outlook on Swedbank and a number of other European banks to negative due to the BRRD. No ratings events occurred during the fourth quarter.

Capital and capital adequacy

The Common Equity Tier 1 capital ratio was 21.2 per cent on 31 December (20.7 per cent on 30 September and 18.3 per cent on 31 December 2013). In June Swedbank received approval from the SFSA to use the advanced internal ratings-based (A-IRB) approach for its corporate exposures in Sweden and Norway, which positively affected the Common Equity Tier 1 capital ratio by 3.8 percentage points calculated as of 30 June.

Common Equity Tier 1 capital increased by SEK 3.2bn during the fourth quarter to SEK 87.9bn. The change was mainly due to the bank's profit after deducting the proposed dividend and a dividend of SEK 1.35bn from Swedbank's Swedish life insurance operations. The remeasurement of the estimated pension liability according to IAS 19 increased Common Equity Tier 1 capital by about SEK 1.1bn, which is mainly due to a lower wage increase assumption. While the discount rate continued to fall, lower inflation expectations offset the negative effect (for more information, see note on Other comprehensive income). During the quarter the EBA published a new interpretation of how trading in own shares and capital instruments in the securities operations affect capital. As a result, the maximum holding approved by the supervisory authority now has to be deducted, compared with previous practice where the actual holding was deducted. This affected Common Equity Tier 1 capital negatively by about SEK 0.4bn as of 31 December.

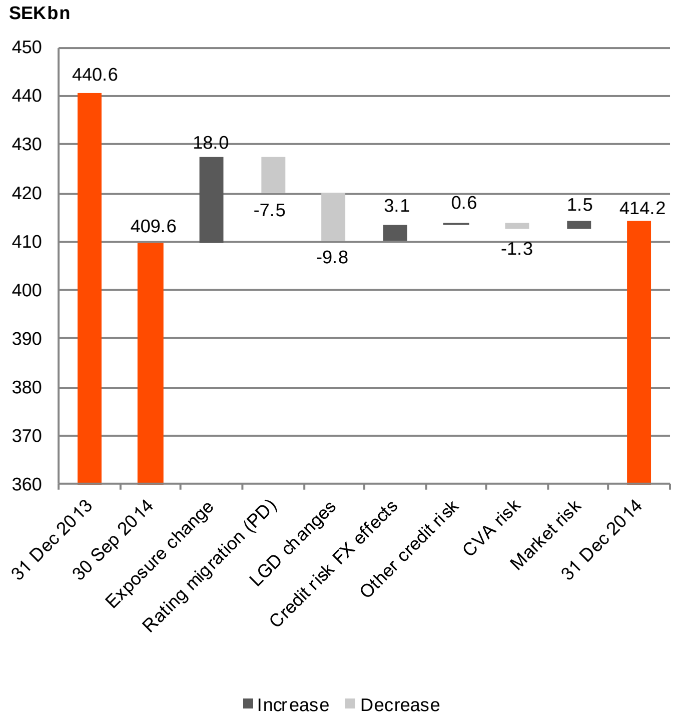
Change in Common Equity Tier 1 capital Basel 3, 2014, Swedbank consolidated situation



The risk exposure amount (REA) increased by just under SEK 4.6bn during the fourth quarter to SEK 414.2bn on 31 December (409.6 as of 30 September). The REA for credit risks rose by SEK 4.3bn, mainly due to increased exposures to mortgages and corporate customers in Swedish Banking and LC&I. Positive rating migrations reduced the REA by SEK 7.5bn. The biggest contribution was from the Baltic operations, where the use of loss histories for large companies based on actual outcomes was approved by the SFSA. Positive migrations from the Swedish corporate portfolio also contributed to the decrease. Reviews of Swedish corporate exposures led to improved information on collateral and accounted for a significant share of the decrease in LGD (see figure below). Fluctuations in exchange rates, mainly attributable to the Baltic credit portfolio, increased the REA for credit risks due to the depreciation of the Swedish krona against the euro.

The REA for credit valuation adjustment (CVA risk) decreased by SEK 1.3bn as a result of improved processes and methods of risk measurement. The REA for market risks increased by SEK 1.5bn, mainly due to a slightly higher interest rate risk. The REA for operational risks was unchanged during the quarter.

Change in REA Basel 3, 2014, Swedbank consolidated situation



Continued uncertainty about capital regulations

Because of the risk weight floor of 25 per cent for the Swedish mortgage portfolio, Swedbank has to maintain additional Common Equity Tier 1 capital of SEK 21.0bn for Swedish mortgages, corresponding to a Common Equity Tier 1 capital ratio of 5.1 percentage points according to Pillar 1. In its internal controls Swedbank allocates capital to accommodate the new capital requirements as of the fourth quarter 2014, including a 25 per cent risk weight floor for Swedish mortgages.

At the end of the year the SFSA presented a proposal for standardised models for Pillar 2 risks, which will be implemented in 2015. As a result, their capital requirements are likely to be clarified as well, including the total capital requirement for Swedish banks. The capital requirement for Swedbank, calculated as of 31 December and assuming that Swedbank's capital requirement for Pillar 2 risks is in line with the SFSA's standard value for Swedish banks (1.5 per cent), is equivalent to a Common Equity Tier 1 capital ratio of 19.3 per cent. Consideration is also given to the pending introduction of a systemic risk buffer (January 2015) and a countercyclical buffer (September 2015). Swedbank's Common Equity Tier 1 capital ratio was 21.2 per cent at year-end.

At the same time that the Swedish capital requirements have been clarified, an international effort is underway regarding future capital requirements for banks. Among other things, the Basel Committee is conducting an extensive analysis to improve the comparability of banks' capital ratios. The review covers future standard methods for calculating capital requirements for credit, market and operational risks. The committee may also propose a capital floor based on the standard methods for banks that use internal models. Due to uncertainty about the specifics of the new regulations as well as how and when they will be implemented, it is still too early to draw any conclusions on the potential impact on Swedbank.

An evaluation of the leverage ratio is also underway ahead of the possible introduction of a minimum requirement in 2018. Swedbank's leverage ratio as of 31 December, taking into account the EU Commission's clarification of the definition, was 4.5 per cent (4.4 per cent on 30 September 2014 and 4.6 per cent on 31 December 2013).

According to external stress tests, Swedbank is among the banks with the lowest risk in Europe. The Riksbank's most recent stability report from November (Financial Stability 2014:2) indicates that Swedbank's Common Equity Tier 1 ratio was the least impacted in a stress test among Sweden's four major banks.

Operational risks

The bank's direct losses attributable to operational risks remained low. No major incidents occurred during the fourth quarter 2014.

For more information on market risks, see Note 23 and see page 89 of the fact book.

Other events

On 17 June the Swedish Competition Authority sued the subsidiary Swedbank Franchise for its acquisition of Svensk Fastighetsförmedling. The Swedish Competition Authority was of the opinion that the acquisition would impede competition. In December the Stockholm District Court announced that it prohibited the acquisition. The ruling has been appealed to the Swedish Market Court. If the Market Court ratifies the decision from Stockholm District Court, it means that the acquisition is prohibited and hence the transaction shall be reversed. The case is not expected to have any material economic consequences.

In December the Swedish Shareholders' Association filed a class action against Swedbank Robur with the National Board for Consumer Disputes (ARN). The Swedish Shareholders' Association claims that two funds, Allemansfond Komplett and Kapitalinvest, were not actively managed for an extended period and that Swedbank Robur therefore should repay a portion of the management fee. The issue of active versus passive management is complicated and affects not only Swedbank Robur but is of fundamental importance to the industry in Sweden and abroad. Swedbank disputes that the funds have not been actively managed and believes it was clear in explaining its management approach and the fees it charges.

Events after 31 December 2014

The rapid changes in the ways customers bank require stronger coordination of the bank's offerings and simpler internal processes. Consequently, Birgitte Bonnesen, former head of Baltic Banking, was named head of Swedish Banking as of 1 January 2015. Priit Perens is the new head of Baltic Banking. Both are members of the Group Executive Committee, which also added Viveka Strangert, head of Group Compliance.

Lithuania adopted the euro as its currency on 1 January 2015.

Swedish Banking

- Competitive offering strengthened market position
- Lower market interest rates adversely affected net interest income
- Digital channels report high customer satisfaction

Income statement

SEKm	Q4 2014	Q3 2014	%	Q4 2013	%	Full-year 2014	Full-year 2013	%
Net interest income	3 301	3 372	-2	3 448	-4	13 349	13 620	-2
Net commission income	1 821	1 746	4	1 649	10	7 006	6 364	10
Net gains and losses on financial items at fair value	93	47	98	31		244	126	94
Share of profit or loss of associates	94	220	-57	210	-55	980	850	15
Other income	246	182	35	198	24	1 194	761	57
Total income	**5 555**	**5 567**	**0**	**5 536**	**0**	**22 773**	**21 721**	**5**
Staff costs	957	971	-1	888	8	4 207	3 497	20
Variable staff costs	61	55	11	67	-9	219	230	-5
Other expenses	1 565	1 506	4	1 528	2	6 259	5 835	7
Depreciation/amortisation	48	49	-2	43	12	162	132	23
Total expenses	**2 631**	**2 581**	**2**	**2 526**	**4**	**10 847**	**9 694**	**12**
Profit before impairments	**2 924**	**2 986**	**-2**	**3 010**	**-3**	**11 926**	**12 027**	**-1**
Credit impairments	147	43		140	5	246	338	-27
Operating profit	**2 777**	**2 943**	**-6**	**2 870**	**-3**	**11 680**	**11 689**	**0**
Tax expense	560	645	-13	616	-9	2 408	2 517	-4
Profit for the period	2 217	2 298	-4	2 254	-2	9 272	9 172	1
Profit for the period attributable to the shareholders of Swedbank AB	**2 217**	**2 292**	**-3**	**2 249**	**-1**	**9 258**	**9 158**	**1**
Non-controlling interests		6		5		14	14	0
Return on allocated equity, %	20.3	25.9		27.7		25.4	28.0	
Loan/deposit ratio, %	249	250		244		249	244	
Credit impairment ratio, %	0.06	0.02		0.06		0.03	0.04	
Cost/income ratio	0.47	0.46		0.46		0.48	0.45	
Loans, SEKbn	1 024	1 005	2	937	9	1 024	937	9
Deposits, SEKbn	411	402	2	385	7	411	385	7
Full-time employees	5 396	5 448	-1	4 984	8	5 396	4 984	8

Development January - December

The result for the period amounted to SEK 9 258m, an increase of 1 per cent. Income and expenses both increased, mainly as a result of the acquisition of Sparbanken Öresund, while credit impairments decreased.

Net interest income decreased year-on-year as a result of lower deposit margins, which were adversely affected by lower market interest rates. This was largely offset by higher lending volumes. Mortgage margins rose on both new lending and the mortgage portfolio, mainly during the second half-year, to compensate for higher capital adequacy requirements in the form of higher risk weights for mortgages. As of the fourth quarter capital equivalent to a 25% risk weight floor is allocated to the business area for Swedish mortgages. The acquisition of Sparbanken Öresund positively contributed to net interest income. Compared with the third quarter net interest income decreased slightly. Increased lending volumes and slightly improved mortgage margins during the quarter could not fully compensate for lower deposit margins owing to falling market interest rates. Lending margins on new mortgages were stable. The cost of the stability fee increased due to a retroactive adjustment during the fourth quarter, which negatively affected net interest income by SEK 52m.

Household deposit volumes increased by SEK 16bn from the beginning of the year, with volumes from the acquisition of Sparbanken Öresund accounting for SEK 8bn. Swedbank's share of household deposits was 21 per cent at the end of the period (21 as of 31 December 2013). Corporate deposits within Swedish Banking increased by SEK 11bn from the beginning of the year, or by 10 per cent. Sparbanken Öresund accounted for SEK 4bn. Swedbank's market share, including corporate deposits within LC&I, was 19 per cent as of 31 December (18 per cent as of 31 December 2013).

Swedbank's household mortgage lending volume increased by SEK 37bn during the year, of which SEK 11bn during the fourth quarter. Swedbank's share of new sales increased during the quarter and its share of net growth was 24 per cent during the period January-December 2014. Swedbank's share of the total market was 25 per cent (25 as of 31 December 2013). Corporate lending volume increased by SEK 37bn from the beginning of the year, with Sparbanken Öresund accounting for SEK 11bn. The market share, including corporate lending within LC&I, increased to 19 per cent (17 per cent as of 31 December 2013). Growth was mainly in the property management sector.

Net commission income rose by 10 per cent during the year. The increase was mainly due to higher fund volumes in the wake of a bullish stock market and increased net inflows. Swedbank's market share in terms of assets under management was 23 per cent (24 as of 31 December 2013). Increased income from equity trading and real estate brokerage contributed positively. Card commissions rose as a result of increased card usage. Compared with the third quarter net commission income rose by SEK 75m, mainly due to higher income from trading in structured products as well as higher card and payment commissions. Increasing inflows to index funds and funds with lower fees continued during the fourth quarter. A number of price cuts were implemented on fixed income, index-linked and generational funds during the fourth quarter. This had only a slight financial impact in the quarter but will negatively affect income in 2015. The price cuts were made to ensure a competitive offering in the current low interest rate environment.

The share of associates' profit increased compared with the previous year, when one-off income of SEK 230m was recognised by the credit card company Entercard during the second quarter 2014. Compared with the third quarter the share of associates' profit decreased mainly due to seasonally higher expenses and credit impairments in Entercard.

Other income was positively affected compared with the previous year by the acquisition of Sparbanken Öresund. During the second quarter 2014 a bargain purchase gain of SEK 461m was recognised.

Expenses for the year increased mainly due to the acquisition of Sparbanken Öresund, in connection with which a one-off expense of SEK 615m was recognised. The integration of the company raised expenses as well. Staff costs increased due to the addition of slightly more advisors and higher salary costs. Cash handling expenses fell. Expenses for the fourth quarter increased slightly, mainly due to increased expenses for IT development and premises. Staff costs decreased.

Credit quality remained good. Credit impairments decreased year-on-year and remained at low levels. During the fourth quarter credit impairments amounted to SEK 147m, mainly consisting of lower provisions for anticipated credit impairments within various corporate sectors. The share of impaired loans was 0.15 per cent (0.16).

Swedbank's customer satisfaction is measured by the Swedish Quality Index (SQI) and the Customer Satisfaction Index (CSI). The former encompasses around 300 of the bank's customers and the latter over 40 000. While there is still much left to be done to raise customer satisfaction, the most recent CSI survey in the fourth quarter showed that the trend is pointing in the right direction after an improvement of 2 points among both private and corporate customers. Improvements were made across the board, with the branches reporting the lowest satisfaction making the biggest gains. Customer satisfaction with the bank's digital services is high; 90 per cent of customers give the bank a 4 or 5 on a five-point scale. The bank's customer satisfaction according to SQI is below the industry average at 64 (-2) for private customers and 66 (+2) for corporate customers.

Use of Swedbank's digital channels continues to grow. The Internet Bank had 3.7 million users as of 31 December, an increase of 126 000 during the year. The Mobile Bank had 2 million (+419 000) and the iPad Bank had 521 000 (+136 000). Digitisation strongly contributed to a year-on-year decrease of 15 per cent in the number of teller transactions in branches. At the same time the number of advisory consultations rose by 4 per cent.

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 (Telephone Bank, Internet Bank, Mobile Bank and iPad Bank) and branches, and with the support of savings banks and franchisees, we are always available. Swedbank is part of the local community. The bank's 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 314 branches in Sweden. The various product areas are described on page 20.*

Baltic Banking

- Stable net interest income despite lower interest rates
- No financial impact from situation in Russia
- Successful introduction of euro in Lithuania

Income statement

SEKm	Q4 2014	Q3 2014	%	Q4 2013	%	Full-year 2014	Full-year 2013	%
Net interest income	863	865	0	844	2	3 496	3 156	11
Net commission income	505	500	1	454	11	1 956	1 733	13
Net gains and losses on financial items at fair value	64	60	7	84	-24	239	316	-24
Other income	101	88	15	130	-22	416	420	-1
Total income	**1 533**	**1 513**	**1**	**1 512**	**1**	**6 107**	**5 625**	**9**
Staff costs	216	186	16	204	6	782	782	0
Variable staff costs	20	19	5	20	0	78	66	18
Other expenses	401	374	7	384	4	1 513	1 453	4
Depreciation/amortisation	37	36	3	56	-34	144	155	-7
Total expenses	**674**	**615**	**10**	**664**	**2**	**2 517**	**2 456**	**2**
Profit before impairments	**859**	**898**	**-4**	**848**	**1**	**3 590**	**3 169**	**13**
Impairment of intangible assets				1		1	1	0
Impairment of tangible assets	9	3		16	-44	10	23	-57
Credit impairments	-10	-59	-83	-177	-94	-186	-437	-57
Operating profit	**860**	**954**	**-10**	**1 008**	**-15**	**3 765**	**3 582**	**5**
Tax expense	128	142	-10	182	-30	565	393	44
Profit for the period	732	812	-10	826	-11	3 200	3 189	0
Profit for the period attributable to the shareholders of Swedbank AB	**732**	**812**	**-10**	**826**	**-11**	**3 200**	**3 189**	**0**
Return on allocated equity, %	13.9	15.7		15.0		14.6	14.0	
Loan/deposit ratio, %	91	97		100		91	100	
Credit impairment ratio, %	-0.04	-0.19		-0.59		-0.16	-0.37	
Cost/income ratio	0.44	0.41		0.44		0.41	0.44	
Loans, SEKbn	126	121	4	119	6	126	119	6
Deposits, SEKbn	138	125	10	120	15	138	120	15
Full-time employees	3 912	3 846	2	3 935	-1	3 912	3 935	-1

Development January - December
Profit for 2014 amounted to SEK 3 200m (3 189). Income rose mainly due to increased business activity and repricing, while expenses in local currency decreased as a result of higher efficiency. Recoveries were lower. Changes in exchange rates improved profit by SEK 149m.

