

# Annual Report 2011



We believe in sustainable banking

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### Financial information 2012

Q1 interim report	25 April
Q2 interim report	18 July
Q3 interim report	23 October

### Annual General Meeting

The 2012 Annual General Meeting will be held at Dansens Hus in Stockholm on 27 March.

Swedbank's annual report is offered to all new shareholders and distributed to those who have requested it. The interim reports are not printed, but are available at [www.swedbank.se/ir](http://www.swedbank.se/ir), where the annual report can be ordered as well. While every care has been taken in the translation of this annual report, readers are reminded that the original annual report, signed by the Board of Directors, is in Swedish.



# Our business areas

Swedbank is organised in six business areas, which are supported by seven Group functions: Accounting & Finance, Risk, Compliance, Corporate Affairs, HR, Legal Affairs and Group Business Support.

## Retail

More details on page 20

Sweden is Swedbank's largest market, with over 4 million private customers as well as small and medium-sized corporate customers. Together with the savings banks, Swedbank offers banking services through 571 branches as well as mobile, telephone and Internet banks.

Share of Group's total income

54%



Share of profit before impairments

55%



## Large Corporates & Institutions

More details on page 24

Large Corporates & Institutions has Swedbank's comprehensive Nordic and Baltic offering for large companies, financial institutions, organisations and banks. The business area offers corporate and capital market products.

Share of Group's total income

20%



Share of profit before impairments

20%



## Baltic Banking

More details on page 26

Baltic Banking comprises Swedbank's banking operations in Estonia, Latvia and Lithuania. Through 206 branches as well as mobile and Internet banks, a wide range of services are offered to nearly 6 million private and corporate customers.

Share of Group's total income

Estonia 7% Latvia 5% Lithuania 5%



Share of profit before impairments

Estonia 10% Latvia 6% Lithuania 6%



## Asset Management

More details on page 28

Asset Management (Swedbank Robur) is represented in Swedbank's home markets and offers 130 funds, discretionary asset management and pension management.

Share of Group's total income

5%



Share of profit before impairments

5%



## Russia & Ukraine

More details on page 30

The banking operations in Russia support corporate customers from Swedbank's home markets. The strategy for the Ukrainian operations is to focus exclusively on corporate customers within a two-year period.

Share of Group's total income

2%



Share of profit before impairments

0%



## Ektornet

More details on page 31

Ektornet manages and develops the Group's repossessed assets, mainly properties. Its mission is to recover as much value as possible and thereby minimise the bank's credit impairments.

Share of Group's total income

2%



Share of profit before impairments

0%



## Vision

We make it possible for people, businesses and society to grow.  
Swedbank – Beyond financial growth.

## Purpose

We encourage a sound and sustainable financial situation for the many households and businesses.

## Values

The purpose of the bank's values is to maintain the commitment, focus and motivation of Swedbank's employees and build on a code of conduct and a customer promise that emphasise **simplicity, openness and caring**.

## Strategy

- Swedbank is a bank for the many
- We will be close to our customers...
- ...which is facilitated by a uniform framework and local decision-making authority
- Swedbank will maintain a low risk level...
- ...with good control and focus on costs

For more information on our strategy, see page 9.

## Financial targets

- The return on equity will amount to 15 per cent
- The dividend will correspond to 50 per cent of profit for the year

For more information on our financial targets, see page 7.

## Our priorities in 2012 –

We strive to:

- Improve customer satisfaction by continuing to adapt our offering to various customer groups
- Clarify and continue to implement the Group's common framework and increase local business acumen
- Gain a larger share of our existing customers' banking business
- Reduce our costs and improve quality and efficiency by standardising and coordinating processes
- Reduce our relative costs for capital market funding

For more information on our priorities, see page 10.

# Sustainable banking



# A bank for the many

Swedbank is a modern bank firmly rooted in Swedish savings bank history. We are an inclusive bank with **9.6 million** private customers and more than **630 000** corporate and organisational customers.

This makes us Sweden's largest bank in terms of number of customers and gives us a leading position in our other home markets of Estonia, Latvia and Lithuania. As a major bank, we are a significant part of the financial system and play an important role in the local communities we serve. We are dedicated to helping our customers, our shareholders and society as a whole stay financially **sound and sustainable**.

We work hard to develop **close, long-term relationships** with our customers. Swedbank therefore has an extensive retail network and well-developed telephone, internet and mobile services.

Our customers should always feel secure that the advice we give is in their best interests, and is not based solely on our products. When we develop products and services, the goal is to create something that will benefit customers in **the long run** – and us as well.

Swedbank employees uphold the bank's values of being simple, open and caring. On a daily basis this means, among other things, that our services and advice must be understandable to everyone and that we keep our promises.

Swedbank shall have a **robust balance sheet** that can withstand economic fluctuations. Evaluating and managing risks is part of what we do every day. We achieve a solid **risk spread** by having a **broad customer base** of private individuals and companies in many different industries and through a sustainable balance between deposits and lending in our home markets.

Improved result and return on equity

Stronger net interest income

Net recoveries

Higher core Tier 1 capital ratio  
reduced risk-weighted assets

Key figures	2011	2010
Profit for the year, SEKm	11 744	7 444
Return on equity, %	12.2	8.1
Core tier 1 capital ratio (Basel 2), %	15.7	13.9
Cost/income ratio	0.53	0.57
Credit impairment ratio, %	-0.14	0.20
Share of impaired loans, gross, %	1.87	2.53
Risk-weighted assets (Basel 2), SEKbn	492	541
Total assets, SEKbn	1 857	1 716
Lending to the public, SEKbn*	1 166	1 146
Deposits from the public, SEKbn*	547	517
Number of full-time employees	16 287	17 224

\* Excluding the Swedish National Debt Office and repos.

“We are not a bank committed to social engagement but a commitment to social engagement that became a bank.”

Michael Wolf, CEO

## Financial summary 2011

**The result** for the year amounted to SEK 11 744m (7 444).

**Earnings per share** before dilution were SEK 9.53 (6.43) and earnings per share after dilution were SEK 9.52 (6.43).

**The return on equity** was 12.2 per cent (8.1).

**Net interest income** increased by 17 per cent to SEK 19 118m (16 329).

**Net commission income** decreased by 6 per cent to SEK 8 963m (9 525).

**Net gains and losses** on financial items decreased by 34 per cent to SEK 1 584m (2 400).

**Expenses** increased by 1 per cent to SEK 17 869m (17 642).

**Goodwill impairment** amounted to SEK 1 913m and related to the Latvian operations.

**Net recoveries** amounted to SEK 1 911m (credit impairments of 2 810).

### Business volumes

- Lending to the public\* increased by 2 per cent to SEK 1 166bn (1 146).
- Deposits from the public\* increased by 6 per cent to SEK 547bn (517).
- Assets under management decreased by 3 per cent to SEK 735bn (755).

**Risk-weighted assets** decreased by 9 per cent to SEK 492bn (541).

**The core Tier 1 capital ratio** according to Basel 2 increased to 15.7 per cent (13.9).

**The Board of Directors** recommends a dividend of SEK 5.30 (2.10) per ordinary share and SEK 5.30 (4.80) per preference share for the financial year 2011.

\*Excluding the Swedish National Debt Office and repos.

## Important events 2011

**1st quarter** Estonia joined the eurozone.

Capitalisation targets were introduced and the dividend policy was raised to 50 per cent.

Swedbank held a Capital Market Day and introduced a new target for return on equity.

The 2011 Annual General Meeting elected Olav Fjell as a new member of the Board of Directors.

**2nd quarter** Swedbank's Board of Directors resolved to and began repurchasing shares to adapt the capital structure to the bank's capital needs.

1 500 000 C shares were issued and repurchased to manage the bank's commitment according to the performance and share based remuneration programme for 2010.

Magnus Gagner Geeber was appointed head of the Large Corporates and Institutions business area.

Moody's upgraded Swedbank's financial strength rating from D+ to C- with a stable outlook

**3rd quarter** Management changes: Göran Bronner was appointed as Chief Financial Officer, Håkan Berg as Chief Risk Officer and Birgitte Bonnesen as Head of Baltic Banking.

Share repurchases were halted.

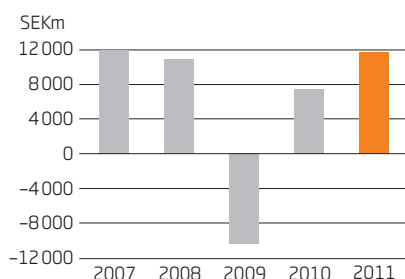
Swedbank decided to exit the retail segment in Ukraine.

**4th quarter** Swedbank's credit rating from S&P was raised to A+.

Swedbank passed the European Banking Authority's (EBA) stress test by a wide margin.

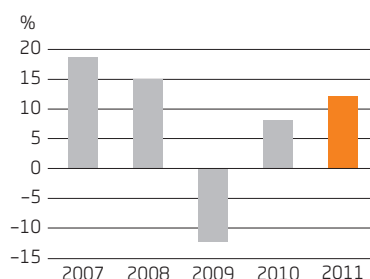
Swedbank received Ernst & Young's Transparency Award.

### Profit for the year



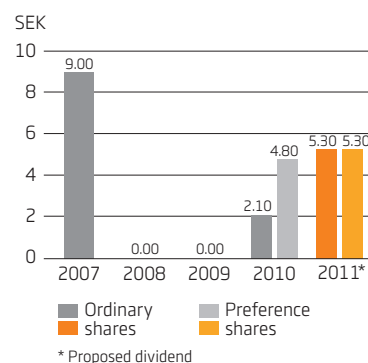
Swedbank's profit has gradually improved since 2009, when it was adversely affected by extensive credit impairments in the Baltic countries, Russia and Ukraine. Profit for the year was charged with goodwill impairment of SEK 1 930m.

### Return on equity



The return on equity increased from 8.1 to 12.2 per cent. The increase was mainly due to the improved profit.

### Dividend



At the beginning of 2011 Swedbank amended its dividend policy to amount to 50 per cent of profit for the year from 40 per cent previously. The Board of Directors recommends that the Annual General Meeting approve a dividend of SEK 5.30 for both ordinary and preference shares.

# Sustainable banking

2011 saw major swings in the global economy. The year began with strong confidence in the recovery, especially in Sweden. Then the European debt crisis struck during the summer and greatly impacted growth prospects. As the year went along, the crisis was felt increasingly by the average business and household. At the same time the entire banking system came under growing criticism for its speculative practices, excessive remuneration and benefit to the economy. Although the criticism was warranted in some respects, the debt crisis and its consequences are just as much tied to economic policy in individual countries.

After facing major difficulties in autumn 2008, we began the following year to transition to a new reality. We are focused on our customers' long-term financial situation, and hence on the bank's as well. We have cut expenses, strengthened our capital base and extended the maturity of our market funding. A new remuneration system will create a sustainable corporate culture and a sound balance between fixed and variable remuneration.

It is a strength for us today that we were early in making the transition. Now we can take on new business, stand resolutely beside our customers, even through the next recession, and maintain a profitable business.

We have competitive results to show for 2011:

- Profit increased by 58 per cent to SEK 11.7bn, mainly driven by stronger net interest income and credit recoveries
- Excluding restructuring costs totalling SEK 430m in the third and fourth quarters, expenses decreased by about SEK 200m
- All the business areas except Asset Management reported improved profits
- The core Tier 1 capital ratio increased to 15.7 per cent (13.9), one of the strongest in Europe
- The Board of Directors has recommended a dividend of SEK 5.30 per ordinary and preference share.

We are also pleased with the good rating we received in the Riksbank's latest stability report in November, which showed that we have the strongest capitalisation and liquidity of any major Swedish bank and that we meet the more stringent capital requirements of the Swedish government. Credit upgrades from Standard & Poor's and Moody's during the year were further evidence of our strong position. Our efforts to be more open and transparent were recognised by Ernst & Young of Sweden and Europe's IR Magazine, which rated us as a market leader.

This is the result of the fantastic efforts of many individuals in the bank, who have demonstrated professionalism and commitment during the demanding journey we have taken.

## Confidence and costs

Running a bank is a matter of conscience. Confidence in the banking sector is vital to the health of a market economy. Our mission is to help the many households and businesses make better financial decisions on matters both big and small.

The capital that banks are most lacking right now is reputational capital. Fostering the relationship with the community, explaining what we do and convincing people of our benefit to society will be one of the top priorities going forward.

We have to more concretely show people the impact we have on prosperity, jobs and development by converting savings to investments, providing businesses with capital and managing our customers' savings. Without well-functioning banks that help people, businesses and society to grow, a modern society cannot function and develop.

We focused in 2011 on reducing costs. Among other things, we put a freeze on outside recruitments and cut consulting, conference and travel costs. Compared with the fourth quarter of 2008 we now have 5 400 fewer employees and are shifting as many working hours as possible to directly helping customers and providing them with value. On 1 January 2011 Group Business Support was established to rationalise, standardise and simplify our IT, support and product development processes. Some progress has already been made. For example, costs have been reduced by coordinating property management operations and security arrangements. In the product area, more centralised purchasing has lowered costs, especially in card processing. Still, we have a great deal left to do to reach our efficiency potential.

Variable compensation is another source of mistrust. Here we have replaced the previous programme with a share-based programme called Eken for most of our around 16 300 employees, which includes a three-year vesting period. The number of executives with individual programmes has been reduced from 1 200 in 2010 to 800 in 2012. In these cases, their performance is measurable and it would be more expensive for the bank to offer fixed, market salary rates. The top five officials in the bank receive no variable remuneration and other members of the Group Executive Committee have no individual variable remuneration but participate in Eken. We were the only major bank given a green light by the Financial Supervisory Authority last summer for compliance in this area.



“It is a strength for us today that we were early in making the transition. Now we can take on new business, stand resolutely beside our customers, even through the next recession, and maintain a profitable business.”



### Sustainable finances

We have and take responsibility for our customers' long-term finances. We want to contribute to stability, even if it means being restrictive when necessary. It was cheap money, lent imprudently, that dragged households and governments into the crisis. We have to be more, not less, concerned about our customers' financial stability even during fluctuating economic conditions.

We have not managed in a simple way to explain the reason for the interest rates we charge on loans or that increased margins are not always the same thing as higher profitability. We also want to be clear and transparent in this area, so on pages 14–15 we explain our margins and profitability. We obviously have to be better at demonstrating the value-added our thousands of employees create, especially when advising households and businesses on some of the most important financial decisions they will ever make.

The capital requirements faced by banks are now being tightened. This is basically sound and reflects a return to more normal levels. When the current rules were introduced in 2004, the risk weights on housing were gradually lowered, which contributed to a huge credit expansion and build-up of household debt. The regulations now scheduled to take effect in 2013 include stricter capital and liquidity requirements, at the same time that the risk weights for Swedish mortgages are expected to be raised. New rules for banks are welcome and a prerequisite for a more stable financial sector in the future. In the short term the requirements will affect all our stakeholders: customers, shareholders and employees. Customers will see the price of money rise, shareholders have seen their returns fall compared with before the financial crisis, and employees are feeling the effects of efficiency improvements and tougher requirements on variable remuneration.

### Our social engagement

Developments in 2011 show how dependent the financial sector is on society and vice versa. If we as a bank are to have sound and sustainable growth, the communities where we work also have to. Social engagement has become an important element in the business models of more and more companies, including our corporate customers.

By far our biggest contribution to sustainable development is managing our core business with our hearts and with our sights set on the future. The overarching challenge is to create financial stability for the many households and businesses. We need to be prepared and have buffers for both up- and downswings. To some extent the fluctuations can be mitigated

by regulations. Authorities and the financial sector have to join together to create greater stability over the business cycle. Maintaining a long-term focus is also critical in our advice. We have thousands of conversations every day with our corporate customers about investments, risk and reasonable returns. During times of crisis we have to remind people that there will eventually be a turnaround. When growth does return, we cannot forget the lessons from the recession.

I am also very proud to lead a bank with such a deeply rooted and wide-ranging commitment to social development in our home markets, as described in more detail on pages 44–45. Greater focus is being placed on areas where our network and specialised expertise can produce the best returns: the labour market, education and entrepreneurship. They are also the keys to growth in society, especially if we are going to tap the skills of our many foreign-born young people who are currently struggling to enter the job market.

### Outlook for 2012

The turbulence in 2011 will have consequences going forward. The risk appetite will generally be more restrained but could lead to more sustainable economic decisions, which suits Swedbank well. With the solid foundation we have built in recent years, we can take advantage of new opportunities.

We will also continue to develop our position as a relationship bank with a full-service commitment to our customers and their financial development, to improve efficiencies in our work processes, and to be a driving force in helping the many households and businesses achieve a sound, sustainable financial position. In this the way we are convinced we will produce results.

Today's macroeconomic outlook is highly uncertain and there is clearly a risk of recession. This makes it difficult to accurately forecast future results. Income will be affected positively as our state guaranteed funding matures. Our aim for 2012 is to reduce costs by around SEK 1bn, excluding variable staff costs, compared with 2011.

I would like to thank all our employees, shareholders and customers for an exciting 2011.

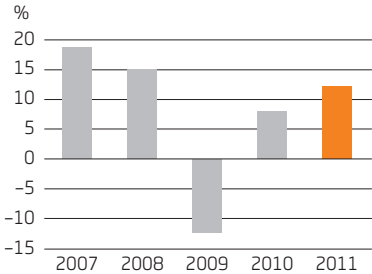
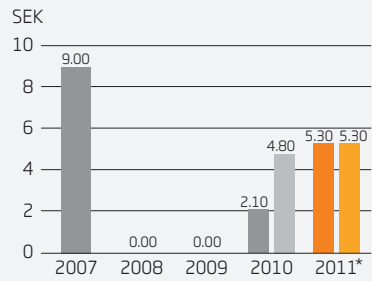
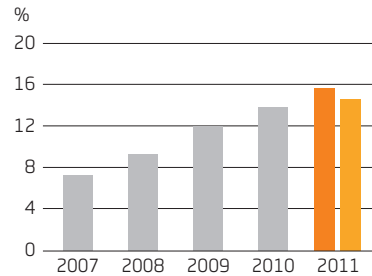
Stockholm, February 2012



Michael Wolf  
President and CEO

# Long-term competitiveness

Swedbank's Board of Directors has resolved to withdraw its capital target and await further details on the new capital requirements before announcing a new target.

SWEDBANK'S FINANCIAL TARGETS	PERFORMANCE																		
<h3>Return on equity</h3> <p>Return on equity shall amount to 15 per cent.</p> <p>The new proposed regulatory requirement, whereby Swedish banks would hold more capital than before, makes it more difficult to reach the return on equity target of 15 per cent and will take more time. To reach the profitability target, the bank has to be more efficient and increase revenue. The profitability target is based on Swedbank's market position, risk profile and conditions in our home markets. After reporting negative figures in 2009, Swedbank's results have gradually improved. For the full-year 2011 the return on equity was 12.2 per cent (8.1).</p>	<h3>Return on equity</h3>  <table><tr><th>Year</th><th>Return on equity (%)</th></tr><tr><td>2007</td><td>18</td></tr><tr><td>2008</td><td>15</td></tr><tr><td>2009</td><td>-12</td></tr><tr><td>2010</td><td>8</td></tr><tr><td>2011</td><td>12.2</td></tr></table>	Year	Return on equity (%)	2007	18	2008	15	2009	-12	2010	8	2011	12.2						
Year	Return on equity (%)																		
2007	18																		
2008	15																		
2009	-12																		
2010	8																		
2011	12.2																		
<h3>Dividend</h3> <p>Dividend corresponding to 50 per cent of profit for the year.</p> <p>In early 2011 Swedbank's Board of Directors changed its dividend policy to amount to 50 per cent of profit for the year from 40 per cent previously. The policy was changed against the backdrop of Swedbank's strong capitalisation, expectations of modest credit demand and continued focus on capital efficiency. The Board is recommending that the Annual General Meeting approve a cash dividend of SEK 5.30 per preference share and SEK 5.30 per ordinary share for 2011. This corresponds to a payout ratio of 50 per cent (40).</p>	<h3>Dividend</h3>  <table><tr><th>Year</th><th>Ordinary shares (SEK)</th><th>Preference shares (SEK)</th></tr><tr><td>2007</td><td>9.00</td><td>9.00</td></tr><tr><td>2008</td><td>0.00</td><td>0.00</td></tr><tr><td>2009</td><td>0.00</td><td>0.00</td></tr><tr><td>2010</td><td>2.10</td><td>4.80</td></tr><tr><td>2011*</td><td>5.30</td><td>5.30</td></tr></table> <p>* Proposed dividend</p>	Year	Ordinary shares (SEK)	Preference shares (SEK)	2007	9.00	9.00	2008	0.00	0.00	2009	0.00	0.00	2010	2.10	4.80	2011*	5.30	5.30
Year	Ordinary shares (SEK)	Preference shares (SEK)																	
2007	9.00	9.00																	
2008	0.00	0.00																	
2009	0.00	0.00																	
2010	2.10	4.80																	
2011*	5.30	5.30																	
<h3>Capitalisation</h3> <p>The Board of Directors has resolved to withdraw the bank's previous capital target of a long-term core Tier 1 capital ratio of at least 10 per cent as well as at least 13 per cent until 2013.</p> <p>The Board of Directors will decide on a new capital target when the regulatory environment is considered more stable. The executive management is of the view that the bank currently needs a long-term core Tier 1 capital ratio of 13.5 to 14.5 per cent as a result of the proposed capital requirements. At year-end 2011 the core Tier 1 capital ratio was 15.7 per cent (13.9).</p>	<h3>Core Tier 1 capital ratio</h3>  <table><tr><th>Year</th><th>Basel 2 (%)</th><th>Basel 3* (%)</th></tr><tr><td>2007</td><td>7.5</td><td>-</td></tr><tr><td>2008</td><td>9.5</td><td>-</td></tr><tr><td>2009</td><td>12.5</td><td>-</td></tr><tr><td>2010</td><td>14.5</td><td>-</td></tr><tr><td>2011</td><td>15.7</td><td>13.9</td></tr></table> <p>* Estimation based on Swedbank's interpretation of future regulations.</p>	Year	Basel 2 (%)	Basel 3* (%)	2007	7.5	-	2008	9.5	-	2009	12.5	-	2010	14.5	-	2011	15.7	13.9
Year	Basel 2 (%)	Basel 3* (%)																	
2007	7.5	-																	
2008	9.5	-																	
2009	12.5	-																	
2010	14.5	-																	
2011	15.7	13.9																	

# A sound and sustainable financial situation for the many households and businesses

## Our purpose

### We promote a sound and sustainable financial situation for the many households and businesses.

There has been a consistent theme throughout the bank's history, from the first Swedish savings bank in 1820 through the local agricultural credit societies of the early 20th century and Hansabank's important role in the Baltic region in the 1990s to today's bank, which is firmly anchored in the local community and built on close customer relationships.

When the savings banks were founded, their mission was to contribute to growing prosperity and security through sensible financial planning. This is still true today – we promote a sound and sustainable financial situation for the many households and businesses. Through forward-looking actions, responsible advice and education, we are working to create an economy in balance, while contributing to the sustainable development of society as a whole.



Swedbank has four geographical home markets: Sweden, Estonia, Latvia and Lithuania. To support business in our home markets, Swedbank is also established in the neighbouring markets of Finland, Norway, Denmark and Russia as well as other countries such as the US, China, Luxembourg and Spain. Swedbank also conducts banking operations in Ukraine.

## Our values



### Simple

Our services and employees must be easily accessible and easy to understand. Our advice is adapted to each customer's needs, and we give them the financial tools to handle life's challenges and opportunities. We want to create a friendly, uncomplicated banking experience for everyone.



### Open

We shall be a straightforward, honest and reliable partner. Customers and other stakeholders should feel welcome and secure with our services and our actions. We believe in development and are open to new ideas, new people and new ways to serve our customers and society.



### Caring

Everything we do, we do based on our customers' needs. We help our customers to make sound decisions and to achieve their goals in a sustainable way. Our employees are helpful and reliable. We take pride in keeping our promises. We are committed to our mission of improving the long-term financial health of people, businesses and society.

## Our vision

We enable people, businesses and society to grow  
 Swedbank – beyond financial growth

# Choices to create value

Swedbank's strategy is the direction we have chosen to create customer and shareholder value in the long term. It is based on our purpose, our values and our vision.

## Swedbank is a bank for the many

Swedbank serves the many households and businesses with both simple and more complex financial needs. We are an inclusive bank and serve customers without preconceptions. Our aim is to maintain and develop large customer bases, long-term customer relationships and high market shares in our four home markets: Sweden, Estonia, Latvia and Lithuania.

## We shall be close to our customers...

We firmly believe that a banking model based on closeness to customers best serves their needs, and Swedbank's purpose. By being close to our customers, we gain a better understanding of their situation and needs, enabling us to provide the right advice and make fast decisions when required, even if it sometimes means that the bank loses business. Our advice is based on each customer's needs, not the bank's products, and our product and service development is driven by dialogue with our customers. Closeness to customers and long-term profitability are achieved with well-adapted products and services offered through suitable channels for our various customer segments. Being accessible to customers in a simple way through our broad-based branch network and innovative solutions offered by the Internet Bank, Telephone Bank and Mobile Bank is more important than whether we produce every available product and service ourselves. The unique accessibility afforded our customers in Sweden is also made possible by the collaboration with the savings banks and various franchise partners.

## ...which is facilitated by a uniform framework and local decision-making

A uniform framework for the entire Group, together with local decision-making authority, facilitates faster decisions close to the customer. The framework encompasses issues of governance, capital and liquidity management, risk management, performance evaluation and brand policy.

Local units are responsible for customer relationships and results. Development and production of the bank's products are handled at Group level. To meet each customer's specific needs as quickly as possible, local branches and units have the authority to decide on the range of products and services they offer, as well as pricing, within the framework's limits.

Strong leadership is crucial to our governance model, with a clear delegation of responsibility. Good managers lead to committed employees, who deliver good results. We therefore focus on long-term recruitment, training and development of leaders.

## Swedbank shall maintain a low risk level...

Swedbank shall have a low risk level from both an asset and liability perspective. The risk in its assets is managed with the long term in mind, so that the core Tier 1 capital ratio does not decline by more than three percentage points in an adverse scenario.

A vast majority of the bank's exposures shall be in Sweden. Good risk diversification is achieved through a broad base of customers and businesses from many different industries. Customers' cash flow, solvency and collateral shall always be the key lending variables. High-quality risk and credit decisions and proactive risk management contribute to a low risk profile. The bank will maintain a sustainable balance between lending and deposits in each of its home markets.

Growth can be associated with higher risks. Swedbank strives to maintain long-term sustainable growth. This means we will not grow faster than what is considered sustainable for our customers and ourselves, regardless of market growth.

## ...with good control and focus on costs

Regulatory changes, e.g., in terms of capital requirements, will entail higher costs in running banking operations. Staying competitive requires us to continuously work with costs. We do so primarily in three ways:

- Through a corporate culture where everyone is aware of and cautious about costs. The bank's general remuneration programme, Eken, will help to strengthen this cost consciousness.
- By continuously adapting our organisation and costs to prevailing conditions. When the market changes, we have to be prepared to adapt accordingly.
- By capitalising on economies of scale based on our high market shares in each home market – not least in terms of effective process support and IT.

Large deposit volumes from private customers make Swedbank an interest rate-sensitive bank. As a result, it will be even more important to focus on cost efficiencies, especially when interest rates are low.



## Priorities 2012 –

Our priorities are the measures we need to take to reach our desired future position over a three-year period. The priorities are reassessed continuously to ensure that we are focused on the areas deemed to contribute the most to long-term profitability.

### Improve customer satisfaction

- **Adapt our offering to various customer groups**
- **Match employee competence to customer needs**

To increase customer satisfaction, we have to be even better at offering the right products and services to each customer group. For customers in need of less complex financial advice, we will provide relevant, simple and effective offerings, primarily through our electronic channels. The internet, mobile and telephone banks will be improved to make everyday banking services simpler and more efficient, thereby making them more cost effective. To serve customers with more advanced financial needs, we plan to set aside more time for advice. We are increasing the number of employees who work with advisory services, as well as broadening and further building their competence.

### Increase decision-making close to our customers

- **Clarify and continue to implement the common framework**
- **Increase local business acumen**

Swedbank's framework, which facilitates decision-making close to customers, is largely in place, but we have to clarify how it will be applied. We will also introduce an evaluation system to ensure that the framework is followed and improved.

It is important that those closest to customers have a say, are involved and have the necessary business acumen, since they have full responsibility for customers and results. We are working to make our employees more knowledgeable about the profitability of each customer and of the bank as a whole in order to raise the bank's business acumen.

### Grow with existing customers

- **Gain a larger share of our customers' banking business**
- **Continue to work with risk-based pricing**

We will first and foremost take advantage of our large customer base to grow. By being close to customers and understanding their needs, we can provide greater customer value and thereby improve our offering and our earnings.

We will continue to review the pricing of our products and services. The aim is risk-based pricing that corresponds to the value provided to customers and covers the bank's costs of doing business, which are increasing due to new regulations in the banking sector. It is also important to continue to capitalise on growth opportunities in selected segments.

### Improve quality and cost effectiveness

- **Standardise and coordinate processes**
- **Increase cost focus**

We will capitalise on the economies of scale that our large customer bases and business volumes offer and increase our cost effectiveness. The latter is important, since the Group is the amalgamation of banks, segments and geographical areas. We will improve quality while reducing complexity and operational risks by standardising, simplifying and coordinating processes within IT support, product development and shared support functions. Quality and efficiency gains will also benefit customers by making our offering more precise and getting it to market faster.

Due to current economic conditions, we have to reduce our costs. Responsibility for this rests with Swedbank's managers. We are also working actively to further raise the cost consciousness of everyone in the Group. The revised general remuneration programme, Eken, serves as support in this regard.

### Capital and liquidity management

- **Improve the understanding of risk-weighted assets and capital efficiency within the organisation**
- **Improve our relative cost of capital market funding**

To reduce unnecessary tied-up capital, we are continuing to improve understanding of risk-weighted assets and capital efficiency within the organisation. Stress tests will be an increasingly important tool in capital allocation. The organisation will be well-prepared for the impact of the new risk weightings for mortgages that are expected. We are also continuing to monitor regulatory developments and adapt our capital, liquidity and funding structures. By continuing to increase transparency and regularly meeting with our investors, we will ensure that our relative cost of capital market funding further improves.

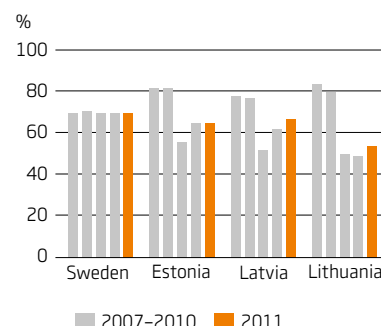
# Follow-up of priorities in 2011

## Focus on the customer

To remain competitive and profitable in the long term, Swedbank must diversify its offering and provide competitive services for each customer segment. In Sweden, our service concepts have been well received and by year-end 2011 more than a half million new customers had been added. Customers who have selected a service concept on average buy more products, report higher customer satisfaction and are slightly more profitable for the bank. In the Baltic countries, the new customer service model has led to greater confidence in the bank, which we expect will enable us to win a larger share of our customers' overall banking business. In 2011 we received several local and international awards in the Baltic countries, including for the most respected company in the financial sector in Estonia, Latvia and Lithuania.

To meet customer demand for advice, extensive training was conducted during the year in both Baltic Banking and Retail in order to strengthen customer service competence, in customer meetings.

### Customer satisfaction index, private



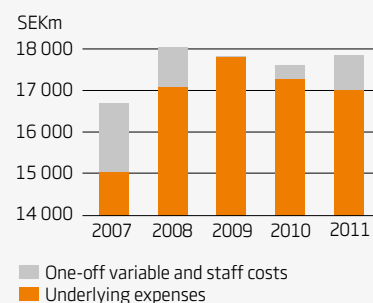
## Quality and effectiveness

Swedbank's aim in 2011 was to keep costs (excluding variable staff costs) from increasing compared with 2010. Excluding one-off costs for the employee restructuring in the third and fourth quarters totalling SEK 430m, costs were reduced by about SEK 200m (about SEK 250m excluding variable staff costs). The reduction was mainly due to lower costs in Russia and Ukraine, as well as lower consulting costs primarily in the risk organisation.

Group Business Support (GBS) became operational on 1 January 2011 with the aim to rationalise, standardise and simplify processes in IT, support and product development. Initial steps have been taken, but much work remains to be done with GBS. It will take many years to maximise efficiencies.

Operational risks were reduced during the year, but are still considered higher than normal. The escalated level is mainly due to the many changes projects under way within the Group as well as risks in the Swedish IT organisation.

### Expenses



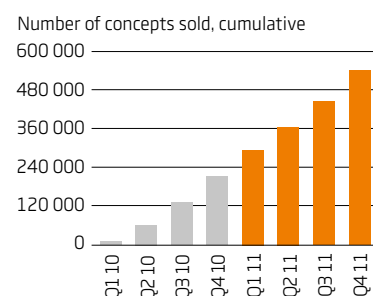
## Growth in selected segments

Swedbank saw generally low lending growth during the year, and we remained restrictive in our mortgage lending in Sweden.

We have strengthened our position among midcorps and in private banking in Sweden. Growth has been solid in terms of both customers and volumes. As part of our aim to grow in the premium segment, new staff was recruited and training provided during the year. However, growth did not match expectations in this area.

The measures being taken to ensure that the risk-adjusted margin from larger companies reaches a targeted minimum level continued during the year with good results. In many cases, cooperation with customers has been intensified, though in some cases customers have chosen to take their business elsewhere.

### Key Customers Offering

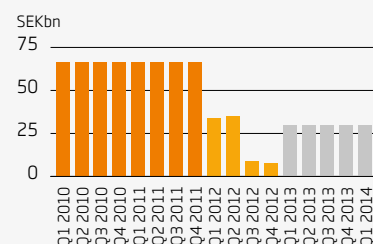


## Robust balance sheet with low risk

The risks in Swedbank's balance sheet were further reduced in 2011 on both the asset and liability sides. We have issued approximately SEK 254bn in long-term bonds, compared with maturities of SEK 180bn. By doing so we have extended the average maturity of our capital market funding, increased our liquidity reserves and made ourselves structurally independent of short-term funding. The state guaranteed funding that matured during the year has been largely replaced by covered bonds. Going forward our annual funding needs will be significantly lower compared with our average bond issues in the last two years.

This positive development has been confirmed by the ratings agencies. Standard and Poor's raised Swedbank's rating in December, and Moody's upgraded the bank's financial strength rating in June.

### Average long-term funding needs



# Continued macroeconomic uncertainty

Sweden as well as the Baltic countries showed solid growth in 2011. However, turbulence and slowing growth in the global economy during the second half of the year raised economic risks heading into 2012.

## Weaker global economy and worsening debt crisis

The global economy reported slower growth in 2011 at the same time that the financial crisis in the EMU countries worsened. This created increased turbulence in the international financial markets, along with declining stock prices and falling long-term interest rates. This is also a political crisis, where the necessary economic policy changes have not been made at the rate needed to slow escalating sovereign debt. A lack of confidence in the economic policies of debt-ridden countries, particularly Greece and Italy, led to substantially higher interest rates, which will not be sustainable. Fears of defaults and concerns surrounding huge credit impairments for European banks rose during the autumn, leading to higher capital adequacy requirements. Credit tightening by European banks has also adversely affected several eastern European countries, where the inflow of capital from foreign banks is drying up.

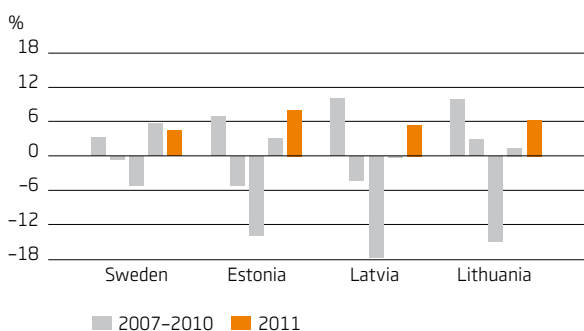
## Solid growth in Swedbank's home markets but worse times ahead

The Swedish economy continued to report a high growth rate in 2011. GDP is estimated to have risen by slightly over 4 per cent, driven by increased net exports and rising investment. However, economic indicators such as declining order bookings, fewer job openings, weak retail sales and downsized production plans signal that Sweden will grow at a considerably slower pace in upcoming quarters as a result of the slower

global economy. Household consumption is also being held in check by high debt ratios, at the same time that uncertainty about housing prices and the labour market has grown. Credit expansion to Swedish households slowed last year, partly due to weaker loan demand, but also as a result of tighter lending. The uncertain economic conditions caused the Riksbank to cut its discount rate at end-2011, which will likely be followed by further rate cuts in the near future.

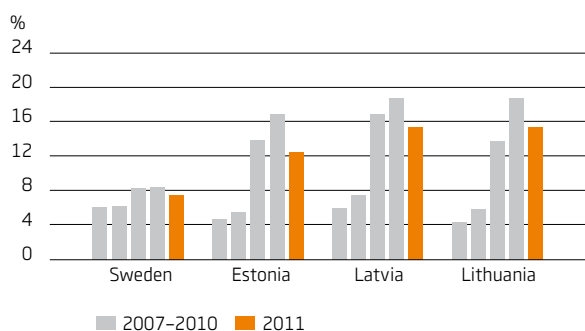
Growth in the Baltic countries is being driven by increased exports and stronger domestic demand. Estonia joined the EMU at the beginning of 2011. It is also the Baltic country with the fastest growth, its GDP having risen by an average of 8.8 per cent during the first nine months of 2011. In Lithuania and Latvia, the corresponding rate was 6.3 per cent and 5.2 per cent, respectively. Higher capacity utilisation in the business sector in the wake of higher export growth led to increased investment activity after a significant decline in 2009. Household consumption has risen as well in pace with an improving labour market and rising real wages. Inflationary pressures, which were boosted during the first half of 2011 not least by higher commodity prices, gradually eased as commodity prices declined globally. Further budget cutbacks are planned in Latvia and Lithuania to meet the Maastricht criteria and qualify for EMU membership in 2014. However, economic risks have increased leading up to 2012, not least due to lower export growth as anticipated demand in the EU countries significantly slows.

### GDP growth rate



Growth was good during the year in Swedbank's home markets. In Sweden, growth has mainly been driven by increased exports and rising investments. In the Baltic countries, increased exports and stronger domestic demand have been the primary drivers.

### Unemployment



Strong export growth that led to increased investments positively affected unemployment in all of Swedbank's home markets during the year.

### Developments in the banking sector

The financial crisis damaged confidence in the banking sector around the world, and the role of banks in society has been debated more than before. This was reinforced by the debt crisis in the eurozone and related worries in the financial markets. Prospects for a short-term economic recovery have also been hurt because several countries have had to cut costs to reduce their budget deficits and sovereign debts, leaving less room for any major stimulus measures.

Increased regulatory activity was seen in the form of stricter capital requirements, additional clarifications of Basel rules and a number of stress tests, including by the European Banking Authority (EBA). In Sweden, the Swedish Financial Supervisory Authority, Ministry of Finance and Riksbank have recommended stiffer capitalisation requirements for major Swedish banks than those mandated by the new Basel rules. In addition, the Swedish Financial Supervisory Authority is conducting a review of the risk weightings for Swedish mortgages, after which they are expected to be raised.

From an international perspective, Swedish banks are well capitalised, with core Tier 1 capital ratios that are among the highest in Europe. This is due to rights issues in 2008 and 2009, but also because risk-weighted assets have decreased. Many banks in the eurozone currently face problems with capital adequacy and are finding it difficult to access short- and long-term market financing. Several have been forced to obtain capital and/or have reduced their lending to more distant markets. Some are also expected to divest non-strategic assets.

In Sweden, higher interest rates and housing prices have contributed to lower household demand for credit. Corporate investment and credit demand is expected to slow as well.

### Competition in Swedbank's home markets

In an international comparison, the banking sector is fairly concentrated in Swedbank's home markets.

In Sweden, Swedbank, Handelsbanken, Nordea and SEB accounted for about 70 per cent of deposits and lending in 2011, according to the Riksbank. These major banks offer a wide range of financial products and services and compete in all key product segments. Swedbank is the biggest in retail banking and has a leading market position in mortgages (26 per cent), deposits from private customers (23 per cent) and fund management (24 per cent). In the Swedish corporate market, the bank's share was 13 per cent for lending and 16 per cent for deposits at the end of 2011.

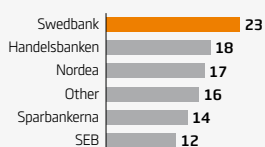
The Estonian banking sector is more concentrated than Sweden's. The market is dominated by foreign companies. Together, Swedbank, SEB, Nordea and Sampo (owned by Danske Bank) control around 90 per cent of the market. Swedbank had a market share of 54 per cent for deposits from private customers and 47 per cent for lending. In the Estonian corporate market, the bank's share was 36 per cent for lending and 41 per cent for deposits.

Latvia has a more fragmented market where local banks account for 30 to 70 per cent of the various segments. In 2011 Swedbank accounted for 23 per cent of deposits and 27 per cent of lending to private customers. In the corporate market, Swedbank's share was 18 per cent for lending and 10 per cent for deposits.

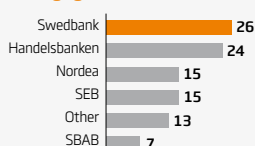
Like Sweden, the banking market in Lithuania is dominated by a few major players. Among private customers, Swedbank accounted for 38 per cent of deposits and 25 per cent of lending. In the corporate market, the bank's share was 20 per cent for lending and 25 per cent for deposits.

## MARKET SHARES

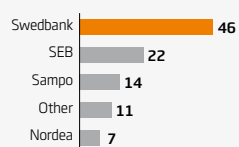
### Sweden private market, deposits, %



### Sweden private market, mortgage, %



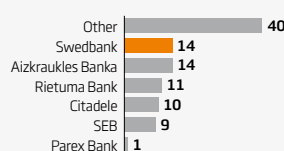
### Estonia total deposits, %



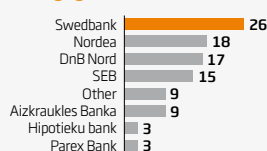
### Estonia private market, mortgage, %



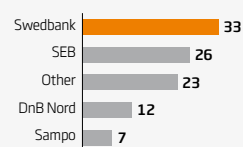
### Latvia total deposits, %



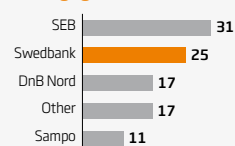
### Latvia private market, mortgage, %



### Lithuania total deposits, %



### Lithuania private market, mortgage, %



Sources: Statistics Sweden, Estonian Central Bank, Association of Commercial Banks of Latvia, The Financial and Capital Market Commission (Latvia), Association of Lithuanian Banks and public interim reports.

# Mortgage margins

The correlation between mortgage rates and the repo rate has decreased due to the higher funding costs banks have faced since the 2008 international financial crisis. Tighter new regulations, which Swedbank has welcomed, further increase the cost of a mortgage for both the bank and for customers.

A debate is under way in the media on how banks set their lending rates and how large their margins are on mortgages, for example. A lot of attention has been drawn to the fact that the interest rates customers pay on their mortgages are not always lowered when the Riksbank cuts its repo rate. It has also been said that mortgage rates generally seem higher in relation to both the repo rate and the interbank rate (STIBOR) now than before the financial crisis.

## **Banks' total funding costs have increased more than the repo rate**

The diagram on the following page shows that the three-month Stockholm Interbank Offered Rate (STIBOR), the rate at which a well-managed bank can obtain short-term deposits from other banks in the interbank market, was slightly above the Riksbank's repo rate, which is a day-to-day rate, until mid-2007. After that the difference between the repo rate and STIBOR rose due to growing suspicions between banks in connection with the subprime crisis in the US and widened during the 2008 global financial crisis. A bank can never fund its lending in the Riksbank and in the long run not in the interbank market either. On the other hand, until the financial crisis in 2008 it could issue bonds – covered or unsecured – at interest rates largely corresponding to STIBOR. But after STIBOR gradually climbed above the repo rate, the cost of market funding – a bank's actual funding cost – rose faster than the repo rate until the financial crisis culminated in autumn 2008.

## **Swedbank funds its lending primarily through covered bonds**

Since 2009 the large percentage of mortgages granted by the banks must be funded by issuing covered bonds. They are in themselves a beneficial and efficient form of refinancing for banks that can use them, since they give the banks' own lenders access to the collateral that the banks receive from mortgage borrowers. As evident in the diagram, this has not prevented the cost of covered bonds to remain at a higher rate than STIBOR since the financial crisis in 2008. As a consequence, the banks' funding costs fell significantly less in 2009 than interest rates in general and have since remained above STIBOR. This

also means that a change in the repo rate has only a limited effect on the banks' funding cost and hence on the mortgage rates they charge.

One reason for this is that covered bond investors require the banks to post collateral for their funding in excess of the loan amount (so-called over-collateralisation). This protects them against the risk that the collateral will be insufficient if housing prices fall substantially.

## **In its report, the Riksbank confirms that the banks are not funding their lending at a cost that corresponds to the repo rate**

The diagram on the next page is similar to the one published twice a year in the Riksbank's Financial Stability Report. In its autumn 2011 report, the Riksbank states: "A common misconception is that the banks borrow money at a cost equivalent to the repo rate. The chart shows, however, that additional costs arise when the banks acquire funding. To fund mortgages, the banks usually issue covered bonds at a fixed rate and with a maturity of up to five years. This led to an increase in the cost of funding a mortgage compared to the interbank rate. The red, yellow and grey fields have thus together contributed to an increase in the banks' total funding costs."

## **Deposits help to keep mortgage rates down**

The more collateral relative to the funding amount that investors require to buy covered bonds, the larger the share of its mortgage volume a bank must refinance through ways other than covered bonds. One alternative is to issue senior unsecured bonds. This makes the refinancing of mortgages even more expensive, since investors require an even higher interest rate to buy such bonds. Swedbank can keep funding costs down, however, by using a portion of its deposits from companies and households to partially fund its mortgages. It does just that, because of which the grey field in Swedbank's diagram is thinner than for certain other banks. Consequently, the funding rate that our branches base their mortgage rates on is slightly lower than they would otherwise be if so many savers did not put their money into the bank.



### The blue field in the diagram shows the bank's gross margin

The upper blue field in the diagram represents Swedbank's gross margin on mortgages. This field shows the difference between the average interest rate on three-month mortgages that the bank charges borrowers and its funding cost based on covered bonds, deposits and senior unsecured funding. The diagram shows how the margin, which was well over one per cent in the early 2000s, gradually decreased until the financial crisis. The gross margin was nearly nil during the financial crisis, but has increased again since the bank has been able to normalise its funding terms. From summer 2009 to summer 2011, when the funding markets were generally working normally, the average gross margin fluctuated between approximately 0.3 and 0.5 per cent.

### Tighter new regulations are increasing costs for banks and for customers

In recent years a number of tighter regulations have been discussed and introduced for banks, which we welcomed and feel are a prerequisite for creating a more stable financial sector in the future. The biggest effect on costs is expected to come from the new liquidity rules. They require a bank to ensure that it can continuously fund a long-term mortgage portfolio even if its ability to raise new refinancing loans is closed for shorter or longer periods, as was the case during the financial crisis. This cost of liquidity protection can at times amount to 0.5 per cent, but in normal market conditions is closer to 0.2–0.3 per cent. This cost must be covered by the bank's gross margin on mortgages.

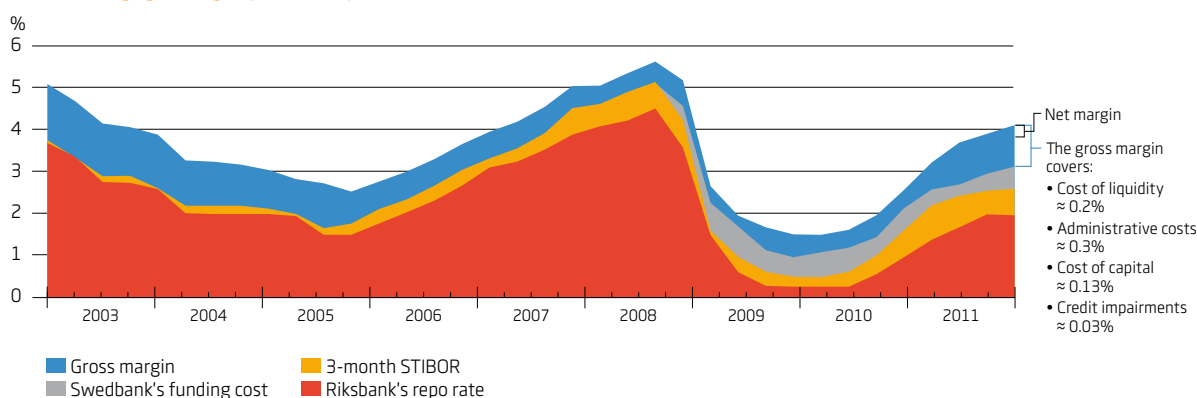
The bank must also expect that some borrowers, despite careful credit checks, cannot fully pay the interest and principal

on their mortgages. The bank estimates that credit impairments over time will amount to three hundreds of a per cent (3 bp). According to current capital adequacy rules, the bank must at the same time maintain risk-bearing capital, mainly shareholders' equity, as protection against unforeseen credit impairments. Given the lowest required return on shareholders' equity and these increasingly tighter rules, this capital adequacy cost has risen from approximately 3 bp before 2008 to 13 bp at present. These credit impairments and capital adequacy costs, totalling approximately 16 bp, must be covered by the bank's gross margin on mortgages.

Lastly, we expect our expenses to manage a mortgage portfolio of well over SEK 700bn "from start to finish" at approximately SEK 2.2bn (including a portion of the Treasury department's costs to manage funding operations). This corresponds to approximately 30 bp or approximately 20 per cent of the total expenses of the Swedish retail operations. These expenses must also be covered by the bank's gross margin on mortgages.

Our calculations show that the gross margin on a normal mortgage – calculated as the difference between the bank's actual funding cost and the lending rate charged to the customer – must be at least 0.65 per cent to cover the bank's costs for the mortgage operations and at least 0.75 per cent to also cover our shareholders' return on the bank's equity. As a product, mortgages have not been profitable for Swedish banks for long periods of time. This is because the net margin has been negative after factoring in expenses for liquidity, credit impairments, administration and costs related to our shareholders' required return. Mortgages have instead been used as a door opener to other types of business with the customer.

### Gross mortgage margin (3 months)



The banks can no longer obtain funding at the repo rate level. Since the financial crisis culminated in autumn 2008, funding costs have increased in relation to the repo rate and STIBOR. Increased expenses due to new and tighter regulations have led to higher gross margins. Furthermore, the gross margin must also cover costs for administration and credit impairments.

# Financial analysis

Swedbank's profit amounted to SEK 11.7bn for the full-year, an improvement of SEK 4.3bn compared with 2010. The improved profit was mainly due to generally higher interest rates, which affected net interest income positively. Net recoveries of SEK 1 911m came primarily from the Baltic countries, Russia and Ukraine.

## Net recoveries and higher net interest income raised profit

Profit for the year attributable to the shareholders was SEK 11 744m, compared with SEK 7 444m in the previous year. The result was charged with a total goodwill write-down of SEK 1 930m. Net recoveries amounted to SEK 1 911m (credit impairments of SEK 2 810m). The return on equity was 12.2 per cent (8.1). The cost/income ratio was 0.53 (0.57).

## Profit before impairments increased mainly due to improved net interest income

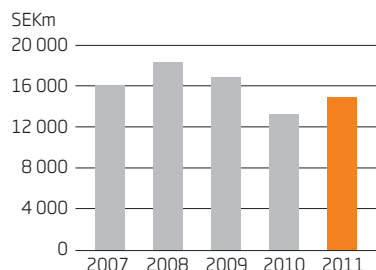
Profit before impairments increased by 17 per cent to SEK 15 646m (13 402). Higher net interest income due to generally higher interest rates affected the result positively. During the year Swedbank received one-off revenue totalling SEK 922m related to the US commercial mortgages Swedbank took over when Lehman Brothers filed for bankruptcy protection in autumn 2008. One-off restructuring costs totalled SEK 430m during the year, of which SEK 330m in the fourth quarter and SEK 100m in the third quarter.

## Profit before impairments, excluding one-off items, by business area

SEKm	2011	2010
Retail	9 571	7 533
Large Corporates & Institutions	3 379	2 967
Baltic Banking	3 480	3 250
Asset Management	727	750
Russia & Ukraine	4	-204
Ektornet	57	-152
Group Functions	-1 572	-1 096
<b>Total excl FX effects</b>	<b>15 646</b>	<b>13 048</b>
FX effects		354
<b>Total</b>	<b>15 646</b>	<b>13 402</b>

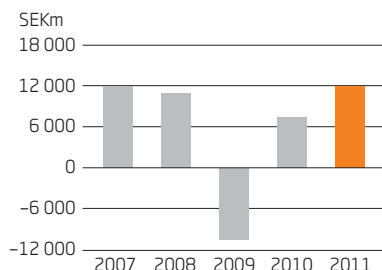
Income increased by 8 per cent to SEK 33 515m (31 044). Net interest income increased primarily in Retail and LC&I. Net gains and losses on financial items at fair value decreased in LC&I and Group Treasury (Group Functions). Commission income was 3 per cent lower during the year. Changes in the exchange rates, especially the appreciation of the Swedish krona against the euro and the Baltic currencies, reduced reported income by SEK 665m.

## Profit before impairments



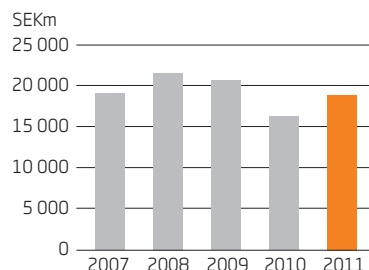
Profit before impairments increased by 17 per cent to SEK 15.6bn. The increase was mainly due to improved net interest income.

## Net Profit



Swedbank's profit has gradually improved since 2009, when it was adversely affected by extensive credit impairments in the Baltic countries, Russia and Ukraine. Profit for the year was charged with goodwill impairment of SEK 1 930m.

## Net interest income



Net interest income increased by 17 per cent during the year. The increase was mainly due to higher interest rates in Sweden and slightly higher Euribor rates during the first half-year.

### Higher interest rates affected net interest income positively

Net interest income increased by 17 per cent to SEK 19 118m (16 329). The factors positively affecting net interest income were higher interest rates in Sweden and slightly higher Euribor rates during the first half-year. Moreover, the fee for the state-guaranteed funding decreased by SEK 421m. The stability fee more than doubled from the previous year to SEK 545m (223). Increased expenses for liquidity reserves and lower returns on the investment portfolio used to hedge interest rates on current accounts and equity also adversely affected net interest income.

### Lower net commission income due to lower economic activity

Net commission income fell by 6 per cent to SEK 8 963m (9 525). The decrease was mainly the result of lower commission income from corporate finance, securities trading, asset management and payment processing due to lower economic activity, as well as lower average stock values.

### Net gains and losses on financial items at fair value fell due to weaker trading related income

Net gains and losses on financial items at fair value fell by 34 per cent to SEK 1 584m (2 400). LC&I reported lower net gains and losses on financial items at fair value due to weaker trading related income. Within Group Functions, Group Treasury reported a lower result due to negative funding related valuation effects.

### Unchanged expenses excluding one-off restructuring expenses

Expenses increased to SEK 17 869m (17 642). One-off restructuring expenses totalled SEK 430m during the year, of which

SEK 330m in the fourth quarter and SEK 100m in the third quarter. Consulting expenses decreased by SEK 374m, while variable staff costs rose to SEK 395m (340).

Since 1 July 2010 Swedbank pays parts of its variable remuneration in the form of shares. This remuneration is accrued until such time that the shares are settled. As a result, variable remuneration allocated to employees during the period may differ from the recognised amount. During the year recognised variable remuneration was SEK 395m, while the value of the estimated compensation was SEK 818m. During the first quarter SEK 54m from previous years' provisions for variable remuneration was reversed within LC&I.

The number of full-time positions was reduced by 937 from the beginning of the year, including 633 in Russia & Ukraine, 195 in Baltic Banking and 238 in Retail.

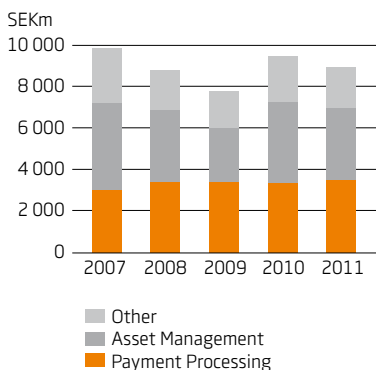
### Expense analysis Group

SEKm	2011	2010
Retail	8 795	8 670
Large Corporates & Institutions	3 397	3 171
Baltic Banking	2 696	2 570
Asset Management	840	855
Russia & Ukraine	705	803
Ektornet	550	270
Group Functions and eliminations	886	994
<b>Total excl FX effects</b>	<b>17 869</b>	<b>17 333</b>
FX effects		309
<b>Total</b>	<b>17 869</b>	<b>17 642</b>
of which variable staff costs	395	340
of which non-recurring expenses	430	

### Net recoveries

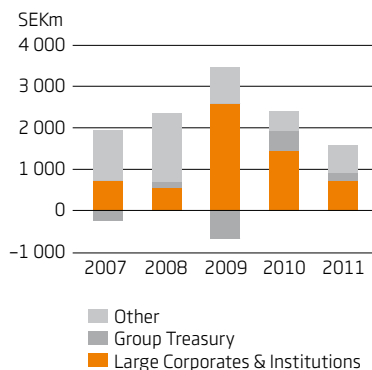
Net recoveries for the year amounted to SEK 1 911m, (net credit impairments of SEK 2 810m). Recoveries were generated primarily from Baltic Banking and Russia & Ukraine.

### Net commission income



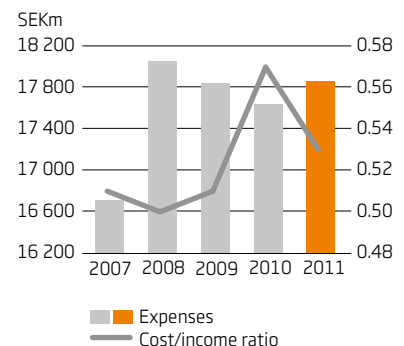
Net commission income fell by 6 per cent. The decrease was mainly due to lower commission income from corporate finance, securities trading, asset management and payment processing as a result of lower economic activity and lower average share prices.

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



Net gains and losses on financial items at fair value decreased by 34 per cent driven by weaker trading-related results in Large Corporates & Institutions as well as a lower result due to negative funding-related valuation effects within Treasury.

### Expenses



Swedbank's aim in 2011 was to keep expenses from increasing (excluding variable remuneration). Excluding expenses related to the 2012 employee restructuring recognised at the end of the year, the aim was met.

### High effective tax rate due to goodwill write-down

The tax expense amounted to SEK 3 669m (2 472), corresponding to an effective tax rate of 23.8 per cent (24.8). In the medium term the effective tax rate is estimated at 21-22 per cent. The higher effective tax rate during the year is due to nondeductible goodwill impairment in the Latvian operations. Excluding the write-down, the effective tax rate for the full-year is 21.2 per cent.

### Generally low lending growth

Lending to the public\* increased by 2 per cent during the year to SEK 1 166bn. In the Baltic countries, lending to the public\* decreased by 8 per cent to SEK 119bn (130), mainly due to amortisations and limited demand for new lending. Lending to the public\* also decreased in Russia and Ukraine, to SEK 10bn (13) at year-end, while Sweden had a credit growth of 3 per cent, to SEK 1 000bn (969).

Deposits from the public\* rose by 6 per cent to SEK 547bn (517). The increase is mainly attributable to Retail, which increased from SEK 347bn to SEK 365bn. Deposits from the public\* within Baltic Banking increased slightly to SEK 97bn (93).

\* Excluding Swedish National Debt office and repos.

### Impairments



Swedbank reported net recoveries during the year, primarily from the Baltic countries, Russia and Ukraine. Swedbank's goodwill in Latvia was written down by SEK 1 913m in the fourth quarter.

### Proposed dividend of SEK 5.30

According to Swedbank's dividend policy, the dividend will amount to around 50 per cent of consolidated profit for 2011 attributable to the shareholders of Swedbank AB. The Board of Directors proposes that the Annual General Meeting approve a dividend of SEK 5.30 (2.10) per ordinary share and SEK 5.30 (4.80) per preference share for the financial year 2011.

### Outlook for 2012

The macroeconomic outlook remains highly uncertain with a risk of recession in Europe. This makes it difficult to accurately forecast future results. We are planning for a weak scenario and focusing on costs. Our aim is to reduce costs by around SEK 1bn in 2012, excluding variable staff costs, compared with 2011. Net interest income will be affected positively as the state guaranteed funding matures, at the same time that lower interest rates could affect net interest income negatively.

We have been working for three years to achieve a sound balance between risk and capitalisation, liquidity and funding needs, and growth and sustainability. In this way we can develop our core business in the long term: achieve our long-term mission: a sound and sustainable financial position for the many households and businesses. It is a strength for us today that we were early in making the transition. We are therefore well-equipped to meet our customers' future financial needs.

### Events after 31 December 2011

The Board of Directors has resolved to withdraw its previous capital target of a long-term core Tier 1 capital ratio of at least 10 per cent as well as at least 13 per cent until 2013. The Board will decide on a new capital target when the regulatory environment is considered more stable. The executive management is of the view that the bank currently needs a long-term core Tier 1 capital ratio of 13.5 to 14.5 per cent as a result of the proposed Swedish capital adequacy requirements.

Swedbank's Board will propose that the Annual General Meeting modify both the general and individual performance and share-related programmes for 2012. As proposed, the 2012 general programme will be based solely on Swedbank's consolidated results and not like before on the results for both the Group and the business areas. The number of employees included in the individual programme has decreased from 1 200 to around 800.

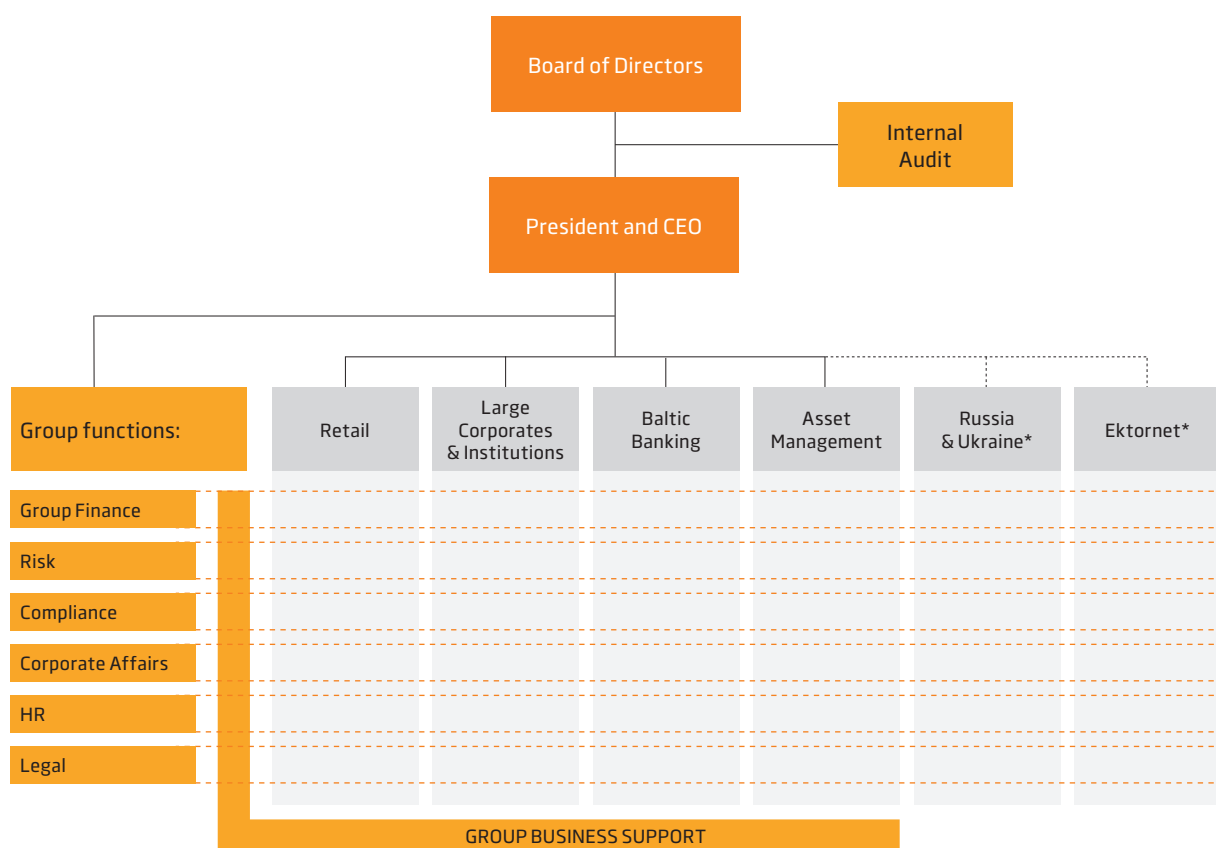
The bank's business activities and external market conditions are changing continuously. Thus there may arise a need to increase or decrease the capital base or change the allocation between core Tier 1 capital and other capital, e.g., through the

buy-back of shares, the raising of loans which can be included in the capital base, or a combination of different measures. The Board of Directors therefore proposes that the AGM authorise the Board of Directors to decide on the buy-back of shares up to a limit of one tenth of all Swedbank shares. The authorisation may be utilised on one or several occasions up to the 2013 AGM. In addition, it is proposed that the AGM authorise the Board of Directors to decide on the issuance of promissory notes with the possibility of conversion to shares, if deemed necessary, to effectively manage the capital base. The share buy-back decision is only intended to be taken if the Board of Directors assesses that Swedbank has a long-term core Tier 1 capital ratio that surpasses the desired level and once the new capital requirements have been clarified.

Swedbank's Nomination Committee proposes Charlotte Strömberg as new member of the Board. The Nomination Committee further suggests re-election of Board members Olav Fjell, Ulrika Francke, Göran Hedman, Lars Idermark, Anders Igel, Pia Rudengren, Anders Sundström, Karl-Henrik Sundström and Siv Svensson. Helle Kruse Nielsen has declined re-election.

On 26 January Swedbank issued a 5-year senior unsecured bond for EUR 1bn with an interest rate corresponding to the 6-month Euribor +183bp.

On 9 February, Swedbank concluded an agreement to sell its remaining retail loan portfolio in Russia with a book value, as of 1 February 2012, of approximately SEK 650m, in line with Swedbank's strategy to discontinue Retail operations in Russia.



#### Swedbank's operational structure

The bank is organised in six business areas, which are supported by Group Functions for Accounting & Finance, Risk, Compliance, Corporate Affairs (communication, strategic marketing and community affairs), HR, Legal Affairs, Compliance and Group Business Support, as well as the Group Executive Committee; see also page 32.

\* The Russia & Ukraine and Ektornet business areas report directly to the Chief Financial Officer within Group Functions.



# Retail

Retail delivered a strong result in 2011. Work to free up time to meet with customers and focus more on relationships than transactions continued during the year.

## PRIORITIES 2011

- Structured approach to the customer base
- Channel strategy
- More efficient processes / Competence & staffing

To promote a sustainable economy, the bank must meet high demands on the advice it offers customers on their financial situation. Back in 2009 we adopted a clear position in the Swedish mortgage market and demonstrated that we have a responsibility to explain financial risks to customers. We have stressed the importance of not being overly in debt and of amortising. This has led to a lower market share in new mortgage sales in recent years. In 2011 the work continued to focus more on relationships and customers' needs and less on transactions and products when meeting with customers.

### Structured approach to customer base

Working in a structured way with the broad customer base and offering the right competence to each customer are important. We therefore have a service promise tied to our various offerings, so that the relationship between the bank and the customer is built on the level of service they desire. The Key Customer offering launched in 2010, together with Key Customer Plus, Premium and Private Banking, provides a complete range of services for customers in the private market. By year-end 2011 more than a half million customers had chosen one of these offerings. Campaigns targeting customer groups in Private Banking and MidCorps have garnered a positive response, while the Premium segment has added fewer customers than expected. The addition of new hires, more training and an expanded product offering pave the way for a further increase.

Over 60 000 customers have selected our corporate offerings, "Better Business" or "Better Business Forestry & Agriculture". As the bank with the most customers, Swedbank is well-represented in every customer segment.

### More efficient processes

An important part of strengthening relationships with customers is decentralising certain decisions to the branches and thereby strengthening the local branch's mandate to address questions from customers and strengthen Swedbank's role in the community. During the year we reviewed and gave higher priority to the time we spend with customers, especially at branches and through the Telephone Bank, where advisory services are significant. Access to service at the branches is improving as advisors are relieved of other duties thanks to the efficiency improvements in credit processing. Central units are being created for credit monitoring and mortgage administration. Another example is the work being done to minimise cash handling and leave more time for personal interactions. Cash handling decreased by 16 per cent during the year and by more than one third in the last three years. Around a hundred branches have stopped offering manual cash services to date, and the process will continue in 2012. Readily available alternatives to cash exist today in Sweden. Less cash handling is also in line with Swedbank's vision of a sustainable society, since it lessens the environmental impact and improves security for employees and customers.

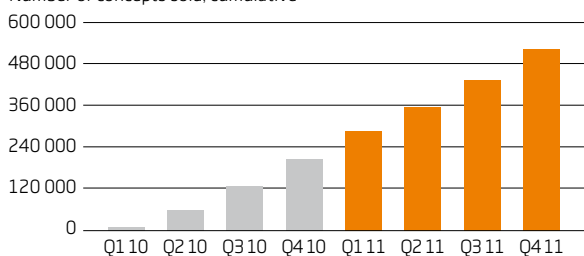
### Meeting customers in the best way

The way in which financial services are distributed in the Swedish banking market has changed radically in the last 20–30 years. Bank branches have historically been the most

Cont. on page 22.

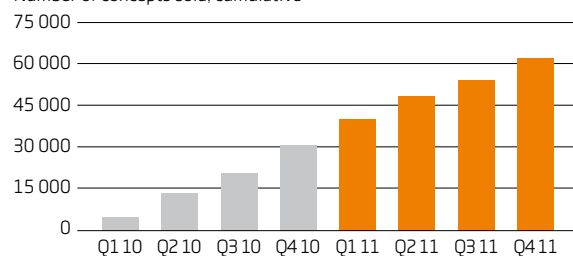
### Key Customer Offering

Number of concepts sold, cumulative



### Better Business Offering

Number of concepts sold, cumulative



## FINANCIAL OVERVIEW

“The stronger result was mainly due to higher interest rates during the year.”

Profit for the year increased by 31 per cent year-on-year, mainly due to improved net interest income.

Net interest income increased by 22 per cent compared with the previous year, primarily as a result of higher interest rates and the repricing of loans. The repricing of mortgages affected net interest income positively, while the repricing of corporate lending did not offset higher funding costs.

Net interest income on deposits was affected positively by higher interest rates and negatively because more customers chose to transfer their deposits to fixed-rate accounts. Total deposit volume increased by 5 per cent to SEK 365bn during the year.

Household lending increased by 3 per cent to SEK 596bn during the year. The slowdown in the housing market continued and annual growth in Swedbank's mortgage portfolio fell to 2 per cent (6 per cent in 2010). Swedbank strengthened its share of new lending during the fourth quarter, giving it a market share of 26 per cent (27 per cent as of 31 December 2010). Corporate lending volume increased by 1 per cent in 2011. The bank's market share was 17 per cent (17 per cent as of 31 December 2010).

Net commission income was in line with the previous year. Increased income from insurance operations was offset by weaker performance by the mutual fund operations due to the stock market's decline during the year.

Expenses increased by 1 per cent during the year. During the fourth quarter SEK 94m was expensed for staff restructurings. Higher variable remuneration adversely affected expenses, while the continuing work to improve efficiencies in cash handling and internal processes contributed positively.

Credit impairments increased during the latter part of the year due to a limited number of corporate commitments. The levels of credit impairments and impaired loans are still low. The share of credit impairments was 0.19 per cent (0.18).

## Condensed income statement

SEKm	2011	2010
Net interest income	12 340	10 100
Net commission income	4 229	4 292
Net gains and losses on financial items at fair value	201	184
Other income	1 596	1 627
<b>Total income</b>	<b>18 366</b>	<b>16 203</b>
Staff costs	4 123	3 964
Other expenses	4 672	4 706
<b>Total expenses</b>	<b>8 795</b>	<b>8 670</b>
<b>Profit before impairments</b>	<b>9 571</b>	<b>7 533</b>
Credit impairments	332	272
<b>Operating profit</b>	<b>9 239</b>	<b>7 261</b>
Tax expense and non-controlling interests	2 228	1 960
<b>Profit for the year attributable to: Shareholders in Swedbank AB</b>	<b>6 951</b>	<b>5 301</b>

## Business volumes

SEKbn	2011	2010
Loans to the public*	894	873
Deposits from the public *	365	347

\* Excluding Swedish National Debt Office and repos.

## Key ratios

	2011	2010
Return on allocated equity, %	28.6	24.0
Cost/income ratio	0.48	0.54
Credit impairment ratio, %	0.04	0.03
Customer satisfaction **		
Share of satisfied private customers, %	70	70
Share of satisfied corporate customers, %	67	68
VOICE index	790	783
Full-time employees	5 333	5 571

\*\* According to SCI.

Share of  
total income



Share of Swedbank's profit before  
impairments



## RETAIL IN BRIEF

Sweden is Swedbank's largest market, with over 4 million private customers and 300 000 companies ranging from small businesses with a few employees up to midcorps with several thousands. This makes it Sweden's largest bank in terms of customers. Through the 317 branches of Swedbank, the 254 branches of the savings banks and a number of other related channels such as the Telephone Bank, the Internet Bank and the Mobile

Bank, the bank is open round the clock. By decentralising to give branch managers a strong mandate, Swedbank is able to play a part in the local community. The bank's social engagement is exemplified in various ways, including a project called Young Jobs, which has created thousands of trainee positions for young people in recent years.

Swedbank has a leading position in several of Sweden's most important

market segments, including mortgage lending and private savings.

The business area also includes Swedbank Mortgage, Swedbank Finans, the real estate brokerage Fastighetsbyrå, the insurance company Swedbank Försäkring and the subsidiary bank in Luxembourg.

