

Q2 2016

Interim report for the second quarter 2016

Second quarter compared with first quarter 2016

- Strong profit in challenging environment
- Increased lending volumes supported net interest income
- Higher customer activity lifted net commission income
- Sale of Visa Europe generated positive one-off income
- Good cost control
- Solid credit quality, but higher credit impairments in the quarter due to provisions for individual commitments in oil-related sectors
- Strong capitalisation
- Ratings upgrade to AA- from Fitch

“I am very pleased that the quarter’s profit highlights the stable profitability, high cost efficiency and strong capitalisation that Swedbank stands for today.”

Birgitte Bonnesen,
President and CEO

Financial information	Q2	Q1		Jan-Jun	Jan-Jun	
SEKm	2016	2016	%	2016	2015	%
Total income	11 870	9 306	28	21 176	18 933	12
Net interest income	5 732	5 623	2	11 355	11 423	-1
Net commission income	2 795	2 645		5 440	5 586	
Net gains and losses on financial items at fair value ¹⁾	877	400		1 277	402	
Other income ¹⁾	2 466	638		3 104	1 522	
Total expenses	4 020	3 988	1	8 008	8 215	-3
Profit before impairments	7 850	5 318	48	13 168	10 718	23
Credit impairments	538	35		573	65	
Tax expense ²⁾	1 037	961	8	1 998	2 639	-24
Profit for the period attributable to the shareholders of Swedbank AB	6 270	4 311	45	10 581	7 986	32
Earnings per share, continuing operations, SEK, after dilution	5.62	3.87		9.49	7.18	
Return on equity, %	21.0	13.8		17.4	14.1	
Return on equity %, underlying business ¹⁾	13.9			13.9		
C/I ratio	0.34	0.43		0.38	0.43	
C/I ratio, underlying business ¹⁾	0.41			0.42		
Common Equity Tier 1 capital ratio, %	23.0	23.7		23.0	22.4	
Credit impairment ratio, %	0.14	0.01		0.08	0.01	

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

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

CEO Comment

Since I was appointed CEO, I have worked intensely to establish our new organisation and appoint the managers who, together with me, will help me to implement our strategy. I have chosen an executive management group with considerable experience in the banking industry and at Swedbank, leaders who understand and have truly embraced our corporate culture and who have continuously met our goals. I have also decided to establish a new unit, Digital Banking, to focus on our digital offerings.

With a focus on customers

As digitisation increases, our customers have more choice. We are therefore working continuously to launch new digital functions that make everyday banking simpler. Beginning this quarter mortgage borrowers can apply for a loan commitment digitally and sign contracts electronically. We are working at the same time to improve the Internet Bank. During the quarter, for example, we launched a test version of the new Internet Bank for our corporate customers. In the Baltic countries we now offer contactless card terminals for corporate customers. To further improve availability for customers, we also launched 24-hour service in our Telephone Bank during the quarter, which has been very well received.

Swedbank also launched an exciting collaboration during the quarter with the social stock trading platform SprinkleBit. Through similar partnerships, we will be able to offer customers the option of consolidating all their financial transactions at Swedbank.

We will continue to deliver world-class digital solutions to our customers. As of June this includes the new customers that the bank obtained through the acquisition of Danske Bank's retail banking business in Lithuania and Latvia.

Strong financial results

Volatility in the financial markets increased during the second quarter. The big event was that the British people voted to leave the EU. I am convinced that the challenges that the countries of the world face require consensus and cooperation. I sincerely hope that politicians, despite the referendum result, find ways to continue to work together.

The market's reaction to the vote was significant. Stock prices and interest rates fell, the FX market fluctuated wildly and growth outlooks were revised down globally. Central banks again have to find tools to stimulate the economy. This probably means that the current low interest rates will remain for even longer. The Swedish and Baltic economies stand strong, but will still be affected if global business activity is dampened due to uncertainty.

Swedbank reported a strong financial result in this environment. A broad-based increase in customer

activity led to strong earnings during the quarter for most product areas.

Increased lending volumes in Sweden and the Baltic countries, coupled with higher lending margins, strengthened net interest income in the face of increased pressure on deposit margins. In Sweden mortgage volumes continued to rise, while house prices fell somewhat ahead of the introduction of the amortisation requirement. The requirement will not solve the housing shortage, however. Our politicians have failed to reach agreement on the housing policy that Sweden needs. If this situation continues, it could inhibit long-term growth in Sweden.

Net commission income increased, partly because Swedbank participated in more M&A activity and IPOs that required funding and advice. Our successful focus on the bond market (DCM) is reflected in Prospera's annual survey, where Swedbank ranked first in advice and sales in SEK issues.

Increased corporate activity led to a better result in fixed income and FX trading despite the outcome of the British referendum at the end of the quarter.

Credit quality remained solid in the Swedish and Baltic loan portfolios. As previously announced, however, the risks in oil-related sectors have increased and during the quarter provisions increased for a few commitments in these sectors. At the same time there were several successful restructurings during the quarter, where the owners contributed capital and the lenders delayed amortisations and extended maturities. We continue to work closely with our customers and together with other lenders try to find solutions to the high pressure situation that the oil-related sectors are currently in.

Offering stability in a challenging environment

Predictability and stability are vital in a turbulent and uncertain world. I am very pleased therefore that the quarter's profit highlights the stable profitability, high cost efficiency and strong capitalisation that Swedbank stands for today. Fitch saw this as well and upgraded our rating in May to AA-, which makes Swedbank one of only a few commercial banks in the world with an equivalent rating of AA from the three major ratings agencies.

This position makes us resilient to outside economic pressure and allows us, even in volatile times, to focus on our customers.



Birgitte Bonnesen
President and CEO

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

Financial overview

Income statement SEKm	Q2 2016	Q1 2016	%	Q2 2015	%	Jan-Jun 2016	Jan-Jun 2015	%
Net interest income	5 732	5 623	2	5 704	0	11 355	11 423	-1
Net commission income	2 795	2 645	6	2 842	-2	5 440	5 586	-3
Net gains and losses on financial items at fair value	877	400		82		1 277	402	
Other income	2 466	638		687		3 104	1 522	
Total income	11 870	9 306	28	9 315	27	21 176	18 933	12
Staff costs	2 314	2 307	0	2 375	-3	4 621	4 847	-5
Other expenses	1 706	1 681	1	1 672	2	3 387	3 368	1
Total expenses	4 020	3 988	1	4 047	-1	8 008	8 215	-3
Profit before impairments	7 850	5 318	48	5 268	49	13 168	10 718	23
Impairment of tangible assets	1	8	-88	22	-95	9	37	-76
Credit impairments, net	538	35		6		573	65	
Operating profit	7 311	5 275	39	5 240	40	12 586	10 616	19
Tax expense	1 037	961	8	1 538	-33	1 998	2 639	-24
Profit for the period from continuing operations	6 274	4 314	45	3 702	69	10 588	7 977	33
Profit for the period from discontinued operations, after tax				-32			17	
Profit for the period	6 274	4 314	45	3 670	71	10 588	7 994	32
Profit for the period attributable to the shareholders of Swedbank AB	6 270	4 311	45	3 666	71	10 581	7 986	32

Key ratios and data per share	Q2 2016	Q1 2016	Q2 2015	Jan-Jun 2016	Jan-Jun 2015
Return on equity, % ¹⁾	21.0	13.8	13.4	17.4	14.1
Earnings per share before dilution, continuing operations, SEK ²⁾	5.65	3.89	3.34	9.54	7.21
Earnings per share after dilution, continuing operations, SEK ²⁾	5.62	3.87	3.32	9.49	7.16
C/I ratio	0.34	0.43	0.43	0.38	0.43
Equity per share, SEK ²⁾	107.4	113.3	103.1	107.4	103.1
Loan/deposit ratio, %	152	152	172	152	172
Common Equity Tier 1 capital ratio, %	23.0	23.7	22.4	23.0	22.4
Tier 1 capital ratio, %	25.3	26.1	25.0	25.3	25.0
Total capital ratio, %	28.3	29.1	28.2	28.3	28.2
Credit impairment ratio, %	0.14	0.01	0.00	0.08	0.01
Share of impaired loans, gross, %	0.34	0.33	0.36	0.34	0.36
Total provision ratio for impaired loans, %	58	56	55	58	55
Liquidity coverage ratio (LCR), % ³⁾	138	148	136	138	136
Net stable funding ratio (NSFR), % ⁴⁾	108	107	101	108	101

Balance sheet data SEKbn	30 Jun 2016	31 Dec 2015	%	30 Jun 2015	%
Loans to the public, excluding the Swedish National Debt Office and repurchase agreements	1 420	1 371	4	1 358	5
Deposits and borrowings from the public, excluding the Swedish National Debt Office and repurchase agreements	936	744	26	791	18
Shareholders' equity	119	123	-3	114	5
Total assets	2 476	2 149	15	2 299	8
Risk exposure amount	413	389	6	407	2

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

2) The number of shares and calculation of earnings per share are specified on page 45.

3) LCR - calculated in accordance with FFFS 2012:6.

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

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

Global economic concerns continue to dominate the markets. The surprising outcome of the British referendum on 23 June to leave the EU has forced central banks around the world to ready themselves for various types of supportive measures. The US central bank, the Federal Reserve, decided not to raise interest rates at its latest meeting in June in light of a weaker job market and uncertainty about Brexit, which is very likely to persist this autumn. This has also contributed to falling bond yields in the US and Europe.

The US economy had a weak first quarter with GDP growth of 1.1 per cent on an annualised basis at the same time that the labour market slowed significantly in April and May. However, during the second quarter there were signs of a recovery in household consumption and investments. The eurozone's recovery continued, with GDP growing 1.8 per cent on an annualised basis, driven by increased domestic demand. Oil prices rose during the quarter in the wake of lower US oil production at the same time as global consumption increased.

The Swedish economy continues to grow at a fast pace. GDP growth for the first quarter was 4.2 per cent on a calendar-adjusted basis compared with the same period in 2015, driven by strong consumption and a big jump in housing construction. Data released during the spring point to continued strong performance. Although unemployment fluctuated during the spring, the underlying trend in the market remains strong. Labour demand is high, and there are growing signs of recruiting problems, most notably in the public sector and construction. Household consumption has remained strong so far thanks to the low interest rates, population growth and strong job market. However, the Swedish mortgage amortisation requirement introduced on 1 June is likely to have an impact going forward. There are already signs that the housing market has cooled off, though it is too early to draw any far-reaching conclusions.

Economic performance in the Baltic countries has been mixed. In Lithuania GDP grew by 2.3 per cent on an annualised basis in the first quarter, the fourth consecutive quarter of rising growth. In Estonia the growth rate was practically unchanged at 1.7 per cent. In Latvia the growth rate has gradually declined in the last two quarters, with the economy growing with 2.3 per cent in the first quarter of 2016. Increased growth in household consumption has remained the most important factor for GDP growth in the Baltic countries, driven by strong wage growth combined with otherwise low inflation.

The Stockholm stock exchange (OMXSPI) fell by 2.6 per cent in the second quarter. The Tallinn stock exchange (OMXTGI) rose by 1.0 per cent, while the exchanges in Riga and Vilnius gained 0.8 per cent and 0.5 per cent, respectively, in the same period.

Second quarter 2016

Compared with first quarter 2016

Result

Swedbank reported a profit of SEK 6 270m in the second quarter 2016, compared with SEK 4 311m in the previous quarter. The increase is mainly due to the finalisation of Visa Inc's acquisition of Visa Europe during the quarter, which resulted in tax-exempt income of SEK 2 115m. The income, which consists of cash and preference shares in Visa Inc, arose as a result of Swedbank's membership in Visa Europe and Visa Sweden Ekonomisk Förening, which in turn is a group member of Visa Europe. Since Visa Sweden at a later stage will distribute the proceeds to its co-owners, including Swedbank, and the allocations have not yet been determined, the final proceeds may differ slightly from the above amount.

Excluding the income related to Visa Europe the profit amounted to SEK 4 155m.

Income statement, SEKm	Q2 2016		
	Underlying business	One-off income VISA	Total
Net interest income	5 732		5 732
Net commission income	2 795		2 795
Net gains and losses on financial items at fair value	420	457	877
Share of profit or loss of associates	271	1 658	1 929
Other income	537		537
Total income	9 755	2 115	11 870
Total expenses	4 020		4 020
Impairments	539		539
Operating profit	5 196	2 115	7 311
Tax expense	1 037		1 037
Profit for the period attributable to the shareholders of Swedbank AB	4 155	2 115	6 270
Return on equity	13.9 ¹⁾		21.0
Cost/Income ratio	0.41 ²⁾		0.34

1) ROE excluding Visa income is considered an alternative performance measure (6 270-2 115)*4/119 321. Average shareholder equity can be found on page 80 in the Fact book. Swedbank believes the presentation of this is relevant to investors to provide additional information to compare different periods.

2) C/I ratio excluding Visa income is considered an alternative performance measure 4 020/(11 870 - 2 115). Swedbank believes the presentation of this is relevant to investors to provide additional information to compare different periods.

Profit before impairments amounted to SEK 7 850m (5 318). The profit improved in all business segments. The return on equity excluding income related to Visa Europe increased to 13.9 per cent (13.8), while the cost/income ratio improved to 0.41 (0.43).

Profit before impairments by business segment excl FX effects SEKm	Q2		
	2016	Q1 2016	Q2 2015
Swedish Banking	3 433	3 098	3 181
Baltic Banking	1 014	991	925
Large Corporates & Institutions	1 143	876	1 175
Group Functions & Other	2 260	344	35
Total excl FX effects	7 850	5 309	5 316
FX effects		9	-48
Total	7 850	5 318	5 268

Income increased by 28 per cent during the quarter to SEK 11 870m (9 306), mainly because net gains and losses on financial items at fair value rose and other income was positively affected by the sale of Visa Europe.

Net interest income increased by 2 per cent to SEK 5 732m (5 623). Higher lending volumes, especially for Swedish mortgages, and higher lending margins contributed to the increase but were offset by slightly lower deposit margins.

Net commission income increased by 6 per cent to SEK 2 795m (2 645). The increase was mainly due to higher income from corporate finance after Swedbank served as an advisor and guarantor in several major IPOs. Real estate brokerage and other commissions also contributed positively. Asset management income increased by 1 per cent compared with the previous quarter due to average market gains.

Net gains and losses on financial items at fair value increased to SEK 877m (400), of which SEK 457m related to the sale of Visa Europe, which positively affected the profit for Group Treasury within Group Functions & Other. Excluding this income, net gains and losses on financial items within Group Treasury fell since larger volumes of repurchased covered bonds resulted in negative valuation effects. Net gains and losses on financial items increased in Large Corporates & Institutions as higher volatility in the stock market and reduced credit spreads led to increased customer activity.

Other income rose to SEK 2 466m (638), of which SEK 1 658m related to the sale of Visa Europe. The quarter was also affected positively by one-off income in Entercard.

Expenses increased by 1 per cent to SEK 4 020m (3 988), mainly as a result of higher expenses for consultants and travel. Staff costs increased somewhat as variable compensation rose during the quarter.

Like the previous quarter, there was no impairment of intangible assets, while impairment of tangible assets amounted to SEK 1m (8).

Credit impairments increased to SEK 538m (35) due to increased provisions for a few oil-related commitments within Large Corporates & Institutions. Swedish Banking reported recoveries, while Baltic Banking reported losses.

The tax expense amounted to SEK 1 037m (961), corresponding to an effective tax rate of 14.2 per cent (18.2). The lower effective tax rate during the second quarter was affected by the sale of shares in Visa Europe, which Swedbank benefited from through its membership in Visa Sweden and Visa Europe. As previously estimated, the effective tax rate is expected to be 19-21 per cent in the medium term.

The profit from discontinued operations amounted to SEK 0m (0).

January-June 2016

Compared with January-June 2015

Result

The profit for the first six months of 2016 amounted to SEK 10 581m, compared with SEK 7 986m in the same period last year. Higher income due to the sale of Visa Europe and lower expenses contributed to the increase.

Income statement, SEKm	Jan-jun 2016		Total
	Underlying business	One-off income VISA	
Net interest income	11 355		11 355
Net commission income	5 440		5 440
Net gains and losses on financial items at fair value	820	457	1 277
Share of profit or loss of associates	462	1 658	2 120
Other income	984		984
Total income	19 061	2 115	21 176
Total expenses	8 008		8 008
Impairments	582		582
Operating profit	10 471	2 115	12 586
Tax expense	1 998		1 998
Profit for the period attributable to the shareholders of Swedbank AB	8 466	2 115	10 581
Return on equity	13.9 ¹⁾		17.4
Cost/income ratio	0.42 ²⁾		0.38

1) ROE excluding Visa income is considered an alternative performance measure (10 581-2 115)/21 176. Average shareholder equity can be found on page 79 in the Fact book. Swedbank believes the presentation of this is relevant to investors to provide additional information to compare different periods.