Net interest income increased by 6 per cent in local currency in 2014 mainly due to repricing and higher deposit volumes. Changes in exchange rates improved net interest income by SEK 166m. Net interest income in local currency dropped 1 per cent in the fourth quarter from lower deposit margins due to lower market interest rates.

Lending volumes were stable in local currency compared with 31 December 2013. Consumer finance increased, corporate lending and private mortgages were flat, while leasing decreased. The lending portfolios increased slightly in Lithuania and Estonia but continued to decrease in Latvia. The loan portfolio in local currency was stable during the fourth quarter despite external uncertainties. Swedbank's market share for lending was 29 per cent as of 30 September (28 as of 31 December 2013).

Deposit volumes increased by 9 per cent in local currency during the year. Deposits increased in all countries, with the biggest increase in Lithuania due to the euro transition. Swedbank's market share in deposits was 29 per cent as of 30 September (30 per cent as of 31 December 2013). The loan-to-deposit ratio was 91 per cent (100 per cent as of 31 December 2013).

Net commission income rose by 7 per cent in local currency in 2014. Increased card usage and higher asset management volumes due to the stock market rise and net inflows were the main reasons. Net commission income was negatively affected by about SEK 79m during the year due to fewer international payments after the euro transition in Latvia. Net commission income during the quarter was stable.

Net gains and losses on financial items at fair value decreased by 28 per cent in local currency during the year. The decrease was mainly due to lower income of SEK 74m from the Latvian FX trading business as a result of the euro transition.

Other income decreased by 5 per cent in local currency in 2014 due to lower insurance-related income. The decrease is mainly attributable to the low interest rates, which have led to increased provisions for guaranteed-return products within traditional management.

Total expenses decreased by 2 per cent in local currency during the year. Expenses for staff and premises fell, while IT development and regulatory expenses rose. The number of full-time employees was 1 per cent lower than on 31 December 2013. Due to customers' increasing use of digital services, the number of branches was reduced by 25 to 156 during the year. Of the total number of branches at year-end 2014, 47 (15) were cash-smart branches with a focus on advisory services. In addition, capacity at advisory centres has been strengthened through the addition of new advisory teams dedicated to small businesses. The euro adoption in Lithuania and Latvia raised expenses by SEK 69m in 2014, mainly in IT. Increased IT development expenses were the result of investments in digital channels and improved customer offerings. The cost-income ratio improved to 0.41 (0.44). During the fourth quarter expenses rose by 8 per cent in local currency driven by the euro adoption, marketing activities and seasonally higher staff costs, as well as salary adjustments in the Estonian retail operations. The number of full-time employees rose by 2 per cent in the fourth quarter, a result of the hiring of 50 temporary employees in connection with the euro adoption in Lithuania.

Net recoveries in 2014 amounted to SEK 186m (437) and related to recoveries from both private and corporate customers. All three countries reported net recoveries. Swedbank continues to work with, and take preventive measures, to help customers that could be affected by the situation in Russia. No major spillover effects have been observed on customers' finances or business activity.
Impaired loans amounted to SEK 4.0bn (5.0) at year-end. Credit quality has improved to such a level that impaired loans are now decreasing at a more moderate pace than in the last two years. The results of the stress test and credit review by the European Central Bank (ECB) and European Banking Authority (EBA) confirmed Swedbank's strong credit quality and capital situation and showed that the Baltic subsidiaries are well-positioned to withstand highly stressed economic conditions.

In 2014 Swedbank adopted a new policy on profit distributions from the Baltic operations, whereby around 60 per cent of earnings generated in the Baltic subsidiaries as of 2014 will be distributed to the parent company, Swedbank AB. Profit in Estonia is not taxed until distribution, which means that deferred tax is now recognised on the estimated distribution from Estonia, even though it will not be paid until the first quarter 2015. For 2014 deferred tax of SEK 207m was recognised for future distributions.

Swedbank maintained its strong reputation in 2014 and was placed fourth in a Baltic survey of "Most Loved Brands".

On 1 January 2015 Lithuania successfully adopted the euro in a smooth transition.

***Swedbank is the largest bank** by number of customers in Estonia, Latvia and Lithuania, with around 4 million private customers and more than 250 000 corporate customers. According to surveys, Swedbank is also the most respected company in the financial sector. Through its digital channels (Telephone Bank, Internet Bank and Mobile Bank) and branches, the bank is always available. Swedbank is part of the local community. Its local social engagement is expressed in many ways, with initiatives to promote education, entrepreneurship and social welfare. Swedbank has 40 branches in Estonia, 48 in Latvia and 68 in Lithuania. The various product areas are described on page 20.*

Large Corporates & Institutions

- Stable result under volatile market conditions
- Strong lending growth primarily in property sector
- High activity in corporate finance

Income statement

SEKm	Q4 2014	Q3 2014	%	Q4 2013	%	Full-year 2014	Full-year 2013	%
Net interest income	888	876	1	889	0	3 477	3 387	3
Net commission income	529	561	-6	558	-5	2 216	1 968	13
Net gains and losses on financial items at fair value	433	354	22	491	-12	1 927	1 960	-2
Other income	20	36	-44	48	-58	121	167	-28
Total income	**1 870**	**1 827**	**2**	**1 986**	**-6**	**7 741**	**7 482**	**3**
Staff costs	356	338	5	303	17	1 339	1 155	16
Variable staff costs	67	71	-6	118	-43	288	409	-30
Other expenses	407	411	-1	443	-8	1 625	1 591	2
Depreciation/amortisation	15	15	0	17	-12	66	58	14
Total expenses	**845**	**835**	**1**	**881**	**-4**	**3 318**	**3 213**	**3**
Profit before impairments	**1 025**	**992**	**3**	**1 105**	**-7**	**4 423**	**4 269**	**4**
Impairment of intangible assets							56	
Credit impairments	120	270	-56	5		381	180	
Operating profit	**905**	**722**	**25**	**1 100**	**-18**	**4 042**	**4 033**	**0**
Tax expense	225	150	50	360	-38	892	1 042	-14
Profit for the period	680	572	19	740	-8	3 150	2 991	5
Profit for the period attributable to the shareholders of Swedbank AB	**680**	**572**	**19**	**740**	**-8**	**3 150**	**2 991**	**5**
Return on allocated equity, %	15.1	13.8		20.1		19.4	17.3	
Loan/deposit ratio, %	164	154		173		164	173	
Credit impairment ratio, %	0.21	0.46		0.01		0.18	0.08	
Cost/income ratio	0.45	0.46		0.44		0.43	0.43	
Loans, SEKbn	175	161	9	154	14	175	154	14
Deposits, SEKbn	106	104	2	89	19	106	89	19
Full-time employees	1 175	1 142	3	1 069	10	1 175	1 069	10

Development January - December

The result for the full-year amounted to SEK 3 150m, an increase of 5 per cent year-on-year. Income, expenses and credit impairment increased. The long-term strategy to strengthen expertise in specific industrial sectors and deepen customer relationships in these areas produced results in the form of increased business and new customers during the year.

Net interest income increased by 3 per cent in 2014 to SEK 3 477m. Higher average lending volumes and origination fees contributed to the improvement. Margins in the lending portfolio were stable. Lending volume increased continuously in 2014 to SEK 175bn (154) at year-end. The biggest volume increases were in the property management sector, the fastest growing sector in Sweden. New business and a higher take-up rate on existing commitments contributed to the increase. Changes in exchange rates contributed about SEK 6bn of the increase. Deposit volumes rose by 19 per cent during the year, or by SEK 17bn. Transaction flows from large corporates and financial institutions increased as a result of closer customer relationships. Net interest income increased by 1 per cent during the fourth quarter mainly as a result of higher lending volumes. Activity in the lending market remained high and the refinancing of past due loans continued. Lending volumes increased during the quarter by SEK 14bn, the large part of which was at the end of the quarter. Changes in exchange rates contributed about SEK 2bn of the increase. A retroactive adjustment during the fourth quarter related to the stability fee reduced net interest income by SEK 17m. The margin on the loan portfolio was stable.

Net commission income rose by 13 per cent in 2014 to SEK 2 216m. The low interest rate environment and rising equity prices have led to higher activity among the bank's corporate customers, which has increased commissions related to corporate finance. Swedbank participated in five of 13 IPOs in Sweden in 2014, making it one of the three market leaders. New customers and increased lending contributed to higher loan commissions. The bank's market share for Swedish bond issues was 20 per cent (21) in 2014. The corresponding figure in Norway was 18 per cent (18). This made Swedbank the second largest player in Sweden and the third largest in Norway. During the fourth quarter net commission income decreased by 6 per cent. Lending and card commissions were the biggest contributors to the decrease. Activity and earnings from corporate finance increased. During the quarter Swedbank was a leading advisor in Entra's IPO in Norway and in the preference share offerings by Akelius and Hemfosa in Sweden.

Net gains and losses on financial items at fair value decreased by 2 per cent year-on-year. Income from fixed income and equity products rose. During the fourth quarter net gains and losses on financial items increased by 22 per cent to SEK 433m. FX trading performed strongly during the quarter. Equity trading also developed positively after a seasonally weaker third quarter. Customer activity decreased in other products largely due to 0 per cent interest rates and falling oil prices.

Total expenses increased by 3 per cent compared with 2013. Staff costs rose as a result of the hiring of advisors for bond issues and corporate finance as well as salary revisions. New product development, investments in the cash management area and IT investments in the wake of increased regulatory requirements raised expenses for IT and IT-related staff. Expenses increased by 1 per cent compared with the previous quarter, mainly due to the additional staff.

Credit impairments amounted to SEK 381m in 2014 (180). The increase was attributable to higher provisions for a single problem loan in the retail sector. The share of impaired loans was 0.22 per cent (0.38). Credit quality in the loan portfolio remained good despite increased risks during the quarter. If low oil prices persist, the risk in the shipping & offshore sector could increase, mainly with respect to drilling & supply customers of the Norwegian operations. Total net lending in shipping & offshore amounted to SEK 29.3bn. See also the credit section on page 7.

***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. LC&I works closely with customers, who receive advice on decisions that create sustainable profits and growth. LC&I have presence in Sweden, Norway, Estonia, Latvia, Lithuania, Finland, Luxembourg, China, the US and South Africa.*

Group Functions & Other

Income statement

SEKm	Q4 2014	Q3 2014	%	Q4 2013	%	Full-year 2014	Full-year 2013	%
Net interest income	761	716	6	461	65	2 320	1 880	23
Net commission income	5	-10		4	25	-50	-30	67
Net gains and losses on financial items at fair value	-521	338		-145		-424	-918	-54
Share of profit or loss of associates	-1	1		-1	0	0	2	
Other income	241	248	-3	375	-36	1 060	1 430	-26
Total income	**485**	**1 293**	**-62**	**694**	**-30**	**2 906**	**2 364**	**23**
Staff costs	723	772	-6	915	-21	3 124	3 283	-5
Variable staff costs	52	57	-9	72	-28	222	242	-8
Other expenses	-643	-733	-12	-603	7	-2 544	-2 380	-7
Depreciation/amortisation	75	87	-14	105	-29	341	394	-13
Total expenses	**207**	**183**	**13**	**489**	**-58**	**1 143**	**1 539**	**-26**
Profit before impairments	**278**	**1 110**	**-75**	**205**	**36**	**1 763**	**825**	
Impairment of intangible assets				11			125	
Impairment of tangible assets	24	16	50	295	-92	246	670	-63
Credit impairments	-3	-19	-84			-22	-21	5
Operating profit	**257**	**1 113**	**-77**	**-101**		**1 539**	**51**	
Tax expense	87	227	-62	54	61	436	147	
Profit for the period from continuing operations	**170**	**886**	**-81**	**-155**		**1 103**	**-96**	
Profit for the period from discontinued operations, after tax	-3	-2	50	-48	-94	-262	-2 340	-89
Profit for the period	167	884	-81	-203		841	-2 436	
Profit for the period attributable to the shareholders of Swedbank AB	**166**	**884**	**-81**	**-203**		**839**	**-2 437**	
Non-controlling interests	1					2	1	100
Full-time employees	4 100	4 168	-2	4 277	-4	4 100	4 277	-4

Development January - December

Income for Group Functions & Other consists of net interest income and net gains and losses on financial items, which mainly come from Group Treasury. Other income primarily consists of revenue from the savings banks as well as sales revenue and operating income from Ektornet. Income amounted to SEK 2 906m (2 364). Net income and net gains and losses on financial items at fair value within Group Treasury improved mainly due to the effects of falling interest rates. Sales activity within Ektornet has slowed since the portfolio has already been largely sold off, which reduced other income.

Expenses decreased by 26 per cent during the year to SEK 1 143m (1 539). Excluding the net of services purchased and sold internally, expenses decreased by 3 per cent to SEK 6 584m (6 814). Group Products reduced expenses through efficiency improvements. Ektornet also reported lower expenses, which are dropping as the portfolio is sold off. In 2014 one-off expenses of SEK 136m were recognised in connection with the move of the head office.

Ektornet's property values were written down by SEK 243m (652) during the year, of which SEK 23m related to the fourth quarter.

Group Products

Swedbank's product operations, Group Products (GP), are centralised at the Group level to create a more responsive and customer-driven product range and an efficient product organisation. Consisting of around 1 600 employees in Sweden, Estonia, Latvia and Lithuania, GP is responsible for a large part of Swedbank's product areas. It is also tasked with supporting the business areas by reducing the complexity of the product range and simplifying sales in the various distribution channels. The product areas GP is responsible for – lending and deposits, payments, cards, asset management and insurance – are described in more detail starting on page 20. GP also comprises the subsidiary Swedbank Franchise AB, which in turn includes the real estate (Fastighetsbyrån and Svensk Fastighetsförmedling) and business brokerages (Företagsförmedling) and a legal service provider (Juristbyrån).

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

Expenses, excluding the net of services purchased and sold internally, amounted to SEK 3 246m (3 350) for the full-year. The decrease was mainly due to lower staff costs due to fewer full-time positions.

Group Treasury

Group Treasury is responsible for the bank's funding, liquidity and capital planning. The Group's equity is allocated to each business segment on the basis of capital adequacy rules and how much capital is needed based on the bank's Internal Capital Adequacy Assessment Process (ICAAP). Group Treasury prices all 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.

Group Treasury's result over time should be nearly nil, with the exception of earnings that may arise in debt and liquidity management within given risk mandates. Risk hedging by Group Treasury is generally achieved with financial instruments. The volatility in results over time is largely due to accounting-based fluctuations in these hedges.

Profit for Group Treasury amounted to SEK 1 639m (841) in 2014.

Net interest income increased to SEK 2 431m during the year (2 013). During the fourth quarter net interest income amounted to SEK 785m, compared with SEK 742m in the previous quarter. The improvement in net interest income was mainly attributable to the positive effects of falling interest rates.

Net gains and losses on financial items at fair value for 2014 amounted to SEK -340m (-922). The main reason for the improved result was falling interest rates. Net gains and losses for the fourth quarter amounted to SEK -501m, compared with SEK 327m in the third quarter. Net gains and losses decreased mainly as a result of a higher volume of covered bond repurchases and negative valuation effects caused by increased credit spreads.

Discontinued operations

The result for discontinued operations was SEK -262m (-2 340) in 2014. In the first half of 2013 the Ukrainian operations were included in discontinued operations and affected the result by SEK -2 236m, of which SEK -1 875m was reclassified to the income statement from other comprehensive income when the business was sold. A corresponding reclassification of SEK -223m was made during the second quarter 2014 to wind down the Russian operations.

The result for discontinued operations in the fourth quarter was SEK -3m (-2). The result for Russia was SEK -172m, of which SEK 289m were impairments – a result of loan sales as part of the continued wind-down as well as the depreciation of the rouble. The result for discontinued operations in Lithuania was SEK 168m, of which SEK 163m was a capital gain from the sale of a shareholding.