**For more information on Swedbank's market shares, see page 176.**

important channel to serve customers. Thanks to innovations and new technologies, customers' habits have changed, and so has the role of the bank branch. From earlier innovations such as ATMs, debit cards and telephone banking to the rapid advent in recent years of Internet and mobile banking, customers can now satisfy most of their basic banking needs through channels other than the branch. Swedbank is therefore developing new ways to meet customers online, by telephone and in the branches.

The Internet Bank reaches 3.4 million customers a month, and since its launch in 2009 the Mobile Bank has added nearly a half million users. More interactions with customers are taking place today through the Corporate Customer Centre, a telephone-based advisory service open from 7am to 11pm.

Through information and a differentiated pricing model, we make it easier for customers to select the most effective way to communicate with the bank on any type of matter.

“Offering the right competence to the right customer is important. A service promise is therefore tied to our various customer offerings.”

#### **Employee training for old and new positions**

To ensure that the right competence is available to our customers, we staff each market to meet local needs. Employee training for old and new positions is continuing at the same level.

#### **Customers increase their savings**

Customers are clearly choosing savings accounts over other forms of savings in the current economy. Deposits increased in 2011, especially for fixed-rate accounts with preset maturities. Competition for deposits from private customers was fierce during the year and could increase further when capital and liquidity requirements are tightened.

#### **Other events**

The new agreement with the savings banks took effect on 1 July 2011.

During the year 23 branches were consolidated into larger units and one new branch was opened, which means that Swedbank currently has 317 branches in Sweden.

“The way in which financial services are distributed in the Swedish banking market has changed radically in the last 20–30 years.”

#### **Priorities 2012**

Measures to free up time to meet with customers and focus more on relationships and less on transactions will continue in 2012. Much work has been done on process and efficiency improvements to leave more time for customers. In 2012 the customer experience will be a higher priority. We will also continue with the customer segmentation strategy, which provides a more structured approach to working with the customer base.

#### **Swedbank Försäkring**

Swedbank Försäkring offers unit-linked insurance and other life insurance products. In May 2011 it was also authorised to sell disability insurance, and sales started in the autumn. The customer offering includes endowment insurance, variable universal life insurance, private pension insurance, occupational pension insurance, health insurance and group life insurance. Sales are handled by Swedbank and the savings banks, where the company's products are part of the customer offering.

Sales volume for endowment insurance fell by 26 per cent during the year due to lower contributions as a result of the turbulence in the financial markets. Occupational pensions rose by 24 per cent from the previous year. Swedbank had success in the transfer market, with assets of SEK 1 551m transferred to its products. Premiums paid by insurance customers during the year amounted to approximately SEK 16.4bn, and on 31 December 2011 assets under management totalled SEK 94.5bn (99.2).

#### **AWARDS**

In the annual Corporate Barometer student survey conducted by Universum, Swedbank came in 5th place when students ranked future employers.

“The bank’s financial position was further improved during the year. Already today we fulfil the proposed future regulatory requirements regarding capital adequacy and liquidity.”

Göran Bronner  
Chief Financial Officer

# Large Corporates & Institutions

The financial markets faced great uncertainty in 2011. Work targeted on the new advisory model contributed to growth in customer-driven business.

## PRIORITIES 2011

- **Focus on customer relationships and advisory services**
- **Integration of First Securities**
- **Adapt operations and costs to prevailing market conditions**

The goal of Large Corporates & Institutions is to be the primary provider of financial advice and capital market products to a selected number of large companies and financial institutions as well as to Swedbank's retail operations and the customers of the Swedish savings banks. The aim is to deepen and broaden customer relationships and thereby secure a larger share of each customer's business.

### **Continued work with customer-oriented, advice-focused business model**

Implementation of the new business model continued in 2011 in order to shift from providing financing or other individual products to a large number of customers to instead being a turnkey provider of financial services to a select number of customers. This will be achieved through greater cooperation with other parts of the bank, through sector-specialised customer teams and by focusing more on business development and follow-ups.

This has helped Swedbank to gain a larger share of its customers' business.

“The aim of the new business model is to make us a turnkey provider of financial services to a select number of customers.”

The FX/Fixed Income product area has established many new customer relationships, thanks to which customer-driven business has grown. At the same time the bank further strengthened its leading position in the Swedish and Norwegian credit bond markets. Market concerns adversely affected income from proprietary risk management during the year, and during the second half-year the bank decided to reduce its risk level in fixed income and foreign exchange.

Since 2011 our customers have access to advice and expertise on the Nordic and Baltic equity, derivative and capital markets. Research operations now cover nearly 300 companies. The general recovery in the Baltic countries has been affected by global events, which resulted in limited customer demand for capital and financing. At the same time demand for various forms of financial hedges through currencies, fixed income and commodities has increased in these markets.

### **Integration of First Securities**

In the area of Investment Banking, the integration of First Securities continued in 2011, adding cutting-edge competence and experience in Norwegian research, investment banking and customer relationship management. The goal is to transform the Norwegian operations from an advice-driven investment bank to a full-scale commercial bank with a broad range of financial products and services for businesses and institutions. The integration work has been more difficult than expected, not least because it has been carried out at the same time as the investment banking market was undergoing major changes.

### **Adjusting operations and the cost base to prevailing conditions**

In connection with the turbulence and uncertainty in the financial markets in 2011, the investment banking market underwent sweeping structural changes. New market conditions require changes in routines and, in the short term, adjustments costs to the prevailing earnings potential. The product range has been left intact, but areas where earnings potential is being hurt by the current market are being downscaled in order to create a profitable, sustainable and competitive organisation.

### **New head of the business area**

Magnus Gagner Geeber took over as head of the business area in June.

### **Priorities 2012**

Developing cost-effective processes, optimising capital allocation and meeting the new regulations and requirements for the financial industry will remain priority areas. The continuing aim is also to deepen and broaden relationships with companies and institutions in the Nordic and Baltic financial capital markets. In the Baltic countries, continued efforts are being made to improve and strengthen the customer offering by also helping to further develop local capital markets.



## FINANCIAL OVERVIEW

## “Earnings for the year were affected negatively by concerns in the financial markets.”

Profit for the year increased by 4 percent to SEK 2 408m (2 307). During the year one-off revenue of SEK 922m was received from the US commercial real estate loans Swedbank took over when Lehman Brothers filed for bankruptcy protection in autumn 2008. Net credit recoveries amounted to SEK 186m during the year.

Net interest income increased by 27 per cent compared with 2010. Large Corporates performed well during the year. The customer centric business model that utilises greater cooperation with other parts of the bank has improved the customer offering and generated good growth. The repricing of lending contributed positively to net interest income during the year.

Net commission income fell by 15 per cent compared with 2010, primarily due to lower commission income from corporate finance.

Net gains and losses on financial items at fair value decreased by 50 percent compared with 2010. Earnings in fixed income and FX declined compared with 2010, but increased during the fourth quarter. Conditions for proprietary risk management were difficult during the latter part of the year due to market concerns. A reduced risk level in the fixed income and FX area limited income from proprietary risk management.

Expenses increased by 6 percent compared with 2010. During the fourth quarter SEK 89m was expensed for employee restructurings in 2012. In addition, another SEK 67m in one-off costs was recognised during the fourth quarter. Variable staff costs decreased by SEK 102m from 2010 due to lower risk-adjusted results.

## Condensed income statement

SEKm	2011	2010
Net interest income	3 586	2 817
Net commission income	1 664	1 955
Net gains and losses on financial items at fair value	720	1 446
Other income	806	88
<b>Total income</b>	<b>6 776</b>	<b>6 306</b>
Staff costs	1 643	1 489
Other expenses	1 754	1 713
<b>Total expenses</b>	<b>3 397</b>	<b>3 202</b>
<b>Profit before impairments</b>	<b>3 379</b>	<b>3 104</b>
Impairments	-169	-1
<b>Operating profit</b>	<b>3 548</b>	<b>3 105</b>
Tax expense and non-controlling interests	1 140	798
<b>Profit for the year attributable to: Shareholders in Swedbank AB</b>	<b>2 408</b>	<b>2 307</b>

## Business volumes

SEKbn	2011	2010
Loans to the public*	139	130
Deposits from the public*	65	74

\* Excluding Swedish National Debt Office and repurchase agreements.

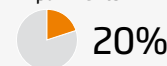
## Key ratios

	2011	2010
Return on allocated equity, %	15.5	13.8
Cost/income ratio	0.50	0.51
Credit impairment ratio, %	-0.06	0.00
VOICE index	769	764
Full-time employees	1 197	1 229

Share of  
total income



Share of Swedbank's profit before  
impairments



## LARGE CORPORATES &amp; INSTITUTIONS IN BRIEF

Large Corporates & Institutions has overarching responsibility for Swedbank's offering for large companies, financial institutions, organisations and banks with sales of over SEK 2 billion or complex needs. This includes multinationals or customers in need of advanced financing solutions. The business area is also responsible for delivering corporate and capital market products to Swedbank's retail operations and the customers of the Swedish savings banks.

Large Corporates and Financial Institutions utilises sector teams as strategic advisors and business partners to the unit's around 450, mainly Nordic and Baltic, customers.

Fixed Income provides trading products for fixed income instruments, currencies, bonds and structured products as well as customised derivative solutions.

Investment Banking offers advice to business owners, corporate boards and senior managers, helping them to procure

capital and resolve structural and ownership issues. It offers equity and equity-related trading as well as analysis of the Nordic/Baltic equity and credit markets.

Trade Finance helps to minimise financial risks for importers and exporters and to improve their liquidity.

The business area has around 1 200 employees in Stockholm, Gothenburg, Malmö, Riga, Vilnius, Tallinn, Helsinki, Oslo, Copenhagen, Moscow, Shanghai, New York and Luxembourg.

# Baltic Banking

Baltic Banking continued during the year to shift to a more customer-oriented business model based on long-term, full-service relationships. A total of 1 400 advisors, customer service representatives and line managers participated in training programmes to meet the new competence requirements.

## PRIORITIES 2011

- **Achieve a balanced customer base**
- **Meet new competence needs**
- **Improve the functionality in the electronic channels**

In 2011 the focus was on developing a more customer centric business model based on long-term, full-service relationships. Although the strategic priorities affect the entire business area, each country has specific goals and challenges. In Estonia, the goal is to retain a strong market position and remain profitable. In Latvia, the challenge is to achieve a better balance between deposits and lending as well as win a larger share of customers' business. Efforts are also being made in Lithuania to meet more of customers' financial needs as well as promote the use of electronic channels and reduce cash handling.

### Towards a sustainable customer base

Baltic Banking has worked actively to achieve a long-term sustainable balance in the customer base. We have shrunk in areas where we felt we were overrepresented, while we have strengthened our positions in specific segments in Latvia and Lithuania by acquiring new external customer portfolios. Through a new customer service model that reflects customer demand for all types of banking services, we are winning a larger share of our customers' business.

### New customer service model means new competence needs

The new customer service model, which focuses more on advisory services, represents a new approach and requires different skills from the bank's employees. In 2011, 1 400 advisors, customer service representatives and line managers participated in training programmes to meet these new competence needs. Measures that gradually shift decision-making authority closer to the customer will continue.

### Improved service in electronic channels

To accommodate changes in our customers' behaviour and needs, we have improved functionality and service in the bank's electronic channels. During the year, for example, a new tool for advice and budget planning was launched in the Internet Bank.

### Swedbank as an opinion shaper

We continued to work closely with the Estonian, Latvian and Lithuanian governments, central banks and capital markets during the year to promote financial stability and increase confidence in the region. Building strong relationships with various stakeholders in society remains a high priority.

“We continue to work closely with the Estonian, Latvian and Lithuanian governments, central banks and capital markets to promote financial stability and increase confidence in the region.”

### New head of the business area

Birgitte Bonnesen was appointed as head of the business area in August.

### Priorities 2012

Baltic Banking will continue next year as well to strengthen its customer-oriented business model based on long-term, full-service relationships. In upcoming years the bank will review its distribution and service model to enable shift to the next-generation banking model. This will be based on effective electronic channels for basic banking services such as transactions, sales and certain types of advice, thereby allowing the branches to be used mainly to advise customers with more complex needs. New capital requirements from Swedish authorities will also affect the Baltic banking market.

## AWARDS

Swedbank received several local as well as international awards in the Baltic countries in 2011. In all three countries, Swedbank was named as the most reputable company in the financial sector and in Estonia as the most reputable company of the country. In Global Finance magazine's survey on "Best Emerging Markets Banks 2011 in Central & Eastern Europe", Swedbank's Internet bank was named the best Internet bank in the Baltic countries and the best bank in Latvia and Estonia. In addition, Swedbank was named the best Bank in Estonia and Latvia in the "Euromoney Awards for Excellence 2011".

## FINANCIAL OVERVIEW

“The result was affected positively by net recoveries, but was charged with goodwill impairment of SEK 1 913m.”

Baltic Banking reported a profit of SEK 2 100m for 2011, against a loss of SEK 7m in 2010. The result was charged with a goodwill impairment of SEK 1 913m related to Latvia in accordance with the annual impairment test.

Net interest income increased by 9 per cent in local currency compared with 2010. Lower costs for deposits and higher Euribor rates had a positive effect on net interest income in the first half-year, while lower lending volumes affected net interest income negatively.

Lending volumes decreased by 8 per cent in local currency compared with year-end 2010. This was mainly due to amortisations and limited new loan demand. Swedbank's market share in lending decreased during the year to 27 per cent as of 30 November (29 per cent as of 31 December 2010).

Deposits increased by 6 per cent in local currency in 2011. The positive trend is evident in all three Baltic countries, although growth was higher in Estonia and Lithuania than in Latvia. Swedbank's market share for deposits rose to 29 per cent as of 30 November (27 per cent as of 31 December 2010).

Net commission income was stable in local currency compared with 2010. Excluding penalties of EUR 4m (SEK 35m) related to card fees in Latvia in the first quarter, the increase was 3 per cent year-on-year in local currency. The increase was mainly driven by higher commission income from payment services.

Expenses increased by 5 per cent in local currency from the previous year. One-off staff restructuring costs raised staff costs by SEK 21m in the fourth quarter. The increase was otherwise primarily due to variable staff costs as well as higher marketing and IT expenses, while consulting costs decreased.

Net recoveries for 2011 amounted to SEK 1 002m, compared with SEK 3 363m in credit impairments in 2010. The recoveries in 2011 came mainly from the corporate portfolios in Latvia and Lithuania.

## Condensed income statement

SEKm	2011	2010
Net interest income	3 910	3 771
Net commission income	1 454	1 533
Net gains and losses on financial items at fair value	280	341
Other income	532	542
<b>Total income</b>	<b>6 176</b>	<b>6 187</b>
Staff costs	1 100	1 019
Other expenses	1 596	1 710
<b>Total expenses</b>	<b>2 696</b>	<b>2 729</b>
<b>Profit before impairments</b>	<b>3 480</b>	<b>3 458</b>
Impairments	1 947	284
Credit impairments, net	-1 002	3 363
<b>Operating profit</b>	<b>2 535</b>	<b>-189</b>
Tax expense and non-controlling interests	435	-182
<b>Profit for the year attributable to: Shareholders in Swedbank AB</b>	<b>2 100</b>	<b>-7</b>

## Business volumes

SEKbn	2011	2010
Loans to the public*	119	130
Deposits from the public*	97	93

\* Excluding Swedish National Debt Office and repurchase agreements.

## Key ratios

	2011	2010
Return on allocated equity, %	8.0	-0.0
Cost/income ratio	0.44	0.44
Credit impairment ratio, %	-0.76	2.05
Customer satisfaction **		
Private index, Estonia	6.5	6.5
Corporate index, Estonia	6.9	6.1
Private index, Latvia	6.7	6.2
Corporate index, Latvia	7.1	5.3
Private index, Lithuania***	54	49
Corporate index, Lithuania***	64	59
VOICE index	839	831
Full-time employees	5 221	5 416

\*\*Source: TRIM index. Scale 1–10, where 10 is highest score.

\*\*\*Scale 1–100.

## Share of total income



## Share of Swedbank's profit before impairments



## BALTIC BANKING IN BRIEF

Baltic Banking offers a broad range of products and banking services, including life insurance and leasing in Estonia, Latvia and Lithuania. The Baltic operations have about 5.7 million private and corporate customers and offer services through an extensive retail network

comprising 206 branches as well as the Telephone Bank and the Internet Bank.

Swedbank holds leading positions in several key segments of the Baltic markets, with its largest share in Estonia.

One aim of the bank's social engagement is to increase financial literacy.

This is done through the project "Teach First," whose goal is to raise the quality of education in socially vulnerable areas.

**For more information on Baltic Banking's market shares, see page 176.**

# Asset Management

Macroeconomic uncertainty is increasing the need for clarity, transparency and alternative investments. We are meeting this through, among other things an increased presence and activity in the market.

## PRIORITIES 2011

- **More distinctive product offering and increased customer value**
- **Increased sales and customer focus**

Swedbank Robur's goal is to continue to add value to its customer offering. The aim is to strengthen its position as a leader with current customers and increase growth in new assets under management. Higher customer value is achieved through strong relationships, increased transparency and attractive solutions, where active management based on fundamental analysis, careful monitoring and risk control are important cornerstones. This will lead to the highest possible return at a reasonable risk. Growth will be achieved through increased sales activities among existing customers and by adding new customers in Swedbank's home markets and new geographical markets in Northern Europe.

“During the year a new unit was formed to facilitate more customer-oriented solutions and investment products for our clients.”

### More distinctive offering and greater customer value

New EU rules in place since mid-2011 have simplified fund mergers. This helps us in our ambitions to streamline the product range with fewer overlapping funds. During the year 8 of 130 funds were merged. The goal is to reduce the number of funds by around 30 per cent.

The measures begun in 2010 to more clearly distinguish between active and passive management continued during the year. The aim of active management is to generate a higher return after fees than a given comparative index. The goal of passive management is to perform in line with the underlying market. The actively managed funds have begun to show positive results, although the measurement period is still short. At the end of 2011, nearly half of the teams were working with the improved management process.

### Increased sales and customer focus

Despite increased efforts and a competitive return, Swedbank continued to lose its market share of new sales in 2011. During the year we intensified the cooperation with Swedbank Private Banking. This has resulted in three new investment portfolios with different levels of risk, expressed in terms of maximum equity exposure: Safe, with a maximum of 50 per cent; Core, with a maximum of 75 per cent; and Edge, where 100 per cent of capital can be invested in equities. Launched in May, the portfolios now have SEK 1.7bn in assets under management.

Institutional investors are increasing their demands and want products designed specifically for their needs. During the year a new unit was therefore created to devise more customer-oriented investment solutions e.g. alternative investments.

### Priorities 2012

Measures to simplify the product range and further improve the management process will continue. In 2012 more teams will be separated into active and passive management, fund mergers will continue and more information will be provided on the range of available funds. Efforts to increase sales and the customer focus will be further intensified by improving methodologies and increasing Swedbank Robur's presence and activity in the market. The goal is higher sales and customer loyalty.

## SUSTAINABLE INVESTMENTS

During the year the head of sustainability analysis at Swedbank Robur was awarded the Chartered Financial Analysts' (CFA) prize for the person who has meant the most to raising awareness about social, environmental and corporate governance issue. As a result of large donations by its charity funds, Swedbank Robur was named the Leading Charity Fund Provider in Europe in May. The prize ceremony was arranged by the company Axylia Conceil in cooperation with Morningstar in France. Since Swedbank Robur established its charity funds in 1980, over SEK 800m has been donated.

**Read more about social engagement on page 44–45.**

## FINANCIAL OVERVIEW

“Weak market development affected total assets under management, which were lower compared with 2010.”

Profit for the year amounted to SEK 521m, a decrease of 9 per cent from the previous year.

The total gross inflow to Swedbank Robur was SEK 118.5bn, while the net flow was SEK –2.4bn. The biggest inflow was in mixed funds, primarily from PPM.

Commission income decreased compared with the previous year mainly due to the weak market during the second half of 2011, which resulted in lower average assets under management than in 2010. The shift away from equity to fixed income funds affects income negatively as well. Income from institutional asset management excluding Swedbank Robur's funds amounted to SEK 140m, an increase compared with the previous year.

Expenses decreased by 2 per cent compared with the previous year. During the fourth quarter SEK 16m was expensed for employee restructuring.

Total assets under management at the end of the period amounted to SEK 717bn, compared with SEK 736bn at the beginning of the year. The market share in Sweden measured as assets under management was 23.6 per cent (23.6).

During the year Swedbank Robur received a number of recognitions, including four nominations in three categories for best risk-adjusted return from Lipper. The US rating firm Citywire named Swedbank Robur's America Fund one of 20 best US funds among 500 funds in Europe, and in its latest three-year ranking the Swedbank Robur Eastern Europe Fund was number one among a total of 74 Eastern European funds.

## Condensed income statement

SEKm	2011	2010
Net interest income		–17
Net commission income	1 560	1 592
Net gains and losses on financial items at fair value	–9	9
Other income	16	24
<b>Total income</b>	<b>1 567</b>	<b>1 608</b>
Staff costs	438	440
Other expenses	402	416
<b>Total expenses</b>	<b>840</b>	<b>856</b>
<b>Profit before impairments</b>	<b>727</b>	<b>752</b>
Impairments	30	
<b>Operating profit</b>	<b>697</b>	<b>752</b>
Tax expense and non-controlling interests	176	177
<b>Profit for the year attributable to:</b>		
<b>Shareholders in Swedbank AB</b>	<b>521</b>	<b>575</b>

## Market data

SEKbn	2011	2010
Net fund contributions, Sweden	–2	–4
Market share, net fund contributions, Sweden, %	neg.	neg.
<b>Total assets under management, including Discretionary</b>	<b>717</b>	<b>736</b>

## Key ratios

	2011	2010
Return on allocated equity, %	27.9	26.6
Cost/income ratio	0.54	0.53
VOICE index	700	u.s.
Full-time employees	286	313

Share of total income



Share of Swedbank's profit before impairments



## ASSET MANAGEMENT IN BRIEF

Asset Management consists of Swedbank Robur, a wholly owned subsidiary of Swedbank. Formed in 1967, it is one of the oldest fund management companies in Sweden. Asset Management is represented in Swedbank's home markets and offers over 130 funds, discretionary asset management and pension management. The four million customers in its home markets include private customers, companies, institutions, municipalities,

county councils, foundations and insurance companies.

We are deeply committed to sustainability issues and are the Swedish leader in socially responsible investments. The goal is to find responsible industry leaders in environmental work and issues involving human rights and social responsibility. At year-end assets under management with some form of sustainability criteria amounted to SEK 275bn.

Another important part of the investment process is corporate governance, where we, through our large ownership interests, have considerable responsibility and place rigorous demands on the companies we invest in. Ethical and environmental issues are important aspects in this respect.

Swedbank Robur has received environmental certification and signed the UN's Principles for Responsible Investments.

# Russia & Ukraine

Swedbank has continued to concentrate its operations in Russia and Ukraine and is in the process of exiting the retail segment in both countries. At the same time the work with loan restructurings continued.

## Change in focus in Russia to support corporate customers in the bank's home markets

Implementation of the decision to transition from a full-service bank to primarily supporting Swedbank's corporate customers from its home markets was a priority during the year. All the branches have been closed with the exception of one in Moscow and one in St. Petersburg. The accounts of private customers are being closed as the products mature, and private customer-loan portfolios are gradually being sold off. To adapt costs to the new, more focused strategy, the number of employees was reduced from 284 to 174.

## Swedbank exits retail segment in Ukraine

In autumn 2011 Swedbank decided to exit the private customer segment in Ukraine and focus exclusively on the corporate segment. The new strategy will be implemented over a two-year period, during which time existing retail operations will gradually be closed down and the number of branches will be reduced from 84 to 10. During the year 33 branches were closed.

## Financial analysis

The improved result in 2011 was primarily due to credit quality stabilisation and cost-cutting. The positive impact on net interest income from the restructuring of impaired loans was offset by rapid amortisation of the performing part of the loan portfolio, which has not been replaced with new lending. The loan portfolios in local currency decreased from the beginning of the year by 26 per cent in Ukraine and by 19 per cent in Russia. Net commission income remained at a low level as a result of slow business activity. Lower total expenses were the result of a continued cost focus. Credit quality was stable during the year and the volume of impaired loans decreased by 33 per cent. Net recoveries of SEK 1 038m were primarily due to successful restructuring of the impaired corporate portfolio.

## Priorities 2012

The ongoing change in operational focus will continue in 2012 as well. In Russia, implementation of the new strategy is being completed. In Ukraine, the focus in 2012 will be on closing the majority of the branches and moving the remaining business operations to regional centres. The work of the FR&R teams to restructure loans and recover debts will remain a top priority.

## FINANCIAL OVERVIEW

### Condensed income statement

SEKm	2011	2010
Net interest income	566	638
Net commission income	60	81
Net gains and losses on financial items at fair value	42	-71
Other income	41	32
<b>Total income</b>	<b>709</b>	<b>680</b>
Staff costs	333	368
Other expenses	372	503
<b>Total expenses</b>	<b>705</b>	<b>871</b>
<b>Profit before impairments</b>	<b>4</b>	<b>-191</b>
Impairments	14	268
Credit impairments, net	-1 038	-859
<b>Operating profit</b>	<b>1 028</b>	<b>400</b>
Tax expense and non-controlling interests	27	-19
<b>Profit for the year attributable to:</b>		
<b>Shareholders in Swedbank AB</b>	<b>1 001</b>	<b>419</b>

### Business volumes

SEKbn	2011	2010
Loans to the public*	10	13
Deposits from the public*	2	3

\* Excluding Swedish National Debt Office and repurchase agreements.

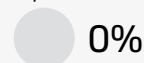
### Key ratios

	2011	2010
Return on allocated equity, %	30.4	11.0
Cost/income ratio	0.99	1.28
Credit impairment ratio, %	-6.87	-4.35
VOICE index	786	718
Full-time employees	1 214	1 847

Share of total income



Share of Swedbank's profit before impairments





# Ektornet

Ektornet manages and develops Swedbank's repossessed properties to recover as much value as possible. The takeover phase is expected to be largely completed in 2012. Greater focus is now being placed on sales activities.

Ektornet was officially formed in 2009 and operates as an independent business area within Swedbank. It manages and develops the Group's repossessed assets in order to recover as much value as possible and reduce costs, thereby protecting the bank's receivables and minimising impairment losses. This is done through development and other value-creating measures. As part of the bank, Ektornet operates under different conditions than an ordinary real estate company. Its properties must be sold at latest as soon as it is possible without a loss. If a property is not sold within three years of acquisition, special authorisation must be obtained from the Swedish Financial Supervisory Authority to maintain the holding. Ektornet has a close collaboration with the bank's FR&R teams and has an advisory role in the bank on issues involving reconstructions, among other things.

## Property sales began in 2011

The focus in 2011 remained on taking over properties and starting the sales processes. During the year properties were repossessed for SEK 3 441m (2 574) and sold for SEK 571m. The book value of repossessed properties was SEK 5 712m (2 872) at year-end. Furthermore, there are shares in an apartment project in USA with a book value of SEK 60m (183) as well as a shareholding of SEK 47m (-) which has been taken over.

## Financial analysis

Income increased by 414 per cent during the year to SEK 607m. Other income includes capital gains from property sales of SEK 173m (3) and operating income of SEK 323m (99).

Expenses increased by 104 per cent during the year to SEK 550m. Included in other expenses are direct property and hotel expenses of SEK 262m (114). Total impairment losses of SEK 126m (85) were charged against the result for the year. Any surplus values are not recognised, however.

## Priorities 2012

The takeover phase is expected to be largely completed in the next 12 months, with the largest share in Latvia. By 2013 it is estimated that assets valued at a total of SEK 10bn will have been taken over, about half of which in the Baltic countries. In 2012 the work will transition more to development and management of existing holdings. Greater focus will also be placed on sales activities. In properties with high vacancies, the emphasis will be on renting out the vacant space.

## FINANCIAL OVERVIEW

### Condensed income statement

SEKm	2011	2010
Net interest income	-62	-21
Net commission income		
Net gains and losses on financial items at fair value	163	31
Other income	506	108
<b>Total income</b>	<b>607</b>	<b>118</b>
Staff costs	106	74
Other expenses	444	196
<b>Total expenses</b>	<b>550</b>	<b>270</b>
<b>Profit before impairments</b>	<b>57</b>	<b>-152</b>
Impairments	126	85
<b>Operating profit</b>	<b>-69</b>	<b>-237</b>
Tax expense, non-controlling interests and discontinued operations	49	-25
<b>Profit for the year attributable to:</b>		
<b>Shareholders in Swedbank AB</b>	<b>-118</b>	<b>-212</b>

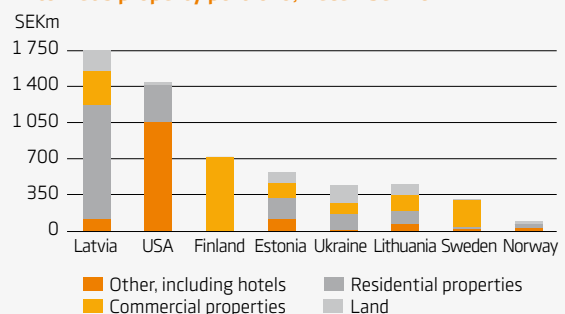
### Total repossessed properties

SEKm	2011	2010
Latvia	1 721	851
USA	1 415	122
Finland	709	765
Estonia	569	469
Lithuania	448	206
Ukraine	443	73
Sweden	305	270
Norway	102	116
<b>Total</b>	<b>5 712</b>	<b>2 872</b>

### Key ratios

	2011	2010
Vacancy rate (IAS 40), %	42	50
Full-time employees	216	150

### Ektornet's property portfolio, December 2011



# Group Functions

During the year the Group Functions continued to build up Group-wide structures. Going forward the focus will shift more to efficiency work.

The Group Functions operate across the business areas and serve as strategic and administrative support for them. The Group Functions are Group Finance, Risk, Compliance, Corporate Affairs (communication, strategic marketing and community relations), HR, Legal and Group Business Support. The Group Executive Committee is also included in Group Functions.

## Group Business Support (GBS)

Group Business Support (GBS) encompasses the Swedbank Group's business support units. Its purpose is to provide efficient support and free up the business areas, giving them more time to focus on customer relations.

GBS was established in 2010 and will gradually be built up and developed over the next two years. At the same time efficiency improvements will be realised. In 2011 senior management was recruited and the organisation gradually began to work as a single unit across Swedbank's home markets. As of 31 December 2011 the function consisted of 2 304 employees in Sweden, Estonia, Latvia and Lithuania.

**Group IT** manages all of Swedbank's IT operations and development. It also provides services to many of the savings banks. The present organisation was formed in 2009 and has around

1 600 employees. Group IT worked with many projects during the year, including the consolidation and development of computer centres, which is scheduled to for completion in mid-2014. In the first stage a new computer centre was established and one of the older centres was transferred there. This programme also includes modernisation of the IT infrastructure in Sweden. Stringent accessibility requirements were met in 2011.

**Group Products (GP)** comprises the product units for large parts of Swedbank. The goal is to cost-effectively supply the business units with high-quality products.

GP currently consists of four units: Group Cards, Group Payments & Cash Management, Transfer Agency and Mobile Payments (established 1 October). In 2012 parts of Customer Offerings & Products will be transferred to Group Products from Retail, along with parts of the Baltic Business Development Division from Baltic Banking.

Transfer Agency (which will be part of the Investor Services unit) was transferred operationally to Group Products on 1 July 2011. In the first quarter of 2012 the units Group Insurance, Group Lending and Group Trade Finance will be transferred to GP.

In 2012 parts of Group Savings will also be transferred to GP and Investor Services will continue to be established.

Swedbank will be moving its head office, currently located in central Stockholm, to new facilities in Sundbyberg, just outside the city. The new head office will be designed specifically for the bank's needs, and the move is scheduled for year-end 2013. The new facilities will significantly reduce costs compared with the current solution in central Stockholm.



Architect: 3XN

## FINANCIAL OVERVIEW

## “Expenses for state guaranteed funding fell in 2011 and will be further reduced in 2012.”

Income for the Group Functions consists primarily of net interest income and net gains and losses on financial items at fair value attributable to Group Treasury as well as other income attributable to Group Business Support. The expenses are mainly attributable to Group Business Support.

Group Treasury reported net interest income of SEK -1 145m for 2011 (-932). Net interest income was affected primarily by the internal pricing of liquidity, though also by the fees for state guaranteed funding, which the bank decided not to allocate to the business areas. Expenses for state guaranteed funding will decrease in 2012. Over time Group Treasury is expected to report net interest income of nearly nil. Since internal interest rates at any given time may not fully reflect the Group's funding costs, net interest income will fluctuate. During the latter part of 2011 net interest income was affected negatively because Group Treasury maintained a larger liquidity reserve to offset maturing state guaranteed funding during the period December 2011 to April 2012. Expenses for state guaranteed funding amounted to SEK 1 163m for 2011. During the fourth quarter net interest income was charged with SEK 57m for correction of an accrual error.

Net gains and losses on financial items at fair value amounted to SEK 187m (463). Over time Group Treasury is expected to report net gains and losses on financial items of around 0. There could be significant volatility between quarters, however, mainly due to changes in value not reflected in hedge accounting.

Total expenses for Group Functions increased by 3 per cent from the previous year to SEK 5 115m (4 984). Employee restructuring expenses of SEK 112m were recognised in 2011. Group Functions comprises 2 820 full-time positions. GBS is the largest function in terms of expenses and number of employees.

## Condensed income statement

SEKm	2011	2010
Net interest income	-1 207	-942
Net commission income	-62	31
Net gains and losses on financial items at fair value	187	460
Other income	4 625	4 333
<b>Total income</b>	<b>3 543</b>	<b>3 882</b>
Staff costs	2 184	2 046
Other expenses	2 931	2 938
<b>Total expenses</b>	<b>5 115</b>	<b>4 984</b>
<b>Profit before impairments</b>	<b>-1 572</b>	<b>-1 102</b>
Impairments	-17	35
<b>Operating profit</b>	<b>-1 555</b>	<b>-1 137</b>
Tax expense and non-controlling interests	-436	-198
<b>Profit for the year attributable to: Shareholders in Swedbank AB</b>	<b>-1 119</b>	<b>-939</b>

## Key ratios

	2011	2010
VOICE index, Group Business Support	780	753
VOICE index, excl Group Business Support	786	770
Full-time employees	2 820	2 698

\*\*According to SKI.

Expenses for GBS amounted to SEK 4 025m (3 837), the large part of which was in Group IT, followed by Group Products and Group Shared Services. Expenses within GBS mainly consist of staff costs and IT expenses for maintenance and development.

Expenses within Group Treasury mainly consist of staff costs and IT expenses. Total expenses amounted to SEK 298m for the full-year 2011 (175).

Other Group Functions reported total expenses of SEK 1 316m in 2011 (1 186). The Group Finance, Risk and Corporate Affairs functions account for a majority of the expenses and employees.

Expenses within Group Functions are transferred at full cost-based internal prices to the other business areas, with the exception of expenses for the Group Executive Management.

## GROUP FUNCTIONS IN BRIEF

The Group Functions operate across the business areas and serve as strategic and administrative support for them. The Group Functions are Group Finance, Risk, Compliance, Corporate Affairs (communication, strategic marketing and com-

munity relations), HR, Legal and Group Business Support. The Group Executive Committee is also included in Group Functions. Among the tasks of Group Functions is to capitalise on economies of scale in the bank's business operations,

develop Group-level guidelines and processes, and compile, analyse and provide information to the CEO and the Board of Directors. Group Functions comprises 2 820 full-time positions.

**Group Shared Services (GSS)** provides sustainable, cost-effective services to Swedbank's business units. The current focus is on increasing efficiency. To do so, the best solutions for cross-border operations are being analysed.

In 2011 GSS supervised the construction of Swedbank's new head office in Sundbyberg. GSS also comprises Swedbank's centralised purchasing function. During the year it completed several major procurements, which are expected to lead to significant savings in the years ahead.

In 2012 the focus will be on bringing in more functions to GSS, mainly from Swedish Retail, as well as on continuing the extensive work with Swedbank's new head office.

“GBS was established in 2010 and will gradually be built up and developed over the next two years. At the same time efficiency improvements will be realised.”

**Group Transformation (GT)** is a centre of competence that is developing a more structured, proactive approach to continuous improvements and working on extensive changes to operations and processes. GT also helps the various business units with their quality work in order to increase long-term customer satisfaction and loyalty. GT was established as a strategic initiative to make Swedbank a more efficient organisation across business areas and countries.

During the year GT worked on improvements to how the bank handles customer opinions and complaints. In 2012 it will work on, among other things, an extensive project involving coordinated purchasing routines.

## Group Treasury

Group Treasury, is part of Group Finance, and its primary aim is to ensure that the Group has sufficient liquidity to meet its payment commitments. This is achieved through capital market funding, among other things. In addition, it sets internal interest rates, which are based on the bank's funding costs, as a basis for the business areas. Group Treasury also manages and finances the Group's liquidity reserve, handles its liquidity planning, evaluates capital needs and prepares proposals for future capitalisation.

Liquidity was in focus during the year, and proactive measures in the area of funding have strengthened the bank's liquidity position. Upcoming maturities have been refinanced in advance and the bank's liquidity reserve has been further expanded. A number of new requirements here as well as in terms of capital have been announced by domestic and international authorities. Moreover, reporting requirements from various authorities have been increased significantly. The tighter requirements and frequency of reporting required additional resources and necessitated a detailed analysis of the Group's commitments. The reporting frequency is expected to remain intense in the years ahead, since many of the proposals are still not definite.

During the year ratings agencies also published a number of new criteria that in some cases have led to additional work. Annual rating meetings have been held with every ratings agency, where Group Treasury and the bank's executive management further discussed the bank's strategy mainly with regard to capital, liquidity and funding but also in terms of the quality of its assets.

In connection with the preparation of the year's funding plan, all existing funding programmes were reviewed. As a result, a new programme was established for covered bond issues that targets US investors.

Investor relations work has continued with a focus on expanding the investor base in Europe, the US and Asia. This work will continue in 2012.

## Other Group Functions

The other Group Functions are Group Finance, Risk, Compliance, Corporate Affairs (communication, strategic marketing and community relations), HR and Legal. The Group Executive Committee and Internal Audit are included as well. The number of full-time positions was 452 (433).

In 2011 Group Functions continued to work with integration to further strengthen strategic and administrative support in the bank's four home markets.

Moreover, authorities, investors and customers have been demanding more detailed and transparent reporting of the bank's risks and financial position. This also places greater demands on Group Functions in their work to support the business areas as well as when it comes to analysing and reporting information to the CEO, the Group Executive Committee and the Board of Directors.

# Low risk and good control

Preventing and managing risk is central to Swedbank's operations. Risk management begins with our business operations – in meetings with customers, for example – and encompasses every employee.

All financial operations entail risk, and managing them well is critical. A strong common risk culture within the Group, with decision-making and responsibility close to the customer, serves as the foundation for efficient risk management and, by extension, a strong risk-adjusted return.

Swedbank will maintain a low risk profile from both a capital and liquidity perspective. Swedbank's long-term risk profile will be managed so that the effect of an extremely negative but possible scenario, as determined in Swedbank's internal capital assessment process, does not reduce the core Tier 1 capital ratio by more than three percentage points. If the assessment process indicates an impact of over three percentage points, measures will be taken to reduce the Group's risk taking.

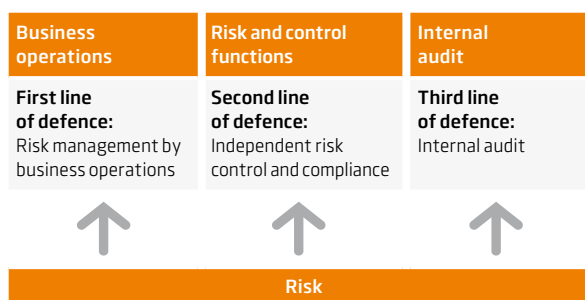
The vast majority of Swedbank's credit risk exposure is in Sweden in the form of low-risk mortgages. A favourable risk distribution is achieved through a broad customer base among private individuals and companies in many different industries.

Swedbank's market funding is designed, as far as possible, to match assets of corresponding maturity and to maintain a sustainable balance between lending and deposits in all markets where the bank is active.

## Swedbank's risk management builds on three lines of defence

Swedbank's risk management is built on three lines of defence and a sophisticated risk process. The Board of Directors' Enterprise Risk Management (ERM) policy details the risk framework, as well as risk management roles and responsibilities. In addition, as protection against unforeseen losses, Swedbank maintains a capital buffer. The ERM policy also includes guidelines on the size of this buffer based on the level of risk currently being taken by the bank.

### Three levels of risk management



### First line of defence – risk management by operations

Swedbank's business units and subsidiaries bear full responsibility for the risks that arise in their operations. Branch employees are the closest to customers and therefore know the customer and specific market best. Personal interaction creates an opportunity to provide advice on the customer's overall financial situation. As a responsible financial partner, it is in our interest that our customers do not take unnecessarily high risks. Their cash flow, solidity and collateral are always the decisive factors in the loan approval process.

By delegating responsibility, the organisation can more quickly respond if problems arise. Clear procedures and processes are in place to approve, review and manage credits if a borrower incurs payment problems. The Group's special units for problem loans work with individual companies that have encountered, or are considered at risk of encountering, financial problems, in order to find a solution that helps the customer and mitigates Swedbank's risk as early as possible.

Risk management is based on clear targets, strategies, policies and guidelines that explain how the bank operates in various respects, an efficient operating structure and a simple, clear reporting structure. Standardised risk classification tools are in place to support the lending process.

### Second line of defence – Independent risk control

The Group's risk control, which is organised under the Chief Risk Officer (CRO), comprises a number of specialised units.

The risk organisation is responsible for identification, quantification, analysis and reporting of all risks. Each risk function conducts regular analyses of how external and socioeconomic events might impact the Group.

These functions are independent from the business operations. They uphold principles and frameworks for risk management to facilitate risk assessments. The credit risk function also issues internal regulations, such as cash flow and collateral requirements for customers as well as mandate structures for credit decisions within the organisation. For loans that exceed certain levels, the decisions are taken in credit committees to create a duality with the business operations. These committees are headed by a representative of the credit risk function. They also promote a sound risk culture by supporting and training employees in the business areas.

Each large business unit has compliance and operational risk functions that identify, control and report operational and compliance risks and help management to manage them.

### Third line of defence – Independent audit

Internal Audit, an independent review function directly subordinate to the Board of Directors, conducts risk-based, policy-driven reviews of the first and second lines of defence. Internal Audit's purpose is to create operating improvements by evaluating Swedbank's risk management, governance and internal control.

## Swedbank's risk profile

Swedbank defines risk as a potentially negative impact on the Group's value which can arise due to current internal processes or future internal or external events. The concept of risk includes the probability that an event will occur and the impact it could have on the Group's results, equity or value.

Risk	Description
<b>Credit risk</b>	The risk that a counterparty, or obligor, fails to meet contractual obligations to Swedbank and the risk that collateral will not cover the claim.
<b>Market risk</b>	The risk that changes in risk factors in financial markets, such as interest rates, exchange rates and share prices, will reduce the Group's results, equity or value.
<b>Liquidity risk</b>	The risk that Swedbank cannot fulfil its payment commitments on any given due date without significantly raising the cost of obtaining means of payment.
<b>Operational risk</b>	The risk of losses resulting from inadequate or failed internal processes or routines, human error, incorrect systems or external events.
<b>Other risks</b>	Includes earnings volatility risk, insurance risk, pension risk, strategic risk, reputational risk and security risk.

### Credit risk is Swedbank's predominant risk

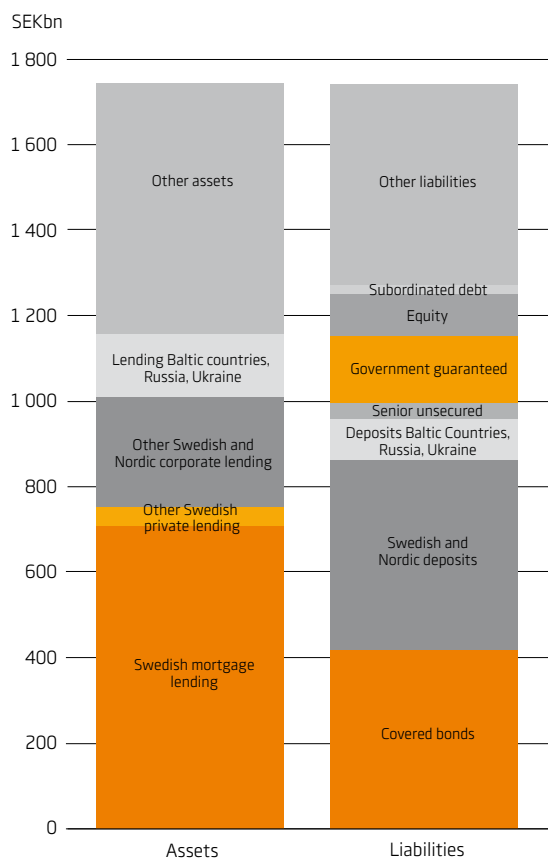
For Swedbank, whose customer base mainly consists of private individuals and small and medium-sized companies, credit risk is the predominant risk. Credit risks can be found on the asset side of the balance sheet, mainly in the form of lending to customers, but also outside the balance sheet in the form of loan commitments to customers and guarantees, which could entail increased future credit risk.

Swedbank's lending to the public largely consists of mortgages in Sweden, with very low risk. They are primarily financed through borrowing from the capital market in the form of covered bonds. Corporate lending is dominated by small and medium-sized companies in Sweden and is mainly financed through funds deposited by the public. The level of risk here is somewhat higher, though still relatively low. The risk in lending to the Baltic countries, Russia and Ukraine is also higher, but differs between the countries. Estonia, which joined the eurozone in 2011, has recovered the fastest of the Baltic countries and is considered to have a lower risk profile than Latvia and Lithuania. The ratio of deposits to lending in the Baltic countries increased during the year. The risk level in Russia and Ukraine is considered to be higher than in the Baltic countries, but the operations there have gradually been reduced.

### Majority of market risks are of a structural or strategic nature

Swedbank's market risks are generally considered low. The main market risks are of a structural or strategic nature and primarily relate to interest rate risk in financing operations and to currency risk tied to Swedbank's holdings in the Baltic countries, Russia and Ukraine. Market risks also arise in the financial products Swedbank offers to meet customer needs. Interest rate risk, relatively speaking the greatest market risk, arises as a natural element on both the asset and liability sides of Swedbank's balance sheet through, for example, customer demand for different fixed interest terms on deposits and loans. We centralises all interest rate risk to a limited number of business units for the purpose of managing this risk efficiently, partly by matching maturities and partly using derivatives.

### Swedbank – simplified balance sheet



Swedbank's lending to the public consists largely of residential mortgages in Sweden, with very low risk. They are primarily financed through borrowing from the capital market in the form of covered bonds. Corporate lending is dominated by small and medium-sized companies in Sweden and is mainly financed through funds deposited by the public. The level of risk here is somewhat higher, though still relatively low. The risk in the lending to the Baltic countries, Russia and Ukraine is also higher, but differs between countries.



### Access to long-term financing is key to managing liquidity risk

Liquidity risks arise because the maturity structures on the asset and liability sides of the balance sheet do not coincide, since lending is generally longer than deposits. Access to long-term financing is imperative in order to adequately manage liquidity risk. Swedbank has therefore established well-diversified funding through a number of short- and long-term programmes in several different capital markets. Other than borrowings from the public, Swedbank's covered bonds, which are secured by low-risk Swedish mortgage loans, are the Group's most important financing source. In addition, a liquidity reserve consisting of securities with a high level of creditworthiness can be pledged to central banks or divested at very short notice. The financial crisis underscored the importance of liquidity management and financing strategy and that the public view of the level of risk in the credit portfolio has a major influence on a bank's ability to finance itself.

### Continuous work with operational risks

Swedbank works with operational risks on an ongoing basis to improve processes and security. The methods employed to identify operational risks and follow up action plans are adapted to Swedbank's needs and meet the supervisory authority's requirements.

## Development 2011

Despite uncertain market conditions in 2011, Swedbank is not yet seeing a major impact on its income statement and balance sheet.

### Decreasing credit risk

In 2011 Swedbank's credit and asset quality further improved and measures to reduce Swedbank's risks continued in selected areas. Lending in the Baltic countries, Russia and Ukraine decreased. Corporate lending in Sweden rose, mainly to large companies during the latter part of the year. Growth was distributed between various industrial sectors. Lending to private individuals in Sweden increased as well, but at a slower pace than before.

A restrictive approach to mortgage lending in Sweden is one reason for the slowdown in Swedbank's growth in 2011. The restrictive credit policy goes beyond the mortgage cap introduced by the Swedish Financial Supervisory Authority. For example, the interest expense a household must be able to afford relative to current interest rates and the amortisation requirements on second mortgages have both been raised. Nearly two thirds of household customers of the Retail business area amortise their first mortgages. For new lending in 2011, 95 percent of households with a loan-to-value ratio of over 75 percent of their property's value are amortising.

In Sweden, credit worthiness improved for Swedbank's corporate customers during the year. In the Baltic countries credit worthiness also improved among companies, after having stabilised in late 2010.

### Strong resiliency in Swedish mortgage portfolio

Swedbank has conducted a number of internal stress tests and reviews of the credit portfolio in order to be proactive in its risk management. In Retail and Large Corporates & Institutions, reviews were conducted of large loan commitments to assess risk levels and start a dialogue with customers at an early stage regarding what measures to take. The review were carried out in sectors that are considered especially sensitive to an economic downturn.

The Swedish mortgage portfolio showed strong resiliency in the new stress test. At the same time the reviews of the Latvian and Ukrainian mortgage portfolios resulted in a number of measures, as well as additional provisions, which were charged against profit for the year. Swedbank has also conducted special reviews of exposures and limits to banks and financial companies active in, or with large exposures to, Greece, Ireland, Italy, Portugal and Spain (GIIPS). These reviews also indicated a low risk exposure, but resulted in a reassessment of the limit structure.

The decrease in impaired loans continued in 2011 in all three Baltic countries as well as Russia and Ukraine due to amortisations by customers, restructurings and write-offs. The trend has been clear since the second half of 2010. As a result of its improved credit quality, Swedbank has reduced staffing on the Financial Restructuring & Recovery (FR&R) teams.

In Baltic Banking, especially in Latvia and Lithuania, as well as in Russia and Ukraine, net recoveries were reported for the second consecutive year. This was due to a further improvement in macroeconomic conditions as well as active work with problem loans. The Swedish operations continued to improve their credit quality, with net recoveries in Large Corporates & Institutions as well. Impaired loans and credit impairments in Retail remained very low.

In 2011 Swedbank continued to improve its management of the credit portfolio. The levels of total risk-taking within the bank are determined in relation to Swedbank's risk appetite. Strategies for different segments have been further delineated, and monitoring systems were further developed during the year. Additional measures to improve credit quality have included a concentrated effort involving risk-weighted assets as well as a continued focus on risk-adjusted return on capital (RAROC).

In 2011 additional work was done to harmonise Group-wide rules and work processes in the bank. An important element has been implementing the duality principle, in the Baltic countries, which means that no one acting alone can conduct a routine or administer a case without control or supervision, in the Baltic countries.

### Decreasing funding activity incoming years

Despite volatile markets in 2011, Swedbank has continued to see strong demand from debt investors domestically and internationally.

In 2011 Swedbank issued a total of SEK 254bn in long-term debt, to offset maturing government guaranteed funding and to continue to build up its liquidity reserve. In the process the

average maturity of all its capital market funding has been extended. Maturing long-term funding will drop significantly in coming years. The bank estimates its long-term issuance volume in 2012 at SEK 90–110bn.

Total maturing long-term funding for all of 2011 had a nominal value of SEK 180bn. A total of SEK 86bn in nominal debt matures in 2012.

The average maturity of all capital market funding arranged through the bank's short- and long-term programmes was 35 months as of 31 December 2011. The average maturity of covered bonds was 43 months.

Swedbank's low volume of lending in USD limits its need for funding in USD. To reduce liquidity risk in USD, the bank during the year utilised its new funding programme for covered bonds, which primarily targets US investors. As of 31 December Swedbank had covered its USD needs for more than 12 months in advance.

Short-term funding rose in 2011 to a total of SEK 123bn, mainly due to increased demand from foreign investors. Swedbank's short-term funding needs are limited, however, as confirmed by the fact that reserves with central banks as of 31 December 2011 are as large as outstanding short-term funding.

At year-end Swedbank had a liquidity reserve within Group Treasury of SEK 247bn, as reported in accordance with the Swedish Bankers' Association's guidelines for liquidity reporting. In addition, liquid securities in other parts of the Group amounted to SEK 62bn. The liquidity reserve and liquidity coverage ratio (LCR) will fluctuate over time depending on the maturity structure of the bank's securities in issue. Since mid-year 2011 the bank reports its monthly LCR to the Financial Supervisory Authority. Swedbank's LCR measure has averaged more than 150 per cent.

Swedbank purposely continued to improve its reporting and management of liquidity risk in 2011. A Group-wide analysis and report with detailed information on liquidity risks are being produced to meet the increased internal and external requirements with regard to liquidity risk information.

## Improved rating

The positive development within Swedbank has been confirmed by ratings agencies. On 1 December Standard & Poor's upgraded Swedbank's and Swedbank Mortgage's long-term ratings from A to A+ and confirmed its short-term rating of A1 with a stable outlook. On 8 June Moody's also upgraded Swedbank's rating for financial strength, from D+ to C-, with a stable outlook, and at the same time confirmed its long- and short-term ratings for Swedbank and Swedbank Mortgage of A2/P1 with a stable outlook. On 16 September Fitch Ratings confirmed Swedbank's long- and short-term ratings of A/F1 with a stable outlook.

### Swedbank's rating, 31 Dec. 2011

	Swedbank					
	Swedbank AB		Mortgage AB		Covered bonds	
	Rating	Out-look	Rating	Out-look	Rating	Out-look

#### Standard & Poor's

Short	A-1	s	A-1	s		
Long	A+	s	A+	s	AAA	s

#### Moody's

Short	P-1	s	P-1	s		
Long	A2	s	A2	s	Aaa	–*

Financial strength (BFSR)

	C-					
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#### Fitch

Short	F1	s				
Long	A	s				

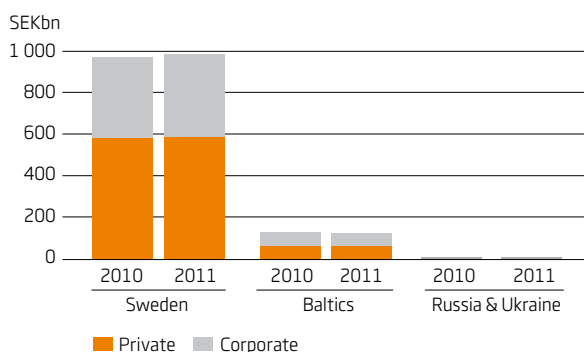
BFSR = Banking Financial Strength Rating

\* Based on Moody's rating methodology for covered bonds, no outlook is assigned.

## Market risk

Estonia's eurozone accession on 1 January 2011 reduced the currency risk in Swedbank's Estonian operations, since deposits in the country have primarily been in EEK, while lending has been in EUR. The continued economic recovery in Latvia and Lithuania reduced the risk of a devaluation scenario.

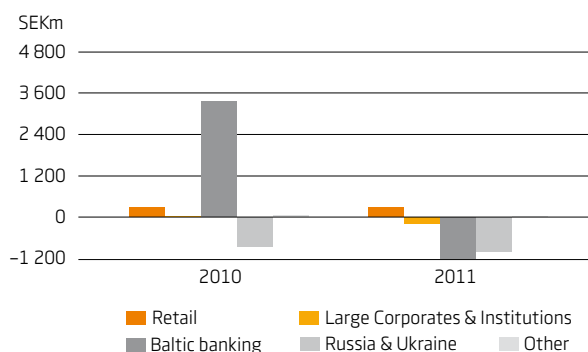
### Lending to the public\*



\*Excluding Swedish National Debt office and repos.

In 2011 lending to the public in the Baltic countries decreased by 9 per cent to SEK 119bn (130.4). Lending also decreased in Russia and Ukraine, to SEK 9.6bn (12.6) at year-end, while Sweden had credit growth of 3 per cent. Lending to the public amounted to SEK 1 000bn (969) in Sweden.

### Credit impairments



Swedbank reported net recoveries of SEK 1.9bn (losses 2.8bn) in 2011. Baltic Banking, Large Corporates & Institutions and Russia and Ukraine reported net recoveries. In Sweden, credit impairments remained very low.

The year was distinguished by the European sovereign debt crisis, which led to major price fluctuations in essentially every asset class. The risk that arises in connection with securities trading has remained low, however.

### Lower operational risks

Operational risks in the Group declined in 2011, but are still considered higher than normal. The main risks are related to extensive organisational changes and risks in the Swedish IT operations, as well as the external risk stemming from political uncertainty around the world. The upward trend from previous years has been broken, however, and the risk level is expected to decrease further in 2012.

In December 2011 false rumours were spread through social media that Swedish banks in Latvia were unstable. The rumours led to increased withdrawals through ATMs and branches. The situation was handled through extended business hours, continuous ATM refills and communication through Swedbank's own channels as well as the news media. Within two days conditions had normalised.

Swedbank experienced a number of IT interruptions in 2011, which primarily affected customers in Sweden. The Internet bank and card payments were affected the most. Swedbank worked actively to improve accessibility, and in comparison with 2010 the IT disruptions were of a less serious nature.

During the year the number of phishing attacks, attempted cases of fraud through social networks and targeted attacks against customers with poorly protected computers increased. Swedbank is working actively to raise awareness among customers about current threats and what they can do to protect themselves. Swedbank also carefully monitors developments to ensure that its services and products are safe and of high quality. Swedbank is proactively working with security and contingency planning to raise the level of protection and ability to handle extraordinary events.

All major events were handled within Swedbank's ordinary routines for incident and crisis management.

### Insurance risk

The Group conducts insurance operations in Sweden, Estonia, Latvia and Lithuania, but essentially all insurance risk comes from the operations in Sweden.

In 2011 the Board of Directors of Swedbank Försäkring AB approved a new risk appetite framework with risk tolerance limits for various risk measures. If the risks in the company increase and it finds itself outside the approved risk tolerance limits, measures are taken, including changes in terms, conditions and pricing or a reassessment of reinsurance programmes.

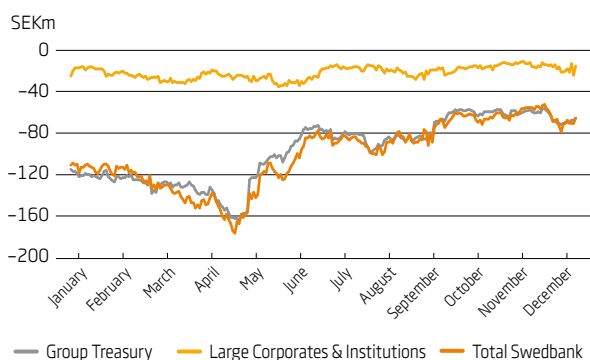
Swedbank worked during the year to adapt its operations to the regulatory requirements of the EU's Solvency II directive. The purpose of the new requirements is to safeguard the interests of policyholders even under adverse financial conditions and to ensure that risk management systems are well-integrated in corporate control models. Due to the sharply deteriorating market conditions and these regulatory changes, an occupational pension product, Traditionell Pension, was closed to new subscribers in November. With regard to the existing product portfolio, measures will be taken in 2012 in the form of a redistribution between equities and fixed income as well as a fee increase. In this way, the total risk in Swedbank Försäkring AB will be reduced.

### Capital planning

All banks are affected by macroeconomic changes, which cannot be fully prevented by a sound risk culture and good risk management. The financial crisis has dramatically changed how supervisory authorities, ratings agencies and debt investors view banks' capitalisation e.g. in terms of:

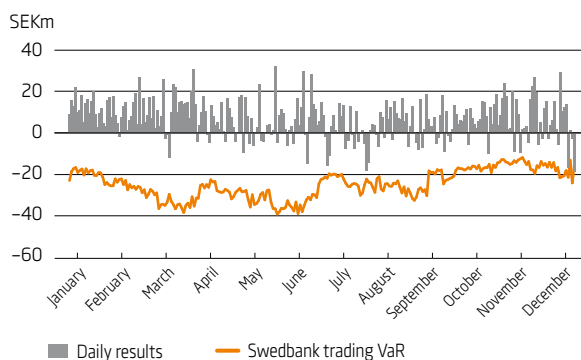
- Focus on equity when assessing its ability to survive.
- Tighter regulation of subordinated loans contained in Tier 1 or Tier 2 capital, including the creation of new products that facilitate conversion to equity or write down in times of financial stress.

Market risks in Swedbank in VaR, allocated to risk-taking units 2011



The dominant market risks are of a structural or strategic nature and are managed by Group Treasury. In 2011 market risks decreased in the Group, mainly due to reduced risk exposure in connection with increased uncertainty in the financial market.

Swedbank trading, daily result and Value at Risk



The risk that arises in connection with securities trading remained at a low level in 2011, at the same time that earnings were stable.

- More dynamic capital adequacy regulations, where various types of capital buffers that are permitted to fluctuate over time are introduced.
- Increased focus on stress tests of the balance sheet as a tool to assess capital requirements (similar to the internal capital assessment according to Pillar 2).

To ensure that it can function well even under unfavourable conditions, Swedbank maintains an extra capital buffer in addition to that required by law. Capital planning and measures to sustain satisfactory capitalisation are crucial to maintaining the market's confidence in Swedbank and consequently in retaining access to funding in the capital market.

Swedbank conducts stress tests to identify the potential effects of possible, though unlikely, negative scenarios and to assess whether the capital buffer is satisfactory at any given point in time. Given the nervousness and great uncertainty in the global economy, Swedbank's Internal Capital Adequacy Assessment Process (ICAAP) for 2011 was based on exceptionally negative scenarios, which had a much greater effect on Swedbank than the stress tests for European banks, coordinated by the European Banking Authority (EBA), in which Swedbank participates.

The results showed that the Group's core Tier 1 capital ratio exceeded both internal requirements and the rules on total and Tier 1 capital even in the event that macroeconomic developments are extremely unfavourable to the Group. Swedbank's ICAAP for 2011 is described in more detail below and in note G4.

To maintain a long-term stable balance sheet, Swedbank's capital targets and capital planning are based on core Tier 1 capital (equity less certain deductions), while subordinated loans can be viewed more as protection for debt investors in the event of liquidation. The level of non-core capital will therefore be a function of the equity buffer Swedbank considers necessary to ensure financial stability even in a stressed scenario.

In early 2011 Swedbank's Board of Directors decided that the Group's long-term risk profile shall be managed so that the core Tier 1 ratio impact from a severely stressed scenario, defined in the annual ICAAP, shall be no more than three percentage points.

The Board of Directors has decided to withdraw the previous capital target and await further details on the new capital requirements before announcing a new target. The current view of Swedbank's executive management, is that the bank will need a long-term core Tier 1 capital ratio of 13.5 to 14.5 per cent.

## SWEDBANK'S INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP) 2011

### Scenario: "Asian slowdown - Western world in recession"

#### Triggers

- Chinese real estate prices fall, affecting the entire region
- The export-led recovery in the US halts as Asian demand dries up
- Protectionism and pessimism in US economy drives global economy into recession
- US enters a long period of low growth and low inflation
- A debt-burdened EU is severely hit by falling demand in Asia and the US

#### Impact on Swedbank's home markets

##### Sweden

- Negative GDP in 2012–2014 (a drop of 7% relative to 2011)
- Unemployment rises from 8.4% in 2010 to 16.9% in 2014
- Housing prices drop by a total of 33% by 2014
- Swedish krona strengthens 31% against US dollar
- Interest rates remain low (T-bill rate of 0.3%)

##### Baltic countries

- 30% devaluation in Latvia and Lithuania in early 2012, Estonia hard hit by contracting exports
- Negative GDP growth in all three countries in 2011–2014 (drop of 9%–11% vs. 2010)
- Unemployment peaks in 2013–2014: 19.5% in Estonia, 21.5% in Latvia and 20.0% in Lithuania
- Housing prices fall by 2014 by a total of 24% in Estonia, 15% in Latvia and 21% in Lithuania

#### Impact on Swedbank

- Cumulative credit impairments of SEK 62bn, 64% of which is attributable to Swedish operations
- Cumulative loss of SEK 9bn during the period 2012–2014
- Substantially lower net interest income due to lower deposit margins combined with smaller credit portfolios.
- RWA decline 26% due to impairments and smaller portfolios, but also due to a strong SEK
- The core Tier 1 ratio bottoms out at 12.04% in 2013 and stays above 12% through the entire scenario

In Swedbank's Internal Capital Adequacy Assessment Process (ICAAP) for 2011, the core Tier 1 capital ratio exceeded both the internally established minimum requirement in a stressed scenario and the regulatory requirements for total and Tier 1 capital. Swedbank's ICAAP for 2011 covers a multi-year period with eroding economic activity. As a whole, Swedbank would generate a cumulative loss (before dividends) of SEK 9bn during the forecast

period after total credit impairments of SEK 62bn. In this scenario, the core Tier 1 capital ratio would drop at most from 14.97 per cent in 2011 to 12.04 per cent in 2013 (according to full Basel 2). This is in line with Swedbank's risk tolerance i.e. a decrease in the core Tier 1 capital ratio of up to 3 percentage points. The conclusion is that the Group's capital buffer is sufficient to maintain a core Tier 1 capital ratio that exceeds the minimum capital requirement by a wide margin.

To increase Swedbank's risk-adjusted return, capital is allocated to the business areas, but also to the customer level. The principles for capital allocation reflect Swedbank's risk tolerance and capital strategy. The Group's equity is allocated to each business area taking into account the capital adequacy rules and estimated capital needs based on Swedbank's ICAAP. In the operating segment report (note G5), equity allocated to the various business areas and key indicators are based on this allocation.

### Capital and capital adequacy

The core Tier 1 capital ratio according to Basel 2 increased to 15.7 per cent on 31 December (13.9 per cent on 31 December 2010). The core Tier 1 capital ratio according to Basel 3 was 14.7 per cent according to Swedbank's estimate based on prevailing knowledge of future regulations.

As of 31 December shareholders' equity amounted to SEK 98.0bn, an increase of SEK 3.1bn from the beginning of the year.

In Swedbank's financial companies group, core Tier 1 capital increased by SEK 1.8bn from the beginning of the year to SEK 77.3bn. Core Tier 1 capital was positively affected by SEK 5.6bn by including profit for the year (after the anticipated dividend). Goodwill write-down related to the bank's Latvian subsidiary negatively affected profit for the year by SEK 1.9bn, but did not affect core Tier 1 capital, since the deduction for goodwill decreased by the same amount. During the year Swedbank repurchased 62.1 million shares, which reduced core Tier 1 capital by slightly over SEK 6.1bn.

Swedish capital adequacy regulation was updated at year-end affecting, among other things, how preference shares are calculated in Tier 1 capital. The preference shares Swedbank issued in 2008 are included in core Tier 1 capital in the amount of SEK 8.8bn, corresponding to 1.8 percentage points of the

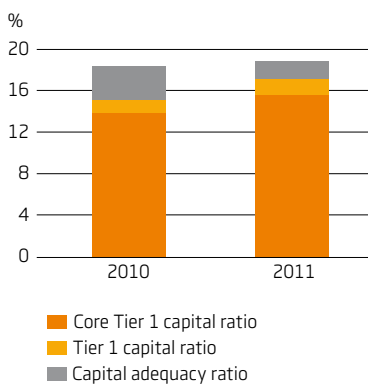
core Tier 1 capital ratio as of 31 December 2011. Since the regulatory amendment does not change the loss-absorbing capacity of the preference shares, Swedbank will continue to include them in core Tier 1 capital in its reporting. Swedbank's preference shares will be converted to ordinary shares no later than the first half of 2013.

Tier 2 capital decreased from the beginning of the year, mainly due to redemptions and repurchases of undated and fixed-term subordinated loans of SEK 9.0bn, to SEK 11.2bn. The repurchases, which amounted to SEK 4.3bn, were made at market prices, which generated a negative realised net result of SEK 10.6m. The decrease in Tier 2 capital is an element in the active management of Swedbank's capital structure and is consistent with the bank's focus on core Tier 1 capital to ensure the long-term stability of the balance sheet.

The risk weighted amount decreased by SEK 49.0bn or nearly 9.0 per cent from the beginning of the year to SEK 492.3bn. The risk weighted amount for credit risks decreased by 8.6 per cent or SEK 39.1bn, mainly attributable to corporate exposures. The average risk weighting for all credit risks in the financial companies group according to the IRB approach decreased slightly to 27.2 per cent as of 31 December. The risk weighted amount decreased by SEK 0.7bn due to exchange rate effects. The implementation of CRD III (often referred to Basel 2.5) in Sweden on 31 December increased the risk weighted amount for market risks by SEK 4.6bn. The risk weighted amount for market risks decreased by a total of around 25.2 per cent or SEK 7.4bn, however, mainly due to Estonia's adoption of the euro and the subsequent decrease in Swedbank's open currency positions. The risk weighted amount for operational risks decreased by 4.5 per cent or SEK 2.6bn.

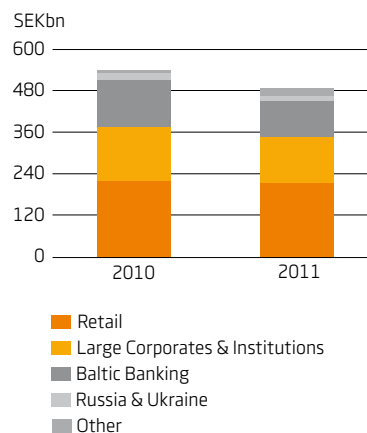
For further details on capital adequacy, see note G4.

**Capital base  
(Basel 2)**



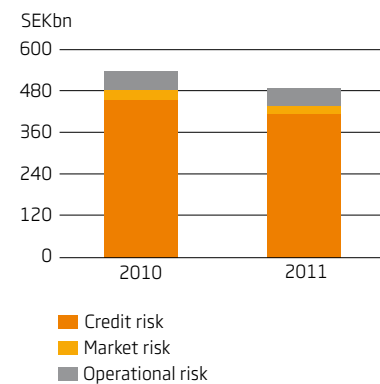
Swedbank's core Tier 1 ratio increased during the year to 15.7 per cent (13.9). Core Tier 1 capital was positively affected by SEK 5.6bn by profit for the year (after anticipated dividend). Risk-weighted assets decreased by SEK 49bn to SEK 492bn.

**Risk-weighted assets  
(Basel 2)**



In Sweden, risk-weighted assets decreased primarily due to improved credit quality. In Baltic Banking, the decrease was due to lower lending volumes as well as Estonia's adoption of the euro.

**Risk-weighted assets by type of risk  
(Basel 2)**



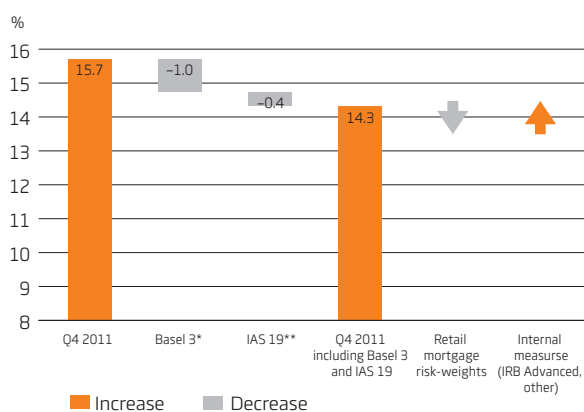
The risk-weighted amount for credit risk decreased by 8.6 per cent during the year, mainly due to improved credit quality for corporate exposures. The volume increase for the year related to corporate lending to customers with low risk.

## New capital rules and their impact on Swedbank

On 20 July the EU Commission published a new proposal on capital requirements, which is expected to be adopted in 2012. The proposal conforms to the previously published Basel 3 regulation. Swedbank believes the new rules in place from 2013 will negatively affect Swedbank's core Tier 1 capital ratio by approximately 1.0 percentage points and the proposed leverage ratio requirement will not restrict its capital planning.

Changes in the calculation of Swedbank's core Tier 1 capital primarily related to non-controlling interests, investments in shares in unconsolidated financial institutions and deferred tax assets are expected to reduce core Tier 1 capital by slightly over 2 per cent. Swedbank's risk weighted amount is expected to rise by slightly below 5 per cent under Basel 3 compared with Basel 2 due to the increased capital requirements for credit risks and because certain asset items that are currently deducted from the capital base will be risk weighted going forward. The new rules contain some uncertainty, however, as to their ultimate impact once in place. This applies, for example, to the credit risk in OTC derivatives, or more specifically the Credit Value Adjustment (CVA), where the reported effect of the new rules on the risk-weighted amount is based on today's exposure and does not account for the fact that a larger share of derivative transactions going forward will be settled through clearing institutions. Consequently, the ultimate effect owing to CVA is expected to be less than reported above.

### Impact of new regulations



\* Estimated based on Swedbank's current understanding of future regulations.

\*\* Estimated based on unrecognized actuarial losses as of 31 December 2011.

Swedbank estimates the negative effect on its core Tier 1 capital ratio owing to the new rules which will be introduced in 2013 at 1.4 percentage points. Furthermore, increased risk weights on mortgage lending could have a negative effect, but would be partly offset by the implementation of advanced IRB methodology and updates to the model for SMEs, in Swedbank's view.

Supervisory authorities in Sweden and at the European level have made note of the major differences between the average risk weights institutions use for credit risks in the IRB, especially as regards mortgage lending within the retail exposure class. The authorities are therefore planning to review risk weights in 2012. The final outcome is uncertain, an increase in Swedbank's average risk weights for mortgage lending in Sweden to a level of 10–15 per cent would negatively affect Swedbank's core Tier 1 capital ratio by 1.0–1.9 percentage points. Swedbank already allocates additional capital to its mortgage business and therefore expects that a possible increase in capital requirements for mortgage lending will not significantly affect its internal allocation of capital between business units.

Swedbank is in the process of introducing an advanced method to calculate credit risks according to the IRB approach for corporate exposures. Approval by the Financial Supervisory Authority is expected in 2013 at the earliest. Swedbank considers it likely that the risk-weighted amount for credit risks will be reduced due to the implementation of the advanced IRB method and some model updates regarding SMEs, which would somewhat offset the negative effect of the higher risk weights on mortgage lending.