2) C/I ratio excluding Visa income is considered an alternative performance measure 8 008/(21 176 - 2 115). Swedbank believes the presentation of this is relevant to investors to provide additional information to compare different periods.

Changes in exchange rates raised profit by SEK 12m, mainly because the Swedish krona depreciated on average against the euro.

The return on equity excluding the income related to Visa Europe was 13.9 per cent (14.1), while the cost/income ratio improved to 0.42 (0.43).

Profit before impairments increased by 23 per cent to SEK 13 168m (10 718), mainly due to the income from the sale of Visa Europe, but also to the strong performance of Swedish Banking and Baltic Banking.

Profit before impairments by business segment excl FX effects SEKm	Jan-Jun		Δ SEKm
	2016	2015	
Swedish Banking	6 531	6 137	394
Baltic Banking	2 007	1 792	215
Large Corporates & Institutions	2 026	2 260	-234
Group Functions & Other	2 604	541	2 063
Total excl FX effects	13 168	10 730	2 438
FX effects		-12	12
Total	13 168	10 718	2 450

Income increased by 12 per cent to SEK 21 176m (18 933), mainly due to increased income in Group Functions & Other resulting from the sale of Visa Europe. Income increased in Swedish Banking and Baltic Banking but decreased in Large Corporates & Institutions. Changes in exchange rates reduced income by SEK 75m.

Net interest income fell by 1 per cent to SEK 11 355m (11 423). Within Swedish Banking net interest income increased as the positive effects of higher volumes and increased margins on mortgage loans offset the lower deposit margins. Net interest income also increased in Baltic Banking, but decreased within Large Corporates & Institutions and Group Treasury.

Net commission income fell by 3 per cent, from SEK 5 586m to SEK 5 440m. The main reason was lower asset management income, partly due to lower assets under management resulting from a weaker market and partly to last year's reduction of

management fees, which took full effect in 2016. Lower income from brokerage commissions as well as lending and guarantees also contributed negatively.

Net gains and losses on financial items at fair value increased to SEK 1 277m (402). The main reasons were the sale of Visa Europe, a lower volume of repurchased covered bonds and reduced credit spreads, which positively affected the profit within Group Treasury. Net gains and losses on financial items decreased within Large Corporates & Institutions.

Other income increased to SEK 3 104m (1 522) largely due to the income related to Visa Europe.

Expenses decreased by 3 per cent to SEK 8 008m (8 215). The biggest decrease was in Swedish Banking, mainly as a result of the merger with Sparbanken Öresund. Changes in exchange rates reduced expenses by SEK 53m.

Impairment of intangible assets amounted to SEK 0m (0). Impairment of tangible assets fell to SEK 9m (37).

Credit impairments increased to SEK 573m (65), mainly due to higher credit impairments in Large Corporates & Institutions, though Baltic Banking also reported credit impairments. Swedish Banking reported net recoveries during the period.

The tax expense amounted to SEK 1 998m (2 639), corresponding to an effective tax rate of 15.9 per cent (24.9). The tax rate is lower in 2016 because the same period a year earlier was negatively affected by the tax effect of a one-off dividend from the Estonian sub-group. The second quarter of 2016 is also positively affected by the tax-exempt income from the sale of Swedbank's shares in Visa Europe through its membership in Visa Sverige and Visa Europe.

The profit for discontinued operations amounted to SEK 0m (17).

Volume trend by product area

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

Lending

Total lending to the public, excluding repos and the Swedish National Debt Office, increased by 2 per cent compared with the first quarter, from SEK 1 386bn to SEK 1 420bn, and by 5 per cent compared to the same period last year.

Loans to the public excl. the Swedish National Debt Office and repurchase agreements, SEKbn			
	2016 30 jun	2016 31 mar	2015 30 jun
Loans, private mortgage	749	732	715
of which Sweden	686	673	658
of which Baltic countries	61	55	54
Loans, private other incl tenant-owner associations	147	143	137
of which Sweden	134	130	125
of which Baltic countries	12	11	10
Loans, corporate	524	511	506
of which Sweden	403	393	392
of which Baltic countries	63	61	62
of which Norway	43	44	37
Total	1 420	1 386	1 358

Lending to Swedish mortgage customers accounted for the largest share of the increase, up SEK 13bn from the previous quarter. At the end of the quarter the Swedish mortgage portfolio amounted to SEK 686bn. The growth rate in the Swedish mortgage market was high as many customers took advantage of the opportunity to borrow more against their current homes before the amortisation requirement took effect. Mortgage volumes in Baltic Banking increased in local currency during the quarter to SEK 61bn (55). The portfolio grew by 25 per cent in Lithuania, 5 per cent in Latvia and 1 per cent in Estonia. The loan portfolio rose by SEK 3.7bn in Lithuania and SEK 0.7m in Latvia due to the acquisition of Danske Bank's retail banking business.

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

The process of converting private mortgages from Sparbanken Öresund to Swedbank is continuing. A large share of private customers from Sparbanken Öresund have mortgages with other lenders. To date just over SEK 8bn has been transferred to Swedbank. About SEK 14bn remains with the original lender. In the last quarter of the year the remaining volumes are scheduled to be transferred.

Other private lending including tenant-owner associations grew by SEK 5bn during the quarter to SEK 147bn. The largest increase was in lending to tenant-owner associations, which rose by SEK 3bn to SEK 106bn. Baltic Banking's volumes grew by 4 per cent in local currency.

Swedbank's Swedish consumer loan volume rose by 2 per cent during the quarter to SEK 25bn, corresponding to a market share of about 10 per cent. As part of a long-term focus, the bank has begun to fully digitise the consumer loan flow. The Baltic consumer loan portfolio grew during the quarter by 5 per cent in local currency.

In total, corporate lending increased by SEK 13bn during the quarter to SEK 524bn. Much of the growth over an extended period has been in the real estate sector. About 42 per cent of the outstanding volume was related to properties. Corporate lending within Swedish

Banking and Large Corporates & Institutions grew by SEK 10bn during the quarter to SEK 461bn, driven by exchange rate fluctuations and transaction related business. In Baltic Banking corporate lending in local currency increased by 1 per cent during the quarter to SEK 63bn. The loan portfolio grew by 1 per cent in Estonia and 4 per cent in Latvia, but decreased somewhat in Lithuania.

The negative repo rate continues to affect the credit portfolio. A large share of new lending constitutes of products with base rate floor, which means that the reference rate (Stibor) is set at 0 instead of a negative rate. Otherwise there are signs of a slight shift toward fixed rate loans.

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

Payments

The number of payments has continued to rise – a combination of economic growth and the shift from cash to cards and e-payments. Swish users from Swedish banks now include over 4.5 million private customers and around 74 000 corporate customers.

	30 Jun 2016	31 Mar 2016	30 Jun 2015
Number of cards			
Issued cards, million	7.9	7.8	7.6
of which Nordic countries	4.1	4.1	3.9
of which Baltic countries	3.8	3.7	3.7

The card issuance business continued to grow. The number of corporate and consumer cards in issue in Sweden rose. The bank's many small business customers continue to offer good potential to expand this business. In the Baltic countries the number of consumer cards increased somewhat due to product mergers. Compared with the same period in 2015 the value of payments with Swedbank cards in Sweden increased by 11 per cent, at the same time that ATM withdrawals dropped by 7 per cent. In the Baltic countries, where Swedbank is working actively to promote card payments, the value increased by 11 per cent. In Sweden about 85 per cent of store payments are made by card, and market growth is expected to remain good. In Estonia the corresponding card payment frequency is above 50 per cent. In Latvia and Lithuania it is somewhat lower but steadily rising.

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

The interchange fees regulation (IFR), which took effect in 2015, adversely affects card issuance earnings but benefits the acquiring business. In Sweden the regulation strengthens Swedbank's income, since the lower income from our own cardholders' purchases is offset by the acquisition of more card purchases from merchants at a lower cost. Over time the price pressure on retailers' card fees will increase, due to which the long-term financial effects of the new regulation are difficult to determine today. In the Baltic countries interchange fees are expected to be cut in half on debit and credit cards, squeezing income for issuers. Because of this, Swedbank is currently reviewing its card pricing in the region. Swedbank is a net acquirer in

the Baltics as well, which reduces the impact of the lower card issuance income.

Among other regulations is the Payment Services Directive (PSD2), which takes effect on 13 January 2018 at the latest. It introduces new competition to the payments market, placing new demands on banks. With the customer's approval, these new providers can issue payments, retrieve account information or link payment instruments to the customer's account in the bank. There is a risk therefore that banks will see their earnings from payment services decline at the same time that costs rise. Though these players do not have legal access to payment accounts until 2018, they are already active, especially in Sweden but also in the Baltic countries.

Just like these new players, Swedbank has an opportunity to benefit from the new legislation. For example, the bank can now offer a digital channel that gives private customers a good overview of their day-to-day finances even if their payment account is with another bank.

The IFR regulation means that retailers can choose to accept any combination of debit cards, credit cards or corporate cards. This means that in the future customers may find that their cards are not accepted in all stores. Merchants in Sweden are not expected to introduce limited acceptance, but they may in Estonia, Latvia and Lithuania.

Savings

Swedbank's deposits from the public increased by SEK 27bn during the quarter to a total of SEK 936bn. The increase was mainly attributable to Swedish Banking and Baltic Banking.

Deposits from the public excl. the Swedish National Debt Office and repurchase agreements, SEKbn	2016 30 jun	2016 31 mar	2015 30 jun
Deposits, private	427	406	385
of which Sweden	335	319	302
of which Baltic countries	92	86	82
Deposits, corporate	509	503	406
of which Sweden	249	250	219
of which Baltic countries	77	71	64
of which other countries	183	182	123
Total	936	909	791

Deposits increased by SEK 25bn in Swedish Banking and SEK 12bn in Baltic Banking during the quarter. The market share for household deposits in Sweden was stable at 20.8 per cent as of 31 May (20.8 per cent as of 31 December 2015), while the share for corporate deposits rose to 20.7 per cent (19.3). For more information on deposits, see each business area and page 43 of the Fact book.

Asset management, SEKbn	30 Jun 2016	31 Mar 2016	30 Jun 2015
Assets under management	726	717	765
of which Sweden	687	680	730
of which Baltic countries	36	33	31
of which Norway	4	4	4
Discretionary asset management	367	358	352

Assets under management amounted to SEK 726bn (SEK 717bn as of 31 March 2016), of which SEK 687bn (680) relates to the Swedish operations. Discretionary

assets under management increased to SEK 367bn (358). Swedbank Robur had a net outflow of SEK -3bn (-4) in the Swedish fund market in the second quarter. The market saw higher risk-taking with outflows from bond funds and money market funds. Mixed funds and corporate bond funds reported inflows. Sales activity increased at the end of the second quarter due to Brexit. Concerns among customers led to outflows from all types of funds. The total net outflow in the market was SEK 6bn during the period, of which SEK 4bn in equity funds, SEK 5bn in mixed funds and SEK 6bn in fixed income funds. Large deposits were reported during the second quarter for occupational pensions from insurance companies and the Swedish Pension Agency relating to the annual contribution in December. The market share for the second quarter was negative due to the net outflows from Swedbank Robur. Swedbank Robur is the largest competitor in Sweden, with a market share of 21.3 per cent as of 30 June 2016 measured in fund assets under management.

Assets under management, life insurance			
SEKbn	30 Jun 2016	31 Mar 2016	30 Jun 2015
Sweden	144	143	148
of which collective occupational pensions	63	62	64
of which endowment insurance	55	55	58
of which occupational pensions	17	17	16
of which other	9	9	9
Baltic countries	4	4	4

Swedbank was the seventh largest life insurance company in Sweden as of 31 December 2015, with a market share of about 7 per cent in premium payments excluding capital transfers. The market share for transferred capital was also nearly 7 per cent, putting Swedbank in sixth place. Swedbank is the largest life insurance company in Estonia and the second largest in Lithuania. Its market shares as of 31 May were 39 and 23 per cent, respectively. The market share in Latvia was 20 per cent. For the Baltic non-life business the market shares for total premium income range between 3 and 15 per cent, with the highest in Estonia. In homeowner's and vehicle insurance Swedbank is the market leader in Estonia with shares of 31 and 25 per cent, respectively. Non-life insurance is offered in Sweden through the insurance company Tre Kronor.

Credit and asset quality

The Brexit referendum has led to increased turbulence in the financial markets and greater uncertainty about macroeconomic development. Internal analyses indicate that the direct impact on Swedbank's credit portfolio will be minor. The few customers that are dependent on economic development in the UK will have a period to adapt their businesses before the effects take hold.

Swedbank's credit quality is generally good with low credit risks. Provisions for previously known risk commitments in the oil-related sector increased in the second quarter, while recoveries in Baltic Banking declined, in line with what had been previously announced. Oil prices recovered somewhat during the quarter, but the long period of low prices and reduced investment in the oil sector have affected oil-related customers' financial positions. Swedbank continues to dialogue closely with its customers in oil-related businesses while they restructure and reconstruct.

Impaired loans increased during the quarter due to the problems in the oil sector to 0.34 per cent (0.33) of total lending. The provision ratio for impaired loans was 37 per cent (40). For more information on credit risk, see pages 45-51 of the Fact book.

Credit impairments, net by business segment	Q2 2016	Q1 2016	Q2 2015
SEKm			
Swedish Banking	-35	-13	48
Baltic Banking	50	-42	-49
Estonia	57	-25	-9
Latvia	2	-18	-95
Lithuania	-9	1	55
Large Corporates & Institutions	545	97	7
Group Functions & Other	-22	-7	
Total	538	35	6

Credit impairments amounted to SEK 573m in the first half-year (SEK 594m for the full-year 2015). Assets taken over amounted to SEK 443m (SEK 441m as of 31 December 2015). For more information on assets taken over, see page 50 of the Fact book.

On 1 June the Swedish Financial Supervisory Authority (SFSA) introduced an amortisation requirement on new mortgages. Its aim is to slow the debt build-up by Swedish households in recent years in the wake of a dramatic rise in housing prices, mainly in large cities. Because Swedbank introduced guidelines similar to the SFSA's a year ago to ensure that it maintains high quality in its mortgage portfolio, the bank does not expect its credit quality to be affected. The SFSA's new rule has already had an impact on the housing market, however, especially in Stockholm, where activity has been significantly lower since its introduction. However, it is too early to determine the long-term effect on economic growth and real estate prices, which is why further analyses must be conducted before additional measures are taken. Internal and external analyses show that the risk in the bank's mortgage portfolio is low thanks to our customers' willingness to make payments and low loan-to-value ratios.

During the second quarter 95 per cent of new mortgages in the Swedish portfolio with a loan-to-value ratio of over 70 per cent were being amortised, compared with 94 per cent in the first quarter. Of new loans with a loan-to-value ratio of between 50 and 70 per cent, 86 per cent were being amortised, an increase from 82 per cent in the previous quarter. Amortisations in the Swedish mortgage portfolio totalled around SEK 11.5bn in the last 12-month period. The average loan-to-value ratio for Swedbank's mortgages was 56 per cent in Sweden (57 as of 31 December 2015), 48 per cent in Estonia (51), 97 per cent (98) in Latvia and 73 per cent (79) in Lithuania, based on property level. For more information, see pages 52-53 of the Fact book.

Limited housing construction, coupled with low interest rates, has contributed to price increases in the Swedish commercial property market. Thanks to the measures Swedbank introduced in 2015, with stricter loan requirements adapted to the prevailing low interest rates, the risk in the portfolio remains low. Lending to Swedish property companies increased by 1 per cent during the quarter to SEK 188bn.

Operational risks

There was one incident that affected our customers during the second quarter, when Bankgirot had problems with Swish's availability. Otherwise there were only a few minor IT disruptions, none of which had much impact on customers.

Funding and liquidity

Swedbank was slightly less active in international bond markets during the quarter, when a continued inflow of deposits reduced the need for capital market funding. During the first six months Swedbank issued SEK 104bn in long-term debt whereof SEK 36bn in the second quarter. Covered bond issues accounted for the large part, SEK 75bn.