Swedbank's net lending in Russia continued to decrease and amounted to SEK 0.5bn as of 31 December.

Group Functions & Other *consists of centralised business support units and the product organisation Group Products. The Group staffs comprise Accounting & Finance (including Group Treasury and Communications), Risk, IT, Compliance, Public Affairs, HR and Legal, operate across business areas, and serve as strategic and administrative support.*

Eliminations

Income statement

SEKm	Q4 2014	Q3 2014	%	Q4 2013	%	Full-year 2014	Full-year 2013	%
Net interest income	-4			-16			-14	
Net commission income	22	19	16	34		76	97	
Net gains and losses on financial items at fair value								
Other income	-82	-69		-94		-299	-337	
Total income	**-64**	**-50**		**-76**	**-16**	**-223**	**-254**	
Staff costs				-13			-13	
Variable staff costs								
Other expenses	-69	-50		-63	10	-228	-241	
Depreciation/amortisation	5					5		
Total expenses	**-64**	**-50**		**-76**	**-16**	**-223**	**-254**	

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

Product areas

Swedbank is a market leader in many product areas, including asset management, cards, payments, and mortgage lending. Responsibility for the product units rests with Group Products (Group Functions & Other), but the results are reported in several legal units and in the three business segments.

Lending/deposits

Swedbank's lending operations are concentrated in Sweden, Estonia, Latvia, Lithuania and Norway. Lending products account for 66 per cent of the assets on Swedbank's balance sheet. Swedbank's total lending to private customers and corporations amounted to SEK 1 325bn as of 31 December (1 215 as of 31 December 2013). Household lending represented the largest part, with mortgages to private customers and tenant owner associations in Sweden accounting for 55 per cent. Swedbank is also a major player in corporate lending in Sweden, with lending of SEK 381bn. Swedbank has a strong position in the property management sector, with lending of SEK 170bn, as well as in the forestry and agricultural sector, with lending of SEK 69bn. In the Baltic countries Swedbank is the largest lender, with market shares of 19-34 per cent. Estonia accounts for nearly half of the Baltic loan portfolio. Of Swedbank's total lending, the Baltic countries account for 9 per cent. Lending in the Baltic countries amounted to SEK 126bn, about half of which is to households and half to companies. In the Baltic countries property management and manufacturing are the biggest corporate lending sectors.

The Swedish mortgage market continued to grow in 2014. The annual growth rate was 6 per cent for the market as a whole as well as for Swedbank. In 2014 Swedbank strengthened its share of new sales to largely the same level as the total mortgage portfolio – 25 per cent as of 31 December.

Higher capital requirements for mortgages, coupled with a growing demand for transparency from customers and authorities, are creating new opportunities for Swedish mortgage lenders. To make it easier for customers to see how they can influence their mortgage costs, Swedbank will more clearly explain the factors that determine how a loan is priced.

Sweden's banks promote a sound lending culture through the Swedish Bankers' Association, which at mid-year 2014 tightened its amortisation recommendation for mortgages, requiring borrowers to amortise down to a 70 per cent loan-to-value ratio (previously 75 per cent) within 10-15 years. As a result, Swedbank is seeing an increasing share of amortising customers, mainly among those with loan-to-value ratios over 70 per cent.

In November 2014 the SFSA announced that it will introduce amortisation requirements on mortgages so that new borrowers amortise more. New mortgages will have to be repaid down to a 50 per cent loan-to-value ratio in two stages: first an annual amortisation rate of 2 per cent of the property's value (definition not yet finalised) down to a 70 per cent loan-to-value ratio and then a rate of 1 per cent down to a loan-to-value ratio of 50 per cent. The new requirements are scheduled to be introduced in 2015. Swedbank already factors these amortisation levels into its credit assessment and does not anticipate that the new requirements will affect whether customers qualify for a loan. It could, on the other hand, affect household consumption and savings.

The annual growth rate in the Swedish corporate market was 3.4 per cent as of 31 December. Corporate lending surpassed market growth. Excluding the acquisition of Sparbanken Öresund, corporate lending grew by SEK 32bn, corresponding to a growth rate of 9 per cent. The biggest growth was in property management lending (SEK 26bn), where activity was high in 2014 and Swedbank already had a strong position. Swedbank's total market share was 19 per cent.

The consumer finance market is affected by new technology, regulation and changing customer behaviour. Niche players have been more skilled than the major banks in making their loans easier to buy. Swedbank was among the five largest consumer lenders in the Swedish market, with a market share of about 10 per cent, corresponding to a volume of SEK 25bn. Given the bank's large share of private customers, this share should be higher, and at the end of the year work to improve the position intensified, including through collaborations with the largest loan brokers in the area.

Swedbank is also a major player in deposits in its home markets. Total deposit volumes amounted to SEK 661bn (599), of which SEK 372bn (341) was to private customers and SEK 289bn (258) to corporate customers. Just over 75 per cent of Swedbank's total deposit volumes are in Sweden.

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

Payment operations

Swedbank is a leader in payment and cash management products in its four home markets. Growth in the payment area is a function of economic growth and customers' increasing use of payment means other than cash. For example, Swish, a mobile payment service shared with other Swedish banks, is growing steadily and is now used by 2 million retail customers. Since its launch in June, a corporate version of Swish has attracted more than 10 000 small businesses, associations and charitable organisations among participating banks.

The payment area is strongly affected by external factors. Rapid technological developments pose a challenge in the form of increased competition, especially from e-commerce companies. Swedbank is well equipped in this regard in terms of infrastructure, economies of scale and its long track record of strong consumer protection, an important factor as e-commerce grows. Over time regulatory changes will open up the value chain in parts of the bank's payment business. The increased competition will be addressed mainly with cost efficiencies.

A growing share of customers is managing their payments online. Today over 3.1 million of the bank's customers in Sweden and 2.3 million in the Baltic countries have access to payment services through the Internet Bank and the Mobile Bank. In 2014 mobile payments increased by 94 per cent in Sweden and 74 per cent in the Baltic countries. Users of Mobile BankID, which facilitates online and mobile payments, are steadily increasing in number and now exceed 1 400 000 (700 000).

Last autumn Swedbank joined other Latvian banks to launch E-invoice, an online invoicing service and an alternative to Direct Debit (autogiro) that is now established in three of our four home markets and will be introduced in Lithuania as well. E-invoicing simplifies things for customers and strengthens the bank's digital offering at the same time that a harmonised offering creates efficiencies for the bank.

Payments **Net commission income, SEKm**	**Full-year** **2014**	**Full-year** **2013**	**%**
Net commission income	979	977	0
of which Nordic countries	425	475	-10
of which Baltic countries	554	502	10

Net commission income from payments was flat year-on-year. Excluding one-off income of SEK 35m in Lithuania during the second quarter 2014, net commission income decreased.

Net commission income in the Nordic region decreased year-on-year, primarily due to the outsourcing of ATMs in the second quarter 2013 to Bankomat AB, which is jointly owned by the five largest Swedish banks. Income from national payments and letters of credit increased, while income from international payments decreased due to margin pressure. Volume growth was about 8 per cent.

In the Baltic countries income increased in all product groups in Estonia and Lithuania but decreased in Latvia. The reason for the Latvian decrease was lower income from international payments after the euro's adoption in 2014.

Payments **Key figures**	**Full-year** **2014**	**Full-year** **2013**	**%**
International payments (million)	10.7	10.0	6
of which Sweden	4.8	4.4	8
of which Baltic countries	5.9	5.6	5
Domestic payments (million) [1]	855.5	841.6	2
of which Sweden	640.0	621.3	3
of which Baltic countries	215.5	220.3	-2
E-services payments (million) [2]	361.0	187.0	93
of which Sweden	322.2	162.9	98
of which Baltic countries	38.8	24.1	61
Factoring portfolio, SEKm	4 117	4 034	2
of which Sweden	2 274	2 267	0
of which Baltic countries	1 843	1 767	4

[1] Domestic payments include salary and mass payments, giro payments, direct debit payments, internet payments.
[2] E-payments include e-invoices, bank link payments, mobile phone top-up transactions, number of signed transactions and ID transactions through E-ID/BankID.

Card business

Swedbank issues cards to the public and acquires card payments from merchants via card terminals and online payments in all its home markets as well as in Norway, Denmark and Finland. Swedbank is Europe's fifth largest card payment acquirer based on number of transactions. Market shares in the bank's home markets range from 50 to 70 per cent. Swedbank is also the 11th largest card issuer in Europe based on number of transactions.

Customers are increasingly making store purchases by card rather than by cash. In Sweden 80 per cent of store purchases are by card, the highest percentage in the EU. In Estonia the corresponding figure is 50 per cent and in Latvia and Lithuania it is lower but steadily growing. The Swedish and Estonian markets are expected to continue to do well, growing by about 9 per cent. In Latvia and Lithuania growth is estimated at 20 to 30 per cent annually. In 2014 the value of payments with Swedbank cards in Sweden grew by 7 per cent at the same time that ATM withdrawals decreased by 7 per cent. The trend is similar in Estonia. In Lithuania, where Swedbank is encouraging greater card use, card payments rose by 17 per cent at the same time that cash withdrawals declined. In Latvia, the increase was no less than 27 per cent. When card payments increase, competition does as well, leading to price pressure. To remain competitive requires simpler internal processes and more cost-effective solutions. The bank is working actively to continuously reduce costs per payment transaction.

In card issuance the biggest growth opportunities in the bank's home markets are in the area of corporate cards, where Swedbank has traditionally been weaker. The bank's large number of small business customers represents good potential to grow this business. In 2014 the number of corporate debit cards increased by 12 per cent to a total of around 225 000.

As digitisation increases, so does e-commerce in society, an important growth area for Swedbank. E-payments with Swedbank's debit cards increased by 18 per cent in 2014, compared with an increase of 9 per cent for brick-and-mortar purchases. Mobile phones are also increasingly being used for e-commerce and card payments. Swedbank is working to offer cardholders better solutions for mobile card payments. In April Swedbank launched Babs Micro, a mobile card acceptance terminal that has attracted nearly 1 000 new small businesses and associations and allows card payments in places that were previously dependent on cash.

The EU is preparing a payment regulation to create a common market and accelerate the transition from cash to electronic payments. This will strengthen consumers' position through increased competition across borders. The regulation, which is scheduled to be phased in beginning 2015 and fully implemented in 2016, will require capital expenditures on the part of both traders and banks. The regulation also covers the interchange fee that the acquirer pays the issuer. In Sweden fees on credit cards are expected to decrease. In the Baltic countries they are expected to fall on both debit and credit cards, which could adversely affect the card issuance business and increase competition in payment acquisition. The bank's pricing models and range of card products will be reassessed to compensate for the regulation's effects.

In Sweden, competition is increasing from other EU countries in payment acquisition, at the same time that it gives Swedbank an opportunity to expand its business to other countries. In 2014 Swedbank started a payment acquisition business for Swedish companies in Poland as part of a strategy to support home market customers operating abroad. This strategy also includes the bank's increased activity in Finland and Norway.

Card related income SEKm	Full-year 2014	Full-year 2013	%
Total income, SEKm	3 312	2 964	12
of which Nordic countries	1 796	1 692	6
of which Baltic countries	825	725	14
of which Entercard[1)]	691	548	26

[1)] Swedbank's share of the profit or loss of Entercard.

Acquisition income in the Nordic region decreased during the year as a result of margin pressure and higher interchange fees as well as higher expenses for Visa and MasterCard. Card issuance income in Sweden rose by 12 per cent, in line with the increase in transaction volume. The increased income in the Baltic countries is due to the issuance of more debit and credit cards as a result of increased usage.

During the second quarter 2014 Entercard recognised one-off income of SEK 230m when a distribution partner in Norway terminated its contract and redeemed its outstanding credit cards. As a result, Entercard's credit volumes decreased by about 25 per cent. Credit card income otherwise rose due to increased card transactions in Sweden and the Baltic countries as well as higher annual fees.

Key ratios, cards	Full-year 2014	Full-year 2013	%
Acquired transactions, million	1 956	1 776	10
of which Nordic countries	1 659	1 505	10
of which Baltic countries	297	272	9
Acquired volumes, SEKbn	480	440	9
of which Nordic countries	437	401	9
of which Baltic countries	44	38	14
Issued cards, millon	7.7	7.7	-1
of which Nordic countries	3.9	3.8	2
of which Baltic countries	3.8	3.9	-3
Number of card purchases, million	1322	1200	10
of which Nordic countries	976	896	9
of which Baltic countries	346	303	14

Asset management business

Asset management is conducted through the Swedbank Robur group in Swedbank's four home markets as well as in Norway. Robur is the leader in Sweden, with a market share of 22.7 per cent measured by assets under management. Fund assets under management amounted to SEK 715bn (611) on 31 December, of which the Swedish operations accounted for SEK 686bn. Discretionary assets under management amounted to SEK 326bn (278).

Regulatory changes are helping to increase transparency and competition in the fund and insurance market, which is leading to price pressure. A regulation prohibiting commissions in Sweden, which is expected to be introduced in 2017, is one example.

The inflow to funds with lower management fees such as fixed income and index-linked funds as well as to mixed funds continued during the fourth quarter, while actively managed mutual funds reported outflows. In December Swedbank Robur received an annual PPM (defined-contribution pension) flow of SEK 5.5bn, corresponding to a market share of 16 per cent.

Net inflow Swedish fund market, SEKbn	Total 2014	Of which Robur 2014	Total Q4	Of which Robur 2014
Fixed income funds	67	17	1	1
Mixed funds	70	12	31	7
Equity funds	10	-9	6	-2
of which indexfunds	16	3	8	1
Other funds	6	0	3	0
Total net sales	153	21	40	6

Swedbank Robur's share of the net inflow improved in 2014 to 13.5 per cent (8.8), which is still lower than the share of total fund assets under management. The inflow to discretionary asset management was SEK 31bn (9) during the period. Swedbank is also a distributor of other companies' funds, and its share of total net sales in the Swedish fund market during the year was 21.9 per cent.

Swedbank Robur's Morningstar rating was lowered in 2014. Much of its focus has been on management processes, with the aim of improving the funds' results. To create a clearer offering, the number of funds is being reduced as well.

Asset management Key ratios, SEKbn	Full-year 2014	Full-year 2013	%
Total income, SEKm	4 482	4 113	9
Assets under management	715	611	17
of which Sweden	686	589	17
of which Baltic countries	25	20	27
of which Norway	3	2	38
Discretionary asset management	326	278	17
of which Sweden	324	276	17
of which Baltic countries	2	2	0

Income from asset management products increased by 9 per cent during the year compared with 2013. The improvement is mainly due to a bullish market, which increased average assets under management by 15 per cent, but also to net inflows. At the same time capital is moving to products with lower margins. Prices were cut on a number of fixed income, index-linked and pension funds during the fourth quarter to adjust to prevailing low interest rates (mainly fixed income funds) and to be more competitive. The cuts had little impact on the result for the quarter, but will have an effect in 2015.

Insurance business

Swedbank has life insurance operations in all its home markets. In the Swedish market it is the seventh largest company, with a market share of about 7 per cent of premium payments. In Estonia and Lithuania Swedbank is the largest life insurance company, with market shares of 36 and 21 per cent, respectively. Its market share in Latvia is 18 per cent. Non-life insurance is offered in the Baltic countries as well, with solutions primarily for private customers. Here the market share is 14 per cent in Estonia and 3 per cent in Latvia. In Lithuania, where the non-life business was launched in 2011, the market share is 1 per cent. Non-life insurance is offered in Sweden via a third-party solution through the insurance company Tre Kronor. Insurance products are sold through the distribution channels of Swedbank and the savings banks.

Premium payments SEKm	Full-year 2014	Full-year 2013	%
Sweden	14 733	13 441	10
of which collective occupational pensions	3 663	3 212	14
of which endowment insurance	7 478	6 917	8
of which occupational pensions	2 209	2 004	10
of which risk insurance	741	665	11
of which other	643	643	0
Baltic countries	1 271	1 061	20
of which life insurance	798	666	20
of which non-life insurance	473	395	19

Sweden

In 2014 premium payments in the Swedish life insurance business increased by 10 per cent. Demand for pension and insurance products will be high for the foreseeable future, with the potential to increase sales to existing customers as well. Only 24 per cent of Swedbank's and the savings banks' corporate customers with annual sales of over SEK 1m have an occupational pension solution from the bank.

Premium payments from occupational pensions, including collective occupational pensions, rose by 13 per cent during the year. This is partly because the portfolio has grown and partly due to transfers from other insurers, which have risen by 54 per cent to SEK 1 272m, of which SEK 667m was transferred from collective occupational pensions. Swedbank is positive to the current debate on free transfers of pension savings. Free transfer rights, combined with a simplified process, would increase the potential for further growth among existing customers. For customers it means being able to consolidate savings in one place at the same time that it could result in lower fees by reducing the number of policies. Swedbank's share of the total transfer market rose in 2014 to about 7 per cent (4).