Amendments to the accounting standard IAS 19 are expected to be implemented as of 2013, which will affect the bank's reported pension obligations. The elimination of the so-called corridor rules means that actuarial losses, which under current rules do not have to be fully recognised in the balance sheet, will fully affect equity. Today, Swedbank estimates that the amendment could represent a negative one-time effect on equity of approximately SEK 2bn as of 31 December 2011, which corresponds to a negative effect of 0.4 percentage points on the core Tier 1 capital ratio. Further, the elimination of the corridor rules will increase future volatility in equity, and hence in core Tier 1 capital. The effect of the anticipated changes in IAS19 has been incorporated into Swedbank's capital planning.

During the fourth quarter the EU agreed to require banks to maintain a so-called core Tier 1 capital ratio of at least 9 per cent after the revaluation of sovereign exposures. The banks in question will have to meet this requirement by 30 June 2012 at the latest. Swedbank already meets the new capital requirement by a wide margin and therefore does not expect any restriction on its capital planning.

On 25 November the Ministry of Finance, the Riksbank and the Swedish Financial Supervisory Authority announced at a joint press conference that the government will propose higher capital adequacy requirements for systemically important banks in order to strengthen the stability of the Swedish banking system and reduce the vulnerability of the Swedish economy. The proposal means that the banks must have core Tier 1 capital corresponding to at least 10 per cent of their risk-weighted assets by 2013 and 12 per cent of risk-weighted assets by 2015.



“ We are convinced that transparency will in the long term lead to lower financing costs and greater confidence in Swedbank among all our stakeholders.”

Johannes Rudbeck  
Head of Investor Relations

# Social engagement that became a bank

Social issues are driven from a distinctly business perspective and are seen as an important way to increase profitability and attract customers, employees and investors.

Swedbank's history dates back to Sweden in 1820 and is based on the idea of providing people with the opportunity to save money in order to build a more secure and better future for themselves. Now, nearly 200 years later, our business is still built on the same idea. Social engagement is a critical element in our business model and is well in line with our values and our purpose.

Only when the communities where we work prosper will we succeed in the long term. At the same time banks are essential to a functioning society because we transfer money between different parties. Social issues are therefore driven from a distinctly business perspective and are seen as an important way to increase profitability and attract customers, employees and investors.

## Sustainability in our core business

As a bank, we make it possible for our customers and partners to grow and achieve success through lending and investments. Our commitment is to do this sustainably and responsibly. Only then can we create long-term relationships with our customers.

### Financially sustainable deposits and lending

In our lending to private customers and businesses, we take responsibility by clarifying risks and protecting the customer's long-term finances. In 2009 we introduced stricter requirements on loan-to-value ratios for mortgages and launched a debate on household risk-taking – a debate that continued in 2011 and that resulted in longer fixed rate periods, a greater willingness among customers to amortise and better regulation in the market.

For out many corporate customers, we offer sustainable financial advice by making sure they have a long-term liquidity plan and are prepared for their financial future. Debt should remain reasonable regardless of economic conditions.

Swedbank tries to maintain a long-term balance between lending and deposits in each market, which is the basis for sustainable growth and for a less financial fluctuating economy. We conduct continuous analyses of micro indicators to identify unsustainable behaviours which could affect the banking sector, society and individuals.

### Socially and environmentally sustainable deposits and lending

Respect for human rights and the planet's resources is critical to our future. We are active within our sphere of influence and contribute to a stable environment, promote human rights and

fight corruption. These areas are also important in determining whether our customers are financially sustainable.

Our corporate customers may face social and environmental challenges that affect their reputations and success – and thus our reputation and our success. If these challenges are managed correctly, they can have a positive effect. If not, they could have disastrous consequences.

“Our social engagement is critical to our future and competitiveness.”

Sustainability is an area in where our customers and other stakeholders increasingly expect us to know the business-related risks and opportunities as well as laws and guidelines. This knowledge helps us to understand our customers and enables us to be a relevant advisor. In this capacity, we can help them to succeed and improve their businesses. We meet these challenges in our operations in two ways:

- **By considering risks and opportunities in our investment and credit decisions**

In connection with business loans above SEK 1m, a sustainability analysis is conducted in the areas of human rights, corruption and the environment. The analysis is an integral part of the credit analysis and is designed to evaluate how risks related to these areas could affect our profitability and reputation, and of those of our customers, if they materialise, as well as customers' repayment ability and the collateral value. Dialogue with the customer also creates new business opportunities for both the bank and customer, because we are able to jointly focus on an issue or see an investment need tied to a future sustainable development.

As one of the largest asset managers in the Nordic region, Swedbank Robur works actively with sustainability analysis of companies, and as an owner it influences companies sustainability work.

- **By taking responsibility for the social and environmental impacts of our own operations**

We evaluate risks related to human rights, corruption and the environment and introduce strict internal routines and processes in these areas. We also strive to minimise greenhouse gas emissions in order to reduce our direct environmental impact.

## Sustainable local engagement

In addition to integrating social issues in our core operations, we have chosen to play a bigger role in the community and champion local development. We contribute financial know-how and our local network of contacts in the markets where we are active. In doing so, we support, collaborate in and launch external initiatives to promote a sound and sustainable financial situation mainly in the areas of education, jobs and entrepreneurship – all of which are critical to society's growth.

Our initiatives target groups in society with a weaker position in the labour market, which is currently true primarily of young people and foreign-born residents. By providing them with the right educational opportunities and working experience, or helping them to start their own businesses, we can facilitate the future generational change faced by many businesses and society.

**“By offering trainee positions, we lower the threshold to the labour market.”**

### EXAMPLES OF SUSTAINABLE LOCAL ENGAGEMENT

#### Training in personal finance

Since the early 1960s the Institute of Private Finances has monitored areas that are important to personal finance by informing, educating and making data widely available. In this way it has been helping people for more than 50 years to make sound financial decisions. Since 2010 the institute has also operated in Estonia, Latvia and Lithuania.

In autumn 2011 personal finances became an obligatory subject at high school level in Sweden. Through a project called Young Finances, the Institute of Private Finances has been working since last spring to produce learning materials in this new subject at the same time that our advisors lecture in schools.

#### Strong young students in vulnerable situations

We are active partner in “Teach First”, a national initiative in Estonia and Latvia to raise the quality of education. The aim is to assist young students in at-risk areas by educating and recruiting top students, who then commit to teaching in these areas. In four years over 100 new teachers have come through Teach First programme.

“Starting my own life” is another initiative in the Baltic region, where our employees teach young people from orphanages to prepare for job interviews.

#### Practical training for young people

One way to ease youth unemployment in Sweden and at the same time encourage them to stay in their communities longer is to lower the threshold to the labour market by offering trainee positions. Launched in 2009 in close cooperation with the Swedish Public Employment Service, the “Young Jobs” project utilises the extensive retail networks of Swedbank and the savings banks to provide trainee positions to young people

between the ages of 18 and 24. Youngsters from the local community receive positions either at a bank branch or with one of our many corporate customers. Together, we provide them with important experience and new contacts they can utilise in their future professional lives. Since the start we estimate that nearly 3 000 positions have been created around the country, including 300 in the bank. Seven of ten of the bank's trainees have gone on to some form of employment.

#### Practical training for foreign-born academics

In 2011 we launched a project in collaboration with the Swedish Public Employment Service to offer foreign-born academics a way to enter the workplace. It started in Malmö, where 15 people have begun six-month trainee positions on either the private or corporate side. During the first three weeks Swedbank analyses the candidates' formal and informal qualifications. This information is forwarded to the Public Employment Service and the candidates themselves, who learn where they may need further training to improve their employability. This is a project that not only adds valuable competence to society but also gives Swedbank access to important new networks and high potential employees and, no less importantly, the opportunity to diversify as a bank.

Another local example of the bank's social engagement can be found in Fagersta, 100 miles northwest of Stockholm. Besides high youth unemployment and a relative dearth of new businesses, the local municipality is also facing a large number of Somali refugees, who have not been given enough opportunity to integrate into Swedish society. The project is a close cooperation between Swedbank, the local business community and the municipality, where Swedbank is providing trainee positions to young Somalis aged 18–24. Its local branch has for some time also had a Somali interpreter to support advisors.

### OTHER

Swedbank has committed to the UN Global Compact Initiative, whose principles cover human rights, labour rights, the environment and anti-corruption.

Swedbank also participates in the Swedish Finance Coalition against Child Pornography by preventing payments in the financial system.

For several years the bank has been reporting according to the Global Reporting Initiative's (GRI) C level. For more information, visit [www.swedbank.com/corporate-sustainability](http://www.swedbank.com/corporate-sustainability).

Swedbank Robur has signed the UN's Global Principles for Responsible Investments (PRI), which require it to integrate environmental, social and corporate governance issues into investment decisions as well as dialogue with the companies it invests in and encourage greater transparency in these areas.

Visit [www.swedbank.se/csr](http://www.swedbank.se/csr) for more information.

# Employees are part of our strategic development

In creating the future Swedbank, the way we treat our customers and the relationships we build are critical. What is needed is a clear long-term strategy for leadership and competence development.

Swedbank's purpose – to promote a sound and sustainable financial situation for the many households and business – is based on close customer relationships, a strong presence in the local community and outgoing employees who are attentive to customers' needs and wishes. The strategy for achieving this is strong leadership and committed employees with skills matched to customer needs as well as a governance model based on delegation, where decisions are made close to customers. The bank's remuneration programme is an element in creating a corporate culture and is designed to promote long-term performance and encourage taking responsibility. Learn more in note G12.

## Industry's best managers

Swedbank's goal is to have the industry's best managers – managers who take the lead and point the way forward. Employees have to understand how their role is tied to the bank's purpose and future challenges. The basis for a strong leadership culture is that managers are given the tools to make changes and help their employees to develop. This is done according to special leadership criteria, which describe the expectations placed on managers and serve as guidance. In 2011, the focus was on the bank's 1 800 managers in the form of mandatory training on Swedbank's values and communication skills, such as being clear, visible, taking and giving responsibility, and giving constructive feedback. In June 2012 all managers will have completed the programme.

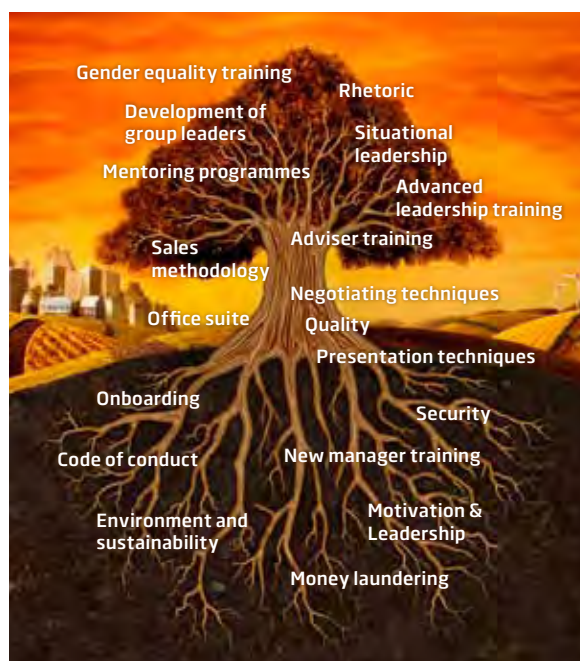
In addition, all new managers in the bank receive training in leadership, management and business acumen.

“Good managers create opportunities for employees to do a good job.”

## Industry's best development opportunities

Swedbank's vision is to make it possible for people, businesses and society to grow. Regarding our employees, this means giving them the opportunity to develop in their roles. The role of managers is to lead and coach their staff to do a good job and contribute to the bank's profitability.

## A sampling of Swedbank's courses



Swedbank has a large internal job market, and all available positions are initially advertised internally. This creates opportunities for employees who want to develop and pursue their careers in the bank. It also gives the bank an opportunity to focus on its employees and help them develop. International job mobility continues, and a growing number of the bank's employees are gaining international skills by working in other countries. In 2010 an internal headhunter unit was established to find people within and outside the bank for key positions. This is a cost-effective way of recruiting and encourages employees to develop while creating career opportunities.

In 2011 Swedbank's individual performance and development programmes were further developed to ensure that each employee meets his or her goals and abides by the bank's values: simple, open and caring. Formal performance reviews are conducted at the beginning of the year, with follow-up reviews six months later. The goal of the programme is to build employee skills and encourage initiative and learning.

In Sweden, Swedbank has a network for employees under the age of 36, called Young Professionals, who meet regularly to create new contacts and inspire each other to develop further. During the autumn a network for Senior Professionals was started as well. The aim is to find mentors for younger employees and at the same time maintain a dynamic discussion across the generations. Improved cooperation between employees in different business units also creates understanding of the Group as a whole as well as of each others' professions and skills.

#### Continued work with diversity and gender equality

As a bank for the many, Swedbank considers diversity and gender equality important to its success and a natural part of its operations. We strive to maintain an even distribution between women and men with different experience and backgrounds. Cultivating differences among employees creates an environment where everyone has an opportunity to maximise their full potential at the same time that the increased dynamic facilitates creative discussions internally. Unique individuals with unique qualities, track records, competencies and expectations are a competitive advantage and support Swedbank's goal to be a positive force in society.

We also strive for a corporate culture that understands the importance of balancing work and family life. We see this as essential to improving work performance. In 2011 Swedbank introduced a programme called "Parents and Careers," which gives new parents an opportunity to meet colleagues in the same situation, listen to interesting lectures and together with a coach discuss how to improve this balance.

#### Highest results since employee surveys were introduced

For the sixth consecutive year the employee survey Voice was conducted in the Group, except in Ukraine due to its new direction and organisational changes. The survey gives employees the opportunity to express their views to management and their immediate superior on what is working well or not in their department. The desire to be involved and have a say has been strong, and the response rate, at 90 per cent, was the highest ever. The survey shows that the motivation of employees is on the rise, and the result was the highest to date.

#### Results of VOICE survey

	2011	2010	2009
Retail	790	783	785
Large Corporates & Institutions	769	764	782
Baltic Banking	839	831	796
Russia & Ukraine	786*	718	694
Asset Management	700	u.s.	744
Group Business Support	780	753	800
Group functions, excl. GBS	786	770	803
Internal audit	757	730	710
Average Swedbank	800	786	776
Financial sector average (Europe)	700	700	700
Best performers	820	820	820

\* Only Russia

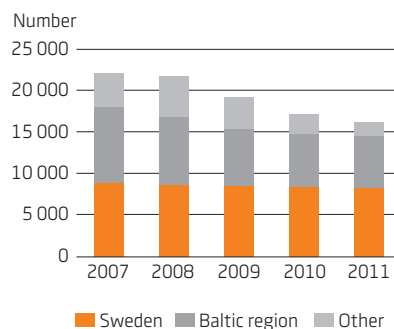
#### Increased focus on costs as the market changes

There was considerable economic uncertainty in Europe during the year, and the future earnings potential in the financial markets has declined. This affects Swedbank, as well as other financial players, and during the latter part of the year led to an increased focus on costs, which also impacted employees. We are trying as far as possible to avoid layoffs and instead are using a redeployment model designed together with the trade unions. Every employee who faces redeployment can now participate in an eight-week internal process where they are assigned a coach and are matched with available positions within the Group. If this is not possible, they are offered severance pay based on length of employment, along with an external redeployment programme.

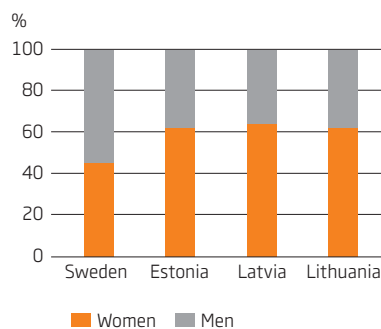
#### SWEDBANK'S REMUNERATION PROGRAMME

A well-functioning, market-based remuneration structure is an important component for achieving results and sound risk-taking in the bank, as well as for attracting employees with the right skills. Swedbank's view is that remuneration should encourage employees to achieve their individual goals – in line with the bank's overall goal, strategy and vision – while maintaining a sound balance between fixed and variable remuneration. Remuneration should also discourage excessive risk-taking while supporting actions that create value for the bank. Learn more in note G12.

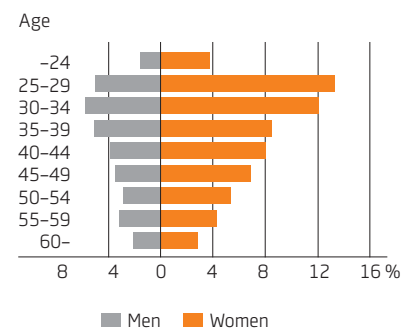
#### Full-time positions in the Group



#### Managers in Swedbank 2011



#### Group employees by age and gender, 31 December 2011



# Share performance beats the industry average

The fiscal crisis in Europe produced considerable turbulence in Europe's equity markets during the year and adversely affected foreign ownership in Swedbank.

Swedbank has three classes of shares: ordinary shares (A shares), preference shares and C shares. Swedbank's A shares have been listed on NASDAQ OMX Stockholm's Large Cap segment since 1995. The preference shares are also listed there and were issued in connection with the 2008 rights issue. The A and preference shares have equal voting rights, one vote per share, and both shares are traded publicly on the stock exchange. The C shares were issued and bought back in May 2011 as part of the bank's commitment to its performance and share-based incentive programme for 2010. For more information on the incentive programme, see note G12. The A shares account for 83 per cent of all shares. The bank also has an American Depositary Receipt (ADR) programme established together with the investment bank JP Morgan. This enables US investors to invest in Swedbank's A share on the US OTC market via depository receipts without having to register with Euroclear, the Swedish central securities depository, or buy Swedish kronor.

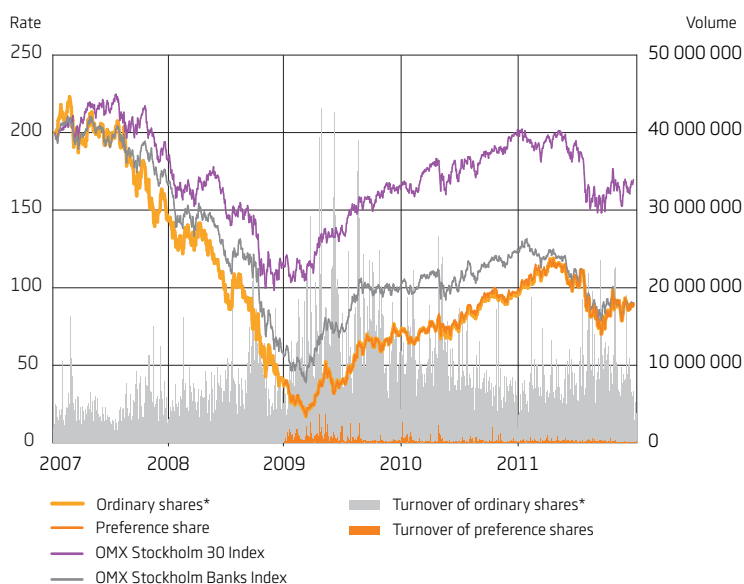
## Market information

In 2011 the OMX Stockholm 30 index fell by 16 per cent and OMX Nordic Banks Index by 28 per cent. Swedbank's A share decreased by 7 per cent and the preference share by 9 per cent during the year. At year-end 2011 Swedbank's market capitalisation had decreased to SEK 103bn (109). The turnover rate was 292 per cent (283) for the A share and 22 per cent (31) for the preference share. Since Sweden's stock exchange monopoly was abolished in November 2007, Swedbank's shares are traded on several marketplaces. In 2011, 49 per cent of trading turnover in the A share and 13.5 per cent of trading in the preference share took place outside the primary market, NASDAQ OMX Stockholm, where Boat, Chi-X, Bats Europe and Burgundy were among the marketplaces with the highest turnover. Total turnover in Swedbank's A share was SEK 276bn (212), while total turnover in the preference share was SEK 4.3bn (5.2) in 2011.

Swedbank's share capital as of 31 December 2011 amounted to SEK 24 383m, distributed among 965 190 117 A shares, 194 400 060 preference shares and 1 500 000 C shares.

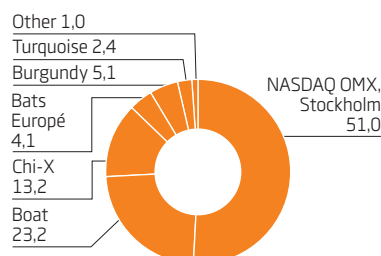
## Swedbank share performance compared with bank index

Source: NASDAQ OMX Nordic, Chi-X and Burgundy

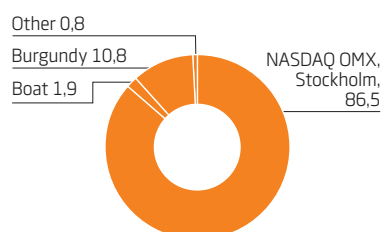


\* From mid-year 2009 the price refers to the average of the share price and the aggregate volume in the Swedbank A share on NASDAQ OMX, Chi-X and Burgundy.

## Share of turnover 2011 in Swedbank ordinary share, %



## Share of turnover 2011 in Swedbank preference share, %





### Ethical investors

Ethical investors focus on various aspects of a company's sustainability work, including how it handles environmental issues, human rights and risks. There are currently a number of mutual funds and stock indices for companies that meet certain sustainability criteria. Swedbank's A share is listed, for example, on FTSE4Good, an index of ethically responsible and sustainable investments. In 2011 Swedbank received 66 points out of a possible 100 from the Dow Jones Sustainability Index; the industry average was 53.

### Dividend

In early 2011 Swedbank's Board of Directors amended the dividend policy to 50 per cent of net profit, from 40 per cent previously. This was done against the backdrop of Swedbank's strong capitalisation, expectations of modest credit demand, focus on continued capital efficiency. The new dividend policy took effect in the financial year 2011. All dividends are contingent

on the approval of the Annual General Meeting, which requires that distributable funds are available. The Board of Directors has proposed a dividend for the financial year 2011 of SEK 5.30 (2.10) per A share and SEK 5.30 (4.80) per preference share. The preference shares have preference to an annual, noncumulative dividend of up to SEK 4.80 per preference share. In the event that distributable funds still remain, A shares receive a dividend up to the same amount as preference shares. Thereafter, any remaining dividend is divided equally between A shares and preference shares. Noncumulative means that any dividend that is omitted in a particular year cannot be added to the dividend in subsequent years. Shareholders are free to request that their preference shares be converted to A shares in February and August of each year. All outstanding preference shares will automatically be converted to A shares in 2013. In 2011 a total of 12 866 678 preference shares were converted to A shares. For more information on conversions, visit [www.swedbank.com/ir](http://www.swedbank.com/ir) under Swedbank shares.

### Share statistics

	2011**	2010**	2009**	2008	2007
<b>Swedbank A (ordinary)</b>					
High price*, SEK	118.90	99.50	77.10	148.74	226.69
Low price*, SEK	68.90	61.45	14.72	24.82	136.41
Closing price, 31 Dec.*, SEK	89.15	93.80	71.00	36.73	145.56
Daily turnover, millions of shares	11.1	10.7	14.5	6.5	4.1
Daily turnover, SEKm	1 091	838	751	773	949
Turnover rate, %	292	283	544	302	195
<b>Swedbank preference</b>					
High price*, SEK	118.40	99.60	76.60	39.04	
Low price*, SEK	68.90	62.50	14.89	35.24	
Closing price, 31 Dec.*, SEK	89.15	95.90	70.50	36.73	
Daily turnover, millions of shares	0.17	0.25	0.50	0.24	
Daily turnover, SEKm	16.8	20.4	22.3	10.7	
Turnover rate, %	22	31	45	23	
Market capitalisation, 31 Dec., SEKbn	103	109	82	32	94
ISIN-code Swedbank A: SE0000242455					
ISIN-code Swedbank preference: SE0002687749					

\* Adjusted for rights issue.

\*\* Turnover data include turnover on all marketplaces, including OTC trading.

Source of shareholder statistics: Nasdaq OMX, [www.nasdaqomxnordic.com](http://www.nasdaqomxnordic.com) and Fidessa Fragmentation Index, <http://fragmentation.fidessa.com/fragulator/>

### Data per share

SEK	2011	2010	2009	2008	2007
Earnings per share before dilution <sup>1) 2)</sup>	9.53	6.43	-10.66	16.51	18.52
Earnings per share after dilution <sup>1) 2)</sup>	9.52	6.43	-10.66	16.51	18.52
Equity per share before and after dilution	84.40	81.84	77.33	121.39	131.96
Net asset value per share before and after dilution <sup>1)</sup>	92.28	81.55	79.58	125.78	129.66
Cash flow per share <sup>1)</sup>	133.99	1.45	64.56	-66.15	31.70
Cash dividend per ordinary share	5.30 <sup>3)</sup>	2.10	0.00	0.00	9.00
Cash dividend per preference share	5.30 <sup>3)</sup>	4.80	0.00	0.00	
P/E <sup>1) 2)</sup>	9.4	14.6	-6.7	2.7	7.9
Price/equity per share, %	105.63	114.62	91.82	36.58	138.70

1) Since the terms to convert the preference shares to ordinary shares are mandatory, the preference shares are included in the calculation of key ratios.

2) Comparative figures have been restated due to the rights issue.

3) Board of Directors' proposal.

### Share buy-backs

To effectively manage Swedbank's capitalisation within the framework of its risk appetite and capitalisation target, the Board was authorised by the 2011 AGM to resolve to repurchase the bank's A and/or preference shares up to 10 per cent of the total number of shares (including shares repurchased by the securities operations as well as C shares; see below). The share buy-back began on 29 April and continued until 14 September 2011. In total, 62.1 million shares were repurchased, corresponding to 5.35 per cent of the total number of shares outstanding, at a value of SEK 6.1bn (including repurchases of 1 500 000 C shares). After a collective decision the Board halted the repurchases in September. Swedbank's core Tier 1 capital ratio according to Basel 2 was 15.7 per cent as of 31 December, including the repurchases, the highest among Nordic banks and among the highest in Europe. The shares Swedbank holds carry no voting rights and are not entitled to dividends. For more information on the repurchases, visit Swedbank's website, [www.swedbank.se](http://www.swedbank.se), under the heading Swedbank shares.

The 2011 AGM resolved to introduce new performance and share-based remuneration programmes where a portion of the remuneration is deferred in the form of shares. The purpose of the programmes is to build long-term commitment among employees through deferred remuneration in the form of shares. To hedge the bank's undertakings in accordance with the 2010 incentive programme, 1 500 000 C shares were issued and repurchased in May 2011. The highest total number of shares that can be transferred for 2011's program is 22 000 000. This is calculated based on a floor price of SEK 50 and produces a total dilution of not more than about 1.9 per cent in relation to the number of shares and votes in Swedbank (as of 31 January 2011). Assuming a share price of SEK 100, the dilution is reduced by half. For more information, see note G12. The Board of Directors proposes that the AGM 2012 resolves on transfer of shares not exceeding 33 million ordinary shares under the remuneration program for 2012, but also including earlier approved remuneration programs. If transfer take place as suggested above, this would result in a total dilution of approximately 3 percent in relation to the outstanding number of shares and votes as of 31 December 2011. The resolution on transfer of ordinary shares as per above replaces previous General Meeting's resolutions on transfer.

The Board of Directors also proposes that the AGM 2012 resolves to cancel repurchased own shares. The Board's assessment is that out of the 62.1 million repurchases shares 33 million ordinary shares are needed to secure the bank's commitment to deliver ordinary shares under the remuneration

### Largest shareholders, 31 December 2011, owner grouped\*

% of capital and votes	2011
Folksam	9.46
Sparbanks-Gruppen - Members	7.35
Swedbank AB**	5.35
Swedbank Robur Funds	4.07
ALECTA PENSION INSURANCE	3.65
AMF - Insurance and funds	2.74
Sparbanks-Gruppen - Foundations - Non-members	2.70
Nordea Investment Funds	2.15
JPM CHASE NA***	2.06
JPM CHASE NA***	1.89
FSPA Resultatandelstiftelser	1.74
Handelsbanken funds	1.67
SSB CL OMNIBUS AC OM07 (15 PCT)	1.59
SSB CL OMNIBUS AC OM07 (0 PCT), PENSION FUND	1.57
SEB Investment Management	1.26
<b>15 largest shareholders</b>	<b>49.25</b>
Number of shareholders	324 051

\* Shareholders in lowercase letters are grouped.

\*\* Repurchased shares, which carry no votes or dividend rights.

\*\*\* These shares are nominee-registered shares on at least two levels: with a Swedish custodian bank and on at least one additional level with a foreign bank. Consequently, there is no information on the owner(s) behind the name on the list. There may be one or more owners. The same foreign custodian bank may appear multiple times on the list.

Source: Euroclear Sweden AB

programs for 2010, 2011 and 2012. The Board has therefore proposed that the 2012 AGM cancel 29.1 million A, preference and C shares by reducing the share capital and bonus issue.

In its capacity as a financial services provider, Swedbank engages in securities operations, including trading in financial instruments on its own account, which requires it to acquire its own shares. Accordingly, the 2011 AGM resolved that the bank, until the 2012 AGM, may acquire on an ongoing basis its own shares such that the total holding of such shares at any given time does not exceed 1 per cent of all shares in the bank and that this is done at a price corresponding to the market price.

### Ownership structure

As of 31 December 2011 Swedbank had 324 051 shareholders (333 145), 92 per cent of whom had holdings of 1 000 shares or less. Just under 0.1 per cent of shareholders together owned over 80 per cent of the company. Swedbank's largest shareholder as of 31 December 2011 was an ownership group consisting of Folksam, KPA and Förenade Liv. International ownership in Swedbank decreased during the year and now accounts for 33.3 per cent (34.2), of which the US and the UK represent the largest shareholdings at 12 and 10.6 per cent, respectively.

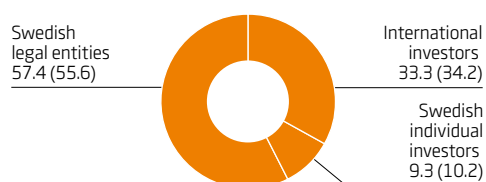
### Information for shareholders

Swedbank distributes its annual report to shareholders who choose to receive it. Interim reports are not printed, but are available at [www.swedbank.se/ir](http://www.swedbank.se/ir) together with other information released in connection with quarterly reports. The annual report can also be ordered from this site. In 2011 Swedbank's capital market information received several awards:

- Best investor relations in Sweden (for the second consecutive year) and best investor relations in the banking and finance sector in Europe, both from IR Magazine
- First prize in Ernst & Young's Risk Transparency Award

### Shareholder categories, %

as of 31 December 2011 (figure in parentheses refers to 2010)



Source:  
Euroclear Sweden AB

**Number of shareholders, 31 December 2011**

Size of holding	No. of shareholders	Holding, %	No. of shares	Holding, %
1–100	150 265	46	4 716 110	0.41
101–500	118 563	37	30 713 010	2.65
501–1 000	29 384	9	21 525 129	1.85
1 001–2 000	14 781	5	20 740 619	1.79
2 001–5 000	7 290	2.2	22 557 043	1.94
5 001–10 000	1 779	0.5	12 961 087	1.12
10 001–100 000	1 424	0.4	42 167 912	3.63
100 001–500 000	286	0.1	67 724 456	5.83
500 001–	279	0.1	937 986 736	80.79
<b>Total</b>	<b>324 051</b>	<b>100</b>	<b>1 161 090 177</b>	<b>100</b>

Source: Euroclear Sweden AB

**Changes in share capital**

Year	Transaction	Quota value per share, SEK	Added/ repurchased shares	No. of preference shares	No. of A shares	No. of C shares	Share capital SEKm
1999	Bonus issue	20	175 936 281		527 808 843		10 556
2004	Share repurchase	20	-14 937 531		512 871 312		10 556
2005	New share issue	20	2 502 100		535 373 412		10 606
2006	Withdrawal of shares	20			515 373 412		10 307
2006	Bonus issue	21			515 373 412		10 823
2008	New share issue	21	257 686 706 *	257 686 706	515 373 412		16 234
2009	Conversion of preference shares to ordinary shares	21	38 050 112	219 636 594	553 423 524		16 234
2009	New share issue	21	386 530 059	219 636 594	939 953 583		24 351
2010	Conversion of preference shares to ordinary shares	21	12 369 856	207 266 738	952 323 439		24 351
2011	C share issue	21	1 500 000	207 266 738	952 323 439	1 500 000	24 383
2011	Conversion of preference shares to ordinary shares	21	12 866 678	194 400 060	965 190 117	1 500 000	24 383

\* Subscribed and paid preference shares amounted to 194 985 456 at year-end 2008.

# The Chair on the Board's work in 2011

2011 was an intense year for the Board of Directors and executive management. In addition to traditional board issues, work to improve the bank's financial position were a high priority during the year.



Lars Idermark,  
Chair

“The bank is stronger today in many respects. We feel confident about the future regardless of how the economy and the financial markets develop.”

## Stable development in our bank

While Swedish banks are greatly affected by events around the world, the situation at home is more stable than in many other countries. Swedish banks are relatively strong thanks to improved capital ratios, solid liquidity and low credit risks.

Swedbank further improved its position in 2011 as a well-consolidated bank with a balanced risk profile. Swedbank currently has a very strong balance sheet. The bank's reputational capital has also strengthened, and our shareholders will note that we today stand on a firm foundation that reflects the positive development of our underlying business.

## New capital requirements increase stability

In 2011 the European Banking Authority announced the capital buffers that will apply going forward and how capital requirements will be raised by 2015. In November the Swedish authorities announced the additional capital requirements that will apply to Swedish banks.

Better, clearer regulations have been needed, but are not enough to create a stable, sound banking system. The key, naturally, is how the Board and executive management fulfil their roles and responsibilities in running the strategic and operational banking business. The bank's approach to managing various risks, its professionalism and the corporate culture are all crucial in this respect.

## A shareholder-friendly bank

With a clear vision and purpose based on solid values, the Board wants the bank's over 300 000 shareholders, both large and small, to see Swedbank as an attractive financial investment.

Good results and a strong balance sheet with diversified risks through a broad customer base, coupled with high efficiency and cost controls, provide the bank's shareholders with a basis for a good return in the form of a dividend. It is against this backdrop that the bank's financial targets should be seen. A stable bank over time also provides shareholders with the greatest appreciation in value. At the same time the Board understands that it is the employees of the bank who,

through their day-to-day work to build good customer relations and to run the bank well, create this value and results. It is only reasonable then that these extraordinary efforts by employees are rewarded in a well-balanced remuneration programme that helps to produce positive results and sound risk-taking.

## Active and good corporate governance

The demands made on bank boards have increased over the years, which makes active and constructive corporate governance necessary. Establishing clear goals, strategies, values and good risk controls has been and remains the Board's duty and responsibility, naturally together with the bank's executive management.

2011 was an intense year for the Board and executive management. In addition to traditional board issues such as monitoring and control, as well as ensuring that the business develops in a positive way, the top concern was improving the bank's financial position. The financing and liquidity strategy, whose purpose is to refinance the bank and create a solid liquidity reserve, has been implemented with very positive results. Moreover, different types of stress tests have been analysed and discussed to understand the consequences of various scenarios in the economy and on the financial markets. Financial targets, share repurchases, dividends, goodwill, remuneration issues and various risk assessments have also been high on the agenda.

During the year the Board visited the Swedish retail operations and can report that they are being very well managed and have a strong, important foothold in the local community.

Today we are a stronger bank in many respects. We feel confident about the future regardless of how the economy and financial markets develop. A bank like ours, which wants to give customers the opportunity to grow in a sustainable way, should definitely have a role in the future.

A handwritten signature in dark ink, appearing to read 'L. Idermark'.

Lars Idermark, Chair

## Stricter and clearer governance

The basis for good corporate governance at Swedbank is clear goals, strategies and values that are well understood by the bank's employees. Ultimately Swedbank's corporate governance is about how we create a sound corporate culture that effectively contributes to the bank's development.

### Foundation for corporate governance in Swedbank

Swedbank sees good corporate governance, risk management and internal control as key elements in a successful business and to maintain confidence among customers, shareholders, authorities and other stakeholders.

Swedbank defines corporate governance as the relationship between shareholders, executive management, employees, the various companies within the Group and other stakeholders. In a broader sense, it also means:

- how the vision, purpose and strategy are designed and communicated
- how the values are followed
- how goals are set and followed up
- how remuneration systems are designed
- how risks are managed
- how a corporate culture that supports the bank's commitment to customers and builds shareholder value is created

The Board of Directors annually sets Swedbank's corporate governance principles, which are described in the Board's rules of procedure. Corporate governance is based on external regulations such as the Swedish Companies Act, the Annual Accounts Act and the Banking and Financing Business Act, the Swedish Code of Corporate Governance ("the Code", [www.corporategovernanceboard.se](http://www.corporategovernanceboard.se)), the Swedish Financial Supervisory Authority's rules and Swedbank's Articles of Association. Published recommendations from various international bodies may influence corporate governance as well.

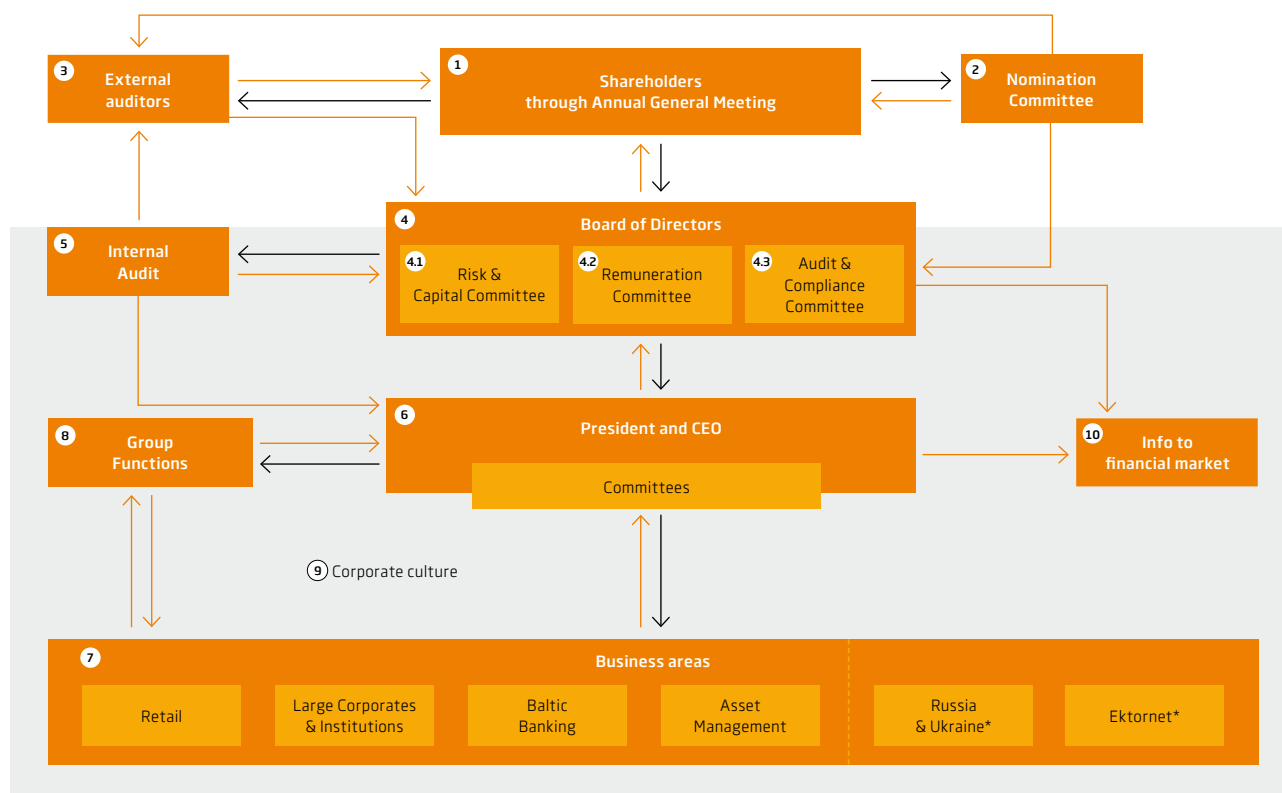
These rules regulate the delegation of responsibility for governance, control and monitoring of operations between the shareholders, the Board of Directors and the CEO. No deviations from the Code or the rules of the stock exchange (NASDAQ OMX, Stockholm) were reported in 2011.

Swedbank has a governance model and operational structure designed to ensure that all employees work toward the same goals and support the bank's purpose: a sound and sustainable financial situation for the many households and businesses. This requires a clear vision and purpose for the bank's operations as well as defined values. Established strategies, goals, policies and guidelines that clarify how the bank and its employees should act and measure the various aspects of their performance are also important. The governance model describes, among other things, the delegation of responsibility within the Group, where role descriptions are crucial to strong and effective Group-wide processes. In the model, authority and responsibility are also delegated based on Group-wide principles. An important corporate governance principle is that decisions should be made as close to customers as possible to best meet their needs. This places high requirements on managing risks.

The Group structure provides a framework for various roles, functions and reporting channels within the bank. The bank is organised in six business areas. It also has seven Group Functions that operate across the business areas and are responsible for maintaining effective standards and routines.

The illustration on the following page shows the formal corporate governance structure and governance philosophy. The figures in the boxes refer to corresponding sections in the corporate governance report.

“Swedbank has a governance model and operational structure designed to ensure that all employees work toward the same goals and support the bank's purpose: a sound and sustainable financial situation for the many households and businesses.”



→ Elects/appoints  
 - - - Informs/reports

\*The Russia & Ukraine and Ektornet business areas report directly to the Chief Financial Officer within Group Functions.

### Shareholders through the Annual General Meeting 1

The shareholders exercise their influence by participating in the Annual General Meeting (AGM), which is the bank's highest decision-making body.

Swedbank's AGM is normally held in Stockholm in March. According to the bank's Articles of Association, the AGM must be held before the end of April, or under special circumstances not later than 30 June. The time and location are published in Swedbank's year-end report and on its website. The notice of the AGM is usually published five weeks in advance in Post och Inrikes Tidningar (Official Swedish Gazette) and on the bank's website. An announcement that the notice has been posted is also placed in the Swedish daily Dagens Nyheter.

Swedbank is a Euroclear registered company, which means that its shares are recorded by Euroclear Sweden AB. All shareholders who are directly recorded in the register five working days prior to the AGM and who have notified Swedbank in time of their intention to participate are entitled to attend the AGM. Shareholders may attend the AGM in person or by proxy and may be accompanied. Shareholders are able to register for the AGM in several different ways: by telephone, email or letter.

Shareholders wishing to have an issue brought before the AGM must submit a written request to that effect to the Board

of Directors. Any such requests must reach the Board of Directors no later than seven weeks prior to the AGM to ensure that the issue can be included in the notice.

Extraordinary general meetings can be held as well, the most recent of which was in 2009. Shareholders with a total of at least one tenth of the votes in the bank or the bank's Auditor may request an extraordinary general meeting. The Board can, on its own initiative, also call an extraordinary general meeting.

### Shareholders' power of decision

The AGM's resolutions include:

- Election of the Board of Directors and remuneration for Board members, including remuneration for committee work
- Discharge from liability for Board members and the CEO
- Amendments to the Articles of Association
- Election of Auditor
- Income statement and balance sheet
- Allocation of the bank's profit or loss
- Approval of the remuneration principles for the CEO and certain other senior executives through adoption of the remuneration guidelines for them

Since 2010, resolutions at the AGM are normally decided by vote, where a special majority is required. Swedbank's Articles of Association contain limitations on the voting rights of the holders of class C shares. The C shares carry one tenth of one



vote each. The ordinary and preference shares have equal voting rights: one vote per share.

The AGM is held in Swedish and interpreted to English. All material for the meeting, including the minutes, is in Swedish, but is translated to English. The documents are posted on the website.

Information on Swedbank's shares, shareholders and buy-back programme can be found on pages 48–51, and on Swedbank's website under the heading "Investor Relations/Swedbank shares".

### Annual General Meeting 2011

The 2011 AGM was held in Stockholm on Friday, 25 March. A total of 890 shareholders attended personally or by proxy. They represented slightly over 52 per cent of the votes in the bank.

The 2011 AGM was attended by all members of the Board of Directors and all members of the Group Executive Committee as well as the Chief Auditor. All nominated directors were present except Olav Fjell, who instead introduced himself in a short video broadcast.

Among the 2011 AGM resolutions were the following:

- Adoption of the annual report
- A dividend for the financial year 2010 of SEK 4.80 per preference share and SEK 2.10 per ordinary share
- Election of the Board members and the Chair
- Fees to the Board members and the Auditor
- Repurchase of shares for the securities operations and authorisation of the Board to resolve to repurchase additional shares to adjust the bank's capital structure to prevailing capital needs
- Remuneration guidelines for senior executives
- Performance and share-based remuneration programmes for 2010 and 2011, the related issuance and repurchase of C shares, and the principles for appointing the Nomination Committee

### Nomination Committee

2

The Nomination Committee is the shareholders' governing body, which nominates Board members and the Auditor and proposes their fees, among other things.

The 2011 AGM decided on the principles for the appointment of the Nomination Committee for the 2012 AGM. They include that the committee will be comprised of five members: the Chair of the Board and one representative of each of the four largest shareholders (based on known data on the last business day in August 2011), on the assumption that they wish to appoint a member. A member may also represent a group of shareholders under certain circumstances. If a member leaves the Nomination Committee before its work is completed, the committee may decide to replace him or her with another person representing the same shareholder or with a person representing the next largest shareholder that has not already appointed a member to the committee. The Nomination

Committee's current composition is available on the bank's website under the heading "About Swedbank/Corporate governance". The Nomination Committee appoints a Chair from among its members. The Chair of the Board may not be Chair of the Nomination Committee. The committee's mandate is for the period until a new Nomination Committee has been constituted. Members of the Nomination Committee are not remunerated for their work or costs incurred. However, the Nomination Committee has the right, at the bank's expense, to engage a recruitment consultant or other external consultants as it deems necessary to fulfil its assignment.

The duties of the Nomination Committee, where applicable, are to submit proposals to the following AGM for decision regarding:

- Election of a Chair of the AGM
- Fees for the Board members and Auditors
- Election of the Board members, Chair and Auditors
- Principles for appointing the Nomination Committee at the next AGM

The composition of the Board should reflect diversity and breadth in terms of the competence, experience and background of its members. The bank's operations, stage of development and future direction are also taken into account. While it is important that the Board has the support of shareholders, it also has to be independent in relation to the bank and its executive management, as well as to the bank's major shareholders.

### The Nomination Committee for the 2012 AGM

Representative	Appointed by	Voting rights as of 31 Aug 2011
Lennart Anderberg, Chair	Owner-group Föreningen Sparbanks-intressenter	7.20%
Tommy Hjalmarsson	Owner-group Sparbanksstiftelserna	2.63%
Tomas Norderheim	Owner-group Folksam	9.44%
Rose Marie Westman	Alecta Pensions-försäkring, ömsesidigt	3.56%
Lars Idermark, Chair, Swedbank AB	2011 AGM	

The Nomination Committee's work during its mandate;

- Studied an evaluation of the Board's work (see below)
- Studied the CEO's view of the bank's operations and the challenges it faces in the next few years
- Studied the Chief Auditor's view of the bank, the Board and the Group Executive Committee
- Studied two Board members' views of the bank's operations and the Board's work (done individually without the Chair)
- Reviewed competence needs and discussed the Board's composition in the light of Swedbank's strategies
- Nominated Board members, including the Chair
- Verified the candidates' independence
- Presented remuneration proposals for the Board and Auditor
- Reviewed and issued a proposal on the principles for appointing the Nomination Committee for the 2012 AGM

### External Auditor

3

The AGM elects the external Auditor, who is nominated by the Nomination Committee. Auditing duties for the bank are normally for four years, although a decision may be made to replace the Auditor before the conclusion of the four-year period. The Auditor reviews Swedbank's annual report and corporate governance report as well as the administration of the Board of Directors and the CEO.

At the AGM, the Auditor presents the Auditors' report and describes the audit work.

The Auditor presented his review and comments to the Board four times in 2011. On one of these occasions no one from the executive management was present. The Auditor regularly meets the Chair of the Board, the Chair of the Audit and Compliance Committee, the executive management and other operating managers. The Auditor normally also meets the representatives of the Swedish Financial Supervisory Authority during the financial year.

Swedbank's interim reports are reviewed by the Auditor.

In accordance with its Articles of Association, Swedbank shall have no less than one and no more than two authorised public accountants. The appointed auditor is Deloitte AB, Sweden, with Authorised Public Accountant Svante Forsberg as Chief Auditor. Svante Forsberg has been in charge of auditing duties for Swedbank since 2010. Aside from Swedbank, he has auditing assignments for primarily the following companies: Alliance Oil, Black Earth Farming, Fabège, Lannebo Fonder, Max Matthiessen and Skandia Liv. Svante Forsberg has no assignments for other companies that affect his independence as an auditor of Swedbank. Remuneration for the Group's auditor is reported in note G13. The Swedish Financial Supervisory Authority is entitled to appoint an auditor of the bank, but has not exercised this right in several years and did not do so in 2011.

### Board of Directors

4

The shareholders elect the Board of Directors at each AGM i.e. for a mandate of one year. The Board has overall responsibility for managing Swedbank's affairs in the interests of the company and all shareholders.

The Board consists of ten members elected by the AGM. It also includes two employee representatives and their deputies in accordance with special agreements with the Financial Sector Union of Sweden and Akademikerföreningen. The bank's Board meets the requirements of the Code with respect to its members' independence. All members except Göran Hedman are considered independent in relation to the bank, its executive management and the major shareholders.

An even gender distribution on the Board is desirable over time. The current distribution is 40 per cent women and 60 per cent men. In 2010 it was 50/50. The 2011 AGM elected one new member: Olav Fjell. Lars Idermark was re-elected as Chair.

Swedbank's Articles of Association state that the Chair of the Board is appointed by Annual General Meeting for a period of one year, but otherwise do not have any special provisions on the appointment/dismissal of Board members.

Neither the CEO, the CFO, the Company Secretary nor the Chief Legal Officer is a member of the Board. They attend Board meetings, however, except when issues are discussed where they could have a vested interest or it is otherwise unsuitable for them to attend, e.g. when the CEO's work is evaluated. The deputy employee representatives normally do not attend Board meetings. The Board's composition is presented on pages 64–67.

### The Board's responsibilities and delegation of responsibilities

The Board sets operational goals and strategies; appoints, dismisses and evaluates the CEO; ensures that effective systems are in place to monitor and control operations and that laws and regulations are followed; and ensures that the information released to the public is transparent and accurate.

The Board makes the final decision on the appointment/dismissal of the CFO and the CRO.

The Chair of the Board has specific responsibilities, including:

- Oversee the CEO's work and be a discussion partner and support for him or her, as well as monitor that the Board's decisions and instructions are implemented.
- Organise and manage the Board's work, encouraging an open, constructive dialogue within the Board, and develop the Board's competence on issues of importance to operations, including the evaluation of the Board's work

The overall responsibility of the Board cannot be delegated. However, the Board has committees that monitor, prepare and evaluate issues within their respective areas for resolution by the Board. The division of work between the Board, the Chair of the Board and the CEO is determined annually in the Board's instruction for the CEO.

Special instructions are also in place for the Board's committees. The Board appoints the members of the committees at its statutory meeting following the AGM. Changes in the members of the committees can be made at any time during the year.

The Board and committees can, at the bank's expense, engage outside experts if deemed necessary to fulfil its assignment or to obtain information on market practices.

More information on the work of the committees can be found on pages 58 and 59. Internal Audit reports directly to the Board. During the year a new head of Internal Audit was appointed after the previous executive became head of the Baltic Banking business area.

### Evaluation of the Board and the Chair of the Board

Each year the Chair of the Board initiates an evaluation of the Board's work. This was done in 2011 through a written questionnaire and in-depth interview with each Board member without hiring an outside consultant. The results were compiled and presented to the Board.

### The Board's work

In 2011 the Board held 20 meetings, two of which were by telephone and four per capsulam. The Board also conducted two workshops on liquidity, among other issues. All the meetings except one were held in Stockholm. The Board was unanimous in its decisions, and no dissenting opinions were noted on any issue during the year. For information on attendance at the Board meetings during the year, see pages 64–67. Each year the Board establishes a plan for its work, where it decides which issues to treat in depth. This is based on the processes used in the bank as shown below.

Other major issues in 2011 included the following:

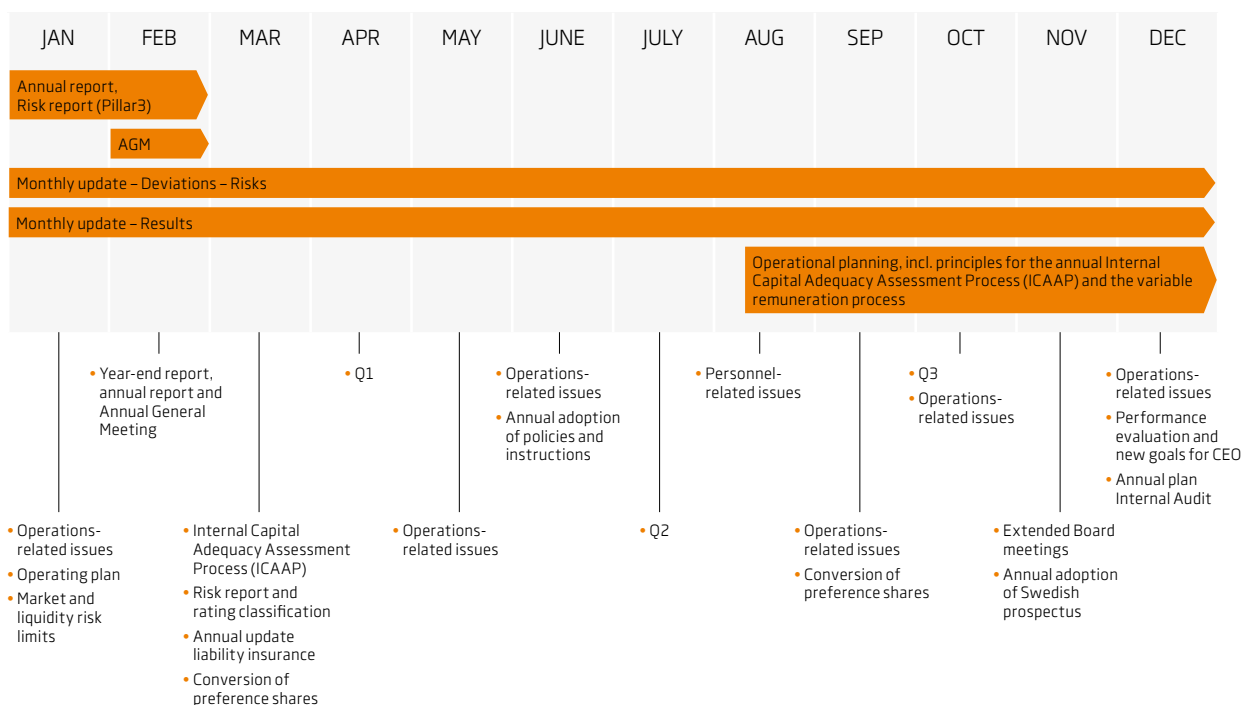
- The European crisis and its effect on the bank, its limits and exposures
- Capital and liquidity goals
- Share repurchase
- Liquidity strategies and funding issues
- Stress tests
- Remuneration issues
- The ongoing risk and capital situation, including the Internal Capital Adequacy Assessment Process (ICAAP)
- Credit decisions where the total Group credit limit exceeds 10 per cent of the capital base (corresponding to SEK 9.3bn as of 31 December 2011) for the Swedbank financial companies group, as well as on limits for credit risk concentrations
- Evaluation of the CEO
- Business intelligence

During the autumn the Board travelled throughout Sweden to obtain greater insight into the retail operations and local market conditions, challenges and opportunities. During the trip a number of study visits were made to the bank's branches, where discussions were held with employees, regional managers, customers, decision-makers and analysts.

Prior to each Board meeting the proposed agenda is distributed together with detailed material. This is normally done a week in advance through an electronic data room, where members can view the documents. The Chief Auditor also has access to the system, which has mail, chat, and voting functions, and shows when the documents were accessed on an individual basis. The material for the meetings is saved electronically, including documents not enclosed with minutes. In addition to committee members, the minutes from all committee meetings are distributed to the other members of the Board, the CEO, the Head of Internal Audit and the external Auditor. The Board is informed about issues addressed by the committees at its subsequent meeting.

New Board members attend the bank's own introductory training. This applied to Olav Fjell, who was elected by the 2011 AGM. He has also attended the stock exchange's training. The purpose of the internal training is to quickly become familiar with the organisation and operations and better understand Swedbank's values and culture.

## Board work 2011



**Risk and Capital Committee**

4.1

The role of the Risk and Capital Committee is to support the Board in its risk management work. However, the Board has ultimate responsibility for the risks taken by the bank and for assessing its capital requirements.

The Board ensures that routines are in place to identify and define risks relating to business activities as well as to measure and control risk-taking. Through the Board's risk and capital policy, the CEO receives guidelines for risk governance and management, risk control, risk and capital evaluation, and capital management. The policy describes the connection between risk and capital as well as how risk and capital management support the business strategy.

The Committee covers the following areas:

- Market risk
- Credit risk
- Liquidity and funding (e.g. limits on liquidity risk)
- Capital (e.g. monitoring the capital base, risk-weighted assets and related governance models)

Each month the committee receives a special risk report from the Group's risk control unit including the Group's credit risk, liquidity risk and market risk performance.

A more detailed description of the Group's various risk areas and risk management can be found in the risk section beginning on page 35 and in note G3.

The CEO is not a member of the committee but normally attends the its meetings. The members of the committee have special competence and experience working with risks. For information on the members of the committee, see pages 64–67.

**Key issues in 2011**

- Internal Capital Adequacy Assessment Process (ICAAP) and other capital-related issues
- The bank's limits and exposures as a result of the crisis in Europe
- Stress tests of various credit portfolios
- Size of the bank's liquidity portfolio and other liquidity issues
- Funding-related issues and strategies, especially with regard to covered bonds
- Share repurchases

**Remuneration Committee**

4.2

The Board's Remuneration Committee monitors, evaluates and prepares remuneration issues for resolution by the Board.

The Committee controls that remuneration systems in the bank generally conform to effective risk management and are designed to reduce the risk of exaggerated risk-taking. Remuneration systems must also comply with all applicable rules, such as those of the Code and the Swedish Financial Supervisory Authority. The work of the Remuneration Committee includes:

- Salary, pension, variable staff costs and other benefits for senior executives according to the guidelines adopted by the AGM and for the Head of Internal Audit
- The Board's proposal to the AGM regarding remuneration guidelines for senior executives
- The Board's remuneration policy
- Decisions according to or deviations from policies in the remuneration area
- Annual review and evaluation of the effectiveness of the remuneration instructions, and
- Preparation and recommendation to the Board on remuneration to consultants in cases where total remuneration exceeds SEK 20m.

The chair of the committee, who may be the Chair of the Board, should have the knowledge and experience in risk analysis required to make an independent evaluation of the suitability of the bank's remuneration policy. The members of the committee should also have the appropriate knowledge and experience as regards executive remuneration issues and risk management. Members must be independent in relation to the bank and its executive management. For information on the members of the committee, see pages 64–67.

**Key issues in 2011**

- Allocation of the bank's performance and share-based remuneration programme and other issues associated with the programme
- Total remuneration for newly appointed senior executives
- New collective pension agreement for the Swedish market
- Remuneration guidelines for senior executives

For information on remuneration to members of the Board of Directors, the CEO and other members of the Group Executive Committee, see pages 64–67, note G12 and the bank's website under the heading Corporate governance.

**Audit and Compliance Committee****4.3**

The Audit and Compliance Committee, through its work and in consultation with the outside auditor, the Head of Internal Audit and the Group Executive Committee, provides the Board with good access to information on business activities. Its purpose is to identify any deficiencies in routines and in the organisation in terms of governance, risk management and control.

The work of the Audit and Compliance Committee is focused on internal control and governance processes and their adequacy, as well as monitoring the effectiveness of Swedbank's internal audit, internal controls and risk management with respect to financial reporting. Its work also encompasses the quality of the financial reporting and whether the reporting complies with current laws, applicable accounting standards and other requirements for listed companies. In the area of compliance, the information includes whether the work within Swedbank is being conducted in accordance with external laws and regulations and internal policies and instructions, as well as information on ongoing contacts with supervisory authorities in countries where the bank has operations. The focus in terms of operational risks is mainly on information about them and how these risks are managed. The Audit and Compliance Committee also reviews the internal and external auditors' work to ensure that it has been conducted effectively and in an otherwise satisfactory manner. Based on the information presented, the committee proposes measures that are decided on by the Board where deemed necessary.

The committee's work also includes:

- Reviewing and evaluating the Group's financial reporting process
- Responsibility for the quality of the company's reporting
- Responsibility for ensuring that the interim reports and year-end reports are audited or reviewed by the Auditor
- Meeting the Auditor on each reporting date
- Staying informed of accounting standards
- Reviewing the quarterly reports and suggestions for improvements from Internal Audit, risk control and compliance within their areas, including management of risks in accordance with the Group's policy, and staying informed of risk evaluations and risk reports
- Evaluating and assisting the appointment of the head of Internal Audit

The head of Internal Audit attends the committee's meetings. The majority of the members must be independent in relation to the bank and its executive management. At least one member must also be independent in relation to the bank's major shareholders. At least one member must have special competence in accounting or auditing. For information on the members of the committee, see pages 64–67.

**Key issues in 2011**

- Monitoring Internal Audit's annual plan and strategic priorities
- Monitoring external audit's plan and risks in the financial reporting

**Internal Audit****5**

Internal Audit, which reports directly to the Board, reviews and evaluates effectiveness, governance, risk management and control in the Group.

An audit function independent of the Group Executive Committee, Internal Audit also works proactively to suggest improvements to internal control. Reviews are summarised quarterly in reports to the Board, the Audit Committee, the CEO and the external auditor. The Head of Internal Audit is a co-opted member of the Audit and Compliance Committee.

All auditing activities in the Group are coordinated, i.e., reviews are planned, implemented and reported using the same approaches and methods.

**CEO and Group Executive Committee****6**

The President and CEO is responsible for managing Swedbank's day to day operations in accordance with external regulations and within the framework set by the Board of Directors. The CEO represents the bank externally on various matters, leads the work of the Group Executive Committee and makes decisions after consulting its members.

The CEO is the officer ultimately responsible for ensuring that the Board's strategic direction and other decisions concerning the bank are implemented and followed by the business areas and subsidiaries, and that risk management, governance, IT systems, organisation and processes are satisfactory particularly in regard to risks. The CEO is permitted to delegate duties to subordinates or Group committees; however, ultimate responsibility is retained by the CEO. On committees where the CEO is a member, he or she normally must be present at a meeting and agree with its decision for the decision to pass. The CEO is responsible for following up the Board's decisions and ensuring that any significant failure to implement them is reported to the Board. The Board's view of the CEO's special areas of responsibility is spelled out in, among other places, its instruction for the CEO and policies. The CEO is also responsible for ensuring that the Board's policies and instructions are followed within the Group and that they are reviewed and evaluated annually.

The CEO establishes Group-wide rules on internal control. To support internal control, the CEO has a number of monitoring units within the Group, mainly Group Finance, Risk and Compliance. Follow-ups are done monthly through written reports and in-depth review meetings with the heads of the various Group Functions and with the business areas. For more information, see the Board of Directors' report on internal control of financial reporting on page 62.

The CEO leads the work of the Group Executive Committee and makes decisions after consulting its members. The Group Executive Committee consists of ten members: (I) the CEO, (II) the Head of Retail, (III) the Head of Large Corporates & Institutions, (IV) the Head of Baltic Banking, (V) the Head of

Group Business Support, (VI) the Chief Financial Officer, (VII) the Chief Risk Officer, (VIII) the Head of Human Resources, (IX) the Head of Corporate Affairs, and (X) the Chief Legal Officer. The Head of Asset Management and the Head of Group Compliance are co-opted members of the Group Executive Committee. The Group Executive Committee normally meets every two weeks.

The CEO also has a Senior Management Forum (SMF), a discussion forum for implementation and coordination of strategic issues in the Group. The CEO evaluates the composition of the SMF to ensure that it has the right combination of competence and experience. The SMF usually includes the heads of the business areas and regional managers.

The CEO is responsible for evaluating the other senior executives and ensuring that the Group has a strategy for competence management.

The Group also includes an Asset and Liability Committee, which deals with issues concerning the balance sheet, liquidity and financial risk; a Group Risk and Compliance Committee, whose task is to improve efficiency and handle issues in the area of operational risks and compliance; and a Remuneration Committee, which drafts proposals for remuneration systems and recommends variable remuneration for employees to the Board's Remuneration Committee. For information on remuneration principles and remuneration to senior executives, see note G12.

#### Key issues in 2011

- The strategy process for the bank as a whole as well as at the business area level
- Cost trends
- Competence issues
- Risk-adjusted returns
- Tasks and responsibilities delegated to employees
- Operational risks in order to create improved quality and effectiveness
- Funding strategies
- Credit ratings

#### Business areas

7

An effective operating structure is important to the governance of the bank. Swedbank's business areas are a combination of geographical operating areas and market areas. The Group structure provides a framework for various roles, functions and reporting channels within the bank.

Swedbank is organised in six business areas: Retail, Large Corporates & Institutions, Baltic Banking, Asset Management, Russia & Ukraine and Ektornet. Further information on

Swedbank's business areas, is available on 20–34. The heads of the four largest business areas are responsible to the CEO regarding their respective business area's operations and reports continuously to the CEO. The heads of Russia & Ukraine and Ektornet, on the other hand, report directly to the CFO. The heads of the business areas receive support from their management teams and have the option of delegating responsibility, but are still ultimately responsible to the CEO and CFO. The responsibilities of the heads of the business areas include:

- Developing the business area's strategy and business plans and ensuring that they are implemented and reported to the CEO
- Creating and maintaining reporting and communication channels to bring attention to issues of material significance that have to be addressed at the CEO or Board level. All of these issues should be supported in a written report with recommendations
- Ensuring that policies and instructions are followed within the business area
- Monitoring, following up and managing the business area's assets, liabilities and profitability
- Maintaining a sound system of internal control in order to prevent, detect and quickly respond to risks as well as ensure that laws and rules are followed
- Taking responsibility for ensuring that the business area effectively implements the bank's governance model.

#### Group Functions

8

The business areas are supported by a number of Group Functions that operate across the business areas: Group Finance, Risk, Compliance, Corporate Affairs (communication, strategic marketing and public affairs), HR, Legal Affairs, and Group Business Support. The Group Executive Committee is included as well. The Group Functions are described in more detail on pages 32–34.

Among the tasks of the Group Functions is to develop Group-wide policies for the Board to adopt. They also develop Group-wide instructions, which are established by either the Board or the CEO. Group Functions are also responsible for monitoring their implementation as well as for ensuring governance in the Group. The purpose of these Group-wide rules and processes is to support the CEO and the Group's business operations and to clarify Swedbank's vision, purpose, values and strategies. The duties of the Group Functions also include creating and monitoring shared procedures, which support the business operations and facilitate knowledge transfers between the bank's various markets. They are



responsible for compiling and analysing reports to the CEO and the Board as well as proposing solutions for "escalating" issues within their areas and thereby creating an effective solution to the problem. The head of each Group Function should have unrestricted insight in business operations in order to fulfil his/her obligations. The control functions include Accounting & Finance, Risk and Compliance, which continuously monitor operations. In this way the Group Functions support the CEO in his assignment to ensure governance and monitoring.

### Corporate culture

9

Swedbank's corporate culture is based on simplicity, openness and caring. Maintaining the commitment, focus and motivation of Swedbank's employees requires their understanding of the bank's purpose and values.

Swedbank's strongly believe that a traditional banking model with close customer relations is the best way to promote the bank's purpose and goals. The basis of all advice is the customer's needs. The business model therefore focuses on advisory services, where authority and responsibility rest as close to customers and business as possible.

Policies and guidelines describe how the bank operates in various respects, an effective operating structure and a reporting structure. The bank has a code of conduct with guidelines on how employees are expected to act vis-à-vis customers as well as with each other, suppliers, competitors, authorities and the public and society at large. There is also a framework for the delegation process within the Group. Even after a task has been delegated, responsibility still rests with the delegator. However, the person delegated shares that responsibility.

To ensure balanced delegation, rules are in place to determine when various issues should be referred to a higher level or to the CEO and Board for immediate action, so-called "escalation". This ensures that those ultimately responsible for the bank's operations maintain the necessary overall control.

Another important component of stability and sound risk-taking in the bank is a well-functioning, market-based remuneration structure. For more information, see note G12.

### Information to the capital market

10

Swedbank shall provide shareholders, analysts and other stakeholders prompt, accurate, consistent and simultaneous information on the Group's operations and financial position. Transparency fosters an understanding of the financial reporting and the decisions that are made, as well as of the industry as a whole.

Swedbank's external reports should reflect the progress in achieving the bank's goals and priorities as well as other important changes required to monitor and evaluate the bank's financial position. The financial information should also create good insight into the bank's track record, current and future development, and be in line with the executive managements' and the Board's opinions regarding the bank.

The bank works actively with investor relations and during the year met around 350 individual investors and analysts from around the world at a number of meetings it arranged as well as at international and national seminars and conferences. The meetings focused on the latest financial report, the bank's strategy or more specific information on a particular operating area. In February 2011 a capital market day was arranged where the bank presented its overall goals and strategies as well as those of each business area.

In 2011 Swedbank received several awards for its capital market information, including:

- Best investor relations in Sweden (for the second consecutive year) and best investor relations in the banking and finance sector in Europe, both from IR Magazine
- First prize in Ernst & Young's Risk Transparency Award

The Group's information policy, which is included in the internal control environment, is designed to ensure that Swedbank meets the requirements placed on publicly listed companies. Swedbank's annual report is distributed in printed form to those who have actively requested it. The annual report, interim reports, year-end reports, press releases and other relevant information on the bank are available on the Group's website, which is updated continuously.

### Further information on corporate governance

On Swedbank's website, [www.swedbank.com](http://www.swedbank.com), under the tab "About Swedbank," is a special section on corporate governance issues, which contains, among other things:

- Swedbank's Articles of Association
- The Nomination Committee's principles and work
- Information on Swedbank's Annual General Meetings since 2002
- Information on remuneration in Swedbank and an evaluation of the remuneration guidelines for Swedbank's senior executives
- The bank's code of conduct
- Information on Board members and the Group Executive Committee

## The Board of Directors' report on internal control of financial reporting

The Board of Directors is ultimately responsible for ensuring that the internal control of financial reporting complies with external rules. These rules, which contain information requirements on how internal control is organised, are designed to provide reasonable certainty of the reliability of the financial reporting. The information below describes how internal control is organised, not the quality of the control as such.

### Regulatory framework

This report on Swedbank's internal control of financial reporting is designed based on the COSO model (The Committee of Sponsoring Organisations of the Treadway Commission) and comprises five internal control components: as described below.

### Control environment

The control environment serves as a foundation for Swedbank's internal control and is based on the culture established by the Board and operating management. It is defined primarily through the organisational structure, policies, instructions and competencies, and creates structure and support for internal control components. In its fundamental policy documents, the Board has decided on the principles for financial reporting and its control. This creates an environment that supports reliable and accurate reporting.

### Risk assessment

Besides the risk analyses from a general risk perspective, which include the risks in financial reporting, Swedbank also conducts annual self-assessments of the internal control of financial reporting. Risk assessments of the financial reporting identify significant risks that affect reporting by the Group's companies, business areas and processes. From a balance sheet and income statement perspective, the assessments focus on materiality; from a process perspective, they focus on complexity. The risk assessment serves as the basis of measures to safeguard the internal control of financial reporting processes.

### Control activities

Swedbank has established overarching control activities and works continuously to document, evaluate and improve controls in all significant processes. Control activities are designed to manage the risks that have been identified in the risk assessment. Control activities associated with financial reporting are performed on several levels and include processes and

structures to analyse and monitor developments in the Group's business operations relative to forecasts and predefined financial indicators. Group-level rules are in place for internal accounting principles, planning and monitoring processes, and reporting routines. GroupFinance is responsible for updating the bank's accounting instructions, communicating them and making them available to the reporting units. To ensure the correct application of the bank's accounting rules, finance managers regularly meet with local accounting managers, at which time current accounting and reporting issues are addressed. Swedbank has a central valuation group whose purpose is to ensure the accurate valuation of assets and liabilities at fair value. Local and central controller and accounting departments perform controls mainly through reconciliations between sub-ledgers and ledgers, as well as routines to ensure the existence of assets and liabilities and that assets, liabilities and business transactions have been correctly reported. Analyses of financial results are presented monthly to Swedbank's executive management. The Board's Audit and Compliance Committee is tasked with monitoring the financial reporting and the effectiveness of Swedbank's internal control, Internal Audit and risk management, which are described in more detail in the corporate governance report under the heading 4.3.

### Information and communication

The main communication channel within Swedbank is its intranet, where the Group publishes policies, instructions, directives and manuals containing rules for financial reporting. Each country also has its own intranet, where national accounting routines are made available. Swedbank utilises information security, which is designed to ensure that levels of authority fall within authorisation limits. A whistleblower procedure is in place for employees to anonymously report any suspicions of fraud or other wrongdoing. Reports are handled by Group Compliance.

### Monitoring




On behalf of the Board, Internal Audit also reviews and evaluates how governance, risk management and internal control are organised and their effectiveness. The internal control over financial reporting is monitored by Group staff Group Finance.




“ I Googled ‘best bank for small businesses’ and found out that Swedbank has a tool that can link my bookkeeping and accounts in a really smart way. That’s why I chose Swedbank.”