Deposit volumes continued to increase in the second quarter, because of which it is likely that the total issue volume for 2016 will be lower than the original plan of SEK 180bn at the beginning of the year. Nominal maturities for the full-year 2016 amounted to SEK 110bn at the beginning of the year. The issue plans are mainly affected by changes in deposit volumes and lending growth and are adjusted over the course of the year. As of 30 June outstanding short-term funding amounted to SEK 166bn. At the same time SEK 401bn was placed with central banks. The liquidity reserve amounted to SEK 492bn (443) as of 30 June. In addition, liquid securities in other parts of the Group amounted to SEK 98bn (129). The Group's liquidity coverage ratio (LCR) was 138 per cent (148), and for USD and EUR was 125 per cent and 151 per cent, respectively. According to our interpretation of the Basel Committee's latest proposed Net Stable Funding Ratio (NSFR), Swedbank's NSFR was 108 per cent (107). Long-term funding, coupled with increased deposit volumes, strengthened NSFR and reduced the bank's structural liquidity sensitivity. For more information on funding and liquidity, see notes 15-17 on pages 35-36 and 62-78 of the Fact book.

Ratings

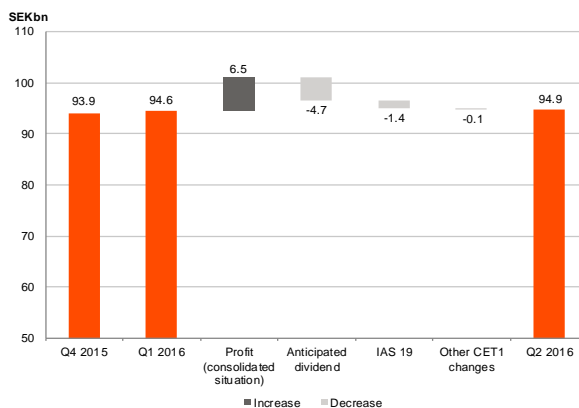
In May Fitch Ratings upgraded Swedbank a notch to AA- with a stable outlook. Swedbank's Viability Rating (VR) was upgraded a notch as well, to aa-, and its Short-Term IDR to F1+. The upgrade reflects Swedbank's low-risk strategy since 2009. The rating is based on the bank's successful retail operations, high quality lending and strong capitalisation.

The upgrade makes Swedbank one of only a few commercial banks in the world with a AA rating from all three major ratings agencies: S&P, Moody's and Fitch.

Capital and capital adequacy

The Common Equity Tier 1 capital ratio was 23.0 per cent on 30 June (23.7 per cent as of 31 March 2016 and 24.1 per cent as of 31 December 2015). Common Equity Tier 1 capital increased by SEK 0.3bn during the quarter to SEK 94.9bn. The bank's profit after deducting the proposed dividend positively affected Common Equity Tier 1 capital by SEK 1.8bn. The revaluation of the estimated pension liability according to IAS 19 reduced Common Equity Tier 1 capital by about SEK 1.4bn, mainly due to a lower discount rate.

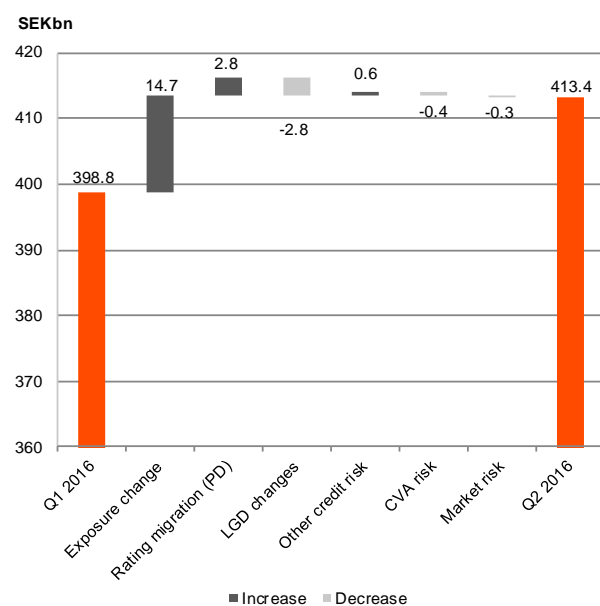
Change in Common Equity Tier 1 capital, 2016, Swedbank consolidated situation



The risk exposure amount (REA) increased by SEK 14.6bn during the second quarter to SEK 413.4bn (SEK 398.8bn as of 31 March 2015). REA for credit risks increased by SEK 15.3bn. Increased exposures to both corporate and private customers raised REA by SEK 7.5bn. REA increased by SEK 4.1bn due to the sale of Visa Europe. The reason is that the share of the purchase price that will be distributed by Visa Sweden Ekonomisk Förening at a later stage is risk weighted by 250 per cent until the proceeds are paid out to the shareholders. Long-term credit quality in oil-related sectors has further deteriorated, which contributed to negative Probability of Default (PD) migrations of SEK 3.7bn. This was partly offset by positive PD migrations in Swedish Banking. In total, migrations raised REA by SEK 2.8bn during the second quarter due to PD migrations. Increased collateral values had a positive effect on Loss Given Default (LGD) and reduced REA by SEK 2.8bn.

REA for credit valuation adjustments (CVA risk) decreased by SEK 0.4bn due to lower exposures. REA for market risks decreased by SEK 0.3bn. REA for operational risks was unchanged during the quarter.

Change in REA, 2016, Swedbank consolidated situation



Uncertainty about capital regulations continues – Swedbank well positioned

Swedbank's total Common Equity Tier 1 capital requirement decreased during the quarter to 20.3 per cent, compared with Swedbank's Common Equity Tier 1 capital ratio of 23.0 per cent as of 30 June 2016. The requirement decreased because the required risk weight floor for mortgages in Pillar 2 fell in relation to the total risk exposure amount. The total requirement takes into account Swedbank's Common Equity Tier 1 capital requirement for individual Pillar 2 risks of 0.9 per cent as well as all announced increases in countercyclical buffer values, including the increase in the Swedish countercyclical buffer value to 2.0 per cent in March 2017.

In May the SFSA formally adopted the revised requirements for Swedish banks' internal risk-based models, especially with regard to corporate risk weights, as proposed in March. The revisions, which are designed to improve the models, require banks to anticipate a larger proportion of economic downturns in their estimates of probability of default and to use a so-called maturity floor. The revised requirements will negatively affect Swedbank's buffer through its Common Equity Tier 1 capital requirement by an estimated 0.9 percentage points. The SFSA is expected to begin applying the revisions in its Supervisory Review and Evaluation Process (SREP) for 2016, which should be finalised in September and therefore affect Swedbank's capital requirements beginning in the fourth quarter 2016.

A new law on resolution (2015:1016) went into force in February giving the authorities the tools to manage failing banks. One of these tools allows the Swedish National Debt Office to write down a bank's liabilities in order to absorb losses or convert the liabilities to equity in order to recapitalise the bank. To ensure that the banks have sufficient capital and liabilities that can be written down or converted in a crisis, the new law on resolution (2015:1016) include a minimum requirement for own funds and eligible liabilities (MREL) that the banks must meet.

In April the Swedish National Debt Office proposed a calculation method for MREL and which instruments banks can use to meet MREL. According to the proposal, Swedbank would have to have MREL compatible liabilities equivalent to its total capital requirement. From 2018, when the Swedish National Debt Office is proposing that MREL take effect, senior unsecured debt will be considered MREL compatible liabilities. Swedbank currently meets this requirement. The Swedish National Debt Office has proposed, however, that all or part of the banks' MREL compatible liabilities should, in due course, be subordinated to other liabilities. The Swedish National Debt Office intends to publish further information on subordination of debt in early 2017.

Work on capital requirements is also being done at an international level. The Basel Committee, among others, is trying to improve the comparability of banks' capital ratios. This includes revisions to the standardised approach for calculating capital requirements for credit, market and operational risks, limits on the banks' opportunities to use internal models for credit risk, and the possibility of a capital floor for banks that use internal models. Owing to uncertainty about the new requirements and how and when they will be

implemented, it is still too early to draw any conclusions about the possible impact on Swedbank. With robust profitability and strong capitalisation, Swedbank is well positioned to meet future changes in capital requirements.

Leverage ratios are being evaluated internationally as well, ahead of the possible introduction of a minimum requirement in 2018. Swedbank's leverage ratio as of 30 June 2016 was 4.2 per cent (4.4 per cent as of 31 March 2016).

Other events

On 22 April the Board of Directors of Swedbank appointed Birgitte Bonnesen as President and CEO of Swedbank. She had previously served as Acting CEO and Head of Swedish Banking.

On 29 April Elisabeth Beskow and Ola Laurin were appointed co-Heads of the Large Corporates & Institutions business area. Both are members of the Group Executive Committee and report to CEO Birgitte Bonnesen.

On 30 May Swedbank announced the formation of a new unit for Digital Banking that will be responsible for digital sales support, development and innovation. It also announced that the product organisation Group Products will be replaced by two product areas: Group Savings and Group Lending & Payments. A new Group function called the CEO Office was established as well to support the CEO in strengthening customer and employee satisfaction and to clarify the strategy and way forward. In addition, a number of management changes were presented. The new Group Executive Committee consists of:

- Birgitte Bonnesen, President and Chief Executive Officer
- Girts Bērziņš, acting co-Head of Digital Banking
- Elisabeth Beskow, co-Head of Large Corporates & Institutions
- Mikael Björknert, Chief Strategy Officer and Head of CEO Office
- Lars-Erik Danielsson, Chief Credit Officer (reporting to the Chief Risk Officer)
- Anders Ekedahl, Head of Group IT
- Björn Elfstrand, Head of Group Savings
- Lars Friberg, Head of Group HR
- Cecilia Hernqvist, Chief Compliance Officer
- Anders Karlsson, Chief Financial Officer
- Leif Karlsson, Head of Group Lending & Payments
- Ola Laurin, co-Head of Large Corporates & Institutions
- Lotta Lovén, acting co-Head of Digital Banking
- Helo Meigas, Chief Risk Officer
- Priit Perens, Head of Baltic Banking
- Christer Trägårdh, Head of Swedish Banking

Events after 30 June 2016

On 7 July the Norwegian media group Schibsted called off its acquisition of the property website Hemnet, which had been announced last December. The reason was the Swedish Competition Authority's opposition to the deal in its current form. Through Fastighetsbyrå, Swedbank owns 34 per cent of the shares in Hemnet with an option to acquire an additional 8 per cent. As a result of the cancelled deal, a capital gain for Swedbank of around SEK 500m is no longer anticipated in 2016.

Swedish Banking

- Strong growth in mortgage volumes increased net interest income
- Solid cost control and credit quality
- More digital solutions

Income statement

SEKm	Q2 2016	Q1 2016	%	Q2 2015	%	Jan-Jun 2016	Jan-Jun 2015	%
Net interest income	3 592	3 481	3	3 284	9	7 073	6 477	9
Net commission income	1 718	1 618	6	1 934	-11	3 336	3 704	-10
Net gains and losses on financial items at fair value	106	75	41	63	68	181	117	55
Share of profit or loss of associates	271	190	43	228	19	461	506	-9
Other income	207	162	28	182	14	369	410	-10
Total income	5 894	5 526	7	5 691	4	11 420	11 214	2
Staff costs	825	861	-4	887	-7	1 686	1 810	-7
Variable staff costs	37	23	61	35	6	60	89	-33
Other expenses	1 574	1 519	4	1 561	1	3 093	3 123	-1
Depreciation/amortisation	25	25		27	-7	50	55	-9
Total expenses	2 461	2 428	1	2 510	-2	4 889	5 077	-4
Profit before impairments	3 433	3 098	11	3 181	8	6 531	6 137	6
Credit impairments	-35	-13		48		-48	100	
Operating profit	3 468	3 111	11	3 133	11	6 579	6 037	9
Tax expense	765	681	12	675	13	1 446	1 280	13
Profit for the period	2 703	2 430	11	2 458	10	5 133	4 757	8
Profit for the period attributable to the shareholders of Swedbank AB	2 699	2 427	11	2 454	10	5 126	4 749	8
Non-controlling interests	4	3	33	4		7	8	-13
Return on allocated equity, % ¹⁾	20.4	19.1		18.9		19.7	18.4	
Loan/deposit ratio, %	229	238		246		229	246	
Credit impairment ratio, % ²⁾	-0.01	0.00		0.02		-0.01	0.02	
Cost/income ratio	0.42	0.44		0.44		0.43	0.45	
Loans, SEKbn	1 096	1 079	2	1 052	4	1 096	1 052	4
Deposits, SEKbn	479	454	6	428	12	479	428	12
Full-time employees	4 318	4 378	-1	4 671	-8	4 318	4 671	-8

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

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

Result

Second quarter 2016 compared with first quarter 2016

Profit increased by 11 per cent, from SEK 2 427m to SEK 2 699m, thanks to higher net interest income and net commission income.

Net interest income rose to SEK 3 592m (3 481) due to increased lending and deposit volumes as well as higher mortgage margins. This was partly offset by lower market interest rates, which adversely affected deposit margins.

Household mortgage volume within Swedish Banking amounted to SEK 687bn as of 30 June, up 2 per cent. The increase was driven by higher property sales and additional loans. As of 31 May the share of the year's net mortgage growth was 19 per cent and the total market share was stable at 24.5 per cent (24.7 per cent as of 31 December 2015).

Lending to corporates amounted to SEK 275bn (274), of which SEK 127bn consisted of loans to property management companies. The market share, including corporate lending within Large Corporates & Institutions, was unchanged at 18.6 per cent in May (18.6 per cent as of 31 December 2015).

Household deposit volume increased by SEK 15bn during the quarter, partly as a result of a tax refund in June. Swedbank's share of household deposits was 20.8 per cent as of 31 May (20.8 per cent as of 31 December 2015).

Corporate deposits within Swedish Banking increased by SEK 10bn during the period, partly as a result of increased volumes from the public sector. Swedbank's market share, including corporate lending within Large Corporates & Institutions, rose to 20.7 per cent as of 31 May (19.3 per cent as of 31 December 2015).

Net commission income increased by 6 per cent, mainly due to increased card commissions, income from asset management and lending commissions, and increased real estate brokerage income. The net flow for funds was negative, with outflows from equity and fixed income funds while mixed funds reported inflows.

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

Total expenses increased, with higher expenses to compensate the savings banks for brokered loans and internally purchased services from other units accounting for most of the increase. Staff costs continue to decrease as a result of fewer full-time positions.

Net recoveries of SEK 35m were recognised during the second quarter, compared with net recoveries of SEK 13m in the first quarter.

January-June 2016 compared with January-June 2015

The profit for the period increased by 8 per cent, from SEK 4 749m to SEK 5 126m, due to increased income, lower expenses and credit impairments.

Net interest income increased by 9 per cent mainly through higher deposit volumes and mortgage margins. This was partly offset by lower deposit margins.

Net commission income decreased by 10 per cent, mainly due to lower asset management income, which was affected by reduced fund fees and negative market performance. Income from equity trading and structured products decreased, partly offset by higher card and payment commissions resulting from higher volumes.

The share of associates' profit fell, mainly due to one-off income related to Entercard and Sparbanken Skåne in the first half of 2015. Other income was lower than in the previous year, which was positively affected by one-off income from a property sale and the sale of Svensk Fastighetsförmedling.

Expenses decreased during the period, mainly related to staff costs and expenses for IT management as a result of the merger with Sparbanken Öresund.

Net recoveries of SEK 48m were recognised during the period. In the same period of 2015 credit impairments of SEK 100m were recognised.

Business development

During the quarter Swedish Banking introduced a new regional organisation with five regions instead of six to better harmonise how they work. This is necessary to improve efficiency and meet the changing needs of customers, who are managing more of their finances through the bank's digital channels and customer centre. To accommodate this trend, we also launched 24-hour service in the Telephone Bank during the quarter and continued to develop our digital offering.

A beta version of the new Internet Bank for businesses has been made available to a limited group of customers. Several new digital functions have been added. Among other things, a simple way for mortgage borrowers to apply for a loan commitment digitally. We also launched e-signatures, where private customers can speed up the process by signing contracts electronically as well as store contracts and terms in the Internet Bank.

In the savings area we rolled out a broad-based advertising campaign during the period to promote pension savings. Swedbank also started a collaboration with SprinkleBit, a social networking platform for stock investing, which will be presented to customers during the second half-year.