While parts of the insurance market (mainly customised occupational pension solutions) are associated with high margins, a large percentage of new savings is in low-margin products. Through efficiencies and automation, Swedbank is simplifying its service offering at the same time that the cost savings will improve its opportunities to stay competitive. Current fees being charged in parts of the occupational pension market are not considered sustainable in the prevailing low interest rate environment.

The collectively negotiated ITP plan's 1.5 million private sector employees are one of the fastest growing areas of the occupational pension market. Since July 2013, when Swedbank became a provider of choice, around 13 000 new agreements have been signed and SEK 532m has been transferred from other insurers.

During the fourth quarter a decision was made to reduce tax deductions of private pension savings as of 2015. To help our customers avoid double taxation, information has been widely distributed on switching to an investment savings account or endowment insurance, for example. Customers have also been informed through the Mobile Bank, where functions have added that allow customers to open an investment savings account and exchange funds. Swedbank does not expect lower tax deductions to significantly affect the total inflow of private savings. The need for long-term savings has not changed, and by offering other products the bank can maintain and even increase personal savings.

Baltic countries

The number of new savings products sold in the Baltic countries rose by 12 per cent year-on-year. The corresponding increase for risk products was 61 per cent. More new products meant higher premium income, which rose by 14 per cent in local currency. To meet increased demand for life insurance products and digital self-service options, Swedbank was one of the first life insurers in the Baltic countries to introduce internet-based solutions for electronic identification. This makes it easier for customers, who can now obtain and revise insurance policies and file claims online.

The positive trend for non-life premium income continued in the Baltic countries, and total premium income rose by 14 per cent in local currency. Every product saw increases, but especially home insurance, where advertising campaigns and active sales by bank branches led to higher volumes.

Assets under management

Assets under management SEKbn	31 Dec 2014	31 Dec 2013	%
Sweden	136.1	118.2	15
of which collective occupational pensions	58.1	47.6	22
of which endowment insurance	53.7	49.6	8
of which occupational pensions	15.1	12.4	22
of which other	9.2	8.6	7
Baltic countries	4.0	3.1	29

Assets under management in the Swedish insurance operations rose by 15 per cent during the year to SEK 136.1bn, of which SEK 118.7bn relates to unit linked and deposit insurance. The increase was mainly due to stock market gains and a positive net inflow. Assets under management by the Baltic life insurance company rose by 10 per cent in local currency, mainly due to increased unit linked insurance.

Income

Insurance related income SEKm	Full-year 2014	Full-year 2013	%
Sweden	1 488	1 491	0
of which life insurance	1 435	1 418	1
of which non-life insurance	52	73	-29
Baltic countries	385	390	-1
of which life insurance	168	197	-14
of which non-life insurance	216	194	12
Total insurance related income	**1 873**	**1 882**	**0**

Swedbank's total insurance related income amounted to SEK 1 873m (1 882). Income from the Swedish life business rose by 1 per cent, with higher assets under management resulting in increased income from savings products. The result for risk products and the return on equity decreased because the positive effect of reserve reversals was lower than in 2013 following revised assumptions about future claims. The return on equity fell due to lower interest rates. The decrease in Swedish non-life insurance was partly due to lower new sales in 2014 and partly to positive one-off effects in 2013.

Income for the Baltic life business amounted to SEK 168m, a decrease of 18 per cent in local currency year-on-year. The decrease is mainly because low interest rates have led to higher provisions to cover guaranteed returns in traditional asset management. The result from the company's core business, savings and risk, continued to rise. Income from the Baltic non-life business increased mainly due to an improved risk result thanks to a mild and relatively snow-free winter. The claims ratio for 2014 was 54 per cent (55).

Financial information - contents

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

Income statement, condensed

Group SEKm	Q4 2014	Q3 2014	%	Q4 2013	%	Full-year 2014	Full-year 2013	%
Interest income	9 709	10 343	-6	10 919	-11	41 052	43 968	-7
Interest expenses	-3 900	-4 514	-14	-5 293	-26	-18 410	-21 939	-16
Net interest income (note 5)	**5 809**	**5 829**	**0**	**5 626**	**3**	**22 642**	**22 029**	**3**
Commission income	4 168	4 150	0	3 957	5	16 252	14 692	11
Commission expenses	-1 286	-1 334	-4	-1 258	2	-5 048	-4 560	11
Net commission income (note 6)	**2 882**	**2 816**	**2**	**2 699**	**7**	**11 204**	**10 132**	**11**
Net gains and losses on financial items at fair value (note 7)	69	799	-91	461	-85	1 986	1 484	34
Insurance premiums	503	422	19	421	19	1 889	1 714	10
Insurance provisions	-329	-299	10	-240	37	-1 308	-1 067	23
Net insurance	**174**	**123**	**41**	**181**	**-4**	**581**	**647**	**-10**
Share of profit or loss of associates	93	221	-58	209	-56	980	852	15
Other income	352	362	-3	476	-26	1 911	1 794	7
Total income	**9 379**	**10 150**	**-8**	**9 652**	**-3**	**39 304**	**36 938**	**6**
Staff costs	2 452	2 469	-1	2 574	-5	10 259	9 651	6
Other expenses (note 8)	1 661	1 508	10	1 689	-2	6 625	6 258	6
Depreciation/amortisation	180	187	-4	221	-19	718	739	-3
Total expenses	**4 293**	**4 164**	**3**	**4 484**	**-4**	**17 602**	**16 648**	**6**
Profit before impairments	**5 086**	**5 986**	**-15**	**5 168**	**-2**	**21 702**	**20 290**	**7**
Impairment of intangible assets (note 14)				12		1	182	-99
Impairment of tangible assets	33	19	74	311	-89	256	693	-63
Credit impairments (note 9)	254	235	8	-32		419	60	
Operating profit	**4 799**	**5 732**	**-16**	**4 877**	**-2**	**21 026**	**19 355**	**9**
Tax expense	1 000	1 164	-14	1 212	-17	4 301	4 099	5
Profit for the period from continuing operations	**3 799**	**4 568**	**-17**	**3 665**	**4**	**16 725**	**15 256**	**10**
Profit for the period from discontinued operations, after tax	-3	-2	50	-48	-94	-262	-2 340	-89
Profit for the period	3 796	4 566	-17	3 617	5	16 463	12 916	27
Profit for the period attributable to the shareholders of Swedbank AB	**3 795**	**4 560**	**-17**	**3 612**	**5**	**16 447**	**12 901**	**27**
of which profit for the period from continuing operations	3 798	4 562	-17	3 660	4	16 709	15 241	10
of which profit for the period from discontinued operations	-3	-2	50	-48	-94	-262	-2 340	-89
Non-controlling interests	1	6	-83	5	-80	16	15	7
of which profit for the period from continuing operations	1	6	-83	5	-80	16	15	7
of which profit for the period from discontinued operations								

Statement of comprehensive income, condensed

Group SEKm	Q4 2014	Q3 2014	%	Q4 2013	%	Full-year 2014	Full-year 2013	%
Profit for the period reported via income statement	**3 796**	**4 566**	**-17**	**3 617**	**5**	**16 463**	**12 916**	**27**
Items that will not be reclassified to the income statement								
Remeasurements of defined benefit pension plans	1 437	-1 090		-318		463	2 264	-80
Share related to associates	32	-28		-10		-9	12	
Income tax	-325	246		71		-101	-500	-80
Total	**1 144**	**-872**		**-257**		**353**	**1 776**	**-80**
Items that may be reclassified to the income statement								
Exchange differences, foreign operations								
Gains/losses arising during the period	1 920	-225		1 185	62	2 917	1 258	
Reclassification adjustments to income statement, profit for the period from discontinued operation						508	1 875	-73
Hedging of net investments in foreign operations:								
Gains/losses arising during the period	-1 459	140		-927	57	-2 320	-910	
Reclassification adjustments to income statement, profit for the period from discontinued operations						-365		
Cash flow hedges:								
Gains/losses arising during the period	33	69	-52	-112		26	-210	
Reclassification adjustments to income statement, net interest income	31	-23		12		17	83	-80
Share of other comprehensive income of associates	-103	45		-10		-29	-115	-75
Income tax								
Income tax	315	-44		231	36	505	248	
Reclassification adjustments to income statement, tax	-7	5		-3		-4	-18	-80
Reclassification adjustments to income statement, profit for the period from discontinued operations						80		
Total	**730**	**-33**		**376**	**94**	**1 335**	**2 211**	**-40**
Other comprehensive income for the period, net of tax	**1 874**	**-905**		**119**		**1 688**	**3 987**	**-58**
Total comprehensive income for the period	**5 670**	**3 661**	**55**	**3 736**	**52**	**18 151**	**16 903**	**7**
Total comprehensive income attributable to the shareholders of Swedbank AB	**5 671**	**3 655**	**55**	**3 730**	**52**	**18 137**	**16 887**	**7**

For 2014 cumulative income of SEK 353m (income of SEK 1 776m) has been recognised in other comprehensive income after tax, including remeasurements of defined benefit pension plans in associates. Income in 2014 primarily related to a higher return on assets under management than recognised among pension costs in the income statement. During the year market interest rates fell significantly, because of which the discount rate used to calculate the closing pension obligation was lowered from 3.44% to 2.29%. Declining interest rates necessitated a reassessment of the inflation assumption used in the same calculation. Previously the Riksbank's inflation target of 2.00% had been used. As of 2014 the inflation assumption is instead based on a weighted average of an inflation assumption for each cash flow's maturity that the debt represents. For maturities where liquid nominal and index linked government bonds exist, the inflation assumption is measured as the difference between the nominal and index linked market rate. For the period beyond the bonds' maturities, the inflation assumption is gradually adapted to the Riksbank's inflation target. Taken together, this led to a reduction in the inflation assumption to 1.28% as of 31 December 2014. The lower inflation assumption offsets the effect of a lower discount rate in the calculation of the obligation. Because the predominant BTP defined benefit pension plan no longer covers new employees, an age-based wage increase assumption was introduced in the fourth quarter 2014. Previously the wage increase assumption plus 2 percentage points was used as the inflation assumption. As of 31 2014 the new wage increase assumption corresponded to an average mark-up over and above the inflation assumption of 1.26 percentage points. The revised assumptions as of 31 December 2014 do not affect the estimated pension cost recognised in the income statement for 2014.

Cumulatively for 2014 a positive exchange difference of SEK 2 917m (1 258) was recognised for the Group's foreign net investments in subsidiaries. In addition, an exchange rate difference of SEK -29m for the Group's foreign net investments in associates is included in Share related to associates. The income from subsidiaries and associates arose due to the depreciation of the Swedish krona against the euro and the Lithuanian currency, which is correlated with the euro. The net income of SEK 2 889m is not taxable. Since the large part of the Group's foreign net assets is hedged against currency risk, a loss of SEK -2 320m (-910) before tax arose related to the hedging instruments. The Group's Russian operations have been reported as discontinued operations since 2013. During the second quarter 2014 the majority of the Russian net assets in roubles was divested through sales and repayments. As a result, the cumulative exchange rate differences on the net assets amounting to SEK -508m and the cumulative currency result for hedging instruments amounting to SEK 365m before tax were reclassified from other comprehensive income to the income statement.

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

Key ratios

Group	Q4 2014	Q3 2014	Q4 2013	Full-year 2014	Full-year 2013
Earnings per share, continuing operations, SEK	3.45	4.14	3.34	15.17	13.89
after dilution	3.42	4.10	3.31	15.05	13.79
Earnings per share, discontinued operations, SEK	0.00	0.00	-0.04	-0.24	-2.13
after dilution	0.00	0.00	-0.04	-0.24	-2.13
Earnings per share, total operations, SEK[1)]	3.44	4.14	3.30	14.93	11.76
after dilution[1)]	3.41	4.10	3.27	14.81	11.66
Equity per share, SEK	106.35	101.08	99.82	106.35	99.82
Return on equity, continuing operations, %	13.3	16.6	13.6	15.2	14.7
Return on equity, total operations, %	13.3	16.6	13.4	15.0	12.5
Credit impairment ratio, %	0.07	0.07	-0.01	0.03	0.00

1) Including deduction of the preference share dividend, earnings per share for full-year 2013 were SEK 10.11 for total operations after dilution. The calculations are specified on page 54.

Balance sheet, condensed

Group SEKm	31 Dec 2014	31 Dec 2013	Δ SEKm	%
Assets				
Cash and balance with central banks	113 768	59 382	54 386	92
Loans to credit institutions (note 10)	113 820	82 278	31 542	38
Loans to the public (note 10)	1 404 507	1 264 910	139 597	11
Value change of interest hedged item in portfolio hedge	1 291	62	1 229	
Interest-bearing securities	170 680	182 399	-11 719	-6
Financial assets for which customers bear the investment risk	143 319	122 743	20 576	17
Shares and participating interests	9 931	7 109	2 822	40
Investments in associates	4 924	3 640	1 284	35
Derivatives (note 18)	123 202	64 352	58 850	91
Intangible fixed assets (note 14)	14 319	13 658	661	5
Investment properties	97	685	-588	-86
Tangible assets	2 653	3 140	-487	-16
Current tax assets	1 304	895	409	46
Deferred tax assets	638	417	221	53
Other assets	10 103	9 578	525	5
Prepaid expenses and accrued income	6 126	6 992	-866	-12
Group of assets classified as held for sale (note 25)	615	1 862	-1 247	-67
Total assets	**2 121 297**	**1 824 102**	**297 195**	**16**
Liabilities and equity				
Amounts owed to credit institutions (note 15)	171 453	121 621	49 832	41
Deposits and borrowings from the public (note 16)	676 679	620 608	56 071	9
Debt securities in issue (note 17)	835 012	726 275	108 737	15
Financial liabilities for which customers bear the investment risk	146 177	125 548	20 629	16
Derivatives (note 18)	85 694	55 011	30 683	56
Current tax liabilities	1 477	1 893	-416	-22
Deferred tax liabilities	1 684	2 383	-699	-29
Short positions, securities	27 058	17 519	9 539	54
Other liabilities	20 768	14 269	6 499	46
Accrued expenses and prepaid income	13 071	14 194	-1 123	-8
Provisions	5 855	4 698	1 157	25
Subordinated liabilities	18 957	10 159	8 798	87
Liabilities directly associated with group of assets classified as held for sale (note 25)	39	219	-180	-82
Equity	117 373	109 705	7 668	7
of which non-controlling interests	170	165	5	3
of which attributable to shareholders of Swedbank AB	117 203	109 540	7 663	7
Total liabilities and equity	**2 121 297**	**1 824 102**	**297 195**	**16**

Balance sheet analysis

Total assets increased by SEK 297bn from 1 January 2013. This was mainly due to an increase in lending to the public of SEK 140bn. The biggest increase was in lending to private customers in Sweden, mainly mortgage lending and lending to tenant-owner associations and corporates, primarily in property management. The increased business volumes also meant that more derivative transactions were completed to manage any incurred interest rate and currency risks. In 2014, interest rate and currency volatility resulted in derivative market values increasing by SEK 59bn on the asset side and by SEK 31bn on the liability side. Securities issuance increased by SEK 109bn, of which SEK 95bn related to short-term funding due to high demand from investors. Short-term funding is primarily used as a cash-management tool, which is why cash and balances at central banks increased by SEK 54bn. Deposit volumes rose by SEK 56bn, mainly in the bank's four home markets. Amounts owed to credit institutions increased by SEK 50bn at the same time that lending to credit institutions increased by SEK 32bn. Balance sheet items related to credit institutions fluctuate over time depending on repos. Financial assets and liabilities for which customers bear the investment risk increased mainly due to positive stock market development, but also because of a positive net inflow.

More information on the balance sheet items can be found in the fact book, mainly in the sections “Business volumes", “Asset quality" and “Liquidity & Funding".

Statement of changes in equity, condensed

Group SEKm	Shareholders' equity							Non-controlling interests	Total equity
	Share capital	Other contri-buted equity[1)]	Exchange differences, subsidiaries and associates	Hedging of net investments in foreign operations	Cash flow hedges	Retained earnings	Total		
January-December 2013									
Opening balance 1 January 2013	**24 904**	**17 275**	**-3 848**	**1 001**	**-42**	**63 742**	**103 032**	**154**	**103 186**
Dividends						-10 880	-10 880	-5	-10 885
Share based payments to employees						418	418		418
Deferred tax related to share based payments to employees						83	83		83
Associates' acquisition of shares in Swedbank AB						-14	-14		-14
Associates' disposal of shares in Swedbank AB						14	14		14
Total comprehensive income for the period			3 015	-708	-97	14 677	16 887	16	16 903
Closing balance 31 December 2013	**24 904**	**17 275**	**-833**	**293**	**-139**	**68 040**	**109 540**	**165**	**109 705**
January-December 2014									
Opening balance 1 January 2014	**24 904**	**17 275**	**-833**	**293**	**-139**	**68 040**	**109 540**	**165**	**109 705**
Dividends						-11 133	-11 133	-9	-11 142
Share based payments to employees						459	459		459
Deferred tax related to share based payments to employees						16	16		16
Current tax related to share based payments to employees						50	50		50
Repurchase of own shares for trading purposes						-32	-32		-32
Associates' disposal of shares in Swedbank AB						166	166		166
Total comprehensive income for the period			3 397	-2 094	34	16 800	18 137	14	18 151
Closing balance 31 December 2014	**24 904**	**17 275**	**2 564**	**-1 801**	**-105**	**74 366**	**117 203**	**170**	**117 373**

1) Other contributed equity consists mainly of share premiums.