Jenny Lagerqvist,  
Small business owner



# Board of Directors

	Lars Idermark	Anders Sundström	Olav Fjell
			
<b>Year of birth</b>	Born 1957 Chair since 2010	Born 1952 Deputy chair since 2009	Born 1951 Board member since 2011
<b>Shareholdings in Swedbank</b>	Own and closely related parties: 143 A shares and 0 preference shares	Own and closely related parties: 11 000 A shares and 19 000 preference shares	Own and closely related parties: 7 700 A shares and 0 preference shares
<b>In Swedbank as</b>	<ul style="list-style-type: none"> <li>Board of Directors, Chair</li> <li>Remuneration Committee, Chair</li> <li>Risk and Capital Committee, Chair</li> </ul> <b>Attendance:</b> ■ 20/20 ■ 13/13 ■ 12/12 <b>Total fees:</b> ■ 1 350 000 ■ 100 000 ■ 250 000	<ul style="list-style-type: none"> <li>Board of Directors, Deputy Chair</li> <li>Remuneration Committee, member</li> <li>Risk and Capital Committee, member</li> </ul> <b>Attendance:</b> ■ 20/20 ■ 10/13 ■ 10/12 <b>Total fees:</b> ■ 675 000 ■ 100 000 ■ 250 000	<ul style="list-style-type: none"> <li>Board of Directors, member</li> <li>Remuneration committee, member</li> </ul> <b>Attendance:</b> ■ 10/13 ■ 7/8 <b>Total fees:</b> ■ 400 000 ■ 100 000
<b>Board member's independence</b>	Independent in relation to the bank and the management of the bank and independent in relation to the bank's major shareholders	Anders Sundström is the CEO of Folksam ömsesidig sakförsäkring and Folksam ömsesidig livförsäkring which have significant business relations with Swedbank. The Nomination Committee is of the view that Anders Sundström – all aspects considered, and also taking into consideration the co-operation agreement between the bank and Folksam regarding property insurance and asset management among other things as well as the particular extent and nature and way in which these business relations are managed – is considered to be independent in relation to the bank, the management of the bank and the bank's major shareholders.	Independent in relation to the bank and the management of the bank and independent in relation to the bank's major shareholders.
<b>Education</b>	Master Business Administration	University studies in Social Sciences	B. Sc. Business and Economics
<b>Bank specific experience</b>	Operational: 7 years. Board: 11 years	Operational: 2 years. Board: 9 years	Operational: 13 years
<b>Work experience</b>	<b>President and CEO, Post Nord AB</b> President and CEO, KF/Coop • President and CEO, Second Swedish National Pension Fund • Deputy President and CEO, Capio AB • Executive Vice President and Deputy President and CEO, FöreningsSparbanken (Swedbank) • CFO and Executive Vice President, Föreningsbanken AB • President and CEO, LRF Holding AB	<b>President Folksam ömsesidig sakförsäkring and Folksam ömsesidig livförsäkring</b> Minister for Employment, Minister for Enterprise and Energy and Minister for Social Affairs • Local Government Commissioner, Piteå municipality • Member of Parliament • Chair of the Board of Directors, Sparbanken Nord (the Savings bank Nord) • CEO, Sparbanken Nord (the Savings bank Nord)	<b>President Hurtigruten ASA</b> President Lindorff Group • Corporate advisor First Securities • President of Statoil • President Postbanken • Executive Board of DnB • Bergen Bank / DnB various positions • CFO Kongsberg Våpenfabrikk
<b>Other significant assignments</b>	Chalmers University of Technology Foundation, Board member	Arbetsgivarföreningen KFO, Board member • Bommersvik AB, Chair • FIH Holding A/S, Board member • Forsikrings-Aktieselskabet ALKA (DK), Board member • Förenade Liv Grupp-försäkrings AB (Group insurance for employees and for members of trade unions), Chair • ICMIF (Great Britain), Deputy chair • KPA AB, Chair • KPA Pensionsförsäkring AB, Chair • Konsumentkooperationens pensionsstiftelse, (The Co-operative Pension Foundation), Chair • Svensk Försäkring, Board member • Svensk Försäkrings Service AB, Board member	Concedo ASA, Chair • Franzefoss AS, Chair • Lotos E&P Norge AS, Deputy chair • SPT AS, board member











Ulrika Francke	Göran Hedman	Anders Igel	
			
Born 1956 Board Member since 2002	Born 1954 Board member since 2010	Born 1951 Board member since 2009	Year of birth
Own and closely related parties: 11 050 A shares and 3 300 preference shares	Own and closely related parties: 85 A shares and 24 preference Shares	Own and closely related parties: 7 500 A shares and 0 preference shares	Shareholdings in Swedbank
<ul style="list-style-type: none"> <li>■ Board of Directors, member</li> <li>■ Audit and Compliance Committee, Chair</li> <li>■ Risk and Capital Committee, member</li> </ul> <b>Attendance:</b> ■ 20/20 ■ 5/5 ■ 10/12 <b>Total fees:</b> ■ 400 000 ■ 175 000 ■ 250 000	<ul style="list-style-type: none"> <li>■ Board of Directors, member</li> <li>■ Risk and Capital Committee, member</li> </ul> <b>Attendance:</b> ■ 20/20 ■ 10/12 <b>Total fees:</b> ■ 400 000 ■ 250 000	<ul style="list-style-type: none"> <li>■ Board of Directors, member</li> <li>■ Remuneration Committee, member</li> </ul> <b>Attendance:</b> ■ 19/20 ■ 13/13 <b>Total fees:</b> ■ 400 000 ■ 100 000	In Swedbank as
Independent in relation to the bank and the management of the bank and independent in relation to the bank's major shareholders	Göran Hedman is the CEO of Sparbanken in Enköping. All aspects considered, Göran Hedman is not considered to be independent in relation to Swedbank based on the fact that the cooperation agreement signed between Swedbank and Sparbanken in Enköping was taken into account when making the assessment. Göran Hedman is considered to be independent in relation to the management of the bank and the bank's major shareholders.	Independent in relation to the bank and the management of the bank and independent in relation to the bank's major shareholders	Board member's independence
University studies	Upper secondary school	M. Sc. Electrical Engineering and B. Sc. Business and Economics	Education
Board: 17 years	Operational: 37 years, Board: 9 years	Board: 3 years	Bank specific experience
<b>President and CEO, Tyréns AB</b> President and CEO, SBC Sveriges Bostadsrättscentrum AB • Administrative director and City Commissioner, City of Stockholm municipal government • President, Fastighets AB Brommastaden	<b>CEO, Sparbanken in Enköping</b> Head of analysis at Group Credit, Förenings-Sparbanken AB (Swedbank) • Deputy Chief Credit Officer, Föreningsbanken AB • Leading management positions, Föreningsbanken AB	<b>Self-employed</b> President and CEO, Telia Sonera AB • President and CEO, Esselte AB • Executive Vice President, Telefonaktiebolaget LM Ericsson	Work experience
AKT II Ltd, Board member • Hexagon AB, Board member • Johanneberg Science Park Ek för, Board member • STD Svensk Teknik och Design (Swedish Technology and Design), Board member • Stockholm Stads Brandförsäkringskontor, Board member • Stockholms Stadsteater (The Stockholm City Theatre), Chair • The City Council of Stockholm, Deputy	Sparbanken i Enköping, Board member • Uppsala Chamber of Commerce, Board member	Consultancy business in telecommunications • Industrial advisor to EQT	Other significant assignments

	Kristina Jansson	Jimmy Johnsson	Helle Kruse Nielsen
			
<b>Year of birth</b>	Born 1953 Employee representative since 2009	Born 1976 Employee representative since 2010	Born 1953 Board member since 2008
<b>Shareholdings in Swedbank</b>	Own and closely related parties: 1 489 A shares and 357 preference shares	Own and closely related parties: 75 A shares and 0 preference shares	Own and closely related parties: 2 500 A shares, 5 000 preference shares
<b>In Swedbank as</b>	■ Board of Directors, member. Employee representative.  <b>Total fees:</b> No fees	■ Board of Directors, member. Employee representative.  <b>Total fees:</b> No fees	■ Board of Directors, member ■ Remuneration Committee, member  <b>Attendance:</b> ■ 19/20 ■ 12/13 <b>Total fees:</b> ■ 400 000 ■ 100 000
<b>Board member's independence</b>	Not applicable	Not applicable	Independent in relation to the bank and the management of the bank and independent in relation to the bank's major shareholders
<b>Education</b>	Upper secondary school	Upper secondary school	B. Sc. Business and Economics
<b>Bank specific experience</b>	Operational: 39 years	Operational: 12 years	Board: 4 years
<b>Work experience</b>	<b>Financial Sector Union, Chair, Swedbank</b> Retail advisor, administrative manager and deputy branch manager, within Retail, Swedbank	<b>Systems manager, Swedbank Försäkring AB</b> Systems manager, Swedbank Robur AB • Sales manager, Lux Svenska AB • Sales manager, AB Norrtälje Bilcentral	<b>Self-employed</b> Head of the European division "Food", Mars Inc • President of the Scandinavian companies within the Mars Group Head of Marketing, Denofa and Lilleborg, Norway
<b>Other significant assignments</b>	SPK, Board member	FöreningsSparbanken ABs resultatandels- stiftelse Kopparmyntet, Board member • Guldeken Foundation, Board member • SPK, Board member	Aker BioMarine ASA, Board member • Gumlink A/S, Board member • Lantmännen, Board member • New Wave Group AB, Board member • Oriflame Cosmetics SA, Board member



Pia Rudengren	Karl-Henrik Sundström	Siv Svensson	
			
Born 1965 Board member since 2009	Born 1960 Board member since 2009	Born 1957 Board member since 2010.	Year of birth
Own and closely related parties: 0 A shares, 1 000 preference shares	Own and closely related parties: 9 750 A shares through Alma Patria AB and 0 preference shares	Own and closely related parties: 1 500 A shares and 0 preference shares	Shareholdings in Swedbank
<ul style="list-style-type: none"> <li>Board of Directors, member</li> <li>Risk and Capital Committee, member</li> </ul> <p><b>Attendance:</b> ■ 19/20 ■ 12/12 <b>Total fees:</b> ■ 400 000 ■ 250 000</p>	<ul style="list-style-type: none"> <li>Board of Directors, member</li> <li>Audit and Compliance Committee, member</li> </ul> <p><b>Attendance:</b> ■ 18/20 ■ 4/5 <b>Total fees:</b> ■ 400 000 ■ 125 000</p>	<ul style="list-style-type: none"> <li>Board of Directors, member</li> <li>Audit and Compliance Committee, member</li> </ul> <p><b>Attendance:</b> ■ 19/20 ■ 5/5 <b>Total fees:</b> ■ 400 000 ■ 125 000</p>	In Swedbank as
Independent in relation to the bank and the management of the bank and independent in relation to the bank's major shareholders	Independent in relation to the bank and the management of the bank and independent in relation to the bank's major shareholders	Independent in relation to the bank and the management of the bank and independent in relation to the bank's major shareholders	Board member's independence
B. Sc. Business and Economics	B. Sc. Business studies	B. Sc. International Economics	Education
Board: 3 years	Board: 3 years	Operational: 25 years, Board: 2 years	Bank specific experience
<b>Full-time board member</b> Vice President W Capital Management AB • CFO Investor AB	<b>CFO and Vice President, NXP Semiconductors</b> CFO and Vice President, Telefonaktiebolaget LM Ericsson • Head of Global Services, Telefonaktiebolaget LM Ericsson • Head of Australia and New Zealand, Telefonaktiebolaget LM Ericsson	<b>President and CEO, Sefina Finance AB</b> President and CEO, Sefina Svensk Pantbelåning AB • Vice President and Regional Head, Nordea AB • Group Controller and Nordic Head of Global Operation Services, Nordea AB • Group Controller, Merita Nordbanken AB • Administrative Head, PK Fondkommission AB	Work experience
Duni AB, Board member • Metso Oyj, Board member • Social Initiative AB, Chair • Tikkurila Oyj, Board member • WeMind Digital Psykologi AB, Board member	Exencotech AB, Board member	Svenska Pantbanksföreningen, Deputy Chair	Other significant assignments

# Group Executive Committee

<b>Michael Wolf</b>  <p>Born 1963 Employed since 2008 <b>In Swedbank as:</b> President and CEO since 2009 <b>Shareholdings in Swedbank:</b> Own and closely-related parties: 40 500 A shares and 43 000 preference shares. Moreover, he does not own any shares and is not a partner in companies which have significant business relationships with the bank. <b>Education:</b> M. Sc. Business and Economics <b>Work experience:</b> CEO of Intrum Justitia • Vice President, CFO and various positions within Skandia • Various positions within SEB <b>Outside directorships:</b> Stockholm Chamber of Commerce, Board Member • Svenska Bankföreningen, Board member • Telge Tillväxt, Board member</p>	<b>Thomas Backteman</b>  <p>Born 1965 Employed since 2009 <b>In Swedbank as:</b> Head of Corporate Affairs <b>Shareholdings in Swedbank:</b> Own and closely-related parties: 6 716 A shares and 12 000 preference shares <b>Education:</b> B. Sc. in Business and Economics</p>	<b>Håkan Berg</b>  <p>Born 1955 Employed since 1985 <b>In Swedbank as:</b> Group Chief Risk Officer (CRO) <b>Shareholdings in Swedbank:</b> Own and closely-related parties: 36 500 A shares and 3 500 preference shares <b>Education:</b> LL. M. degree</p>	<b>Mikael Björknert</b>  <p>Born 1966 Employed since August 2010 <b>In Swedbank as:</b> Head of Group Business Support <b>Shareholdings in Swedbank:</b> Own and closely-related parties: 1 500 A shares and 0 preference shares <b>Education:</b> B. Sc. in Business and Economics</p>
	<b>Birgitte Bonnesen</b> 	<b>Göran Bronner</b> 	<b>Catrin Fransson</b> 
	<p>Born 1956 Employed since 1987 <b>In Swedbank as:</b> Head of Baltic Banking <b>Shareholdings in Swedbank:</b> Own and closely-related parties: 0 A shares and 400 preference shares <b>Education:</b> MA Economics and Modern Languages</p>	<p>Born 1962 Employed since 2009 <b>In Swedbank as:</b> Group Chief Financial Officer (CFO) <b>Shareholdings in Swedbank:</b> Own and closely-related parties: 60 000 A shares and 90 000 preference shares via companies <b>Education:</b> B. Sc. Business and Economics</p>	<p>Born 1962 Employed since 1987 <b>In Swedbank as:</b> Head of Retail <b>Shareholdings in Swedbank:</b> Own and closely-related parties: 3 150 A shares and 300 preference shares <b>Education:</b> B. Sc. Business and Economics</p>
	<b>Magnus Gagner-Geeber</b> 	<b>Marie Hallander Larsson</b> 	<b>Cecilia Hernqvist</b> 
	<p>Born 1969 Employed since 1990 <b>In Swedbank as:</b> Head of Large Corporates &amp; Institutions <b>Shareholdings in Swedbank:</b> Own and closely-related parties: 0 A shares and 0 preference shares <b>Education:</b> Business studies at upper secondary school level</p>	<p>Born 1961 Employed since 2009 <b>In Swedbank as:</b> Head of Group Human Resources <b>Shareholdings in Swedbank:</b> Own and closely-related parties: 0 A shares and 0 preference shares <b>Education:</b> Diploma in Business Administration, IHM B. Sc. Psychology and Education</p>	<p>Born 1960 Employed since 1990 <b>In Swedbank as:</b> Head of Group Legal <b>Shareholdings in Swedbank:</b> Own and closely-related parties: 3 937 A shares and 1 125 preference shares <b>Education:</b> LL. M. degree</p>

# Disposition of earnings and statement of the Board of Directors

In accordance with the balance sheet of Swedbank AB, SEK 31 879m is available for the disposal of the Annual General Meeting:

The Board of Directors recommends that the earnings be disposed as follows (SEKm):

**To the shareholders, a cash dividend of:**

SEK 5.30 per ordinary share	4 813
SEK 5.30 per preference share	1 012
To be carried forward to next year	26 054
<b>Total disposed</b>	<b>31 879</b>

The proposal is based on all ordinary and preference shares outstanding as of 31 December 2011. The proposal could be changed in the event of additional share repurchases or if treasury shares are sold before the record day.

Unrealised changes in the value of assets and liabilities at fair value have had a net effect on equity of SEK 382m.

The proposed record day for the dividend is 30 March 2012. The last day for trading in Swedbank's shares including the right to the dividend is 27 March 2012. If the Annual General Meeting adopts the Board's proposal, the dividend is expected to be paid by Euroclear on 4 April 2012. The financial companies group's capital base exceeded the statutory capital requirement as of year-end by SEK 32 632m. Surplus capital in Swedbank AB amounted to SEK 44 543m.

The business conducted in the parent company and the Group involves no risks beyond what occur and are assumed to occur in the industry or the risks which are associated with conducting business activities. The Board of Directors has considered the parent company's and the Group's need for consolidation by a comprehensive assessment of the parent company's and the Group's financial position and the parent company's and the Group's ability to meet its obligations. The assessment has also been done based on current expected future changes in regulations. The financial position of the parent company and the Group does not give rise to any other assessment than that the parent company and the Group can continue their business and that the parent company and the Group can be expected to meet their liabilities both in the short and long-term perspective as well as having the ability to make the investments deemed necessary. It is the assessment of the Board of Directors that the size of the equity, even after the proposed dividend, is reasonable in proportion to the scope of the parent company's and the Group's business and the risks associated with conducting the business.

It is the assessment of the Board of Directors that the proposed dividend is justifiable considering the demands with respect to the size of the parent company's and the Group's equity which are imposed by the nature, scope and risks associated with the parent company's and the Group's business, and the parent company's and the Group's need to strengthen their balance sheets, liquidity and financial positions in general.

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# Income statement, Group

SEKm	Note	2011	2010
Interest income		53 681	39 531
Interest expenses		-34 563	-23 202
<b>Net interest income</b>	<b>7</b>	<b>19 118</b>	<b>16 329</b>
Commission income		12 655	13 099
Commission expenses		-3 692	-3 574
<b>Net commissions</b>	<b>8</b>	<b>8 963</b>	<b>9 525</b>
Net gains and losses on financial items at fair value	9	1 584	2 400
Insurance premiums		1 341	1 536
Insurance provisions		-835	-924
<b>Net insurance</b>	<b>12</b>	<b>506</b>	<b>612</b>
Share of profit or loss of associates	26	767	624
Other income	11	2 577	1 554
<b>Total income</b>		<b>33 515</b>	<b>31 044</b>
Staff costs	12	9 917	9 392
Other general administrative expenses	13	6 941	7 300
<b>Total general administrative expenses</b>		<b>16 858</b>	<b>16 692</b>
Depreciation/amortisation of tangible and intangible fixed assets	14	1 011	950
<b>Total expenses</b>		<b>17 869</b>	<b>17 642</b>
<b>Profit before impairments</b>		<b>15 646</b>	<b>13 402</b>
Impairments of intangible assets	28	1 960	37
Impairments of tangible assets	29	174	600
Credit impairments	16	-1 911	2 810
<b>Operating profit</b>		<b>15 423</b>	<b>9 955</b>
Tax expense	17	3 669	2 472
Profit for the year from continuing operations		11 754	7 483
Profit for the year from discontinued operations, after tax		4	
Profit for the year		11 758	7 483
<b>Profit for the year attributable to: Shareholders of Swedbank AB</b>		<b>11 744</b>	<b>7 444</b>
Profit for the year from continuing operations		11 741	7 444
Profit for the year from discontinued operations		3	
Non-controlling interests		14	39
Profit for the year from continuing operations		13	39
Profit for the year from discontinued operations		1	
<b>SEK</b>			
Earnings per share, total operations	18	9,53	6,43
after dilution	18	9,52	6,43
Earnings per share, continued operations	18	9,53	6,43
after dilution	18	9,52	6,43
Earnings per share, discontinuing operations	18	0,00	0,00
after dilution	18	0,00	0,00

# Statement of comprehensive income, Group

SEKm	Note	2011	2010
<b>Profit for the period reported via income statement</b>		<b>11 758</b>	<b>7 483</b>
Exchange differences, foreign operations		-284	-4 218
Hedging of net investments in foreign operations:			
Gains/losses arising during the period		379	2 420
Cash flow hedges:			
Gains/losses arising during the period		78	149
Reclassification adjustments to income statement, net interest income		345	806
Reclassification adjustments to income statement, net gains and losses on financial items at fair value			
Share of other comprehensive income of associates:			
Exchange differences, foreign operations		-2	-39
Cash flow hedges			9
Income tax relating to components of other comprehensive income	19	-210	-890
<b>Other comprehensive income for the period, net of tax</b>		<b>306</b>	<b>-1 763</b>
<b>Total comprehensive income for the period</b>		<b>12 064</b>	<b>5 720</b>
<b>Total comprehensive income for the year attributable to:</b>			
<b>Shareholders of Swedbank AB</b>		<b>12 049</b>	<b>5 693</b>
Non-controlling interests		15	27



# Balance sheet, Group

SEKm	Note	2011	2010	1/1/2010
<b>Assets</b>				
Cash and balances with central banks		164 307	17 109	37 879
Treasury bills and other bills eligible for refinancing with central banks, etc.	20	25 853	34 924	88 724
Loans to credit institutions	21	97 195	166 417	92 131
Loans to the public	22	1 211 454	1 187 226	1 290 667
Bonds and other interest-bearing securities	23	112 458	96 652	81 891
Financial assets for which the customers bear the investment risk	24	95 747	100 628	78 194
Shares and participating interests	25	2 015	6 181	9 505
Investments in associates	26	3 111	2 710	2 740
Derivatives	27	103 726	65 051	72 969
Intangible fixed assets	28	13 799	15 794	17 555
Investment properties	30	3 910	2 165	842
Tangible assets	29	4 383	3 514	2 973
Current tax assets		2 083	1 156	881
Deferred tax assets	17	872	1 218	1 209
Other assets	31	7 531	8 611	9 806
Prepaid expenses and accrued income	32	8 371	6 325	6 721
Group of assets classified as held for sale	52	250		
<b>Total assets</b>		<b>1 857 065</b>	<b>1 715 681</b>	<b>1 794 687</b>
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Amounts owed to credit institutions	33	139 598	136 766	231 687
Deposits and borrowings from the public	34	561 696	534 237	504 424
Financial liabilities for which the customers bear the investment risk	35	96 449	100 988	80 132
Debt securities in issue	36	781 458	686 517	703 258
Short positions securities	37	30 603	34 179	40 411
Derivatives	27	90 484	65 935	72 172
Current tax liabilities		472	317	1 495
Deferred tax liabilities	17	3 183	1 734	720
Pension provisions	38	1 562	1 662	1 735
Insurance provisions	39	1 878	2 100	4 160
Other liabilities and provisions	40	13 309	13 950	12 136
Accrued expenses and prepaid income	41	18 612	15 074	14 400
Subordinated liabilities	42	19 531	27 187	37 983
Liabilities directly associated with group of assets classified as held for sale	52	97		
<b>Total liabilities</b>		<b>1 758 932</b>	<b>1 620 646</b>	<b>1 704 713</b>
<b>Equity</b>				
Non-controlling interests	43	140	138	304
Equity attributable to shareholders of the parent company		97 993	94 897	89 670
<b>Total equity</b>		<b>98 133</b>	<b>95 035</b>	<b>89 974</b>
<b>Total liabilities and equity</b>		<b>1 857 065</b>	<b>1 715 681</b>	<b>1 794 687</b>

The balance sheet and income statement will be adopted at the Annual General Meeting on 27 March 2012.

# Statement of changes in equity, Group

Equity attributable to shareholders of Swedbank AB								Non-controlling interests	Total equity
SEKm	Share capital	Other contributed equity*	Exchange differences, subsidiaries and associates	Hedging of net investments in foreign operations	Cash flow hedges	Retained earnings	Total		
Opening balance 1 January 2010	24 351	17 152	2 143	-1 927	-755	48 706	89 670	304	89 974
Dividend								-75	-75
Share based payments to employees						31	31		31
Associates' acquisition of shares in Swedbank AB						-50	-50		-50
Associate's disposal of shares in Swedbank AB						50	50		50
Changes in ownership interest in subsidiary						-497	-497	-124	-621
Contribution								6	6
Total comprehensive income for the year			-4 245	1 783	711	7444	5 693	27	5 720
of which reported through profit or loss						7444	7444	39	7 483
of which reported through other comprehensive income, before tax			-4 245	2 420	964		-861	-12	-873
of which reported through other comprehensive income				-637	-253		-890		-890
Closing balance 31 December 2010	24 351	17 152	-2 102	-144	-44	55 684	94 897	138	95 035
Opening balance 1 January 2011	24 351	17 152	-2 102	-144	-44	55 684	94 897	138	95 035
Dividend						-2 995	-2 995	-15	-3 010
Share based payments to employees						159	159		159
Associates' acquisition of shares in Swedbank AB						-4	-4		-4
New share issue	32						32		32
Reversal of VAT costs incurred on rights issue 2009		35					35		35
Repurchased shares						-6 180	-6 180		-6 180
Contribution								2	2
Total comprehensive income for the year			-287	280	312	11 744	12 049	15	12 064
of which reported through profit or loss						11 744	11 744	14	11 758
of which reported through other comprehensive income, before tax			-287	379	423		515	1	516
of which reported through other comprehensive income				-99	-111		-210		-210
Closing balance 31 December 2011	24 383	17 187	-2 389	136	268	58 408	97 993	140	98 133

\* Other contributed equity consists mainly of share premiums.

# Statement of cash flow, Group

SEKm	Note	2011	2010
<b>Operating activities</b>			
Operating profit		15 423	9 955
Profit for the year from discontinued operations		4	
Adjustments for non-cash items in operating activities	46	-17	4 969
Taxes paid		-2 456	-3 368
Increase/decrease in loans to credit institution		69 012	-81 818
Increase/decrease in loans to the public		-23 100	57 969
Increase/decrease in holdings of securities for trading		-467	21 040
Increase/decrease in deposits and borrowings from the public including retail bonds		28 222	68 270
Increase/decrease in amounts owed to credit institutions		3 448	-78 287
Increase/decrease in other assets		-32 139	1 726
Increase/decrease in other liabilities		22 655	-14 243
<b>Cash flow from operating activities</b>		<b>80 585</b>	<b>-13 787</b>
<b>Investing activities</b>			
Business combinations		-2	
Business disposals		6	140
Acquisitions of and contributions to associates		-50	
Acquisition of other fixed assets and strategic financial assets		-4 396	-2 411
Disposals of/matured other fixed assets and strategic financial assets		4 544	3 463
<b>Cash flow from investing activities</b>		<b>102</b>	<b>1 192</b>
<b>Financing activities</b>			
Issuance of interest-bearing securities		253 855	261 697
Redemption of interest-bearing securities		-237 487	-222 899
Issuance of certificates etc.		319 621	284 652
Redemption of certificates etc.		-260 254	-329 099
Dividend		-3 010	-75
Change in ownership interest in subsidiary			-621
New rights issue		32	
Repurchase of shares		-6 184	
<b>Cash flow from financing activities</b>		<b>66 573</b>	<b>-6 345</b>
<b>Cash flow for the year</b>		<b>147 260</b>	<b>-18 940</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>17 109</b>	<b>37 879</b>
Cash flow for the year		147 260	-18 940
Exchange rate differences on cash and cash equivalents		-62	-1 830
<b>Cash and cash equivalents at end of the year</b>		<b>164 307</b>	<b>17 109</b>

## Comments on the consolidated cash flow statement

The cash flow statement shows receipts and payments during the year as well as cash and cash equivalents at the beginning and end of the year. The cash flow statement is reported using the indirect method and is divided into payments from operating activities, investing activities and financing activities.

### Operating activities

Cash flow from operating activities is based on operating profit for the year. Adjustments are made for items not included in cash flow from operating activities. Changes in assets and liabilities from operating activities consist of items which are part of normal business activities, such as loans to and deposits and borrowings from the public and credit institutions, and which are not attributable to investing and financing activities. Cash flow includes interest receipts of SEK 51 728m (45 835) and interest payments of SEK 37 342m (30 817). During 2011 significant amounts were moved from loans to Central banks to balances with Central banks. Thereof cash and cash equivalents increased and loans to credit institutions decreased.

### Investing activities

Investing activities consist of purchases and sales of businesses and other fixed assets such as owner-occupied properties, investment properties and equipment, associates and strategic financial assets. Holdings of interest-bearing securities held to maturity

and strategic shareholdings in companies other than subsidiaries and associated companies are recognised as strategic financial assets. In 2011 other tangible assets were acquired for SEK 4 396m (2 411). Holdings of maturing bonds amounted to SEK 1 923m (3 463).

During 2011 an Estonian associate, AS Arealis, was acquired for SEK 35m via the Swedish subsidiary FR&R Invest AB. Furthermore, the associate Bankernas Automat-bolag AB and Rosengård Invest AB received capital contributions of respectively SEK 12m and SEK 3m. In 2011 First Business Services A/S, a subsidiary of Norwegian First Securities A/S, was disposed of for SEK 6m. In 2010 the associate Bergslagens Sparbank AB was sold for SEK 140m.

### Financing activities

The non-controlling interest in the Norwegian subsidiary First Securities A/S was acquired in 2010. Cash flow for the transaction amounted to SEK -621m.

### Cash and cash equivalents

Cash and cash equivalents consist of cash and balances with central banks, which correspond to the balance sheet item Cash and balances with central banks. Cash and cash equivalents in the statement of cash flow are defined according to IAS 7 and do not correspond to what the Group considers liquidity.

# Notes

All amounts in the notes are in millions of Swedish kronor (SEKm) and represent carrying amounts unless indicated otherwise. Figures in parentheses refer to the previous year.

## G1 Corporate information

The consolidated financial statements and the annual report for Swedbank AB (publ) for the financial year 2011 was approved by the Board of Directors and the CEO for publication on 13 February 2012. The parent company, Swedbank AB, maintains its registered office in Stockholm with the address Brunkebergstorg 8, SE-105 34 Stockholm, Sweden. The company's share is traded on the NASDAQ OMX Nordic Exchange in Stockholm in the Nordic Large Cap segment. The Group offers financial services and products in its home markets: Sweden, Estonia, Latvia and Lithuania. The operations are described more extensively in the Board of Directors' report.

The consolidated financial statements and the annual report will ultimately be adopted by the parent company's Annual General Meeting on 27 March 2012.

## G2 Accounting policies

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### 1 BASIS OF ACCOUNTING

The financial reports and the consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and interpretations of them. The standards are issued by the International Accounting Standards Board (IASB) and the interpretations by the IFRS Interpretations Committee (IFRIC). The standards and interpretations become mandatory for listed companies' consolidated financial statements concurrently with their approval by the EU. Complete financial reports refer to:

- balance sheet as at the end of the period,
- statement of comprehensive income for the period,
- statement of changes in equity for the period,
- cash flow statement for the period, and
- notes, comprising a summary of significant accounting policies and other explanatory information.

The consolidated financial statements also apply recommendation RFR 1 Complementary accounting rules for groups, issued by the Swedish Financial Reporting Board, the pronouncements of the Swedish Financial Reporting Board, certain complementary rules in the Annual Accounts Act for Credit Institutions and Securities Companies and the regulations and general advice of the Swedish Financial Supervisory Authority, FFFS 2008:25.

The financial statements are based on the historical cost basis. Subsequent measurements of financial instruments are mainly made at fair value. The carrying amounts of financial assets and liabilities subject to hedge accounting at fair value have been adjusted for changes in fair value attributable to the hedged risk. The financial statements are presented in Swedish kronor and all figures are rounded to millions of kronor (SEK m) unless indicated otherwise.

### 2 CHANGES IN ACCOUNTING POLICIES

Swedbank previously presented derivative interest as interest income or interest expense depending on whether the contracts' net interest was positive or negative. As of 2011 interest for derivatives used to hedge funding is presented as interest expense, regardless of whether the contracts' net interest was positive or negative. The aim is to better illustrate the actual interest expense for Swedbank's funding after taking into account financial hedges. Other derivative interest, pure trading derivatives and derivatives that hedge assets are recognised as interest income. The amendment affects both interest income and interest expenses, but not net interest income in its entirety. Comparative figures have been restated; see the table below.

	New reporting of interest	Previous reporting of interest
G7, Net interest income	2010	2010
Derivatives	-272	6 066
Total assets/interests	39 531	45 869
Derivatives	5 583	-755
Total liabilities/interests	-23 202	-29 540
<b>Total net interest income</b>	<b>16 329</b>	<b>16 329</b>

As of 2011 investment properties are reported on a separate line in the balance sheet, because of which the previous year's figure was moved from tangible assets to investment properties in the balance sheet for 2010. In its annual report, Swedbank presents discontinued operations as well as related assets held for sale and liabilities directly related to these assets.

As of the financial year 2011 the following revisions and interpretations will apply.

- Amendment to Related Party Disclosures (IAS 24), which clarifies the definition of related parties to facilitate the identification of such relationships and eliminate inconsistencies in its application.
- Amendment to Financial Instruments: Presentation (IAS 32), which pertains to the classification of warrants that a company issues, where the subscription amount is determined in a currency other than the company's functional currency. They must be equity instruments issued pro rata to existing shareholders.
- Amendment to Prepayments of a Minimum Funding Requirement (IFRIC 14), which provides guidance on calculating the recoverable amount of a net pension asset.

- Extinguishing Financial Liabilities with Equity Instruments (IFRIC 19), which explains how a company recognises renegotiated terms for a financial liability that results when it issues equity instruments to a creditor to extinguish the financial liability wholly or in part.
- Improvements to IFRS Standards (Annual Improvements), a collection of additions and amendments to current standards in order to remove inconsistencies between different standards, clarify formulations and to some extent make it easier for users of the financial reports.

None of the above amendments have had a significant effect on the Group's financial reports.

### 3 SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Presentation of financial statements (IAS 1)

Financial statements provide a structured representation of a company's financial position and financial results. The purpose is to provide information on the company's financial position, financial results and cash flows useful in connection with financial decisions. The financial statements also indicate the results of management's administration of the resources entrusted to them. Complete financial statements consist of a balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement and notes. Swedbank presents the statement of comprehensive income in the form of two statements. A separate income statement contains all revenue and expense items in profit provided that a special IFRS does not require or allow otherwise. Such other revenue and expense items are recognised in other comprehensive income. The statement of comprehensive income contains the profit recognised in the income statement as well as the components included in other comprehensive income.

#### 3.2 Consolidated financial statements (IFRS 3, IAS 27)

The consolidated financial statements comprise the parent company and those entities (including special purpose vehicles) in which the parent company has control, i.e., the power to govern a company's financial and operating strategies to obtain economic benefits. These entities, subsidiaries, are included in the consolidated financial statements in accordance with the purchase method from the day that control is obtained and are excluded from the day that control ceases. According to the purchase method, the acquired unit's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria are recognised and measured at fair value upon acquisition. The surplus between the cost of the business combination, transferred consideration measured at fair value on the acquisition date, and the fair value of the acquired share of identifiable assets, liabilities and reported contingent liabilities is recognised as goodwill. If the amount is less than the fair value of the acquired company's net assets, the difference is recognised directly through profit or loss. The transferred consideration (purchase price) includes the fair value of transferred assets, liabilities and shares which, in applicable cases, have been issued by the Group as well as the fair value of all assets or liabilities that are the result of an agreement on contingent consideration. Acquisition-related costs are recognised when they arise. For each acquisition, the Group determines whether all non-controlling holdings in the acquired company should be recognised at fair value or at the holding's proportionate share of the acquired subsidiary's net assets. A subsidiary's contribution to equity includes only the equity that arises between acquisition and disposal. All intra-Group transactions and intra-Group gains are eliminated.

Transactions with non-controlling owners are recognised as equity transactions with the Group's owners. In the case of acquisitions of interests from non-controlling owners, the difference between the price paid for the interests and the acquired share of the carrying amount of the subsidiary's net assets is recognised in equity attributable to the parent company's shareholders as retained earnings. The carrying amounts of holdings with and without control are adjusted to reflect the changes in their relative holdings. Gains and losses on the sale of interests to non-controlling owners are also recognised in equity. If, following a sale of its interests, the Group no longer has control, its remaining holding is remeasured at fair value and the change is recognised in its entirety through profit or loss. This fair value subsequently serves as the cost of the remaining holding in the former subsidiary for reporting purposes. All amounts related to the divested unit that were previously recognised in other comprehensive income are recognised as if the Group directly divested the related assets or liabilities, due to which amounts previously recognised in other comprehensive income may be reclassified as profit or loss. If the interest in an associate is reduced but control is retained, only a proportionate share of the amount previously recognised in other comprehensive income is reclassified as profit or loss.

#### 3.3 Assets and liabilities in foreign currency (IAS 21)

The consolidated financial statements are presented in SEK, which is also the parent company's functional currency and presentation currency. Functional currency refers to the main currency used in an entity's cash flows. Each entity within the Group determines its own functional currency. Transactions in a currency other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing at the transaction day. Monetary assets and liabilities in foreign currency and non-monetary

assets in foreign currency measured at fair value are translated at the rates prevailing at the closing day. Outstanding forward exchange contracts are translated at closing day forward rates. Holdings of foreign bank notes are translated at the buying rates for the notes as of the closing day. All gains and losses on the translation of monetary items, including the currency component in forward exchange contracts, and non-monetary items measured at fair value are recognised through profit or loss as changes in exchange rates in Net gains and losses on financial items at fair value.

Assets and liabilities in subsidiaries and associates with a functional currency other than SEK are translated to the presentation currency at the closing day exchange rate. The income statement is translated at the exchange rate for each transaction. For practical purposes, the average rate for the financial year is generally used. Exchange rate differences that arise are recognised in other comprehensive income. As a result, exchange rate differences attributable to currency hedges of investments in foreign operations are also taken to other comprehensive income, taking into account deferred tax. This is applied when the requirements for hedge accounting are met. Ineffectiveness in hedges is recognised directly through profit or loss in Net gains and losses on financial items at fair value. When subsidiaries and associates are divested, cumulative translation differences and exchange rate differences are recognised through profit or loss.

#### 3.4 Financial instruments (IAS 32, IAS 39)

The large part of the Group's balance sheet items refers to financial instruments. A financial instrument is any form of agreement which gives rise to a financial asset in one company and a financial liability or equity instrument in another. Cash is an example of a financial asset, while financial liabilities might include an agreement to pay or receive cash or other financial assets. Financial instruments are classified on various lines of the balance sheet such as loans to the public or credit institutions depending on the counterparty. If the financial instrument does not have a specific counterparty or when it is listed on the market, it is classified on the balance sheet among various types of securities. Financial liabilities where the creditor has a lower priority than others are classified on the balance sheet as Subordinated liabilities. A derivative is a financial instrument that is distinguished by the fact that its value changes, for example, due to exchange rates, interest rates or share prices, at the same time that little or no initial net investment is required. The agreement is settled on a future date. Derivatives are reported on separate lines of the balance sheet, either as assets or liabilities depending on whether the contract has a positive or negative fair value. Contractually accrued interest is recognised among prepaid or accrued income or expenses in the balance sheet. Financial assets are recognised on the balance sheet on the trade day when an acquisition agreement has been entered into, with the exception of loans and receivables, which are recognised on the settlement day. Financial assets are derecognised when the right to obtain the cash flows from a financial instrument has expired or essentially been transferred to another party. Financial liabilities are removed from the balance sheet when the obligation in the agreement has been discharged, cancelled or expired.

##### Embedded derivatives

An embedded derivative is a component of a hybrid instrument that includes a non-derivative host contract, with the effect that some of the cash flows varies in a way similar to a stand-alone derivative. An embedded derivative is separate from the host contract and is recognised separately among Derivatives on the balance sheet when its financial features are not closely related to the host contract's, provided that the combined financial instrument is not recognised at fair value through profit or loss.

##### Repos

A genuine repurchase transaction (repo) is defined as a contract where the parties have agreed on the sale of securities and the subsequent repurchase of corresponding assets at a predetermined price. In a repo, the sold security remains on the balance sheet, since the Group is exposed to the risk that the security will fluctuate in value before the repo expires. The payment received is recognised as a financial liability on the balance sheet based on who the counterparty is. Sold securities are also recognised as a pledged asset. The proceeds received for acquired securities, so-called reverse repos, are recognised on the balance sheet as a loan to the selling party.

##### Security loans

Securities that have been lent out remain on the balance sheet, since the Group remains exposed to the risk that they will fluctuate in value. Securities that have been lent out are recognised on the trade day as assets pledged, while borrowed securities are not reported as assets. Securities that are lent out are carried in the same way as other security holdings of the same type. In cases where the borrowed securities are sold, i.e., short-selling, an amount corresponding to the fair value of the security is recognised in other liabilities on the balance sheet.

### 3.5 Financial instruments, recognition (IAS 39)

The Group's financial instruments are divided into the following valuation categories:

- financial instruments at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- other financial liabilities.

A few individual holdings of insignificant value have been categorised as available-for-sale financial assets in the valuation category available-for-sale. All financial instruments are initially recognised at fair value. The best evidence for fair value at initial recognition is the transaction price. For financial instruments that subsequently are not measured at fair value through profit or loss, supplementary entries are also made for additions or deductions of direct transaction expenses to acquire or issue the financial instrument. Subsequent measurements depend on the valuation category to which the financial instrument is attributed. Notes to items in the balance sheet with financial instruments indicate how the carrying amount is divided between valuation categories. The categorisation is shown in the figure below.

#### Valuation category at fair value through profit or loss

Financial instruments at fair value through profit or loss comprise instruments held for trading and all derivatives, excluding those designated for hedge accounting. Financial instruments held for trading have been acquired for the purpose of selling or repurchasing in the near term or are part of a portfolio for which there is evidence of a pattern of short-term profit-taking. In the notes to the balance sheet, these financial instruments are classified at fair value through profit or loss, Trading. This category also includes other financial instruments that upon initial recognition have irrevocably been designated as at fair value, the so-called fair value option. The option to irrevocably measure financial instruments at fair value is used in the Group for individual portfolios of loans, securities in issue and deposits, when they together with derivatives essentially

eliminate the portfolio's aggregate interest rate risk. Typical of these financial instruments is that they have a fixed contractual interest rate. The option is used to eliminate the accounting volatility that would otherwise arise because different measurement principles are normally used for derivatives and other financial instruments. Financial liabilities in insurance operations, where the customer bears the investment risk, are categorised in the same way when corresponding assets are also measured at fair value. The Group has chosen to categorise holdings of shares and participating interests that are not associates or intended for trading at fair value through profit or loss since they are managed and evaluated based on fair value. In the notes to the balance sheet, these financial instruments are classified at fair value through profit or loss, Other. The fair value of financial instruments is determined based on quoted prices on active markets. When such market prices are not available, generally accepted valuation models such as discounting of future cash flows are used. The valuation models are based on observable market data, such as quoted prices on active markets for similar instruments or quoted prices for identical instruments on inactive markets. Differences that arise at initial recognition between transaction price and fair value according to a valuation model, so called day 1-profits or losses, are recognised in the income statement only when the valuation model entirely has been based on observable market data. In all other cases the difference is amortised during the financial instrument's remaining maturity. For loans measured at fair value where observable market data on the credit margin are not available at the time of measurement, the credit margin for the most recent transaction with the same counterparty is used. Changes in value are recognised through profit or loss in Net gains and losses on financial items at fair value. For financial instruments in trading operations, the Group's profit or loss item also includes share dividends. Changes in value owing to changes in exchange rates are recognised as changes in exchange rates in the same profit or loss item. Changes in the value of financial liabilities owing to changes in the Group's credit worthiness are also recognised separately when they arise. Decreases in value attributable to debtor insolvency are attributed to credit impairments.

#### Financial assets

Valuation categories SEKbn	Hedging instruments		Fair value through profit or loss				Loans and receivables		Held to maturity		Total	
	Derivatives		Trading		Other							
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Cash and balances with central banks							164	17			164	17
Treasury bills and other bills eligible for refinancing with central banks			25	34					1	1	26	35
Loans to credit institutions			32	40			65	126			97	166
Loans to the public			43	41	466	505	703	641			1 212	1 187
Bonds and other interest-bearing securities			109	92					3	5	112	97
Fund shares for which customers bear the investment risk					96	101					96	101
Shares and participating interests			2	6							2	6
Derivatives	19	5	85	60							104	65
Other financial assets							14	14			14	14
<b>Total</b>	<b>19</b>	<b>5</b>	<b>296</b>	<b>273</b>	<b>562</b>	<b>606</b>	<b>946</b>	<b>798</b>	<b>4</b>	<b>6</b>	<b>1 827</b>	<b>1 688</b>

#### Financial liabilities

Valuation categories SEKbn	Hedging instruments		Fair value through profit or loss				Other financial liabilities		Total	
	Derivatives		Trading		Other					
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Amounts owed to credit institutions			23	20			117	117	140	137
Deposits and borrowings from the public			15	17	36	11	511	506	562	534
Financial liabilities for which customers bear the investment risk					96	101			96	101
Debt securities in issue, etc.			24	72	88	108	669	507	781	687
Short position securities			31	34					31	34
Derivatives	4	4	86	62					90	66
Subordinated liabilities							20	27	20	27
Other financial liabilities							28	25	28	25
<b>Total</b>	<b>4</b>	<b>4</b>	<b>179</b>	<b>205</b>	<b>220</b>	<b>220</b>	<b>1 345</b>	<b>1 182</b>	<b>1 748</b>	<b>1 611</b>

#### Valuation category loans and receivables

Loans to credit institutions and the public, categorised as loans and receivables, are recognised on the balance sheet on the settlement day. These loans are measured at amortised cost as long as there is no objective evidence indicating that a loan or Group of loans is impaired. Loans are initially recognised at cost, which consists of the loan amount paid out less fees received and any costs that constitute an integral part of the return. The interest rate that produces the loan's cost as a result of the calculation of the present value of future payments is considered the effective interest rate. The loan's amortised cost is calculated by discounting the remaining future payments by the effective interest rate. Interest income includes interest payments received and the change in the loan's amortised cost during the period, which produces a consistent return. On the closing day, it is determined whether there is objective evidence to indicate an impairment need for a loan or Group of loans. If, after the loan is initially recognised, one or more events have occurred that negatively impact estimated future cash flows, and the impact can be estimated reliably, impairment is made. The impairment is calculated as the difference between the loan's carrying amount and the present value of estimated future cash flows discounted by the loan's original effective interest rate. The Group determines first whether there is objective evidence for impairment of each individual loan. Loans for which such evidence is lacking are included in portfolios with similar credit risk characteristics. These portfolios are subsequently measured collectively in the event objective evidence of impairment exists. Any impairment is then calculated for the portfolio as a whole. Homogenous groups of loans with limited value and similar credit risk that have been individually identified as having objective evidence of impairment are measured individually based on the loss risk in the portfolio as a whole. If the impairment decreases in subsequent periods, previously recognised impairment losses are reversed. Loans are never recognised at a value higher than what the amortised cost would have been if the write-down had not occurred, however. Loan impairments are recognised through profit or loss as credit impairments, which is done either as provisions for individually impaired loans, portfolio provisions or write-offs of impaired loans. Repayments of write-offs and recovery of provisions are recognised within credit impairments. The carrying amount of loans is amortised cost less write-offs and provisions. Provisions for assumed losses on guarantees and other contingent liabilities are recognised on the liability side. Impaired loans are those for which it is likely that payment will not be received in accordance with the contract terms. A loan is not impaired if there is collateral that covers the principal, unpaid interest and any late fees by a satisfactory margin.

#### Valuation category held-to-maturity

Certain financial assets acquired to hold to maturity have been categorised as held-to-maturity investments. They have fixed maturities, are not derivatives and are quoted on an active market. These investments are initially recognised on their trade day at cost and subsequently at amortised cost less any impairment. Measurements are made in the same way as for loans and receivables.

#### Reclassification of financial assets

Financial assets, excluding derivatives, which no longer meet the criteria for trading, may be reclassified from the valuation category Financial instruments at fair value, provided extraordinary circumstances exist. A reclassification to the valuation category Held-to-maturity investments also requires an intention and ability to hold the investment until maturity. The fair value of the assets at the time of reclassification is still considered to be their acquisition cost.

#### Valuation category other financial liabilities

Financial liabilities that are not recognised as financial instruments at fair value through profit or loss are initially recognised on the trade day at cost and subsequently at amortised cost. Amortised cost is calculated in the same way as for loans and receivables.

#### Hedge accounting at fair value

Hedge accounting at fair value is applied in certain cases when the interest rate exposure in a recognised financial asset or financial liability is hedged with derivatives. With hedge accounting, the hedged risk in the hedged instrument is also measured at fair value. Both the change in the value of the hedging instrument, the derivative, and the change in the value of the hedged risk are recognised through profit or loss in Net gains and losses on financial items at fair value. One requirement to apply hedge accounting is that the hedge has been formally identified and documented. The hedge's efficiency must be measurable in a reliable way and must be expected to be and during reported periods have been very effective in offsetting changes in value..

#### Cash flow hedges

Derivative transactions are sometimes entered into to hedge the exposure to variations in future cash flows resulting from changes in interest rates. These hedges can be recognised as cash flow hedges, whereby the effective portion of the change in the value of the derivative, the hedging instrument, is recognised directly in other comprehensive income. Any ineffective portion is recognised through profit or loss in Net gains and

losses on financial items at fair value. When future cash flows lead to the recognition of a financial asset or a financial liability, any gains or losses on the hedging instrument are eliminated from other comprehensive income and recognised through profit or loss in the same periods that the hedged item affects profit or loss. One of the prerequisites of hedge accounting is that the hedge is formally identified and documented. Its effectiveness must be measurable in a reliable way and be expected to remain, and during reported periods have been, very effective in offsetting changes in value.

#### Hedging of net investments in foreign operations

Hedges of net investments in foreign operations are applied to protect the Group from translation differences that arise when operations in a functional currency other than the presentation currency are translated. Financial liabilities reported in the foreign operation's functional currency are translated at the closing-day exchange rate. The portion of the exchange rate result from hedging instruments that are effective is recognised in other comprehensive income. Any ineffective portion is recognised in profit or loss in Net gains and losses on financial items at fair value. When a foreign operation is divested, the gain or loss that arises on the hedging instrument is reclassified from other comprehensive income and recognised in profit or loss. One requirement to apply hedge accounting is that the hedge has been formally identified and documented. The effectiveness of the hedge must be measurable in a reliable way and must be expected to be and during reported periods have been very effective in offsetting changes in value.

### 3.6 Leases (IAS 17)

The Group's leasing operations consist of finance leases and are therefore recognised as loans and receivables. The carrying amount corresponds to the present value of future leasing payments. The difference between all future leasing payments, the gross receivable, and the present value of future leasing payments constitutes unearned income. This means that lease payments received are recognised in part through profit or loss as Interest income and in part in the balance sheet as instalments, so that the financial income corresponds to an even return on the net investment. In a finance lease, the economic risks and benefits associated with ownership of an asset are essentially transferred from the lessor to the lessee. When the lessor bears the economic risks and benefits, the lease is classified as operating. The Group is the lessee in operating leases. Lease payments for these agreements are expensed linearly over the lease term. The Group is also the lessor in a few operating leases of insignificant amount.

### 3.7 Investment in associates (IAS 28)

Investments in associates, entities where the owner has significant influence but not control, are consolidated according to the equity method. The equity method means that the participating interests in an entity are recognised at cost at the time of acquisition and subsequently adjusted for the owned share of the change in the associate's net assets. Goodwill attributable to the associate is included in the carrying amount of the participating interests and is not amortised. The carrying amount of the participating interests is subsequently compared with the recoverable amount of the net investment in the associate to determine whether an impairment need exists. The owned share of the associate's profit according to the associate's income statement, together with any impairment, is recognised on a separate line. The share of the associate's tax is recognised in the income statement as Tax. The associates' reporting dates and accounting policies conform to the Group's.

### 3.8 Joint ventures (IAS 31)

Investments in joint ventures are recognised in the balance sheet as investments in associates according to the equity method; see Investment in associates above. A joint venture is a contractually based relationship where the Group, together with another party, jointly manages an economic activity and where the parties jointly control that activity.

### 3.9 Intangible assets (IAS 38)

#### Goodwill

Goodwill acquired through a business combination is initially measured at cost and subsequently at cost less accumulated impairment. Goodwill is tested annually for impairment or if events or circumstances indicate a decrease in value. In order to test goodwill from business combinations for impairment, it is allocated upon acquisition to the cash-generating unit or units that are expected to benefit from the acquisition. Identified cash-generating units correspond to the lowest level in the entity for which the goodwill is monitored in the internal control of the entity. A cash-generating unit is not larger than a business segment in the segment reporting. Impairment needs are determined by estimating the recoverable amount of the cash-generating unit to which the goodwill is allocated. When the recoverable amount is lower than carrying amount, impairment is recognised. Recognised impairment is not reversed.



#### Other intangible assets

Intangible assets are initially measured at cost. The cost of intangible assets in a business combination corresponds to fair value upon acquisition. They are subsequently measured at cost less accumulated amortisation and accumulated impairment. The useful life of an intangible asset is considered either finite or indefinite. Intangible assets with a finite useful life are amortised over their useful life and tested for impairment when impairment needs are indicated. Useful life and amortisation methods are reassessed and adapted when needed in connection with each closing day. Development expenses whose cost can be calculated in a reliable way and for which it is likely that future economic benefits attributable to the assets will accrue to the Group are recognised in the balance sheet. In other cases, development is expensed when it arises.

### 3.10 Investment properties (IAS 40)

#### For protection of claims

Investment properties are properties held to generate rental income or appreciation in value, or a combination of the two, rather than being held for the Group's own use or for sale in day-to-day operations. The majority of investment properties have been taken over to protect claims. Investment properties are initially recognised at cost. Cost consists of the purchase price, or fair value if a purchase price is unavailable, as well as expenses directly attributable to the purchase. The properties are subsequently measured at cost less accumulated depreciation and impairments. Depreciation begins when an asset is ready for use and is reported systematically over each component's useful life down to its estimated residual value. The depreciation method reflects how the asset's value is gradually consumed. Useful life, residual value and depreciation method are reassessed and changed when necessary in connection with each closing day. The carrying amount is tested for impairment when events or circumstances indicate a lower recoverable amount. Recoverable amount refers to the higher of the asset's sales value less selling expenses and its value in use. If its carrying amount exceeds the recoverable amount, the asset is reduced to its recoverable amount. See also the section Impairment of Assets (IAS 36).

### 3.11 Tangible assets (IAS 2, 16)

#### For protection of claims

Tangible assets acquired or recovered to protect claims are recognised as inventory, provided they do not relate to investment properties. Inventories are measured at the lower of cost and net realisable value. Cost includes all expenses for purchasing, manufacturing and to otherwise bring the goods to their current location and condition. Net realisable value refers to the amount that is expected to be realised from a sale.

#### For own use

Tangible fixed assets such as equipment and owner-occupied properties are initially recognised at cost. They are subsequently measured at cost less accumulated depreciation and impairments in the same way as investment properties. Owner-occupied properties are reclassified as investment properties when no longer used by the Group.

### 3.12 Borrowing costs (IAS 23)

Borrowing costs are capitalised when directly attributable to the purchase, construction or production of a qualified asset. Borrowing costs refer to interest and other costs that arise in obtaining a loan. A qualified asset is one that takes considerable time to finish and is intended for use or sale. Qualified assets can be intangible assets or investment properties. Other borrowing costs are expensed in the period in which they arise.

### 3.13 Provisions (IAS 37)

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation arising from past events and it is likely that an outflow of resources will be required to settle the obligation. In addition, a reliable estimation of the amount must be made. Estimated outflows are calculated at present value. Provisions are tested on each closing day and adjusted when needed, so that they correspond to the current estimate of the value of the obligations.

Provisions are recognised for restructurings. Restructuring refers to extensive organisational changes, e.g., when employees receive severance for early termination or branches are shut down. For a provision to be recognised, a restructuring plan must be in place and announced, so that it has created a valid expectation among those affected that the company will implement a restructuring. A provision for restructuring includes only direct expenses related to the restructuring and not to future operations such as of the cost of severance.

### 3.14 Pensions (IAS 19)

The Group's post-employment benefits, which consist of pension obligations, are classified as either defined contribution plans or defined benefit plans. In defined contribution plans, the Group pays contributions to separate legal entities, and the risk of a change in value until the funds are paid out rests with the employee. Thus, the Group has no further obligations once the fees are paid. Other pension obligations are classified as

defined benefit plans. Premiums for defined contribution plans are expensed when an employee has rendered his/her services. In defined benefit plans, the present value of pension obligations is calculated and recognised as a provision. Both legal and constructive obligations that arise as a result of informal practices are taken into account. The calculation is made according to the Projected Unit Credit Method. As such, future benefits are attributed to periods of service. The fair value of the assets (plan assets) that are allocated to cover obligations and the unrecognised actuarial net loss are deducted from the provision. Profit or loss (staff costs) is charged with the net of service costs, interest on obligations and the anticipated return on plan assets. The calculations are based on the Group's actuarial assumptions, i.e., the Group's best estimate of future developments. If the actual outcome deviates or the assumptions change, so-called actuarial gains and losses arise. The net of actuarial gains and losses is not recognised through profit or loss until it exceeds ten per cent of the higher of the present value of the obligations or the value of plan assets. The excess is recognised through profit or loss over the employees' remaining working lives. Provisions for payroll tax are allocated on a nominal basis based on the difference between the Group's pension cost and the pension cost that serves as the basis for actual payroll tax.

### 3.15 Insurance contracts (IFRS 4)

In the financial statements, insurance policies refer to policies where significant insurance risk is transferred from insured to insurer. The majority of the Group's insurance policies do not transfer significant insurance risk, due to which they are instead recognised as financial instruments. For insurance policies with significant insurance risk, actuarial provisions are allocated corresponding to pledged obligations. In the income statement, premiums received and provisions are reported on separate lines.

### 3.16 Revenues (IAS 18)

The principles of revenue recognition for financial instruments are described in a separate section, Financial instruments, recognition (IAS 39). Interest income and interest expenses for financial instruments calculated according to the effective interest method are recognised as Net interest income. Changes in value and dividends on shares in the valuation category Financial instruments at fair value through profit or loss as well as all changes in exchange rates between functional and other currencies are recognised in Net gains and losses on financial items at fair value. Service fees are recognised as income when the services are rendered. Such income is recognised in both Commission income and Other income. Commission income includes payment processing, asset management and brokerage commissions. Commission expenses are transaction-dependent and are directly related to income in Commission income. Other income includes capital gains and losses on the sale of ownership interests in subsidiaries and associates to the extent they do not represent an independent service line or a significant business conducted within a geographical area. Other income also includes capital gains and losses on the sale of tangible assets.

### 3.17 Share-based payment (IFRS 2)

Since the Group receives services from its employees and assumes an obligation to settle the transactions with equity instruments, this is recognised as share-based payment. This means that the fair value of the services that entitle the employees to an allotment of equity instruments is expensed at the time the services are rendered. At the same time a corresponding increase in equity is recognised as Retained earnings. For share-based payment to employees settled with equity instruments, the services rendered are measured with reference to the fair value of the granted equity instruments. The fair value of the equity instruments is calculated as per the grant date for accounting purposes, i.e., the measurement date. The measurement date refers to the date when a contract was entered into and the parties agreed on the terms of the share-based payment. On the grant date, the employees are granted rights to share-based payment. Since the granted equity instruments are not vested until the employees have fulfilled a period of service, it is assumed that the services are rendered during the vesting period. This means that the cost and corresponding increase in equity are recognised over the entire vesting period. Non market based vesting terms, such as a requirement that a person remain employed, are taken into account in the assumption of how many equity instruments are expected to be vested. At the end of each report period the Group reassesses its judgments of how many shares it expects to be vested based on the non market based vesting terms. Any deviation from the original judgment is recognised through profit or loss and a corresponding adjustment is recognised in Retained earnings within equity. Related social insurance charges are recognised as cash-settled share-based payment, i.e., as a cost during the corresponding period, but based on the fair value that at any given time serves as the basis for a payment of social insurance charges.

### 3.18 Impairment (IAS 36)

For assets that are not tested for impairment according to other standards, the Group periodically determines whether there are indications of diminished value. If such indications exist, the asset is tested for impairment by estimating its recoverable amount. An asset's recoverable amount is the higher of its selling price less costs to sell and its value in use. If the carrying amount exceeds the recoverable amount, the asset is reduced to its recoverable amount. When estimating value in use, estimated future cash flows are discounted using a discount rate before tax that includes the market's estimate of the time value of money and other risks associated with the specific asset. An assessment is also made on each reporting date whether there are indications that the need for previous impairments has decreased or no longer exists. If such indications exist, the recoverable amount is determined. Previous impairment losses are reversed only if there were changes in the estimates made when the impairment was recognised. Goodwill impairment is not reversed. Impairments are recognised separately through profit or loss for tangible or intangible assets.

### 3.19 Tax (IAS 12)

Current tax assets and tax liabilities for current and previous periods are measured at the amount expected to be obtained from or paid to tax authorities. Deferred taxes refer to tax on differences between the carrying amount and the tax base, which in the future serves as the basis for current tax. Deferred tax liabilities are tax attributable to taxable temporary differences and must be paid in the future. Deferred tax liabilities are recognised on all taxable temporary differences with the exception of the portion of tax liabilities attributable to the initial recognition of goodwill or to certain taxable differences owing to holdings in subsidiaries. Deferred tax assets represent a reduction in future tax attributable to deductible temporary differences, tax loss carry-forwards or other future taxable deductions. Deferred tax assets are tested on each closing day and recognised to the extent it is likely on each closing day that they can be utilised. As a result, a previously unrecognised deferred tax asset is recognised when it is considered likely that a sufficient surplus will be available in the future. Confirmed tax rates on the closing day are used in the calculations. The Group's deferred tax assets and tax liabilities are estimated at nominal value using each country's tax rate in effect in subsequent years. Deferred tax assets are netted against deferred tax liabilities for Group entities that have offsetting rights. All current and deferred taxes are recognised through profit or loss as Tax with the exception of tax attributable to items recognised directly in other comprehensive income or equity.

### 3.20 Non-current assets held for sale and discontinued operations (IFRS 5)

A non-current asset (or a disposal group) is classified as held for sale if its carrying amount will be recovered primarily through a sale. The asset (or disposal group) must be available for immediate sale in its current condition. It must also be highly probable that a sale will take place. A finalised sale should be expected within one year. Subsidiaries acquired exclusively for resale are recognised as discontinued operations. Non-current assets held for sale are reported on a separate line in the balance sheet and measured at the lower of the carrying amount and fair value less costs to sell. Liabilities related to non-current assets are also recognised on a separate line in the balance sheet. The profit or loss from discontinued operations is recognised on a separate line in the income statement after the result for continuing operations.

### 3.21 Cash and cash equivalents (IAS 7)

Cash and cash equivalents consist of cash and balances with central banks, when the central bank is domiciled in a country where Swedbank has a valid banking licence. Balances refer to funds that are available at any time. This means that all cash and cash equivalents are immediately available.

### 3.22 IFRS 8 Operating segments

#### Segment reporting (IAS 14)

Segment reporting is presented on the basis of management's perspective and relates to the parts of the Group that are defined as operating segments. Operating segments are identified on the basis of internal reports to the company's chief operating decision maker. The Group has identified the Chief Executive Officer as its chief operating decision maker, while the internal reports used by the CEO to oversee operations and make decisions on allocating resources serve as the basis of the information presented. The accounting policies for an operating segment consist of the above accounting policies and policies that specifically refer to segment reporting. Market-based compensation is applied between operating segments, while all costs for IT, other shared services and Group Staffs are transferred at full cost-based internal prices to the operating segments. Group Executive Management expenses are not distributed. Cross-border services are invoiced according to the OECD's guidelines on internal pricing. The Group's equity attributable to the shareholders is allocated to each operating segment based on the capital adequacy rules according to Basel 2 and estimated utilised capital. The return on equity for the business segments is based on operating profit less estimated tax and non-controlling interests in relation to average allocated equity.

### 4 NEW STANDARDS AND INTERPRETATIONS

The International Accounting Standard Board (IASB) and IFRS Interpretations Committee (IFRIC) have issued the following standards, amendments to standards and interpretations that apply in or after 2012. The IASB permits earlier application. For Swedbank to apply them also requires that they have been approved by the EU if the amendments are not consistent with previous IFRS rules. Consequently, Swedbank has not applied the following amendments in the 2011 annual report.

#### Financial Instruments: Disclosures (amendments to IFRS 7)

The amendment, which refers to transfers of financial assets, will apply to financial years beginning on or after 1 July 2011. The EU has approved the amendment, which establishes additional requirements on quantitative and qualitative disclosures of the derecognition of financial assets from the balance sheet when the company retains a continued involvement in the derecognised financial assets. If a transfer of financial assets does not result in a derecognition in its entirety, an additional disclosure is required. The amendment concerning Offsetting Financial Assets and Financial Liabilities will apply to the financial year beginning on 1 January 2013. The EU has not yet approved the amendment. New requirements have been introduced on disclosures of financial assets and financial liabilities whose carrying amounts are offset in the balance sheet. Disclosures must also be made on financial assets and financial liabilities that are subject to various netting arrangements or other risk-reducing transactions, even when they are not netted in the balance sheet.

#### Deferred Tax: Recovery of Underlying Assets (amendment to IAS 12)

The amendment will apply to the financial year beginning on 1 January 2012. The EU has not yet approved the amendment, which describes how deferred taxes are measured when investment properties are measured at fair value.

#### Presentation of Items of Other Comprehensive Income (amendment to IAS 1)

The amendment will apply to the financial year beginning on or after 1 July 2012. The EU has not yet approved the amendment, which would require companies to separate the components in the portion of the statement of comprehensive income related to other comprehensive income into two groups. The grouping will be based on whether or not the component can presumably be reclassified to the income statement in the future. Components that will not be reclassified include actuarial gains and losses attributable to defined benefit pensions. Components that could be reclassified include deferred gains and losses on cash flow hedges and translation differences through the consolidation of subsidiaries with a functional currency other than the presentation currency.

#### Consolidated Financial Statements (IFRS 10)

The new standard will apply to the financial year beginning on 1 January 2013. The EU has not yet approved the standard. The new standard defines when a reporting company should consolidate another company. Consolidation will be required when the reporting company has control over the other company. By control is meant that the reporting company is capable of managing the company, is exposed and entitled to a variable return, and is able to use its power over the company to affect the return. The basic principle to determine whether control exists or not remains the same, but the new standard provides additional guidance in cases that are difficult to assess. The standard replaces the rules on consolidation in IAS 27 Consolidated and Separate Financial Statements.

#### Joint Arrangements (IFRS 11)

The new standard will apply to the financial year beginning on 1 January 2013. The EU has not yet approved the standard, which describes how to account for shares in "joint arrangements", i.e., where two or more parties agree to contractually share control. The standard, which replaces and amends IAS 31 Joint Ventures, defines only two types of joint arrangements: joint operations and joint ventures. The classification is based on economic substance rather than legal form. Holdings in joint ventures will be consolidated according to the equity method, since the proportionate consolidation method, which was permitted according to IAS 31, is no longer permitted according to IFRS 11.

#### Disclosures of Interests in Other Entities (IFRS 12)

The new standard will apply to the financial year beginning on 1 January 2013. The EU has not yet approved the standard, which consolidates the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated "structured entities". The latter essentially refer to what were previously defined as "special purpose entities" (SPE) in accordance with SIC 12 Consolidation - Special Purpose Entities. The new standard will, for example, increase disclosure requirements on the nature and scope of the holding, the assumptions and judgments used to classify the type of holding, the risks associated with the holding, and the holding's effect on financial position, results and cash flow.

**Separate Financial Statements (amendment to IAS 27)**

The amendment will apply to the financial year beginning on 1 January 2013. The EU has not yet approved the amendment. The rules on consolidation have been eliminated and moved to IFRS 10 Consolidation. The amended standard refers strictly to the reporting of holdings in subsidiaries, joint arrangements and associates when a company chooses or is required by local regulations to prepare separate financial reports.

**Investments in Associates and Joint Ventures (amendment to IAS 28)**

The amendment will apply to the financial year beginning on 1 January 2013. The EU has not yet approved the amendment. Reporting rules for associates in separate financial reports have been taken away and moved to IAS 27 Separate Financial Statements. The amended standard also describes how shares in joint ventures are consolidated.

**Fair Value Measurement (IFRS 13)**

The new standard will apply to the financial year beginning on 1 January 2013. The EU has not yet approved the standard, which replaces the guidance on measuring fair value that had been in each IFRS standard. The new standard defines fair value and disclosure requirements for measuring fair value. It does not state when fair value has to be measured, but rather how. Fair value is the price that would be received on the measurement date to sell an asset or paid to transfer a liability in a transaction between market participants under normal conditions, a so-called exit price.

**Employee Benefits (amendment to IAS 19)**

The amendment will apply to the financial year beginning on 1 January 2013. The EU has not yet approved the amendment. The amended standard contains significant changes in the reporting of defined benefit pension plans as well as increased disclosure requirements for all employee benefits. The so-called corridor approach, which is used to account for defined benefit pensions, has been abolished. Instead, actuarial gains and losses are recognised immediately in other comprehensive income. Actuarial gains and losses recognised in other comprehensive income may not be reclassified to the income statement in subsequent periods. In the income statement, services rendered are expensed for both current and previous periods when they arise in connection with a change in plan. Interest expense or interest income is calculated using a presumed discount rate on the difference between the pension obligation and plan assets. The interest is recognised through profit or loss. All other remeasurements of the pension obligation or plan assets are recognised in other comprehensive income. The amendment also contains guidance on taxes on pension benefits. UFR 4 Accounting for special employer's contribution and tax on returns, issued by the Swedish Financial Reporting Board, will no longer be applied.

**Offsetting Financial Assets and Financial Liabilities (amendment to IAS 32)**

The amendment will apply to the financial year beginning on 1 January 2014. The EU has not yet approved the amendment, which concerns when and how financial assets and financial liabilities are offset.

**Financial Instruments: Recognition and Measurement (IFRS 9)**

The new standard on the recognition and measurement of financial instruments, together with subsequent amendments to IFRS 7 Financial Instruments: Disclosures, will apply to financial years beginning on 1 January 2015. The new standard has not been adopted by the EU, nor is there a timetable when an approval can be expected. The standard is a complete revision and will replace the current standard IAS 39, Financial Instruments: Recognition and Measurement. The standard reduces the number of valuation categories for financial assets and means that they are recognised at amortised cost or fair value through profit or loss. The rules for financial liabilities correspond to the existing rules in IAS 39 plus a supplement on how credit risk is presented when financial liabilities are measured at fair value. The change in the credit risk for financial liabilities designated at fair value according to the so-called fair value option is normally presented in other comprehensive income and not in the traditional income statement, provided that further inconsistencies do not arise in presentation of any eliminated changes in value. The standard will be complemented by new rules for impairment of financial assets that are categorised as financial assets at amortised cost and new rules for hedge accounting. IFRS 9 will probably be applied to financial years beginning on or after 1 January 2015.

**Stripping Costs in the Production Phase of a Surface Mine (IFRIC 20)**

The interpretation will apply to the financial year beginning on 1 January 2013. The EU has not yet adopted the interpretation, which clarifies the accounting for so-called stripping costs, i.e., costs which arise when production waste from a surface mine has to be removed in order to gain access to the mineral deposits.

**Effect on Swedbank's financial reports**

The changes that have been issued are currently being evaluated to determine how they will affect the consolidated financial reports. Preliminary assessments so far show that amended standard IAS 19 Employee Benefits will affect Swedbank's financial reporting due to the abolishment of the corridor approach and because it now distin-

guishes between what to recognise in the income statement versus other comprehensive income. In the income statement, the cost of services rendered as well as an interest expense corresponding to the presumed discount rate multiplied by the net of the pension debt and assets under management will be expensed. The total expense is expected to be slightly higher than was reported according to the current standard. The abolishment of the corridor approach means a direct reduction in the opening equity balance for the comparative year. If applied from 1 January 2013, this would mean 1 January 2012. The reduction in the opening equity balance is estimated at SEK 2bn. Other comprehensive income is then immediately affected by all remeasurement effects for pension obligation as well as plan assets, which will lead to much more volatile reporting. Since the pension obligation includes long-term commitments, very small discrepancies in the assumptions made or changes in assumptions would entail significant amounts. In connection with the change in policy, accounting for payroll tax and tax on returns from pension benefits will be amended as well. This change is not expected to have a significant net reported effect.

The new standard IFRS 10 Consolidation Financial Statements may require the Group to consolidate investment funds in which its companies have invested. How the Group's balance sheet is affected will depend on where the level of consolidation is set. Chapter 5.1 Judgments shows the value of assets in investment funds where the Group holds more than 50 per cent of the fund value. The size of an equity holding that will require consolidation may ultimately end up at another level.

The new disclosure requirements in the new standard IFRS 12 Disclosures of Interests in Other Entities may require the Group will have to provide significantly more disclosures. Since the requirements also cover unconsolidated structured entities, disclosures will probably have to be made for all investment funds the Group has started. IFRS 13 Fair Value Measurement describes how fair value is determined. Since it measures financial instruments at fair value, the standard is important to the Group. At this point, however, the new standard is expected to contain only minor changes compared with how fair value is calculated for financial instruments according to current standards.

The new standard IFRS 9 Financial Instruments will affect Swedbank's financial reporting. The scope of the effect cannot be determined at present, since the valuation of Swedbank's financial assets is largely dependent on how the rules on hedge accounting and on the impairment of financial assets in the valuation category amortised cost are eventually worded. A judgment cannot be made until the remaining sections are issued. The other changes that have been issued and which apply to financial years beginning on or after 1 July 2011 are not expected to have a significant effect on Swedbank's financial reports.

**5 CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES**

Presentation of consolidated financial statements in conformity with IFRS requires 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 recognised income and expenses during the report period. Management continuously evaluates these judgments and estimates, including those that affect the fair value of financial instruments, provisions for impaired loans, impairments of intangible and tangible assets, deferred taxes, pension provisions and shared-based payment. Management bases its judgments and assumptions on previous experience and several other factors that are considered reasonable under the circumstances. Actual results may deviate from judgments and estimates.

**5.1 Judgments****Investment funds**

Entities in the Group have established investment funds for their customers' savings needs. The Group manages the assets of these funds on behalf of customers in accordance with predetermined provisions approved by the Swedish Financial Supervisory Authority. The return generated by these assets, as well as the risk of a change in value, accrues to customers. Within the framework of the approved fund provisions, the Group receives management fees as well as in certain cases application and withdrawal fees for the management duties it performs. Because decisions regarding the management of an investment fund are governed by the fund's provisions, the Group is not considered to have the opportunity to control or dominate decision-making in the investment funds in order to obtain economic benefits. The Group's compensation and risk are limited to fee charges. In certain cases, Group entities also invest in investment funds to fulfil their obligations to customers. Shares in the investment funds do not represent any influence in the Group's judgment, regardless of whether the holding exceeds 50 per cent or not. Taken together, the above-mentioned conditions are the basis for not consolidating the investment funds. Assets in funds where the Group's interest exceeded 50 per cent amounted to SEK 31bn (34) as of year-end. On the same date the Group recognised an asset for these funds corresponding to the Group's interest, SEK 20bn (22), in the balance sheet as Fund shares for which the customers bear the investment risk. If the Group instead had determined that it had control, assets corresponding to SEK 31bn (34) would have been consolidated and recognised in the Group's balance sheet based on the type of asset.