In the area of lending we continue to work with sustainable lending. Our existing internal guidelines were already largely aligned with the mortgage amortisation rules that took effect on 1 June. The emphasis on consumer credit finance will continue. During the quarter the focus was mainly on car loans and loan consolidations in order to offer customers better terms. On the corporate side the product range is continuously being adapted to a market with negative interest rates. Work is also underway to shorten lead times through a simplified loan process mainly for small and medium-sized companies.



Christer Trägårdh
Head of Swedish Banking

Sweden is Swedbank's largest market, with around 4 million private customers and more than 250 000 corporate customers. This makes it Sweden's largest bank by number of customers. Through our digital channels (Internet Bank and Mobile Bank), the Telephone Bank and branches, and with the cooperation of savings banks and franchisees, we are always available. Swedbank is part of the community. Branch managers have a strong mandate to act in their local communities. The bank's presence and engagement are expressed in various ways. A project called "Young Jobs", which has created several thousand trainee positions for young people, has played an important part in recent years. Swedbank has 266 branches in Sweden.

Baltic Banking

- Increased lending strengthened net interest income
- Higher customer activity contributed to improved net commission income
- Improved functionality in our digital channels

Income statement

SEKm	Q2 2016	Q1 2016	%	Q2 2015	%	Jan-Jun 2016	Jan-Jun 2015	%
Net interest income	954	934	2	865	10	1 888	1 696	11
Net commission income	498	483	3	524	-5	981	993	-1
Net gains and losses on financial items at fair value	53	46	15	45	18	99	95	4
Other income	128	119	8	102	25	247	251	-2
Total income	1 633	1 582	3	1 536	6	3 215	3 035	6
Staff costs	225	208	8	209	8	433	419	3
Variable staff costs	15	20	-25	18	-17	35	37	-5
Other expenses	351	331	6	348	1	682	694	-2
Depreciation/amortisation	28	30	-7	34	-18	58	72	-19
Total expenses	619	589	5	609	2	1 208	1 222	-1
Profit before impairments	1 014	993	2	927	9	2 007	1 813	11
Impairment of tangible assets				1			-1	
Credit impairments	50	-42		-49		8	-58	
Operating profit	964	1 035	-7	975	-1	1 999	1 872	7
Tax expense	127	138	-8	1 064	-88	265	1 195	-78
Profit for the period	837	897	-7	-89		1 734	677	
Profit for the period attributable to the shareholders of Swedbank AB	837	897	-7	-89		1 734	677	
Return on allocated equity, % ¹⁾	16.7	17.8		-1.8		17.1	6.7	
Loan/deposit ratio, %	85	86		92		85	92	
Credit impairment ratio, % ²⁾	0.16	-0.13		-0.16		0.01	-0.09	
Cost/income ratio	0.38	0.37		0.40		0.38	0.40	
Loans, SEKbn	136	127	7	126	8	136	126	8
Deposits, SEKbn	159	147	8	138	15	159	138	15
Full-time employees	3 962	3 873	2	3 841	3	3 962	3 841	3

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

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

Result

Second quarter 2016 compared with first quarter 2016

Profit fell by 7 per cent to SEK 837m (897). The decrease is mainly due to higher expenses and credit impairments, while income rose.

Net interest income increased by 2 per cent in local currency due to higher lending volumes, while lending margins were stable. Lending volumes increased by 5 per cent in local currency with a positive trend in all three Baltic countries. Corporate lending increased by 1 per cent, while lending to private customers gained 9 per cent supported by the acquisition of Danske Bank's retail banking business in Latvia and Lithuania. Deposits increased by 6 per cent in local currency.

Net commission income increased by 3 per cent in local currency due to higher payment and card commissions driven by seasonally higher customer activity.

Net gains and losses on financial items at fair value rose by 17 per cent in local currency as a result of higher FX trading activity.

Other income rose by 7 per cent in local currency due to higher insurance-related income.

Total expenses increased by 5 per cent in local currency largely due to higher staff costs and marketing expenses as well as a VAT refund in Lithuania in the previous quarter.

Credit impairments amounted to SEK 50m (-42). Estonia reported credit impairments of SEK 57m related to a single commitment, while Latvia's losses were minor at SEK 2m. Lithuania reported net recoveries of SEK 9m. Underlying credit quality remained stable.

January-June 2016 compared with January-June 2015

Profit increased by SEK 1 057m, mostly due to higher tax expenses resulting from an extra dividend from the Estonian sub-group in the previous year. Changes in exchange rates reduced the profit for the period by SEK 21m.

Net interest income in local currency rose by 12 per cent. The increase is due to higher lending volumes, including in consumer finance, lower deposit guarantee fees and somewhat higher margins on mortgages. To offset the impact of negative interest rates, base rate floors are applied. Exchange rate changes reduced net interest income for the period by SEK 12m. Lending volumes increased by 5 per cent in local currency. Increases were reported in all three Baltic countries. Deposit volumes grew by 13 per cent in local currency.

Net commission income in local currency was largely stable. Higher customer activity strengthened payment commissions. The number of card purchases rose by 11 per cent. At the same time net commission income was negatively affected by the new regulation on card interchange fees. Asset management commissions fell due to lower management fees for mandatory pension funds.

Net gains and losses on financial items at fair value increased by 6 per cent in local currency.

Other income fell by 1 per cent in local currency, driven by lower insurance-related income.

Total expenses were largely stable in local currency. Lower expenses for IT and premises and the VAT refund in Lithuania in the first quarter were offset by higher staff costs, which rose due to annual salary revisions.

Credit impairments amounted to SEK 8m, compared with net recoveries of SEK 58m in the first half of 2015.

Business development

Baltic Banking continued to show solid performance in the second quarter. The transfer of products and services to Swedbank from Danske Bank's retail business in Latvia and Lithuania was successfully completed in early June. We welcome these new customers to Swedbank.

During the quarter we continued to improve functionality for private and corporate customers in our digital channels. Our private customers appreciate the new function that allows them to make bank transfers directly from credit card accounts. Our customers in Latvia have been using the new Internet Bank since early June (Estonia and Lithuania will follow this autumn). Another new feature is that PIN codes for new cards can now be delivered through the Internet Bank.

We are taking the next steps in developing Swedbank's mobile banking functionality. Private customers can now check all their card details as well as change card limits and block cards in the mobile app.

Corporate customers are being offered new credit cards with more flexible payment terms, and the first contactless card terminals were launched. Moreover, Swedbank has begun offering customers new portable payment terminals for smartphones that make it easier and less expensive for small businesses to accept card payments.

According to an independent survey conducted by TNS Emor, Swedbank is one of the most favourite brands in the Baltic countries together with Google, Facebook, and Maxima. Swedbank is the only brand in the financial sector to rank among the ten most favourite in all three Baltic countries.



Priit Perens
Head of Baltic Banking

Swedbank is the largest bank by number of customers in Estonia, Latvia and Lithuania, with around 4 million private customers and over a quarter million corporate customers. According to surveys, Swedbank is also the most respected company in the financial sector. Through its digital channels (Telephone Bank, Internet Bank and Mobile Bank) and branches, the bank is always available. Swedbank is part of the local community. Its local social engagement is expressed in many ways, with initiatives to promote education, entrepreneurship and social welfare. Swedbank has 35 branches in Estonia, 41 in Latvia and 67 in Lithuania. The various product areas are described on page 19.

Large Corporates & Institutions

- Increased net interest income due to higher volumes and lending margins
- Higher activity strengthened net commission income
- Provisions in the oil-related credit portfolio

Income statement

SEKm	Q2 2016	Q1 2016	%	Q2 2015	%	Jan-Jun 2016	Jan-Jun 2015	%
Net interest income	827	764	8	859	-4	1 591	1 718	-7
Net commission income	610	498	22	485	26	1 108	977	13
Net gains and losses on financial items at fair value	545	403	35	577	-6	948	1 163	-18
Other income	21	25	-16	36	-42	46	71	-35
Total income	2 003	1 690	19	1 957	2	3 693	3 929	-6
Staff costs	357	356	0	362	-1	713	720	-1
Variable staff costs	58	52	12	72	-19	110	154	-29
Other expenses	430	385	12	381	13	815	792	3
Depreciation/amortisation	15	14	7	17	-12	29	33	-12
Total expenses	860	807	7	832	3	1 667	1 699	-2
Profit before impairments	1 143	883	29	1 125	2	2 026	2 230	-9
Impairment of tangible assets	1	6	-83			7		
Credit impairments	545	97		7		642	23	
Operating profit	597	780	-23	1 118	-47	1 377	2 207	-38
Tax expense	103	63	63	20		166	269	-38
Profit for the period	494	717	-31	1 098	-55	1 211	1 938	-38
Profit for the period attributable to the shareholders of Swedbank AB	494	717	-31	1 098	-55	1 211	1 938	-38
Return on allocated equity, % ¹⁾	10.1	15.1		21.2		12.5	19.2	
Loan/deposit ratio, %	149	132		171		149	171	
Credit impairment ratio, % ²⁾	0.66	0.15		0.01		0.51	0.02	
Cost/income ratio	0.43	0.48		0.43		0.45	0.43	
Loans, SEKbn	188	180	4	180	4	188	180	4
Deposits, SEKbn	126	137	-8	106	19	126	106	19
Full-time employees	1 253	1 241	1	1 229	2	1 253	1 229	2

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

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

Result

Second quarter 2016 compared with first quarter 2016

Profit for the second quarter 2016 decreased by 31 per cent to SEK 494m (717) compared with the first quarter 2016. Higher income was offset by increased expenses and credit impairments.

Net interest income increased by 8 per cent, mainly due to higher lending volumes and improved lending margins. Underlying credit demand remained low, as did overall activity. Lending volumes increased by 4 per cent, driven by changes in exchange rates and transaction-related activity. Margins on the loan portfolio increased somewhat. Changes in exchange rates positively affected volumes by SEK 2.6bn. Deposit margins were stable, while deposit volumes decreased by 8 per cent, mainly due to lower deposits from financial institutions. Swedbank still only charges financial institutions for deposits in a few currencies.

Net commission income increased by 22 per cent. The increase mainly related to higher activity in corporate finance, where Swedbank served as an advisor and guarantor for several major IPOs. The market for low-rated Norwegian corporate bond issues has remained sluggish in the wake of low oil prices and dampened investment in the sector. Card income decreased. The reason is that renegotiations with customers after Visa

and MasterCard reduced their fees led to lower prices. The lower fees had positively affected card income in the first quarter.

Net gains and losses on financial items at fair value rose to SEK 545m (403), an increase of 35 per cent. Volatility in the stock market was a favourable factor, as were lower credit spreads. The FX market also saw major fluctuations, which caused corporate customers in particular to become more active in their currency hedging.

Compared with the previous quarter total expenses increased by 7 per cent, mainly due to increased expenses for IT development.

Credit impairments amounted to SEK 545m (97) in the second quarter, corresponding to a credit impairment ratio of 0.66 per cent. The credit impairments were primarily attributable to increased provisions for exposures in oil-related sectors. The investment level in the oil sector is expected to remain low for an extended period. Companies in offshore and other oil-related sectors continue to take measures to manage this situation. Swedbank closely dialogues with customers in oil-related sectors, which mainly consist of listed companies with relatively long-term customer contracts.

January-June 2016 compared with January-June 2015

Profit decreased by 38 per cent year-on-year, mainly due to lower net gains and losses on financial items and slightly lower net interest income, at the same time that credit impairments increased.

Net interest income decreased by 7 per cent to SEK 1 591m. Lending volume was 4 per cent higher, while margins in the loan portfolio declined. Changes in exchange rates positively affected volume by SEK 1bn. Net interest income related to deposits increased after financial institutions started getting charged for negative interest rates in the second quarter 2015, at the same time that deposit volumes rose by 19 per cent.

Net commission income increased by 13 per cent to SEK 1 108m. Card income has risen due to lower fees for Visa and MasterCard. Swedbank's market share of Swedish bond issues in SEK was 21 per cent (26 per cent in 2015) and in Norway in NOK was 10 per cent (16 per cent in 2015). This made Swedbank the second largest issuer in Sweden and the fourth largest in Norway. Income from bond issues decreased, partly due to low activity in Norway, while M&A activity remained high.

Net gains and losses on financial items at fair value decreased to SEK 215m, down 18 per cent. The main reason was that increased counterparty risk led to negative credit valuation adjustments (CVA) on derivative exposures to oil-related customers.

Total expenses decreased by 2 per cent compared with the same period in 2015, mainly due to lower variable staff costs.

Credit impairments amounted to SEK 642m, compared with SEK 23m in the first half of 2015. The impairments were primarily attributable to increased provisions for exposures to oil-related sectors. Large Corporates & Institutions share of impaired loans was 0.46 per cent.

Business development

At the end of the second quarter the focus was on Brexit. In June the market was volatile in response to opinion polls without a clear trend. Customers were more cautious than expected, which indicates that they had taken action ahead of the referendum. Uncertainty about future developments remains, which could affect customer activity going forward.

During the second quarter we continued to develop our customer service model for large corporates, which has resulted in a clearer segmentation based on customers' changing needs. Since Large Corporates & Institutions was established in 2010, the number of customers has grown quickly and the business area today has a broad customer base. By adapting the service model, we are now creating better opportunities to meet our customers' needs based on their businesses and the products they want. The current focus is on the practical implementation of the new service model.

During the quarter TNS Sifo Prospera published its annual customer satisfaction survey of issuers in debt capital markets. We are pleased that Swedbank ranked first in overall performance among issuers in Sweden and the Nordic region as a whole.

M&A's performance in Norway was also positive during the first half-year, and Swedbank shared first place in terms of number of deals completed.



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

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

Group Functions & Other

Income statement

SEKm	Q2 2016	Q1 2016	%	Q2 2015	%	Jan-Jun 2016	Jan-Jun 2015	%
Net interest income	359	444	-19	696	-48	803	1 532	-48
Net commission income	-36	39		-121	-70	3	-126	
Net gains and losses on financial items at fair value	169	-120		-601		49	-972	
Share of profit or loss of associates	1 658	1				1 659	1	
Other income	230	177	30	189	22	407	377	8
Total income	2 380	541		163		2 921	812	
Staff costs	746	749	0	745	0	1 495	1 488	0
Variable staff costs	51	37	38	47	9	88	130	-32
Other expenses	-764	-674	13	-758	1	-1 438	-1 535	6
Depreciation/amortisation	87	85	2	94	-7	172	191	-10
Total expenses	120	197	-39	128	-6	317	274	16
Profit before impairments	2 260	344		35		2 604	538	
Impairment of tangible assets		2		21		2	38	-95
Credit impairments	-22	-7				-29		
Operating profit	2 282	349		14		2 631	500	
Tax expense	42	79	-47	-221		121	-105	
Profit for the period from continuing operations	2 240	270		235		2 510	605	
Profit for the period from discontinued operations, after tax				-32			17	
Profit for the period	2 240	270		203		2 510	622	
Profit for the period attributable to the shareholders of Swedbank AB	2 240	270		203		2 510	622	
Non-controlling interests								
Full-time employees	4 514	4 402	3	4 283	5	4 514	4 283	5

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

Second quarter 2016 compared with first quarter 2016

Profit for continuing operations improved to SEK 2 240m during the quarter (270), mainly due to a higher profit within Group Treasury. The profit for Group Treasury increased to SEK 2 178m (257).

Net interest income decreased to SEK 359m (444). This is mainly due to Group Treasury, where net interest income fell to SEK 387m (453). The decrease is largely due to earlier positions that have matured, that had generated positive returns.

Net gains and losses on financial items at fair value improved to SEK 169m (-120). Net gains and losses on financial items within Group Treasury improved to SEK 166m (-110), of which SEK 457m related to the sale of Visa Europe. Excluding this effect, net gains and losses on financial items fell due to the repurchase of a higher volume of covered bonds during the quarter.

The share of profit or loss of associates increased to SEK 1 658m (1) due to the sale of Visa Europe.

Expenses decreased, which was mainly a result of lower IT and other expenses.

Impairment of intangible assets amounted to SEK 0m (0). Impairment of tangible assets fell to SEK 0m (2).

January-June 2016 compared with January-June 2015

The profit for continuing operations improved to SEK 2 510 during the quarter (605), mainly due to a higher profit within Group Treasury. The profit for Group Treasury increased to SEK 2 435m (627).

Net interest income fell to SEK 803m (1 532), of which Group Treasury's net interest income amounted to SEK 840m (1 565). The decrease is mainly due to previously taken positions that have matured and lower income from the bank's liquidity portfolio.