Cash flow statement, condensed

Group SEKm	Full-year 2014	Full-year 2013
Operating activities		
Operating profit	21 026	19 355
Profit for the period from discontinued operations	-262	-2 340
Adjustments for non-cash items in operating activities	-555	-500
Taxes paid	-5 494	-2 961
Increase/decrease in loans to credit institutions	-26 662	2 597
Increase/decrease in loans to the public	-115 813	-28 775
Increase/decrease in holdings of securities for trading	12 925	-46 814
Increase/decrease in deposits and borrow ings from the public including retail bonds	34 957	37 772
Increase/decrease in amounts ow ed to credit institutions	45 468	-1 811
Increase/decrease in other assets	-41 353	32 732
Increase/decrease in other liabilities	84 693	-35 606
Cash flow from operating activities	**8 930**	**-26 351**
Investing activities		
Business combinations	-2 918	-213
Business disposals	-590	119
Acquisitions of and contributions to associates	-814	-4
Acquisitions of other fixed assets and strategic financial assets	-1 111	-835
Disposals/maturity of other fixed assets and strategic financial assets	362	2 482
Cash flow from investing activities	**-5 071**	**1 549**
Financing activities		
Issuance of interest-bearing securities	114 936	103 085
Redemption of interest-bearing securities	-139 976	-126 236
Issuance of commercial paper etc.	730 879	493 982
Redemption of commercial paper etc.	-646 040	-506 627
Dividends paid	-11 138	-10 885
Cash flow from financing activities	**48 661**	**-46 681**
Cash flow for the period	**52 520**	**-71 483**
Cash and cash equivalents at the beginning of the period	**59 382**	**130 058**
Cash flow for the period	52 520	-71 483
Exchange rate differences on cash and cash equivalents	1 866	807
Cash and cash equivalents at end of the period	**113 768**	**59 382**

During the first half-year 2014 Sparbanken Öresund AB was acquired for SEK 2 938m. Acquired cash and cash equivalents amounted to SEK 20m. In connection with the acquisition a number of bank branches were sold to Sparbanken Skåne AB. The proceeds, together with payment of the net debt assumed by the acquirer, amounted to a cash disbursement of SEK 913m.

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 2013, 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 Annual Report for 2013, except for the adoption of new standards as set out below.

Consolidated financial statements (IFRS 10)
IFRS 10 replaces the rules on consolidation in IAS 27, Consolidated and Separate Financial Statements and SIC 12, Consolidation - Special Purpose Entities. The new standard established a single definition of control and requires companies to consolidate the entities it controls. Control over another entity exists when the reporting company is capable of managing the other entity, is exposed or entitled to a variable return and is able to use its power over the entity to affect the return. The implementation of IFRS 10 resulted in the consolidation of an investment fund that was previously not consolidated. See Note 28 Effects of changes in accounting policies.

Other IFRS changes
Other new or amended standards or interpretations 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, refer to pages 74 and 75 of the Annual Report for 2013.

Future changes to IFRS
Annual improvements 2012-2014
The annual improvements amend the current standards for presentation, recognition or measurement and other editorial corrections. The improvements apply to financial years beginning on or after 1 January 2016 and have not yet been approved by the EU. Adoption is not expected to have a significant effect on the Group's financial position or results.

Revenue from Contracts with Customers (IFRS 15)
IFRS 15 was issued in May 2014 and establishes the principles for reporting useful information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The standard introduces a five-step model with the recognition and measurement requirements and new disclosures. The standard is applicable from 1 January 2017 and has not yet been approved by the EU. The impacts on the Group's financial reports are still being assessed by the Group.

Financial instruments (IFRS 9)
IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* and was issued on 24 July 2014. The standard includes requirements for recognition, classification and measurement, impairment, derecognition and general hedge accounting. The standard has been issued in stages, with the 2014 version replacing all previous versions. IFRS 9 is mandatorily effective from 1 January 2018, with early adoption permitted. The standard has not yet been adopted by the EU. The impacts on the Group's financial reports are still being assessed by the Group.

The classification and measurement requirements for financial assets reduce the number of valuation categories and place dependence on the company's business model for managing its financial assets as well as whether contractual cash flows solely represent payments of principal and interest. IFRS 9 also introduces an expected credit loss model, which eliminates the requirement to identify an incurred loss event. The new impairment model establishes a three-stage approach based on whether significant changes in credit risk have occurred.

The rules for financial liabilities remain largely unchanged compared with IAS 39. The primary change permits the fair value movements due to own credit risk on financial liabilities designated at fair value through profit or loss to be presented in other comprehensive income, rather than in profit or loss. The amended general hedge accounting rules allow entities to better reflect their risk management activities in financial reports.

For more detail on the changes, refer to page 75 of the Annual Report for 2013.

Effect on capital requirements, etc.
The annual improvements are not expected to materially affect the Group's capital requirements, the capital base or large exposures.

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; fair value of financial instruments, provisions for credit impairments; impairment testing of goodwill, investment properties and owner-occupied properties, net realisable value of properties recognised as inventory, deferred taxes, defined benefit pension provisions and shared-based payment costs. With the exception of tax for the Estonian subsidiary as outlined below, there have been no significant changes to the basis upon which the critical accounting policies and judgments have been determined compared to 31 December 2013.

Tax
For the parent company's Estonian subsidiary, Swedbank AS, income taxation is triggered only if dividends are paid. The parent company determines the dividend payment. For profits generated from 1 January 2014, the parent company has introduced a dividend policy in respect of Swedbank AS that approximately 60 per cent of the profit before tax will be distributed as a dividend. Hence, a deferred tax liability is recognised on these profits. For profits generated prior to 1 January 2014, a dividend is as previously not expected to be paid in the foreseeable future; therefore the Group continues to not recognise a deferred tax liability.

Note 3 Changes in the Group structure

External

During the first quarter 2014, the wholly owned Latvian subsidiary Ektornet Kr. Valdemara was sold. The company's principal asset was a property in Moscow, Russia. The proceeds from the sale of the company amounted to SEK 139m and a capital gain of SEK 83m was recognised.

On 20 May, Swedbank AB acquired all the shares in Sparbanken Öresund AB for SEK 2 938m. On the same date, immediately after the share purchase, Sparbanken Öresund AB sold a number of bank branches to Sparbanken Skåne AB for SEK 1 847m with no capital gain or loss. See note 24 Business combinations.

During the fourth quarter the Lithuanian subsidiary Įmonių grupė ALITA was sold. The Alita group was acquired exclusively for the purpose of resale and during the entire holding period was recognised in discontinued operations. The Alita group primarily manufactures alcoholic beverages. The proceeds of SEK 184m generated a capital gain of SEK 163m, which has also been recognised in discontinued operations.

During the fourth quarter the wholly owned subsidiaries Swedbank Finans AB and Swedbank Holding AB and their subsidiaries were merged with Swedbank AB.

Note 4 Operating segments (business areas)

Full-year 2014 SEKm	**Swedish Banking**	**Baltic Banking**	**Large Corporates & Institutions**	**Group Functions & Other**	**Eliminations**	**Group**
Income statement						
Net interest income	13 349	3 496	3 477	2 320		22 642
Net commission income	7 006	1956	2 216	-50	76	11 204
Net gains and losses on financial items at fair value	244	239	1927	-424		1986
Share of profit or loss of associates	980					980
Other income	1 194	416	121	1060	-299	2 492
Total income	**22 773**	**6 107**	**7 741**	**2 906**	**-223**	**39 304**
of which internal income	190		113	-552	249	
Staff costs	4 207	782	1339	3 124		9 452
Variable staff costs	219	78	288	222		807
Other expenses	6 259	1513	1625	-2 544	-228	6 625
Depreciation/amortisation	162	144	66	341	5	718
Total expenses	**10 847**	**2 517**	**3 318**	**1 143**	**-223**	**17 602**
Profit before impairments	**11 926**	**3 590**	**4 423**	**1 763**		**21 702**
Impairment of intangible assets	0	1		0		1
Impairment of tangible assets		10		246		256
Credit impairments	246	-186	381	-22		419
Operating profit	**11 680**	**3 765**	**4 042**	**1 539**		**21 026**
Tax expense	2 408	565	892	436		4 301
Profit for the period from continuing operations	9 272	3 200	3 150	1 103		16 725
Profit for the period from discontinued operations, after tax				-262		-262
Profit for the period	9 272	3 200	3 150	841		16 463
Profit for the period attributable to the shareholders of Swedbank AB	**9 258**	**3 200**	**3 150**	**839**		**16 447**
Non-controlling interests	14			2		16
Balance sheet, SEKbn						
Cash and balances with central banks		3	5	106		114
Loans to credit institutions	58		301	232	-477	114
Loans to the public	1024	126	239	16		1405
Bonds and other interest-bearing securities		1	59	116	-5	171
Financial assets for which customers bear inv. risk	142	3			-2	143
Investments in associates	3			2		5
Derivatives			123	68	-68	123
Total tangible and intangible assets	3	11		3		17
Other assets	7	20	19	698	-715	29
Total assets	**1 237**	**164**	**746**	**1 241**	**-1 267**	**2 121**
Amounts owed to credit institutions	95		233	285	-442	171
Deposits and borrowings from the public	416	139	118	15	-11	677
Debt securities in issue	2	1	15	826	-9	835
Financial liabilities for which customers bear inv. risk	143	3				146
Derivatives			120	34	-68	86
Other liabilities	529		241	37	-737	70
Subordinated liabilities				19		19
Total liabilities	**1 185**	**143**	**727**	**1 216**	**-1 267**	**2 004**
Allocated equity	52	21	19	25		117
Total liabilities and equity	**1 237**	**164**	**746**	**1 241**	**-1 267**	**2 121**
Key figures						
Return on allocated equity, continuing operations, %	25.4	14.6	19.4	3.1		15.2
Return on allocated equity, total operations, %	25.4	14.6	19.4	2.4		15.0
Cost/income ratio	0.48	0.41	0.43	0.39		0.45
Credit impairment ratio, %	0.03	-0.16	0.18	-0.47		0.03
Loan/deposit ratio, %	249	91	164	9		201
Loans, SEKbn	1024	126	175	0		1325
Deposits, SEKbn	411	138	106	6		661
Risk exposure amount, Basel 3, SEKbn	186	81	123	24		414
Full-time employees	5 396	3 912	1 175	4 100		14 583

Full-year 2013 SEKm	Swedish Banking	Baltic Banking	Large Corporates & Institutions	Group Functions & Other	Eliminations	Group
Income statement						
Net interest income	13 620	3 156	3 387	1880	-14	22 029
Net commission income	6 364	1733	1968	-30	97	10 132
Net gains and losses on financial items at fair value	126	316	1960	-918		1484
Share of profit or loss of associates	850			2		852
Other income	761	420	167	1430	-337	2 441
Total income	**21 721**	**5 625**	**7 482**	**2 364**	**-254**	**36 938**
of which internal income	196	5	4	-600	395	
Staff costs	3 497	782	1155	3 283	-13	8 704
Variable staff costs	230	66	409	242		947
Other expenses	5 835	1453	1591	-2 380	-241	6 258
Depreciation/amortisation	132	155	58	394		739
Total expenses	**9 694**	**2 456**	**3 213**	**1 539**	**-254**	**16 648**
Profit before impairments	**12 027**	**3 169**	**4 269**	**825**		**20 290**
Impairment of intangible assets		1	56	125		182
Impairment of tangible assets		23		670		693
Credit impairments	338	-437	180	-21		60
Operating profit	**11 689**	**3 582**	**4 033**	**51**		**19 355**
Tax expense	2 517	393	1042	147		4 099
Profit for the period from continuing operations	9 172	3 189	2 991	-96		15 256
Profit for the period from discontinued operations, after tax				-2 340		-2 340
Profit for the period	9 172	3 189	2 991	-2 436		12 916
Profit for the period attributable to the shareholders of Swedbank AB	**9 158**	**3 189**	**2 991**	**-2 437**		**12 901**
Non-controlling interests	14			1		15
Balance sheet, SEKbn						
Cash and balances with central banks		2	3	54		59
Loans to credit institutions	41	1	371	186	-517	82
Loans to the public	937	119	204	5		1265
Bonds and other interest-bearing securities		1	55	129	-3	182
Financial assets for which customers bear inv. risk	120	2				122
Investments in associates	2			1		3
Derivatives			85	24	-45	64
Total tangible and intangible assets	3	10		4		17
Other assets	7	10	19	773	-779	30
Total assets	**1 110**	**145**	**737**	**1 176**	**-1 344**	**1 824**
Amounts owed to credit institutions	83		198	349	-508	122
Deposits and borrowings from the public	385	120	111	10	-5	621
Debt securities in issue		1	16	720	-11	726
Financial liabilities for which customers bear inv. risk	124	2				126
Derivatives			80	20	-45	55
Other liabilities	485		317	27	-775	54
Subordinated liabilities				10		10
Total liabilities	**1 077**	**123**	**722**	**1 136**	**-1 344**	**1 714**
Allocated equity	33	22	15	40		110
Total liabilities and equity	**1 110**	**145**	**737**	**1 176**	**-1 344**	**1 824**
Key figures						
Return on allocated equity, continuing operations, %	28.0	14.0	17.3	-0.3		14.7
Return on allocated equity, total operations, %	28.0	14.0	17.3	-8.0		12.5
Cost/income ratio	0.45	0.44	0.43	0.65		0.45
Credit impairment ratio, %	0.04	-0.37	0.08	-0.07		0.00
Loan/deposit ratio, %	244	100	173	88		203
Loans, SEKbn	937	119	154	5		1215
Deposits, SEKbn	385	120	89	5		599
Risk exposure amount, Basel 2, SEKbn	202	87	137	26		452
Full-time employees	4 984	3 935	1069	4 277		14 265

Operating segments' accounting policies

The 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).