### Financial instruments

When financial instruments are measured at fair value, quoted prices on active markets are primarily used. When financial assets and financial liabilities on active markets have offsetting market risks, the average of bid and sell prices is used as a basis for determining the fair value of the offsetting risk positions. For any open net positions, bid and sell prices are applied as appropriate, i.e., bid prices for long positions and sell prices for short positions. Management has determined the method for which market risks offset each other and how the net positions are calculated. When quoted prices on active markets are not available, various valuation models are used instead. Management determines when the markets are considered inactive and when quoted prices no longer correspond to fair value, requiring valuation models to be used. The markets are considered inactive when the number of completed transactions is too few and when the amounts of the transactions is too small. Management determines which valuation model and which pricing parameters are most appropriate for the individual instrument. All the valuation models Swedbank uses are generally accepted and are subject to independent risk control.

Management has determined that the option to measure financial instruments at fair value provides the fairest account for certain portions of the Group's loan portfolios with fixed interest rates, since the interest rate risk is hedged with the help of securities in issue and derivatives. A determination is also made for which financial instruments hedge accounting will be used. In both cases the determination is made to avoid accounting volatility as far as possible. Accounting volatility lacks economic relevance and arises when financial instruments are measured with different measurement principles despite that they financially hedge each other.

### Tax

For the parent company's Estonian subsidiary, Swedbank AS, income taxation is triggered only if dividends are paid. Because the parent company controls when dividends are paid and it has determined that no dividends will be paid for the foreseeable future, no provisions have been recognised for deferred tax. When it is determined that a dividend will be paid, deferred tax will be allocated on the anticipated dividend. If the largest possible dividend is approved for the subsidiary, the Group would face an estimated tax charge of SEK 2 580m (1 676).

## 5.2 Estimates

The Group uses various estimates and assumptions about the future to determine the value of certain assets and liabilities.

### Provisions for credit impairments

Receivables measured at amortised cost are tested if loss events have occurred. Individual loans are tested initially, followed by groups of loans with similar credit terms and which are not identified individually. A loss event refers to an event that occurred after the loan was paid out and which has a negative effect on projected future cash flows. Determining loss events for a group of loans carries greater uncertainty, since a number of different events, such as macroeconomic factors, may have had an impact. Loss events include late or non-payments, concessions granted due to the borrower's financial difficulties, bankruptcy or other financial reconstructions, and local economic developments tied to non-payments, such as an increase in unemployment or decreases in real estate or commodity prices. Where a loss event has occurred, individual loans are classified as impaired loans. Management feels that loans whose terms have been significantly changed due to the borrower's economic difficulties and loans that have been non-performing for more than 60-90 days should automatically be treated as impaired. The number of days varies in the Group based on the customer's payment habits and the collection processes used in various markets.

Such a loan is not considered impaired if there is collateral which covers the capital, accrued and future interest and fees by a satisfactory margin. When a loss event has occurred, a determination is made when in the future the loan's cash flows will be received and its probable size. For impaired loans, interest is not considered to be received, only capital or portions thereof. For groups of loans, estimates are based on historical values and experience-based adjustments to the current situation.

Provisions for impaired loans are made on the difference between estimated value, i.e., estimated future cash flows discounted by the loan's original effective interest rate, and amortised cost. Amortised cost refers to contractual cash flows discounted by the loan's original effective interest rate.

Assumptions about when in time a cash flow will be received as well as its size determine the size of the provisions. Decisions on provisions are therefore based on various calculations and management's assumptions of current market conditions. Management is of the opinion that provision estimates are important because of their significant size as well as the complexity of making these estimates.

In 2011 economic conditions further improved in the Baltic countries and in the Ukraine. The Group's provisions in the Baltic operations decreased during the year from

SEK 13 082m to SEK 8 819m and in the Ukrainian operations from SEK 5 196m to SEK 3 856 m. The changes in provisions are based on the losses that management assumed were likely against the current economic outlook within the interval for reasonable assumptions. Impaired loans, gross, decreased during the year in the Baltic operations from SEK 22 510m to SEK 16 108 m and in the Ukrainian operations from SEK 7 957m to SEK 5 366 m. Due to more stable economic conditions, the subjectivity in the determination of the value of the collateral for these loans was slightly lower than in 2010. An overall decrease in customers' payment ability of an additional 10 per cent would have increased provisions by SEK 1 526m (2 179), of which SEK 197m (293) in Estonia, SEK 442m (632) in Latvia, SEK 242m (383) in Lithuania, SEK 386m (520) in Ukraine and SEK 59m (111) in Russia. The Group's portfolio provision for loans that are not classified as impaired decreased to SEK 2 436m (3 297) at year-end.

### Impairment testing of goodwill

Goodwill is tested annually for impairment. Testing is conducted by calculating the recoverable amount, i.e., the higher of value in use or the selling price less costs to sell. If the recoverable amount is lower than the carrying amount, the asset is reduced to its recoverable amount. Goodwill impairment does not affect either cash flow or the capital adequacy ratio, since goodwill is a deduction in the calculation of the capital base. Management's tests are done by calculating value in use. The calculation is based on estimated future cash flows from the cash-generating unit that the goodwill relates to and has been allocated to as well as when the cash flows are received. The first three years' cash flows are determined on the basis of the financial plans management has established. Subsequent determinations of the size of future cash flows require more subjective estimates of future growth, margins and profitability levels. In addition, a discount rate is determined that in addition to reflecting the time value of money also reflects the risk that the asset is associated with. Different discounting factors are used for different time periods. As far as possible, the discount rate and assumptions, or portions of the assumptions, are based on external sources. Nevertheless, the calculation is dependent in large part on management's own assumptions. Management considers the assumptions to be significant to the Group's results and financial position. The Group's goodwill amounted to SEK 11 762m (13 733) at year-end, of which SEK 9 044m (11 005) relates to the investment in the Baltic banking operations. Management's assumptions in the calculation of value in use as of year-end 2011 led to an impairment in the Latvian banking operations of SEK 1 913m. Through 2001, 60 per cent of the Baltic banking operations had been acquired. In 2005 the remaining 40 per cent was acquired. The majority, or SEK 9 741m (9 771) of the goodwill before impairments arose through the acquisition of the remaining non-controlling interest and at the time corresponded to 40 per cent of the operation's total value. If the discount rate had been increased by one percentage point or the growth assumption had been reduced by one percentage point, it would not have created any impairment for the investments in the Estonian and Lithuanian banking operations.

### Impairment testing of investment properties and owner-occupied properties

Investment properties and owner-occupied properties are measured at cost less depreciation. When there is an indication of diminished value, impairment is tested. The test is done by calculating the recoverable amount, i.e., the higher of value in use and selling price less costs to sell. The value in use of investment properties and owner-occupied properties has been determined by internal appraisers with extensive knowledge of the properties and the relevant market. The measurement is based on cash flow analyses. Random checks by independent external appraisers have been performed as a complement, especially in Latvia, where the holding comprises the greatest number of properties. Investment properties amounted to SEK 3 910m (2 165) at year-end.

### Net realisable value of properties recognised as inventory

Properties recognised as inventory are measured at the lower of cost and net realisable value. Net realisable value has been determined by internal appraisers, which has sometimes been complemented by appraisals by external independent appraisers. The carrying amount for properties recognised as inventory amounted to SEK 2 375m (1 172) at year-end.

### Valuation of deferred tax assets

Deferred tax assets represent a reduction in future tax attributable to temporary deductible differences, tax loss carry-forwards or other unused tax deductions. Deferred tax assets can be recognised only to the extent they can be offset against future taxable income. Management therefore makes assumptions of the size of this future taxable income. The assumptions affect the Group's results and financial position. On the other hand, carrying amounts do not affect the capital adequacy ratio, since deferred tax assets are a deduction in the calculation of the capital base. Due to the economic and to some extent tax law uncertainty in Ukraine, management has felt that the most realistic assumption is to only recognise deferred tax assets to the extent they offset deferred tax liabilities in the Ukrainian operations. Unrecognised deferred tax assets amounted to SEK 664m (890) at year-end, of which SEK 641m (806) relates to unused

tax losses. Unrecognised deferred tax assets in other parts of the Group amounted to SEK 132m (248), of which SEK 41m (124) related to Lithuania. Deferred tax assets for deductible temporary differences have been recognised in the amount of SEK 790 m (1 026). Recognised deferred tax assets are motivated by management's judgment that current operations will create sufficient taxable surpluses within the not too distant future. After the management's measures, such as cost reductions, to improve profitability, the current operations report profits. Based on the current operation the main part of unused tax losses are expected to be utilised within the Group's financial three year plans.

#### Financial instruments at fair value

When financial instruments are measured at fair value according to valuation models, a determination is made which observable market data should be used in those models. The assumption is that quoted prices for financial instruments with similar turnover will be used. When such prices or components of prices cannot be identified, management must make its own assumptions. Note G44 shows financial instruments at fair value divided into three valuation levels: quoted prices, valuation models with observable market inputs and valuation models with significant assumptions. As of year-end the value of financial instruments measured with significant assumptions amounted to SEK 461m (700). A change in our own assumption of 10 bp would have changed the value by SEK 1m (1). Our own assumption has to be used, for example, when there is no observable credit spread for a specific counterparty. A reasonable assumption could then be using observable credit spreads for similar counterparties.

#### Defined benefit pensions

For pension provisions for defined benefit obligations, management uses a number of actuarial assumptions to estimate future cash flows. The assumptions are revised each year or when a significant change has occurred. Important estimates are made with regard to the final salary the employee has at the time of retirement, the size of the benefit when it relates to the income base amount and the payment period and economic life. Estimated future cash flows are projected at present value using an assumed discount rate. When actual outcomes deviate from the assumptions made, an experience-based actuarial gain or loss arises. Cumulative net experience-based actuarial gains and losses amounted to a gain of SEK 1 290m (765) at year-end. When the assumptions change, actuarial gains or losses arise. In total, the Group's actuarial gains and losses amounted to a loss of SEK 1 870m (2 265). An actuarial gain arose during the year when the actual return exceeded the assumed return on assets under management by SEK 249m. A 25 bp reduction in the discount rate would increase the pension obligation by approximately SEK 787m (715). Since it applies the so-called corridor rule, the Group recognises only the portion of the net exceeding 10 per cent of the higher of plan assets or pension obligations. The excess is recognised over the employees' remaining years of service. A further cut in the discount rate therefore had only a marginal impact on profit in 2012.

#### Share-based payment

In calculating the cost which is recognised as employee benefits ultimately settled in the form of common shares in Swedbank AB, management estimates how many common shares will be settled. Employees are granted contingent rights to receive common shares, which require, for example, that they remain employed on the settlement date; otherwise the rights expire. Management also estimates the fair value of the rights granted to employees and which gives them the conditional right to receive common shares in Swedbank AB at no cost. The estimation is based on the quoted price of the common share, since the right essentially has the same terms as a common share. The estimated costs associated with Programme 2011 total SEK 513m, of which SEK 136m was recognised in 2011. The recognised expense for all outstanding programmes amounted to SEK 159m in 2011. This is in addition to social insurance charges, any other payroll expenses and income tax, which will be calculated based on the estimated number of settled shares and their estimated fair value.



## G3 Risks

Swedbank defines risk as a potentially negative impact on a company that can arise due to current internal processes or future internal or external events. The concept of risk comprises the probability that an event will occur and the impact it would have on the Group's earnings, equity or value.

The Board of Directors has adopted an Enterprise Risk Management (ERM) policy detailing the risk framework, the risk management process, and roles and responsibilities in risk management. Swedbank continuously identifies the risks its operations generate and has designed a process to manage them.

The risk management process includes eight steps: prevent risks, identify risks, quantify risks, analyse risks, suggest measures, control and monitor, report risks, and, lastly, follow-up risk management. The process encompasses all types of risk and results in a description of Swedbank's risk profile, which in turn serves as the basis of the internal capital adequacy assessment process.

To ensure that Swedbank retains a low long-term risk profile, the Board has set an overall risk appetite. In line with this appetite, individual tolerance limits have been established for the types of risks the bank is exposed to. The tolerance limits restrict exposures and performance in the portfolio. Additionally, the Board has decided on a system of signals whose purpose is to give early warning if conditions change.

The capital adequacy assessment process evaluates capital needs based on Swedbank's overall risk level and business strategy. The aim is to ensure efficient use of capital and at the same time, that Swedbank meets the minimum legal capital requirement and maintains access to domestic and international capital markets even under adverse market conditions.

Risk	Description
<b>Credit risks</b>	The risk that a counterparty, or obligor, fails to meet contractual obligations to Swedbank and the risk that collateral will not cover the claim.
<b>Liquidity risks</b>	The risk that Swedbank cannot fulfil its payment commitments on any given due date without significantly raising the cost of obtaining means of payment.
<b>Market risks</b>	The risk that changes in interest rates, exchange rates and equity prices will lead to a decline in the value of Swedbank's net assets and liabilities, including derivatives.
<b>Operational risks</b>	The risk of losses resulting from inadequate or failed internal processes or routines, human error, incorrect systems or external events.
<b>Other risks</b>	Includes earnings volatility risk, insurance risk, pension risk, strategic risk, reputational risk and security risk.

## Credit risks

### DEFINITION

Credit risk refers to the risk that a counterparty or obligor fails to meet its contractual obligations towards Swedbank and the risk that collateral will not cover the claim. Credit risk also includes concentration risk, which comprises large exposures or concentrations in the credit portfolio, for instance to certain regions or industries.

Swedbank's Board has established tolerance limits for geographical concentration, sector concentration and name concentration.

### Risk management

A central principle in Swedbank's lending is that each business unit within the Group has full responsibility for its credit risks, and that credit decisions adhere to the credit process, are made in accordance with applicable rules, and are in line with the bank's business and credit strategies. Depending on the size and nature of each credit, a lending decision can be made, for example, by an officer with help from system support or by a credit committee. The business unit has full commercial responsibility regardless of who makes the ultimate decision, including responsibility for internal credit control.

The duality principle provides guidance for all credit and credit risk management within the Group. The principle is reflected in the independent credit organisation, decision-making bodies and credit processes. Each business unit is responsible for ensuring that internal control is integrated in all lending and monitoring.

The risk classification system is a key part of the credit process; it comprises work and decision-making processes for lending, credit monitoring, and quantification of credit risk. The decision to grant credit requires that there are good grounds to expect that the borrower can fulfil his or her commitment to the Group. In addition, for all credits, the rule is that sufficient collateral must be pledged.

To keep lending sound, robust, and balanced in terms of risks, it is necessary to view customer transactions against the backdrop of relevant factors in the marketplace. This means taking into account what the Group and the market knows about anticipated local, regional and global changes and developments which could impact the business and its risks. Systematic monitoring of individual credit exposures is achieved by continuously monitoring individual commitments. Exposures to corporate customers, financial institutions and sovereign states are assessed at least once a year.

### Risk measurement

Swedbank's internal risk classification system is the basis for:

- Risk assessment and credit decisions
- Monitoring and managing credit risks
- Calculating risk-adjusted profitability (including RAROC)
- Analysis of the risk profile in Swedbank's credit portfolios (including migrations)
- Developing credit strategies and associated risk management activities
- Reporting credit risks to the Board, CEO and Group Executive Management
- Calculating capital requirements and capital allocation.

The risk class is assessed and decided on as part of credit decisions. The class also affects requirements for depth of analysis and documentation and governs how customers are monitored. In this way, low-risk transactions can be approved through a simpler and faster credit process. Risk classification is also a key element in monitoring individual credit exposures. The system governs the monitoring processes in various ways, ensuring, for example, that a weak risk class will be tested separately, followed by a decision on possible measures. Swedbank has received approval from the Financial Supervisory Authority to apply the IRB approach, which is used to calculate the majority of the capital requirement for credit risks. The bank applies the IRB approach to most of its lending to the public, with the exception of lending to sovereign governments and the credit portfolios in Ukraine and Russia. For exposures where the IRB approach is not applied, an external classification is used, most often the Financial Supervisory Authority's standard method, or they are none rated.

The goal of the risk classification is to predict defaults within 12 months; it is expressed on a scale of 23 classes, where 0 represents the greatest risk and 21 represents the lowest risk of default, with one class for defaulted loans. The table below describes the Group's risk classification and how it relates to the probability of default within 12 months (PD), as well as an indicative rating from Standard & Poor's. Of the bank's total IRB-assessed exposures, 71 (74) per cent fall in the risk classes of 13–21, investment grade, where the risk of default is considered low. Of the exposures, 41 per cent (40) have been assigned a risk class of 18 or higher, which corresponds to a rating of A from the major ratings agencies. The exposures relate to financial companies group (FCG).

### Risk grade according to IRB methodology

Internal rating		PD (%)	Indicative rating Standard & Poor's
Default	Default	100	D
High risk	0–5	>5.7	C to B
Augmented risk	6–8	2.0–5.7	B+
Normal risk	9–12	0.5–2.0	BB– to BB+
Low risk	13–21	<0.5	BBB– to AAA

To achieve maximum precision in measurement, the bank has developed a number of different risk classification models. There are primarily two types of models; one is based on a statistical method, which requires access to a large amount of information on counterparties, and enough information on those counterparties who have defaulted. In cases where the statistical method is not applied, models are created where evaluation criteria are based on expert opinions.

The models are validated when introduced, in connection with significant changes and periodically (at least annually). The validation is designed to ensure that each model measures risk satisfactorily. In addition, the models are monitored to assure they function well in daily credit operations. The models indicate the likelihood of default normally on a one-year horizon. Considering that credit commitments usually involve a longer period, the models are also evaluated for a more extended period. In summary, the validations performed to date have shown that the models are statistically highly reliable.

Risk grade according to the IRB methodology												
Maximum credit risk exposure distributed by rating 2011			Low risk PD <0.5	Normal risk PD 0.5-2.0	Augmented risk PD 2.0-5.7	High risk PD >5.7	Default PD 100.0	Non-rated exposures	Standardised methodology	EAD		
Total exposure			1 055 749	197 783	88 349	34 611	18 272	25 311	274 535	1 694 610		
	Retail	%	Large corporates & Institutions	%	Baltic Banking	%	Russia & Ukraine	%	Other *	%	Total	%
EAD												
Low risk	739 567	43.6	207 697	12.3	32 123	1.9			76 362	4.5	1 055 749	62.3
Normal risk	141 115	8.4	27 071	1.6	29 553	1.7			44	0.0	197 783	11.7
Augmented risk	51 732	3.1	3 754	0.2	32 764	1.9			99	0.0	88 349	5.2
High risk	18 368	1.1	1 130	0.0	15 097	0.9			16	0.0	34 611	2.0
Defaults	3 469	0.2	1 627	0.1	13 176	0.8					18 272	1.1
Non-rated exposures	5 890	0.3	3 497	0.2	6 508	0.4	123	0.0	9 293	0.6	25 311	1.5
Standardised method	42 685	2.5	40 747	2.4	17 906	1.1	12 661	0.7	160 536	9.5	274 535	16.2
Total	1 002 826	59.2	285 523	16.8	147 127	8.7	12 784	0.7	246 350	14.6	1 694 610	100.0
	Public	%	Corporates	%	Institutions	%	States	%	Other *	%	Total	%
EAD												
Low risk	700 579	41.4	225 909	13.3	129 261	7.6					1 055 749	62.3
Normal risk	92 087	5.4	104 223	6.2	1 473	0.1					197 783	11.7
Augmented risk	33 922	2.0	54 228	3.2	199	0.0					88 349	5.2
High risk	20 543	1.2	13 952	0.8	116	0.0					34 611	2.0
Defaults	8 544	0.5	9 440	0.6	288	0.0					18 272	1.1
Non-rated exposures			5 987	0.4					19 324	1.1	25 311	1.5
Standardised method	11 289	0.7	5 640	0.3	1 779	0.1	175 456	10.4	80 371	4.7	274 535	16.2
Total	866 964	51.2	419 379	24.8	133 116	7.8	175 456	10.4	99 695	5.8	1 694 610	100.0

\* During the year Swedbank has transferred the responsibility for Group Treasury's liquidity portfolios, primarily exposures towards Central Banks, from the Business segment Large Corporate & Institutions to Group Functions (included in Other). This explains the changes in exposures calculated according to the standard method between 2010 and 2011 for those two Business segments.

Risk grade according to the IRB methodology												
Maximum credit risk exposure distributed by rating 2010				Low risk PD <0.5	Normal risk PD 0.5-2.0	Augmented risk PD 2.0-5.7	High risk PD >5.7	Default PD 100.0	Non-rated exposures	Standardised methodology	EAD	
Total exposure				1 026 465	198 927	92 351	39 403	23 624	28 957	163 413	1 573 140	
	Retail	%	Large corporates & Institutions	%	Baltic Banking	%	Russia & Ukraine	%	Other *	%	Total	%
EAD												
Low risk	734 693	46.7	247 822	15.8	43 693	2.8			257	0.0	1 026 465	65.2
Normal risk	133 645	8.5	42 555	2.7	22 724	1.4			3	0.0	198 927	12.6
Augmented risk	52 027	3.3	10 196	0.6	30 127	1.9			1	0.0	92 351	5.9
High risk	18 591	1.2	579	0.0	20 233	1.3					39 403	2.5
Defaults	3 319	0.2	3 198	0.2	17 107	1.1					23 624	1.5
Non-rated exposures	5 154	0.3	8 554	0.5	10 086	0.6			5 163	0.3	28 957	1.8
Standardised method	41 354	2.6	80 636	5.1	22 400	1.4	16 624	1.1	2 399	0.2	163 413	10.4
Total	988 783	62.9	393 540	25.0	166 370	10.6	16 624	1.1	7 823	0.5	1 573 140	100.0
	Public	%	Corporates	%	Institutions	%	States	%	Other *	%	Total	%
EAD												
Low risk	704 062	44.8	177 447	11.3	144 956	9.2					1 026 465	65.2
Normal risk	82 997	5.3	115 262	7.3	668	0.0					198 927	12.6
Augmented risk	31 400	2.0	60 434	3.8	517	0.0					92 351	5.9
High risk	18 122	1.2	21 201	1.3	80	0.0					39 403	2.5
Defaults	9 241	0.6	14 084	0.9	299	0.0					23 624	1.5
Non-rated exposures			9 343	0.6					19 614	1.2	28 957	1.8
Standardised method	10 776	0.7	5 595	0.4	3 124	0.2	61 151	3.9	82 767	5.3	163 413	10.4
Total	856 598	54.5	403 366	25.6	149 644	9.5	61 151	3.9	102 381	6.5	1 573 140	100.0

\* During the year Swedbank has transferred the responsibility for Group Treasury's liquidity portfolios, primarily exposures towards Central Banks, from the Business segment Large Corporate & Institutions to Group Functions (included in Other). This explains the changes in exposures calculated according to the standard method between 2010 and 2011 for those two Business segments.



## Maximum credit risk exposure, geographical distribution 2011

	Sweden	Estonia	Latvia	Lithuania	Russia	Ukraine	Norway	Denmark	Finland	USA	Other	Total
<b>Assets</b>												
Cash and balances with central banks	101 467	2 032	2 800	3 751	973	225	4 731	175	1 550	46 550	53	164 307
Treasury bills and other bills eligible for refinancing with central banks	19 559		110	1 147		4	516	107			4 410	25 853
Loans to credit institutions	56 227	26	30	219	1 327	103	4 827	26 931		397	7 108	97 195
Loans to the public	1 051 118	53 310	32 262	33 427	4 873	4 714	22 304	1 114	5 923	1 332	1 077	1 211 454
Bonds and other interest-bearing securities	79 963	397	9		66		6 965	184	1 130	6 637	17 107	112 458
Derivatives*	43 804	107	266	2	1		5 362	7 235	644	8 709	37 597	103 727
Other financial assets	10 477	478	569	251	124	39	1 727	16	410	224	42	14 357
<b>Contingent liabilities and commitments</b>												
Guarantees	15 458	2 295	1 165	950	404	56	1 695	6	52	22	2 148	24 251
Commitments	146 502	8 619	3 829	3 238	562	292	8 517	303	6 386	1 064	6 646	185 958
<b>Total</b>	<b>1 524 575</b>	<b>67 264</b>	<b>41 040</b>	<b>42 985</b>	<b>8 330</b>	<b>5 433</b>	<b>56 644</b>	<b>36 071</b>	<b>16 095</b>	<b>64 935</b>	<b>76 188</b>	<b>1 939 560</b>
% of total	79	4	2	2			3	2	1	3	4	100

\* By Swedbank AB, open netting agreements reduce the credit exposure to SEK 29 324m.

## Collateral held as security

Residential properties incl. Condominiums	685 239	24 878	15 243	13 410	559	1 489	1 611	333				742 761
Other properties	112 725	12 253	11 507	8 598	2 642	2 293	3 099	335	764	768		154 985
Municipalities and county councils	17 249	1 706	1 142	299								20 397
Chattel mortgages	11 534				528	270				221		12 552
Personal guarantee	19 165	1 632	396	540			1 046		20			22 799
Unsecured	76 658	3 240	1 327	2 841	849	76	8 804	214	5 139	343	1 077	100 567
Other collateral	83 392	9 600	2 646	7 724	295	586	7 745	232				112 221
<b>Total loans to the public excluding the Swedish National Debt Office and repurchase agreements</b>	<b>1 005 961</b>	<b>53 310</b>	<b>32 261</b>	<b>33 413</b>	<b>4 873</b>	<b>4 714</b>	<b>22 304</b>	<b>1 114</b>	<b>5 923</b>	<b>1 332</b>	<b>1 077</b>	<b>1 166 282</b>

## Maximum credit risk exposure, geographical distribution 2010

	Sweden	Estonia	Latvia	Lithuania	Russia	Ukraine	Norway	Denmark	Finland	USA	Other	Total
<b>Assets</b>												
Cash and balances with central banks	2 614	2 948	4 982	3 381	611	398	1 745	275	90	25	39	17 109
Treasury bills and other bills eligible for refinancing with central banks	24 243		117	893		380	1 280				8 011	34 924
Loans to credit institutions	99 320	10	62	231	1 350	352	4 962	10 351	14 402	17 567	17 810	166 416
Loans to the public	1 015 013	57 919	37 023	35 477	6 220	6 337	16 968	5 845	5 363	1 005	56	1 187 226
Bonds and other interest-bearing securities	72 310	288	20	7		2	8 907	92	409	3 702	10 915	96 652
Derivatives*	27 320	75	221	85	13		3 569	3 909	379	6 147	23 335	65 051
Other financial assets	7 032	948	734	499	86	75	4 269	1	27	11	4	13 687
<b>Contingent liabilities and commitments</b>												
Guarantees	17 829	2 106	768	633	569	153	1 140	14	249	60	1 799	25 321
Commitments	142 451	6 180	3 018	3 259	480	485	8 608	126	5 483	466	4 825	175 382
<b>Total</b>	<b>1 408 131</b>	<b>70 475</b>	<b>46 945</b>	<b>44 466</b>	<b>9 329</b>	<b>8 182</b>	<b>51 449</b>	<b>20 612</b>	<b>26 402</b>	<b>28 983</b>	<b>66 794</b>	<b>1 781 768</b>
% of total	79	4	3	2	1		3	1	1	2	4	100

\* By Swedbank AB, open netting agreements reduce the credit exposure to SEK 16 368m.

## Collateral held as security

Residential properties incl. Condominiums	674 288	25 674	17 314	14 224	801	2 125	1 544	818				736 788
Other properties	107 833	17 556	13 952	9 148	3 487	2 518	4 301	353	787	825		160 760
Municipalities and county councils	20 300	1 790	1 003	405								23 498
Chattel mortgages	10 873				1 102	412	79			36		12 502
Personal guarantee	19 475	1 551	385	444		86	1 048		9			22 997
Unsecured	78 758	3 771	1 500	2 555	464	255	5 753	856	4 567	143	56	98 678
Other collateral	65 848	7 577	2 869	8 680	366	942	4 243	246		1		90 773
<b>Total loans to the public excluding the Swedish National Debt Office and repurchase agreements</b>	<b>977 376</b>	<b>57 919</b>	<b>37 022</b>	<b>35 456</b>	<b>6 220</b>	<b>6 337</b>	<b>16 968</b>	<b>2 273</b>	<b>5 363</b>	<b>1 005</b>	<b>56</b>	<b>1 145 996</b>

## Interest-bearing securities, carrying amount 2011

	Sweden	Estonia	Latvia	Lithuania	Ukraine	Norway	Denmark	Finland	USA	Other	Total
Treasury bills and other bills eligible for refinancing with central banks	19 559		110	1 147	4	516	107			4 410	25 853
States	19 444		110	1 147	4	392	107			4 410	25 614
Municipalities	115										115
Other						124					124
Bonds and other interest-bearing securities	79 963	397	9			6 965	184	1 130	6 637	17 173	112 458
Housing finance institution	65 359									1 508	66 867
Banks	6 522					4 726	154	914	96	9 512	21 924
Other financial companies	3 073							36	6 523	650	10 282
Non-financial companies	5 009	397	9			2 239	30	180	18	5 503	13 385
<b>Total</b>	<b>99 522</b>	<b>397</b>	<b>119</b>	<b>1 147</b>	<b>4</b>	<b>7 481</b>	<b>291</b>	<b>1 130</b>	<b>6 637</b>	<b>21 583</b>	<b>138 311</b>
% of total	72			1		5		1	5	16	100

## Interest-bearing securities, carrying amount 2010

	Sweden	Estonia	Latvia	Lithuania	Ukraine	Norway	Denmark	Finland	USA	Other	Total
Treasury bills and other bills eligible for refinancing with central banks	24 243		117	893	380	1 280				8 011	34 924
States	23 452		117	893		1 252				7 747	33 461
Municipalities	791					28					819
Other					380					264	644
Bonds and other interest-bearing securities	72 310	288	20	7	2	8 907	92	409	3 702	10 915	96 652
Housing finance institution	60 904									3 335	64 239
Banks	2 940		7	2		6 500	92	211	951	6 568	17 271
Other financial companies	3 463								2 335	516	6 314
Non-financial companies	5 003	288	13	5	2	2 407		198	416	496	8 828
<b>Total</b>	<b>96 553</b>	<b>288</b>	<b>137</b>	<b>900</b>	<b>382</b>	<b>10 187</b>	<b>92</b>	<b>409</b>	<b>3 702</b>	<b>18 926</b>	<b>131 576</b>
% of total	74			1		8			3	14	100

## Derivatives 2011

	Sweden	Estonia	Latvia	Lithuania	Russia	Ukraine	Norway	Denmark	Finland	USA	Other	Total
Positive fair value of contracts	43 804	107	266	2	1		5 362	7 235	644	8 709	37 597	103 726
Netting gains	28 489	107	213	2	1		2 746	5 699	30	7 375	21 403	66 065
<b>Actual offset credit exposure</b>	<b>15 315</b>		<b>53</b>				<b>2 616</b>	<b>1 536</b>	<b>614</b>	<b>1 334</b>	<b>16 194</b>	<b>37 661</b>
Collateral held**	3 271		4				158	277	7	528	12 527	16 772
<b>Net credit exposures</b>	<b>12 044</b>		<b>49</b>				<b>2 458</b>	<b>1 259</b>	<b>607</b>	<b>806</b>	<b>3 667</b>	<b>20 889</b>
<b>Net credit exposures including internal add-on***</b>	<b>40 262</b>	<b>1</b>	<b>393</b>	<b>2 372</b>	<b>8</b>		<b>5 995</b>	<b>2 692</b>	<b>2 981</b>	<b>4 245</b>	<b>16 613</b>	<b>75 562</b>

\*\* Collateral consists of cash (98%), AAA rated bonds (1.8%) or other quoted bonds (0.2%).

\*\*\* Internal risk add-ons are used for management of credit risk exposure with regards to counterparty credit limits.

## Derivatives 2010

	Sweden	Estonia	Latvia	Lithuania	Russia	Ukraine	Norway	Denmark	Finland	USA	Other	Total
Positive fair value of contracts	27 320	75	221	85	13		3 569	3 909	379	6 147	23 335	65 051
Netting gains	21 375	75	192	85	4		2 599	3 170	25	4 232	12 455	44 213
<b>Actual offset credit exposure</b>	<b>5 945</b>		<b>28</b>		<b>9</b>		<b>969</b>	<b>739</b>	<b>354</b>	<b>1 915</b>	<b>10 879</b>	<b>20 838</b>
Collateral held**	543						75	59		1 469	7 995	10 141
<b>Net credit exposures</b>	<b>5 402</b>		<b>28</b>		<b>9</b>		<b>894</b>	<b>680</b>	<b>354</b>	<b>446</b>	<b>2 884</b>	<b>10 697</b>
<b>Net credit exposures including internal add-on***</b>	<b>31 006</b>		<b>43</b>		<b>43</b>		<b>4 150</b>	<b>2 059</b>	<b>1 290</b>	<b>2 252</b>	<b>21 749</b>	<b>62 591</b>

\*\* Collateral consists of cash (100%).

\*\*\* Internal risk add-ons are used for management of credit risk exposure with regards to counterparty credit limits.

## Credit derivatives

	2011	2010
Credit derivatives, nominal amounts	8 086	4 888
Effect of collateral assets with credit deterioration of 1 notch, for both Moody's and Standard & Poor's	-965	-454

Credit derivatives are used to mitigate credit risk exposures.

GIIPS exposure, carrying amount	2011						2010					
	Greece*	Ireland	Italy	Portugal	Spain	Total	Greece*	Ireland	Italy	Portugal	Spain	Total
Bonds	15		158	27	10	210	51	23	193	42	54	363
of which sovereign	15		158	27	10	210	51	23	184	42	22	322
of which held to maturity**	15		101	27	5	148	51		102	27	5	185
Loans (money market and certificates)			9		89	98			402		35	437
Loans (committed credit facilities)												
Derivatives net***		53	193		67	313		49	90		78	217
Other****	18		41		83	142	11		18		100	129
<b>Total</b>	<b>33</b>	<b>53</b>	<b>401</b>	<b>27</b>	<b>249</b>	<b>763</b>	<b>62</b>	<b>72</b>	<b>703</b>	<b>42</b>	<b>267</b>	<b>1 146</b>

\* Greek sovereign bonds are netted, i.e. after provisions of SEK 35m.

\*\* Actual market values are below the carrying amounts by approximately SEK 44m.

\*\*\* Derivatives at market value taking into account netting and collateral agreements. Considering the bank's internal risk add-ons for counterparty risk at potential future changes in prices, the derivative exposures amount to: Ireland SEK 87m (168), Italy SEK 447m (1 069) and Spain SEK 217m (247). Total SEK 751m (1 484).

\*\*\*\* Includes trade finance and mortgage loans.

## Loans to the public and credit institutions, carrying amount 2011

	Loans individually assessed as not impaired				Loans individually assessed as impaired			Total
	Before portfolio provisions		Portfolio provisions	After portfolio provisions	Before provisions	Provisions	After provisions	
	Performing	Past due						
Geographical distribution								
Sweden	1 003 485	2 438	790	1 005 133	1 935	1 108	827	1 005 960
Estonia	50 238	1 427	339	51 326	3 620	1 636	1 984	53 310
Latvia	28 051	939	686	28 304	7 696	3 739	3 957	32 261
Lithuania	29 165	1 875	257	30 783	4 792	2 162	2 630	33 413
Russia	4 157	27	54	4 130	1 281	538	743	4 873
Ukraine	3 055	149	308	2 896	5 366	3 548	1 818	4 714
Norway	22 251	28		22 279	50	25	25	22 304
Denmark	1 112	1		1 113	3	2	1	1 114
Finland	5 923			5 923				5 923
USA	1 332			1 332				1 332
Other	1 077			1 077				1 077
Loans to the public excluding the Swedish National Debt Office and repurchase agreements								
	1 149 847	6 884	2 434	1 154 297	24 743	12 758	11 985	1 166 282
Sector/industry								
Private customers	657 522	4 547	775	661 294	8 789	3 900	4 889	666 183
Mortgage loans, private	621 208	3 948	476	624 680	6 879	2 736	4 143	628 823
Other, private	36 314	599	299	36 614	1 910	1 164	746	37 360
Corporate customers	492 325	2 337	1 659	493 003	15 954	8 858	7 096	500 099
Agriculture, forestry, fishing	61 585	347	58	61 874	698	349	349	62 223
Manufacturing	28 668	346	244	28 770	2 597	1 622	975	29 745
Public sector and utilities	14 738	160	39	14 859	109	26	83	14 942
Construction	12 623	91	104	12 610	1 189	608	581	13 191
Retail	22 842	233	178	22 897	2 112	1 442	670	23 567
Transportation	11 149	417	91	11 475	391	177	214	11 689
Shipping and offshore	23 013		20	22 993	656	358	298	23 291
Hotels och restaurants	6 222	23	51	6 194	401	183	218	6 412
Information and communications	2 356	30	24	2 362	97	47	50	2 412
Finance and insurance	16 635	5	16	16 624	134	96	38	16 662
Property management	142 072	372	549	141 895	5 582	2 813	2 769	144 664
Housing cooperatives	71 525	11	76	71 460	20	13	7	71 467
Professional services	29 905	152	103	29 954	864	475	389	30 343
Other corporate lending	48 992	150	106	49 036	1 104	648	456	49 491
Loans to the public excluding the Swedish National Debt Office and repurchase agreements								
	1 149 847	6 884	2 434	1 154 297	24 743	12 758	11 985	1 166 282
Swedish National Debt Office								
Swedish National Debt Office	2 775			2 775				2 775
Loans to Swedish National Debt Office, repurchase agreements	13 834			13 834				13 834
Loans to Swedish public, repurchase agreements	19 666			19 666				19 666
Loans to Foreign public, repurchase agreements	8 897			8 897				8 897
Loans to the public	1 195 019	6 884	2 434	1 199 469	24 743	12 758	11 985	1 211 454
Loans to Swedish credit institutions								
Loans to Swedish credit institutions	47 313			47 313				47 313
Loans to foreign credit institutions	17 426		2	17 424	62	62		17 424
Loans to Swedish credit institutions, repurchase agreements	8 069			8 069				8 069
Loans to Foreign credit institutions, repurchase agreements	24 388			24 388				24 388
Loans to credit institutions	97 196		2	97 194	62	62		97 194
Loans to the public and credit institutions	1 292 216	6 884	2 436	1 296 664	24 805	12 820	11 985	1 308 649

## Loans to the public and credit institutions, carrying amount 2010

	Loans individually assessed as not impaired				Loans individually assessed as impaired			Total
	Before portfolio provisions		Portfolio provisions	After portfolio provisions	Before provisions	Provisions	After provisions	
	Performing	Past due						
Geographical distribution								
Sweden	975 878	1 708	992	976 594	1 882	1 100	782	977 376
Estonia	54 300	1 827	633	55 494	4 722	2 297	2 425	57 919
Latvia	30 876	1 209	724	31 361	11 259	5 597	5 662	37 023
Lithuania	30 638	2 120	337	32 421	6 529	3 494	3 035	35 456
Russia	5 356	30	121	5 265	1 939	984	955	6 220
Ukraine	3 468	108	490	3 086	7 957	4 706	3 251	6 337
Norway	16 798	5		16 803	403	238	165	16 968
Denmark	2 253	10		2 263	12	3	10	2 273
Finland	5 363			5 363				5 363
USA	1 005			1 005				1 005
Other	56			56				56
Loans to the public excluding the Swedish National Debt Office and repurchase agreements	1 125 992	7 017	3 297	1 129 712	34 703	18 418	16 285	1 145 996
Sector/industry								
Private customers	646 945	3 885	534	650 296	9 799	3 744	6 055	656 351
Mortgage loans, private	609 263	3 219	264	612 218	6 834	2 612	4 222	616 440
Other, private	37 682	666	270	38 078	2 965	1 132	1 833	39 911
Corporate customers	479 047	3 132	2 763	479 416	24 904	14 674	10 230	489 646
Agriculture, forestry, fishing	58 706	96	86	58 716	710	335	375	59 091
Manufacturing	27 591	214	519	27 286	5 138	3 095	2 043	29 329
Public sector and utilities	15 805	318	46	16 077	133	39	94	16 171
Construction	11 971		159	11 926	2 325	1 502	823	12 749
Retail	22 083	170	307	21 946	2 862	1 818	1 044	22 990
Transportation	12 013	554	137	12 430	1 182	551	631	13 061
Shipping and offshore	15 719		120	15 599	40	34	6	15 605
Hotels och restaurants	6 700	57	87	6 670	530	290	240	6 910
Information and communications	2 209	5	33	2 181	66	31	35	2 216
Finance and insurance	10 681	5	31	10 655	148	109	39	10 694
Property management	144 818	534	829	144 523	8 766	5 093	3 673	148 196
Housing cooperatives	71 880		64	71 816	32	19	13	71 829
Professional services	27 860	92	158	27 794	747	528	219	28 013
Other corporate lending	51 010	974	187	51 797	2 225	1 230	995	52 792
Loans to the public excluding the Swedish National Debt Office and repurchase agreements	1 125 992	7 017	3 297	1 129 712	34 703	18 418	16 285	1 145 996
Swedish National Debt Office	1			1				1
Loans to Swedish National Debt Office, repurchase agreements	19 778			19 778				19 778
Loans to Swedish public, repurchase agreements	15 666			15 666				15 666
Loans to Foreign public, repurchase agreements	5 785			5 785				5 785
Loans to the public	1 167 222	7 017	3 297	1 170 942	34 703	18 418	16 285	1 187 226
Loans to Swedish credit institutions	51 285			51 285				51 285
Loans to foreign credit institutions	75 136			75 136	75	76	-1	75 135
Loans to Swedish credit institutions, repurchase agreements	14 705			14 705				14 705
Loans to Foreign credit institutions, repurchase agreements	25 291			25 291				25 291
Loans to credit institutions	166 417			166 417	75	76	-1	166 416
Loans to the public and credit institutions	1 333 639	7 017	3 297	1 337 359	34 778	18 494	16 284	1 353 643

**Impaired, past due and restructured loans 2011**

	Sweden	Estonia	Latvia	Lithuania	Russia	Ukraine	Norway	Denmark	Total
<b>Impaired loans</b>									
Carrying amount before provisions	1 997	3 620	7 696	4 792	1 281	5 366	50	3	24 805
Provisions	1 170	1 636	3 739	2 162	538	3 548	25	2	12 820
Carrying amount after provisions	827	1 984	3 957	2 630	743	1 818	25	1	11 985
Share of impaired loans, net, %	0.08	3.74	12.27	7.87	12.96	37.00	0.11	0.09	0.92
Share of impaired loans, gross, %	0.20	6.58	20.98	13.37	20.26	61.19	0.22	0.09	1.87
Carrying amount of impaired loans that returned to normal status during the period	860	974	3 625	764	308	95			6 627
<b>Past due loans that are not impaired</b>									
<b>Valuation category, loans and receivables</b>									
Loans with past due amount,	604	1 427	939	1 875	28	149	28	1	5 051
5-30 days	386	1 039	681	1 556	7	83			3 752
31-60 days	192	339	223	298	14	43			1 109
more than 60 days	26	49	35	21	7	23	28	1	190
<b>Valuation category, fair value through profit or loss</b>									
Loans with past due amount,	1 833								1 833
5-30 days	758								758
31-60 days	528								528
more than 60 days	547								547
<b>Total</b>	<b>2 437</b>	<b>1 427</b>	<b>939</b>	<b>1 875</b>	<b>28</b>	<b>149</b>	<b>28</b>	<b>1</b>	<b>6 884</b>
<b>Loans which were restructured during the period and which are not impaired or past due</b>									
Carrying amount before restructuring	930	1 318	2 422	282	441	95	27		5 516
Carrying amount after restructuring	860	1 318	2 312	282	441	95	27		5 336

**Impaired, past due and restructured loans 2010**

	Sweden	Estonia	Latvia	Lithuania	Russia	Ukraine	Norway	Denmark	Total
<b>Impaired loans</b>									
Carrying amount before provisions	1 956	4 722	11 259	6 529	1 939	7 958	403	12	34 778
Provisions	1 176	2 297	5 596	3 494	984	4 706	238	3	18 494
Carrying amount after provisions	781	2 425	5 662	3 035	955	3 251	165	10	16 284
Share of impaired loans, net, %	0.08	4.15	15.20	8.51	12.68	42.87	0.97		1.20
Share of impaired loans, gross, %	0.20	7.69	25.85	16.52	22.44	62.26	2.34		2.53
Carrying amount of impaired loans that returned to normal status during the period	2	433	252	485	120				1 292
<b>Past due loans that are not impaired</b>									
<b>Valuation category, loans and receivables</b>									
Loans with past due amount,	752	1 827	1 209	2 120	30	108	5	10	6 061
5-30 days	249	779	856	1 681	18	67	5	10	3 665
31-60 days	306	734	316	384	6	41			1 787
more than 60 days	197	314	37	55	6	0			609
<b>Valuation category, fair value through profit or loss</b>									
Loans with past due amount,	956								956
5-30 days	466								466
31-60 days	248								248
more than 60 days	242								242
<b>Total</b>	<b>1 708</b>	<b>1 827</b>	<b>1 209</b>	<b>2 120</b>	<b>30</b>	<b>108</b>	<b>5</b>	<b>10</b>	<b>7 017</b>
<b>Loans which were restructured during the period and which are not impaired or past due</b>									
Carrying amount before restructuring	452	1 776	2 841	1 122	176				6 367
Carrying amount after restructuring	409	1 776	2 840	1 122	176				6 323

Impaired loans are those for which it is likely that payment will not be received in accordance with the contract terms. A loan is not impaired if there is collateral that covers the principal, unpaid interest and any late fees by a satisfactory margin. Specified above are the reserves allocated for impaired loans as well as for other lending where loss events have occurred but where individual loans have not yet been identified. Loss events include late or non-payments, where the borrower is likely to go bankrupt or

domestic or local economic developments tied to non-payments, such as diminished asset values. The carrying amount for impaired loans generally corresponds to the value of the collateral, in cases where collateral exists. Restructured loans refer to loans whose contractual terms have been amended due to the customer's reduced ability to pay. Common changes in contractual terms include various forms of payment deferrals. Changes in contractual terms can be so significant that the loans also are considered impaired, which is the case if the restructuring reduces the loan's carrying amount, excluding one-off concessions.

**Provisions loans 2011**

	Sweden	Estonia	Latvia	Lithuania	Russia	Ukraine	Norway	Denmark	Total
<b>Opening balance</b>	<b>2 167</b>	<b>2 930</b>	<b>6 321</b>	<b>3 831</b>	<b>1 105</b>	<b>5 196</b>	<b>238</b>	<b>3</b>	<b>21 791</b>
New provisions	319	-505	479	293	53	542			1 180
Utilisation of previous provisions	-220	-396	-1 266	-658	-16	-745			-3 300
Reversal of previous provisions	-62	-197	-757	-940	-484	-850	-191	-1	-3 481
Portfolio provisions for loans that are not impaired	-200	-253	-40	-89	-63	-184			-829
Change in exchange rates	-42	396	-312	-18	-3	-104	-22		-105
<b>Closing balance</b>	<b>1 962</b>	<b>1 975</b>	<b>4 425</b>	<b>2 419</b>	<b>592</b>	<b>3 856</b>	<b>25</b>	<b>2</b>	<b>15 256</b>
Total provision ratio for impaired loans, % (Including portfolio provision in relation to loans that individually are assessed as impaired)	101	55	57	50	46	72	50	67	62
Provision ratio for individually assessed impaired loans, %	57	45	49	45	42	66	50	67	52

**Provisions loans 2010**

	Sweden	Estonia	Latvia	Lithuania	Russia	Ukraine	Norway	Denmark	Total
<b>Opening balance</b>	<b>2 538</b>	<b>3 253</b>	<b>7 346</b>	<b>4 677</b>	<b>1 484</b>	<b>6 390</b>	<b>326</b>	<b>4</b>	<b>26 017</b>
New provisions	1 025	415	1 373	1 253	56	627			4 749
Utilisation of previous provisions	-356	-124	-1 099	-702		-128			-2 410
Reversal of previous provisions	-80	-239	-96	-574		-536	-80	-1	-1 606
Portfolio provisions for loans that are not impaired	-59	-107	-433	-331	-136	-672			-1 738
Change in exchange rates	-899	-269	-769	-491	-299	-486	-8		-3 220
<b>Closing balance</b>	<b>2 167</b>	<b>2 930</b>	<b>6 321</b>	<b>3 831</b>	<b>1 105</b>	<b>5 196</b>	<b>238</b>	<b>3</b>	<b>21 791</b>
Total provision ratio for impaired loans, % (Including portfolio provision in relation to loans that individually are assessed as impaired)	115	62	56	59	57	65	59	21	63
Provision ratio for individually assessed impaired loans, %	58	49	50	54	51	59	59	21	53

**Concentration risk, customer exposure**

	2011	2010
Number	2	1
Exposures > 20 % of the capital base		
Exposures between 10 % and 20 % of the capital base	27 557	10 124
<b>Total</b>	<b>27 557</b>	<b>10 124</b>
Usage of the 800 % limit, %	30	10

**Collateral that can be sold or pledged even if the counterparty fulfils its contractual obligations**

When it grants repos, the Group receives securities that can be sold or pledged. The fair value of these securities corresponds to the carrying amount of the repos. The Group also receives collateral in the form of securities that can be sold or pledged for derivatives and other exposures. The fair value of such collateral as of year-end amounted to SEK 336m (0). None of this collateral has been sold or pledged.



## Assets taken over for protection of claims and cancelled leases

The Group takes over properties to recover as much lost cash flow as possible from defaulted loans and in that way minimise credit impairments. This is expected to be done through active asset management and other value-creation measures. Another aim is to minimise the cost of ownership while the repossessed property is held.

Properties are repossessed both in order to be immediately divested and to be held long-term to generate rental income and appreciation in value. The Group has created separate units specialised in managing repossessed property, such as Ektor-net. Ektor-net's property portfolio is highly diversified in terms of type of property, size, standard, value and geographical market. Properties that are considered to have

significant growth potential are assigned to a core portfolio, where each property is managed separately until the goal of the holding is met in the best way. Other property holdings, that are of insignificant value individually, are divested as soon as possible given market conditions. The majority of the properties are expected to be divested one by one, although other methods could also be used. The Group's holding of investment properties, which have overwhelmingly been acquired to protect receivables, are reported in note G30 Investment properties. The majority of other repossessed property is immediately divested.

2011	Operating income	Operating expenses	Depreciation	Impairment	Gains/losses at disposal	Net profit
Properties recognised as inventory	7	47		44	86	2
Investment properties, with rent income	185	109	118	111	115	-38
Investment properties, without rent income		1				-1
Vehicles					9	9
Shares and other participating interests					107	107
Other	131	162		25	91	35
<b>Total</b>	<b>323</b>	<b>319</b>	<b>118</b>	<b>180</b>	<b>408</b>	<b>114</b>

2010	Operating income	Operating expenses	Depreciation	Impairment	Gains/losses at disposal	Net profit
Properties recognised as inventory				47	107	60
Investment properties	100	81	21	204		-206
Vehicles		41		219	-1	-261
<b>Total</b>	<b>100</b>	<b>122</b>	<b>21</b>	<b>470</b>	<b>106</b>	<b>-407</b>

	2011			2010		
	Number	Carrying amount	Fair value	Number	Carrying amount	Fair value
<b>Estonia</b>						
Properties recognised as inventory	593	314	337	495	256	259
Investment properties	91	256	277	55	214	215
Vehicles	1 185	8	8	318	41	41
Shares and other participating interests	1	36	36			
<b>Total</b>	<b>1 870</b>	<b>614</b>	<b>658</b>	<b>868</b>	<b>511</b>	<b>515</b>
<b>Latvia</b>						
Properties recognised as inventory	4 503	1 291	1 589	1 173	646	648
Investment properties	96	492	568	53	283	288
Vehicles	3 335	40	40	456	82	82
Other	267	15	15	13	24	24
<b>Total</b>	<b>8 201</b>	<b>1 838</b>	<b>2 212</b>	<b>1 695</b>	<b>1 035</b>	<b>1 042</b>
<b>Lithuania</b>						
Properties recognised as inventory	483	279	288	194	92	92
Investment properties	118	169	182	83	114	114
Vehicles	833	89	120	723	203	285
<b>Total</b>	<b>1 434</b>	<b>537</b>	<b>590</b>	<b>1 000</b>	<b>410</b>	<b>491</b>
<b>USA</b>						
Properties recognised as inventory	1	25	25			
Vehicles	6	1 390	1 400	1	122	122
Shares and other participating interests	1	60	60	1	183	183
<b>Total</b>	<b>8</b>	<b>1 475</b>	<b>1 485</b>	<b>2</b>	<b>305</b>	<b>305</b>
<b>Ukraine</b>						
Investment properties	279	363	378			
Investment properties	786	366	369	888	419	419
<b>Total</b>	<b>1 065</b>	<b>729</b>	<b>747</b>	<b>888</b>	<b>419</b>	<b>419</b>
<b>Sweden</b>						
Properties recognised as inventory	16	30	30	18	55	55
Investment properties	3	276	344	1	216	216
Vehicles	36	4	4	20	4	4
Shares and other participating interests				1	2	2
Other	19	39	39	24	6	6
<b>Total</b>	<b>74</b>	<b>349</b>	<b>417</b>	<b>64</b>	<b>282</b>	<b>283</b>
<b>Other countries</b>						
Properties recognised as inventory	43	74	74	45	123	123
Investment properties	7	742	805	7	758	826
Vehicles	5	6	6	4	3	3
Shares and other participating interests	2	11	11			
<b>Total</b>	<b>57</b>	<b>833</b>	<b>896</b>	<b>56</b>	<b>884</b>	<b>952</b>
<b>Total</b>						
Properties recognised as inventory	5 918	2 376	2 721	1 925	1 172	1 178
Investment properties	1 107	3 691	3 945	1 088	2 126	2 200
Vehicles	5 394	147	179	1 521	333	414
Shares and other participating interests	4	107	107	2	185	185
Other	286	54	54	37	30	30
<b>Total</b>	<b>12 709</b>	<b>6 375</b>	<b>7 006</b>	<b>4 573</b>	<b>3 846</b>	<b>4 007</b>

The Group's investment properties are primarily owned by Ektornet. The investment properties' fair values have been determined by cash flow analyses for each object. Every property is measured individually. Since the number of transactions involving commercial properties is limited to several submarkets, it is difficult to apply direct area price methods. The measurement has been made using assumptions based on available market information about transactions that have occurred and about the rental market. The measurement has also included property specific variables regarding revenues, expenses and investment needs.

The fair values are primarily determined by internal appraisers with extensive knowledge of the properties and the relevant market. Random checks by independent external appraisers have been performed, especially in Latvia, where the holding includes the greatest number of properties.

#### Capital requirement for credit risks

The capital requirement for credit risks for Swedbank on 31 December 2011 totalled SEK 33 277m (36 401). For more information, see note G4 Capital.

## Liquidity risks

### DEFINITION

Liquidity risk refers to the risk of not being able to meet payment obligations at maturity without significant increase in cost for obtaining means of payment due to high borrowing costs or low prices when divesting assets.

In line with the Group's risk appetite, the Board of Directors has set tolerance limits for liquidity risk. Swedbank's liquidity portfolio is subject to limits in terms of size requirements and guidelines for composition. The Board has also set a requirement for minimum unused room in the cover pool for issuance of covered bonds (Over Collateralisation, OC). The purpose of this limit is to be able to offset a price decline in the property market. There is also a limit set for Swedbank's liquidity risk in terms of survival period at the Group level. In addition, there are other limits which set a ceiling for cumulative negative cash flows during a given time period.

### Financing and liquidity strategy

Group Treasury has the overarching responsibility for managing the Group's liquidity, within the framework for the mandates established by the Board of Directors and the CEO. The Group's financing strategy and liquidity buffer are significant factors in liquidity risk management.

Swedbank's financing strategy is adapted to the structure of Swedbank's assets. More than half of Swedbank's lending consists of Swedish mortgages, which are primarily financed through covered bonds. Swedbank is the savings leader in its home markets. Deposit volumes, together with covered bonds and shareholder equity, cover nearly all of Swedbank's total funding requirements. This means that, to a great extent, Swedbank can choose between funding with covered or with unsecured bonds. We consider this a strength, in part because covered bonds are a more secure funding source. Swedbank strives to match fund unsecured financing with assets of an equivalent amount and maturity.

### Risk management

Managing liquidity risks is a significant aspect of Swedbank's operations. Liquidity risk is continuously measured, monitored, forecast and analysed based on various time periods with the overarching purpose of ensuring that the Group can always meet its payment obligations on time, and without suddenly being forced to sell assets at unfavourable terms.

Group Treasury is responsible for financing and management of Swedbank's liquidity reserve. From a funding perspective, Swedbank's issuance programme is built on continuous analyses of the Group's balance sheet and maturity structure.

Swedbank's methodologies for pricing products and services were developed further during 2011. By incorporating liquidity, currency and interest rate risk into the model, the bank is raising awareness within its organization about how liquidity risk affects various products. The long term aim of this is to optimize prudent management of liquidity risks.

### Liquidity reserve

The purpose of building up and maintaining a liquidity reserve is to reduce Swedbank's liquidity risk. When Swedbank faces a high volume of maturing bonds, the liquidity reserve must be adjusted to meet these maturities in various types of stressed scenarios in the capital markets where access to financing may be limited, or where markets are fully or partly closed over an extended period of time. This also means that at times when Swedbank's maturities are lower, the liquidity reserve can be reduced, since refinancing needs decrease, as does liquidity risk. The Board of Directors has also set a floor for Group Treasury's liquidity portfolio. The portfolio must exceed a given volume, and has to be invested in liquid and pledgeable assets (not to be confused with the liquidity reserve, which in addition to the liquidity portfolio includes liquidity placed with central banks and in the overnight market).

### Liquidity reserve\*

#### According to the templated defined by the Swedish Bankers association

Cash and balances with central banks	163 215
Deposits in other banks, available over night	
Securities issued or guaranteed by sovereigns, central banks or multinational development banks	27 880
Securities issued or guaranteed by municipalities och Public sector entities	
Covered bonds	54 132
Issued by other institutions	54 132
Own issued	
Securities issued by non-financial corporated	
Securities issued by financial corporates (excl. Covered bonds)	1 715
Other	
<b>Total</b>	<b>246 942</b>

\* 96% of the securities in the liquidity reserve per December 31 2011 are rated AAA.

### Additional liquid assets, Group\*\*

Cash and balances with central banks	
Deposits in other banks, available over night	
Securities issued or guaranteed by sovereigns, central banks or multinational development banks	3 985
Securities issued or guaranteed by municipalities och Public sector entities	4
Covered bonds	45 989
Issued by other institutions	33 950
Own issued	12 039
Securities issued by non-financial corporated	1 947
Securities issued by financial corporates (excl. Covered bonds)	10 156
Other	
<b>Total</b>	<b>62 082</b>

\*\* 80% of the additionally liquid assets fulfill the requirements of the Swedish Banking Association's template, except that they are held outside Treasury.

### Summary of maturities

In the summary of maturities, undiscounted contractual cash flows are distributed on the basis of remaining maturities until the agreed time of maturity. For lending to the public amortising loans are distributed based on the amortisation schedule. Liabilities whose repayment date may depend on various options are distributed based on the earliest date on which repayment could be demanded. Differences between nominal amount and carrying amount, the discount effect, are reported together with items without an agreed maturity date where the anticipated realisation date has not been determined, in the column labelled "Without maturity date/change in value."

Remaining maturity 2011	Undiscounted contractual cash flows						No maturity/ discount effect	Total
	Payable on demand	< 3 mths.	3 mths.–1 yr	1–5 yrs	5–10 yrs	> 10 yrs		
<b>Assets</b>								
Cash and balances with central banks	164 307							164 307
Treasury bills and other bills eligible for refinancing with central banks		3 198	1 962	9 852	3 914	2 063	4 864	25 853
Loans to credit institutions	4 781	83 776	2 469	4 702	215	396	856	97 195
Loans to the public	31 859	108 754	67 386	181 077	97 731	721 880	2 767	1 211 454
Bonds and other interest-bearing securities		20 286	23 120	63 523	2 105	513	2 911	112 458
Financial assets for which the customers bear the investment risk		114	1 252	7 329	7 776	31 223	48 053	95 747
Shares and participating interests							5 126	5 126
Derivatives		22 283	20 810	54 413	7 925	2 645	-4 350	103 726
Intangible fixed assets							13 799	13 799
Tangible assets							8 293	8 293
Other assets		19 053	54					19 107
<b>Total</b>	<b>200 947</b>	<b>257 464</b>	<b>117 053</b>	<b>320 896</b>	<b>119 666</b>	<b>758 720</b>	<b>82 319</b>	<b>1 857 065</b>
<b>Liabilities</b>								
Amounts owed to credit institutions	55 735	78 656	3 774	2 521	331		-1 419	139 598
Deposits and borrowings from the public	428 395	93 762	33 345	5 896	201	97		561 696
Debt securities in issue		114 707	88 267	482 185	70 021	17 473	8 805	781 458
Financial liabilities where customers bear the investment risk		122	1 346	7 480	8 000	31 721	47 780	96 449
Derivatives		22 417	20 134	47 004	7 205	1 878	-8 154	90 484
Other liabilities		63 141	3 849	1 183	1 543			69 716
Subordinated liabilities					10 239	8 231	1 061	19 531
Equity							98 133	98 133
<b>Total</b>	<b>484 130</b>	<b>372 805</b>	<b>150 715</b>	<b>546 269</b>	<b>97 540</b>	<b>59 400</b>	<b>146 206</b>	<b>1 857 065</b>

The large part of deposits from the public is contractually payable on demand. Despite the contractual terms, the deposits are essentially a stable and a long-term source of funding.

Remaining maturity 2010	Undiscounted contractual cash flows						No maturity/ discount effect	Total
	Payable on demand	< 3 mths.	3 mths.–1 yr	1–5 yrs	5–10 yrs	> 10 yrs		
<b>Assets</b>								
Cash and balances with central banks	17 109							17 109
Treasury bills and other bills eligible for refinancing with central banks		14 312	5 665	4 485	5 622	1 551	3 289	34 924
Loans to credit institutions	40 857	115 288	2 167	6 459	114	603	929	166 417
Loans to the public	33 540	121 708	65 538	170 432	90 347	707 114	-1 453	1 187 226
Bonds and other interest-bearing securities		7 666	24 259	58 784	4 240	34	1 669	96 652
Financial assets for which the customers bear the investment risk		436	1 111	5 943	6 101	26 648	60 389	100 628
Shares and participating interests							8 891	8 891
Derivatives	8	21 740	13 806	17 244	1 661	73	10 519	65 051
Intangible fixed assets							15 794	15 794
Tangible assets							5 679	5 679
Other assets		17 280	30					17 310
<b>Total</b>	<b>91 514</b>	<b>298 430</b>	<b>112 576</b>	<b>263 347</b>	<b>108 085</b>	<b>736 023</b>	<b>105 706</b>	<b>1 715 681</b>
<b>Liabilities</b>								
Amounts owed to credit institutions	55 208	69 864	8 971	2 880	391	13	-561	136 766
Deposits and borrowings from the public	441 015	63 165	23 492	6 219	256	90		534 237
Debt securities in issue		93 774	150 389	388 992	45 557	13 207	-5 402	686 517
Financial liabilities where customers bear the investment risk		483	1 325	6 973	7 358	31 818	53 031	100 988
Derivatives	8	19 653	14 471	26 256	7 310	1 922	-3 685	65 935
Other liabilities		63 571	2 467	1 310	1 668			69 016
Subordinated liabilities					17 364	8 942	881	27 187
Equity							95 035	95 035
<b>Total</b>	<b>496 231</b>	<b>310 510</b>	<b>201 115</b>	<b>432 630</b>	<b>79 904</b>	<b>55 992</b>	<b>139 299</b>	<b>1 715 681</b>

The large part of deposits from the public is contractually payable on demand. Despite the contractual terms, the deposits are essentially a stable and a long-term source of funding.

### Risk measurement

Aside from the Group Treasury's overarching responsibility, it is the responsibility of Group Risk to identify all relevant aspects of liquidity risk, and to measure, monitor, and report on liquidity risks on a daily basis. Analyses are done for all foreign currencies. Moreover, Swedbank uses a number of methods and systems to ensure that it can meet its payment obligations and commitments every day, under normal as well as stressed conditions. Managing intra-day payments includes monitoring and verifying that payment obligations are executed punctually and that any financing needs are identified.

The calculation of Swedbank's liquidity risk is based on the Group's future net cash flows, which are accumulated over time. Cash flows from liquid assets are modelled based on conservative estimates of when, at the earliest, they can be realised.

Swedbank uses of the term 'survival period' as one of several measures of the Group's liquidity risk, where survival period is defined as the period of time when future accumulated contractual cash flows are positive. In the calculation, it is assumed that Swedbank does not have access to capital markets, i.e., that no new long- or short-term liabilities can be issued or refinanced, but that Swedbank's liquid, pledgeable securities will generate liquidity. The impact of non-contractual cash flows are analysed through simulations and various stress tests. These analyses of the Group's future liquidity flows provide important information for liquidity risk management, particularly for planning the Group's future liquidity needs.

In addition, liquidity risks are measured and monitored with the help of a number of different measures, including Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and Over Collateralisation (OC). LCR is a measure of Swedbank's liquidity reserve to manage short-term outflows in stressed situations. NSFR is used to measure the maturity matching between assets and liabilities on Swedbank's balance sheet.

In order to identify and act on increased liquidity risks as early as possible, Swedbank uses a number of forward-looking risk indicators, such as volatilities in selected market prices, and price discrepancies between various financial instruments. These indicators can signal increased stress in the financial markets and hence increased liquidity risks.

Swedbank has developed special continuity plans to manage the effects that would arise in case of serious market disruptions. These plans exist for the Group level and for the local level in the countries where Swedbank runs businesses.

### Stress tests

Stress tests are conducted regularly in order to increase readiness for possible disturbances in the market. The stress tests focus on Swedbank-specific as well as market-related problems; these analyses also take into account the combined effects that would occur if both kinds of issues arise simultaneously.

In the scenarios, a number of the risk drivers which underly the liquidity curve are stressed to levels that are unlikely, but possible. Examples include large-scale withdrawals from deposit accounts, severe utilisation of credit facilities, and increased collateral requirements for various purposes. In addition, the scenario assumes that Swedbank's liquidity reserve will fall in value, as will loans in the mortgage operations. This risk driver impacts Swedbank's ability to issue covered bonds, which are of strategic importance for bank funding. Finally, it assumes that access to capital markets dries up, but that Swedbank's liquid assets can still generate liquidity.

The table below provides a snapshot of the cover pool for 31 December 2011 ("Current"). The table illustrates the effects on the OC of Swedbank Mortgage, that is, the unutilised room in the cover pool for covered bond issues, given different price declines for the mortgages in the pool which could occur over a period of time. The more prices fall, the more difficult it becomes to issue bonds. Swedbank's Board of Directors has set a minimum OC level, however, which the bank may not go below, regardless of the OC requirements of the rating agencies.

### Cover pool sensitivity analysis, house price decline

31 december 2011

House price decline	Current	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%
Total assets in the cover pool, SEK bn	670	662	650	634	615	594	570	544	515
Total outstanding covered bonds, SEK bn	521	521	521	521	521	521	521	521	521
Over collateralisation level, %	28.7	27.1	24.9	21.8	18.2	14.1	9.5	4.4	-1.1

**Debt issuing**

In 2011 Swedbank issued a total of SEK 254bn in long-term debt instruments. Swedbank has remained active in several capital markets in order to diversify its funding.

The majority of the issues were covered bonds, where a new funding programme was introduced primarily for US investors (under rule 144a of the US Securities Act).

**Debt securities in issue**

Turnover during the year	2011	2010
<b>Commercial papers with state guarantee</b>		
Opening balance		60 689
Repaid		-60 689
Closing balance		
<b>Other commercial papers</b>		
Opening balance	64 375	49 884
Issued	319 621	284 652
Repaid	-260 255	-268 179
Change in market values	-93	-1 519
Change in exchange rates	-678	-463
Closing balance	122 970	64 375
<b>Covered bond loans</b>		
Opening balance	410 369	341 372
Issued	232 014	237 958
Repurchased	-93 063	-57 635
Repaid	-34 683	-103 351
Change in market values	11 255	-7 975
Closing balance	525 892	410 369

Turnover during the year	2011	2010
<b>Bond loans with state guarantee</b>		
Opening balance	156 045	181 587
Repurchased	-13 262	
Repaid	-67 326	-14 035
Change in market values	-101	342
Change in exchange rates	212	-11 849
Closing balance	75 568	156 045
<b>Other interest-bearing bond loans</b>		
Opening balance	35 196	32 721
Issued	17 969	23 524
Repurchased	-4 465	-33
Repaid	-9 234	-18 128
Change in market values	40	264
Change in exchange rates	-66	-3 152
Closing balance	39 440	35 196
<b>Structured products</b>		
Opening balance	20 532	37 004
Issued	3 872	3 768
Repurchased		-4 901
Repaid	-7 377	-16 552
Change in market values	562	1 217
Change in exchange rates	-1	-4
Closing balance	17 588	20 532
<b>Total debt securities in issue</b>	<b>781 458</b>	<b>686 517</b>

**Capital requirement for liquidity risk**

Today banks and financial institutions do not face any capital requirements for liquidity risk. On the other hand, disruptions to liquidity can arise due to an imbalance between risk and capital. The purpose of the internal capital adequacy assessment process is to prevent this type of imbalance.

## Market risks

### DEFINITION

Market risk refers to the risk that changes in risk factors in the financial markets, such as interest rates, exchange rates, or share prices will adversely affect the Group's results, equity or value.

### Risk management

Market risks arise in Swedbank's trading operations, for example in trading on financial markets, as well as structurally in other operations; hence management of market risks can be divided into these two main areas. Swedbank's total risk-taking is governed by limits set by the Board regarding the nature and size of financial risk-taking.

Only so-called risk-taking units, i.e., units assigned a risk mandate by the CEO, are permitted to take financial risks. Risks in these units are measured, monitored and reported daily to the CEO and senior executives within the Group.

The dominant market risks within Swedbank are of a structural or strategic nature and are managed centrally by Group Treasury, which is responsible for minimising possible negative impacts on Swedbank's net income and equity.

One example of structural risk is the interest rate risk that arises from mismatches in interest-fixing periods between Swedbank's lending and funding. Another example is the currency risk that arises when deposits and lending are not denominated in the same currency. Strategic risks consist mainly of currency risks related to holdings in foreign operations where it is not possible to hedge that currency risk. The Group's operations in the Baltic countries, Russia and Ukraine have increased the bank's currency risk, including strategic currency risk. The economic recovery in Latvia and Lithuania is still ongoing, which has reduced the risk of devaluation.

Market risks in Swedbank's trading operations are low compared to the Group's total risks. This is for example illustrated in the calculation of capital adequacy, where their share of the total risk-weighted amount is approximately 5 per cent (5) as of 31 December 2011.

### Risk measurement

Market risks in Swedbank are measured by using VaR (a model-based risk measure according to international standards), as well as by traditional sensitivity and stress tests.

VaR involves using a model for movements in interest rates, stock prices, exchange rates and implicit volatilities to estimate a probability distribution for the change in value of Swedbank's total portfolio. This is based on the hypothetical assumption that the portfolio will remain unchanged over a specific time horizon.

In the Group's VaR model, the probability distribution is estimated daily, using a Monte Carlo simulation based on historical market price changes over the last year. The horizon is one trading day where VaR is calculated using the probability distribution as a basis. The measure expresses a potential loss level for the current portfolio. The Group uses 99 per cent VaR, which means that the potential loss will exceed the VaR amount with a 1 per cent likelihood during the chosen time horizon. Since the model's scenarios are based on historical data, covariations that regularly arise between market prices, e.g., how different interest rates historically move in relation to each other, are taken into account when calculating VaR. Thus, the model provides a better and more nuanced risk measure than single sensitivities. Another advantage of VaR is that various types of market risks can be compared as well aggregated into a single measure.

The Group's VaR model is evaluated regularly through hypothetical backtesting, a systematic method to evaluate after the fact whether the probability distribution of possible portfolio returns generated by the model was correct. The backtesting results are then compared with VaR. If this is done for a large number of days, the reliability of the model can be evaluated. The outcome of the actual and hypothetical backtesting indicate that the model functions well.

One weakness of VaR is that occasionally, the historical correlations which the calculation is based on do not apply, for example, in stressed situations in the financial markets. For this reason, the calculation of VaR is accompanied by periodic stress tests that estimate the Group's potential loss in the event of extraordinary market disruptions that break down historical patterns.

In Swedbank Ukraine, VaR excludes market risks and strategic currency risks; this is because VaR would be misleading due to the illiquid and undeveloped financial markets in Ukraine. For strategic currency risks, a VaR measure based on a one-day horizon is not relevant.

### Risk exposure

Interest rate risk, in terms of VaR, rose during the first half of 2011, which can be explained primarily by continued expansion of the Group's liquidity portfolio. During the second half of 2011 the risks in Swedbank's portfolio decreased as a consequence of lower volatility on the Swedish interest rate markets.

### VaR by risk category

SEKm	Jan.-Dec. 2011 (2010)			31 Dec.	31 Dec.
	Max	Min	Average	2011	2010
Interest rate risk	186 (127)	56 (50)	108 (81)	91	110
Currency risk	29 (19)	2 (2)	7 (7)	7	7
Share price risk	14 (12)	2 (2)	6 (6)	5	6
Diversification			-20 (-12)	-19	-14
<b>Total</b>	<b>175 (126)</b>	<b>52 (52)</b>	<b>101 (82)</b>	<b>84</b>	<b>109</b>

### Market risks in the Trading operations

Trading operations at Swedbank are conducted in LC&I with the aim of satisfying customer needs to make financial market transactions. Positioning occurs only to a limited extent and the risk level in this operation is low. Despite the challenging market conditions, the trading operations managed to keep risks at a stable level with few large losses while maintaining satisfactory earnings. These results are typical for a trading desk that operates with low risk and is primarily based on customer demand for financial solutions and investments. VaR for the trading operations in 2011 showed a high of SEK 38m, a low of SEK 11m, and an average of SEK 24m. The number of loss days was 58.