Net gains and losses on financial items at fair value improved to SEK 49m (-972) due to a lower volume of covered bond repurchases, tighter credit spreads and the sale of Visa Europe. The share of profit or loss of associates increased to SEK 1 658m (1), which is explained by the sale of Visa Europe.

Expenses increased somewhat, mainly due to higher expenses for IT and other expenses.

Impairment of intangible assets amounted to SEK 0m (0). Impairment of tangible assets decreased to SEK 2m (38).

The profit for discontinued operations amounted to SEK 0m (17).

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

Eliminations

Income statement

SEKm	Q2 2016	Q1 2016	%	Q2 2015	%	Jan-Jun 2016	Jan-Jun 2015	%
Net interest income								
Net commission income	5	7	-29	20	-75	12	38	-68
Net gains and losses on financial items at fair value	4	-4		-2			-1	
Other income	-49	-36	-36	-50	2	-85	-94	10
Total income	-40	-33	-21	-32	25	-73	-57	-28
Staff costs		1				1		
Variable staff costs								
Other expenses	-40	-34	-18	-32	25	-74	-57	-30
Depreciation/amortisation								
Total expenses	-40	-33	-21	-32	25	-73	-57	-28

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

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

Income statement, condensed

Group SEKm	Q2 2016	Q1 2016	%	Q2 2015	%	Jan-Jun 2016	Jan-Jun 2015	%
Interest income	7 894	8 431	-6	8 819	-10	16 325	18 235	-10
Interest expenses	-2 162	-2 808	-23	-3 115	-31	-4 970	-6 812	-27
Net interest income (note 5)	5 732	5 623	2	5 704	0	11 355	11 423	-1
Commission income	4 011	3 683	9	4 240	-5	7 694	8 274	-7
Commission expenses	-1 216	-1 038	17	-1 398	-13	-2 254	-2 688	-16
Net commission income (note 6)	2 795	2 645	6	2 842	-2	5 440	5 586	-3
Net gains and losses on financial items at fair value (note 7)	877	400		82		1 277	402	
Insurance premiums	549	505	9	504	9	1 054	1 031	2
Insurance provisions	-346	-348	-1	-337	3	-694	-679	2
Net insurance	203	157	29	167	22	360	352	2
Share of profit or loss of associates	1 929	191		228		2 120	507	
Other income	334	290	15	292	14	624	663	-6
Total income	11 870	9 306	28	9 315	27	21 176	18 933	12
Staff costs	2 314	2 307	0	2 375	-3	4 621	4 847	-5
Other expenses (note 8)	1 551	1 527	2	1 500	3	3 078	3 017	2
Depreciation/amortisation	155	154	1	172	-10	309	351	-12
Total expenses	4 020	3 988	1	4 047	-1	8 008	8 215	-3
Profit before impairments	7 850	5 318	48	5 268	49	13 168	10 718	23
Impairment of tangible assets	1	8	-88	22	-95	9	37	-76
Credit impairments (note 9)	538	35		6		573	65	
Operating profit	7 311	5 275	39	5 240	40	12 586	10 616	19
Tax expense	1 037	961	8	1 538	-33	1 998	2 639	-24
Profit for the period from continuing operations	6 274	4 314	45	3 702	69	10 588	7 977	33
Profit for the period from discontinued operations, after tax				-32			17	
Profit for the period	6 274	4 314	45	3 670	71	10 588	7 994	32
Profit for the period attributable to the shareholders of Swedbank AB	6 270	4 311	45	3 666	71	10 581	7 986	32
of which profit for the period from continuing operations	6 270	4 311	45	3 698	70	10 581	7 969	33
of which profit for the period from discontinued operations				-32			17	
Non-controlling interests	4	3	33	4	0	7	8	-13
of which profit for the period from continuing operations	4	3	33	4	0	7	8	-13
SEK								
Earnings per share, continuing operations, SEK	5.65	3.89		3.34		9.54	7.21	
after dilution	5.62	3.87		3.32		9.49	7.16	
Earnings per share, total operations, SEK	5.65	3.89		3.32		9.54	7.23	
after dilution	5.62	3.87		3.30		9.49	7.18	

Statement of comprehensive income, condensed

Group SEKm	Q2 2016	Q1 2016	%	Q2 2015	%	Jan-Jun 2016	Jan-Jun 2015	%
Profit for the period reported via income statement	6 274	4 314	45	3 670	71	10 588	7 994	32
Items that will not be reclassified to the income statement								
Remeasurements of defined benefit pension plans	-1 762	-2 355	-25	4 192		-4 117	1 742	
Share related to associates	-58	-60	-3	122		-118	49	
Income tax	401	531	-24	-949		932	-394	
Total	-1 419	-1 884	-25	3 365		-3 303	1 397	
Items that may be reclassified to the income statement								
Exchange differences, foreign operations								
Gains/losses arising during the period	853	275		-257		1 128	-1 327	
Reclassification adjustments to income statement, profit for the period from discontinued operation								
Hedging of net investments in foreign operations:								
Gains/losses arising during the period	-666	-242		242		-908	1 081	
Reclassification adjustments to income statement, profit for the period from discontinued operations								
Cash flow hedges:								
Gains/losses arising during the period	-22	81		36		59	148	-60
Reclassification adjustments to income statement, net interest income	5	4	25	-3		9		
Reclassification adjustments to income statement, net gains and losses on financial items at fair value								
-Reclassification adjustment to initial carrying amount of hedged item								
Share of other comprehensive income of associates	44	30	47	-24		74		
Income tax								
Income tax	152	36		-64		188	-272	
Reclassification adjustments to income statement, tax	-1	-1	0	1		-2		
Reclassification adjustments to income statement, profit for the period from discontinued operations								
Total	365	183	99	-69		548	-370	
Other comprehensive income for the period, net of tax	-1 054	-1 701	-38	3 296		-2 755	1 027	
Total comprehensive income for the period	5 220	2 613	100	6 966	-25	7 833	9 021	-13
Total comprehensive income attributable to the shareholders of Swedbank AB	5 216	2 610	100	6 962	-25	7 826	9 012	-13
Non-controlling interests	4	3	33	4	0	7	9	-22

For 2016 an expense of SEK 3 303m (-1 397) was recognised in other comprehensive income after tax, including remeasurements of defined benefit pension plans in associates. The 2016 expense arose primarily because market interest rates fell from the beginning of the year. As of 30 June the discount rate, which is used to calculate the closing pension obligation, was 2.49 per cent, compared with 3.53 per cent at the beginning of the year. The market's future inflation expectations were unchanged compared with the beginning of the year. The inflation assumption was 1.62%. The market value of assets under management decreased by SEK 746m during the first half year. As a whole, the obligation for defined benefit pension plans exceeded the market value of the assets under management by SEK 2 576m.

For 2016 an exchange difference of SEK 1 128m (-1 327) was recognised for the Group's foreign net investments in subsidiaries. In addition, an exchange rate difference of SEK 73m for the Group's foreign net investments in associates is included in Share related to associates. The gain related to subsidiaries mainly arose because the Swedish krona weakened against the euro. The total gain of SEK 1 201m is not taxable. Since the large part of the Group's foreign net investments is hedged against currency risk, a loss of SEK 908m before tax arose for the hedging instruments, compared with a year-earlier gain of SEK 1 081m.

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

Balance sheet, condensed

Group SEKm	30 Jun 2016	31 Dec 2015	Δ SEKm	%	30 Jun 2015	%
Assets						
Cash and balance with central banks	356 146	186 312	169 834	91	237 956	50
Loans to credit institutions (note 10)	129 696	86 418	43 278	50	102 613	26
Loans to the public (note 10)	1 511 090	1 413 955	97 135	7	1 426 815	6
Value change of interest hedged item in portfolio hedge	2 478	1 009	1 469		1 194	
Interest-bearing securities	160 236	165 162	-4 926	-3	210 604	-24
Financial assets for which customers bear the investment risk	146 885	153 442	-6 557	-4	155 387	-5
Shares and participating interests	19 432	11 074	8 358	75	10 365	87
Investments in associates	6 975	5 382	1 593	30	5 234	33
Derivatives (note 18)	99 314	86 107	13 207	15	95 640	4
Intangible fixed assets (note 14)	14 060	13 690	370	3	13 986	1
Investment properties		8	-8		70	
Tangible assets	1 929	1 981	-52	-3	2 199	-12
Current tax assets	3 139	1 662	1 477	89	1 444	
Deferred tax assets	180	192	-12	-6	184	-2
Pension assets		1 274	-1 274			
Other assets	19 081	14 677	4 404	30	28 688	-33
Prepaid expenses and accrued income	5 373	6 362	-989	-16	6 613	-19
Group of assets classified as held for sale		148	-148		207	
Total assets	2 476 014	2 148 855	327 159	15	2 299 199	8
Liabilities and equity						
Amounts owed to credit institutions (note 15)	166 872	150 493	16 379	11	148 685	12
Deposits and borrowings from the public (note 16)	955 794	748 271	207 523	28	816 255	17
Financial liabilities for which customers bear the investment risk	147 595	157 836	-10 241	-6	158 872	-7
Debt securities in issue (note 17)	915 707	826 535	89 172	11	846 428	8
Short positions, securities	16 757	8 191	8 566		33 716	-50
Derivatives (note 18)	82 900	68 681	14 219	21	75 903	9
Current tax liabilities	810	105	705		570	42
Deferred tax liabilities	2 142	3 071	-929	-30	2 299	-7
Pension provisions	2 576	17	2 559		644	
Insurance provisions	1 809	1 728	81	5	1 733	4
Other liabilities and provisions	28 672	22 715	5 957	26	61 411	-53
Accrued expenses and prepaid income	12 206	13 243	-1 037	-8	13 719	-11
Subordinated liabilities	22 702	24 613	-1 911	-8	24 829	-9
Liabilities directly associated with group of assets classified as held for sale		14	-14		12	
Total liabilities	2 356 542	2 025 513	331 029	16	2 185 076	8
Equity						
Non-controlling interests	181	179	2	1	174	4
Equity attributable to shareholders of the parent company	119 291	123 163	-3 872	-3	113 949	5
Total equity	119 472	123 342	-3 870	-3	114 123	5
Total liabilities and equity	2 476 014	2 148 855	327 159	15	2 299 199	8

Balance sheet analysis

Total assets increased by SEK 327bn from 1 January 2016. Assets increased mainly due to higher cash and balances with central banks, which rose by SEK 170bn. The increase is mainly attributable to higher deposits with the US Federal Reserve and central banks in the euro system. Deposits and borrowings from the public rose by a total of SEK 208bn, mainly volumes from US money market funds, which increased by SEK 146bn. Lending to credit institutions rose by SEK 43bn at the same time that amounts owed to them increased by SEK 16bn. Balance sheet items related to credit institutions fluctuate over time depending on repos, among other things. The market value of derivatives increased on both the asset and liability side, mainly due to large movements in interest rates and currencies. Excluding the National Debt Office and repos, lending volumes increased by SEK 49bn. The increase primarily relate to Sweden. SEK 21bn of the increase is attributable to mortgages in Sweden. The increase in securities in issue was mainly a result of higher issued volumes compared with repaid short-term securities funding of SEK 57 bn and higher issued volumes compared with repaid long-term securities funding of SEK 35bn.

Investments in associate increased by SEK 1 658m due to that the associate VISA Sweden sold its share in VISA Europe to VISA Inc. See also page 5.

Statement of changes in equity, condensed

Group SEKm	Shareholders' equity					Non-controlling interests		Total equity	
	Share capital	Other contributed equity ¹⁾	Exchange differences, subsidiaries and associates	Hedging of net investments in foreign operations	Cash flow hedges	Retained earnings	Total		
January-June 2015									
Opening balance 1 January 2015	24 904	17 275	2 564	-1 801	-105	74 366	117 203	170	117 373
Dividends						-12 539	-12 539	-5	-12 544
Share based payments to employees						227	227		227
Deferred tax related to share based payments to employees						-42	-42		-42
Current tax related to share based payments to employees						63	63		63
Disposal of own shares for trading purposes						33	33		33
Acquired non-controlling interest						-8	-8		-8
Total comprehensive income for the period			-1 328	841	116	9 383	9 012	9	9 021
of which reported through profit or loss						7 986	7 986	8	7 994
of which reported through other comprehensive income			-1 328	841	116	1 397	1 026	1	1 027
Closing balance 30 June 2015	24 904	17 275	1 236	-960	11	71 483	113 949	174	114 123
January-December 2015									
Opening balance 1 January 2015	24 904	17 275	2 564	-1 801	-105	74 366	117 203	170	117 373
Dividends						-12 539	-12 539	-5	-12 544
Share based payments to employees						413	413		413
Deferred tax related to share based payments to employees						-42	-42		-42
Current tax related to share based payments						63	63		63
Disposal of own shares for trading purposes						33	33		33
Acquired non-controlling interest						-8	-8		-8
Associates' acquisition of non-controlling interest						-7	-7		-7
Total comprehensive income for the period			-1 728	1 097	122	18 556	18 047	14	18 061
of which reported through profit or loss						15 727	15 727	13	15 740
of which reported through other comprehensive income			-1 728	1 097	122	2 829	2 320	1	2 321
Closing balance 31 December 2015	24 904	17 275	836	-704	17	80 835	123 163	179	123 342
January-June 2016									
Opening balance 1 January 2016	24 904	17 275	836	-704	17	80 835	123 163	179	123 342
Dividends						-11 880	-11 880	-5	-11 885
Share based payments to employees						208	208		208
Deferred tax related to share based payments to employees						-61	-61		-61
Current tax related to share based payments to employees						35	35		35
Total comprehensive income for the period			1 201	-707	54	7 278	7 826	7	7 833
of which reported through profit or loss						10 581	10 581	7	10 588
of which reported through other comprehensive income			1 201	-707	54	-3 303	-2 755		-2 755
Closing balance 30 June 2016	24 904	17 275	2 037	-1 411	71	76 415	119 291	181	119 472

¹⁾ Other contributed equity consists mainly of share premiums.

Cash flow statement, condensed

Group SEKm	Jan-Jun 2016	Full-year 2015	Jan-Jun 2015
Operating activities			
Operating profit	12 586	20 371	10 616
Profit for the period from discontinued operations		-6	17
Adjustments for non-cash items in operating activities	-17	74	-379
Taxes paid	-3 479	-4 660	-2 707
Increase/decrease in loans to credit institutions	-43 163	27 173	10 968
Increase/decrease in loans to the public	-94 526	-17 976	-27 201
Increase/decrease in holdings of securities for trading	-3 252	4 820	-41 680
Increase/decrease in deposits and borrowings from the public including retail bonds	203 096	76 381	143 373
Increase/decrease in amounts owed to credit institutions	15 624	-19 342	-21 588
Increase/decrease in other assets	-16 034	30 492	11 888
Increase/decrease in other liabilities	32 404	-46 395	22 986
Cash flow from operating activities	103 239	70 932	106 293
Investing activities			
Business disposals		245	245
Acquisitions of and contributions to associates		-10	-10
Acquisitions of other fixed assets and strategic financial assets	252	-3 021	-211
Disposals/maturity of other fixed assets and strategic financial assets	31	516	526
Cash flow from investing activities	283	-2 270	550
Financing activities			
Issuance of interest-bearing securities	104 295	229 220	133 237
Redemption of interest-bearing securities	-85 169	-132 963	-70 551
Issuance of commercial paper etc.	463 413	941 257	396 982
Redemption of commercial paper etc.	-405 793	-1 019 742	-428 764
Dividends paid	-11 885	-12 544	-12 545
Cash flow from financing activities	64 861	5 228	18 359
Cash flow for the period	168 383	73 890	125 202
Cash and cash equivalents at the beginning of the period	186 312	113 768	113 768
Cash flow for the period	168 383	73 890	125 202
Exchange rate differences on cash and cash equivalents	1 451	-1 346	-1 014
Cash and cash equivalents at end of the period	356 146	186 312	237 956

Note 1 Accounting policies

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

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

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

Other IFRS changes

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

Note 2 Critical accounting estimates

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

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

Note 3 Changes in the Group structure

External

No significant changes to the Group structure occurred during the first half year 2016.