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	Q4 2014	Q3 2014	%	Q4 2013	%	Full-year 2014	Full-year 2013	%
Interest income								
Loans to credit institutions	62	174	-64	98	-37	658	679	-3
Loans to the public	9 298	9 758	-5	10 344	-10	38 741	41 588	-7
Interest-bearing securities	431	635	-32	605	-29	2 274	2 147	6
Derivatives	109	-125		-104		-199	63	
Other	220	197	12	162	36	764	502	52
Total interest income	**10 120**	**10 639**	**-5**	**11 105**	**-9**	**42 238**	**44 979**	**-6**
of which interest income reported in net gains and losses on financial items at fair value	411	296	39	186		1 186	1 011	17
Interest income according to income statement	**9 709**	**10 343**	**-6**	**10 919**	**-11**	**41 052**	**43 968**	**-7**
Interest expenses								
Amounts owed to credit institutions	-79	-93	-15	-122	-35	-479	-656	-27
Deposits and borrowings from the public	-559	-684	-18	-1 225	-54	-3 191	-5 040	-37
of which deposit guarantee fees	-175	-147	19	-144	22	-604	-560	8
Debt securities in issue	-3 982	-4 118	-3	-4 620	-14	-16 901	-18 709	-10
of which commissions for government guaranteed funding				-20		-31	-129	-76
Subordinated liabilities	-124	-205	-40	-123	1	-671	-625	7
Derivatives	902	664	36	693	30	2 866	2 658	8
Other	-244	-164	49	-127	92	-695	-548	27
of which government stabilisation fund fee	-211	-140	51	-114	85	-616	-491	25
Total interest expenses	**-4 086**	**-4 600**	**-11**	**-5 524**	**-26**	**-19 071**	**-22 920**	**-17**
of which interest income reported in net gains and losses on financial items at fair value	-186	-86		-231	-19	-661	-981	-33
Interest expense according to income statement	**-3 900**	**-4 514**	**-14**	**-5 293**	**-26**	**-18 410**	**-21 939**	**-16**
Net interest income	**5 809**	**5 829**	**0**	**5 626**	**3**	**22 642**	**22 029**	**3**
Net interest margin	**1.13**	**1.16**		**1.20**		**1.13**	**1.17**	

Note 6 Net commission income

Group SEKm	Q4 2014	Q3 2014	%	Q4 2013	%	Full-year 2014	Full-year 2013	%
Commission income								
Payment processing	476	439	8	460	3	1 793	1 753	2
Card commissions	1 157	1 203	-4	1 040	11	4 451	4 053	10
Service concepts	123	123	0	114	8	493	442	12
Asset management and custody fees	1 443	1 462	-1	1 394	4	5 683	5 141	11
Life insurance	120	131	-8	119	1	503	503	0
Brokerage and other securities	154	144	7	159	-3	666	558	19
Corporate finance	160	56		163	-2	466	350	33
Lending	200	259	-23	227	-12	956	853	12
Guarantees	58	56	4	51	14	218	187	17
Deposits	55	40	38	34	62	154	132	17
Real estate brokerage	73	79	-8	43	70	301	169	78
Non-life insurance	21	20	5	27	-22	79	89	-11
Other commission income	128	138	-7	126	2	489	462	6
Total commission income	**4 168**	**4 150**	**0**	**3 957**	**5**	**16 252**	**14 692**	**11**
Commission expenses								
Payment processing	-252	-269	-6	-262	-4	-998	-935	7
Card commissions	-548	-570	-4	-509	8	-2 116	-1 892	12
Service concepts	-4	-4	0	-4	0	-16	-16	0
Asset management and custody fees	-309	-320	-3	-284	9	-1 202	-1 028	17
Life insurance	-47	-56	-16	-60	-22	-218	-228	-4
Brokerage and other securities	-61	-58	5	-94	-35	-279	-292	-4
Lending and guarantees	-19	-19	0	-16	19	-63	-57	11
Other commission expenses	-46	-38	21	-29	59	-156	-112	39
Total commission expenses	**-1 286**	**-1 334**	**-4**	**-1 258**	**2**	**-5 048**	**-4 560**	**11**
Total Net commission income	**2 882**	**2 816**	**2**	**2 699**	**7**	**11 204**	**10 132**	**11**

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

Group SEKm	Q4 2014	Q3 2014	%	Q4 2013	%	Full-year 2014	Full-year 2013	%
Valuation category, fair value through profit or loss								
Shares and share related derivatives	183	55		32		387	70	
of which dividend	3	6	-50	3	0	305	248	23
Interest-bearing securities and interest related derivatives	46	-268		-306		-235	2 761	
Loans	-148	377		596		1 371	-2 129	
Financial liabilities	-508	-71		-108		-1 008	-328	
Other financial instruments	5	-2		0		1	8	-88
Total fair value through profit or loss	**-422**	**91**		**214**		**516**	**382**	35
Hedge accounting								
Ineffective part in hedge accounting at fair value	13	38	-66	14	-7	8	-33	
of which hedging instruments	2 130	1 584	34	-22		8 040	-7 696	
of which hedged items	-2 117	-1 546	37	36		-8 032	7 663	
Ineffective part in hedging of net investments in foreign operations	5			-5		15	-49	
Total hedge accounting	**18**	**38**	**-53**	**9**	**100**	**23**	**-82**	
Loan receivables at amortised cost	**57**	**113**	**-50**	**34**	**68**	**170**	**137**	**24**
Financial liabilities valued at amortised cost	**0**	**-66**		**-2**		**-2**	**-133**	**-98**
Trading related interest								
Interest income	412	295	40	186		1 187	1 011	17
Interest expense	-185	-87		-231	-20	-661	-981	-33
Total trading related interest	**227**	**208**	**9**	**-45**		**526**	**30**	
Change in exchange rates	**189**	**415**	**-54**	**251**	**-25**	**753**	**1 150**	**-35**
Total net gains and losses on financial items at fair value	**69**	**799**	**-91**	**461**	**-85**	**1 986**	**1 484**	**34**

Distribution by business purpose

Financial instruments for trading related business	**483**	**618**	**-22**	**438**	**10**	**2 423**	**1 963**	**23**
Financial instruments intended to be held to contractual maturity	**-414**	**181**		**23**		**-437**	**-479**	**-9**
Total	**69**	**799**	**-91**	**461**	**-85**	**1 986**	**1 484**	**34**

Note 8 Other expenses

Group SEKm	Q4 2014	Q3 2014	%	Q4 2013	%	Full-year 2014	Full-year 2013	%
Premises and rents	296	274	8	319	-7	1 355	1 193	14
IT expenses	478	445	7	491	-3	1 824	1 650	11
Telecommunications and postage	43	34	26	34	26	161	141	14
Advertising, PR and marketing	91	92	-1	114	-20	361	354	2
Consultants	85	72	18	87	-2	408	265	54
Compensation to savings banks	194	192	1	162	20	735	662	11
Other purchased services	165	144	15	178	-7	635	647	-2
Security transport and alarm systems	22	22	0	21	5	85	207	-59
Supplies	25	20	25	32	-22	109	120	-9
Travel	66	42	57	67	-1	218	201	8
Entertainment	24	13	85	17	41	59	49	20
Repair/maintenance of inventories	35	32	9	40	-13	130	158	-18
Other expenses	137	126	9	127	8	545	611	-11
Total other expenses	**1 661**	**1 508**	**10**	**1 689**	**-2**	**6 625**	**6 258**	**6**

Note 9 Credit impairments

Group SEKm	Q4 2014	Q3 2014	%	Q4 2013	%	Full-year 2014	Full-year 2013	%
Provision for loans individually assessed as impaired								
Provisions	-12	556		221		755	484	56
Reversal of previous provisions	-85	-88	-3	-124	-31	-344	-387	-11
Provision for homogenous groups of impaired loans, net	-109	-144	-24	-281	-61	-444	-445	0
Total	**-206**	**324**		**-184**	**12**	**-33**	**-348**	**-91**
Portfolio provisions for loans individually assessed as not impaired	**-19**	**-39**	**-51**	**-116**	**-84**	**-77**	**-281**	**-73**
Write-offs								
Established losses	847	298		1 034	-18	1 808	2 925	-38
Utilisation of previous provisions	-276	-149	85	-576	-52	-821	-1 702	-52
Recoveries	-61	-181	-66	-120	-49	-396	-383	3
Total	**510**	**-32**		**338**	**51**	**591**	**840**	**-30**
Credit impairments for contingent liabilities and other credit risk exposures	**-31**	**-18**	**72**	**-70**	**-56**	**-62**	**-151**	**-59**
Credit impairments	**254**	**235**	**8**	**-32**		**419**	**60**	
Credit impairment ratio, %	0.07	0.07		-0.01		0.03	0.00	

Note 10 Loans

Group SEKm	31 Dec 2014 Loans before provisions	Provisions	Loans after provisions Carrying amount	31 Dec 2013 Loans after provisions Carrying amount	%
Loans to credit institutions					
Banks	87 366	64	87 302	73 218	19
Repurchase agreements, banks	12 473		12 473	5 498	
Other credit institutions	9 049		9 049	1 342	
Repurchase agreements, other credit institutions	4 996		4 996	2 220	
Loans to credit institutions	**113 884**	**64**	**113 820**	**82 278**	**38**
Loans to the public					
Private customers	831 442	1 284	830 158	775 762	7
Private, mortgage	697 308	910	696 398	656 031	6
Housing cooperatives	98 298	40	98 258	87 135	13
Private,other	35 836	334	35 502	32 596	9
Corporate customers	497 163	1 982	495 181	438 953	13
Agriculture, forestry, fishing	72 755	132	72 623	67 912	7
Manufacturing	42 733	398	42 335	37 676	12
Public sector and utilities	21 980	29	21 951	21 410	3
Construction	16 398	73	16 325	14 531	12
Retail	31 047	288	30 759	28 816	7
Transportation	12 003	77	11 926	12 190	-2
Shipping and offshore	30 420	118	30 302	25 472	19
Hotels and restaurants	6 782	43	6 739	5 937	14
Information and communications	5 575	13	5 562	4 509	23
Finance and insurance	10 284	20	10 264	17 670	-42
Property management	205 701	406	205 295	165 480	24
Residential properties	53 088	85	53 003	46 248	15
Commercial	89 222	78	89 144	71 814	24
Industrial and Warehouse	40 949	30	40 919	30 054	36
Other	22 442	213	22 229	17 364	28
Professional services	17 083	216	16 867	14 548	16
Other corporate lending	24 402	169	24 233	22 802	6
Loans to the public excluding the Swedish National Debt Office and repurchase agreements	**1 328 605**	**3 266**	**1 325 339**	**1 214 715**	**9**
Swedish National Debt Office	16 556		16 556	2 257	
Repurchase agreements, Swedish National Debt Office	3 449		3 449	11 163	-69
Repurchase agreements, public	59 163		59 163	36 775	61
Loans to the public	**1 407 773**	**3 266**	**1 404 507**	**1 264 910**	**11**
Loans to the public and credit institutions	**1 521 657**	**3 330**	**1 518 327**	**1 347 188**	**13**

Note 11 Impaired loans etc.

Group SEKm	31 Dec 2014	31 Dec 2013	%
Impaired loans, gross	6 281	7 499	-16
Provisions for individually assessed impaired loans	1 306	1 509	-13
Provision for homogenous groups of impaired loans	891	1 309	-32
Impaired loans, net	**4 084**	**4 681**	**-13**
of which private customers	1 833	2 073	-12
of which corporate customers	2 251	2 608	-14
Portfolio provisions for loans individually assessed as not impaired	1 133	1 256	-10
Share of impaired loans, gross, %	0.41	0.55	
Share of impaired loans, net, %	0.27	0.35	
Provision ratio for impaired loans, %	35	38	
Total provision ratio for impaired loans, % [1)]	53	54	
Past due loans that are not impaired	**4 362**	**4 969**	**-12**
of which past due 5-30 days	2 409	2 956	-19
of which past due 31-60 days	1 100	1 059	4
of which past due 61 days or more	853	954	-11

[1)] Total provision i.e. all provisions for claims in relation to impaired loans, gross.

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

Group SEKm	31 Dec 2014	31 Dec 2013	%
Buildings and land	874	2 010	-57
Shares and participating interests	13	22	-41
Other property taken over	13	19	-32
Total assets taken over for protection of claims	**900**	**2 051**	**-56**
Cancelled leases	33	63	-48
Total assets taken over for protection of claims and cancelled leases	**933**	**2 114**	**-56**
of which acquired by Ektornet	778	1 856	-58

Note 13 Credit exposures

Group SEKm	31 Dec 2014	31 Dec 2013	%
Assets			
Cash and balances with central banks	113 768	59 382	92
Interest-bearing securities	170 680	182 399	-6
Loans to credit institutions	113 820	82 278	38
Loans to the public	1 404 507	1 264 910	11
Derivatives	123 202	64 352	91
Other financial assets	14 712	15 403	-4
Total assets	**1 940 689**	**1 668 724**	**16**
Contingent liabilities and commitments			
Loan guarantees	27 259	21 937	24
Loan commitments	237 007	198 209	20
Total contingent liabilities and commitments	**264 266**	**220 146**	**20**
Total credit exposures	**2 204 955**	**1 888 870**	**17**

Note 14 Intangible assets

Group SEKm	31 Dec 2014	31 Dec 2013	%
With indefinite useful life			
Goodwill	12 344	11 760	5
Total	**12 344**	**11 760**	**5**
With finite useful life			
Customer base	857	856	0
Internally developed software	536	511	5
Other	582	531	10
Total	**1 975**	**1 898**	**4**
Total intangible assets	**14 319**	**13 658**	**5**

Goodwill	Full year 2014	Full year 2013	%
Cost			
Opening balance	**13 701**	**15 682**	
Additions through business combinations		19	
Disposals		-2 394	
Exchange rate differences	967	394	
Closing balance	**14 668**	**13 701**	
Accumulated amortisation and impairments			
Opening balance	**-1 941**	**-4 230**	
Impairments			
Disposals		2 394	
Exchange rate differences	-383	-105	
Closing balance	**-2 324**	**-1 941**	
Carrying amount	**12 344**	**11 760**	

Impairment testing of intangible assets

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

The annual test in 2014 did not lead to any impairment.

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

Note 15 Amounts owed to credit institutions

Group SEKm	31 Dec 2014	31 Dec 2013	%
Amounts owed to credit institutions			
Central banks	11 159	7 618	46
Banks	150 435	102 591	47
Other credit institutions	4 112	3 289	25
Repurchase agreements - banks	3 839	7 873	-51
Repurchase agreements - other credit institutions	1 908	250	
Amounts owed to credit institutions	**171 453**	**121 621**	**41**

Note 16 Deposits and borrowings from the public

Group SEKm	31 Dec 2014	31 Dec 2013	%
Deposits from the public			
Private customers	371 877	340 533	9
Corporate customers	289 034	258 132	12
Deposits from the public excluding the Swedish National Debt Office and repurchase agreements	**660 911**	**598 665**	**10**
Swedish National Debt Office	1	2	-50
Repurchase agreements - Swedish National Debt Office	2 965	7 829	-62
Repurchase agreements - public	12 802	14 112	-9
Deposits and borrowings from the public	**676 679**	**620 608**	**9**

Note 17 Debt securities in issue

Group SEKm	31 Dec 2014	31 Dec 2013	%
Commercial paper	195 191	100 170	95
Covered bonds	511 666	510 930	0
recalculations according to IFRS 10		-1 431	
Government guaranteed bonds		8 578	
Senior unsecured bonds	114 840	92 898	24
Structured retail bonds	13 315	13 699	-3
Total debt securities in issue	**835 012**	**726 275**	**15**

Turnover during the period	Full-year 2014	Full-year 2013	%
Opening balance	**726 275**	**767 454**	**-5**
Issued	838 981	597 067	41
Business combination	2 028		
Repurchased	-44 924	-46 476	-3
Repaid	-741 088	-582 361	27
Change in market value or in hedged item in fair value hedge accounting	22 224	-2 803	
Changes in exchange rates	31 516	-5 175	0
Recalculations according to IFRS 10		-1 431	
Closing balance	**835 012**	**726 275**	**15**

Note 18 Derivatives

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

Group SEKm	Nominal amount 31 Dec 2014 Remaining contractual maturity < 1 yr.	 1-5 yrs.	 > 5 yrs.	Nominal amount 2014 31 Dec	 2013 31 Dec	Positive fair value 2014 31 Dec	 2013 31 Dec	Negative fair value 2014 31 Dec	 2013 31 Dec
Derivatives in fair value hedges	66 824	299 914	52 151	418 889	391 918	23 235	15 208	340	1 196
Derivatives in portfolio fair value hedges	33 100	35 500	5 100	73 700	52 850	1	38	1 752	414
Derivatives in cash flow hedges	31	13 622	9 044	22 697	23 748	10		1 793	3 115
Derivatives in hedges of net investment in foreign operations	153			153	1 510		9	9	
Other derivatives	6 498 525	4 680 334	655 097	11 833 956	14 563 942	110 915	54 245	94 097	55 434
Offset amount						-10 959	-5 148	-12 297	-5 148
Total	**6 598 633**	**5 029 370**	**721 392**	**12 349 395**	**15 033 968**	**123 202**	**64 352**	**85 694**	**55 011**
of which cleared	1 543 881	1 732 179	131 061	3 407 121	3 090 375	8 459	1 696	9 986	2 364

The amounts offset for derivative assets and derivative liabilities include cash collateral offsets of SEK 2 056m and SEK 717m respectively.