## Interest rate risks

### Interest rate risk

Interest rate risk refers to the risk that the value of the Group's assets, liabilities and interest-related derivatives are negatively affected by changes in interest rates or other relevant risk factors.

The Group's interest rate risks arise when interest fixing periods on assets and liabilities, including derivatives, do not coincide. The Group's fixed-rate assets consist primarily of loans. The interest rate risk in these assets is largely eliminated either because they are financed with fixed-term funding or because the Group has arranged swap contracts where it pays a fixed interest rate. The large part of the Group's fixed interest rate loans has credit agreements that do not permit prepayment without compensating the Group for any losses that may arise due to changes in the interest rates since the loan was paid out, a prepayment fee.

Demand deposits can also be seen as partially interest-linked, as there are large volumes of deposits with a floating interest rate so low it is unlikely it can be reduced more, even if Swedish repo rates are cut. This may affect net interest negatively, but the parent company has chosen to position itself to reduce these negative effects.

Interest rate risk is measured in the Group for all positions, both those recorded at fair value in the accounts and those recorded at amortised cost. In measuring the interest rate risk the Group has also decided to assign certain portions of the Swedish deposits a duration of 2-3 years. As of 31 December 2011, an increase in all market interest rates (including real interest rates) by one percentage point would have reduced the value of the Group's interest-bearing assets and liabilities, including derivatives, by SEK 988m (777). The decrease in the value of positions in SEK would have been SEK 656m (499), while positions in foreign currency would have decreased in value by SEK 332m (278). The change is due to an extended duration in Swedbank Mortgage and the further built-up of the Group's liquidity reserve.

The increased interest rate risk can be explained by the strengthening of the liquidity portfolio.

Risks in the trading operations remained low over the year as a whole. The level of interest rate risk in the trading operation is more volatile than in the rest of the business and ended the year at a higher level. For the year as a whole however, risk trended downwards.

Changes in interest rates also affect net interest income. The magnitude of this effect depends partly on the remaining interest fixing period for the Group's fixed-rate assets, liabilities and derivatives and partly on the extent to which the Group is able to adapt the interest rates on variable-rate lending and deposits. A review of net interest risk, measured as the sensitivity to a lasting change in all interest rates by one percentage point, is shown in note G54.

### Credit spread risk

Credit spread risk refers to the risk that the value of the Group's assets and liabilities, including derivatives, may fluctuate due to changes in the issuer-specific interest mark-up (the credit spread). The Group's credit spread risks are concentrated in the parts of its operations that hold coupon-bearing securities issued by sovereign states, companies or financial institutions. These activities are conducted mainly in client-related business by Swedbank LC&I and in the Group's liquidity portfolio.

Credit spread risk is measured in the Group on all coupon-bearing positions and credit derivatives. An increase/decrease in all issuer-specific spreads of 1 bp as of 31 December 2011 would have reduced/increased the value of the Group's interest-bearing assets, including derivatives, by SEK 12m.

### Change in value if the market interest rate rises by one percentage point

The impact on the net value of assets and liabilities, including derivatives, (SEKm) when market interest rates rise by one percentage point.

2011	< 3 mths.	3-6 mths.	6-12 mths.	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	5-10 yrs	> 10 yrs	Total
SEK	-234	-36	-133	-633	226	-216	253	83	34	-656
Foreign currency	-77	-18	-15	57	-1	21	-14	-128	-157	-332
<b>Total</b>	<b>-311</b>	<b>-54</b>	<b>-148</b>	<b>-576</b>	<b>225</b>	<b>-195</b>	<b>239</b>	<b>-45</b>	<b>-123</b>	<b>-988</b>

In the table above, part of deposits from the public that are payable on demand have been assigned a fixed interest period of between 2 and 3 years.

### of which financial instruments measured at fair value through profit or loss

SEK	-460	-68	39	-171	-172	-128	139	2	70	-749
Foreign currency	90	29	50	59	-6	50	-1		45	316
<b>Total</b>	<b>-370</b>	<b>-39</b>	<b>89</b>	<b>-112</b>	<b>-178</b>	<b>-78</b>	<b>138</b>	<b>2</b>	<b>115</b>	<b>-433</b>

### The impact on the net value of assets and liabilities, including derivatives, (SEKm) when market interest rates rise by one percentage point.

2010	< 3 mths.	3-6 mths.	6-12 mths.	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	5-10 yrs	> 10 yrs	Total
SEK	-104	-120	-672	-422	995	-128	-11	-91	54	-499
Foreign currency	-165	89	61	-2	29	3	27	-196	-124	-278
<b>Total</b>	<b>-269</b>	<b>-31</b>	<b>-611</b>	<b>-424</b>	<b>1 024</b>	<b>-125</b>	<b>16</b>	<b>-287</b>	<b>-70</b>	<b>-777</b>

In the table above, part of deposits from the public that are payable on demand have been assigned a fixed interest period of between 2 and 3 years.

### of which financial instruments measured at fair value through profit or loss

SEK	63	-102	-287	-9	-37	-99	2	-65	54	-480
Foreign currency	-188	85	72	98	116	16	77	-29	20	267
<b>Total</b>	<b>-125</b>	<b>-17</b>	<b>-215</b>	<b>89</b>	<b>79</b>	<b>-83</b>	<b>79</b>	<b>-94</b>	<b>74</b>	<b>-213</b>

## Currency risks

### Currency risk

Currency risk refers to the risk that the value of the Group's assets and liabilities, including derivatives, may fluctuate due to changes in exchange rates or other relevant risk factors.

The Group's currency risks are managed by adapting the total value of assets and liabilities, including derivatives, in the same currency to the desired level. This is mainly done using derivatives, such as cross currency interest rate swaps and forward exchange agreements.

A large portion of lending in Latvia and Lithuania is in euro, while deposits are denominated in local currency (Latvian lat and Lithuanian litas) as well as euro.

To reduce currency risk, the Group's strategic foreign holdings are generally funded in each country's national currency or in a currency linked to the country's currency. The

Group's exposure to currency risks with the potential to affect earnings, i.e., excluding exposures related to investments in foreign operations and related hedges, is limited. A shift in exchange rates between the Swedish krona and foreign currencies of +/-5 per cent at year-end would have a direct positive effect on the Group's reported profit of SEK -36m (50).

Currency risk can also arise in the operations that manage repossessed property for the purpose of selling it. The operations are funded through loans in various currencies, and the holdings in the portfolio have an anticipated duration based on a divestment plan. The difference that arises between assets and liabilities gives rise to a currency risk, which is managed within the operations and is limited in the same way as other currency risk.

### Currency distribution

2011	SEK	EUR	USD	GBP	LVL	LTL	RUB	UAH	Other	Total
<b>Assets</b>										
Cash and balances with central banks	2 156	103 397	46 815	44	2 176	3 613	976	167	4 963	164 307
Loans to credit institutions	73 710	9 149	9 628	61	63	161	577	920	2 926	97 195
Loans to the public	1 005 678	122 906	44 014	1 276	3 148	7 702	1 317	1 210	24 203	1 211 454
Interest-bearing securities	95 284	29 273	6 155		77	570	66	4	6 882	138 311
Other assets, not distributed	245 798									
<b>Total</b>	<b>1 422 626</b>	<b>264 725</b>	<b>106 612</b>	<b>1 381</b>	<b>5 464</b>	<b>12 046</b>	<b>2 936</b>	<b>2 301</b>	<b>38 974</b>	<b>1 857 065</b>
<b>Liabilities</b>										
Amounts owed to credit institutions	94 122	14 275	27 359	68			4	34	3 736	139 598
Deposits and borrowings from the public	422 361	66 074	26 313	1 766	9 307	26 477	1 331	370	7 697	561 696
Debt securities in issue, etc.	404 220	212 727	133 647	11 654		198			38 543	800 989
Other liabilities, not distributed	256 649									256 649
Equity	98 133									98 133
<b>Total</b>	<b>1 275 485</b>	<b>293 076</b>	<b>187 319</b>	<b>13 488</b>	<b>9 307</b>	<b>26 675</b>	<b>1 335</b>	<b>404</b>	<b>49 976</b>	<b>1 857 065</b>
Other assets and liabilities, including positions in derivatives		47 020	80 907	12 096	7 431	3 979	-1 875	-99	11 237	
Net position in currency		18 669	200	-11	3 588	-10 650	-274	1 798	235	13 555

Net funding in foreign currency with a corresponding recognised amount of SEK 21 037m (18 431) is used as a hedging instrument to hedge the net investment in foreign operations. The above net position in currencies pertains mainly to parts of net investments in foreign operations that are not hedged. Exchange rate changes on this position are recognised in other comprehensive income as translation difference.

### Currency distribution

2010	SEK	EUR	USD	GBP	EEK	LVL	LTL	RUB	UAH	Other	Total
<b>Assets</b>											
Cash and balances with central banks	2 522	666	192	32	2 695	4 719	3 254	614	331	2 084	17 109
Loans to credit institutions	87 649	61 247	12 727	127	104	207	166	1 112	1 259	1 819	166 417
Loans to the public	978 616	128 344	40 418	716	5 620	2 948	7 063	1 379	901	21 221	1 187 226
Interest-bearing securities	104 247	13 709	2 918		29	45	365		381	9 882	131 576
Other assets, not distributed	213 353										213 353
<b>Total</b>	<b>1 386 387</b>	<b>203 966</b>	<b>56 255</b>	<b>875</b>	<b>8 448</b>	<b>7 919</b>	<b>10 848</b>	<b>3 105</b>	<b>2 872</b>	<b>35 006</b>	<b>1 715 681</b>
<b>Liabilities</b>											
Amounts owed to credit institutions	78 898	24 560	26 399	341		355	189	11	4	6 009	136 766
Deposits and borrowings from the public	412 340	36 939	14 893	848	24 410	10 571	25 588	968	968	6 712	534 237
Debt securities in issue, etc.	380 204	189 883	103 857	5 477			420			33 863	713 704
Other liabilities, not distributed	235 939										235 939
Equity	95 035										95 035
<b>Total</b>	<b>1 202 416</b>	<b>251 382</b>	<b>145 149</b>	<b>6 666</b>	<b>24 410</b>	<b>10 926</b>	<b>26 197</b>	<b>979</b>	<b>972</b>	<b>46 584</b>	<b>1 715 681</b>
Other assets and liabilities, including positions in derivatives		79 701	89 045	5 876	10 164	2 736	895	-1 958	-982	11 761	
Net position in currency		32 285	151	85	-5 798	-271	-14 454	168	918	183	13 267

Net funding in foreign currency with a corresponding recognised amount of SEK 18 431m (19 862) is used as a hedging instrument to hedge the net investment in foreign operations. The above net position in currencies pertains mainly to parts of net investments in foreign operations that are not hedged. Exchange rate changes on this position are recognised in other comprehensive income as translation difference.

## Share price risks

### Share price risk

Share price risk refers to the risk that the value of the Group's holdings of shares and share-related derivatives may be affected negatively by changes in share prices or other relevant risk factors.

Exposure to share price risks arises in the Group due to holdings in equities and equity-related derivatives. The Group's equity trading is primarily customer-related. Positions in the trading operations are taken by Swedbank LC&I and are normally such that only limited losses can arise from large share price movements. The purpose of these positions is, among other things, to create liquidity for the Group's customers.

Share price risk is measured and limited in the Group with respect to the worst possible outcomes in 63 different scenarios where share prices and implicit volatilities change. In these scenarios, the share prices change by a maximum of +/- 20 per cent and the implicit volatilities by a maximum of +/- 30 per cent. The outcomes for the various combinations form a risk matrix for the share price risk, and the worst-case scenario is limited. As of year-end the worst-case scenario conceivably would have reduced the value of the trading operations' positions by SEK -17m (-13).

### Commodity risk

Commodity risk refers to the risk that the value of the Group's holdings of commodity-related derivatives will be negatively affected by a change in asset prices. As of 31 December 2011, Swedbank had no open commodity exposures. The exposure to commodity risks arises in the Group only in exceptional cases as part of customer-related products. All positions with a commodity exposure must always be hedged with another party so that no open exposure remains.

### Derivatives

Derivatives are financial instruments whose fair value is mainly dependent on changes in the value of an underlying asset. In the Group, derivatives are used by LC&I, Group Treasury and some subsidiaries, particularly Swedbank Mortgage. Swedbank uses derivatives to meet customer needs, and as a part of market-maker activities and to cover and take market risk positions. Equity-related derivatives are used to cover risks such as those associated with warrants and index-linked bonds that have been issued.

In other units, derivatives are used primarily to reduce interest rate risk, currency risk, and credit risk associated with services offered to customers, and for funding their operations. Derivatives impact the Group's financial risks because their value is affected by movements in interest rates and the price of currencies and equities.

Financial risks associated with derivatives are limited and monitored as part of the overall management of financial risks. The cash flows that arise from the Group's derivative transactions are monitored and followed up in the same way as other cash flows within the Group.

In note G27 Derivatives, the Group's total derivative positions as of 31 December 2011 are divided into interest, currency and equity derivatives, etc. Contracts with positive and negative market values are summed up separately. The table also indicates how large a share of the Group's derivatives is settled via clearing organisations. In contracts with positive market values, the Group has a receivable from the counterparty. To the extent a contract is settled via a clearing organisation, the Group has a receivable from it. The clearing organisation manages and reduces counterparty risks through the use of margin security and continuous settlements.

As a result, the counterparty risk in these contracts is negligible and is not considered a credit risk for the Group. For other contracts, OTC derivatives, a positive market value entails a credit risk. To reduce the credit risk in OTC derivatives, the Group as a rule has agreements with counterparties that allow netting. This means that if a counterparty becomes insolvent, all of the Group's derivatives with that counterparty will be treated collectively, so that any transactions with negative market value will be offset against those with positive market values, and in that way this will reduce Swedbank's credit exposure. In addition to netting, the Group also has standardised agreements on the exchange of collateral with a number of counterparties, in order to further limit counterparty risks that arise from changes in the value of derivative positions.

### Capital requirement for market risks

The capital requirement for market risk in Swedbank amounted to SEK 1 750m (2 340) and is presented broken down by risk type in note G4 under Capital adequacy.

## Operational risks

### DEFINITION

Operational risk refers to the risk of losses resulting from inadequate or failed internal processes or procedures, human error, faulty systems or external events. The definition includes legal risk and compliance risk.

### Risk management

Group Risk Control is responsible for uniform, Group-wide operational risk measurement and reporting to the Board of Directors, the CEO and the Group Executive Committee. An analysis of the risk level in all large business units is performed quarterly and reported to each local management as well as to the Board of Directors, the CEO and the Group Executive Committee.

Swedbank constantly strives to improve and develop the methods it uses to manage operational risk and in 2012 launched a project to implement the internal measurement method for operational risks. This includes further improving Swedbank's risk culture and procedures in order to effectively manage operational risks and incidents.

### Self assessments

All business areas apply a common Risk and Control Self Assessment (RCSA) method for operational risks, which is used regularly for all major processes in the Group. The method includes identifying risks and planning actions to manage them.

### Incident management

Swedbank has established procedures and systems support to facilitate in reporting and following up on incidents. Group Risk supports the business areas in reporting, in analysing and by drafting action plans to ensure that the underlying causes are identified and that suitable actions are taken. Incidents and related operational risk losses are reported in a central database for aggregation and further analysis.

### New Product Approval Processes (NPAP)

Swedbank implemented a new Group-wide process during 2011 for New Product Approval (NPA) covering all new and/or amended products, activities, processes and systems. The purpose is to make sure that the Group does not enter into activities that entail unintended forms of risk, or risks that are not immediately managed and controlled as part of the process.

### Security and continuity

Swedbank works proactively with security management to protect all types of assets, including personnel, tangible and intangible assets, by utilising technical, organisational and administrative measures. Swedbank's security management model is derived from the international standard ISO/IEC 27002:2005 Code of Practice for Information Security Management. Swedbank coordinates efforts to prevent and/or strengthen its ability to manage serious incidents, such as IT disruptions, natural disasters, financial disturbances and pandemics, which may affect Swedbank's ability to maintain services and offerings.

The principles for security, continuity, incident and crisis management are defined in a Group-level framework. A Group-level crisis management team coordinates and communicates internally and externally. In addition, continuity plans are in place for business-critical operations and services that are critical for the nation and society. The plans describe how Swedbank operates in the event of a serious disruption. Swedbank also has insurance protection, with an emphasis on catastrophe protection, for significant parts of its operations.

### Compliance

Compliance risk refers to the risk that the Group, by breaching laws, regulations and policies (internal or external), will fail to meet the standards and behaviour expected by clients and financial regulators.

Swedbank's internal regulation comprises rules for managing compliance risks. The central component of the internal regulation is the compliance instruction issued by the CEO. The aim of the internal rules is to ensure that Swedbank always meets the quality requirements and standards of behaviour expected by customers and financial regulators.

### Capital requirements for operational risks

Swedbank applies the standardised approach to calculate the capital requirement for operational risks. Swedbank's capital requirement for operational risk was SEK 4 359m (4 565), with Retail Banking accounting for the large part. For further information, see note G4 Capital.

## Insurance risks

### DEFINITION

Insurance risk refers to life insurance risks, P&C insurance risks and operating cost risks.

Life insurance risks consist of mortality risk, morbidity risk, longevity risk and cancellation risk, i.e., the risk that the contract will be terminated in advance or diminish in future value.

P&C insurance risk comprises the risk that the insurance result will be unusually unfavourable in the year ahead and that the final payment for past claims will be more expensive than anticipated. Operating cost risk refers to the risk that the insurance company's fixed costs will increase in the year ahead.

### Risk management

Before a life insurance policy is approved, the insured must pass a risk assessment. The purpose is to determine whether the insured can be approved for insurance based on his or her health. The desired insurance must also meet the policyholder's insurance needs. To further limit risk exposure, the company reinsures parts of its insurance risk.

Concentration risk is managed through Swedbank's insurance operations, which offer a broad range of products and are active in the entire Swedish market as well as in the three Baltic countries, thereby diversifying insurance risk by market, industry, age and gender.

Insurance contracts are designed so that the premium and assumptions can be changed annually, which means that the company can quickly balance its premiums and terms to today's rapid changes in morbidity, for example.

The pricing of premiums is based on assumptions about future costs for insurance events, such as projected longevity, mortality, morbidity and claim frequency. Experience in the form of statistical material and expectations about the market's future development are critical factors in the choice of assumptions.

### Risk measurement

Insurance risks in the life insurance operations are measured by stressing the insurance company's balance sheet, income statement and shareholders' equity one year in advance with a given level of confidence. For the P&C insurance operations, insurance risks are measured by calculating the claim ratio, i.e., claims in relation to premiums, by product and country.

### Risk exposure

The group's assumptions regarding mortality, illnesses, longevity, accidents, claims and pricing produce a risk result. The assumptions can be changed annually, which means that adjustments can quickly impact the risk result. P&C insurance today represents a very small part of Swedbank's total insurance operations. Since contracts are issued on an annual basis, insurance risks are limited because pricing can be changed for the following year.

### Capital requirement for insurance risk

Solvency is a measure of the insurance company's financial position and strength. The purpose is to show how much margin, capital base, the company has to fulfil its commitments to customers in accordance with the terms and guarantees in its insurance contracts.

The capital base in Swedbank's Swedish insurance operations amounted to SEK 2 279m (1 903) on 31 December 2011. This compares with a required solvency of SEK 1 465m (1 408). The solvency ratio was 1.56 (1.35).

The capital base in the Baltic life insurance operations amounted to EUR 97m (84) as of 31 December 2011. The solvency ratio was 6.66 (5.58). The capital base in the Baltic property and liability insurance operations amounted to EUR 63m (48) as of 31 December 2011. The solvency ratio was 9.37 (6.93).

The traffic light model is a methodology developed by the Swedish Financial Supervisory Authority to supervise Swedish life insurance companies and measure their exposure to various types of risks according to Solvency I. The result is a total capital adequacy requirement for the company, which for Swedbank Insurance AB was satisfactory as of 31 December 2011.

## G4 Capital

### Internal capital assessment

#### Purpose

The internal capital adequacy assessment process (ICAAP) aims to ensure that the Group is adequately capitalised to cover its risks and to operate and develop the business.

#### Measurement

Swedbank prepares and documents its own methods and processes to evaluate its capital requirements. Internal capital adequacy assessment therefore takes into account all relevant risks that arise within the Group.

The ICAAP also takes in risks for which no capital is allocated according to Pillar 1 (such as concentration risk, earnings volatility risk, pension risk, and strategic risk). Significant risks that have been identified within the Group include:

- Credit risk (incl. concentration risk)
- Market risk (incl. interest rate risk outside trading activities)
- Operational risk
- Reputational risk
- Earnings volatility risk
- Insurance risk
- Pension risk
- Strategic risk
- Liquidity risk

To ensure efficient use of capital, meet minimum legal capital requirements and maintain access to capital markets even under adverse market conditions, the Group conducts scenario-based simulations and stress tests at least once a year.

The analyses provide an overview of the most important risks that the Group is exposed to by quantifying the impact on the statement of total comprehensive income and balance sheet as well as the capital base and risk-weighted assets calculated according to capital adequacy rules. The business units are engaged in assessing risks and incorporating the results into business strategies. The method serves as a basis for proactive risk and capital management.

The internal capital adequacy assessment process is based on two different methods: the Building Block model and the Scenario model. The former is a static model with an evaluation horizon of one year, while the Scenario model is a dynamic model with a multi-year horizon. The two models represent Swedbank's estimation of its capital requirements and may therefore deviate from legal capital adequacy requirements. The ultimate requirement according to the internal capital adequacy assessment is given through a combination of both models and qualitative aspects.

#### Description of adverse scenario 2011

In December 2010 Swedbank's Board of Directors approved the main ICAAP scenario for 2011. The scenario was selected from a number of alternatives and represents a series of events that could have an extremely negative impact on Swedbank's home markets.

Given the uncertainty in the global economy, the internal capital adequacy assessment for 2011 was based on an exceptionally adverse scenario.

The scenario begins with a collapse of the housing market, which leads to a slow-down that spreads throughout Asia and triggers a severe economic downturn in the entire western world. In the US, the export-led recovery is halted, fuelling protectionism and economic pessimism. Global growth turns negative and the US enters a Japan-like economic scenario.

Meanwhile a weak EU is severely hit by falling demand from China and the US. The competitiveness of Europe's countries worsens which results in deflation. Europe sees its GDP fall even deeper than in the US and Asia. The already serious debt situation in several EMU countries finally causes the EMU to take difficult but necessary actions to save the currency union.

As a small, open economy, Sweden is hit by the Asian slowdown and the global contraction. Sweden suffers negative growth for three consecutive years, from 2012 through 2014, with export volumes falling throughout the scenario.

The Swedish krona strengthens, mainly due to the European and the global debt situation. Investment falls throughout the scenario due to weak demand, low capacity utilisation and liquidity constraints on the financial markets.

Unemployment in Sweden increases as a result of the cost cuts companies make to compensate for shrinking demand. The contracting labour market, combined with falling asset prices, leads to lower consumption. CPI turns negative, unemployment exceeds 15 per cent and real estate prices fall by 30 per cent over a three-year period.

#### ICAAP scenario

Sweden	2010	2011	2012	2013	2014	2015	2016
GDP level (2010 = 100)	100	101	97	95	94	95	96
Real GDP growth	5.3	1.0	-3.6	-2.4	-1.0	0.9	1.2
Unemployment	8.4	8.8	12.8	15.6	16.9	16.8	16.3
Residential real estate price index (level 2010 = 100)	100	98	83	71	67	69	73
Residential real estate price index growth	2.0	-2.0	-15.0	-15.0	-5.0	3.0	5.0
CPI level (2010 = 100)	100	101	99	99	98	99	100
CPI growth	1.3	0.8	-1.5	-0.7	-0.2	0.5	0.8

The Baltic region also comes under severe pressure in the global crisis envisioned in the scenario. The post-crisis growth seen here is wiped out, smothering hopes for an export-led recovery. Instead, unemployment rises again and many young well-educated people emigrate, putting more strain on the domestic economy.

Stress mounts on the political systems; Estonia suffers from a contraction in export-driven demand, but since it is an EMU member it lacks the option to devalue its currency. Latvia and Lithuania let their currencies devalue heavily during the scenario.

#### ICAAP scenario

Estonia	2010	2011	2012	2013	2014	2015	2016
GDP level (2010 = 100)	100	99	96	93	91	91	92
Real GDP growth	2.8	-1.4	-2.3	-3.1	-2.3	0.2	0.7
Unemployment	17.0	17.8	18.0	19.0	19.5	19.0	18.5
Residential real estate prices - index (2010 = 100)	100	90	81	77	76	76	77
- index growth	-2.0	-10.0	-10.0	-5.0	-1.0	0.0	1.0
CPI level (2010 = 100)	100	102	100	99	98	98	99
CPI growth	3.0	1.5	-1.5	-1.2	-0.8	0.5	1.0

Latvia	2010	2011	2012	2013	2014	2015	2016
GDP level (2010 = 100)	100	99	92	90	89	91	93
Real GDP growth	-0.5	-1.3	-6.5	-2.4	-1.0	2.0	2.6
Unemployment	18.9	18.5	20.0	21.5	21.5	21.0	20.0
Residential real estate prices - index (2010 = 100)	100	94	88	85	85	86	87
- index growth	1.0	-6.0	-6.0	-4.0	0.0	1.0	2.0
CPI level (2010 = 100)	100	101	121	121	122	124	128
CPI growth	-1.1	0.7	20.0	0.0	1.0	2.0	3.0

Lithuania	2010	2011	2012	2013	2014	2015	2016
GDP level (2010 = 100)	100	98	92	90	90	91	93
Real GDP growth	0.5	-1.6	-6.1	-2.3	-0.9	1.8	2.3
Unemployment	17.0	17.0	18.0	19.0	20.0	19.0	18.0
Residential real estate prices - index (2010 = 100)	100	90	81	79	79	79	80
- index growth	-5.0	-10.0	-10.0	-3.0	0.0	0.0	2.0
CPI level (2010 = 100)	100	101	121	121	122	123	125
CPI growth	1.3	1.0	20.0	0.0	0.5	1.0	2.0

**Swedbank in the scenario**

For Swedbank, the scenario results in credit impairments which, accumulated throughout the scenario period, amount to SEK 61bn. Of these losses, 64 per cent are attributable to the Swedish operations. Swedbank Mortgage's portfolio suffers severely.

Credit impairments in Latvia and Lithuania reach a peak before the countries devalue their currencies in 2012, and then level off. Credit impairments in Sweden and Estonia remain high throughout the scenario range. As a result of high credit impairments, Swedbank reports negative net earnings for three years in a row, and then a narrowly positive result for the remaining two years.

**Scenario Outcome – ICAAP**

Income Statement	2010	2011	2012	2013	2014	2015	2016
Profit before loan losses	12 485	13 233	13 766	7 666	7 287	7 150	7 610
Credit losses	3 005	5 972	19 318	15 359	10 231	6 734	4 290
<b>Profit for the year</b>	<b>7 084</b>	<b>5 033</b>	<b>-5 696</b>	<b>-7 694</b>	<b>-2 944</b>	<b>146</b>	<b>1 971</b>

Net interest income decreases beginning in 2011, mainly due to low interest rates and smaller deposit margins, in combination with substantially lower credit portfolios due to the deep and the long-lasting recession.

**Scenario Outcome – ICAAP**

Income Statement	2010	2011	2012	2013	2014	2015	2016
Net interest income, total	17 809	18 051	16 236	14 107	13 597	13 498	13 718
Net interest income annual change		242	-1 815	-2 129	-511	-99	220
Net interest income annual change (%)		1.4	-10.1	-13.1	-3.6	-0.7	1.6

Risk-weighted assets (RWA) decreases by 26 per cent during the scenario period, primarily due to impairments and smaller credit portfolios, but also due to a stronger Swedish krona. At the same time the decrease is counteracted slightly when the risk weights rise.

**Scenario Outcome – ICAAP**

Capital assessment	2010	2011	2012	2013	2014	2015	2016
RWA full Basel 2. SEK bn	541.3	519.8	524.3	464.6	434.9	413.5	399.9
Core Tier 1 Capital Ratio (%)	13.9	15.0	13.2	12.0	12.2	12.8	13.5

**Internal capital need**

The 2011 ICAAP showed that the Group's capital buffer was sufficient to maintain a capital ratio that exceeds the minimum capital requirement by a wide margin even in the unlikely but possible event that the Group would face such extremely unfavourable macroeconomic developments.

In the ICAAP scenario, the total capital need would be SEK 77.1bn as of year-end 2010. Total capital on the same date amounted to SEK 99.7bn. Economic conditions remain highly uncertain and the market is increasingly focusing its attention on banks' capital needs.

## Capital adequacy analysis

The capital adequacy regulations express the legislator's perception of how much capital, designated as the capital base, a bank must have in relation to the size of the risks it faces. The new rules strengthen the connection between risk exposure and capital requirements in the bank's operations. In accordance with the Capital Adequacy and Large Exposures Act, the capital base must at a minimum correspond to the sum of the capital requirement for credit risks, market risks and operational risks. Accordingly, the capital quota, i.e. the capital base divided by the capital requirement, must be greater than 1.0. The rules apply to banks on an individual basis and, in appropriate cases, groups of financial companies. More detailed information (Pillar 3) on Swedbank's capital adequacy in 2011 is provided at [www.swedbank.com](http://www.swedbank.com).

On 31 December 2011 the Swedbank financial companies group comprised the Swedbank Group with the following exceptions. In the consolidated accounts, the associated companies EnterCard (group), Sparbanken Rekarne AB, Färs och Frosta Sparbank

AB, Swedbank Sjuhärad AB, Vimmerby Sparbank AB, Bankernas Depå AB and Bankernas automatbolag AB are consolidated according to the equity method. In the financial companies group, these companies are fully consolidated according to the purchase method, apart from EnterCard, which is consolidated according to the proportional consolidation method.

The insurance companies included in the consolidated accounts, Swedbank Försäkrings AB, Sparia Försäkrings AB, Swedbank Life Insurance SE and Swedbank P & C Insurance AS, are not included in the financial companies group and are instead subject to solvency rules rather than capital adequacy rules, as described in note G3 under Insurance risk.

Swedbank's legal requirement is currently based on the transition rules. The transition rules states that the minimum capital requirement may not fall below 80 per cent of the capital requirement according to the Basel 1 rules. The transition rules have been prolonged and their expiry date are not yet decided.

	Financial companies Group	
Capital adequacy	2011	2010
Capital base	93 173	99 687
Capital requirement	60 541	60 035
Capital surplus or deficit	32 632	39 652
Capital quotient, including complement	1.54	1.66
Risk-weighted amount	756 762	750 440
Tier 1 capital ratio, including complement, %	11.2	11.0
Capital adequacy ratio, including complement, %	12.3	13.3

	Financial companies Group	
Capital base	2011	2010
Tier 1 capital	84 855	82 385
Tier 2 capital	11 223	20 203
of which, perpetual subordinated loans	1 616	2 458
Total Tier 1 and Tier 2 capital	96 078	102 588
Shareholdings deducted*	-2 905	-2 901
<b>Total</b>	<b>93 173</b>	<b>99 687</b>

\* Specification of companies that provide deductions from the capital base. Sparia Försäkrings AB, Swedbank Försäkrings AB, Swedbank Life Insurance SE and Swedbank P&C Insurance AS.

	Financial companies Group	
Tier 1 capital	2011	2010
Equity attributable to the shareholders according to balance sheet in annual report	97 993	94 897
Non-controlling interests	140	138
Proposed dividend	-5 825	-2 995
Adjustment for the financial companies Group		
Deconsolidation of insurance companies	-1 980	-1 395
Associated companies consolidated according to the purchase method	1 742	1 332
Change in the value of own credit rating	-23	-10
Goodwill	-11 085	-12 966
Other deductions		
Deferred tax assets	-843	-1 213
Intangible assets	-1 767	-1 794
Deduction internal risk classification, provisions surplus/ deficit	-748	-534
Cash flow hedges	-268	44
Shareholdings deducted**	-34	-34
Tier 1 capital contribution*	7 553	6 915
<b>Total Tier 1 capital</b>	<b>84 855</b>	<b>82 385</b>

\* Tier 1 capital contributions are perpetual debenture loans whose terms are such that they may be included after approval from the Swedish Financial Supervisory Authority. The contributions' preferential rights are subordinate to all other deposits and lending. Interest payment is set in accordance with the agreement, but may only occur if there are distributable funds. The contribution is reported in the balance sheet as a liability. All tier 1 capital contributions are based on transition rules according to FFFS 2010:10

\*\* Companies that provide deductions from the capital base are BGC Holding AB and International Credit Bureau.



	Financial companies Group	
Capital requirement	2011	2010
Credit risks	33 277	36 401
Market risks	1 750	2 340
Settlement risks	1	0
Operational risks	4 359	4 565
Supplement, transition rules	21 154	16 729
<b>Total</b>	<b>60 541</b>	<b>60 035</b>

	Financial companies Group	
Capital requirement for credit risks	2011	2010
Credit risks according to the standardised approach	2 427	2 723
Credit risks according to IRB	30 850	33 678
of which institutional exposures	1 357	1 630
of which corporate exposures	21 232	23 800
of which retail exposures	6 983	7 059
of which securitisation	15	33
of which non-credit-obligation asset exposures	1 263	1 156
<b>Total</b>	<b>33 277</b>	<b>36 401</b>

	Financial companies Group	
Capital requirement for market risks	2011	2010
Interest-rate risks	977	758
of which for specific risk	401	611
of which for general risk	576	147
Equity risk	194	63
of which for specific risk	11	2
of which for general risk	179	54
of which positions in CIUs	4	6
of which options for which the capital requirements equal to the option's market value		1
Currency risk in trading book	111	74
Commodity risk	30	2
<b>Total capital requirement for risks in trading book*</b>	<b>984</b>	<b>897</b>
of which stressed VaR**	366	0
Currency rate risk outside trading book	766	1 443
<b>Total</b>	<b>1 750</b>	<b>2 340</b>

\* The parent company's capital requirement for general interest-rate risk, share price risk and currency risk in the trading-book as well as Swedbank Estonia AS', Swedbank Latvia AS' and Swedbank Lithuania AB's capital requirement for general interest-rate risk and currency risk in the trading-book are calculated in accordance with the VaR model.

In 2010 the distribution of risk (VaR) is based on additive allocation of the risk while in 2011 risks have been calculated for each risk type individually. In the new model the diversification effect between different risk classes would result in a lower total risk than the sum of the individual parts.

\*\*Stressed VaR is a requirement in CRDIII as from the end of December, 2011.

	Financial companies Group	
Capital requirement for operational risks	2011	2010
Corporate finance	0	1
Trading and sales	69	60
Retail banking	2 943	2 987
Commercial banking	947	987
Payment and settlement	269	263
Agency services	19	28
Asset management	112	239
<b>Total</b>	<b>4 359</b>	<b>4 565</b>

The standard approach is used for calculating capital requirements for operational risk.

	2011		
Credit risks according to IRB Financial companies Group	Exposure after credit risk mitigation	Average risk weight, %	Capital requirement
Institutional exposures	131 337	13	1 357
Corporate exposures	413 739	64	21 232
Retail exposures	855 675	10	6 983
Securitisations	1 598	11	15
Exposures without counterparties	17 726	89	1 263
<b>Total</b>	<b>1 420 075</b>	<b>27</b>	<b>30 850</b>

	2010		
Credit risks according to IRB Financial companies Group	Exposure after credit risk mitigation	Average risk weight, %	Capital requirement
Institutional exposures	146 519	14	1 630
Corporate exposures	397 770	75	23 800
Retail exposures	845 823	10	7 059
Securitisations	3 535	12	33
Exposures without counterparties	16 080	90	1 156
<b>Total</b>	<b>1 409 727</b>	<b>30</b>	<b>33 678</b>

## G5 Operating segments

2011	Retail	Large corporates & Institutions	Baltic Banking	Asset Management	Russia & Ukraine	Ektornet	Group functions	Eliminations	Total
<b>Income statement</b>									
Net interest income	12 340	3 586	3 910		566	-62	-1 207	-15	19 118
Net commissions	4 229	1 664	1 454	1 560	60		-62	58	8 963
Net gains and losses on financial items at fair value	201	720	280	-9	42	163	187		1 584
Share of the profit or loss of associates	768	-2				1			767
Other income	828	808	532	16	41	505	4 625	-4 272	3 083
<b>Total income</b>	<b>18 366</b>	<b>6 776</b>	<b>6 176</b>	<b>1 567</b>	<b>709</b>	<b>607</b>	<b>3 543</b>	<b>-4 229</b>	<b>33 515</b>
of which internal income	106	61	29				3 802	-3 999	
Staff costs	4 022	1 491	1 054	396	333	102	2 134	-10	9 522
Variable staff costs	101	152	46	42	0	4	50		395
Other expenses	4 401	1 706	1 449	353	272	322	2 657	-4 219	6 941
Depreciation/amortisation	271	48	147	49	100	122	274		1 011
<b>Total expenses</b>	<b>8 795</b>	<b>3 397</b>	<b>2 696</b>	<b>840</b>	<b>705</b>	<b>550</b>	<b>5 115</b>	<b>-4 229</b>	<b>17 869</b>
<b>Profit before impairments</b>	<b>9 571</b>	<b>3 379</b>	<b>3 480</b>	<b>727</b>	<b>4</b>	<b>57</b>	<b>-1 572</b>		<b>15 646</b>
Impairment of intangible assets		17	1 913	30					1 960
Impairment of tangible assets			34		14	126			174
Credit impairments	332	-186	-1 002		-1 038		-17		-1 911
<b>Operating profit</b>	<b>9 239</b>	<b>3 548</b>	<b>2 535</b>	<b>697</b>	<b>1 028</b>	<b>-69</b>	<b>-1 555</b>		<b>15 423</b>
Tax expense	2 275	1 140	435	176	27	52	-436		3 669
Profit for the year from continuing operations	6 964	2 408	2 100	521	1 001	-121	-1 119		11 754
Profit for the year from discontinued operations, after tax						4			4
Profit for the year	6 964	2 408	2 100	521	1 001	-117	-1 119		11 758
<b>Profit for the year attributable to the shareholders of Swedbank AB</b>	<b>6 951</b>	<b>2 408</b>	<b>2 100</b>	<b>521</b>	<b>1 001</b>	<b>-118</b>	<b>-1 119</b>		<b>11 744</b>
Non-controlling interests	13					1			14
<b>Balance sheet</b>									
Cash and balances with central banks	1 246	6 520	2 554		1 195		152 792		164 307
Loans to credit institutions	31 944	296 755	351	1 760	2 674	1 019	212 861	-450 169	97 195
Loans to the public	894 143	184 464	119 142	2	9 594	117	11 046	-7 054	1 211 454
Bonds and other interest-bearing securities	216	62 686	1 925	44	70	19	82 441	-9 090	138 311
Financial assets for which customers bear inv. risk	94 180		1 567						95 747
Investments in associates	1 854	65				36	1 156		3 111
Derivatives	8	122 346	1				35 845	-54 474	103 726
Total tangible and intangible assets	2 909	524	10 295	1 274	557	5 976	807		22 342
Other assets	8 570	12 446	1 358	643	782	1 198	655 456	-659 581	20 872
<b>Total assets</b>	<b>1 035 070</b>	<b>685 806</b>	<b>137 193</b>	<b>3 723</b>	<b>14 872</b>	<b>8 365</b>	<b>1 152 404</b>	<b>-1 180 368</b>	<b>1 857 065</b>
Amounts owed to credit institutions	74 110	232 178			8 185	5 960	269 152	-449 987	139 598
Deposits and borrowings from the public	365 030	79 424	97 792		1 892		23 407	-5 849	561 696
Debt securities in issue		17 900	662				775 726	-12 830	781 458
Financial liabilities for which customers bear inv. risk	94 580		1 869						96 449
Derivatives	6	120 076		2			24 912	-54 512	90 484
Other liabilities	465 862	217 056	11 935	1 881	35	97	28 502	-655 512	69 856
Subordinated liabilities	9 819	5 828	3 855	148	1 559			-1 678	19 531
<b>Total liabilities</b>	<b>1 009 407</b>	<b>672 462</b>	<b>116 113</b>	<b>2 031</b>	<b>11 671</b>	<b>6 057</b>	<b>1 121 699</b>	<b>-1 180 368</b>	<b>1 759 072</b>
Allocated equity	25 663	13 344	21 080	1 692	3 201	2 308	30 705		97 993
<b>Total liabilities and equity</b>	<b>1 035 070</b>	<b>685 806</b>	<b>137 193</b>	<b>3 723</b>	<b>14 872</b>	<b>8 365</b>	<b>1 152 404</b>	<b>-1 180 368</b>	<b>1 857 065</b>
<b>Key figures</b>									
Return on allocated equity, %	28.6	15.5	8.0	27.9	30.4	-6.1	-4.8		12.2
Loans/deposits	245	214	122		544				213
Credit impairment ratio, %	0.04	-0.06	-0.76		-6.87				-0.14
Share of impaired loans, %	0.19	0.13	12.57		44.04				1.87
Cost/income ratio	0.48	0.50	0.44	0.54	0.99	0.91	1.44		0.53
Risk-weighted assets	216 130	132 545	101 674	3 233	15 267	6 843	16 645		492 337
Full-time employees	5 333	1 197	5 221	286	1 214	216	2 820		16 287

The operating segment report is based on Swedbank's accounting policies, organisation and management accounts. Market-based transfer prices are applied between operating segments, while all expenses for IT, other Group functions and Group staffs are transfer priced at full cost to the operating segments. Executive management expenses are not distributed. 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 based on capital adequacy rules and estimated capital requirements based on the bank's Internal Capital Adequacy Assessment Process (ICAAP).

Retail, Swedbank's dominant operating segment, is responsible for all Swedish customers except for large corporates and financial institutions. The operating seg-

ment's services are sold through Swedbank's own branch network, the Telephone Bank, the Internet Bank and the distribution network of the independent savings banks. The operating segment also includes a number of subsidiaries.

Large Corporates & Institutions is responsible for large corporates, financial institutions and banks as well as for trading and capital market products. Operations are carried out by the parent company in Sweden, branches in Norway, Denmark, Finland, the US and China, and the subsidiaries First Securities in Norway and Swedbank First Securities LLC in New York, in addition to the subsidiary banks in Estonia, Latvia and Lithuania in terms of trading and capital market operations.

Baltic Banking operates in Estonia, Latvia and Lithuania. Its services are sold through its own branch network, the Telephone Bank and the Internet Bank. The effects of Swedbank's ownership in Swedbank AS, Swedbank (LAT) and Swedbank (LIT) are also reported in Baltic Banking in the form of financing costs, Group goodwill and Group amortisation on surplus values in the lending and deposit portfolios identified at the time of acquisition in 2005.

The Russia & Ukraine operating segment comprises the Group's banking operations in Russia and Ukraine. It also includes a management unit with staff functions.

Asset Management comprises the Swedbank Robur Group and its operations in fund management, institutional and discretionary asset management. Asset Management is represented in Swedbank's four home markets.

Ektornet is an independent subsidiary and subgroup of Swedbank AB, whose aim is to manage and develop the Group's repossessed assets in order to minimise losses on receivables and if possible recover value in the long term. The majority of the repos-

sessed collateral consists of real estate, most of which is in the Baltic countries and the US, but also in the Nordic region and Ukraine.

Group Functions includes IT, support functions, Group Executive Committee and Group Staffs, including Group Treasury, and Sparia, the Group's insurance company for its own risks.

The operating segments were changed slightly in 2010 to coincide with the organisational changes implemented in Swedbank's business area organisation. The internal bank and internal banking operations in the New York branch office were moved from Large Corporates & Institutions to Group Treasury in Group Functions. The Baltic treasury operations were moved from Baltic Banking to Group Treasury. Comparative figures have not been restated.

As from 2011 a complete balance sheet is reported for each business segment. Comparative figures have been restated.

2010	Retail	Large corporates & Institutions	Baltic Banking	Asset Management	Russia & Ukraine	Ektornet	Group functions	Eliminations	Total
<b>Income statement</b>									
Net interest income	10 100	2 817	3 771	-17	638	-21	-942	-17	16 329
Net commissions	4 292	1 955	1 533	1 592	81		31	41	9 525
Net gains and losses on financial items at fair value	184	1 446	341	9	-71	31	460		2 400
Share of the profit or loss of associates	624								624
Other income	1 003	88	542	24	32	108	4 333	-3 964	2 166
<b>Total income</b>	<b>16 203</b>	<b>6 306</b>	<b>6 187</b>	<b>1 608</b>	<b>680</b>	<b>118</b>	<b>3 882</b>	<b>-3 940</b>	<b>31 044</b>
of which internal income	110	29	12				3 572	-3 723	
Staff costs	3 921	1 235	1 032	391	377	74	2 030	-8	9 052
Variable staff costs	43	254	-13	49	-9		16		340
Other expenses	4 421	1 658	1 546	366	425	172	2 644	-3 932	7 300
Depreciation/amortisation	285	55	164	50	78	24	294		950
<b>Total expenses</b>	<b>8 670</b>	<b>3 202</b>	<b>2 729</b>	<b>856</b>	<b>871</b>	<b>270</b>	<b>4 984</b>	<b>-3 940</b>	<b>17 642</b>
<b>Profit before impairments</b>	<b>7 533</b>	<b>3 104</b>	<b>3 458</b>	<b>752</b>	<b>-191</b>	<b>-152</b>	<b>-1 102</b>		<b>13 402</b>
Impairment of intangible assets			23		14				37
Impairment of tangible assets			261		254	85			600
Credit impairments	272	-1	3 363		-859		35		2 810
<b>Operating profit</b>	<b>7 261</b>	<b>3 105</b>	<b>-189</b>	<b>752</b>	<b>400</b>	<b>-237</b>	<b>-1 137</b>		<b>9 955</b>
Tax expense	1 951	768	-182	177	-19	-25	-198		2 472
Profit for the year from continuing operations	5 310	2 337	-7	575	419	-212	-939		7 483
Profit for the year from discontinued operations, after tax									
Profit for the year	5 310	2 337	-7	575	419	-212	-939		7 483
<b>Profit for the year attributable to the shareholders of Swedbank AB</b>	<b>5 301</b>	<b>2 307</b>	<b>-7</b>	<b>575</b>	<b>419</b>	<b>-212</b>	<b>-939</b>		<b>7 444</b>
Non-controlling interests	9	30							39
<b>Balance sheet</b>									
Cash and balances with central banks	2 257	2 140	11 311		1 006		395		17 109
Loans to credit institutions	29 804	357 997	18 960	2 365	3 173	1 644	629 825	-877 351	166 417
Loans to the public	873 426	170 996	130 406	3	12 557		12 768	-12 930	1 187 226
Bonds and other interest-bearing securities	205	78 435	11 899	50	381		68 228	-27 622	131 576
Financial assets for which customers bear inv. risk	98 829		1 799						100 628
Investments in associates	1 350	61	4				1 295		2 710
Derivatives	17	72 002	236				22 902	-30 106	65 051
Total tangible and intangible assets	2 848	479	12 588		734		619		21 473
Other assets	8 264	15 889	3 599	699	1 859	643	597 087	-604 549	23 491
<b>Total assets</b>	<b>1 017 000</b>	<b>697 999</b>	<b>190 802</b>	<b>4 435</b>	<b>19 710</b>	<b>5 174</b>	<b>1 333 119</b>	<b>-1 552 558</b>	<b>1 715 681</b>
Amounts owed to credit institutions	71 190	223 000	54 340		11 639	3 539	648 144	-875 086	136 766
Deposits and borrowings from the public	346 337	92 999	92 772		3 097		5 598	-6 566	534 237
Debt securities in issue		83 996	671				633 735	-31 885	686 517
Financial liabilities for which customers bear inv. risk	99 178		1 810						100 988
Derivatives	13	71 779	212	7	2		23 622	-29 700	65 935
Other liabilities	464 968	203 662		2 053		1	1 863	-603 393	69 154
Subordinated liabilities	12 718	6 004	6 583	202	1 470		6 138	-5 928	27 187
<b>Total liabilities</b>	<b>994 404</b>	<b>681 440</b>	<b>156 388</b>	<b>2 262</b>	<b>16 208</b>	<b>3 540</b>	<b>1 319 100</b>	<b>-1 552 558</b>	<b>1 620 784</b>
Allocated equity	22 596	16 559	34 414	2 173	3 502	1 634	14 019		94 897
<b>Total liabilities and equity</b>	<b>1 017 000</b>	<b>697 999</b>	<b>190 802</b>	<b>4 435</b>	<b>19 710</b>	<b>5 174</b>	<b>1 333 119</b>	<b>-1 552 558</b>	<b>1 715 681</b>
<b>Key figures</b>									
Return on allocated equity, %	24.0	13.8	-0.0	26.6	11.0	-25.2	-9.5		8.1
Loans/deposits	251	176	141		378				222
Credit impairment ratio, %	0.03	0.00	2.05		-4.35				0.20
Share of impaired loans, %	0.18	0.25	15.54		46.20				2.53
Cost/income ratio	0.54	0.51	0.44	0.53	1.28	2.29	1.28		0.57
Risk-weighted assets	221 974	156 315	135 642	3 358	17 966	3 634	2 438		541 327
Full-time employees	5 571	1 229	5 416	313	1 847	150	2 698		17 224

## G6 Geographical distribution

2011	Sweden	Estonia	Latvia	Lithuania	Russia	Ukraine	Other	Eliminations	Total
<b>Income statement</b>									
Net interest income	13 352	1 875	996	1 044	300	256	1 294	1	19 118
Net commissions	6 892	599	466	535	22	37	383	29	8 963
Net gains and losses on financial items at fair value	936	65	182	117	-5	46	265	-22	1 584
Share of the profit or loss of associates	480	2					285		767
Other income	1 218	606	145	168	14	40	1 016	-124	3 083
<b>Total income</b>	<b>22 878</b>	<b>3 147</b>	<b>1 789</b>	<b>1 864</b>	<b>331</b>	<b>379</b>	<b>3 243</b>	<b>-116</b>	<b>33 515</b>
Staff costs	7 213	615	343	416	96	220	619		9 522
Variable staff costs	235	25	19	17			99		395
Other expenses	4 746	570	486	434	105	149	567	-116	6 941
Depreciation/amortisation	529	143	66	52	33	70	118		1 011
<b>Total expenses</b>	<b>12 723</b>	<b>1 353</b>	<b>914</b>	<b>919</b>	<b>234</b>	<b>439</b>	<b>1 403</b>	<b>-116</b>	<b>17 869</b>
<b>Profit before impairments</b>	<b>10 155</b>	<b>1 794</b>	<b>875</b>	<b>945</b>	<b>97</b>	<b>-60</b>	<b>1 840</b>		<b>15 646</b>
Impairment of intangible assets	30		1 913				17		1 960
Impairment of tangible assets		10	51	-8	8	24	89		174
Credit impairments	197	23	-337	-688	-512	-526	-68		-1 911
<b>Operating profit</b>	<b>9 928</b>	<b>1 761</b>	<b>-752</b>	<b>1 641</b>	<b>601</b>	<b>442</b>	<b>1 802</b>		<b>15 423</b>
Tax expense	2 456	15	180	186	37	5	790		3 669
Profit for the year from continuing operations	7 472	1 746	-932	1 455	564	437	1 012		11 754
Profit for the year from discontinued operations, after tax	4								4
Profit for the period	7 476	1 746	-932	1 455	564	437	1 012		11 758
<b>Profit for the year attributable to the shareholders of Swedbank AB</b>									
	<b>7 462</b>	<b>1 746</b>	<b>-932</b>	<b>1 455</b>	<b>564</b>	<b>437</b>	<b>1 012</b>		<b>11 744</b>
Non-controlling interests	14								14
<b>Balance sheet</b>									
Cash and balances with central banks	101 467	2 032	2 800	3 751	973	225	152 305	-99 246	164 307
Loans to credit institutions	121 485	16 442	5 064	7 593	1 105	1 575	17 717	-73 786	97 195
Loans to the public	1 056 920	53 228	32 199	33 635	4 874	4 720	31 703	-5 825	1 211 454
Bonds and other interest-bearing securities	116 583	4 334	2 296	3 114	66	4	12 021	-107	138 311
Financial assets for which customers bear inv. risk	94 181	1 566							95 747
Investments in associates	2 057	40					1 014		3 111
Derivatives	99 335	215	247	107			10 961	-7 139	103 726
Tangible and intangible fixed assets	5 256	4 792	4 144	4 409	29	969	2 493		22 092
Other assets	15 180	871	1 262	910	164	55	3 647	-967	21 122
<b>Total assets</b>	<b>1 612 464</b>	<b>83 520</b>	<b>48 012</b>	<b>53 519</b>	<b>7 211</b>	<b>7 548</b>	<b>231 861</b>	<b>-187 070</b>	<b>1 857 065</b>
Amounts owed to credit institutions	157 355	12 107	14 782	6 694	3 487	3 385	124 160	-182 372	139 598
Deposits and borrowings from the public	435 186	47 434	19 579	33 904	1 370	522	23 742	-41	561 696
Debt securities in issue	749 775	137		525			31 129	-108	781 458
Financial liabilities for which customers bear inv. risk	94 580	1 869							96 449
Derivatives	73 107	209	272	83			17 155	-342	90 484
Other liabilities	20 671	11 928	3 752	3 703	811	286	31 450	-2 745	69 856
Subordinated liabilities	14 586	1 774	1 458	1 461	452	1 107	155	-1 462	19 531
<b>Total liabilities</b>	<b>1 545 260</b>	<b>75 458</b>	<b>39 843</b>	<b>46 370</b>	<b>6 120</b>	<b>5 300</b>	<b>227 791</b>	<b>-187 070</b>	<b>1 759 072</b>
Allocated equity	67 204	8 062	8 169	7 149	1 091	2 248	4 070		97 993
<b>Total liabilities and equity</b>	<b>1 612 464</b>	<b>83 520</b>	<b>48 012</b>	<b>53 519</b>	<b>7 211</b>	<b>7 548</b>	<b>231 861</b>	<b>-187 070</b>	<b>1 857 065</b>
<b>Key figures</b>									
Return on allocated equity, %	12.2	17.9	-9.2	17.8	51.2	19.2	26.4		12.2
Loans/deposits	236	112	164	99	356	904	34		213
Credit impairment ratio, %	0.02	0.04	-0.90	-1.92	-6.79	-6.93	-0.16		-0.14
Share of impaired loans, %	0.20	6.58	20.98	13.37	20.26	61.19	0.31		1.87
Cost/income ratio	0.56	0.43	0.51	0.49	0.70	1.16	0.43		0.53
Risk-weighted assets	329 612	41 931	36 519	36 289	6 651	9 074	32 260		492 337
Full-time employees	8 266	2 565	1 767	2 018	175	1 053	443		16 287

The geographical distribution has been based primarily on where the business is carried out and it is not comparable to the business segment reporting. In the geographical distribution, intangible assets, mainly goodwill related to acquisitions, has been allocated to the country where the operations were acquired.

2010	Sweden	Estonia	Latvia	Lithuania	Russia	Ukraine	Other	Eliminations	Total
<b>Income statement</b>									
Net interest income	10 839	1 666	1 098	1 044	210	428	1 004	40	16 329
Net commissions	7 202	701	496	509	32	48	514	23	9 525
Net gains and losses on financial items at fair value	1 761	210	233	114	-95	26	216	-65	2 400
Share of the profit or loss of associates	355						269		624
Other income	1 499	412	72	84	3	30	121	-55	2 166
<b>Total income</b>	<b>21 656</b>	<b>2 989</b>	<b>1 899</b>	<b>1 751</b>	<b>150</b>	<b>532</b>	<b>2 124</b>	<b>-57</b>	<b>31 044</b>
Staff costs	6 861	624	310	380	166	182	529		9 052
Variable staff costs	252	-6	-3	-3			100		340
Other expenses	5 273	505	461	381	164	184	389	-57	7 300
Depreciation/amortisation	536	143	72	69	26	52	52		950
<b>Total expenses</b>	<b>12 922</b>	<b>1 266</b>	<b>840</b>	<b>827</b>	<b>356</b>	<b>418</b>	<b>1 070</b>	<b>-57</b>	<b>17 642</b>
<b>Profit before impairments</b>	<b>8 734</b>	<b>1 723</b>	<b>1 059</b>	<b>924</b>	<b>-206</b>	<b>114</b>	<b>1 054</b>		<b>13 402</b>
Impairment of intangible assets		23			14				37
Impairment of tangible assets	2	31	61	207	-3	256	46		600
Credit impairments	275	968	1 719	676	-271	-587	30		2 810
<b>Operating profit</b>	<b>8 457</b>	<b>701</b>	<b>-721</b>	<b>41</b>	<b>54</b>	<b>445</b>	<b>978</b>		<b>9 955</b>
Tax expense	2 339	-2	-89	-65	8	4	277		2 472
Profit for the year from continuing operations	6 118	703	-632	106	46	441	701		7 483
Profit for the year from discontinued operations, after tax									
Profit for the year	6 118	703	-632	106	46	441	701		7 483
<b>Profit for the year attributable to the shareholders of Swedbank AB</b>	<b>6 081</b>	<b>703</b>	<b>-632</b>	<b>106</b>	<b>46</b>	<b>441</b>	<b>699</b>		<b>7 444</b>
Non-controlling interests	37						2		39
<b>Balance sheet</b>									
Cash and balances with central banks	2 614	2 948	4 982	3 381	611	398	2 175		17 109
Loans to credit institutions	210 988	6 170	7 668	5 271	1 931	1 252	67 337	-134 200	166 417
Loans to the public	1 022 954	57 765	37 096	35 569	6 220	6 337	29 972	-8 687	1 187 226
Bonds and other interest-bearing securities	106 102	5 915	1 189	5 014		381	13 082	-107	131 576
Financial assets for which customers bear inv. risk	98 829	982		817					100 628
Investments in associates	1 896	4					810		2 710
Derivatives	63 934	133	184	77			11 342	-10 619	65 051
Tangible and intangible fixed assets	5 169	7 473	3 165	3 552	60	745	1 309		21 473
Other assets	18 726	1 340	6 037	1 860	143	2 260	4 502	-11 377	23 491
<b>Total assets</b>	<b>1 531 212</b>	<b>82 730</b>	<b>60 321</b>	<b>55 541</b>	<b>8 965</b>	<b>11 373</b>	<b>130 529</b>	<b>-164 990</b>	<b>1 715 681</b>
Amounts owed to credit institutions	126 066	22 004	23 813	9 866	5 925	5 577	91 276	-147 761	136 766
Deposits and borrowings from the public	423 654	42 465	20 382	32 381	1 076	2 021	12 367	-109	534 237
Debt securities in issue	674 252	173		513			11 686	-107	686 517
Financial liabilities for which customers bear inv. risk	99 178	987		823					100 988
Derivatives	54 367	94	149	83	2		11 356	-116	65 935
Other liabilities	76 102	2 101	168	94	150	587	921	-10 969	69 154
Subordinated liabilities	24 333	3 147	2 187	1 808	438	1 033	169	-5 928	27 187
<b>Total liabilities</b>	<b>1 477 952</b>	<b>70 971</b>	<b>46 699</b>	<b>45 568</b>	<b>7 591</b>	<b>9 218</b>	<b>127 775</b>	<b>-164 990</b>	<b>1 620 784</b>
Allocated equity	53 260	11 759	13 622	9 973	1 374	2 155	2 754	0	94 897
<b>Total liabilities and equity</b>	<b>1 531 212</b>	<b>82 730</b>	<b>60 321</b>	<b>55 541</b>	<b>8 965</b>	<b>11 373</b>	<b>130 529</b>	<b>-164 990</b>	<b>1 715 681</b>
<b>Key figures</b>									
Return on allocated equity, %	13.0	5.7	-4.4	1.0	2.8	19.9	19.2		8.1
Loans/deposits	243	136	182	110	573	314	47		222
Credit impairment ratio, %	0.02	1.31	3.33	1.48	-2.37	-6.60	0.07		0.20
Share of impaired loans, %	0.20	7.69	25.85	16.52	22.44	62.26	2.76		2.53
Cost/income ratio	0.60	0.42	0.44	0.47	2.37	0.78	0.50		0.57
Risk-weighted assets	357 376	61 099	43 655	34 556	7 918	10 139	26 583		541 327
Full-time employees	8 401	2 514	1 724	2 228	287	1 565	505		17 224

## G7 Net interest income

	2011			2010		
	Average balance	Interest rate	Average annual interest rate, %	Average balance	Interest rate	Average annual interest rate, %
Loans to credit institutions	198 535	1 805	0.91	182 646	785	0.43
Loans to the public*	1 180 486	47 613	4.03	1 222 955	37 518	3.07
Interest-bearing securities	119 511	3 429	2.87	129 977	1 295	1.00
<b>Total interest-bearing assets</b>	<b>1 498 532</b>	<b>52 847</b>	<b>3.53</b>	<b>1 535 578</b>	<b>39 598</b>	<b>2.58</b>
Derivatives	77 453	283		81 333	-272	
Other assets	200 564	551		161 855	205	
<b>Total assets</b>	<b>1 776 549</b>	<b>53 681</b>	<b>3.02</b>	<b>1 778 766</b>	<b>39 531</b>	<b>2.22</b>
Amounts owed to credit institutions	133 654	1 305	0.98	212 335	1 244	0.59
Deposits and borrowings from the public	544 158	7 585	1.39	520 004	4 272	0.82
of which deposit guarantee fees		506			431	
Debt securities in issue	758 494	22 847	3.01	711 066	21 576	3.03
of which commissions for funding with state guarantee		1 163			1 584	
Subordinated liabilities	22 176	1 244	5.61	32 374	1 408	4.35
<b>Interest-bearing liabilities</b>	<b>1 458 482</b>	<b>32 981</b>	<b>2.26</b>	<b>1 475 779</b>	<b>28 500</b>	<b>1.93</b>
Derivatives	76 724	945		76 921	-5 583	
Other liabilities	144 774	637		134 586	285	
of which stability fee		545			223	
<b>Total liabilities</b>	<b>1 679 980</b>	<b>34 563</b>	<b>2.06</b>	<b>1 687 286</b>	<b>23 202</b>	<b>1.38</b>
<b>Equity</b>	<b>96 569</b>			<b>91 480</b>		
<b>Total liabilities and equity</b>	<b>1 776 549</b>	<b>34 563</b>	<b>1.95</b>	<b>1 778 766</b>	<b>23 202</b>	<b>1.30</b>
<b>Net interest income</b>		<b>19 118</b>			<b>16 329</b>	
Net interest margin			1.08			0.92
Interest income impaired loans		560			535	
Interest income on financial assets at amortised cost		20 702			14 504	
Interest expenses on financial liabilities at amortised cost		18 714			23 645	

Interest-bearing securities are reported net in this note less short positions in securities. Contractual accrued interest on impaired loans is not accrued.

\* In 2010 penalties related income in the Baltic countries of SEK 191m was reclassified from other income to net interest income, in line with Group accounting policies.

Net interest income increased by 17 per cent to SEK 19 118m (16 329). The factors positively affecting net interest income were higher interest rates in Sweden and slightly higher Euribor rates during the first half-year. Moreover, the fee for the state-guaranteed funding decreased by SEK 421m due to the state guaranteed funding maturities during the year. The stability fee more than doubled from the previous year in line with prevailing regulations to SEK 545m (223). Increased expenses for liquidity reserves and lower returns on the investment portfolio used to hedge interest rates on current accounts and equity also adversely affected net interest income.

## G8 Net commissions

	2011	2010
<b>Commission income</b>		
Payment processing	2 307	2 530
Cards	3 147	3 011
Asset management	3 928	4 076
Life insurance	521	479
Brokerage	483	587
Other securities	115	191
Corporate finance	154	314
Lending	670	670
Guarantee	195	216
Deposits	67	65
Real estate brokerage	160	164
Non-life insurance	59	54
Other commission income	849	742
<b>Total</b>	<b>12 655</b>	<b>13 099</b>

	2011	2010
<b>Commission expenses</b>		
Payment processing	-691	-783
Cards	-1 537	-1 412
Asset management	-120	-110
Life insurance	-208	-209
Brokerage	-13	-10
Other securities	-220	-227
Lending and guarantees	-62	-77
Other commission expenses	-841	-746
<b>Total</b>	<b>-3 692</b>	<b>-3 574</b>

	2011	2010
<b>Net commissions</b>		
Payment processing	1 616	1 747
Cards	1 610	1 599
Asset management	3 808	3 966
Life insurance	313	270
Brokerage	470	577
Other securities	-105	-36
Corporate finance	154	314
Lending	608	593
Guarantee	195	216
Deposits	67	65
Real estate brokerage	160	164
Non-life insurance	59	54
Other commission income	8	-4
<b>Total</b>	<b>8 963</b>	<b>9 525</b>

Net commission income fell by 6 per cent to SEK 8 963m (9 525). The decrease was mainly the result of lower commission income from corporate finance, securities trading, asset management and payment processing due to lower economic activity, as well as lower average stock values.

## G9 Net gains and losses on financial items at fair value

	2011	2010
<b>Valuation category, fair value through profit or loss</b>		
<b>Trading and derivatives</b>		
Shares and related derivatives	526	792
of which dividend	147	201
Interest-bearing instruments and related derivatives	326	-11 609
Other financial instruments	10	-16
<b>Total</b>	<b>862</b>	<b>-10 833</b>
<b>Other financial instruments</b>		
Shares and related derivatives	140	61
of which dividend	1	6
Loans	3 114	-5 417
Financial liabilities	-3 907	16 744
<b>Total</b>	<b>-653</b>	<b>11 388</b>
<b>Hedge accounting at fair value</b>		
Hedging instruments	11 208	-1 348
Hedged item	-11 301	1 579
<b>Total</b>	<b>-93</b>	<b>231</b>
<b>Financial liabilities valued at amortised cost</b>	<b>-63</b>	<b>9</b>
<b>Loan receivables at amortised cost</b>	<b>80</b>	<b>106</b>
<b>Change in exchange rates</b>	<b>1 451</b>	<b>1 499</b>
<b>Total</b>	<b>1 584</b>	<b>2 400</b>

## Distribution by business purpose

	2011	2010
Financial instruments for trading related business	1 232	2 307
Financial instruments intended to be held until contractual maturity	352	93
<b>Total</b>	<b>1 584</b>	<b>2 400</b>

Net gains and losses on financial items at fair value fell by 34 per cent to SEK 1 584m (2 400). LC&I reported lower net gains and losses on financial items at fair value due to weaker trading related income. Within Group Functions, Group Treasury reported a lower result due to negative funding related valuation effects.



## G10 Net insurance

	2011	2010
<b>Insurance premiums</b>		
Life insurance	981	1 150
of which loan protection	201	221
of which other	780	929
Non-life insurance	360	386
<b>Total</b>	<b>1 341</b>	<b>1 536</b>

	2011	2010
<b>Insurance provisions</b>		
Life insurance	-665	-739
of which loan protection	-141	-150
of which other	-524	-589
Non-life insurance	-170	-185
<b>Total</b>	<b>-835</b>	<b>-924</b>

	2011	2010
<b>Net insurance</b>		
Life insurance	316	411
of which loan protection	60	71
of which other	256	340
Non-life insurance	190	201
<b>Total</b>	<b>506</b>	<b>612</b>

## G11 Other income

	2011	2010
Profit from sale of subsidiaries and associates	1	
Income from real estate operations	353	124
Profit from sale of properties, equipments etc.	87	
Sold inventories	175	105
of which revenues	957	1 391
of which carrying amount	-782	-1 286
Sale of residual claim against Lehman Brothers Commercial Papers in bankruptcy	716	
IT services	784	818
Other operating income	461	507
<b>Total</b>	<b>2 577</b>	<b>1 554</b>

During 2011 income from real estate operations amounted to SEK 353m, of which SEK 323m relates mainly to real estate acquired for protection of claims in the US, Finland and Norway. Profit from sales of properties, equipment, etc. relates mainly to sales of investment properties in the US which have been acquired to protect claims.

## G12 Staff costs

### Compensation within Swedbank

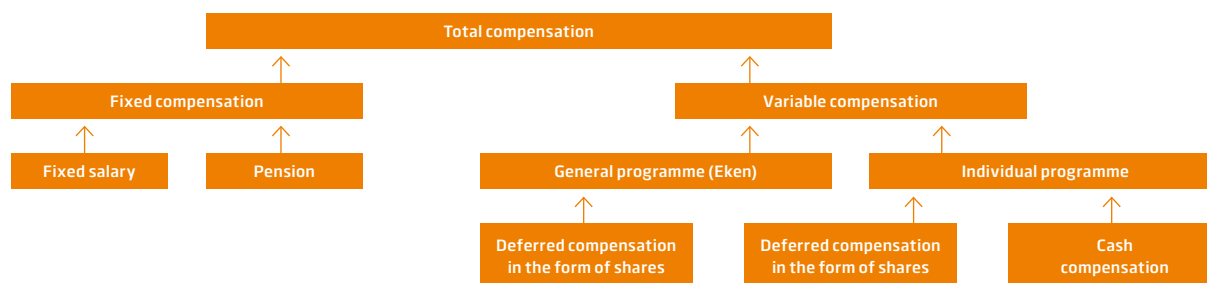
A well functioning, market-based compensation structure is an important component to achieve good results and sound risk-taking in the Group and to attract employees with the right competence who abide by Swedbank's values. Total compensation is based on a sound balance between fixed and variable compensation.

Swedbank's view is that compensation should, as far as possible, be individually based and thereby inspire employees to live up to Swedbank's goals, strategy and vision. Compensation should also encourage them to embrace our values – simple, open and caring – which we are convinced is the basis of a successful and sustainable business.

Total compensation should be designed so that Swedbank can attract employees with the competence it needs, within established cost limits.

Swedbank considers it important that compensation motivates balanced risk-taking in order to create long-term value for customers and shareholders. Compensation should support effective risk management and prevent excessive risk-taking.

The majority of employees have fixed and variable compensation components, which, together with a pension and other benefits, represent their total compensation. The goal is to achieve a sound balance between the variable and the fixed components.



### Fixed compensation

Fixed compensation is the main component of all employees' total compensation. Fixed compensation is based on the employee's duties, whether they meet their performance targets and abide by Swedbank's values, and it is also based on local market conditions.

In this context, Swedbank treats commissions as fixed compensation, i.e., compensation paid in relation to sales results or other individual targets unrelated to future exposures. As a rule, commission-based compensation is not tied to the Group's or a subsidiary's results, is capped at a maximum amount and is paid monthly or, in exceptional cases, quarterly. Swedbank has a limited number of employees who receive such compensation.

In Sweden, the majority of employees are covered by a collective pension according to the so-called BTP plan, a multi-employer defined benefit plan for banking employees. Furthermore, certain senior executives receive a defined contribution pension on any salary above 30 income base amounts.

### Variable compensation

Variable compensation is tied to the employee's performance and the Group's total result. This is a way to harmonise the interests of employees and shareholders and motivate long-term value creation in Swedbank.

Based on the principles established by the Annual General Meeting, Swedbank's Board of Directors oversees variable compensation, which covers the majority of employees. The Board also has the right to decide on the total amount, if any, which will be paid as variable compensation or, in the case of compensation which has already been promised but not paid out, which will be withheld. This applies regardless of whether or not established goals have been met. The Board can withhold variable compensation, for example, if the Group's financial position has been greatly weakened or there is a significant risk of this occurring, or if improper actions by individuals have adversely affected Swedbank's (or a business area's) results.

The Compensation Committee is the Board of Directors' committee for compensation issues. For more information, see the corporate governance report on page 53. To ensure compliance with the compensation policy, Swedbank has established rules of procedure that clearly delegate responsibility between Board, the President, the heads of the business areas and the Group staffs.

The Board of Directors of Swedbank AB resolved, with the Annual General Meeting' approval, to establish a new variable compensation programme for 2010 ("Programme 2010") to replace previous short-term incentive programmes. Participants in Programme 2010 received variable compensation in two parts based on performance targets in the financial year 2010. A portion was allocated in cash for payment in 2011. The other portion is deferred compensation allocated in the form of conditional, non-transferable rights. Programme 2010 comprised around 6 400 employees primarily in the Swedish part of the Group.

When it was introduced, it was announced that Programme 2010 would be evaluated annually and that the aim was to complement it with similar compensation programmes in future years. These future programmes will accommodate any changes as a result of the annual evaluation. After the evaluation, the Board resolved in February 2011 to establish a two-part variable compensation programme for 2011 ("Programme 2011"):

- A general programme (Eken), which offers essentially all employees in the Group deferred variable compensation exclusively in the form of shares,
- An individual programme, which offers around 1 200 employees in the Group variable compensation in two parts: cash compensation and deferred variable compensation consisting of shares.

Swedbank's compensation programme conforms to the current compensation regulations of the Financial Supervisory Authority (FFFS 2011:1). These regulations contain general requirements for corporate compensation policies and variable compensation as well as specific requirements on adapting compensation systems to a company's risks, such as performance assessments and risk adjustments as well as deferral of variable compensation. Among the requirements is that variable compensation exceeding SEK 100 000 is deferred for employees who are classified as code employees. However, Swedbank has chosen to go beyond what is stated in the regulations and apply the requirement to defer variable compensation to all employees participating in compensation programmes, i.e., eliminating the SEK 100 000 threshold. The main reason why Swedbank chose to go beyond what the regulations require is the Board and management's desire to:

- Harmonise the interests of employees and shareholders by offering share-based compensation instead of traditional compensation in the form of cash,
- Create long-term value on the part of employees by deferring the variable compensation.

Group Executive Management is not included in the individual variable compensation programme, only in Eken. The five highest-paid employees in Group Executive Management (top five) are not included in either the individual programme or Eken. They receive no form of variable compensation.

Compensation	Board of Directors	Group Executive Management	Other employees
Fixed compensation	Yes	Yes	Yes
General programme (Eken)	No	Yes, except top five	Yes, except Russia and Ukraine
Individual programme	No	No	Yes, around 1 200 employees
Pension	No	Yes	Yes, primarily in Sweden

Total staff costs	2011	2010
Salaries and remuneration	6 399	6 159
Compensation through shares in Swedbank AB	159	31
Social insurance charges	1 956	1 839
Pension costs*	1 013	1 042
Training costs	120	88
Other staff costs	270	233
<b>Total</b>	<b>9 917</b>	<b>9 392</b>
of which variable staff costs	395	340
of which personnel redundancy costs	398	173

\* The Group's pension cost for the year is specified in note G38.