Note 4 Operating segments (business areas)

Jan-Jun 2016 SEKm	Swedish Banking	Baltic Banking	Large Corporates & Institutions	Group Functions & Other	Eliminations	Group
Income statement						
Net interest income	7 073	1 888	1 591	803		11 355
Net commission income	3 336	981	1 108	3	12	5 440
Net gains and losses on financial items at fair value	181	99	948	49		1 277
Share of profit or loss of associates	461			1 659		2 120
Other income	369	247	46	407	-85	984
Total income	11 420	3 215	3 693	2 921	-73	21 176
of which internal income	95		34	181	-310	
Staff costs	1 686	433	713	1 495	1	4 328
Variable staff costs	60	35	110	88		293
Other expenses	3 093	682	815	-1 438	-74	3 078
Depreciation/amortisation	50	58	29	172		309
Total expenses	4 889	1 208	1 667	317	-73	8 008
Profit before impairments	6 531	2 007	2 026	2 604	0	13 168
Impairment of tangible assets			7	2		9
Credit impairments	-48	8	642	-29		573
Operating profit	6 579	1 999	1 377	2 631		12 586
Tax expense	1 446	265	166	121		1 998
Profit for the period from continuing operations	5 133	1 734	1 211	2 510		10 588
Profit for the period from discontinued operations, after tax						
Profit for the period	5 133	1 734	1 211	2 510		10 588
Profit for the period attributable to the shareholders of Swedbank AB	5 126	1 734	1 211	2 510		10 581
Non-controlling interests	7					7
Balance sheet, SEKbn						
Cash and balances with central banks		3	4	349		356
Loans to credit institutions	39		326	60	-295	130
Loans to the public	1 097	136	273	5		1 511
Bonds and other interest-bearing securities		1	67	97	-5	160
Financial assets for which customers bear inv. risk	144	3				147
Investments in associates	3			4		7
Derivatives			107	51	-59	99
Total tangible and intangible assets	3	11		2		16
Other assets	4	27	39	697	-717	50
Total assets	1 290	181	816	1 265	-1 076	2 476
Amounts owed to credit institutions	59		200	111	-203	167
Deposits and borrowings from the public	484	159	141	177	-5	956
Debt securities in issue			18	906	-8	916
Financial liabilities for which customers bear inv. risk	145	3				148
Derivatives			110	32	-59	83
Other liabilities	546		326	-7	-801	64
Subordinated liabilities				23		23
Total liabilities	1 234	162	795	1 242	-1 076	2 357
Allocated equity	56	19	21	23		119
Total liabilities and equity	1 290	181	816	1 265	-1 076	2 476
Key figures						
Return on allocated equity, %	19.7	17.1	12.5	16.7		17.4
Cost/income ratio	0.43	0.38	0.45	0.11		0.38
Credit impairment ratio, %	-0.01	0.01	0.51	-0.27		0.08
Loan/deposit ratio, %	229	85	149			152
Loans, SEKbn	1 097	136	188			1 421
Deposits, SEKbn	479	159	126	172		936
Risk exposure amount, Basel 3, SEKbn	189	78	124	22		413
Full-time employees	4 318	3 962	1 253	4 514		14 047

Jan-Jun 2015 SEKm	Swedish Banking	Baltic Banking	Large Corporates & Institutions	Group Functions & Other	Eliminations	Group
Income statement						
Net interest income	6 477	1 696	1 718	1 532		11 423
Net commission income	3 704	993	977	-126	38	5 586
Net gains and losses on financial items at fair value	117	95	1 163	-972	-1	402
Share of profit or loss of associates	506			1		507
Other income	410	251	71	377	-94	1 015
Total income	11 214	3 035	3 929	812	-57	18 933
of which internal income	88		60	177	-325	
Staff costs	1 810	419	720	1 488		4 437
Variable staff costs	89	37	154	130		410
Other expenses	3 123	694	792	-1 535	-57	3 017
Depreciation/amortisation	55	72	33	191		351
Total expenses	5 077	1 222	1 699	274	-57	8 215
Profit before impairments	6 137	1 813	2 230	538		10 718
Impairment of tangible assets		-1		38		37
Credit impairments	100	-58	23			65
Operating profit	6 037	1 872	2 207	500		10 616
Tax expense	1 280	1 195	269	-105		2 639
Profit for the period from continuing operations	4 757	677	1 938	605		7 977
Profit for the period from discontinued operations, after tax				17		17
Profit for the period	4 757	677	1 938	622		7 994
Profit for the period attributable to the shareholders of Swedbank AB	4 749	677	1 938	622		7 986
Non-controlling interests	8					8
Balance sheet, SEKbn						
Cash and balances with central banks		2	5	231		238
Loans to credit institutions	44		312	186	-439	103
Loans to the public	1 052	126	249			1 427
Bonds and other interest-bearing securities		1	69	150	-9	211
Financial assets for which customers bear inv. risk	154	3			-2	155
Investments in associates	3			2		5
Derivatives			103	49	-56	96
Total tangible and intangible assets	3	11	0	2		16
Other assets	5	18	35	746	-756	48
Total assets	1 261	161	773	1 366	-1 262	2 299
Amounts owed to credit institutions	84		227	269	-431	149
Deposits and borrowings from the public	433	138	126	125	-6	816
Debt securities in issue	2		17	843	-16	846
Financial liabilities for which customers bear inv. risk	156	3				159
Derivatives			99	33	-56	76
Other liabilities	534		283	50	-753	114
Subordinated liabilities				25		25
Total liabilities	1 209	141	752	1 345	-1 262	2 185
Allocated equity	52	20	21	21		114
Total liabilities and equity	1 261	161	773	1 366	-1 262	2 299
Key figures						
Return on allocated equity, %	0.5	0.4	0.4	0.3		0.4
Cost/income ratio	0.02	-0.09	0.02	0.00		0.01
Credit impairment ratio, %	245.53	91.62	170.75	0.08		171.68
Loan/deposit ratio, %	1052	126	180			1358
Loans, SEKbn	428	138	106			791
Deposits, SEKbn	186	76	125	20		407
Risk exposure amount, Basel 3, SEKbn	186	76	125	20		407
Full-time employees	4 671	3 841	1 229	4 283		14 024

Operating segments' accounting policies

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

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

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

Note 5 Net interest income

Group SEKm	Q2 2016	Q1 2016	%	Q2 2015	%	Jan-Jun 2016	Jan-Jun 2015	%
Interest income								
Loans to credit institutions	31	62	-50	97	-68	93	180	-48
Loans to the public	7 627	7 684	-1	8 386	-9	15 311	17 199	-11
Interest-bearing securities	172	226	-24	361	-52	398	779	-49
Derivatives	226	432	-48	-145		658	-1	
Other	272	252	8	224	21	524	480	9
Total interest income	8 328	8 656	-4	8 923	-7	16 984	18 637	-9
of which interest income reported in net gains and losses on financial items at fair value	434	225	93	104		659	402	64
Interest income according to income statement	7 894	8 431	-6	8 819	-10	16 325	18 235	-10
Interest expenses								
Amounts owed to credit institutions	-122	-111	10	-83	47	-233	-148	57
Deposits and borrowings from the public	-331	-310	7	-333	-1	-641	-793	-19
of which deposit guarantee fees	-131	-124	6	-155	-15	-255	-310	-18
Debt securities in issue	-3 096	-3 104	0	-3 553	-13	-6 200	-7 427	-17
Subordinated liabilities	-228	-263	-13	-271	-16	-491	-492	0
Derivatives	1 784	1 155	54	1 309	36	2 939	2 369	24
Other	-164	-186	-12	-204	-20	-350	-392	-11
of which government stabilisation fund fee	-153	-169	-9	-185	-17	-322	-360	-11
Total interest expenses	-2 157	-2 819	-23	-3 135	-31	-4 976	-6 883	-28
of which interest income reported in net gains and losses on financial items at fair value	5	-11		-20		-6	-71	-92
Interest expense according to income statement	-2 162	-2 808	-23	-3 115	-31	-4 970	-6 812	-27
Net interest income	5 732	5 623	2	5 704	0	11 355	11 423	-1
Net interest margin	1.02	1.01		0.99		1.01	1.02	

Note 6 Net commission income

Group SEKm	Q2 2016	Q1 2016	%	Q2 2015	%	Jan-Jun 2016	Jan-Jun 2015	%
Commission income								
Payment processing	427	425	0	420	2	852	837	2
Card commissions	1 173	1 056	11	1 215	-3	2 229	2 275	-2
Service concepts	131	128	2	123	7	259	257	1
Asset management and custody fees	1 278	1 263	1	1 462	-13	2 541	2 923	-13
Life insurance	166	161	3	182	-9	327	337	-3
Brokerage and other securities	133	136	-2	197	-32	269	395	-32
Corporate finance	147	18		83	77	165	133	24
Lending	245	235	4	250	-2	480	519	-8
Guarantees	54	51	6	57	-5	105	117	-10
Deposits	31	35	-11	39	-21	66	83	-20
Real estate brokerage	70	46	52	71	-1	116	142	-18
Non-life insurance	16	14	14	18	-11	30	35	-14
Other commission income	140	115	22	123	14	255	221	15
Total commission income	4 011	3 683	9	4 240	-5	7 694	8 274	-7
Commission expenses								
Payment processing	-255	-239	7	-254	0	-494	-514	-4
Card commissions	-517	-403	28	-616	-16	-920	-1 109	-17
Service concepts	-4	-4	0	-4	0	-8	-8	0
Asset management and custody fees	-286	-278	3	-337	-15	-564	-663	-15
Life insurance	-45	-45	0	-51	-12	-90	-100	-10
Brokerage and other securities	-59	-16		-79	-25	-75	-150	-50
Lending and guarantees	-19	-19	0	-19	0	-38	-38	0
Non-life insurance	-3	-3	0	-3	0	-6	-5	20
Other commission expenses	-28	-31	-10	-35	-20	-59	-101	-42
Total commission expenses	-1 216	-1 038	17	-1 398	-13	-2 254	-2 688	-16
Total Net commission income	2 795	2 645	6	2 842	-2	5 440	5 586	-3

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

Group SEKm	Q2 2016	Q1 2016	%	Q2 2015	%	Jan-Jun 2016	Jan-Jun 2015	%
Valuation category, fair value through profit or loss								
Shares and share related derivatives	567	143		287	98	710	214	
of which dividend	47	-22		226	-79	25	310	-92
Interest-bearing securities and interest related derivatives	241	286	-16	155	55	527	373	41
Loans to the public	-375	-172		-1 137	-67	-547	-1 288	-58
Financial liabilities	30	-32		233	-87	-2	60	
Other financial instruments	-162	36		3		-126	9	
Total fair value through profit or loss	301	261	15	-459		562	-632	
Hedge accounting								
Ineffective part in hedge accounting at fair value	-87	-82	6	21		-169	-1	
of which hedging instruments	1 393	3 356	-58	-4 991		4 749	-3 546	
of which hedged items	-1 480	-3 438	-57	5 012		-4 918	3 545	
Ineffective part in hedging of net investments in foreign operations				-6			7	
Total hedge accounting	-87	-82	6	15		-169	6	
Loan receivables at amortised cost	42	33	27	34	24	75	80	-6
Financial liabilities valued at amortised cost	-181	-31		-21		-212	-21	
Trading related interest								
Interest income	435	225	93	104		660	402	64
Interest expense	5	-11		-20		-6	-71	-92
Total trading related interest	440	214		84		654	331	98
Change in exchange rates	362	5		429	-16	367	638	-42
Total net gains and losses on financial items at fair value	877	400		82		1 277	402	
Distribution by business purpose								
Financial instruments for trading related business	1 128	531		424		1 659	1 192	39
Financial instruments intended to be held to contractual maturity	-251	-131	92	-342	-27	-382	-790	-52
Total	877	400		82		1 277	402	

Note 8 Other expenses

Group SEKm	Q2 2016	Q1 2016	%	Q2 2015	%	Jan-Jun 2016	Jan-Jun 2015	%
Premises and rents	266	268	-1	271	-2	534	551	-3
IT expenses	424	449	-6	433	-2	873	882	-1
Telecommunications and postage	37	33	12	37	0	70	81	-14
Advertising, PR and marketing	72	62	16	67	7	134	152	-12
Consultants	92	70	31	70	31	162	144	13
Compensation to savings banks	238	222	7	214	11	460	393	17
Other purchased services	175	164	7	145	21	339	299	13
Security transport and alarm systems	17	16	6	21	-19	33	39	-15
Supplies	26	23	13	32	-19	49	59	-17
Travel	65	48	35	52	25	113	93	22
Entertainment	13	10	30	11	18	23	21	10
Repair/maintenance of inventories	23	31	-26	26	-12	54	50	8
Other expenses	103	131	-21	121	-15	234	253	-8
Total other expenses	1 551	1 527	2	1 500	3	3 078	3 017	2

Note 9 Credit impairments

Group SEKm	Q2 2016	Q1 2016	%	Q2 2015	%	Jan-Jun 2016	Jan-Jun 2015	%
Provision for loans individually assessed as impaired								
Provisions	522	77		144		599	295	
Reversal of previous provisions	3	-247		-77		-244	-161	52
Provision for homogenous groups of impaired loans, net	5	5	0	1		10	-9	
Total	530	-165		68		365	125	
Portfolio provisions for loans individually assessed as not impaired	124	37		-26		161	-45	
Write-offs								
Established losses	322	592	-46	243	33	914	484	89
Utilisation of previous provisions	-379	-391	-3	-128		-770	-277	
Recoveries	-59	-31	90	-149	-60	-90	-220	-59
Total	-116	170		-34		54	-13	
Credit impairments for contingent liabilities and other credit risk exposures		-7		-2		-7	-2	
Credit impairments	538	35		6		573	65	
Credit impairment ratio, %	0.14	0.01		0.00		0.08	0.01	

Note 10 Loans

Group SEKm	30 Jun 2016			31 Dec 2015	30 Jun 2015		
	Loans before provisions	Provisions	Loans after provisions Carrying amount	Loans after provisions Carrying amount	%	Loans after provisions Carrying amount	%
Loans to credit institutions							
Banks	110 164		110 164	74 024	49	72 058	53
Repurchase agreements, banks	2 218		2 218	387		18 877	-88
Other credit institutions	13 369		13 369	10 655	25	8 822	52
Repurchase agreements, other credit institutions	3 945		3 945	1 352		2 856	38
Loans to credit institutions	129 696		129 696	86 418	50	102 613	26
Loans to the public							
Private customers	897 175	937	896 238	863 734	4	852 123	5
Private, mortgage	750 108	633	749 475	722 802	4	715 184	5
Housing cooperatives	106 242	36	106 206	101 608	5	100 796	5
Private, other	40 825	268	40 557	39 324	3	36 143	12
Corporate customers	526 526	2 281	524 245	506 830	3	506 008	4
Agriculture, forestry, fishing	65 341	112	65 229	64 707	1	73 750	-12
Manufacturing	44 688	326	44 362	41 942	6	42 351	5
Public sector and utilities	24 798	61	24 737	25 650	-4	26 813	-8
Construction	21 963	80	21 883	19 580	12	17 329	26
Retail	30 664	237	30 427	30 508	0	34 111	-11
Transportation	13 599	35	13 564	12 639	7	12 291	10
Shipping and offshore	31 296	706	30 590	29 744	3	29 530	4
Hotels and restaurants	9 076	35	9 041	7 088	28	7 608	19
Information and communications	6 690	14	6 676	5 666	18	5 488	22
Finance and insurance	14 628	110	14 518	13 167	10	11 241	29
Property management	222 365	248	222 117	219 406	1	208 820	6
Residential properties	65 218	56	65 162	61 139	7	53 863	21
Commercial	92 028	70	91 958	90 575	2	90 930	1
Industrial and Warehouse	40 745	41	40 704	44 502	-9	41 577	-2
Other	24 374	81	24 293	23 190	5	22 450	8
Professional services	23 608	206	23 402	21 269	10	17 045	37
Other corporate lending	17 810	111	17 699	15 464	14	19 631	-10
Loans to the public excluding the Swedish National Debt Office and repurchase agreements	1 423 701	3 218	1 420 483	1 370 564	4	1 358 131	5
Swedish National Debt Office	6 779		6 779	8 726	-22	1 925	
Repurchase agreements, Swedish National Debt Office	6 279		6 279	1 817		1 755	
Repurchase agreements, public	77 549		77 549	32 848		65 004	19
Loans to the public	1 514 308	3 218	1 511 090	1 413 955	7	1 426 815	6
Loans to the public and credit institutions	1 644 004	3 218	1 640 786	1 500 373	9	1 529 428	7

Note 11 Impaired loans etc.