Note 19 Financial instruments carried at fair value

Group SEKm	31 Dec 2014 Fair value	 Carrying amount	 Difference	31 Dec 2013 Fair value	 Carrying amount	 Difference
Assets						
Financial assets covered by IAS 39						
Cash and balances with central banks	113 768	113 768	0	59 382	59 382	0
Treasury bills etc.	45 904	46 225	-321	56 852	56 814	38
Loans to credit institutions	113 820	113 820	0	82 231	82 278	-47
Loans to the public	1 412 718	1 404 507	8 211	1 270 138	1 264 910	5 228
Value change of interest hedged items in portfolio hedge	1 291	1 291	0	62	62	0
Bonds and interest-bearing securities	121 189	124 455	-3 266	125 579	125 585	-6
Financial assets for which the customers bear the investment risk	143 319	143 319	0	122 743	122 743	0
Shares and participating interest	9 931	9 931	0	7 109	7 109	0
Derivatives	123 202	123 202	0	64 352	64 352	0
Other financial assets	14 712	14 712	0	15 403	15 403	0
Total	**2 099 854**	**2 095 230**	**4 624**	**1 803 851**	**1 798 638**	**5 213**
Investment in associates		**4 924**			**3 640**	**0**
Non-financial assets		**21 143**			**21 824**	**0**
Total		**2 121 297**			**1 824 102**	
Liabilities						
Financial liabilities covered by IAS 39						
Amounts owed to credit institutions	171 457	171 453	4	121 621	121 621	0
Deposits and borrowings from the public	676 662	676 679	-17	620 571	620 608	-37
Debt securities in issue	842 238	835 012	7 226	732 125	726 275	5 850
Financial liabilities for which the customers bear the investment risk	146 177	146 177	0	125 548	125 548	0
Subordinated liabilities	18 932	18 957	-25	10 072	10 159	-87
Derivatives	85 694	85 694	0	55 011	55 011	0
Short positions securities	27 058	27 058	0	17 519	17 519	0
Other financial liabilities	30 096	30 096	0	24 987	24 987	0
Total	**1 998 314**	**1 991 126**	**7 188**	**1 707 454**	**1 701 728**	**5 726**
Non-financial liabilities		**12 798**			**12 669**	
Total		**2 003 924**			**1 714 397**	

Group 31 Dec 2014 SEKm	Instruments with quoted market prices in active markets (Level 1)	Valuation techniques using observable market data (Level 2)	Valuation techniques using non-observable market data (Level 3)	Total
Determination of fair value from quoted market prices or valuation techniques				
Assets				
Treasury bills etc.	32 587	13 137		45 724
Loans to credit institutions		17 469		17 469
Loans to the public		340 771		340 771
Bonds and other interest-bearing securities	75 188	47 982		123 170
Financial assets for which the customers bear the investment risk	143 319			143 319
Shares and participating interests	9 681	173	77	9 931
Derivatives	5 399	117 722	81	123 202
Total	**266 174**	**537 254**	**158**	**803 586**
Liabilities				
Amounts owed to credit institutions		5 746		5 746
Deposits and borrowings from the public		16 149		16 149
Debt securities in issue	17 768	31 763		49 531
Financial liabilities for which the customers bear the investment risk		146 177		146 177
Derivatives	6 925	78 769		85 694
Short positions, securities	27 024	34		27 058
Total	**51 717**	**278 638**		**330 355**

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

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

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

The Group has a continuous process whereby financial instruments that indicate a high level of internal estimates or low level of observable market data are captured. The process determines the way to calculate 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. There were no transfers of financial instruments between valuation levels 1 and 2 during the quarter.

Group 31 Dec 2013 SEKm	Instruments with quoted market prices in an active market (Level 1)	Valuation techniques using observable market data (Level 2)	Valuation techniques using non-observable market data (Level 3)	Total
Determination of fair value from quoted market prices or valuation techniques				
Assets				
Treasury bills etc.	29 265	26 994		56 259
Loans to credit institutions		7 718		7 718
Loans to the public		371 354		371 354
Bonds and other interest-bearing securities	92 285	32 347		124 632
Financial assets for which the customers bear the investment risk	122 743			122 743
Shares and participating interests	6 912	140	57	7 109
Derivatives	93	64 126	133	64 352
Total	**251 298**	**502 679**	**190**	**754 167**
Liabilities				
Amounts owed to credit institutions		8 123		8 123
Deposits and borrowings from the public		24 407		24 407
Debt securities in issue	27 950	25 916		53 866
Financial liabilities for which the customers bear the investment risk		125 548		125 548
Derivatives	762	54 230	19	55 011
Short positions, securities	17 519			17 519
Total	**46 231**	**238 224**	**19**	**284 474**

Changes in level 3 Group SEKm	Assets: Debt securities	Assets: Equity instruments	Assets: Derivatives	Assets: Total	Liabilities: Derivatives
January-December 2014					
Opening balance 1 January 2014		**57**	**133**	**190**	**19**
Purchases		21		**21**	
Sale of assets		-2		**-2**	
Transferred from Level 2 to Level 3		3	54	**57**	
Transferred from Level 3 to Level 2			-128	**-128**	-25
Gains or losses		-2	22	**20**	6
of which in the income statement, net gains and losses on financial items at fair value		-2	22	**20**	6
of which changes in unrealised gains or losses for items held at closing day		-2	3	**1**	
Closing balance 31 December 2014		**77**	**81**	**158**	

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

To estimate the sensitivity in the volatility of the illiquid options, two types of shifts have been used. The shifts are based on the type of product and are considered reasonable changes. A decrease in volatility of 20 per cent would reduce the fair value of all options in level 3 by approximately SEK 16m. An increase in volatility of 20 per cent would raise the fair value of all options in level 3 by approximately SEK 21m. The corresponding pair of value changes arises for financial instruments reported in level 2.

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

Changes in level 3 Group SEKm	Assets: Debt securities	Assets: Equity instruments	Assets: Derivatives	Assets: Total	Liabilities: Derivatives
January-December 2013					
Opening balance 1 January 2013	**342**	**14**	**63**	**419**	
Sale of assets		-11		**-11**	
Maturities	-342			**-342**	
Transferred from Level 2 to Level 3		54	120	**174**	
Transferred from Level 3 to Level 2					
Gains or losses			-50	**-50**	
of which in the income statement, net gains and losses on financial items at fair value			-50	**-50**	
of which changes in unrealised gains or losses for items held at closing day			-50	**-50**	
Closing balance 31 December 2014		**57**	**133**	**190**	

Note 20 Pledged collateral

Group SEKm	31 Dec 2014	31 Dec 2013	%
Loan receivables	780 213	740 215	5
Financial assets pledged for policyholders	136 529	118 627	15
Other assets pledged	53 415	41 376	29
Pledged collateral	**970 157**	**900 218**	**8**

Note 21 Offsetting financial assets and liabilities

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

	Assets			Liabilities		
Group SEKm	**31 Dec 2014**	**31 Dec 2013**	**%**	**31 Dec 2014**	**31 Dec 2013**	**%**
Financial assets and liabilities, which have been offset or are subject to netting or similar agreements						
Gross amount	213 414	128 021	67	120 623	94 332	28
Offset amount	-14 735	-10 454	41	-16 073	-10 454	54
Net amounts presented in the balance sheet	**198 679**	**117 567**	**69**	**104 550**	**83 878**	**25**
Related amounts not offset in the balance sheet						
Financial instruments, netting arrangements	78 707	59 977	31	78 707	59 977	31
Financial Instruments, collateral	66 997	40 093	67	10 844	14 455	-25
Cash, collateral	29 717	10 757		11 907	7 440	60
Total amount not offset in the balance sheet	**175 421**	**110 827**	**58**	**101 458**	**81 872**	**24**
Net amount	**23 258**	**6 740**		**3 092**	**2 006**	**54**

The amounts offset for derivative assets and derivative liabilities include cash collateral offsets of SEK 2 056m and SEK 717m respectively.

Note 22 Capital adequacy, consolidated situation

Capital adequacy Basel 3[1)] SEKm	31 Dec 2014	31 Dec 2013	% or pp
Common Equity Tier 1 capital	**87 916**	**80 826**	**9**
Additional Tier 1 capital	4 998	5 545	-10
Tier 1 capital	**92 914**	**86 371**	**8**
Tier 2 capital	12 674	4 655	
Total capital base	**105 588**	**91 026**	**16**
Risk exposure amount	**414 214**	**440 620**	**-6**
Common Equity Tier 1 capital ratio, %	**21.2**	**18.3**	**2.9**
Tier 1 capital ratio, %	**22.4**	**19.6**	**2.8**
Total capital ratio, %	**25.5**	**20.7**	**4.8**

Capital adequacy[2)] SEKm	Basel 3 31 Dec 2014	Basel 2 31 Dec 2013
Shareholders' equity according to the Group's balance sheet	117 203	109 540
Non-controlling interests	46	165
Anticipated dividend	-12 511	-11 100
Deconsolidation of insurance companies	-692	-1 982
Associated companies consolidated according to purchase method		2 251
Value changes in own financial liabilities	74	92
Cash flow hedges	103	139
Goodwill	-12 434	-11 198
Deferred tax assets	-166	-399
Intangible assets	-1 698	-1 943
Net provisions for reported IRB credit exposures	-1 599	-959
Shares deducted from CET1 capital	-410	
Common Equity Tier 1 capital	**87 916**	**84 606**
Tier 1 capital contributions	4 998	5 536
Shares deducted from Tier 1 capital		-1 527
Total Tier 1 capital	92 914	88 615
Tier 2 instrument	12 674	4 643
Net provisions for reported IRB credit exposures		-959
Shares deducted from Tier 2 capital		-1 527
Total Tier 2 capital	**12 674**	**2 157**
Total capital base	**105 588**	**90 772**
Capital requirement for credit risks, standardised approach	4 295	1 936
Capital requirement for credit risks, IRB	21 988	28 041
Capital requirement for credit risk, default fund contribution	3	0
Capital requirement for settlement risks	2	3
Capital requirement for market risks	1 525	1 688
Trading book	1 335	1 095
of which VaR and SVaR	711	530
of which risks outside VaR and SVaR	624	565
FX risk other operations	190	593
Capital requirement for credit value adjustment	579	
Capital requirement for operational risks	4 745	4 486
Capital requirement	**33 137**	**36 154**
Risk exposure amount credit risks	328 574	374 711
Risk exposure amount settlement risks	30	40
Risk exposure amount market risks	19 059	21 103
Risk exposure amount credit value adjustment	7 241	
Risk exposure amount operational risks	59 310	56 077
Risk exposure amount	**414 214**	**451 931**
Common Equity Tier 1 capital ratio, %	**21.2**	**18.7**
Tier 1 capital ratio, %	**22.4**	**19.6**
Total capital ratio, %	**25.5**	**20.1**

Capital buffer requirement[3)] %	31 Dec 2014
CET1 capital requirement including buffer requirements	7.0
of which capital conservation buffer	2.5
of which countercyclical capital buffer	
of which systemic risk buffer	
CET 1 capital available to meet buffer requirement4)	16.4

Capital adequacy Basel 1 floor SEKm	31 Dec 2014	31 Dec 2013	% or pp
Capital requirement Basel 1 floor	66 092	64 768	2
Own funds Basel 3 adjusted according to rules for Basel 1 floor	107 187	92 690	16
Surplus of capital according to Basel 1 floor	**41 095**	**27 922**	**47**

[1)] Figures for 2013 according to Swedbank's previous calculations under the new framework. From 1 January, 2014 according to current regulation (Basel 3).
[2)] Reporting as of 31 Dec 2014 according to current regulation (Basel 3). Comparative figures for 2013 according to previous regulation (Basel 2).
[3)] New buffer requirement according to Swedish implementation of CRD IV.
[4)] CET1 capital ratio as reported, less minimum requirement of 4.5% (excluding buffer requirements) and less any CET1 items used to meet the Tier 1 and total capital requirements.

The consolidated situation for Swedbank as of 31 December 2014 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: http://www.swedbank.com/investor-relations/risk-and-capital-adequacy/risk-report/index.htm

Swedbank	Exposure value		Average risk weighting, %		Capital requirement	
Consolidated situation [1)] Credit risk, IRB SEKm	**Basel 3 31 Dec 2014**	**Basel 2 31 Dec 2013**	**Basel 3 31 Dec 2014**	**Basel 2 31 Dec 2013**	**Basel 3 31 Dec 2014**	**Basel 2 31 Dec 2013**
Institutional exposures	136 263	121 698	15	13	1 666	1 294
Corporate exposures	461 567	436 375	37	57	13 616	19 752
Retail exposures	931 884	896 994	8	9	6 110	6 226
of which mortgage	839 420	825 644	6	6	4 001	3 916
of which other	92 464	71 350	29	40	2 109	2 310
Securitisation	763	941	11	11	7	8
Non credit obligation	75 078	11 890	10	80	589	761
Total credit risks, IRB	**1 605 555**	**1 467 898**	**17**	**24**	**21 988**	**28 041**

[1)] Reporting as of 31 Dec 2014 according to current regulation (Basel 3). Comparative figures for 2013 according to previous regulation (Basel 2).

Risk exposure amount and Own funds requirement, consolidated situation 31 Dec 2014 SEKm	Risk exposure amount	Own funds requirement
Credit risks, STD	**53 683**	**4 295**
Central government or central banks exposures	469	38
Regional governments or local authorities exposures	633	51
Public sector entities exposures	10	1
Multilateral development banks exposures		
International organisation exposures		
Institutional exposures	927	74
Corporate exposures	14 416	1 153
Retail exposures	14 851	1 188
Exposures secured by mortgages on immovable property	1 992	159
Exposures in default	554	44
Exposures associated with particularly high risk	24	2
Exposures in the form of covered bonds	4	
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	16 065	1 285
Other items	3 738	300
Credit risks, IRB	**274 849**	**21 988**
Institutional exposures	20 823	1 666
Corporate exposures	170 197	13 616
of which specialized lending in category 1	9	1
of which specialized lending in category 2	426	34
of which specialized lending in category 3	615	49
of which specialized lending in category 4	1 139	91
of which specialized lending in category 5		
Retail exposures	76 375	6 110
of which mortgage lending	50 009	4 001
of which other lending	26 366	2 109
Securitisation	82	7
Non-credit obligation	7 372	589
Credit risks, Default fund contribution	**42**	**3**
Settlement risks	**30**	**2**
Market risks	**19 059**	**1 525**
Trading book	16 684	1 335
of which VaR and SVaR	8 887	711
of which risks outside VaR and SVaR	7 797	624
FX risk other operations	2 375	190
Credit value adjustment	**7 241**	**579**
Operational risks	**59 310**	**4 745**
of which Basic indicator approach	1 432	115
of which Standardised approach	57 878	4 630
Total	**414 214**	**33 137**

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.

The standardised approach is applied for exposures, excluding capital requirements for default fund contribution, 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 currency risks in the trading book. The approval also covers operations in the Baltic countries with respect to general interest rate risks and currency risks in the trading book. Exchange rates risks outside the trading book, i.e. in other operations, are mainly of a structural and strategic nature and are less suited to a VaR model.

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

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

Credit valuation adjustment

The risk of a credit valuation 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 mainly using the standardised approach. SFSA has stated that Swedbank meets the qualitative requirements to apply this method.

Basel 1 floor

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

Note 23 Risks and uncertainties

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

In addition to what is stated in this interim report, detailed descriptions are provided in Swedbank's 2013 annual report and in the annual disclosure on risk management and capital adequacy according to Basel 2 rules, available on www.swedbank.com.

Effect on value of assets and liabilities in SEK and foreign currency, including derivatives if interest rates increase by 100bp, 31 Dec 2014
Group

SEKm	< 5 years	5-10 years	>10 years	Total
Swedbank, the Group	**-1 535**	**55**	**-94**	**-1 574**
of which SEK	-1 480	47	-69	-1 502
of which UVAL	-55	8	-25	-72
Of which positions at market value in the Group	**89**	**-1 504**	**967**	**-448**
of which SEK	34	-1 531	969	-528
of which UVAL	55	27	-2	80

Note 24 Business combinations

On 20 May 2014 Swedbank AB acquired all the shares in Sparbanken Öresund AB. On the same date, immediately after the share purchase, Sparbanken Öresund AB sold a number of bank branches to Sparbanken Skåne AB. Because certain assets and liabilities in the combination were acquired to be immediately divested, they were classified as held for sale on the acquisition date.

Group SEKm	Carrying amount in the Group at acquisition date 20 May 2014
Cash and balances with central banks	20
Loans to credit institutions	4 461
Loans to the public	16 331
Interest-bearing securities	1 973
Shares and participating interests	33
Investments in associates	60
Derivatives	26
Intangible fixed assets	205
Tangible assets	113
Other assets	219
Prepaid expenses and accrued income	134
Group of assets classified as held for sale	10 503
Total assets	**34 078**
Amounts owed to credit institutions	2 841
Deposits and borrowings from the public	11 596
Debt securities in issue	2 028
Derivatives	49
Deferred tax liabilities	176
Other liabilities	1 626
Subordinated liabilities	947
Liabilities directly associated with group of assets classified as held for sale	11 417
Total liabilities	**30 679**
Total identifiable net assets	**3 398**
Acquistion cost, cash	**2 938**
Bargain purchase, reported as other income	**461**

The gain recognised on the acquisition was a result of the fact that Swedbank had to make extensive changes in the acquired operations, including the divestment of branches and associated system solutions. For this reason, a restructuring reserve has been recognised and immediately after the acquisition amounted to SEK 591m.

Group SEKm	Carrying amount in the Group at acquisition date 20 May 2014
Cash flow	
Cash and cash equivalents in the acquired company	20
Acquistion cost, cash	-2 938
Net	**-2 918**
Acquired loans, fair value	16 331
Acquired loans, gross contracutal amounts	16 654
Acquired loans, best estimate of the contractual cash	258

As from the acquisition date the acquired company contributed SEK 489m to income and SEK 75m to profit after tax, excluding the bargain purchase gain. If the company had been acquired at the beginning of the 2014 financial year, consolidated income through December 2014 would have amounted to SEK 39 653m instead of SEK 39 304m. The Group's profit after tax would have amounted to SEK 16 457m instead of SEK 16 463m.