### Terms of 2010 variable compensation programme

The main aspects of Programme 2010 are described in the previous paragraph. In accordance with the detailed terms of the programme, risk-takers are distinguished from non-risk-takers (as defined by the regulation at the time, FFFS 2009:7). Risk-takers received 60 per cent of their compensation in the form of deferred performance rights, while non-risk-takers received 40 per cent of their compensation in the form of deferred performance rights. Each performance right gave the holder the right to one common share in Swedbank AB at no cost on the delivery date in February 2014, provided that the participant remains an employee. Since the performance rights are not entitled to dividends, holders will be compensated with additional performance rights corresponding to the dividends that the common shares qualify for until the delivery date. The value of the compensation for Programme 2010, both cash and performance rights, amounted to SEK 310m, including social insurance charges, of which SEK 25m (255) was expensed in 2010. The allotment of the share-based compensation will result in a dilution of slightly over 0.1 per cent.

### Terms of 2011 variable compensation programme

The main aspects of Programme 2011 are described in the previous paragraph. In accordance with its detailed terms, Programme 2011, unlike Programme 2010, does not distinguish between code employees and non-code employees (as defined by the current regulation, FFFS 2011:1).

All employees in Eken are expected to receive 100 per cent of their compensation in the form of deferred performance rights, half of which is deferred for two years and half for three years. Each performance right gives the holder the right to one common share in Swedbank AB at no cost on the delivery date in February 2014 and in February 2015, provided that the participant remains an employee.

The main rule of the individual programme is that participants are expected to receive 40 per cent of their compensation in the form of deferred performance rights with a three-year deferral. The remaining 60 per cent is paid in the form of cash (non-deferred). Each performance right gives the holder the right to one common share in Swedbank AB at no cost on the delivery date in February 2015, provided that the participant remains an employee.

Other terms regarding compensation for dividends as well as the final analysis of the outcome before the delivery date are the same for the 2011 Eken and individual programme as Programme 2010.

The value of the estimated compensation for Programme 2011, both cash and performance rights, was SEK 818m, including social insurance charges, of which SEK 328m was expensed in 2011. The allotment of the share-based compensation is expected to result in an estimated dilution of slightly over 0.5 per cent.

### Reporting of share-based payment

Since the delivery of common shares in Swedbank AB requires the holder of the performance rights to remain an employee on the delivery date, the share-based payment is accrued during the duration of each programme.

The programme is comprised of i) a vesting period during the initial performance year, followed by ii) allotments and a deferral period before iii) the delivery date, i.e., final transfer of the shares to participants in the year after the conclusion of the deferral period and publication of the year-end report. During the initial performance year the compensation is expressed and measured in the form of an amount corresponding to the performance amount. The compensation is subsequently expressed in terms of the number of performance rights until the delivery date. The duration of the performance rights in Eken 2011 is 38 for half of them and 50 months for the other half (two- and three-year deferral, respectively), while the duration of the performance rights for the individual programmes for 2011 and 2010 is 50 months (three-year deferral)

Performance rights for each programme are valued in the accounts based on the price of the common share on the measurement date, i.e., the date when the company and the counterparty agree to the contractual terms and conditions. For all outstanding compensation programmes, 25 March 2011 is considered the measurement date. Each performance right entitles its holder to one common share in addition to compensation for dividends that the performance rights do not qualify for during the programme's duration. The reported cost of each programme can change during the period until the delivery date if the performance amount changes or if performance rights are forfeited because an employee has left the Group. The reported cost does not change when the market value of the performance rights changes, since the performance amount is eventually expressed as the number of performance rights. Social insurance charges are calculated and recognised continuously based on market value and ultimately determined at the time of settlement.

Variable Compensation Programme 2011 and 2010	2011	2010
<b>Programme 2010</b>		
Recognised expense for compensation that is settled with shares in Swedbank AB	23	31
Recognised expense for social charges	6	10
Recognised expense for cash settled compensation	-36	140
Recognised expense for payroll overhead costs related to the cash settled compensation	-18	74
<b>Programme 2011</b>		
Recognised expense for compensation that is settled with shares in Swedbank AB	136	
Recognised expense for social charges	48	
Recognised expense for cash settled compensation	96	
Recognised expense for payroll overhead costs related to the cash settled compensation	48	
<b>Total recognised expense</b>	<b>303</b>	<b>255</b>

### Number of performance rights that establish the recognised share based expense, millions

<b>Outstanding at the beginning of the period</b>	<b>1,3</b>	
Allotted	4,4	1,3
Forfeited	-0,0	
<b>Outstanding at the end of the period</b>	<b>5,7</b>	<b>1,3</b>
Exercisable at the end of the period		
Weighted average fair value per performance right at measurement date, SEK	111	102
Weighted average exercise price per performance right, SEK	0	0

### C shares

Part of the compensation in Programme 2010 and Programme 2011 was given in the form of performance rights, which carry the future right, after a deferral period, to receive shares in Swedbank AB free of charge. To ensure that common shares are transferred at no cost for Swedbank to those enrolled in the variable compensation programmes, a special class of C shares is used. The C shares are issued with the AGM's authorisation to the Board through a directed issue to a financial institution engaged specifically for this purpose, after which Swedbank AB repurchases the shares and converts them to common shares, followed by delivery to qualified holders of performance rights. The C share issue is a cost-effective tool for the bank to manage the share-based variable compensation.

### Compensation to the President

Michael Wolf took over as president on 1 March 2009. His compensation consists of an annual base salary of SEK 8m with no variable compensation in the form of bonuses, individual or general programmes, etc. His ordinary retirement age is 60 and he receives an annual premium of SEK 3 200 000 for defined-contribution pension purposes. If terminated by Swedbank, Michael Wolf will receive a salary during a 12-month term of notice, in addition to severance pay for 12 months. A deduction against salary and severance is made for income earned from new employment. If Michael Wolf resigns, the term of notice is six months and no severance is paid.

Compensation to the President, SEK, thousands	2011	2010
<b>Michael Wolf</b>		
Fixed compensation, salary	8 000	8 000
Other compensation/benefits	157	160
<b>Total</b>	<b>8 157</b>	<b>8 160</b>
Pension cost, excluding payroll tax	3 200	3 200

### Compensation to the rest of Group Executive Management

The Group Executive Management excluding the President make up the rest of Group Executive Management. Compensation to the rest of Group Executive Management includes compensation paid by all Group companies during the year, Swedish as well as foreign, and refers to the period during which these individuals were members of Group Executive Management.

In 2011 a total of 12 individuals were members of Group Executive Management. Thomas Backteman, Håkan Berg, Mikael Björknert, Göran Bronner, Catrin Fransson, Magnus Gagner-Geeber, Marie Hallander Larsson and Cecilia Hernqvist were members of Group Executive Management for the entire year. Birgitte Bonnesen, Stefan Carlsson, Erkki Raasuke and Annika Wijkström were members of Group Executive Management for part of the year.

On 31 December 2011 Group Executive Management was comprised of Thomas Backteman, Håkan Berg, Mikael Björknert, Birgitte Bonnesen, Göran Bronner, Catrin Fransson, Magnus Geeber, Marie Hallander Larsson and Cecilia Hernqvist.

Remuneration to the other Group Executive Management	2011	2010
Fixed compensation, salary	40	39
Variable compensation, cash		
Variable compensation, share based	0	
Other compensation/benefits	1	1
Compensation at terminated contract*	23	
<b>Total</b>	<b>64</b>	<b>40</b>
Pension cost, excluding payroll tax	16	16
No. of persons as of 31 December	9	11

\* Includes salary during term of notice, severance, pension costs and any benefits.

Pension and termination conditions for other members of GEM (9 persons)						
	Pension age	Term of notice	Severance	Resignations	Defined benefit pension	Defined contribution pension
1 person	60 years	12 months	12 months	6 months	60% up to 43.09 IBA	35% on salaries over 43.09 IBA*
1 person	62 years	12 months	12 months	12 months	BTP plan up to 30 IBA	35% on salaries over 30 IBA*
5 persons	62 years	12 months	12 months	6 months	BTP plan up to 30 IBA	35% on salaries between 30 och 80 IBA
1 person	62 years	12 months	12 months	6 months	BTP plan up to 30 IBA	30% on salaries over 30 IBA*
1 person	65 years	6 months	12 months	6 months	–	Defined contribution only 945 000 per yr

\* The cap on pensionable salary is set by the Board of Directors and amounts to SEK 8m.

#### Pension and termination conditions for the rest of Group Executive Management

The 9 persons in the rest of Group Executive Management are entitled to a pension, according to various terms, as described in the table above.

The defined benefit pension is expressed in income base amounts (IBA), which is an amount that follows the wage trend in society and is set each year by the government. In 2011 the income base amount was SEK 52 100. For defined-benefit pension entitlements a deduction is made for previously vested pension entitlements. Benefits are accrued continuously until retirement and are vested after they have been accrued. For one of the eight individuals with defined-benefit pension entitlements, the pensionable salary for 2004 in the defined-benefit pension plan has been locked in terms of income base amounts, in addition to which they receive a supplementary defined-contribution pension where the parent company has committed to pay the premiums for a company-owned endowment insurance for the equivalent of 35 per cent of salary segments not secured by the defined-benefit entitlement.

If terminated by the company, the members of the rest of Group Executive Management are paid their salary during a term of notice of that varies between 6 and 12 months. In addition, they are entitled to severance for 12 months, which can be paid out in a lump sum or monthly. If they obtain new employment, their income is deducted from the term of notice and severance. If the members of the rest of Group Executive Management resign, the term of notice is not more than 12 months and severance is not paid, unless they are terminated due to a serious breach of contract on the part of the employer.

Total compensation during the term of notice and the time when any severance is paid may not exceed a total amount equivalent of their base monthly salary and contractual benefits for twelve months plus the base monthly salary for 12 months.

#### Limits due to agreement with National Debt Office

Since Swedbank has entered into the state guarantee programme and according to the agreement with the National Debt Office has pledged, among other things, to ensure that the following applies to the five highest paid senior executives:

The base salary or other fixed compensation paid to any executive may not exceed the compensation level determined prior to 20 October 2008.

Variable compensation, including options, may not be determined during the time period during which the bank's contract with the National Debt Office applies ("the contractual period"), and circumstances related to the contractual period may not be considered when variable compensation is calculated due to previous contracts and no variable compensation determined before the contractual period may be executed or paid during the contractual period.

With regard to severance, the terms may not be more favourable than stipulated in the employment terms for senior executives of state-owned companies.

Information on compensation according to the Financial Supervisory Authority's regulations and general guidelines on compensation policies (FFFS 2009:6) is published on Swedbank's website.

#### Compensation to the Board of Directors

Compensation for the members of the Board of Directors, as indicated in the table below, covers the financial year stretching from the Annual General Meeting on 25 March 2011 to the Annual General Meeting on 27 March 2012 and is determined by the Annual General Meeting. Board compensation consists of fixed compensation for Board work as well as fixed compensation for any committee work. The three committees are the Audit and Compliance Committee, the Risk and Capital Committee and the Compensation Committee. During the year no costs were reported for previous Board members beyond what is indicated below. The Group does not have any pension entitlements for Board members.

Board fees and compensation to the Board during the year, from Annual General Meeting to Annual General Meeting, SEK thousands	2011			2010		
	Board fees	Committee work	Total	Board fees	Committee work	Total
Lars Idermark, Chair	1 350	350	1 700	1 350	350	1 700
Anders Sundström, Deputy Chair	675	350	1 025	675	350	1 025
Olav Fjell, Director (elected 2011)	400	100	500			
Ulrika Francke, Director	400	425	825	400	425	825
Göran Hedman, Director	400	250	650	400	250	650
Berith Hägglund-Marcus, Director				400	125	525
Anders Igel, Director	400	100	500	400	100	500
Helle Kruse Nielsen, Director	400	100	500	400	100	500
Pia Rudengren, Director	400	250	650	400	250	650
Karl-Henrik Sundström, Director	400	125	525	400	125	525
Siv Svensson, Director	400	125	525	400	125	525
<b>Total</b>	<b>5 225</b>	<b>2 175</b>	<b>7 400</b>	<b>5 225</b>	<b>2 200</b>	<b>7 425</b>

### Compensation to the Chair

The current Chair of the Board of Directors receives fixed compensation for Board work as well as fixed compensation for committee work, i.e., no variable portions, pension or other benefits. The table below shows the costs reported for the years 2010 and 2011.

Compensation to the Chair, as from 2010-03-26, SEK thousands	2011	2010
<b>Lars Idermark</b>		
Within framework of Board fees set by the Board	1 700	1 275
<b>Total</b>	<b>1 700</b>	<b>1 275</b>

### Compensation to former Chair

Carl Eric Ståhlberg, the former Chair, has an individual agreement entitling him to a defined benefit pension from the age of 60. His pension entitlement amounted to the vested portion of 75 per cent of his previous salary. The vested portion is based on the length of his employment in months divided by 360. The parent company has disputed to pay a pension premium of SEK 360 000 per year. Previously vested pension benefits remain unaffected. When he stepped down as Chair, Carl Eric Ståhlberg received severance of SEK 4 256 000.

Compensation to the former Chair, 2010-01-01-2010-03-26, SEK thousands	2011	2010
<b>Carl Eric Ståhlberg</b>		
Fixed compensation, salary		769
Within framework of Board fees set by the Board		464
Other compensation/benefits		15
<b>Total</b>		<b>1 248</b>
of which pension-based compensation		769
Pension cost, excluding payroll tax		638

### Summary - Compensation to the Chair, other Board members, President and other members of Group Executive Management

The Board of Directors' Compensation Committee reviews and evaluates annual compensation guidelines for the Chair of the Board, other Board members, the President and other members of Group Executive Management and prepares a proposal for the Board. Based on this proposal, the Board proposes compensation guidelines for them each year for approval by the Annual General Meeting. Based on the guidelines approved by the AGM, the Board sets the compensation terms each year for the President, other members of Group Executive Management and the Head of Internal Audit. Fees to the President and other senior executives for internal board duties are deducted against their salaries, unless otherwise agreed to.

Total compensation to the Chair, Directors, the President and other members of the Group Executive Committee (key management personnel)	2011	2010
Short-term employee benefits	57	57
Post employment benefits, pension costs	19	20
Termination benefits, severance pay	23	4
Share-based payments		
<b>Total</b>	<b>99</b>	<b>81</b>
Amounts of outstanding balances		
Granted loans	75	80

### Summary - Compensation to Board members, Presidents, Vice Presidents and other senior executives

Shown here are the salaries and other compensation for Board members, Presidents, Vice Presidents and other senior executives in the Group. This group includes current and former employees.

Compensations	2011					2010				
	Board of directors, President, Vice President and other Group executives			Other employees	All employees	Board of directors, President, Vice President and other Group executives			Other employees	All employees
	Number of persons	Salaries and other remunerations	Variable pay	Salaries and variable pay	Total	Number of persons	Salaries and other remunerations	Variable pay	Salaries and variable pay	Total
Sweden	79	104	1	4 533	4 638	76	88	0	4 451	4 539
Denmark				17	17				20	20
Estonia	7	4	0	439	443	7	4	0	412	416
Finland				43	43				31	31
Latvia	8	8	0	277	285	6	4	0	253	257
Lithuania	6	6	0	314	320	8	5	0	285	290
Luxembourg	9	11	0	40	51	1	2	0	48	50
Norway	4	5	3	442	450	3	7	6	273	286
Russia	7	7		76	83	12	20		117	137
Ukraine	11	15		170	185	13	14		130	144
USA	3	4	0	25	29	1	2	0	30	32
Other countries	1	1		13	14	0	0		11	11
<b>Total</b>	<b>135</b>	<b>165</b>	<b>4</b>	<b>6 389</b>	<b>6 558</b>	<b>127</b>	<b>146</b>	<b>6</b>	<b>6 061</b>	<b>6 213</b>

### Pensions and loans to Board members, Presidents, Vice Presidents and equivalent senior executives

Pension costs reported in the table below refer to current and former Board members, Presidents, Vice Presidents and equivalent senior executives in the Group. The costs exclude social insurance charges and payroll taxes. Pension obligations for current and former Presidents and Vice Presidents have been funded through insurance and pension funds. The latter obligations amounted to SEK 428m (456). The Group has not pledged any assets or other collateral or committed to contingent liabilities on behalf of any of the above-mentioned group of executives.

Pension and loans to Board members, Presidents, Vice Presidents and equivalent senior executives	2011	2010
Cost for the year related to pensions and similar remunerations	31	33
No. of persons	26	30
Granted loans	278	241
No. of persons	84	85

### Key ratios, employees

Average number of employees based on 1 585 hours per employee	2011	2010
Swedbank AB	8 334	8 352
Swedbank Finans AB	203	173
Swedbank Försäkring AB	150	117
Swedbank Robur AB	286	301
Swedbank Franchise AB	50	48
Swedbank Babs Holding AB	88	82
Ölands Bank AB	59	59
Ektornet AB	22	10
Swedbank Hypotek AB	1	
Swedbank Luxembourg	68	70
Swedbank Estonia	2 890	2 811
Swedbank Latvia	1 927	1 888
Swedbank Lithuania	2 796	2 803
Swedbank Russia	205	327
Swedbank Ukraine	1 673	2 137
Swedbank Norway	308	354
Swedbank USA	11	10
<b>Summa</b>	<b>19 071</b>	<b>19 542</b>
of which in		
Sweden	9 024	8 960
Denmark	31	34
Estonia	2 890	2 827
Finland	44	31
Japan	0	1
China	18	19
Latvia	1 927	1 893
Lithuania	2 796	2 811
Luxembourg	68	70
Norway	368	403
Russia	204	330
Ukraine	1 673	2 137
USA	28	26
<b>Summa</b>	<b>19 071</b>	<b>19 542</b>
Number of hours worked (thousands)	30 227	30 971
Number of Group employees at year-end excluding long-term absentees in relation to hours worked expressed as full-time positions	16 287	17 224

Employee turnover, %	2011	2010
Retail	10,5	7,9
Large Corporates & Institutions	16,7	9,5
Baltic Banking	12,5	11,1
Asset Management	10,1	5,0
Russia & Ukraine	70,1	44,2
Ektornet	56,0	63,4
Group Functions	9,4	6,7
<b>Total</b>	<b>17,8</b>	<b>15,7</b>

Other key ratios	2011	2010
Average number of employees	19 071	19 542
Number of employees at year-end	18 716	20 639
Number of full-time positions	16 287	17 224
Absenteeism, %*	2,8	2,8
Long-term healthy employees, %*	76,0	77,1

\* Refers to the Swedish operations.

### Gender distribution

Swedbank strives for diversity, including an even distribution between women and men, among employees in general as well as among senior executives. We are convinced that it is important to maintain a balance between women and men, not least in senior positions, such as Group Executive Management and their respective management teams. Consequently, we have chosen as of 2011 to show the gender distribution specifically for them, in addition to Board members and other senior executives.

Distribution by gender and country	2011		2010	
	Female	Male	Female	Male
%				
Sweden	54	46	55	45
Denmark	56	44	53	47
Estonia	77	23	75	25
Finland	46	54	39	61
China	44	56	53	47
Latvia	76	24	75	25
Lithuania	76	24	76	24
Luxembourg	38	62	33	67
Norway	28	72	27	73
Russia	62	28	63	37
Ukraine	64	36	69	31
USA	26	74	29	71

Distribution by gender	2011		2010	
	Female	Male	Female	Male
%				
All employees	63	37	67	33
Directors	22	78	32	68
Other senior executives, incl. President	30	70	19	81
Group Executive Management incl. President	40	60		
Group Executive Management and their respective management teams	34	66		

## G13 Other general administrative expenses

	2011	2010
Expenses for premises	100	55
Rents, etc.	1 237	1 324
IT expenses	1 696	1 634
Telecommunications, postage	251	271
Consulting	530	904
Other purchased services	821	794
Travel	239	229
Entertainment	86	98
Office supplies	201	248
Advertising, public relations, marketing	401	360
Security transports, alarm systems	436	440
Maintenance	168	200
Other administrative expenses	357	400
Other operating expenses	418	343
<b>Total</b>	<b>6 941</b>	<b>7 300</b>

Consulting and other services related to the management of problem loans and repossessed collateral amounted to SEK 63m (261). Expenses for properties taken over are included in other administrative expenses amounted to SEK 285m (122).

Remuneration to auditors	2011	2010
<b>Remuneration to auditors elected by Annual General Meeting, Deloitte AB</b>		
Statutory audit	32	33
Other audit	10	7
Tax advisory		1
Other		1
<b>Remuneration to other</b>		
Statutory audit	1	2
Other audit		1
Tax advisory		
Other		1
<b>Total</b>	<b>43</b>	<b>46</b>
Internal Audit	62	67

## G14 Depreciation/amortisation of tangible and intangible fixed assets

Depreciation/amortisation	2011	2010
Equipment	523	511
Owner-occupied properties	44	51
Investment properties	118	21
Intangible fixed assets	326	367
<b>Total</b>	<b>1 011</b>	<b>950</b>

## G15 Impairments of tangible assets including repossessed lease assets

Impairments	2011	2010
Owner-occupied properties		130
Investment properties	105	204
Properties measured as inventory	44	47
Repossessed leasing assets	25	219
<b>Total</b>	<b>174</b>	<b>600</b>

Repossessed leasing assets are recognised in the balance sheet as other assets.

## G16 Credit impairments

	2011	2010
<b>Provisions for loans that individually are assessed as impaired</b>		
Provisions	1 415	3 507
Reversal of previous provisions	-3 481	-1 605
Provision for homogenous groups of impaired loans, net	-27	1 235
<b>Total</b>	<b>-2 093</b>	<b>3 137</b>
<b>Portfolio provisions for loans that individually are not assessed as impaired</b>	<b>-829</b>	<b>-1 738</b>
<b>Write-offs</b>		
Established losses	4 882	4 373
Utilisation of previous provisions	-3 300	-2 410
Recoveries	-364	-558
<b>Total</b>	<b>1 218</b>	<b>1 405</b>
<b>Credit impairments for contingent liabilities and other credit risk exposures</b>	<b>-207</b>	<b>6</b>
<b>Credit impairments</b>	<b>-1 911</b>	<b>2 810</b>

### Credit impairments by valuation category

Loans and receivables	-1 984	2 651
Fair value through profit or loss	35	159
Held to maturity	38	
<b>Total</b>	<b>-1 911</b>	<b>2 810</b>

### Credit impairments by borrower category

Credit institutions	-37	-32
General public	-1 874	2 842
<b>Total</b>	<b>-1 911</b>	<b>2 810</b>

## G17 Tax

Tax expense	2011	2010
Tax related to previous years	-103	106
Current tax	2 188	2 455
Deferred tax	1 584	-89
<b>Total</b>	<b>3 669</b>	<b>2 472</b>

The difference between the Group's tax expense and the tax expense based on current tax rates is explained below:

	2011		2010	
	SEKm	%	SEKm	%
Results	3 669	23.8	2 472	24.8
26.3% of pre-tax profit	4 056	26.3	2 618	26.3
<b>Difference</b>	<b>387</b>	<b>2.5</b>	<b>146</b>	<b>1.5</b>
<b>The difference consists of the following items:</b>				
Tax previous years	103	0.6	-106	-1.1
Tax - exempt income/non-deductible expenses	-78	-0.5	-61	-0.6
Unrecognised portion of deferred tax assets	-42	-0.3	168	1.7
Utilization of unused tax losses previously not recognized for deferred tax assets	272	1.8		
Non-deductible goodwill impairment	-509	-3.3	-3	
Tax-exempt capital gains and appreciation in value of shares and participating interests	8		-1	
Other tax basis in insurance operations	41	0.3	22	0.2
Deviating tax rates in other countries	596	3.9	109	1.1
Standard income tax allocation reserve	-4		-4	
Other, net			22	0.2
<b>Total</b>	<b>387</b>	<b>2.5</b>	<b>146</b>	<b>1.5</b>

The tax expense in 2011 corresponds to an effective tax rate of 23.8 per cent. The effective tax rate of less than 26.3 per cent is because the operations in Estonia, Lithuania, Ukraine and Russia post profits with with a very low, or no, tax rate.



## 2011

Deferred tax assets	Opening balance	Income statement	Other comprehensive income	Adjustments	Exchange rate differences	Closing balance
Deductible temporary differences						
Provision for credit impairments	212	-102			-4	106
Other	42	-36				6
Unused tax losses	2 060	-512			8	1 556
Unused tax credits	42	-42				
Unrecognised deferred tax assets	-1 138	347			-5	-796
<b>Total</b>	<b>1 218</b>	<b>-345</b>			<b>-1</b>	<b>872</b>
<b>Deferred tax liabilities</b>						
Taxable temporary differences						
Untaxed reserves	1 580	785		-15		2 350
Hedge of net investment in foreign operations	251		96			347
Provision for pensions	-424	-87				-511
Cash flow hedges	104		111			215
Intangible fixed assets	303	36				339
Tax loss carry-forwards		-1				-1
Other	-80	495		15	14	444
<b>Total</b>	<b>1 734</b>	<b>1 228</b>	<b>207</b>		<b>14</b>	<b>3 183</b>
<b>Deferred tax liabilities in associates</b>		<b>11</b>				
<b>Total</b>	<b>1 734</b>	<b>1 239</b>	<b>207</b>		<b>14</b>	<b>3 183</b>

Deferred tax related to hedging of net investments in foreign operations and cash flow hedging is recognised directly in other comprehensive income, since the change in the value of the hedging instrument is recognised directly in other comprehensive income. Deferred tax related to untaxed reserves in associates is included in the balance sheet line Investments in associates.

Swedbank AS pays income tax in Estonia only upon distribution of its earnings. The tax rate for 2011 was 21 per cent (21). Retained earnings in Swedbank AS, if distributed, would result in a tax expense of SEK 2 580m (1 676). No deferred tax liability has

been recognised in the accounts, since the parent company can control the timing when dividends are paid out and no distribution is expected in the foreseeable future. Future dividends, if any, are expected to be paid from future earnings.

The large part of the unrecognised portion of deferred tax assets refers to Ukraine, SEK 664m (890) and Lithuania, SEK 41m (124). The assets are not recognised due to uncertainty when sufficient taxable earnings will be generated and about fiscal conditions in Ukraine. See also note G2, Accounting policies.

## Unused tax losses and unused tax credits according to tax calculation

Maturity	Total deduction	Deduction for which deferred tax is recognised			Deduction for which deferred tax is not recognised
		Latvia	Lithuania	Russia	
2012	11		11		
2013	5		5		
2014	2 985				2 985
2019	100			100	
2020	228			228	
Without maturity	5 478	3 641	1 259		578
<b>Total</b>	<b>8 807</b>	<b>3 641</b>	<b>1 275</b>	<b>328</b>	<b>3 563</b>

When it determines how much of deferred tax assets will be recognised, the Group forecasts future taxable profits. Deferred tax assets are recognised only to the extent such profits can be forecasted with a reasonable degree of certainty. The Group expects that about 70 per cent (70) of the taxable losses that serve as the basis for recognised deferred

tax assets will be utilised before the end of 2014, i.e., within the framework of the Group's three-year plan. All of the losses for which deferred tax assets are recognised derive from the Group's home markets. Each operation has recognised positive results since the second half of 2010. Results further improved in 2011.

## 2010

Deferred tax assets	Opening balance	Income statement	Other comprehensive income	Exchange rate differences	Closing balance
Deductible temporary differences					
Provision for credit impairments	433	-221			212
Other	115	-73			42
Unused tax losses	2 253	-24		-169	2 060
Unused tax credits	45	-3			42
Unrecognised deferred tax assets	-1 637	499			-1 138
<b>Total</b>	<b>1 209</b>	<b>178</b>		<b>-169</b>	<b>1 218</b>
<b>Deferred tax liabilities</b>					
Taxable temporary differences					
Untaxed reserves	1 613	-4		-29	1 580
Hedge of net investment in foreign operations	-421		679	-7	251
Provision for pensions	-451	27			-424
Cash flow hedges	-265	118	251		104
Intangible fixed assets	296	7			303
Tax loss carry-forwards	-8	8			
Other	-44	-67	2	29	-80
<b>Total</b>	<b>720</b>	<b>89</b>	<b>932</b>	<b>-7</b>	<b>1 734</b>

## Unused tax losses and unused tax credits according to tax calculation

Maturity	Total deduction	Deduction for which deferred tax is recognised		Deduction for which deferred tax is not recognised
		Latvia	Lithuania	
2013	3 199			3 199
2017	4 213	4 213		
2018	688	688		
2019	126			126
2020	229			229
Without maturity	2 647		1 937	710
<b>Total</b>	<b>11 102</b>	<b>4 901</b>	<b>1 937</b>	<b>4 264</b>

## G18 Earnings per share

Earnings per share are calculated by dividing profit for the year, after adjustments, attributable to holders of common shares in the parent company by a weighted average number of common shares outstanding. Earnings per share after dilution is calculated by dividing profit for the year, after adjustments, attributable to holders of common shares in the parent company by the average of the number of common shares outstanding during the year, adjusted for the dilution effect of potential shares. Profit for the year has been adjusted by deducting the dividend paid to preference shares. Earnings per share are calculated separately for continuing operations and discontinued operations. Since the outstanding preference shares call for a mandatory conversion to common shares, the preference shares are included in the calculation of earnings per share before dilution for ordinary shares outstanding. Hence, the conversion has no effect on the calculation of earnings per share.

Swedbank's share-related compensation programmes, Programme 2010 and Programme 2011, give rise to potential common shares from the grant date for these shares from an accounting perspective. Grant date refers here to the date when the parties agreed to the terms and conditions of the programmes. The grant date from an accounting perspective for all programmes was 25 March 2011.

The rights are treated as options in the calculation of earnings per share after dilution.

	2011	2010
<b>Average number of shares</b>		
Weighted average number of shares before adjustments for holdings of treasury shares, before dilution	1 160 580 588	1 159 590 177
Weighted average number of Treasury shares	-31 280 874	
Weighted average number of shares acquired by associates	-1 140 241	-1 116 000
Weighted average number of shares, before dilution	1 128 159 473	1 158 474 177
Weighted average number of shares for dilutive potential ordinary shares resulting from share-based compensation programme	1 406 573	
Weighted average number of shares, after dilution	1 129 566 046	1 158 474 177
<b>Earnings per share, SEK</b>		
Profit for the year attributable to the shareholders of Swedbank AB from total operations	11 744	7 444
Preference dividends on non-cumulative preference shares declared in respect of the year	995	
Profit for the year used for calculating earnings per share from total operations	10 749	7 444
Earnings per share total operations before dilution, SEK	9.53	6.43
Earnings per share total operations after dilution, SEK	9.52	6.43
<b>Profit for the year attributable to the shareholders of Swedbank AB from continuing operations</b>	<b>11 741</b>	<b>7 444</b>
Preference dividends on non-cumulative preference shares declared in respect of the year	995	
Profit for the year used for calculating earnings per share from continuing operations	10 746	7 444
Earnings per share continuing operations before dilution, SEK	9.53	6.43
Earnings per share continuing operations after dilution, SEK	9.52	6.43
<b>Profit for the year attributable to the shareholders of Swedbank AB from discontinued operations</b>	<b>3</b>	
Profit for the year used for calculating earnings per share from discontinued operations	3	
Earnings per share discontinued operations before dilution, SEK	0.00	
Earnings per share discontinued operations after dilution, SEK	0.00	

## G19 Tax for each component in other comprehensive income

	2011				2010			
	Pre-tax amount	Deferred tax	Current tax	Net-of-tax amount	Pre-tax amount	Deferred tax	Current tax	Net-of-tax amount
Exchange differences, foreign operations	-284			-284	-4 218			-4 218
Hedging of net investments in foreign operations	379	-96	-3	280	2 420	-679	42	1 783
Cash flow hedges	423	-111		312	955	-251		704
Share of other comprehensive income of associates	-2			-2	-30	-2		-32
<b>Other comprehensive income</b>	<b>516</b>	<b>-207</b>	<b>-3</b>	<b>306</b>	<b>-873</b>	<b>-932</b>	<b>42</b>	<b>-1 763</b>

## G20 Treasury bills and other bills eligible for refinancing with central banks, etc.

	Carrying amount			Amortised cost			Nominal amount		
	2011	2010	1/1/2010	2011	2010	1/1/2010	2011	2010	1/1/2010
<b>Valuation category, fair value through profit or loss</b>									
<b>Trading</b>									
Swedish government	19 391	23 454	72 909	17 315	23 227	72 681	14 577	20 182	69 957
Swedish municipalities	115	792	11	115	794	11	115	842	11
Foreign governments	4 981	8 741	14 408	4 924	8 749	14 403	4 913	8 697	14 241
Other non-Swedish issuers	124	671	235	124	672	235	124	666	250
<b>Total</b>	<b>24 611</b>	<b>33 658</b>	<b>87 563</b>	<b>22 478</b>	<b>33 442</b>	<b>87 330</b>	<b>19 729</b>	<b>30 387</b>	<b>84 459</b>
<b>Valuation category, held to maturity*</b>									
Foreign governments	1 242	1 266	1 161	1 242	1 266	1 161	1 252	1 233	1 113
<b>Total</b>	<b>1 242</b>	<b>1 266</b>	<b>1 161</b>	<b>1 242</b>	<b>1 266</b>	<b>1 161</b>	<b>1 252</b>	<b>1 233</b>	<b>1 113</b>
<b>Total</b>	<b>25 853</b>	<b>34 924</b>	<b>88 724</b>	<b>23 720</b>	<b>34 708</b>	<b>88 491</b>	<b>20 981</b>	<b>31 620</b>	<b>85 572</b>

\* The fair value of held-to-maturity investments amounted to SEK 1 199m (1 242).

## G21 Loans to credit institutions

	2011	2010	1/1/2010
<b>Valuation category, loans and receivables</b>			
Swedish banks	46 260	50 849	39 458
Swedish credit institutions	1 052	435	1 142
Swedish credit institutions, repurchased agreements			
Foreign banks	17 414	74 582	30 626
Foreign banks, repurchase agreements			
Foreign credit institutions			19
Foreign credit institutions, repurchase agreements			
<b>Total</b>	<b>64 726</b>	<b>125 866</b>	<b>71 245</b>
<b>Valuation category, fair value through profit or loss</b>			
<b>Trading</b>			
Swedish banks	1	2	18
Swedish banks, repurchase agreements	1 130	1 942	8 564
Swedish credit institutions			305
Swedish credit institutions, repurchased agreements	6 940	12 763	477
Foreign banks	10	553	101
Foreign banks, repurchase agreements	5 726	25 291	11 421
Foreign credit institutions, repurchase agreements	18 662		
<b>Total</b>	<b>32 469</b>	<b>40 551</b>	<b>20 886</b>
<b>Total</b>	<b>97 195</b>	<b>166 417</b>	<b>92 131</b>
	2011	2010	1/1/2010
<b>Subordinated loans</b>			
Associates	120	120	320
Other companies	57	57	62
<b>Total</b>	<b>177</b>	<b>177</b>	<b>382</b>

## G22 Loans to the public

	2011	2010	1/1/2010
<b>Valuation category, loans and receivables</b>			
Swedish public	518 509	448 142	412 274
Swedish public, repurchase agreements			
Foreign public	184 248	193 353	241 837
Foreign public, repurchase agreements	15		1 295
<b>Total</b>	<b>702 772</b>	<b>641 495</b>	<b>655 406</b>
<b>Valuation category, fair value through profit or loss</b>			
<b>Trading</b>			
Swedish public	387	4	
Swedish public, repurchase agreements	33 500	35 444	29 829
Foreign public		2	3 882
Foreign public, repurchase agreements	8 883	5 785	7 347
<b>Other</b>			
Swedish public	465 912	504 496	594 203
<b>Total</b>	<b>508 682</b>	<b>545 731</b>	<b>635 261</b>
<b>Total</b>	<b>1 211 454</b>	<b>1 187 226</b>	<b>1 290 667</b>

The maximum credit risk exposure for lending measured at fair value corresponds to the carrying amount

	2011	2010	1/1/2010
<b>Subordinated loans</b>			
Other			308
<b>Total</b>			<b>308</b>

### Finance lease agreements distributed by maturity

2011	< 1 yr.	1–5 yrs.	> 5 yrs.	Total
Gross investment	12 089	10 885	4 748	27 722
Unearned finance income	944	1 351	1 089	3 384
Net investment	11 145	9 534	3 659	24 338
Provisions for impaired claims related to minimum lease payments				98

The residual value of the leases in all cases are guaranteed by the lessees. Finance leasing are included in Loans to the public and relates to vehicles, machinery, boats etc.

### Finance lease agreements distributed by maturity

2010	< 1 yr.	1–5 yrs.	> 5 yrs.	Total
Gross investment	10 544	14 862	2 926	28 332
Unearned finance income	826	759	423	2 008
Net investment	9 718	14 103	2 503	26 324
Provisions for impaired claims related to minimum lease payments				952

The residual value of the leases in all cases are guaranteed by the lessees. Finance leasing are included in Loans to the public and relates to vehicles, machinery, boats, etc.

## G23 Bonds and other interest-bearing securities

	Carrying amount			Amortised cost			Nominal amount		
	2011	2010	1/1/2010	2011	2010	1/1/2010	2011	2010	1/1/2010
<b>Valuation category, fair value through profit or loss</b>									
<b>Trading</b>									
Swedish mortgage institutions	65 359	60 904	48 315	64 629	61 566	47 976	62 890	61 780	46 187
Swedish financial entities	9 593	6 402	7 494	9 531	6 413	7 249	9 489	6 402	6 997
Swedish non-financial entities	5 008	5 005	6 823	4 987	4 992	6 777	4 940	5 002	6 813
Foreign financial entities	21 707	16 291	9 372	21 564	16 103	9 386	21 365	16 204	9 350
Foreign non-financial entities	8 091	3 539	2 239	7 984	3 441	2 234	8 031	3 590	2 253
<b>Total</b>	<b>109 758</b>	<b>92 141</b>	<b>74 243</b>	<b>108 695</b>	<b>92 515</b>	<b>73 622</b>	<b>106 715</b>	<b>92 978</b>	<b>71 600</b>
<b>Valuation category, held to maturity*</b>									
Foreign mortgage institutions	1 508	3 335	6 371	1 508	3 335	6 371	1 515	3 335	6 446
Foreign financial entities	906	892	1 224	906	891	1 224	908	892	1 250
Foreign non-financial entities	286	284	53	286	284	53	289	285	53
<b>Total</b>	<b>2 700</b>	<b>4 511</b>	<b>7 648</b>	<b>2 700</b>	<b>4 510</b>	<b>7 648</b>	<b>2 712</b>	<b>4 512</b>	<b>7 749</b>
<b>Total</b>	<b>112 458</b>	<b>96 652</b>	<b>81 891</b>	<b>111 395</b>	<b>97 025</b>	<b>81 270</b>	<b>109 427</b>	<b>97 490</b>	<b>79 349</b>
of which subordinated			200						

\* The fair value of held-to-maturity investments amounted to SEK 2 611m (4 456). Carrying amount is below nominal amount for all securities.

## G24 Financial assets for which the customers bear the investment risk

	2011	2010	1/1/2010
<b>Valuation category, fair value through profit or loss</b>			
<b>Other</b>			
Fund units	86 129	91 218	72 507
Interest-bearing securities	1 915	1 315	919
Shares	7 703	8 095	4 768
<b>Total</b>	<b>95 747</b>	<b>100 628</b>	<b>78 194</b>

## G25 Shares and participating interests

	Carrying amount			Cost		
	2011	2010	1/1/2010	2011	2010	1/1/2010
<b>Valuation category, fair value through profit or loss</b>						
<b>Trading</b>						
Trading stock	1 386	5 333	5 511	1 534	5 200	5 623
Fund shares	140	164	3 811	138	160	3 698
For protection of claims	136	570	108	136	575	108
Other	7					
<b>Other</b>						
Credit institutions	244	24	25	217	25	27
Other shares	38	34	1	33	36	
<b>Total</b>	<b>1 951</b>	<b>6 125</b>	<b>9 456</b>	<b>2 058</b>	<b>5 996</b>	<b>9 456</b>
<b>Valuation category, available for sale</b>						
Condominiums	38	29	30	38	29	30
Other	26	27	19	26	27	16
<b>Total</b>	<b>64</b>	<b>56</b>	<b>49</b>	<b>64</b>	<b>56</b>	<b>46</b>
<b>Total</b>	<b>2 015</b>	<b>6 181</b>	<b>9 505</b>	<b>2 122</b>	<b>6 052</b>	<b>9 502</b>
of which unlisted	96	295	441			

Unlisted holdings are valued at their last transaction price. Holdings in the valuation category available for sale have been estimated at acquisition cost, since a more reliable fair value is not considered to be available.

## G26 Investments in associates

	2011	2010	1/1/2010
<b>Fixed assets</b>			
Credit institutions	2 841	2 384	2 195
Other associates	270	326	545
<b>Total</b>	<b>3 111</b>	<b>2 710</b>	<b>2 740</b>
<b>Opening balance</b>	<b>2 710</b>	<b>2 740</b>	
Additions during the year	36	34	
Change in accumulated profit shares	510	218	
Impairment losses during the year			
Disposals during the year	-143	-243	
Translation difference equity in associates	-2	-39	
<b>Closing balance</b>	<b>3 111</b>	<b>2 710</b>	

2011 Corporate identity, domicile	Corporate identity number	Number	Carrying amount	Cost	Share of capital, %	Year's share of associate's pre-tax profit
<b>Credit institutions</b>						
EnterCard Holding AB, Stockholm	556673-0585	3 000	1 526	420	50.00	435
Färs & Frosta Sparbank AB, Lund	516401-0091	1 478 700	446	257	30.00	72
Sparbanken Rekarne AB, Eskilstuna	516401-9928	865 000	201	125	50.00	43
Swedbank Sjuhärads AB, Borås	516401-9852	950 000	598	287	47.50	122
Vimmerby Sparbank AB, Vimmerby	516401-0174	340 000	70	41	40.00	6
<b>Total</b>			<b>2 841</b>	<b>1 130</b>		<b>678</b>
<b>Other associates</b>						
BAB Bankernas Automatbolag AB, Stockholm	556817-9716	150	23	15	20.00	-3
BDB Bankernas Depå AB, Stockholm	556695-3567	13 000	8	3	20.00	1
BGC Holding AB, Stockholm	556607-0933	29 177	68	10	29.17	16
Finansiell ID-Teknik BID AB, Stockholm	556630-4928	12 735	21	4	28.30	3
Rosengård Invest AB, Malmö	556756-0528	5 000	7	4	22.22	
UC AB, Stockholm	556137-5113	2 000	19		20.00	
Visa Sweden, ek för	769619-6828				39.10	50
<b>Owned by subsidiaries</b>						
AS Arealis, Tallin	11122663	3 850 000	36	34	49.90	1
AS Sertifitseerimiskeskus, Tallin	10 747 013	16	4	9	25.00	
Babs Paylink AB, Stockholm	556567-2200	4 900	69	34	49.00	23
Hemnet Sverige AB, Stockholm	556536-0202	250	19	19	25.00	
First Newsec Asset Management, Oslo	991 211 241	49 000	-4		49.00	-2
<b>Total</b>			<b>270</b>	<b>132</b>		<b>89</b>
<b>Total</b>			<b>3 111</b>	<b>1 262</b>		<b>767</b>

The share of the voting rights in each entity corresponds to the share of its equity.

All shares are unlisted.

The holding in EnterCard is a joint venture.

As of 31 December 2011 the associates' total assets and liabilities amounted to SEK 60 530m (59 072) and SEK 52 985m (51 595), respectively, while income and profit for 2011 amounted to SEK 5 462m (5 088) and SEK 1 183m (1 386), respectively.



## G27 Derivatives

The Group trades in derivatives in the normal course of business and for the purpose of hedging certain positions that are exposed to share, interest rate and currency risks. Interest rate swaps that safeguard the interest rate risk component in certain debt securities in issue and subordinated liabilities are sometimes recognised as hedging instruments in hedge accounting at fair value. The derivatives are recognised at fair value with changes in value through profit or loss in the same manner as for other derivatives. In note G9 Net gains and losses on financial items at fair value, any ineffectiveness of the hedges is recognised as the change in value of the derivative together with the change in value of the hedged risk component. Interest rate and currency swaps sometimes also

hedge projected future interest payments, so-called cash flow hedges. Future estimated cash flows that are hedged by the swaps are disclosed below. Since the derivatives are recognised as hedging instruments, their fair value is recognised in the statement of Other comprehensive income. Value changes in derivatives that are used to hedge the net investment in foreign operations are also recognised in the statement of other comprehensive income. Any ineffectiveness is recognised in net gains and losses on financial items at fair value. The carrying amount of derivatives included in hedge accounting is reported separately below. The carrying amounts of all derivatives refer to fair value including accrued interest.

	Nominal amount 2011 Remaining contractual maturity			Nominal amount		Positive fair value			Negative fair value		
	< 1 yr.	1-5 yrs.	> 5 yrs.	2011	2010	2011	2010	1/1/2010	2011	2010	1/1/2010
<b>Derivatives in hedge accounting</b>											
<b>Fair value hedges</b>											
Interest-rate-related											
Swaps	47 277	268 974	64 001	380 252	129 667	17 569	2 938	4 963	1		185
Currency-related											
Swaps	9 717	7 724	1 408	18 849	23 704	1 457	2 048	351	1		790
<b>Total</b>	<b>56 994</b>	<b>276 698</b>	<b>65 409</b>	<b>399 101</b>	<b>153 371</b>	<b>19 026</b>	<b>4 986</b>	<b>5 314</b>	<b>2</b>		<b>975</b>
<b>Cash flow hedges</b>											
Interest-rate-related											
Swaps	3 696	1 987		5 683	9 376				136	328	798
Currency-related											
Swaps	245	23 262	9 364	32 871	32 673				3 813	3 611	
<b>Total</b>	<b>3 941</b>	<b>25 249</b>	<b>9 364</b>	<b>38 554</b>	<b>42 049</b>				<b>3 949</b>	<b>3 939</b>	<b>798</b>
<b>Hedges of net investment in foreign operations</b>											
Currency-related											
Swaps					915		6				
<b>Total</b>					<b>915</b>		<b>6</b>				
<b>Other derivatives</b>											
Interest-rate-related contracts											
Options held	497 443	195 619	59 223	752 285	1 323 233	1 468	1 279	1 039	1 814	1 264	776
Forward contracts	6 172 280	1 594 969		7 767 249	5 638 632	6 776	4 067	6 261	6 993	3 854	5 946
Swaps	626 028	1 178 929	482 079	2 287 036	2 274 353	49 747	33 274	46 599	53 040	35 150	47 336
Other	178	486	719	1 383	10	20	93		1		
Currency-related contracts											
Options held	31 165	227		31 392	37 852	302	396	275	307	355	398
Forward contracts	1 209 107	17 288	110	1 226 505	929 849	16 516	10 250	9 108	16 997	12 052	13 240
Swaps	21 367	226 675	53 706	301 748	265 839	11 340	10 193	4 458	9 609	9 765	4 458
Other	2 433	196		2 629	865	75	14	3	27	10	3
Equity-related contracts											
Options held	171 929	95 674	5 428	273 031	97 611	1 462	2 312	3 274	864	1 683	1 597
Forward contracts	458	2		460	484	3	3	4	23	10	12
Swaps	3 919	2 214	747	6 880	7 750	273	1 005		140	679	
Other	1 557	32		1 589	999	30	69	12	30	70	11
<b>Total</b>	<b>8 737 864</b>	<b>3 312 311</b>	<b>602 012</b>	<b>12 652 187</b>	<b>10 577 476</b>	<b>88 012</b>	<b>62 955</b>	<b>71 033</b>	<b>89 845</b>	<b>64 892</b>	<b>73 777</b>
<b>Total before netting agreements</b>											
Netting agreements						-3 312	-2 896	-3 378	-3 312	-2 896	-3 378
<b>Total</b>	<b>8 798 799</b>	<b>3 614 258</b>	<b>676 785</b>	<b>13 089 842</b>	<b>10 773 811</b>	<b>107 038</b>	<b>67 947</b>	<b>76 347</b>	<b>93 796</b>	<b>68 831</b>	<b>75 550</b>
of which cleared	2 364 124	674 108		3 038 232	236 119	3 587	2 979	3 804	3 838	3 589	4 108

### Maturity distribution regarding future hedged cash flows in cash flow hedge accounting

	< 1 yr.	1-3 yrs.	3-5 yrs.	5-10 yrs.	> 10 yrs.
Negative cash flows (liabilities)	882	9 660	12 334	2 529	8 326

Future cash flows above, expressed in SEK, are exposed to variability attributable to changed interest rates and/or changed currency rates. These future cash flows are hedged with derivatives, recognised as cash flow hedges, with opposite cash flows that eliminate the variability.

## G28 Intangible fixed assets

	Indefinite useful life		Definite useful life		
2011	Goodwill	Customer base	Internally developed software	Other	Total
<b>Cost, opening balance</b>	<b>16 026</b>	<b>1 920</b>	<b>748</b>	<b>879</b>	<b>19 573</b>
Additions through business combinations					
Additions through internal development			197		197
Additions through separate acquisitions				159	159
Sales and disposals				-54	-54
Exchange rate differences	-30	-2		-17	-49
<b>Cost, closing balance</b>	<b>15 996</b>	<b>1 918</b>	<b>945</b>	<b>967</b>	<b>19 826</b>
<b>Amortisation, opening balance</b>		<b>-701</b>	<b>-269</b>	<b>-402</b>	<b>-1 372</b>
Amortisation for the year		-111	-92	-123	-326
Sales and disposals				37	37
Exchange rate differences				12	12
<b>Amortisation, closing balance</b>		<b>-812</b>	<b>-361</b>	<b>-476</b>	<b>-1 649</b>
<b>Impairments, opening balance</b>	<b>-2 293</b>	<b>-114</b>			<b>-2 407</b>
Impairments for the year	-1 930			-30	-1 960
Sales and disposals					
Exchange rate differences	-11				-11
<b>Impairments, closing balance</b>	<b>-4 234</b>	<b>-114</b>		<b>-30</b>	<b>-4 378</b>
<b>Carrying amount</b>	<b>11 762</b>	<b>992</b>	<b>584</b>	<b>461</b>	<b>13 799</b>

For intangible assets with a finite useful life, the amortisable amount is allocated systematically over the useful life. Systematic amortisation relates to both straight line and increasing or decreasing amortisation. The original useful life is between 3 and 15 years. There was no need for impairment.

	Indefinite useful life		Definite useful life		
2010	Goodwill	Customer base	Internally developed software	Other	Total
<b>Cost, opening balance</b>	<b>17 765</b>	<b>2 048</b>	<b>617</b>	<b>765</b>	<b>21 195</b>
Additions through business combinations					
Additions through internal development			131		131
Additions through separate acquisitions				211	211
Sales and disposals				-77	-77
Exchange rate differences	-1 739	-128		-20	-1 887
<b>Cost, closing balance</b>	<b>16 026</b>	<b>1 920</b>	<b>748</b>	<b>879</b>	<b>19 573</b>
<b>Amortisation, opening balance</b>		<b>-658</b>	<b>-191</b>	<b>-280</b>	<b>-1 129</b>
Amortisation for the year		-122	-87	-158	-367
Sales and disposals			9	30	39
Exchange rate differences		79		6	85
<b>Amortisation, closing balance</b>		<b>-701</b>	<b>-269</b>	<b>-402</b>	<b>-1 372</b>
<b>Impairments, opening balance</b>	<b>-2 397</b>	<b>-114</b>			<b>-2 511</b>
Impairments for the year	-37				-37
Sales and disposals					
Exchange rate differences	141				141
<b>Impairments, closing balance</b>	<b>-2 293</b>	<b>-114</b>			<b>-2 407</b>
<b>Carrying amount</b>	<b>13 733</b>	<b>1 105</b>	<b>479</b>	<b>477</b>	<b>15 794</b>

The useful life and amortisation schedule of certain assets were changed during 2010, which resulted in an additional expense of SEK 49m.

Specification of intangible assets with indefinite useful life	Acquisition year	Carrying amount		
		2011	2010	1/1/2010
<b>Goodwill</b>				
Swedbank Robur AB	1995	328	328	328
Föreningsbanken AB	1997	1 342	1 342	1 342
Swedbank Försäkring AB	1998	651	651	651
Kontoret i Bergsjö	1998	13	13	13
Ölands Bank AB	1998	9	9	9
FSB Bolåndirekt Bank AB	2002	159	159	159
Svenska kyrkans fondaktiebolag	2005	3	3	3
Söderhamns Sparbank AB	2007	24	24	24
<b>Sweden</b>		<b>2 529</b>	<b>2 529</b>	<b>2 529</b>
of which banking operations		2 198	2 198	2 198
of which other		331	331	331
Swedbank AS	1999	1 078	1 088	1 245
Swedbank AS	2000	11	11	13
Swedbank AB	2001	127	135	147
Swedbank Liising AS	2004			14
Swedbank AS	2005	7 828	9 771	11 186
AS Hansa Leasing Russia	2005			19
<b>Baltic countries</b>		<b>9 044</b>	<b>11 005</b>	<b>12 624</b>
of which allocated to:				
banking operations in Estonia		3 782	3 814	4 399
banking operations in Latvia		1 955	3 849	4 407
banking operations in Lithuania		3 307	3 342	3 818
OAQ Swedbank	2005			13
<b>Russia</b>				<b>13</b>
First Securities ASA	2005	189	199	202
<b>Norway</b>		<b>189</b>	<b>199</b>	<b>202</b>
<b>Total</b>		<b>11 762</b>	<b>13 733</b>	<b>15 368</b>

#### Value in use

Goodwill acquired in business combinations has been allocated to the lowest possible cash-generating unit. The recoverable amount has been determined based on value in use. This means that the assets' estimated future cash flows are calculated at present value using a discount rate. Estimated future cash flows are based on the Group's established three-year financial plans. The most important assumptions in the three-year plan are management's estimate of net profit, including credit impairments, growth in each economy, both GDP and industry growth, and the trend in risk-weighted assets. Financial planning is done at a lower level than the cash-generating unit with a complete balance sheet, income statement, statement of cash flow and relevant financial ratios. The necessary assumptions in the planning are based as far as possible and appropriate on external information. Future cash flows are subsequently estimated with the help of long-term assumptions on growth in risk-weighted assets as well as on net profit in relation to risk-weighted assets. Due to the long-term nature of the investments, cash flow is expected to continue indefinitely. Net cash flow refers to the amount that theoretically could be received as dividends or must be contributed as capital to comply with capital adequacy or solvency rules. The Group currently believes that a Core Tier 1 capital ratio of 14 per cent (10) is reasonably the lowest level for the cash-generating unit, because of which any surpluses or deficits calculated in relation to this level are theoretically considered to be payable as dividends or will have to be contributed as capital and therefore constitute net cash flow. The discount rate is determined based on the market's risk-free rate of interest and the market's yield requirements, the unit's performance in the stock market in relation to the entire market, and the asset's specific risks. The discount rate is adapted to various periods if needed. Any necessary

adjustment to the discount factor is determined based on the economic stage the cash-generating unit is in and means that each year's cumulative cash flow is discounted by a unique discounting factor. Assumed growth in risk-weighted assets corresponds to estimated inflation and real GDP growth and any further expected growth in the banking sector, depending on which economic stage the sector is in. In accordance with IAS 36, the long-term growth estimate does not include any expected increase in market share. Long-term growth estimates are based on external projections as well as the Group's experience and assessment of growth in the banking sector in relation to GDP growth and inflation. Estimated net profit in relation to risk-weighted assets is based on historical experience and adjusted based on the economic stage the cash-generating unit is in. The adjustment is also based on how the composition of the cash-generating unit's balance sheet is expected to change. The parameters are based as far as possible on external sources. The most important assumptions and their sensitivity are described in the table on the following page.

Cash-generating unit	RWA growth 2012-2014, %		RWA growth 2015-2048, %		Average RWA growth 2015-2048, %		RWA growth 2049-, %	
	2011	2010	2011	2010	2011	2010	2011	2010
Banking operations								
Estonia	0.7	5.4	7.0-3.1	7.0-3.1	4.8	4.9	3.0	3.0
Latvia	-3.1	0.2	7.0-3.1	7.0-3.1	4.5	4.1	3.0	3.0
Lithuania	-1.0	11.1	7.0-3.1	7.0-3.1	4.8	4.9	3.0	3.0
Sweden	1.3	1.4	3.0-3.0	3.0-3.0	3.0	3.0	3.0	3.0
Cash-generating unit	Discount rate 2012-2014, %		Discount rate 2015-2048, %		Average discount rate 2015-2048, %		Discount rate 2049-, %	
	2011	2010	2011	2010	2011	2010	2011	2010
Banking operations								
Estonia	10.3	10.3	10.3-9.0	10.3-9.0	9.4	9.4	9.0	9.0
Latvia	12.0	12.0	12.0-9.0	12.0-9.0	10.0	10.0	9.0	9.0
Lithuania	11.3	11.3	11.3-9.0	11.3-9.0	9.8	9.8	9.0	9.0
Sweden	9.0	9.0	9.0-9.0	9.0-9.0	9.0	9.0	9.0	9.0

#### Sensitivity analysis, change in recoverable amount

Cash-generating unit	Net asset including goodwill, carrying amount, SEKm		Recoverable amount, SEKm		Decrease in assumption of yearly growth by 1 percentage point		Increase in discount rate by 1 percentage point	
	2011	2010	2011	2010	2011	2010	2011	2010
Banking operations								
Estonia	17 995	9 229	28 113	15 244	-1 731	-1 136	-3 026	-2 110
Latvia	9 354	10 078	9 354	10 391	-5	-429	-601	-1 038
Lithuania	9 254	8 639	14 537	13 046	-1 033	-894	-1 750	-1 715
Sweden*	23 559	23 763	31 858	31 289	130	132	-2 718	-2 757

\* The cash-generating unit is part of the Retail segment.

#### Sensitivity analysis

Given a reasonable change in the above assumptions, there would be no impairment loss for any cash-generating unit except for the banking operations in Latvia. Given a reasonable change in the discount rate (+1 percentage point) an additional impairment of SEK 601m (725) would arise for the Latvian banking operations. With regard to the other cash-generating units, there is still room left even if such a reasonable change in assumptions were to occur as indicated in the table, i.e., both an increase in the discount rate (+1 percentage point) and a decrease in the growth assumption (-1 percentage point). A reasonable change in the expected net profit margin in the Latvian banking operations would give rise to an additional impairment loss. With regard to the other cash-generating units, the Group is confident that there is room for a reasonable change in this assumption without giving rise to any impairment loss.

#### Banking operations in the Baltic countries

Recognised goodwill totalled at SEK 9 044m (11 005). Goodwill is tested for impairment separately for each country. Recognised goodwill for the Latvian banking operations was written down during the year by SEK 1 913m to SEK 1 955m (3 849). The impairment amount has been determined based on the asset's value in use. The impairment need arose primarily due to the introduction of regulations requiring a higher Tier 1 capital ratio. In the impairment test, the level of equity in the cash-generating unit required for continuing operations has therefore been raised. The Tier 1 capital ratio used was 14 per cent, compared with 10 per cent in the previous year. The higher level means that future theoretical distributions will be lower. Essentially the same assumptions

have otherwise been used as at the previous year-end. The financial three-year plan has been updated. No impairments were identified on the closing day for the banking operations in Estonia and Lithuania. The financial three-year plans have been updated based on each country's opportunities. Initial assumed growth after the established three-year financial plans is based on management's best estimate of inflation, real GDP growth and growth in the banking industry for each market. The assessments are based on external sources. After the planning period a linear reduction of annual growth are assumed during the period between 2014 and 2048 from 7 per cent down to 3 per cent, which is considered sustainable growth for a mature market. The initial discount rate for each period reflects a country-specific risk premium that will converge on a straight-line basis to 5 per cent, which is considered relevant for a mature market. Risk premiums are derived from external sources. The discount rate before tax was approximately 12 per cent.

#### Other cash-generating units, excluding banking operations

Other recognised goodwill totalled SEK 520m (530). No impairments were needed as of the closing day, except for an investment in a Norwegian fund business managed by First Investment Management and First Asset Management. Recognised goodwill for the cash-generating unit in question decreased after impairment by SEK 17m to SEK 189m. Average annual growth for other cash-generating units has been assumed to be 3 per cent (3) and the average discount rate was 9 per cent (9), or 12 per cent (12) before tax.

## G29 Tangible assets

2011	Current assets	Fixed assets		Total
	Properties	Equipment	Owner-occupied properties	
<b>Cost, opening balance</b>	<b>1 172</b>	<b>4 329</b>	<b>1 518</b>	<b>7 019</b>
Additions	1 641	1 199	1 007	3 847
Sales and disposals	-396	-1 069	-1 261	-2 726
Exchange rate differences	1	-4	-1	-4
<b>Cost, closing balance</b>	<b>2 418</b>	<b>4 455</b>	<b>1 263</b>	<b>8 136</b>
<b>Amortisation, opening balance</b>		<b>-3 213</b>	<b>-292</b>	<b>-3 505</b>
Amortisation for the year		-523	-44	-567
Sales and disposals		350	22	372
Exchange rate differences		-8	-2	-10
<b>Amortisation, closing balance</b>		<b>-3 394</b>	<b>-316</b>	<b>-3 710</b>
<b>Impairments, opening balance</b>				
Impairments for the year	-44			-44
Sales and disposals	1			1
<b>Impairments, closing balance</b>	<b>-43</b>			<b>-43</b>
<b>Carrying amount</b>	<b>2 375</b>	<b>1 061</b>	<b>947</b>	<b>4 383</b>

The useful life of equipment is deemed to be between three and ten years on average and its residual value is deemed to be zero as in previous years. The depreciable amount is recognised linearly in profit or loss during the useful life. For certain assets, the useful life has been changed, which led to additional depreciation of SEK 23m (13) in 2011. No indications of impairment were identified on the balance sheet date for equipment and owner-occupied properties. Equipment includes operating leases, mainly motor vehicles, with an accumulated cost of SEK 377m (271) and accumulated depreciation of SEK 236m

(131). Future minimum lease payments amount to SEK 175m (102), of which SEK 162m (91) will be received after more than one year but within five years. Individual structural components are deemed to have useful lives of between 12 and 25 years. The residual value is deemed to be zero. The depreciable amount is recognised linearly in profit or loss during the useful life. Land is deemed to have an indefinite useful life and therefore is not depreciated. Estimated useful lives have been changed in individual cases.

2010	Current assets	Fixed assets		Total
	Properties	Equipment	Owner-occupied properties	
<b>Cost, opening balance</b>	<b>220</b>	<b>4 367</b>	<b>1 913</b>	<b>6 500</b>
Additions	1 141	494	47	1 682
Sales and disposals	-181	-368	-204	-753
Exchange rate differences	-8	-164	-238	-410
<b>Cost, closing balance</b>	<b>1 172</b>	<b>4 329</b>	<b>1 518</b>	<b>7 019</b>
<b>Amortisation, opening balance</b>		<b>-3 047</b>	<b>-259</b>	<b>-3 306</b>
Amortisation for the year		-511	-51	-562
Sales and disposals		238	9	247
Exchange rate differences		107	9	116
<b>Amortisation, closing balance</b>		<b>-3 213</b>	<b>-292</b>	<b>-3 505</b>
<b>Impairments, opening balance</b>			<b>-221</b>	<b>-221</b>
Impairments for the year	-47		-130	-177
Sales and disposals	47		351	398
<b>Impairments, closing balance</b>				
<b>Carrying amount</b>	<b>1 172</b>	<b>1 116</b>	<b>1 226</b>	<b>3 514</b>

## G30 Investment properties

	2011	2010
<b>Cost, opening balance</b>	<b>2 304</b>	<b>935</b>
Additions	2 181	1 337
Sales and disposals	-290	-1
Exchange rate differences	80	33
<b>Cost, closing balance</b>	<b>4 275</b>	<b>2 304</b>
<b>Amortisation, opening balance</b>	<b>-26</b>	<b>-2</b>
Amortisation for the year	-118	-21
Sales and disposals		
Exchange rate differences	-16	-3
<b>Amortisation, closing balance</b>	<b>-160</b>	<b>-26</b>
<b>Impairments, opening balance</b>	<b>-113</b>	<b>-91</b>
Impairments for the year	-105	-204
Sales and disposals		182
Exchange rate differences	13	
<b>Impairments, closing balance</b>	<b>-205</b>	<b>-113</b>
<b>Carrying amount</b>	<b>3 910</b>	<b>2 165</b>

Individual structural components are deemed to have useful lives of between 12 and 25 years. The residual value is deemed to be zero. The depreciable amount is recognised

linearly in profit or loss during the useful life. Land is deemed to have an indefinite useful life and therefore is not depreciated.

**G31** Other assets

	2011	2010	1/1/2010
Security settlement claims*	3 705	1 361	4 884
Other**	3 826	7 250	4 922
<b>Total</b>	<b>7 531</b>	<b>8 611</b>	<b>9 806</b>
Gross, security settlement claims	5 969	9 856	6 951

\* Recognised on the balance sheet according to current netting rules.

\*\* Includes credit impairment reserve of SEK 79m (108) in the Group related primarily to accounts receivable. Property taken over to protect claims amounted to SEK 54m (30) in the Group.

**G32** Prepaid expenses and accrued income

	2011	2010	1/1/2010
Accrued interest income	7 027	5 076	5 232
Other	1 344	1 249	1 489
<b>Total</b>	<b>8 371</b>	<b>6 325</b>	<b>6 721</b>

**G33** Amounts owed to credit institutions

	2011	2010	1/1/2010
<b>Valuation category, loans and receivables</b>			
Swedish banks	49 942	100 886	132 443
Swedish credit institutions	2 486	2 061	3 422
Foreign banks	62 956	12 479	76 768
Foreign credit institutions	1 629	1 577	770
<b>Total</b>	<b>117 013</b>	<b>117 003</b>	<b>213 403</b>
<b>Valuation category, fair value through profit or loss</b>			
<b>Trading</b>			
Swedish banks			39
Swedish banks, repurchase agreements	8 326	2 677	5 730
Swedish credit institutions, repurchased agreements	5 411	5 630	1 335
Foreign banks, repurchase agreements	8 848	11 456	11 180
<b>Total</b>	<b>22 585</b>	<b>19 763</b>	<b>18 284</b>
<b>Total</b>	<b>139 598</b>	<b>136 766</b>	<b>231 687</b>

**G34** Deposits and borrowings from the public

	2011	2010	1/1/2010
<b>Valuation category, other financial liabilities</b>			
Deposits from Swedish public	380 119	392 301	356 145
Deposits from foreign public	130 687	112 830	121 819
Other	488	732	187
<b>Total</b>	<b>511 294</b>	<b>505 863</b>	<b>478 151</b>
<b>Valuation category, fair value through profit or loss</b>			
<b>Trading</b>			
Deposits from Swedish public, repurchase agreements	14 318	17 146	7 689
<b>Other*</b>			
Deposits from Swedish public	36 084	11 228	18 584
<b>Total</b>	<b>50 402</b>	<b>28 374</b>	<b>26 273</b>
<b>Total</b>	<b>561 696</b>	<b>534 237</b>	<b>504 424</b>
*nominal amount amounts to	35 979	11 269	18 332

**G35** Financial liabilities for which the customers bear the investment risk

	2011	2010	1/1/2010
<b>Valuation category, fair value through profit or loss</b>			
<b>Other</b>			
Investment contracts, unit-linked	86 566	94 153	78 300
Investment contracts, life	9 883	6 835	1 832
<b>Total</b>	<b>96 449</b>	<b>100 988</b>	<b>80 132</b>

**G36** Debt securities in issue

	2011	2010	1/1/2010
<b>Valuation category, other financial liabilities</b>			
Commercial papers	116 041	11 532	62 780
Covered bonds	427 029	304 617	143 991
Change in value due to hedge accounting at fair value	11 033		153
Other interest-bearing bond loans	113 669	190 842	211 786
Change in value due to hedge accounting at fair value	1 121	224	1 990
Other	43	41	542
<b>Total</b>	<b>668 936</b>	<b>507 256</b>	<b>421 242</b>
<b>Valuation category, fair value through profit or loss</b>			
<b>Trading</b>			
Commercial papers	6 929	51 423	28 001
Other	17 545	20 491	36 424
<b>Other *</b>			
Commercial papers		1 420	19 792
Covered bonds	87 830	105 752	197 229
Other interest-bearing bond loans	218	175	532
Other			38
<b>Total</b>	<b>112 522</b>	<b>179 261</b>	<b>282 016</b>
<b>Total</b>	<b>781 458</b>	<b>686 517</b>	<b>703 258</b>
of which state-guaranteed	75 568	156 045	242 275
* nominal amount amounts to	99 349	111 490	209 705

Turnover of debt securities in issue is reported in note G3, Risks. During 2011 almost all commercial paper was issued outside the trading operations.

**G37** Short positions securities

	2011	2010	1/1/2010
<b>Valuation category, fair value through profit or loss</b>			
<b>Trading</b>			
Shares	1 880	183	192
Interest-bearing securities	28 723	33 996	40 219
<b>Total</b>	<b>30 603</b>	<b>34 179</b>	<b>40 411</b>
of which own issued shares	107	62	48
of which own issued interest-bearing securities	7 591	1 106	4 292

## G38 Pension provisions

Defined benefit pension plans are recognised in the consolidated balance sheet as a provision and in the income statement as staff costs. The Group calculates provisions and costs for defined benefit pension obligations based on the obligations' significance and assumptions related to future development. The fair value of plan assets is deducted from provisions. If the actual outcome deviates from the assumptions in the calculation or if assumptions change, actuarial gains or losses arise. Actuarial gains and losses are not recognised until the opening value exceeds 10 per cent of the greater value of either pension obligations or plan assets. The Group also reports a provision for payroll tax on the difference between the Group's pension cost and the pension cost that serves as the basis for the year's payroll tax calculation. Due to the difficulty in determining when the difference is subject to an actual payroll tax payment, the provision is measured at nominal value. Nearly all employees in the Swedish part of the Group are covered by the BTP defined benefit pension plan (a multi-employer occupational pension for Swedish banks). The pension plan means that employees are guaranteed a certain lifetime pension corresponding to a specific percentage of their salary and comprising primarily retirement pension, disability pension and survivor's pension. The pension plan also contains a supplementary retirement pension that is defined contribution rather than defined benefit. For individuals who have been or are in executive positions, there are complementary individual defined benefit pension obligations. The Group's pension obligations are funded mainly through the purchase of occupational pension insurance from insurance entities, though also through pension funds. In addition, there is a smaller defined benefit pension plan for employees in the Norwegian subsidiary, First Securities ASA. The plan's closing pension liability at the end of the year was SEK 52m (69). Plan assets amounted to SEK 37m (44). The amount is reported below together with the Swedish pension plan. The Group has no other defined benefit plans.

The 2011 result reflects reductions and settlements. The reductions relate to the effects that have arisen since the Group committed as part of a redundancy programme to reduce the number of employees. Because the measures are of a one-time nature and the reduction in the number of employees will exceed the normal employee turnover, the effect on the pension debt is recognised immediately. A number of individual defined benefit pension obligations were settled during the year and replaced by defined contribution obligations. In addition, the defined benefit pension debt and related plan assets have been settled for approximately one third of the individuals covered by the Norwegian plan.

	2011	2010	1/1/2010
Provisions for pensions	1 260	1 341	1 400
Deferred payroll tax for pension provisions	302	321	335
<b>Total</b>	<b>1 562</b>	<b>1 662</b>	<b>1 735</b>

Amount reported in balance sheet for defined benefit pension plans	2011	2010	1/1/2010
Funded pension obligations	16 713	16 286	15 146
Fair value of plan assets	-13 583	-12 680	-11 740
<b>Total</b>	<b>3 130</b>	<b>3 606</b>	<b>3 406</b>
Unrecognised actuarial net loss	-1 870	-2 265	-2 006
<b>Provisions for pensions</b>	<b>1 260</b>	<b>1 341</b>	<b>1 400</b>

Pension cost reported in income statement	2011	2010
Current service cost	611	513
Interest on pension obligations	567	569
Expected return on plan assets	-510	-475
Recognised actuarial gains and losses	48	33
Curtailements	-40	
Settlements		

Pension cost defined benefit pension plans	2011	2010
Premiums paid for defined contribution pension plans	140	210
Payroll tax and tax on return on pension assets	197	192
<b>Total pension cost</b>	<b>1 013</b>	<b>1 042</b>

Changes in funded defined benefit pension plans	2011	2010
<b>Opening obligations</b>	<b>16 286</b>	<b>15 146</b>
Current service cost	611	513
Interest on pension obligations	567	569
Actuarial gains and losses, net	-91	551
Pension payments	-534	-488
Curtailements	-40	
Settlements	-87	
Exchange rate differences	1	-5
<b>Closing obligations</b>	<b>16 713</b>	<b>16 286</b>

Changes in plan assets	2011	2010
<b>Opening fair value</b>	<b>12 680</b>	<b>11 740</b>
Expected return on plan assets	510	475
Actuarial gains and losses, net	249	258
Contributions	757	698
Pension payments	-534	-488
Settlements	-79	
Exchange rate differences		-3
<b>Closing fair value</b>	<b>13 583</b>	<b>12 680</b>

The actual return on plan assets amounted to SEK 759m (733). The Group expects to contribute approximately SEK 750m (700) in 2012 to fund defined benefit pension plans. Closing plan assets include bank balances in Swedbank AB of SEK 797m (970) and interest-bearing securities issued by the Group of SEK 46m (43).