Group SEKm	30 Jun 2016	31 Dec 2015	%	30 Jun 2015	%
Impaired loans, gross	5 548	6 035	-8	5 580	-1
Provisions for individually assessed impaired loans	1 480	1 883	-21	1 367	8
Provision for homogenous groups of impaired loans	564	541	4	674	-16
Impaired loans, net	3 504	3 611	-3	3 539	-1
of which private customers	1 253	1 380	-9	1 606	-22
of which corporate customers	2 251	2 231	1	1 933	16
Portfolio provisions for loans individually assessed as not impaired	1 174	957	23	1 051	12
Share of impaired loans, gross, %	0.34	0.40	-15	0.36	-6
Share of impaired loans, net, %	0.21	0.24	-13	0.23	-9
Provision ratio for impaired loans, %	37	40	-8	37	0
Total provision ratio for impaired loans, % ¹⁾	58	56	4	55	5
Past due loans that are not impaired	3 862	3 581	8	4 430	-13
of which past due 5-30 days	2 299	2 127	8	2 603	-12
of which past due 31-60 days	786	819	-4	964	-18
of which past due 61-90 days	299	424	-29	380	-21
of which past due more than 90 days	478	211		483	-1

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	30 Jun 2016	31 Dec 2015	%	30 Jun 2015	%
Buildings and land	296	408	-27	624	-53
Shares and participating interests	3	17	-82	19	-84
Other property taken over	135	6		13	
Total assets taken over for protection of claims	434	431	1	656	-34
Cancelled leases	9	10	-10	52	-83
Total assets taken over for protection of claims and cancelled leases	443	441	0	708	-37
of which acquired by Ektornet group	213	311	-32	530	-60

Note 13 Credit exposures

Group SEKm	30 Jun 2016	31 Dec 2015	%	30 Jun 2015	%
Assets					
Cash and balances with central banks	356 146	186 312	91	237 956	50
Interest-bearing securities	160 236	165 162	-3	210 604	-24
Loans to credit institutions	129 696	86 418	50	102 613	26
Loans to the public	1 511 090	1 413 955	7	1 426 815	6
Derivatives	99 314	86 107	15	95 640	4
Other financial assets	22 092	18 424	20	32 764	-33
Total assets	2 278 574	1 956 378	16	2 106 392	8
Contingent liabilities and commitments					
Guarantees	37 213	35 958	3	25 876	44
Commitments	260 294	235 312	11	255 552	2
Total contingent liabilities and commitments	297 507	271 270	10	281 428	6
Total credit exposures	2 576 081	2 227 648	16	2 387 820	8

Note 14 Intangible assets

Group SEKm	30 Jun 2016	31 Dec 2015	%	30 Jun 2015	%
With indefinite useful life					
Goodwill	12 272	12 010	2	12 076	2
Total	12 272	12 010	2	12 076	2
With finite useful life					
Customer base	581	617	-6	805	-28
Internally developed software	812	630	29	623	30
Other	395	433	-9	482	-18
Total	1 788	1 680	6	1 910	-6
Total intangible assets	14 060	13 690	3	13 986	1

Impairment testing of intangible assets

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

Note 15 Amounts owed to credit institutions

Group SEKm	30 Jun 2016	31 Dec 2015	%	30 Jun 2015	%
Amounts owed to credit institutions					
Central banks	30 921	7 704		13 328	
Banks	124 583	140 462	-11	127 939	-3
Other credit institutions	2 022	1 508	34	1 784	13
Repurchase agreements - banks	9 346	3		4 416	
Repurchase agreements - other credit institutions		816		1 218	
Amounts owed to credit institutions	166 872	150 493	11	148 685	12

Note 16 Deposits and borrowings from the public

Group SEKm	30 Jun 2016	31 Dec 2015	%	30 Jun 2015	%
Deposits from the public					
Private customers	427 186	398 718	7	384 668	11
Corporate customers	509 167	345 268	47	406 776	25
Deposits from the public excluding the Swedish National Debt Office and repurchase agreements	936 353	743 986	26	791 444	18
Swedish National Debt Office	3	1		1	
Repurchase agreements - Swedish National Debt Office					
Repurchase agreements - public	19 438	4 284		24 810	-22
Deposits and borrowings from the public	955 794	748 271	28	816 255	17

Note 17 Debt securities in issue

Group SEKm	30 Jun 2016	31 Dec 2015	%	30 Jun 2015	%
Commercial paper	165 872	107 046	55	156 550	6
Covered bonds	568 232	550 669	3	537 221	6
Senior unsecured bonds	166 710	154 244	8	138 275	21
Structured retail bonds	14 893	14 576	2	14 382	4
Total debt securities in issue	915 707	826 535	11	846 428	8

Turnover during the period	Jan-Jun 2016	Full year 2015	%	Jan-Jun 2015	%
Opening balance	826 535	835 012	-1	835 012	-1
Issued	567 113	1 164 181	-51	523 925	8
Repurchased	-14 281	-39 857	-64	-21 377	-33
Repaid	-474 304	-1 112 847	-57	-477 938	-1
Change in market value or in hedged item in fair value hedge accounting	3 599	-13 349		-13 552	
Changes in exchange rates	7 045	-6 605		358	
Closing balance	915 707	826 535	11	846 428	8

Note 18 Derivatives

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

Group SEKm	Nominal amount 30 Jun 2016			Nominal amount		Positive fair value		Negative fair value	
	Remaining contractual maturity			2016		2016		2016	
	< 1 yr.	1-5 yrs.	> 5 yrs.	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec
Derivatives in fair value hedges	112 887	338 136	59 544	510 567	506 684	23 061	18 038	24	452
Derivatives in portfolio fair value hedges	40 500	86 350	11 400	138 250	129 375		166	2 963	1 601
Derivatives in cash flow hedges	12 875	1 302	8 062	22 239	22 239			1 682	2 303
Other derivatives	5 771 643	3 188 648	677 144	9 637 435	9 434 393	100 131	81 854	103 921	79 167
Gross amount	5 937 905	3 614 436	756 150	10 308 491	10 092 691	123 192	100 058	108 590	83 523
Offset amount	-2 132 326	-1 620 824	-322 532	-4 075 682	-3 647 376	-23 878	-13 951	-25 690	-14 842
Total	3 805 579	1 993 612	433 618	6 232 809	6 445 315	99 314	86 107	82 900	68 681

The amounts offset for derivative assets and derivative liabilities include cash collateral offsets of SEK 2 780m and SEK 967m, respectively.

Note 19 Financial instruments at fair value

Group SEKm	30 Jun 2016			31 Dec 2015		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
Assets						
Financial assets covered by IAS 39						
Cash and balances with central banks	356 146	356 146		186 312	186 312	
Treasury bills etc.	58 204	58 122	82	76 628	76 552	76
Loans to credit institutions	129 696	129 696		86 418	86 418	
Loans to the public	1 518 776	1 511 090	7 686	1 419 486	1 413 955	5 531
Value change of interest hedged items in portfolio hedge	2 478	2 478		1 009	1 009	
Bonds and interest-bearing securities	102 122	102 114	8	88 618	88 610	8
Financial assets for which the customers bear the investment risk	146 885	146 885		153 442	153 442	
Shares and participating interest	19 432	19 432		11 074	11 074	
Derivatives	99 314	99 314		86 107	86 107	
Other financial assets	22 092	22 092		18 424	18 424	
Total	2 455 145	2 447 369	7 776	2 127 518	2 121 903	5 615
Investment in associates		6 975			5 382	
Non-financial assets		21 670			21 569	
Total		2 476 014			2 148 854	
Liabilities						
Financial liabilities covered by IAS 39						
Amounts owed to credit institutions	168 201	166 872	1 329	150 302	150 493	-191
Deposits and borrowings from the public	955 779	955 794	-15	748 254	748 271	-17
Debt securities in issue	924 123	915 707	8 416	832 196	826 535	5 661
Financial liabilities for which the customers bear the investment risk	147 595	147 595		157 836	157 836	
Subordinated liabilities	23 214	22 702	512	24 627	24 613	14
Derivatives	82 900	82 900		68 681	68 681	
Short positions securities	16 757	16 757		8 191	8 191	
Other financial liabilities	36 605	36 605		31 597	31 597	
Total	2 355 174	2 344 932	10 242	2 021 683	2 016 217	5 466
Non-financial liabilities		11 610			9 297	
Total		2 356 542			2 025 514	

Group 30 Jun 2016 SEKm	Instruments with quoted market prices in active markets (Level 1)	Valuation techniques using observable market data (Level 2)	Valuation techniques using non- observable market data (Level 3)	Total
Assets				
Treasury bills etc.	26 005	31 725		57 730
Loans to credit institutions		6 163		6 163
Loans to the public		249 720		249 720
Bonds and other interest-bearing securities	56 037	42 620		98 657
Financial assets for which the customers bear the investment risk	146 885			146 885
Shares and participating interests	19 156	133	143	19 432
Derivatives	56	99 188	70	99 314
Total	248 139	429 549	213	677 901
Liabilities				
Amounts owed to credit institutions		9 346		9 346
Deposits and borrowings from the public		19 525		19 525
Debt securities in issue	3 433	22 943		26 376
Financial liabilities for which the customers bear the investment risk		147 595		147 595
Derivatives	72	82 828		82 900
Short positions, securities	16 757			16 757
Total	20 262	282 237		302 499

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 analyzing factors such as differences in bid and ask prices.

The methods are divided into three different levels:

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

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

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

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

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

Changes in level 3 Group SEKm	Assets		
	Equity instruments	Derivatives	Total
January-June 2016			
Opening balance 1 January 2016	73	114	187
Purchases	3		3
Received VISA Inc. C shares	63	0	63
Sale of assets	-3	0	-3
Maturities	0	-13	-13
Transferred from Level 1 to Level 3	0	0	0
Transferred from Level 2 to Level 3	0	2	2
Transferred from Level 3 to Level 1	0	0	0
Transferred from Level 3 to Level 2	0	-5	-5
Gains or losses	7	-28	-21
of which in the income statement, net gains and losses on financial items at fair value	7	-28	-21
of which changes in unrealised gains or losses for items held at closing day	17	-29	-12
Closing balance 30 June 2016	143	70	213

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

For all options included in level 3 an analysis is performed based on historical movements in contract prices. Given this, it is not likely that future price movements will affect the market value for options in level 3 with more than +/- SEK 50m.

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

Changes in level 3 Group SEKm	Assets		
	Equity instruments	Derivatives	Total
January-June 2015			
Opening balance 1 January 2015	77	81	158
Purchases	4		4
Sale of assets	-18		-18
Maturities		-18	-18
Issues		5	5
Transferred from Level 2 to Level 3		158	158
Transferred from Level 3 to Level 2	-2	-36	-38
Transferred from Level 3 to Level 1			
Gains or losses	-3	-10	-13
of which in the income statement, net gains and losses on financial items at fair value		-10	-10
of which changes in unrealised gains or losses for items held at closing day	-3		-3
Closing balance 30 June 2015	58	180	238

Note 20 Pledged collateral

Group SEKm	30 Jun 2016	31 Dec 2015	%	30 Jun 2015	%
Loan receivables	845 286	819 551	3	801 783	5
Financial assets pledged for policyholders	144 796	145 410	0	148 910	-3
Other assets pledged	51 410	43 361	19	57 067	-10
Pledged collateral	1 041 492	1 008 322	3	1 007 760	3

Note 21 Offsetting financial assets and liabilities

Group SEKm	Assets			Liabilities		
	30 Jun 2016	31 Dec 2015	%	30 Jun 2016	31 Dec 2015	%
Financial assets and liabilities, which have been offset or are subject to netting or similar agreements						
Gross amount	213 921	134 805	59	140 527	88 752	58
Offset amount	-28 311	-16 950	67	-30 123	-17 841	69
Net amounts presented in the balance sheet	185 610	117 855	57	110 404	70 911	56
Related amounts not offset in the balance sheet						
Financial instruments, netting arrangements	59 204	44 698	32	59 204	44 698	32
Financial Instruments, collateral	77 484	32 614		17 216	3 041	
Cash, collateral	20 064	19 915	1	12 542	15 653	-20
Total amount not offset in the balance sheet	156 752	97 227	61	88 962	63 392	40
Net amount	28 858	20 628	40	21 442	7 519	

The amounts offset for financial assets and financial liabilities include cash collateral offsets of SEK 2 780m and SEK 967m, respectively.

Note 22 Capital adequacy, consolidated situation

Capital adequacy SEKm	30 Jun 2016	31 Dec 2015	30 Jun 2015
Shareholders' equity according to the Group's balance sheet	119 291	123 163	113 949
Non-controlling interests	75	54	51
Anticipated dividend	-7 936	-11 828	-5 989
Deconsolidation of insurance companies	-194	-1 249	-949
Value changes in own financial liabilities	4	31	-7
Cash flow hedges	-71	-17	-11
Additional value adjustments ¹⁾	-840	-474	-484
Goodwill	-12 360	-12 097	-12 166
Deferred tax assets	-106	-95	-81
Intangible assets	-1 530	-1 438	-1 629
Net provisions for reported IRB credit exposures	-1 391	-1 089	-1 433
Shares deducted from CET1 capital	-40	-42	-44
Defined benefit pension fund assets ²⁾		-993	
Common Equity Tier 1 capital	94 902	93 926	91 207
Additional Tier 1 capital	9 651	10 624	10 495
Total Tier 1 capital	104 553	104 550	101 702
Tier 2 capital	12 315	13 269	12 969
Total capital	116 868	117 819	114 671
Minimum capital requirement for credit risks, standardised approach	4 313	3 823	3 913
Minimum capital requirement for credit risks, IRB	22 183	20 732	21 535
Minimum capital requirement for credit risk, default fund contribution	2	4	4
Minimum capital requirement for settlement risks	0	1	0
Minimum capital requirement for market risks	908	858	1 412
Trading book	893	848	1 379
of which VaR and SVaR	552	525	704
of which risks outside VaR and SVaR	341	323	675
FX risk other operations	15	10	33
Minimum capital requirement for credit value adjustment	622	594	605
Minimum capital requirement for operational risks	4 972	5 047	5 071
Additional minimum capital requirement, Article 3 CRR	69	69	
Minimum capital requirement ³⁾	33 069	31 128	32 540
Risk exposure amount credit risks	331 223	306 996	318 147
Risk exposure amount settlement risks	0	7	3
Risk exposure amount market risks	11 345	10 730	17 648
Risk exposure amount credit value adjustment	7 786	7 422	7 567
Risk exposure amount operational risks	62 152	63 083	63 389
Additional risk exposure amount, Article 3 CRR	860	860	
Risk exposure amount	413 366	389 098	406 754
Common Equity Tier 1 capital ratio, %	23.0	24.1	22.4
Tier 1 capital ratio, %	25.3	26.9	25.0
Total capital ratio, %	28.3	30.3	28.2
Capital buffer requirement ⁴⁾	30 Jun	31 Dec	30 Jun
%	2016	2015	2015
CET1 capital requirement including buffer requirements	11.0	10.7	10.1
of which minimum CET1 requirement	4.5	4.5	4.5
of which capital conservation buffer	2.5	2.5	2.5
of which countercyclical capital buffer	1.0	0.7	0.1
of which systemic risk buffer	3.0	3.0	3.0
CET 1 capital available to meet buffer requirement ⁵⁾	18.5	19.6	17.9
Capital adequacy Basel 1 floor	30 Jun	31 Dec	30 Jun
SEKm	2016	2015	2015
Capital requirement Basel 1 floor	73 591	68 577	70 531
Own funds Basel 3 adjusted according to rules for Basel 1 floor	118 259	118 908	116 104
Surplus of capital according to Basel 1 floor	44 668	50 331	45 573
Leverage ratio ⁶⁾	30 Jun	31 Dec	30 Jun
	2016	2015	2015
Tier 1 Capital, SEKm	104 553	104 550	101 702
Leverage ratio exposure, SEKm	2 460 715	2 102 284	2 264 851
Leverage ratio, %	4.2	5.0	4.5

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

²⁾ Net pension assets.

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

⁴⁾ Buffer requirement according to Swedish implementation of CRD IV.

⁵⁾ 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.

⁶⁾ Calculated according to applicable regulation at each respective reporting date.