Note 25 Discontinued operations

Group	Full-year 2014			Full-year 2013			
SEKm	Russia	Lithuania	Total	Russia	Ukraine	Lithuania	Total
Profit from discontinued operations							
Income	161	252	**413**	133	22	225	**380**
Expenses	64	239	**303**	140	65	216	**421**
Profit before impairments	97	13	**110**	-7	-43	9	**-41**
Impairments	-349		**-349**	-119	-2		**-121**
Operating profit	-252	13	**-239**	-126	-45	9	**-162**
Tax expense	36		**36**	14	24	-1	**37**
Post-tax profit for the period of discontinued operations	**-216**	**13**	**-203**	**-112**	**-21**	**8**	**-125**
Post-tax profit for the period recognised on the measurement at fair value less sale costs					-340		**-340**
Disposal result		163	**163**				
Reclassification adjustments to income statement	-223		**-223**		-1 875		**-1 875**
of which exchange differences foreign operations	-508		**-508**		-1 875		**-1 875**
of which hedging of net investments in foreign operations	365		**365**				
of which income tax	-80		**-80**				
Profit for the period from discontinued operations, after tax	**-439**	**176**	**-263**	**-112**	**-2 236**	**8**	**-2 340**

	31 Dec 2014			31 Dec 2013			
Group of assets classified as held for sale	Russia	Lithuania	Total	Russia	Ukraine	Lithuania	Total
Loans to the public	519		**519**	1 027			**1 027**
of which impaired loans, gross	262		**262**	430			**430**
of which individual provisions	-178		**-178**	-233			**-233**
of which impaired loans, net	84		**84**	197			**197**
of which portfolio provisions	-210		**-210**	-18			**-18**
Non-current tangible assets				2		102	**104**
Other assets	96		**96**	607		124	**731**
Total assets	**615**		**615**	**1 636**		**226**	**1 862**
Liabilities directly associated with group of assets classified as held for sale							
Amounts owed to credit institutions							
Other liabilities	39		**39**	121		98	**219**
Total liabilities	**39**		**39**	**121**		**98**	**219**

During the first quarter 2013 the Group's Russian operations were classified as discontinued operations. The assets in these operations have gradually been divested. During the second quarter 2014 most of the Group's foreign net assets in roubles was repaid to Swedbank AB. In connection with the repayment related translation differences, effects of currency hedges and related taxes were reclassified from other comprehensive income to the income statement.

Note 26 Related-party transactions

During the period normal business transactions were executed between companies in the Group, including other related companies such as associates. Partly-owned savings banks are major associates. During the second quarter 2014 the former Färs & Frosta Sparbank AB sold its entire holding of Swedbank shares. The Group's interest in these shares increased equity in the consolidated statements by SEK 166m. The holding generated a net gain of SEK 50m.

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

Note 27 Swedbank's share

	31 Dec 2014	31 Dec 2013	%
SWED A			
Share price, SEK	195.50	181.00	8
Number of outstanding ordinary shares	1 102 088 935	1 099 005 722	0
Market capitalisation, SEKm	**215 458**	**198 920**	**8**

Number of outstanding shares	31 Dec 2014	31 Dec 2013
Issued shares		
SWED A	1 132 005 722	1 132 005 722
Repurchased shares		
SWED A	-29 750 577	-33 000 000
Repurchase of own shares for trading purposes		
SWED A	-166 210	
Swedbank's share of associates' holding of shares		
SWED A		-1 599 000
Number of outstanding shares on the closing day	**1 102 088 935**	**1 097 406 722**

Within Swedbank's share-based compensation programme, Swedbank AB has during 2014 transferred 3 249 423 shares, at no cost to employees.

Earnings per share	Q4 2014	Q3 2014	Q4 2013	Full-year 2014	Full-year 2013
Average number of shares					
Average number of shares before dilution	1 102 253 338	1 102 254 633	1 097 406 722	1 101 274 830	1 097 381 722
Weighted average number of shares for potential ordinary shares that incur a dilutive effect due to share-based compensation programme	9 351 516	8 495 543	9 393 291	9 365 732	8 800 392
Average number of shares after dilution	1 111 604 854	1 110 750 176	1 106 800 013	1 110 640 562	1 106 182 114
Profit, SEKm					
Profit for the period attributable to shareholders of Swedbank	3 795	4 560	3 612	16 447	12 901
Preference dividends on non-cumulative preference shares declared in respect of the period					1 722
Earnings for the purpose of calculating earnings per share	3 795	4 560	3 612	16 447	11 179
Earnings per share, SEK					
Earnings per share before dilution without dividends on non-cumulative preference shares	3.44	4.14	3.30	14.93	11.76
Earnings per share after dilution without dividends on non-cumulative preference shares	3.41	4.10	3.27	14.81	11.66
Earnings per share before dilution [1)]	3.44	4.14	3.29	14.93	10.19
Earnings per share after dilution [1)]	3.41	4.10	3.26	14.81	10.11

[1)] When calculating earnings per share according to IAS 33, the non-cumulative preference share dividend is deducted from profit in the period the dividend is declared. Refers to full-year 2013.

Note 28 Effects of changes in accounting policies

Balance sheet, condensed Group SEKm	New reporting 31 Dec 2013	IFRS 10	Previous reporting 31 Dec 2013
Assets			
Cash and balance with central banks	59 382		59 382
Loans to credit institutions (note 10)	82 278		82 278
Loans to the public (note 10)	1 264 910		1 264 910
Value change of interest hedged item in portfolio hedge	62		62
Interest-bearing securities	182 399		182 399
Financial assets for which customers bear the investment risk	122 743	3 295	119 448
Shares and participating interests	7 109		7 109
Investments in associates	3 640		3 640
Derivatives (note 18)	64 352		64 352
Intangible fixed assets (note 14)	13 658		13 658
Investment properties	685		685
Tangible assets	3 140		3 140
Current tax assets	895		895
Deferred tax assets	417		417
Other assets	9 578		9 578
Prepaid expenses and accrued income	6 992		6 992
Group of assets classified as held for sale	1 862		1 862
Total assets	**1 824 102**	**3 295**	**1 820 807**
Liabilities and equity			
Amounts owed to credit institutions (note 15)	121 621		121 621
Deposits and borrowings from the public (note 16)	620 608	-245	620 853
Debt securities in issue (note 17)	726 275	-1 431	727 706
Financial liabilities for which customers bear the investment risk	125 548	4 971	120 577
Derivatives (note 18)	55 011		55 011
Current tax liabilities	1 893		1 893
Deferred tax liabilities	2 383		2 383
Short positions, securities	17 519		17 519
Other liabilities	14 269		14 269
Accrued expenses and prepaid income	14 194		14 194
Provisions	4 698		4 698
Subordinated liabilities	10 159		10 159
Liabilities directly associated with group of assets classified as held for sale	219		219
Equity	109 705		109 705
of which non-controlling interests	165		165
of which attributable to shareholders of Swedbank AB	109 540		109 540
Total liabilities and equity	**1 824 102**	**3 295**	**1 820 807**

The consolidation of an investment fund has increased financial assets and liabilities where customers bear the investment risk. Because the investment fund is invested in interest-bearing instruments issued by Swedbank, outstanding liabilities are reduced as well.

For more information, see note 1 Accounting policies.

Swedbank AB

Income statement, condensed

Parent company SEKm	Q4 2014	Q3 2014	%	Q4 2013	%	Full-year 2014	Full-year 2013	%
Interest income	8 316	4 084		4 564	82	21 230	19 172	11
Interest expenses	-1 429	-1 600	-11	-1 923	-26	-6 958	-8 566	-19
Net interest income	**6 887**	**2 484**		**2 641**		**14 272**	**10 606**	**35**
Dividends received	13 367	1 066		3 851		22 131	9 419	
Commission income	4 158	1 689		1 730		9 338	6 415	46
Commission expenses	-2 056	-394		-414		-3 241	-1 462	
Net commission income	**2 102**	**1 295**	**62**	**1 316**	**60**	**6 097**	**4 953**	**23**
Net gains and losses on financial items at fair value	109	76	43	613	-82	979	1 795	-45
Other income	319	315	1	362	-12	1 288	1 342	-4
Total income	**22 784**	**5 236**		**8 783**		**44 767**	**28 115**	**59**
Staff costs	2 070	1 944	6	1 914	8	7 913	7 406	7
Other expenses	1 195	955	25	1 123	6	4 323	4 024	7
Depreciation/amortisation	4 081	135		144		4 481	532	
Total expenses	**7 346**	**3 034**		**3 181**		**16 717**	**11 962**	**40**
Profit before impairments	**15 438**	**2 202**		**5 602**		**28 050**	**16 153**	**74**
Impairment of financial fixed assets	1 880	90		277		2 193	2 250	-3
Credit impairments	241	261	-8	148	63	539	502	7
Operating profit	**13 317**	**1 851**		**5 177**		**25 318**	**13 401**	**89**
Appropriations	-652	-15		5		-698	6	
Tax expense	2 171	463		1 344	62	3 761	3 157	19
Profit for the period	**11 798**	**1 403**		**3 828**		**22 255**	**10 238**	

Statement of comprehensive income, condensed

Parent company SEKm	Q4 2014	Q3 2014	%	Q4 2013	%	Full-year 2014	Full-year 2013	%
Profit for the period reported via income statement	**11 798**	**1 403**		**3 828**		**22 255**	**10 238**	
Items that will not be reclassified to the income statement								
Remeasurements of defined benefit pension plans	-8	3				-8	5	
Income tax						1	-1	
Total	**-8**	**3**				**-7**	**4**	
Items that may be reclassified to the income statement								
Cash flow hedges:								
Gains/losses arising during the period		-4		-7		-13	-51	-75
Reclassification adjustments to income statement, net interest income	5	4	25	12	-59	18	83	-78
-Reclassification adjustments to income statement, net gains and losses on financial items at fair value								
Group contributions paid		-4		-7		-13	-51	-75
Income tax	-1	0		-1	0	-1	-7	0
Total	**4**			**4**	**0**	**4**	**25**	**-84**
Other comprehensive income for the period, net of tax	**-4**	**3**		**4**		**-3**	**29**	
Total comprehensive income for the period	**11 794**	**1 406**		**3 832**		**22 252**	**10 267**	

Balance sheet, condensed

Parent company **SEKm**	**31 Dec 2014**	**31 Dec 2013**	**%**
Assets			
Cash and balance with central banks	73 802	32 439	
Loans to credit institutions	435 979	388 521	12
Loans to the public	432 879	346 320	25
Interest-bearing securities	160 021	166 735	-4
Shares and participating interests	69 970	63 197	11
Derivatives	133 703	83 323	60
Other assets	40 150	19 645	
Total assets	**1 346 504**	**1 100 180**	**22**
Liabilities and equity			
Amounts owed to credit institutions	222 569	195 096	14
Deposits and borrowings from the public	532 118	501 294	6
Debt securities in issue	318 041	214 605	48
Derivatives	118 696	74 408	60
Other liabilities and provisions	51 045	34 006	50
Subordinated liabilities	18 010	10 083	79
Untaxed reserves	10 043	6 305	59
Equity	75 982	64 383	18
Total liabilities and equity	**1 346 504**	**1 100 180**	**22**
Pledged collateral	49 462	38 819	27
Other assets pledged	7 053	3 206	
Contingent liabilities	515 934	538 949	-4
Commitments	201 188	180 548	11

Statement of changes in equity, condensed

Parent company SEKm	Share capital	Share premium reserve	Statutory reserve	Cash flow hedges	Retained earnings	Total
January-December 2013						
Opening balance 1 January 2013	**24 904**	**13 206**	**5 968**	**-32**	**20 459**	**64 505**
Dividend					-10 880	-10 880
Share based payments to employees					418	418
Deferred tax related to share based payments to employees					73	73
Total comprehensive income for the period				25	10 242	10 267
Closing balance 31 December 2013	**24 904**	**13 206**	**5 968**	**-7**	**20 312**	**64 383**
January-December 2014						
Opening balance 1 January 2014	**24 904**	**13 206**	**5 968**	**-7**	**20 312**	**64 383**
Dividend					-11 133	-11 133
Repurchase of own shares for trading purposes					-33	-33
Share based payments to employees					459	459
Deferred tax related to share based payments to employees					12	12
Current tax related to share based payments to employees					42	42
Total comprehensive income for the period				4	22 248	22 252
Closing balance 31 December 2014	**24 904**	**13 206**	**5 968**	**-3**	**31 907**	**75 982**

Cash flow statement, condensed

Parent company SEKm	Full-year 2014	Full-year 2013
Cash flow from operating activities	-50 145	-39 750
Cash flow from investing activities	-399	5 045
Cash flow from financing activities	91 907	-42 754
Cash flow for the period	**41 363**	**-77 459**
Cash and cash equivalents at beginning of period	32 439	109 898
Cash flow for the period	41 363	-77 459
Cash and cash equivalents at end of period	**73 802**	**32 439**

Capital adequacy

Capital adequacy, Parent company[1)] SEKm	Basel 3 31 Dec 2014	Basel 2 31 Dec 2013
Common Equity Tier 1 capital	**65 453**	**56 147**
Additional Tier 1 capital	4 989	4 041
Tier 1 capital	**70 442**	**60 188**
Tier 2 capital	12 402	2 560
Total capital base	**82 844**	**62 748**
Capital requirement	**25 593**	**25 831**
Risk exposure amount	**319 908**	**322 882**
Common Equity Tier 1 capital ratio, %	**20.5**	**17.4**
Tier 1 capital ratio, %	**22.0**	**18.6**
Total capital ratio, %	**25.9**	**19.4**

Capital buffer requirement[2)] %	2014 31 Dec
CET1 capital requirement including buffer requirements	7.0
of which capital conservation buffer	2.5
of which countercyclical capital buffer	
of which systemic risk buffer	
CET 1 capital available to meet buffer requirement [3)]	16.0

Capital adequacy transition rules Basel 1 floor[4)] SEKm	2014 31 Dec	2013 31 Dec
Capital requirement Basel 1 floor	25 593	25 831
Own funds Basel 3 adjusted according to rules for Basel 1 floor	82 844	62 748
Surplus of capital according to Basel 1 floor	**57 251**	**36 917**

[1)] Reporting as of 31 Dec 2014 according to current regulation (Basel 3). Comparative figures for 2013 according to previous regulation (Basel 2).
[2)] New capital buffer requirements according to Swedish implementation of CRD IV.
[3)] 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.
[4)] 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

Risk exposure amount and own funds requirement, parent company 31 Dec 2014 SEKm	Risk exposure amount	Own funds requirement
Credit risks, STD	**89 696**	**7 176**
Central government or central banks exposures	281	23
Regional governments or local authorities exposures	50	4
Public sector entities exposures		
Multilateral development banks exposures		
International organisation exposures		
Institutional exposures	2 226	178
Corporate exposures	9 571	766
Retail exposures	3 382	271
Exposures secured by mortgages on immovable property	638	51
Exposures in default	55	4
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	72 579	5 806
Other items	914	73
Credit risks, IRB	**170 111**	**13 609**
Institutional exposures	21 545	1 723
Corporate exposures	117 296	9 384
of which specialized lending		
Retail exposures	22 081	1 766
of which mortgage lending	2 897	232
of which other lending	19 184	1 535
Securitisation	82	7
Non-credit obligation	9 107	729
Credit risks, Default fund contribution	**42**	**3**
Settlement risks	**29**	**2**
Market risks	**18 497**	**1 480**
Trading book	15 911	1 273
of which VaR and SVaR	8 862	709
of which risks outside VaR and SVaR	7 049	564
FX risk other operations	2 586	207
Credit value adjustment	**7 333**	**587**
Operational risks	**34 200**	**2 736**
Standardised approach	34 200	2 736
Total	**319 908**	**25 593**

Non-restricted equity

In accordance with the balance sheet of Swedbank AB, SEK 45 110m is at the disposal of the Annual General Meeting. The Board of Directors recommends a cash dividend of SEK 11.35 per ordinary share.

Signatures of the Board of Directors and the President

The Board of Directors and the President certify that the year-end report for 2014 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, 2 February 2015

Anders Sundström Chair	Lars Idermark Deputy Chair

Ulrika Francke Board Member	Göran Hedman Board Member	Anders Igel Board Member
Pia Rudengren Board Member	Karl-Henrik Sundström Board Member	Siv Svensson Board Member
Maj-Charlotte Wallin Board Member	Kristina Kjell Board Member Employee Representative	Jimmy Johnsson Board Member Employee Representative

Michael Wolf
President

Review report

Introduction

We have reviewed the year-end report for Swedbank AB (publ) for 2014. The Board of Directors and the President are responsible for the preparation and presentation of this year-end report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this year-end report based on our review.

Scope of review

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

Conclusion

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

Stockholm, 2 February 2015
Deloitte AB

Svante Forsberg
Authorised Public Accountant

Publication of financial information

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

Financial calendar 2015

Annual report published on the website	20 February
Annual General Meeting	26 March, Stockholm
Interim report for the first quarter 2015	28 April
Interim report for the second quarter 2015	16 July
Interim report for the third quarter 2015 on	20 October

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

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