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

The note contains the information made public according to the Swedish Financial Supervisory Authority Regulation FFFS 2014:12, chap. 8. Additional

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

Swedbank Consolidated situation Credit risk, IRB SEKm	Exposure value		Average risk weighting, %		Minimum capital requirement ¹⁾	
	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
Institutional exposures	91 774	108 019	16	15	1 156	1 305
Corporate exposures	505 171	471 163	36	35	14 671	13 213
Retail exposures	1 005 451	974 908	7	7	5 721	5 670
of which mortgage	909 587	882 979	5	5	3 635	3 641
of which other	95 864	91 929	27	28	2 086	2 029
Securitisation		160		8		1
Non credit obligation	62 370	62 686	13	11	635	543
Total credit risks, IRB	1 664 766	1 616 936	17	16	22 183	20 732

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

Risk exposure amount and Own funds requirement, consolidated situation

30 Jun 2016 SEKm	Risk exposure amount	Minimum capital requirement
Credit risks, STD	53 911	4 313
Central government or central banks exposures	419	34
Regional governments or local authorities exposures	335	27
Public sector entities exposures	52	4
Multilateral development banks exposures		
International organisation exposures		
Institutional exposures	776	62
Corporate exposures	9 144	732
Retail exposures	17 893	1 431
Exposures secured by mortgages on immovable property	2 214	177
Exposures in default	543	43
Exposures associated with particularly high risk		
Exposures in the form of covered bonds	7	1
Items representing securitisation positions		
Exposures to institutions and corporates with a short-term credit assessment		
Exposures in the form of units or shares in collective investment undertakings		
Equity exposures	19 404	1 552
Other items	3 124	250
Credit risks, IRB	277 283	22 183
Institutional exposures	14 449	1 156
Corporate exposures	183 386	14 671
of which specialized lending in category 1	11	1
of which specialized lending in category 2	279	22
of which specialized lending in category 3	646	52
of which specialized lending in category 4	621	50
of which specialized lending in category 5		
Retail exposures	71 511	5 721
of which mortgage lending	45 436	3 635
of which other lending	26 075	2 086
Securitisation		
Non-credit obligation	7 937	635
Credit risks, Default fund contribution	29	2
Settlement risks	0	0
Market risks	11 345	908
Trading book	11 162	893
of which VaR and SVaR	6 894	552
of which risks outside VaR and SVaR	4 268	341
FX risk other operations	183	15
Credit value adjustment	7 786	622
Operational risks	62 152	4 972
of which Standardised approach	62 152	4 972
Additional risk exposure amount, Article 3 CRR	860	69
Total	413 366	33 069

Credit risks

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

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

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

Market risks

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

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

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

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

Credit value adjustment

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

Operational risk

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

Note 23 Internal capital requirement

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

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

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

Basel 1 floor

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

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

As of 30 June 2016 the internal capital assessment for Swedbank's consolidated situation amounted to SEK 31.6bn (SEK 30.6bn as of 31 March 2016). The capital to meet the internal capital assessment, i.e. the capital base, amounted to SEK 116.9 (SEK 116.0bn as of 31 March 2016) (see Note 22). Swedbank's internal capital assessment using its own models is not comparable with the estimated capital requirement that the SFSA releases quarterly.

The internally estimated capital requirement for the parent company is SEK 24.1bn (SEK 24.2bn as of 31 March 2016) and the capital base is SEK 95.2bn (SEK 95.6bn as of 31 March 2016) (see Note Capital adequacy for parent company).

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

Note 24 Risks and uncertainties

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

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

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

Group SEKm	< 5 years	5-10 years	>10 years	Total
Swedbank, the Group	-1 575	-216	51	-1 740
of which SEK	-1 662	95	-34	-1 601
of which foreign currency	87	-311	84	-139
Of which financial instruments at fair value reported through profit or loss	-429	-68	40	-457
of which SEK	-545	149	-54	-450
of which foreign currency	116	-217	94	-7

Note 25 Related-party transactions

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

Note 26 Swedbank's share

	30 Jun 2016	31 Dec 2015	%	30 Jun 2015	%
SWED A					
Share price, SEK	175.70	187.10	-6	193.30	-9
Number of outstanding ordinary shares	1 110 731 820	1 105 403 750	0	1 105 403 324	0
Market capitalisation, SEKm	195 156	206 821	-6	213 674	-9

	30 Jun 2016	31 Dec 2015	30 Jun 2015
Number of outstanding shares			
Issued shares			
SWED A	1 132 005 722	1 132 005 722	1 132 005 722
Repurchased shares			
SWED A	-21 273 902	-26 601 972	-26 602 398
Repurchase of own shares for trading purposes			
SWED A			
Number of outstanding shares on the closing day	1 110 731 820	1 105 403 750	1 105 403 324

Within Swedbank's share-based compensation programme, Swedbank AB has during Q1 2016 transferred 4 914 049 shares, and during Q2 2016 transferred 414 021 shares at no cost to employees.

	Q2 2016	Q1 2016	Q2 2015	Jan-Jun 2016	Jan-Jun 2015
Earnings per share					
Average number of shares					
Average number of shares before dilution	1 110 547 108	1 108 099 462	1 105 122 231	1 109 323 285	1 104 379 248
Weighted average number of shares for potential ordinary shares that incur a dilutive effect due to share-based compensation programme	5 142 135	6 688 182	8 470 089	6 147 713	9 187 405
Average number of shares after dilution	1 115 689 244	1 114 787 644	1 113 592 320	1 115 470 998	1 113 566 653
Profit, SEKm					
Profit for the period attributable to shareholders of Swedbank	6 270	4 311	3 666	10 581	7 986
Earnings for the purpose of calculating earnings per share	6 270	4 311	3 666	10 581	7 986
Earnings per share, SEK					
Earnings per share before dilution	5.65	3.89	3.32	9.54	7.23
Earnings per share after dilution	5.62	3.87	3.30	9.49	7.18

Swedbank AB

Income statement, condensed

Parent company SEKm	Q2 2016	Q1 2016	%	Q2 2015	%	Jan-Jun 2016	Jan-Jun 2015	%
Interest income	3 772	3 986	-5	3 785	0	7 758	8 252	-6
Interest expenses	-705	-1 188	-41	-927	-24	-1 893	-2 122	-11
Net interest income	3 067	2 798	10	2 858	7	5 865	6 130	-4
Dividends received	3 172	9 956	-68	5 057	-37	13 128	6 709	96
Commission income	2 366	2 127	11	2 418	-2	4 493	4 683	-4
Commission expenses	-771	-665	16	-893	-14	-1 436	-1 690	-15
Net commission income	1 595	1 462	9	1 525	5	3 057	2 993	2
Net gains and losses on financial items at fair value	879	-370		-73		509	-139	
Other income	360	284	27	295	22	644	549	17
Total income	9 073	14 130	-36	9 662	-6	23 203	16 242	43
Staff costs	1 940	1 926	1	1 954	-1	3 866	3 973	-3
Other expenses	1 113	1 155	-4	1 053	6	2 268	2 144	6
Depreciation/amortisation and impairments of tangible and intangible fixed assets	1 099	1 090	1	1 020	8	2 189	2 114	4
Total expenses	4 152	4 171	0	4 027	3	8 323	8 231	1
Profit before impairments	4 921	9 959	-51	5 635	-13	14 880	8 011	86
Impairment of financial fixed assets	26	61	-57	65	-60	87	102	-15
Credit impairments	500	86		43		586	81	
Operating profit	4 395	9 812	-55	5 527	-20	14 207	7 828	81
Appropriations				-17			-33	
Tax expense	598	302	98	-42		900	172	
Profit for the period	3 797	9 510	-60	5 586	-32	13 307	7 689	73

Statement of comprehensive income, condensed

Parent company SEKm	Q2 2016	Q1 2016	%	Q2 2015	%	Jan-Jun 2016	Jan-Jun 2015	%
Profit for the period reported via income statement	3 797	9 510	-60	5 586	-32	13 307	7 689	73
Items that will not be reclassified to the income statement								
Remeasurements of defined benefit pension plans				-1				
Income tax								
Total				-1				
Items that may be reclassified to the income statement								
Cash flow hedges:								
Gains/losses arising during the period				5			2	
Reclassification adjustments to income statement, net interest income				4			7	
-Reclassification adjustments to income statement, net gains and losses on financial items at fair value								
Group contributions paid								
Income tax				-2			-2	
Total				7			7	
Other comprehensive income for the period, net of tax				6			7	
Total comprehensive income for the period	3 797	9 510	-60	5 592	-32	13 307	7 696	73

Balance sheet, condensed

Parent company SEKm	30 Jun 2016	31 Dec 2015	%	30 Jun 2015	%
Assets					
Cash and balance with central banks	310 767	131 859		203 649	53
Loans to credit institutions	500 408	425 095	18	430 334	16
Loans to the public	476 464	416 482	14	437 461	9
Interest-bearing securities	153 584	157 412	-2	207 278	-26
Shares and participating interests	75 359	70 325	7	70 519	7
Derivatives	111 246	98 300	13	106 603	4
Other assets	41 667	39 595	5	49 737	-16
Total assets	1 669 495	1 339 068	25	1 505 581	11
Liabilities and equity					
Amounts owed to credit institutions	257 826	220 983	17	222 413	16
Deposits and borrowings from the public	790 087	599 476	32	667 952	18
Debt securities in issue	346 795	275 845	26	307 086	13
Derivatives	117 310	98 508	19	107 357	9
Other liabilities and provisions	45 760	32 240	42	95 461	-52
Subordinated liabilities	22 702	24 613	-8	23 882	-5
Untaxed reserves	10 021	10 021	0	10 010	0
Equity	78 994	77 382	2	71 420	11
Total liabilities and equity	1 669 495	1 339 068	25	1 505 581	11
Pledged collateral	47 895	40 671	18	51 482	-7
Other assets pledged	3 517	3 666	-4	10 140	-65
Contingent liabilities	577 371	575 291	0	548 052	5
Commitments	225 160	205 982	9	220 414	2

Statement of changes in equity, condensed

Parent company SEKm						
	Share capital	Share premium reserve	Statutory reserve	Cash flow hedges	Retained earnings	Total
January-June 2015						
Opening balance 1 January 2015	24 904	13 206	5 968	-3	31 907	75 982
Dividend					-12 539	-12 539
Disposal of own shares for trading purposes					33	33
Share based payments to employees					227	227
Deferred tax related to share based payments to employees					-35	-35
Current tax related to share based payments to employees					56	56
Total comprehensive income for the period					7 696	7 696
Closing balance 30 June 2015	24 904	13 206	5 968	-3	27 345	71 420
January-December 2015						
Opening balance 1 January 2015	24 904	13 206	5 968	-3	31 907	75 982
Dividend					-12 539	-12 539
Disposal of own shares for trading purposes					33	33
Share based payments to employees					413	413
Deferred tax related to share based payments to employees					-34	-34
Current tax related to share based payments to employees					57	57
Total comprehensive income for the period				3	13 467	13 470
Closing balance 31 December 2015	24 904	13 206	5 968	0	33 304	77 382
January-June 2016						
Opening balance 1 January 2016	24 904	13 206	5 968	0	33 304	77 382
Dividend					-11 880	-11 880
Share based payments to employees					208	208
Deferred tax related to share based payments to employees					-53	-53
Current tax related to share based payments to employees					30	30
Total comprehensive income for the period					13 307	13 307
Closing balance 30 June 2016	24 904	13 206	5 968	0	34 916	78 994

Cash flow statement, condensed

Parent company SEKm			
	Jan-Jun 2016	Full-year 2015	Jan-Jun 2015
Cash flow from operating activities	108 618	97 570	140 548
Cash flow from investing activities	17 694	6 911	7 744
Cash flow from financing activities	52 596	-46 424	-18 445
Cash flow for the period	178 908	58 057	129 847
Cash and cash equivalents at beginning of period	131 859	73 802	73 802
Cash flow for the period	178 908	58 057	129 847
Cash and cash equivalents at end of period	310 767	131 859	203 649

Capital adequacy

Capital adequacy, Parent company SEKm	30 Jun 2016	31 Dec 2015	30 Jun 2015
Common Equity Tier 1 capital	73 245	68 222	67 548
Additional Tier 1 capital	9 642	10 614	10 487
Tier 1 capital	82 887	78 836	78 035
Tier 2 capital	12 291	13 249	12 776
Total capital	95 179	92 085	90 811
Minimum capital requirement¹⁾	25 133	24 395	25 392
Risk exposure amount	314 163	304 943	317 404
Common Equity Tier 1 capital ratio, %	23.3	22.4	21.3
Tier 1 capital ratio, %	26.4	25.9	24.6
Total capital ratio, %	30.3	30.2	28.6
Capital buffer requirement²⁾ %	30 Jun 2016	31 Dec 2015	30 Jun 2015
CET1 capital requirement including buffer requirements	8.3	7.9	7.1
of which minimum CET1 requirement	4.5	4.5	4.5
of which capital conservation buffer	2.5	2.5	2.5
of which countercyclical capital buffer	1.3	0.9	0.1
CET 1 capital available to meet buffer requirement ³⁾	18.8	17.9	16.8
Capital adequacy transition rules Basel 1 floor⁴⁾ SEKm	30 Jun 2016	31 Dec 2015	30 Jun 2015
Capital requirement Basel 1 floor	29 157	26 021	28 512
Own funds Basel 3 adjusted according to rules for Basel 1 floor	95 721	92 538	91 322
Surplus of capital according to Basel 1 floor	66 564	66 517	62 810
Leverage ratio⁵⁾ %	30 Jun 2016	31 Dec 2015	30 Jun 2015
Tier 1 Capital, SEKm	82 887	78 836	78 035
Total exposure, SEKm	2 335 226	1 986 593	2 152 105
Leverage ratio, %	3.5	4.0	3.6
Total exposure taking into account CRR article 429.7 ⁶⁾ , SEKm	1 414 356	1 094 371	1 292 435
Leverage ratio taking into account CRR article 429.7 ⁶⁾ , %	5.9	7.2	6.0

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

²⁾ Buffer requirement 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.

⁵⁾ Calculated according to applicable regulation at each respective reporting date.

⁶⁾ Taking into account potential exemption according to CRR article 429.7 excluding certain intragroup exposures.

Risk exposure amount and own funds requirement, parent company
30 Jun 2016
SEKm

	Risk exposure amount	Minimum capital requirement
Credit risks, STD	82 522	6 602
Central government or central banks exposures	70	6
Regional governments or local authorities exposures	74	6
Public sector entities exposures	45	4
Multilateral development banks exposures		
International organisation exposures		
Institutional exposures	1 611	129
Corporate exposures	8 049	644
Retail exposures	3 488	279
Exposures secured by mortgages on immovable property	758	61
Exposures in default	155	12
Exposures associated with particularly high risk		
Exposures in the form of covered bonds		
Items representing securitisation positions		
Exposures to institutions and corporates with a short-term credit assessment		
Exposures in the form of units or shares in collective investment undertakings		
Equity exposures	67 241	5 379
Other items	1 031	82
Credit risks, IRB	176 472	14 118
Institutional exposures	16 270	1 302
Corporate exposures	132 558	10 605
of which specialized lending		
Retail exposures	20 975	1 678
of which mortgage lending	2 775	222
of which other lending	18 200	1 456
Securitisation		
Non-credit obligation	6 669	533
Credit risks, Default fund contribution	29	2
Settlement risks	0	0
Market risks	11 266	901
Trading book	11 065	885
of which VaR and SVaR	6 917	553
of which risks outside VaR and SVaR	4 148	332
FX risk other operations	201	16
Credit value adjustment	7 757	620
Operational risks	35 659	2 853
of which standardised approach	35 659	2 853
Additional risk exposure amount, Article 3 CRR	458	37
Total	314 163	25 133

Signatures of the Board of Directors and the President

The Board of Directors and the President hereby certify that the interim report for January-June 2016 provides a fair and accurate overview of the operations, position and results of the parent company and the Group and describes the significant risks and uncertainties faced by the parent company and the companies in the Group.

Stockholm, 20 July 2016

Lars Idermark
Chair

Ulrika Francke
Deputy Chair

Bodil Eriksson
Board Member

Göran Hedman
Board Member

Peter Norman
Board Member

Pia Rudengren
Board Member

Karl-Henrik Sundström
Board Member

Siv Svensson
Board Member

Camilla Linder
Board Member
Employee Representative

Roger Ljung
Board Member
Employee Representative

Birgitte Bonnesen
President and CEO

Review report

Introduction

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

Scope of review

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

Conclusion

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

Stockholm, 20 July 2016
Deloitte AB

Svante Forsberg
Authorised Public Accountant

Publication of financial information

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

Financial calendar 2016

Interim report for the third quarter	25 October 2016
Year-end report	2 February 2017

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

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