<b>Unrecognised actuarial net loss</b>	<b>2011</b>	<b>2010</b>
<b>Opening actuarial net loss</b>	<b>2 265</b>	<b>2 006</b>
<b>Pension obligations</b>		
Actuarial net loss for the year due to changed assumptions	183	715
Actuarial net gain for the year based on experience	-273	-164
Actuarial net loss recognised in the income statement	-48	-33
Settlements	-8	
<b>Plan assets</b>		
Actuarial net gain for the year based on experience	-249	-258
Exchange rate differences		-1
<b>Closing actuarial net loss</b>	<b>1 870</b>	<b>2 265</b>

<b>Corridor rule</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Opening actuarial loss, net	1 870	2 265	2 006
Limits on corridor	1 671	1 629	1 515
Surplus	199	636	492
Expected average remaining working lives of employees	15 yrs	14 yrs	15 yrs
Actuarial gains and losses recognised in profit or loss	13	46	33

<b>Actuarial assumptions, per cent</b>	<b>2011</b>	<b>2010</b>
Discount rate, 1 January	3.50	3.75
Discount rate, 31 December	3.45	3.50
Projected return on plan assets	4.00	4.00
Future annual salary increases, 1 January	4.00	4.00
Future annual salary increases, 31 December	4.00	4.00
Future annual pension indexation/inflation	2.00	2.00
Future annual changes in income base amount, 1 January	3.00	3.00
Future annual changes in income base amount, 31 December	3.00	3.00
Employees who choose early retirement option	20.00	20.00
Employee turnover	3.50	3.50

When the cost of defined benefit pension plans is calculated, future assumptions are required for factors that affect the size of future pension payments. The discount rate is the interest rate used to discount the value of future payments. The interest rate is based on a market rate of interest with remaining maturities and currencies matched to those of the pension obligations. A decrease in the discount rate of 0.25 percentage points would increase the pension provision by approximately SEK 787m (715) and the pension cost by SEK 23m (24). If the increase results in an actuarial loss above the corridor limit, an actuarial loss of SEK 56m (51) is recognised. Assets allocated to fund pension obligations are invested in various financial instruments. The expected return on plan assets reflects the projected average annual return these financial instruments are expected to have through maturity. The assumption is based on the combination of financial instruments that should be available and is calculated after deductions for expenses and tax on returns. At year-end 12 per cent (28) of the assets were invested in equities and 88 per cent (72) in fixed income securities. The calculation of the projected return, which is recognised through profit or loss, also takes into account changes in the assets due to contributions and pension payments during the year. Future annual salary increases reflect projected future salary increases as an aggregate effect of both contractual wage increases and wage drift. The final benefits under BTP are determined on the basis of different income base amounts. Therefore, the future change in the income base amount has to be taken into account. Annual pension indexation also has to be determined, since indexation historically has always been necessary. BTP gives employees the option to choose a slightly earlier retirement age than normal in exchange for a slightly lower level of benefit. Since this option is totally voluntary on the part of the employee, an assumption is made for the actual outcome. Early retirements jointly agreed to by the employer and employee are recognised as they arise rather than estimated among actuarial assumptions. The assumption of the remaining lifetime of beneficiaries is updated annually.

<b>History</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Funded pension obligations	16 713	16 286	15 146	15 243	15 018	13 691
Fair value of plan assets	-13 583	-12 680	-11 740	-10 798	-10 380	-10 213
<b>Total</b>	<b>3 130</b>	<b>3 606</b>	<b>3 406</b>	<b>4 445</b>	<b>4 638</b>	<b>3 478</b>
<b>Actuarial net gain (+)/ net loss (-) for the year based on experience</b>						
Pension obligations	273	164	696	396	-6	175
Plan assets	249	258	155	-324	-581	-124

## G39 Insurance provisions

	Life insurance			Non-life insurance			Total		
	2011	2010	1/1/2010	2011	2010	1/1/2010	2011	2010	1/1/2010
<b>Opening balance</b>	<b>1 990</b>	<b>4 029</b>	<b>3 627</b>	<b>110</b>	<b>131</b>	<b>107</b>	<b>2 100</b>	<b>4 160</b>	<b>3 734</b>
Provisions	665	739	733	170	185	237	835	924	970
Payments	-865	-2 541	-309	-176	-191	-212	-1 041	-2 732	-521
Exchange rate differences	-14	-237	-22	-1	-15	-1	-15	-252	-23
<b>Closing balance</b>	<b>1 776</b>	<b>1 990</b>	<b>4 029</b>	<b>103</b>	<b>110</b>	<b>131</b>	<b>1 879</b>	<b>2 100</b>	<b>4 160</b>

### Provisions for insurance contracts

The Group makes provisions for the insurance contracts or parts of contracts where significant insurance risks are transferred from the policyholder to the Group. Insurance risks are different than financial risks and mean that the Group compensates the policyholder if a specified uncertain future event has a negative impact on the policyholder. The Group is compensated through premiums received from policyholders.

Provisions are made for established claims and correspond to the amount that will be paid out. Provisions are also made for claims that have not yet been reported. A statistical assessment of anticipated claims based on previous years' experience with each type of insurance contract is used as a basis for the amount of the provision. Assumptions are made with regard to interest rates, sickness, mortality and expenses.

## G40 Other liabilities and provisions

	2011	2010	1/1/2010
Security settlement liabilities*	3 059	5 007	763
Other liabilities	10 000	8 618	11 056
Provisions for guarantees	206	311	204
Other provisions	44	14	113
<b>Total</b>	<b>13 309</b>	<b>13 950</b>	<b>12 136</b>
Gross, security settlement liabilities	5 323	7 613	2 830

\* Recognised on the balance sheet according to current netting rules.

## G41 Accrued expenses and prepaid income

	2011	2010	1/1/2010
Accrued interest expenses	14 650	11 773	11 069
Other	3 963	3 301	3 331
<b>Total</b>	<b>18 612</b>	<b>15 074</b>	<b>14 400</b>

## G42 Subordinated liabilities

	2011	2010	1/1/2010
<b>Valuation category, other financial liabilities</b>			
Subordinated loans	10 034	17 273	23 551
Change in the value due to hedge accounting at fair value	355	567	885
<b>Total subordinated loans</b>	<b>10 389</b>	<b>17 840</b>	<b>24 436</b>
Undated subordinated loans	8 244	8 940	12 961
of which Tier 1 capital contribution	6 801	6 915	9 218
Change in the value due to hedge accounting at fair value	898	407	586
<b>Total undated subordinated loans</b>	<b>9 142</b>	<b>9 347</b>	<b>13 547</b>
<b>Total</b>	<b>19 531</b>	<b>27 187</b>	<b>37 983</b>

## G43 Equity

	2011	2010	1/1/2010
<b>Restricted equity</b>			
Share capital, ordinary shares	20 269	19 999	19 739
Share capital, preference shares	4 082	4 352	4 612
Share capital, C-shares	32		
Statutory reserve	9 334	9 848	9 749
Other reserve	15 222	9 439	10 108
<b>Total</b>	<b>48 939</b>	<b>43 638</b>	<b>44 208</b>
<b>Non-restricted equity</b>			
Currency translation from foreign operations	-2 253	-2 246	216
Cash flow hedges	268	-44	-755
Share premium reserve	13 118	13 083	13 083
Retained earnings	37 921	40 466	32 918
<b>Total</b>	<b>49 054</b>	<b>51 259</b>	<b>45 462</b>
Non-controlling interest	140	138	304
<b>Total equity</b>	<b>98 133</b>	<b>95 035</b>	<b>89 974</b>

Changes in equity for the period and the distribution according to IFRS are indicated in the statement of changes in equity. Swedbank AB can issue three classes of shares: ordinary shares, preference shares and C shares. The ordinary shares and preference shares carry one vote each. The C shares carry one tenth of one vote each. The preference shares and ordinary shares are eligible for dividends. Treasury shares are not eligible for dividends.

### Ordinary shares

Number of shares	2011	2010	1/1/2010
Number of shares authorized, issued and fully paid	965 190 117	952 323 439	939 953 583
Repurchased shares	-57 168 814		
Associate's holdings in shares	-600 000	-600 000	-300 000
<b>Number of outstanding shares</b>	<b>907 421 303</b>	<b>951 723 439</b>	<b>939 653 583</b>
<b>Opening balance</b>	<b>951 723 439</b>	<b>939 653 583</b>	
Conversion from preference shares	12 866 678	12 369 856	
Repurchased shares	-57 168 814		
Associate's acquisition of shares		-300 000	
<b>Closing balance</b>	<b>907 421 303</b>	<b>951 723 439</b>	

The quote value per share is SEK 21.

### Preference shares

Number of shares	2011	2010	1/1/2010
Number of shares authorized, issued and fully paid	194 400 060	207 266 738	219 636 594
Repurchased shares	-3 415 641		
Associate's holdings in shares	-549 900	-516 000	-816 000
<b>Number of outstanding shares</b>	<b>190 434 519</b>	<b>206 750 738</b>	<b>218 820 594</b>
<b>Opening balance</b>	<b>206 750 738</b>	<b>218 820 594</b>	
Conversion to A shares	-12 866 678	-12 369 856	
Repurchased shares	-3 415 641		
Associate's acquisition of shares	-33 900		
Associate's disposal of shares		300 000	
<b>Closing balance</b>	<b>190 434 519</b>	<b>206 750 738</b>	

The quote value per share is SEK 21.

During 2008 holders of ordinary shares in Swedbank AB were offered the opportunity to subscribe for 257 686 706 preference shares at a price of SEK 48 per share. Holders of preference shares have preference to an annual, non-cumulative dividend of up to SEK 4.80 per preference share, provided that the AGM resolves to pay a dividend. If a higher dividend is declared on the ordinary shares, the equivalent dividend will also be paid on preference shares. In February and August of each year, starting in August 2009, holders of preference shares may request to convert their preference shares to ordinary shares. The request must pertain to the shareholder's entire holding. If the shareholder previously has not requested a conversion, all their preference shares outstanding will be converted to ordinary shares in the month immediately after the month in which the AGM is held in 2013. Preference shares carry the same voting rights as ordinary shares.

### C shares

Number of shares	2011	2010	1/1/2010
Number of shares authorized, issued and fully paid	1 500 000		
Repurchased shares	-1 500 000		
<b>Number of outstanding shares</b>			
<b>Opening balance</b>			
Issued	1 500 000		
Repurchased shares	-1 500 000		
<b>Closing balance</b>			

The quote value per share is SEK 21.

On 5 May 2011 Swedbank AB issued 1 500 000 shares of a new class, C shares, through a directed issue. The new shares were issued to ensure the share-related compensation programmes offered to employees. The shares, with a quota value of SEK 21, were issued at SEK 21 per share. All shares were repurchased immediately by Swedbank AB. The C shares held by the parent company can be converted to ordinary shares if resolved by the Board of Directors. Holders of C shares are not eligible for dividends.

## G44 Fair value of financial instruments

### Carrying amounts and fair values of financial instruments

A comparison between the carrying amount and fair value of the Group's financial assets and financial liabilities according to the definition in IAS 39 is presented below.

### Determination of fair values of financial instruments

When the Group determines fair value for financial instruments different methods are used depending on the grade of observable market data. The methods are divided in three different levels. Fair value for financial instruments that are classified to level 1 is determined based on quoted market prices on an active market. Fair value for financial instruments that are classified as level 2 is determined based on observable market data. When interest-related and currency-related derivatives, lending and deposits are measured at fair value future cash flows from the financial instruments are discounted. Used interest yield in the discounting is based on observable market data, i.e. derived

from quoted market rates for each maturity in which the cash flows will be received or paid. The measurement of options is done according to generally accepted valuation models, such as Black & Scholes. The models are updated with for the measurement observable market data for, among other things, interest rates, currency rates, credit risks, volatilities, correlations and market liquidity. For OTC derivatives where the counterparty risk is not settled with cash collateral, a market value adjustment is made at the portfolio level (according to the method for CVA adjustment). Fair value for financial instruments that are classified as level 3 is also determined mainly based on observable market data, but there are inputs from own assumptions that are viewed as significant for the measurement.

For variable-rate lending and deposits, the carrying amount is assessed to coincide with the fair value. The carrying amounts and fair values coincide for the most part because of the large share of financial instruments recognised at fair value.

	2011			2010			1/1/2010		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
<b>Assets</b>									
<b>Financial assets covered by IAS 39</b>									
Cash and balances with central banks	164 307	164 307		17 109	17 109		37 879	37 879	
Treasury bills etc.	25 810	25 853	-43	34 900	34 924	-24	88 724	88 724	
of which fair value through profit or loss	24 611	24 611		33 658	33 658		87 563	87 563	
of which held to maturity	1 199	1 242	-43	1 242	1 266	-24	1 161	1 161	
Loans to credit institutions	97 195	97 195		166 417	166 417		92 131	92 131	
of which loans receivables	64 726	64 726		125 866	125 866		71 245	71 245	
of which fair value through profit or loss	32 469	32 469		40 551	40 551		20 886	20 886	
Loans to the public	1 213 660	1 211 454	2 206	1 185 826	1 187 226	-1 400	1 292 807	1 290 667	2 140
of which loan receivables	704 978	702 772	2 206	640 095	641 495	-1 400	657 546	655 406	2 140
of which fair value through profit or loss	508 682	508 682		545 731	545 731		635 261	635 261	
Bonds and interest-bearing securities	112 370	112 458	-88	96 597	96 652	-55	82 214	81 891	323
of which fair value through profit or loss	109 758	109 758		92 141	92 141		74 243	74 243	
of which investments held to maturity	2 612	2 700	-88	4 456	4 511	-55	7 971	7 648	323
Financial assets for which the customers bear the investment risk	95 747	95 747		100 628	100 628		78 194	78 194	
Shares and participating interest	2 015	2 015		6 181	6 181		9 505	9 505	
of which fair value through profit or loss	1 951	1 951		6 124	6 124		9 456	9 456	
of which available for sale	64	64		57	57		49	49	
Derivatives	103 726	103 726		65 051	65 051		72 969	72 969	
Other financial assets	14 357	14 357		13 687	13 687		15 038	15 038	
<b>Total</b>	<b>1 829 187</b>	<b>1 827 112</b>	<b>2 075</b>	<b>1 686 396</b>	<b>1 687 875</b>	<b>-1 479</b>	<b>1 769 461</b>	<b>1 766 998</b>	<b>2 463</b>
Investment in associates	3 111	3 111		2 710	2 710		2 740	2 740	
Non-financial assets	26 842	26 842		25 096	25 096		24 949	24 949	
<b>Total</b>	<b>1 859 140</b>	<b>1 857 065</b>	<b>2 075</b>	<b>1 714 202</b>	<b>1 715 681</b>	<b>-1 479</b>	<b>1 797 150</b>	<b>1 794 687</b>	<b>2 463</b>

	2011			2010			1/1/2010		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
<b>Liabilities</b>									
<b>Financial liabilities covered by IAS 39</b>									
Amounts owed to credit institutions	139 611	139 598	13	136 770	136 766	4	231 687	231 687	
of which other financial liabilities	117 026	117 013	13	117 007	117 003	4	213 403	213 403	
of which fair value through profit or loss	22 585	22 585		19 763	19 763		18 284	18 284	
Deposits and borrowings from the public	561 698	561 696	2	534 237	534 237		504 424	504 424	
of which other financial liabilities	511 296	511 294	2	505 863	505 863		478 151	478 151	
of which fair value through profit or loss	50 402	50 402		28 374	28 374		26 273	26 273	
Debt securities in issue	782 753	781 458	1 295	687 451	686 517	934	704 336	703 258	1 078
of which other financial liabilities	670 231	668 936	1 295	508 190	507 256	934	422 320	421 242	1 078
of which fair value through profit or loss	112 522	112 522		179 261	179 261		282 016	282 016	
Financial liabilities for which the customers bear the investment risk	96 449	96 449		100 988	100 988		80 132	80 132	
Subordinated liabilities	20 788	19 531	1 257	25 845	27 187	-1 342	37 983	37 983	
of which other financial liabilities	20 788	19 531	1 257	25 845	27 187	-1 342	37 983	37 983	
Derivatives	90 484	90 484		65 935	65 935		72 172	72 172	
Short position securities	30 603	30 603		34 179	34 179		40 411	40 411	
of which fair value through profit or loss	30 603	30 603		34 179	34 179		40 411	40 411	
Other financial liabilities	27 709	27 709		25 397	25 397		22 888	22 888	
<b>Total</b>	<b>1 750 095</b>	<b>1 747 528</b>	<b>2 567</b>	<b>1 610 802</b>	<b>1 611 206</b>	<b>-404</b>	<b>1 694 033</b>	<b>1 692 955</b>	<b>1 078</b>
Non-financial liabilities	11 404	11 404		9 440	9 440		11 758	11 758	
<b>Total</b>	<b>1 761 499</b>	<b>1 758 932</b>	<b>2 567</b>	<b>1 620 242</b>	<b>1 620 646</b>	<b>-404</b>	<b>1 705 791</b>	<b>1 704 713</b>	<b>1 078</b>

### Financial instruments recognised at fair value

Following tables describe fair values divided on the three different valuation levels for financial instruments that are recognised at fair value.

Level 1 contains primarily stocks, fund shares, bonds, treasury bills, commercial paper and standardised derivatives, where the quoted price is used in the valuation. Securities in issue that are traded on an active market are included in this category as well.

Level 2 contains primarily less liquid bonds, loans to the public, deposits, liabilities in the insurance operations whose value is directly linked to certain asset values and derivatives measured on the basis of observable prices. For less liquid bond holdings, an adjustment is made for the credit spread based on observable market inputs such as the market for credit derivatives. For loans to the public where there are no observable market inputs for credit margins at the time of measurement, the credit margin of the last transaction executed with the same counterparty is used. This includes the majority of mortgage lending and certain other fixed-rate lending in Retail at fair value. Securities in issue that are not quoted but measured according to quoted prices for similar quoted bonds are also included in Level 2.

Level 3 contains primarily corporate bonds and securities in issue. For corporate bonds where there is no observable quote for the credit spread in question, a reasonable assumption is used, such as a comparison with similar counterparties where there is an observable quote for the credit spread. An increase in the assumed credit spread with 10 bp would lead to a negative impact with SEK 1m.

When valuation models are used to determine fair value for financial instrument in level 3, the consideration that has been paid or received is assessed to be the best evidence of fair value at initial recognition. Because it is possible that a difference could

arise between this fair value and the fair value calculated at that time in the valuation model, so called day 1 – profit or loss, the Group adjusts the valuation models to avoid such differences. As of year-end there were no cumulative differences not recognised through profit or loss.

During the year there were no significant transfers of financial instruments between valuation level 1 and 2, despite the turbulence on the financial markets.

The change in the value of loans to the public, measured according to the fair value option, attributable to changes in credit risk amounted to SEK -31m (-101) during the period and is recognised as a credit impairment. Accumulated value changes of that kind amounted to SEK -117m (-125). The amount is determined as the difference between current estimated creditworthiness and estimated creditworthiness of the borrower at lending date. Other changes in fair value are considered to be attributable to changes in market risks.

The change in the value of securities in issue in level 2 that are measured according to fair value option attributable to changes in own credit worthiness amounted to SEK 44m (-85) during the period. The value change is recognised in net gains and losses on financial items at fair value. Accumulated changes amounted to SEK 31m (-13). The change due to Swedbank's own credit risk has been determined by calculating the difference in value based on current prices from external dealers for Swedbank's own credit risk in its own unquoted issues and the value based on prices for its own credit risk for its own unquoted issues on the origination date.

The table shows financial instruments measured at fair value as per 31 December 2011 distributed by valuation level.

	2011			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Treasury bills and other bills eligible for refinancing with central banks, etc	24 402	209		24 611
Loans to credit institutions	160	32 309		32 469
Loans to the public		508 682		508 682
Bonds and interest-bearing securities	80 606	28 762	390	109 758
Shares and participating interest	1 768	112	71	1 951
Financial assets for which the customers bear the investment risk	95 747			95 747
Derivatives	337	103 389		103 726
<b>Total</b>	<b>203 020</b>	<b>673 463</b>	<b>461</b>	<b>876 944</b>
<b>Liabilities</b>				
Amounts owed to credit institutions		22 585		22 585
Deposits and borrowings from the public		50 402		50 402
Debt securities in issue	79 709	32 813		112 522
Financial liabilities for which the customers bear the investment risk		96 449		96 449
Derivatives	619	89 865		90 484
Sold, not held, securities	30 603			30 603
<b>Total</b>	<b>110 931</b>	<b>292 114</b>		<b>403 045</b>
	2010			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Treasury bills and other bills eligible for refinancing with central banks, etc	33 658			33 658
Loans to credit institutions	6	40 545		40 551
Loans to the public	24	545 707		545 731
Bonds and interest-bearing securities	69 126	22 324	691	92 141
Shares and participating interest	5 801	323		6 124
Financial assets for which the customers bear the investment risk	100 628			100 628
Derivatives	2 997	62 054		65 051
<b>Total</b>	<b>212 240</b>	<b>670 953</b>	<b>691</b>	<b>883 884</b>
<b>Liabilities</b>				
Amounts owed to credit institutions		19 763		19 763
Deposits and borrowings from the public		28 374		28 374
Debt securities in issue	72 880	106 381		179 261
Financial liabilities for which the customers bear the investment risk		100 988		100 988
Derivatives	3 615	62 311	9	65 935
Sold, not held, securities	34 162	17		34 179
<b>Total</b>	<b>110 657</b>	<b>317 834</b>	<b>9</b>	<b>428 500</b>

Changes in level 3	2011	
	Assets	Liabilities
<b>Opening balance</b>	<b>691</b>	<b>9</b>
Purchase for the year	71	
Sales/maturities during the year	-204	-3
Transferred from Level 3		
Gains or loss	-97	-6
of which in profit or loss	-97	-6
<b>Closing balance</b>	<b>461</b>	
Total recognised result in Net gains and losses on financial items at fair value	-97	-6
of which financial instruments held on closing day	-102	

Changes in level 3	2010	
	Assets	Liabilities
<b>Opening balance</b>	<b>670</b>	<b>41</b>
Purchase for the year	37	
Sales/maturities during the year	-14	
Transferred from Level 3	-48	-75
Gains or loss	46	43
of which in profit or loss	46	43
<b>Closing balance</b>	<b>691</b>	<b>9</b>
Total recognised result in Net gains and losses on financial items at fair value	46	43
of which financial instruments held on closing day	15	7

## G45 Reclassification of financial assets

Swedbank chose as of 1 July 2008 to reclassify certain interest-bearing securities which, owing to extraordinary market conditions, had become illiquid. Market conditions at the time were distinguished by extreme turbulence, a shortage of liquidity and a lack of quoted prices on active markets. The holdings listed in the table below were reclassified from trading to the category held to maturity since the instruments are no longer held for trading purposes. Instead, management intends and is able to hold them to maturity. Financial instruments in the category held for trading are recognised at fair value with changes in value recognised through profit or loss. Financial instruments in the category

held to maturity are recognised at amortised cost less impairments. No impairments were needed as of 31 December 2011, which means that all contractual cash flows are expected to be received. Of the holdings listed below, Residential Mortgage Backed Securities (RMBS) and Commercial Mortgage Backed Securities (CMBS) account for 80 per cent of the exposure, while the remaining 20 per cent consists of a bond issued by companies controlled by the US government.

	2011	2010	2009	2008	30/6/2008
Carrying amount	2 365	4 287	7 203	8 138	7 376
Nominal amount	2 375	4 332	7 306	8 328	7 558
Fair value	2 269	4 140	6 872	7 988	7 376
Gains/loss recognised through profit or loss					-187
Gains/loss that would be recognised through profit or loss if the assets were not reclassified	-95	-147	-332	-150	-187
Effective interest rate on day of reclassification, %					5.62
Recognised interest income after reclassification	60	70	185	160	

SEK -187m and SEK -150m relate to the first and second half of 2008, respectively.

Nominal amounts and carrying amounts are affected by changes in exchange rates. Carrying amounts are also affected by the allocations of discounts in accordance with the effective interest method.

## G46 Specification of adjustments for non-cash items in operation activities

	2011	2010
Amortised origination fees	-538	498
Unrealised changes in value/currency changes	-1 324	630
Capital gains on sales of associates		3
Capital gains/losses on property and equipment	-87	-2
Undistributed share of equity in associates	-731	-441
Depreciation and impairment of tangible fixed assets including repossessed leased assets	816	1 183
Amortisation and impairment of goodwill and other intangible fixed assets	2 286	404
Credit impairment	-1 548	3 370
Changes to provisions for insurance contracts	-180	-1 994
Prepaid expenses and accrued income	-2 050	288
Accrued expenses and prepaid income	3 364	1 039
Other	-25	-9
<b>Total</b>	<b>-17</b>	<b>4 969</b>

## G47 Dividend paid and proposed

	2011		2010	
Ordinary shares	SEK per share	Total	SEK per share	Total
Dividend paid	2.10	2 000		
Proposed dividend	5.30	4 813	2.10	2 000

	2011		2010	
Preference shares	SEK per share	total	SEK per share	Total
Dividend paid	4.80	995		
Proposed dividend	5.30	1 012	4.80	995

Preference shares have a preferential right to the dividend for 2011 corresponding to SEK 4.80 per share (4.80). The Board of Directors recommends that shareholders receive a dividend of SEK 5.30 per common share (2.10) and SEK 5.30 per preference share (4.80) in 2012 for the financial year 2011, corresponding to SEK 5 825m.

## G48 Assets pledged, contingent liabilities and commitments

Assets pledged			
Assets pledged for own liabilities	2011	2010	1/1/2010
Government securities and bonds pledged with the Riksbank	16 424		27 926
Government securities and bonds pledged with foreign central banks	1 458	3 611	
Government securities and bonds pledged for liabilities credit institutions	13 612	17 759	12 126
Government securities and bonds pledged for deposits from the public	20 816	17 146	6 635
Government securities and bonds pledged for derivatives			
Loans pledged for securities in issue *	673 410	640 207	610 456
Financial assets pledged for investment contracts	94 971	99 475	80 647
Cash	11 650	12 038	9 065
<b>Total</b>	<b>832 341</b>	<b>790 236</b>	<b>746 856</b>

The carrying amount of liabilities for which assets are pledged amounted to SEK 693 300m (563 284) for the Group in 2011.

\* The pledge is defined as the borrower's nominal debt including accrued interest.\*

Other assets pledged	2011	2010	1/1/2010
Security loans	1 817	521	593
Government securities and bonds pledged for other commitments	1 262	1 079	1 742
Cash	274	274	265
<b>Total</b>	<b>3 353</b>	<b>1 874</b>	<b>2 600</b>

Companies in the Group regularly pledge financial assets as collateral for their obligations to central banks, stock exchanges, central securities depositories, clearing organisations and other institutions with similar or closely related functions, as well as to insurance policyholders. The transactions can be made by one or more of companies in the Group depending on the operations of each company. These financial assets are recognised as assets pledged. Companies in the Group also participate in arrangements that are not pledges, but where financial assets are used for similar purposes. Such financial assets are also recognised as assets pledged. One example of assets pledged is when financial assets of a certain value are transferred to counterparties in derivatives to offset their credit risk vis-à-vis the Group. Another example involves certain transfers of financial assets that the Group is obligated to repurchase, so-called repos. A third example is that certain types of credit can be included in the cover pool for covered bonds and thereby give preferential rights to the assets to investors who hold such bonds. Because of the pledges and other arrangements mentioned above, the value of the financial assets in question cannot be utilised in any other way as long as the pledge or arrangement remains in effect. The transactions are made on commercial terms.

### Contingent liabilities

Nominal amount	2011	2010	1/1/2010
Loan guarantees	7 135	7 742	12 457
Other guarantees	13 862	15 415	16 504
Accepted and endorsed notes	106	171	227
Letters of credit granted but not utilised	2 813	1 672	1 878
Other contingent liabilities	335	321	349
<b>Total</b>	<b>24 251</b>	<b>25 321</b>	<b>31 415</b>
Provision for anticipated credit impairments	-206	-311	-224

### Commitments

Nominal amount	2011	2010	1/1/2010
Loans granted but not paid	116 559	114 920	126 190
Overdraft facilities granted but not utilised	69 400	60 462	55 932
<b>Total</b>	<b>185 959</b>	<b>175 382</b>	<b>182 122</b>

The nominal amount of interest-, equity- and currency-related contracts is shown in note G27 Derivatives.



## G49 Operational leasing

The agreements relate mainly to premises in which the Group is the lessee. The terms of the agreements comply with customary practices and include clauses on inflation and property tax. The combined amount of future minimum lease payments that relate to non-cancellable agreements is allocated on the due dates as follows.

2011	Expenses	Income subleasing	Total
2012	643	29	614
2013	501	40	461
2014	304	69	235
2015	243	67	176
2016	125		125
2017	92		92
2018	88		88
2019	88		88
2020	16		16
2021 or later	13		13
<b>Total</b>	<b>2 113</b>	<b>205</b>	<b>1 908</b>

2010	Expenses	Income subleasing	Total
2011	765	22	743
2012	566	36	530
2013	461	48	413
2014	275	24	251
2015	229	5	224
2016	114		114
2017	77		77
2018	75		75
2019	70		70
2020 or later			
<b>Total</b>	<b>2 632</b>	<b>135</b>	<b>2 497</b>

## G50 Business combinations

Business combinations refer to acquisitions of businesses in which the parent company directly or indirectly obtains control of the acquired business.

### Business combinations in 2011

FR&R Invest IGA SA within Swedbank's subgroup Swedbank FR&R Invest acquired 84 per cent of the Alita group. The acquisition, which related to the shares in Įmonių grupė ALITA, was settled in cash.

	Carried in the Group on acquisition date	Carried in the acquired entity on acquisition date
Assets	243	277
Liabilities	240	240
<b>Subsidiary's net assets</b>	<b>3</b>	<b>37</b>
<b>Purchase price paid in cash</b>	<b>2</b>	
<b>Cash flow</b>		
Acquired cash and cash equivalents in subsidiary		
Cash paid	-2	
<b>Net</b>	<b>-2</b>	

From the acquisition date the acquired company contributed SEK 4m to profit for 2011. The acquired company would have contributed approximately the same amount to profit for 2011 if it had been acquired at the beginning of the financial year. Since the acquired company is available for sale and will be sold as soon as possible, its result is recognised in the income statement on the line discontinued operations.

## G51 Change in ownership interest in subsidiary

On 30 November 2010 Swedbank AB acquired the non-controlling interest in First Securities AS.

The Group's equity has due to the transaction been affected as follow:	2010
Non-controlling interest, carrying amount, 49 %, before the acquisition	124
Non-controlling interest, carrying amount, 0 %, after acquisition	0
Change in retained earnings attributable to shareholders of Swedbank AB	-497
Cost, cash	621
Cashflow	621

## G52 Discontinued operations

Profit from discontinued operations	2011
Income	79
Expenses	-75
Operating profit	4
Tax expense	
<b>Profit for the year</b>	<b>4</b>
<b>Profit for the period attributable to the shareholders of Swedbank AB</b>	<b>3</b>
<b>Minority</b>	<b>1</b>

Assets classified as held for sale	2011
Non-current tangible assets	122
Other assets	128
<b>Total assets</b>	<b>250</b>

Liabilities classified as held for sale	2011
Amounts owed to credit institutions	20
Other liabilities	77
<b>Total liabilities</b>	<b>97</b>

Discontinued operations refer to the operations of the subsidiary Įmonių grupė ALITA and its group. The Alita group was acquired exclusively to be resold. The holding is available for sale and shall be sold. The Alita group manufactures mainly alcoholic beverages. Its operations are in Lithuania with around 250 employees.

## G53 Related parties and other significant relationships

	Associates		Other related parties	
Assets	2011	2010	2011	2010
Loans to credit institutions	8 347	8 497		
Loans to the public	1 606	1 466		
Bonds and other interest-bearing securities		200		
Derivatives	2			
Other assets	9	9	89	
Prepaid expenses and accrued income	3			
<b>Total assets</b>	<b>9 967</b>	<b>10 172</b>	<b>89</b>	

Liabilities	Associates		Other related parties	
	2011	2010	2011	2010
Amount owed to credit institutions	3 775	3 054		
Deposits and borrowing from the public	1 133	36	797	970
Debt securities in issue, etc.	1 598	3 600		
Derivatives	1			
Other liabilities	85			
Accrued expenses and prepaid income	79	127		
<b>Total liabilities</b>	<b>6 671</b>	<b>6 817</b>	<b>797</b>	<b>970</b>
<b>Contingent liabilities</b>				
Guarantees	150	123		
Derivatives, nominal amount	2 435			

**Income and expenses**

Interest income	576	151		
Interest expenses	140	105	20	10
Dividends received	35	42		
Commission income	32	20		
Commission expenses	286	300		
Other income	293	129		
Other general administrative expenses	23			

**Associates**

Investments in associates are specified in note G26.

During the year the Group has provided capital injections of SEK 15m (5). As of 31 December associates have issued guarantees and pledged assets of SEK 314m (115) on behalf of Swedbank.

The Group has sold services to associates that are not credit institutions primarily in the form of the development of products and systems and some marketing. The Group's expenses to, and purchases of services from, associates that are not credit institutions mainly consist of payment services and cash management.

The partly owned banks that are associates sell products that are provided by the Group and receive commissions for servicing the products. The co-operation between the partly owned banks and Swedbank is governed by the agreement described in the section, Other significant relationships. Färs & Frosta Sparbank AB holds 3 833 000 shares in Swedbank AB. The Group's portion of these shares has reduced equity by SEK 62m in the consolidated statements.

**Joint ventures**

The Group's holding in EnterCard is a joint venture. EnterCard issues debit and credit cards in Sweden and Norway for Swedbank's customers. Swedbank AB finances EnterCard's corresponding holding. The Group's holding in Sparbanken Rekarne AB is also a joint venture. Its relationship with the bank is described below under Other significant relationships.

**Key persons**

Disclosures regarding Board members and the Group Executive Committees can be found in note G12 Staff costs.

**Other related parties**

Swedbank's pension funds and Sparinstitutens Pensionskassa 'secure employees' post-employment benefits. They rely on Swedbank for traditional banking services.

**Other significant relationships**

Swedbank has a close co-operation with the savings banks in Sweden. The co-operation between Swedbank and the 62 savings banks, including five of Swedbank's partly owned banks, is governed by a master agreement to which a number of other agreements are attached regarding specific activities. On 1 July 2011 a new six-year agreement entered into force. The new agreement, like the previous one, presumes that the savings banks have a certain basic offering of services and products as well as access to competency in certain areas. Two small savings banks currently do not fulfill the requirements. These savings banks have instead signed clearing agreements with Swedbank.

Through the co-operation, Swedbank's Swedish customers gain access to a nationwide network. At the same time the savings banks and partly owned banks are able to offer the products and services of Swedbank and its subsidiaries to their customers. Together, the savings banks and partly owned banks account for about 30 per cent of the Group's product sales in the Swedish market. In addition to marketing and product issues, a close co-operation exists in a number of administrative areas. Swedbank is the clearing bank for the savings banks and partly owned banks and provides a wide range of IT services. The co-operation also offers the possibility to distribute development costs over a larger business volume.

The savings banks, savings bank foundations and partly owned banks together represent one of the largest shareholder groups in Swedbank, with a total of 10.1 per cent (9.7) of the voting rights.

Swedbank has 17.5 per cent of the voting rights in the non-profit association, the Swedish Savings Banks Academy. The Group has no loans to the association, nor has it issued any guarantees or pledged assets for the benefit of the association.

**G54 Sensitivity analysis**

	Change	2011	2010
<b>Net interest income, 12 months<sup>1)</sup></b>			
Increased interest rates	+ 1 % point	1 311	1 413
Decreased interest rates	- 1 % point	-1 409	-1 730
<b>Change in value<sup>2)</sup></b>			
Market interest rate	+ 1 % point	-434	-213
	- 1 % point	257	-49
Stock prices	+10%	15	16
	-10%	6	5
Exchange rates	+5%	49	60
	-5%	-39	91
<b>Other</b>			
Stock market performance <sup>3)</sup>	+/- 10 %	+/-268	+/-287
Staff changes	+/- 100 persons	+/-59	+/-51
Payroll changes	+/- 1 % point	+/-86	+/-85
Impaired loans <sup>4)</sup>	+/- 1 SEK bn	+/-45	+/-40
Credit impairment ratio	+/- 0.1 % point	+/-1 309	+/-1 354

<sup>1)</sup> The calculation is based on the assumption that market interest rates rise (fall) by one percentage point and thereafter remain at this level for one year and that the consolidated balance sheet remains essentially unchanged during the period. The calculation also presumes that deposit rates are slow moving in connection with changes in market rates, which better reflects actual conditions.

<sup>2)</sup> The calculation refers to the immediate effect on profit of each scenario for the Group's interest rate positions at fair value and its equity and currency positions.

<sup>3)</sup> Refers to the effect on net commission income from a change in value of Swedbank Robur's equity funds.

<sup>4)</sup> The interest rate for the calculation in 2011 is 4.50 per cent (4.00).

**G55 Events after 31 December 2011**

The Board of Directors has resolved to withdraw its previous capital target of a long-term core Tier 1 capital ratio of at least 10 per cent as well as at least 13 per cent until 2013. The Board will decide on a new capital target when the regulatory environment is considered more stable. The executive management is of the view that the Group currently needs a long-term core Tier 1 capital ratio of 13.5 to 14.5 per cent as a result of the proposed Swedish capital adequacy requirements.

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# Income statement, parent company

SEKm	Note	2011	2010
Interest income		26 419	24 428
Interest expenses		-16 822	-17 094
<b>Net interest income</b>	<b>5</b>	<b>9 597</b>	<b>7 334</b>
Dividends received	6	5 003	6 230
Commission income		5 831	6 149
Commission expenses		-1 241	-1 314
<b>Net commissions</b>	<b>7</b>	<b>4 590</b>	<b>4 835</b>
Net gains and losses on financial items at fair value	8	-102	1 182
Other income	9	2 118	1 333
<b>Total income</b>		<b>21 206</b>	<b>20 914</b>
Staff costs	10	6 852	6 540
Other general administrative expenses	11	4 621	4 785
<b>Total general administrative expenses</b>		<b>11 473</b>	<b>11 325</b>
Depreciation/amortisation and impairments of tangible and intangible fixed assets	12	350	350
<b>Total expenses</b>		<b>11 823</b>	<b>11 675</b>
<b>Profit before impairments</b>		<b>9 383</b>	<b>9 239</b>
Credit impairments	13	-8	-11
Impairments of financial fixed assets	14	137	394
<b>Operating profit</b>		<b>9 254</b>	<b>8 856</b>
Appropriations	15	1 867	-10
Tax expense	16	1 629	1 794
<b>Profit for the year</b>		<b>5 758</b>	<b>7 072</b>

# Statement of comprehensive income, parent company

SEKm	Note	2011	2010
<b>Profit for the period reported via income statement</b>		<b>5 758</b>	<b>7 072</b>
Cash flow hedges			
Gains/losses arising during the period		-97	-214
Reclassification adjustments to income statement, net interest income		345	806
Income tax relating to components of other comprehensive income	17	-65	-155
<b>Other comprehensive income for the period, net of tax</b>		<b>183</b>	<b>437</b>
<b>Total comprehensive income for the period</b>		<b>5 941</b>	<b>7 509</b>

# Balance sheet, parent company

SEKm	Note	2011	2010	1/1/2010
<b>Assets</b>				
Cash and balances with central banks		154 392	4 702	19 238
Treasury bills and other bills eligible for refinancing with central banks, etc.	18	21 429	25 539	76 866
Loans to credit institutions	19	325 896	478 941	464 458
Loans to the public	20	342 394	324 662	413 350
Bonds and other interest-bearing securities	21	115 101	130 657	185 985
Shares and participating interests	22	1 392	5 306	5 227
Investments in associates	23	1 166	1 168	1 271
Investments in Group entities	24	58 153	48 833	44 492
Derivatives	25	119 320	80 325	80 438
Intangible fixed assets	26	742	882	1 034
Tangible assets	27	431	450	528
Current tax assets		2 017	1 075	665
Deferred tax assets	16		196	349
Other assets	28	5 014	7 563	5 918
Prepaid expenses and accrued income	29	7 731	8 205	11 038
<b>Total assets</b>		<b>1 155 178</b>	<b>1 118 504</b>	<b>1 310 857</b>
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Amounts owed to credit institutions	30	200 430	190 710	339 875
Deposits and borrowings from the public	31	459 720	437 870	394 054
Debt securities in issue	32	251 764	273 819	340 929
Derivatives	25	111 752	72 639	82 460
Current tax liabilities		539	758	1 091
Deferred tax liabilities	16	41		
Other liabilities	33	40 191	43 630	50 431
Accrued expenses and prepaid income	34	5 372	4 647	5 060
Provisions	35	113	206	772
Subordinated liabilities	36	19 833	27 661	37 151
<b>Total liabilities</b>		<b>1 089 755</b>	<b>1 051 940</b>	<b>1 251 823</b>
Untaxed reserves	37	2 672	805	816
<b>Equity</b>				
	<b>38</b>			
Share capital		24 383	24 351	24 351
Other funds		6 489	6 489	6 489
Retained earnings		31 879	34 919	27 378
<b>Total equity</b>		<b>62 751</b>	<b>65 759</b>	<b>58 218</b>
<b>Total liabilities and equity</b>		<b>1 155 178</b>	<b>1 118 504</b>	<b>1 310 857</b>
Pledged assets, contingent liabilities and commitments	42			

The balance sheet and income statement will be adopted at the Annual General Meeting on 27 March 2012.

# Statement of changes in equity, parent company

SEKm	Share capital	Share premium reserve	Statutory reserve	Cash flow hedges	Retained earnings	Total
<b>Opening balance 1 January 2010</b>	<b>24 351</b>	<b>13 083</b>	<b>6 489</b>	<b>-743</b>	<b>15 038</b>	<b>58 218</b>
Share based payments to employees					32	32
Total comprehensive income for the year				437	7 072	7 509
of which through the Profit and loss account					7 072	7 072
of which through other comprehensive income for the year before tax				592		592
of which tax through other comprehensive income for the year				-155		-155
<b>Closing balance 31 December 2010</b>	<b>24 351</b>	<b>13 083</b>	<b>6 489</b>	<b>-306</b>	<b>22 142</b>	<b>65 759</b>
<b>Opening balance 1 January 2011</b>	<b>24 351</b>	<b>13 083</b>	<b>6 489</b>	<b>-306</b>	<b>22 142</b>	<b>65 759</b>
Dividend					-2 995	-2 995
New rights issue	32					32
Reversal of VAT costs incurred on rights issue 2009		35				35
Repurchased shares					-6 180	-6 180
Share based payments to employees					159	159
Total comprehensive income for the year				183	5 758	5 941
of which through the Profit and loss account					5 758	5 758
of which through other comprehensive income for the year before tax				248		248
of which tax through other comprehensive income for the year				-65		-65
<b>Closing balance 31 December 2011</b>	<b>24 383</b>	<b>13 118</b>	<b>6 489</b>	<b>-123</b>	<b>18 884</b>	<b>62 751</b>



# Statement of cash flow, parent company

SEKm	Note	2011	2010
<b>Operating activities</b>			
Operating profit		9 254	8 856
Adjustments for non-cash items in operating activities	41	-1 531	926
Taxes paid		-2 553	-2 383
Increase/decrease in loans to credit institution		153 084	-44 961
Increase/decrease in loans to the public		-17 480	75 081
Increase/decrease in holdings of securities for trading		14 842	100 464
Increase/decrease in deposits and borrowings from the public including retail bonds		19 719	26 516
Increase/decrease in amounts owed to credit institutions		9 720	-142 875
Increase/decrease in other assets		-39 525	-984
Increase/decrease in other liabilities		35 807	-9 933
<b>Cash flow from operating activities</b>		<b>181 337</b>	<b>10 707</b>
<b>Investing activities</b>			
Acquisition of/contribution to Group entities and associates		-14 297	-5 097
Disposal of/repayment from Group entities and associates		4 844	140
Acquisition of other fixed assets and strategic financial assets		-182	-121
Disposals of other fixed assets and strategic financial assets		12 321	52 828
Dividends and Group contributions received		3 425	1 261
<b>Cash flow from investing activities</b>		<b>6 111</b>	<b>49 011</b>
<b>Financing activities</b>			
Issuance of interest-bearing securities		20 490	27 025
Redemption of interest-bearing securities		-106 254	-72 180
Issuance of certificates etc.		317 698	252 177
Redemption of certificates etc.		-260 549	-281 276
Dividend paid		-2 995	
New rights issue		32	
Repurchased shares		-6 180	
<b>Cash flow from financing activities</b>		<b>-37 758</b>	<b>-74 254</b>
<b>Cash flow for the year</b>		<b>149 690</b>	<b>-14 536</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>4 702</b>	<b>19 238</b>
Cash flow for the year		149 690	-14 536
<b>Cash and cash equivalents at end of the year</b>		<b>154 392</b>	<b>4 702</b>

## Comments on the consolidated cash flow statement

The cash flow statement shows receipts and payments during the year as well as cash and cash equivalents at the beginning and end of the year. The cash flow statement is reported using the indirect method and is divided into receipts and payments from operating activities, investing activities and financing activities.

### Operating activities

Cash flow from operating activities is based on operating profit for the year. Adjustments are made for items not included in cash flow from operating activities. Changes in assets and liabilities from operating activities consist of items which are part of normal business activities, such as loans to and deposits and borrowings from the public and credit institutions, and which are not attributable to investing and financing activities. Cash flow includes interest receipts of SEK 26 782m (27 154) and interest payments of SEK 16 779m (16 524). Capitalised interest is included.

### Investing activities

Investing activities consist of acquisitions and disposals of strategic financial assets, contributions to subsidiaries and associates, and other fixed assets. In 2011 Swedbank AS, Latvia, was acquired for SEK 7 376m and Swedbank AB, Lithuania, for SEK 6 383m from Swedbank AS, Estonia. Also, SEK 413m in new shares was issued to the subsidiary First Securities AS. Contributions were paid to the subsidiaries Swedbank First Securities LLC of SEK 48m, FR & R Invest AB of SEK 35m and Swedbank Franchise AB of SEK 13m. In addition, contributions were paid to the associate Bankernas Automatbolag AB of SEK 12m. During the year the subsidiary Swedbank AS, Estonia, repaid SEK 4 831m of its share capital.

### Cash and cash equivalents

Cash and cash equivalents consist of cash and balances with central banks, which corresponds to the balance sheet item Cash and balances with central banks. Cash and cash equivalents are defined according to IAS 7, and do not correspond to what the Group consider as liquidity.

# Notes

All amounts in the notes are in millions of Swedish kronor (SEKm) and represent carrying amounts unless indicated otherwise. Figures in parentheses refer to the previous year.

## P1 Accounting policies

### BASIS OF ACCOUNTING

As a rule, the Parent Company follows IFRS and the accounting principles applied in the consolidated financial statements, as reported on pages 76-84. In addition, the Parent Company is required to consider and prepare its annual report in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies, the regulations and general advice of the Swedish Financial Supervisory Authority FFFS 2008:25 and recommendation RFR 2 Reporting for Legal Entities issued by the Swedish Financial Reporting Board. The Parent Company's annual report is therefore prepared in accordance with IFRS to the extent the standards are compatible with the Annual Accounts Act for Credit Institutions and Securities Companies, RFR 2 and the Swedish Financial Supervisory Authority regulations. The most significant differences in principle between the Parent Company's accounting and the Group's accounting policies relate to the recognition of:

- The currency component in currency hedges of investments in foreign subsidiaries and associates
- Associates
- Goodwill and internally generated intangible assets
- Untaxed reserves and Group contributions, and
- Operating segments.

The headings in the financial statements follow the Annual Accounts Act for Credit Institutions and Securities Companies and the Swedish Financial Supervisory Authority regulations, due to which they differ in certain cases from the headings in the Group's accounts.

### CHANGES IN ACCOUNTING POLICIES

The parent company previously presented derivative interest as interest income or interest expense depending on whether the contracts' net interest was positive or negative. As of 2011 interest for derivatives used to hedge funding is presented as interest expense, regardless of whether the contracts' net interest was positive or negative. The aim is to better illustrate the actual interest expense for Swedbank's funding after taking into account financial hedges. Other derivative interest, pure trading derivatives and derivatives that hedge assets are recognised as interest income. Comparative figures have been restated; see the table below. The revision affects both interest income and interest expenses, but not net interest income in its entirety. Comparative figures have been restated; see the table below.

	New reporting of interest	Previous reporting of interest
<b>P5, Net interest income</b>	<b>2010</b>	<b>2010</b>
Derivatives	-293	5 923
Total assets/interests	18 212	24 428
Derivatives	-2 789	3 427
<b>Total liabilities/interests</b>	<b>10 878</b>	<b>17 094</b>
<b>Total net interest income</b>	<b>7 334</b>	<b>7 334</b>

### SIGNIFICANT DIFFERENCES IN THE PARENT COMPANY'S ACCOUNTING POLICIES COMPARED WITH THE GROUP'S ACCOUNTING POLICIES

#### Hedging of net investment in foreign operations

The currency component of liabilities that constitute currency hedges of net investments in foreign subsidiaries and associates is valued in the Parent Company at cost.

#### Investments in associates

Investments in associates are recognised in the Parent Company at cost less any impairment. All dividends received are recognised through profit and loss in Dividends received.

#### Investments in subsidiaries

Investments in subsidiaries are recognised according to the acquisition cost method. In case of an indication of value decrease the investment's value is tested for impairment. When the Group value is lower than carrying amount, impairment is recognised. All dividends received are recognised through profit and loss in Dividends received.

#### Intangible assets

The Parent Company amortises goodwill systematically based on estimated useful life. All expenditures, including for development, which are attributable to internally generated intangible assets are expensed through profit and loss.

#### Pensions

The Parent Company recognises pension expenses in accordance with the Act on Safeguarding Pension Benefits, which means that defined benefit pension plans are also recognised as defined contribution plans. Premiums paid to defined contribution plans are expensed when an employee has rendered his/her services.

#### Untaxed reserves and Group contributions

Due to the connection between reporting and taxation, the deferred tax liability attributable to untaxed reserves is not recognised separately in the Parent Company. The reserves are therefore recognised in their gross amounts in the balance sheet and income statement. Group contributions received are recognised through profit and loss in Dividends received.

#### Operating segments

The Parent Company does not provide segment information, since the information is provided for the Group. A geographical distribution of revenue is provided, however.

## P2 Risks

Swedbank's risk management is described in note G3. Specific information on the parent company's risks is presented in the following tables.

### Credit risks

Impaired, past due and restructured loans	2011	2010
<b>Impaired loans</b>		
Carrying amount before provisions	1 702	2 054
Provisions	1 078	1 288
Carrying amount after provisions	625	766
Share of impaired loans, net %	0,15	0,16
Share of impaired loans, gross %	0,40	0,43
Carrying amount of impaired loans that returned to a status as normal during the period	948	146
<b>Past due loans that are not impaired</b>		
<b>Valuation category, loans and receivables</b>		
Loans with past due amount,		
5-30 days	52	117
31-60 days	149	199
more than 60 days	21	24
<b>Total</b>	<b>222</b>	<b>340</b>
<b>Loans which were restructured during the period and which are not impaired or past due</b>		
Carrying amount before restructuring	758	316
Carrying amount after restructuring	591	314

Impaired loans are those for which it is likely that payments will not be fulfilled in accordance with the terms of the contract. A loan is not impaired if there is collateral which covers capital, interest and payment for any delays by a satisfactory margin. Provisions for impaired loans as well as other elements of lending where losses have occurred but individual claims have not yet been identified are specified below. Loss events include non-payments or delayed payments where it is likely the borrower will go into bankruptcy and domestic or local economic conditions that are tied to non-payments, such as declines in asset values. The carrying amount of impaired loans largely corresponds to the value of collateral in cases where collateral exists. Restructured loans refer to loans where a change has been made to the terms of the contract as a result of the client's reduced ability to pay.

Provisions	2011	2010
<b>Opening balance</b>	<b>1 976</b>	<b>2 533</b>
New provisions	396	301
Utilisation of previous provisions	-213	-344
Portfolio provisions for loans that are not impaired	-240	-156
Group adjustments	-199	-323
Change in exchange rates	-100	-35
<b>Closing balance</b>	<b>1 620</b>	<b>1 976</b>
Total provision ratio for impaired loans, % (Including portfolio provision in relation to loans that individually are assessed as impaired)	99	96
Provision ratio for individually assessed impaired loans, %	63	63
<b>Concentration risk</b>	<b>2011</b>	<b>2010</b>
Number	3	1
Exposures > 20 % of the capital base		
Exposures between 10 % and 20 % of the capital base	35 289	10 045
<b>Total</b>	<b>35 289</b>	<b>10 045</b>
Usage of the 800 % limit, %	48	12

#### Collateral that can be sold or pledged even if the counterparty fulfills its contractual obligations

When it grants repos, the parent company receives securities that can be sold or pledged. The fair value of these securities corresponds to the carrying amount of the repos. The parent company also receives collateral in the form of securities that can be sold or pledged for derivatives and other exposures. The fair value of such collateral as of year-end amounted to SEK 428m (0). None of this collateral has been sold or pledged.

## Liquidity risks

In the summary of maturities, undiscounted contractual cash flows are distributed on the basis of remaining maturities until the agreed time of maturity. For lending to the public, amortising loans are distributed based on the amortisation schedule. Liabilities whose repayment date may depend on various options, have been distributed based on the earliest date on which repayment could be demanded. Differences between nominal amount and carrying amount, undiscounted cash flows, are reported together with items without an agreed maturity date where the anticipated realisation date has not been determined in the column, No maturity/discount effect.

Remaining maturity 2011	Undiscounted contractual cash flows						No maturity/ discount effect	Total
	Payable on demand	< 3 mths.	3 mths.–1 yr	1–5 yrs	5–10 yrs	> 10 yrs		
<b>Assets</b>								
Cash and balances with central banks	154 392							154 392
Treasury bills and other bills eligible for refinancing with central banks		1 061	693	9 253	3 652	1 906	4 864	21 429
Loans to credit institutions	4 875	134 241	101 096	83 824	1 464	396		325 896
Loans to the public	30 137	93 837	37 395	93 716	35 503	51 806		342 394
Bonds and other interest-bearing securities		17 849	23 291	68 018	2 260	499	3 184	115 101
Shares and participating interests							60 711	60 711
Derivatives		22 544	23 948	69 354	10 314	4 489	-11 329	119 320
Intangible fixed assets							742	742
Tangible assets							431	431
Other assets		8 971	3 357	36			2 398	14 762
<b>Total</b>	<b>189 404</b>	<b>278 503</b>	<b>189 780</b>	<b>324 201</b>	<b>53 193</b>	<b>59 096</b>	<b>61 001</b>	<b>1 155 178</b>
<b>Liabilities</b>								
Amounts owed to credit institutions	57 566	131 713	6 227	4 924				200 430
Deposits and borrowings from the public	362 645	76 953	15 579	4 539	4			459 720
Debt securities in issue		113 266	54 173	81 896	205		2 224	251 764
Derivatives		22 527	22 370	61 730	8 784	2 697	-6 356	111 752
Other liabilities		42 021	3 016	126			3 765	48 928
Subordinated liabilities					10 239	8 231	1 363	19 833
Equity							62 751	62 751
<b>Total</b>	<b>420 211</b>	<b>386 480</b>	<b>101 365</b>	<b>153 215</b>	<b>19 232</b>	<b>10 928</b>	<b>63 747</b>	<b>1 155 178</b>

The large part of deposits from the public is contractually payable on demand. Despite the contractual terms, the deposits are essentially a stable and a long-term source of funding.

Remaining maturity 2010	Undiscounted contractual cash flows						No maturity/ discount effect	Total
	Payable on demand	< 3 mths.	3 mths.–1 yr	1–5 yrs	5–10 yrs	> 10 yrs		
<b>Assets</b>								
Cash and balances with central banks	4 702							4 702
Treasury bills and other bills eligible for refinancing with central banks		7 869	4 223	3 527	5 365	1 266	3 289	25 539
Loans to credit institutions	41 050	254 283	68 002	113 142	1 861	603		478 941
Loans to the public	30 873	86 053	28 076	95 908	30 413	53 339		324 662
Bonds and other interest-bearing securities		9 247	29 346	84 923	4 514		2 627	130 657
Shares and participating interests							55 307	55 307
Derivatives		22 253	17 412	25 343	3 563	753	11 001	80 325
Intangible fixed assets							882	882
Tangible assets							450	450
Other assets		10 929	2 684				3 426	17 039
<b>Total</b>	<b>76 625</b>	<b>390 634</b>	<b>149 743</b>	<b>322 843</b>	<b>45 716</b>	<b>55 961</b>	<b>76 982</b>	<b>1 118 504</b>
<b>Liabilities</b>								
Amounts owed to credit institutions	55 116	108 458	19 324	7 812				190 710
Deposits and borrowings from the public	380 066	44 373	8 603	4 789	16	23		437 870
Debt securities in issue		81 794	74 143	114 650	160		3 072	273 819
Derivatives		19 711	17 189	29 366	7 492	1 759	-2 878	72 639
Other liabilities		44 703	3 300	144			1 899	50 046
Subordinated liabilities					17 364	8 942	1 355	27 661
Equity							65 759	65 759
<b>Total</b>	<b>435 182</b>	<b>299 039</b>	<b>122 559</b>	<b>156 761</b>	<b>25 032</b>	<b>10 724</b>	<b>69 207</b>	<b>1 118 504</b>

The large part of deposits from the public is contractually payable on demand. Despite the contractual terms, the deposits are essentially a stable and a long-term source of funding.

## Debt securities in issue

Turnover during the year	2011	2010
<b>Commercial papers with state guarantee</b>		
Opening balance		52 642
Repaid		-52 642
Closing balance		
<b>Other commercial papers</b>		
Opening balance	62 955	38 139
Issued	317 698	252 177
Repaid	-258 641	-226 901
Change in market values	-11	3
Change in exchange rates	-1 907	-463
Closing balance	120 094	62 955
<b>Bond loans with state guarantee</b>		
Opening balance	156 045	181 588
Repurchased	-13 262	
Repaid	-67 326	-14 035
Change in market values	-101	341
Change in exchange rates	212	-11 849
Closing balance	75 568	156 045

Turnover during the year	2011	2010
<b>Other interest-bearing bond loans</b>		
Opening balance	34 328	32 137
Issued	16 649	23 281
Repurchased	-4 427	
Repaid	-7 933	-18 378
Change in market values	-2	706
Change in exchange rates	-59	-3 418
Closing balance	38 556	34 328
<b>Structured products</b>		
Opening balance	20 491	36 424
Issued	3 842	3 745
Repurchased		-4 896
Repaid	-7 349	-15 999
Change in market values	562	1 217
Closing balance	17 546	20 491
<b>Total debt securities in issue</b>	<b>251 764</b>	<b>273 819</b>

## Market risks

## Interest risks

## Change in value if the market interest rate rises by one percentage point

The impact on the value of assets and liabilities, including derivatives, when market interest rates rise by one percentage point.

2011	< 3 mths.	3–6 mths.	6–12 mths.	1–2 yrs	2–3 yrs	3–4 yrs	4–5 yrs	5–10 yrs	> 10 yrs	Total
SEK	-355	-13	-28	-262	522	-31	74	11	31	-51
Foreign currency	127	-22	-13	19	-13	35	-22	-23	-4	84
<b>Total</b>	<b>-228</b>	<b>-35</b>	<b>-41</b>	<b>-243</b>	<b>509</b>	<b>4</b>	<b>52</b>	<b>-12</b>	<b>27</b>	<b>33</b>

In the table above, part of deposits from the public that are payable on demand have been assigned a fixed interest period of between 2 and 3 years.

## of which financial instruments measured at fair value through profit or loss

SEK	-321	19	76	-175	-94	-31	34	-32	31	-493
Foreign currency	99	32	60	62	-4	47	-3		45	338
<b>Total</b>	<b>-222</b>	<b>51</b>	<b>136</b>	<b>-113</b>	<b>-98</b>	<b>16</b>	<b>31</b>	<b>-32</b>	<b>76</b>	<b>-155</b>

2010	< 3 mths.	3–6 mths.	6–12 mths.	1–2 yrs	2–3 yrs	3–4 yrs	4–5 yrs	5–10 yrs	> 10 yrs	Total
SEK	-227	-92	-221	-254	1 242	-15	-161	-90	23	205
Foreign currency	-105	120	28	-4	59	12	64	-64	20	130
<b>Total</b>	<b>-332</b>	<b>28</b>	<b>-193</b>	<b>-258</b>	<b>1 301</b>	<b>-3</b>	<b>-97</b>	<b>-154</b>	<b>43</b>	<b>335</b>

In the table above, part of deposits from the public that are payable on demand have been assigned a fixed interest period of between 2 and 3 years.

## of which financial instruments measured at fair value through profit or loss

SEK	11	5	-52	114	-7	-18	-161	-89	23	-174
Foreign currency	-171	90	74	97	116	15	69	-48	20	262
<b>Total</b>	<b>-160</b>	<b>95</b>	<b>22</b>	<b>211</b>	<b>109</b>	<b>-3</b>	<b>-92</b>	<b>-137</b>	<b>43</b>	<b>88</b>

## Currency risks

### Currency distribution

2011	SEK	EUR	USD	GBP	LVL	LTL	RUB	UAH	Other	Total
<b>Assets</b>										
Cash and balances with central banks	2 133	100 852	46 496	2					4 909	154 392
Loans to credit institutions	270 249	35 377	17 229	45	25	3	129		2 839	325 896
Loans to the public	255 015	22 451	36 449	1 268	2 010	550	4		24 647	342 394
Interest-bearing securities	103 069	20 355	6 209						6 897	136 530
Other assets, not distributed	195 966									195 966
<b>Total</b>	<b>826 432</b>	<b>179 035</b>	<b>106 383</b>	<b>1 315</b>	<b>2 035</b>	<b>553</b>	<b>133</b>		<b>39 292</b>	<b>1 155 178</b>
<b>Liabilities</b>										
Amounts owed to credit institutions	130 339	32 626	32 317	346	377	46	235		4 144	200 430
Deposits and borrowings from the public	423 014	10 100	17 772	1 434	46	2	55		7 296	459 719
Debt securities in issue and subordinated liabilities	55 295	82 769	112 390	11 655					9 488	271 597
Other liabilities, not distributed	160 681									160 681
Equity	62 751									62 751
<b>Total</b>	<b>832 080</b>	<b>125 495</b>	<b>162 479</b>	<b>13 435</b>	<b>423</b>	<b>48</b>	<b>290</b>		<b>20 928</b>	<b>1 155 178</b>
Other assets and liabilities, including positions in derivatives		-41 652	56 091	12 103	2 046	-4 542	144	1 400	-18 364	
Net position in currency		11 888	-5	-17	3 658	-4 037	-13	1 400		12 874

### Currency distribution

2010	SEK	EUR	USD	GBP	EEK	LVL	LTL	RUB	UAH	Other	Total
<b>Assets</b>											
Cash and balances with central banks	2 491	152	10	4						2 045	4 702
Loans to credit institutions	342 253	111 507	22 944	51		69	3	253		1 861	478 941
Loans to the public	248 546	23 468	28 623	707		1 184	297	62		21 775	324 662
Interest-bearing securities	130 574	12 801	2 863							9 959	156 197
Other assets, not distributed	154 002										154 002
<b>Total</b>	<b>877 866</b>	<b>147 928</b>	<b>54 440</b>	<b>762</b>		<b>1 253</b>	<b>300</b>	<b>315</b>		<b>35 640</b>	<b>1 118 504</b>
<b>Liabilities</b>											
Amounts owed to credit institutions	116 344	39 583	28 077	572						6 134	190 710
Deposits and borrowings from the public	414 290	8 328	7 967	563				143		6 579	437 870
Debt securities in issue and subordinated liabilities	79 437	97 504	102 579	5 477						16 484	301 481
Other liabilities, not distributed	122 684										122 684
Equity	65 759										65 759
<b>Total</b>	<b>798 514</b>	<b>145 415</b>	<b>138 623</b>	<b>6 612</b>				<b>143</b>		<b>29 197</b>	<b>1 118 504</b>
Other assets and liabilities, including positions in derivatives		-18 500	84 282	5 935	27 600	-1 243	-297	151	975	-6 443	
Net position in currency		-15 987	99	85	27 600	9	3	323	975		13 107

## P3 Capital adequacy analysis

Swedbank's legal capital requirement is currently based on the transitions rules. The transition rules state that the minimum capital requirement may not fall below 80 per cent of the requirement according to the Basel 1 rules. The transition rules have been prolonged and their expiry date are not yet decided.

Capital adequacy	2011	2010
Capital base	73 744	85 170
Capital requirement	29 201	32 779
Capital surplus or deficit	44 543	52 391
Capital quotient	2.53	2.60
Risk-weighted amount	365 013	409 740
Tier 1 capital ratio, %	17.8	16.7
Capital adequacy ratio, %	20.2	20.8

Capital base	2011	2010
Tier 1 capital	65 074	68 386
Tier 2 capital	11 572	19 685
of which, perpetual subordinated loans	1 589	2 431
Total Tier 1 and Tier 2 capital	76 646	88 071
Shareholdings deducted*	-2 902	-2 901
<b>Total</b>	<b>73 744</b>	<b>85 170</b>

\* Companies where deductions for capital base are brought are Sparia Försäkrings AB and Swedbank Försäkring AB.

Tier 1 capital	2011	2010
Equity attributable to the shareholders according to balance sheet in annual report	62 751	65 759
Proposed dividend	-5 825	-2 995
74 per cent of accrual reserve	1 921	535
Goodwill	-566	-689
Other deductions		
Deferred tax assets		-196
Intangible assets	-176	-192
Deduction internal risk classification, provisions surplus/deficit	-703	-1 053
Cash flow hedges	124	307
Shareholdings deducted from Tier 1 capital*	-5	-5
Tier 1 capital contribution**	7 553	6 915
<b>Total Tier 1 capital</b>	<b>65 074</b>	<b>68 386</b>

\* Company where deduction for Tier 1 capital is brought is BGC Holding.

\*\* Tier 1 mainly comprises equity, with adjustments for certain assets that may not be included and certain deductions. Tier 1 capital contributions are perpetual debenture loans whose terms are such that they may be included after approval from the Swedish Financial Supervisory Authority. The contributions' preferential rights are subordinate to all other deposits and lending. Interest payment is set in accordance with the agreement, but may only occur if there are distributable funds. The contribution is reported in the balance sheet as a liability. All tier 1 capital contributions are based on transition rules according to FFFS 2010:10.

Capital requirement	2011	2010
Credit risks	26 048	28 733
Market risks	1 049	1 583
Operational risks	2 104	2 463
<b>Total</b>	<b>29 201</b>	<b>32 779</b>

Capital requirement for credit risks	2011	2010
Credit risks according to the standardised approach	8 436	9 032
Credit risks according to IRB	17 612	19 701
of which institutional exposures	1 372	1 736
of which corporate exposures	14 015	15 350
of which retail exposures	2 032	2 128
of which securitisation	15	33
of which non-credit-obligation asset exposures	178	454
<b>Total</b>	<b>26 048</b>	<b>28 733</b>

Capital requirement for market risks	2011	2010
Interest-rate risks	934	738
of which for specific risk	359	587
of which for general risk	575	151
Equity risk	171	39
of which for specific risk		
of which for general risk	171	39
Currency risk in trading book	104	74
Commodity risk	1	2

Total capital requirement for risks in trading book*	889	853
of which stressed VaR**	366	
Currency rate risk outside trading book	160	730
<b>Total</b>	<b>1 049</b>	<b>1 583</b>

\* The capital requirement for general interest-rate risk, equity risk and currency risk in the trading-book are calculated in accordance with the VaR model. In 2010 the distribution of risk (VaR) is based on additive allocation of the risk while in 2011 risks have been calculated for each risk type individually. In the new model the diversification effect between different risk classes would result in a lower total risk than the sum of the individual parts.

\*\*Stressed VaR is a requirement in CRDIII as from the end of December, 2011.

Capital requirement for operational risks	2011	2010
Trading and sales	500	691
Retail banking	1 336	1 433
Commercial banking	303	269
Payment and settlement	79	55
Agency services	14	15
Asset management	-128	
<b>Total</b>	<b>2 104</b>	<b>2 463</b>

The standard approach is used for calculating capital requirements for operational risk.

	2011			2010		
	Exposure after credit risk mitigation	Average risk weight, %	Capital requirement	Exposure after credit risk mitigation	Average risk weight, %	Capital requirement
Credit risks according to IRB						
Institutional exposures	133 480	13	1 372	152 312	14	1 736
Corporate exposures	305 511	57	14 015	281 280	68	15 350
Retail exposures	88 045	29	2 032	94 033	28	2 128
Securitisations	1 598	12	15	3 535	12	33
Exposures without counterparties	2 227	100	178	5 686	100	454
<b>Total</b>	<b>530 861</b>	<b>41</b>	<b>17 612</b>	<b>536 846</b>	<b>46</b>	<b>19 701</b>

## P4 Geographical distribution of revenue

2011	Sweden	Norway	Denmark	Finland	USA	Other	Total
Interest income	24 597	1 052	45	52	587	87	26 420
Dividends received	5 003						5 003
Commission income	5 690	87	10	19	22	3	5 831
Net gains or losses on financial items at fair value	-124	-28	3	3	36	8	-102
Other income	1 414	2			701		2 117
<b>Total income</b>	<b>36 580</b>	<b>1 113</b>	<b>58</b>	<b>74</b>	<b>1 346</b>	<b>98</b>	<b>39 269</b>

2010	Sweden	Norway	Denmark	Finland	USA	Other	Total
Interest income	21 991	1 918	35	27	423	34	24 428
Dividends received	6 230						6 230
Commission income	6 020	62	9	14	41	3	6 149
Net gains or losses on financial items at fair value	1 106	18		-1	57	3	1 182
Other income	1 332	1					1 333
<b>Total income</b>	<b>36 679</b>	<b>1 999</b>	<b>44</b>	<b>40</b>	<b>520</b>	<b>40</b>	<b>39 322</b>

The geographical distribution has been allocated to the country where the business was carried out.

## P5 Net interest income

	2011			2010		
	Average balance	Interest rate	Average annual interest rate, %	Average balance	Interest rate	Average annual interest rate, %
Loans to credit institutions	451 746	9 313	2.06	517 860	6 988	1.35
Loans to the public	317 639	12 923	4.07	356 527	8 379	2.35
Interest-bearing securities	122 341	3 807	3.11	205 292	3 032	1.48
<b>Total interest-bearing assets</b>	<b>891 726</b>	<b>26 043</b>	<b>2.92</b>	<b>1 079 679</b>	<b>18 399</b>	<b>1.70</b>
Derivatives	92 815	271		95 607	-293	
Other assets	116 031	105		76 720	106	
<b>Total assets</b>	<b>1 100 572</b>	<b>26 419</b>	<b>2.40</b>	<b>1 252 006</b>	<b>18 212</b>	<b>1.95</b>
Amounts owed to credit institutions	185 637	2 100	1.13	296 629	1 553	0.52
Deposits and borrowings from the public	448 010	6 702	1.50	416 538	2 295	0.55
of which deposit guarantee fees		252			213	
Debt securities in issue	269 627	6 947	2.58	304 326	8 242	2.71
of which commissions for funding with state guarantee		1 163			1 584	
Subordinated liabilities	22 531	1 248	5.54	32 302	1 405	4.35
<b>Interest-bearing liabilities</b>	<b>925 805</b>	<b>16 997</b>	<b>1.84</b>	<b>1 049 795</b>	<b>13 495</b>	<b>1.29</b>
Derivatives	87 005	-561		89 595	-2 789	
Other liabilities	23 596	386		51 089	172	
of which stability fee		334			147	
<b>Total liabilities</b>	<b>1 036 406</b>	<b>16 822</b>	<b>1.62</b>	<b>1 190 479</b>	<b>10 878</b>	<b>1.44</b>
<b>Equity</b>	<b>64 166</b>			<b>61 527</b>		
<b>Total liabilities and equity</b>	<b>1 100 572</b>	<b>16 822</b>	<b>1.53</b>	<b>1 252 006</b>	<b>10 878</b>	<b>1.37</b>
<b>Net interest income</b>		<b>9 597</b>			<b>7 334</b>	
Net interest margin			0.87			0.59
Interest income impaired loans		31			21	
Interest income on financial assets at amortised cost		17 608			15 785	
Interest expenses on financial liabilities at amortised cost		13 819			12 722	



## P6 Dividends received

	2011	2010
Shares and participating interests	337	382
Investments in associates	35	42
Investments in Group entities*	4 631	5 806
<b>Total</b>	<b>5 003</b>	<b>6 230</b>
* of which, through Group contributions	2 396	3 427

## P7 Net commissions

Commission income	2011	2010
Payment processing	1 679	1 836
Asset management	1 472	1 537
Life insurance	544	549
Brokerage	305	363
Other securities	106	187
Corporate finance	20	46
Lending	467	451
Guarantee	123	184
Cards	519	497
Deposits	65	63
Non-life insurance	37	37
Other commission income	494	399
<b>Total</b>	<b>5 831</b>	<b>6 149</b>

Commission expenses	2011	2010
Payment processing	-564	-639
Asset management	-58	-51
Life insurance	-4	-4
Other securities	-317	-378
Lending and guarantees	-59	-65
Cards	-114	-97
Other commission expenses	-125	-80
<b>Total</b>	<b>-1 241</b>	<b>-1 314</b>

Net commissions	2011	2010
Payment processing	1 115	1 197
Asset management	1 414	1 486
Life insurance	540	545
Brokerage	305	363
Other securities	-211	-191
Corporate finance	20	46
Lending	408	386
Guarantee	123	184
Cards	405	400
Deposits	65	63
Non-life insurance	37	37
Other commission income	369	319
<b>Total</b>	<b>4 590</b>	<b>4 835</b>

## P8 Net gains and losses on financial items at fair value

	2011	2010
<b>Valuation category, fair value through profit or loss</b>		
<b>Trading and derivatives</b>		
Shares and related derivatives	389	542
Interest-bearing instruments and related derivatives	-1 271	-526
<b>Total</b>	<b>-882</b>	<b>16</b>
<b>Other financial instruments</b>		
Shares and related derivatives	33	
Loans	23	-198
Financial liabilities	-91	289
<b>Total</b>	<b>-35</b>	<b>91</b>
<b>Hedge accounting at fair value</b>		
Hedging instruments	-406	-335
Hedged item	446	564
<b>Total</b>	<b>40</b>	<b>229</b>
<b>Financial liabilities valued at amortised cost</b>	<b>-61</b>	<b>120</b>
<b>Change in exchange rates</b>	<b>836</b>	<b>726</b>
<b>Total</b>	<b>-102</b>	<b>1 182</b>

## P9 Other income

	2011	2010
Sale of residual claim against Lehman Brothers Commercial Papers in bankruptcy	716	
IT services	1 106	1 074
Other operating income	296	259
<b>Total</b>	<b>2 118</b>	<b>1 333</b>

## P10 Staff costs

Total staff costs	2011	2010
Salaries and remuneration	4 151	3 984
Compensation through shares in Swedbank AB	99	25
Social insurance charges	1 372	1 320
Pension costs	966	987
Training costs	85	67
Other staff costs	179	157
<b>Total</b>	<b>6 852</b>	<b>6 540</b>
of which variable staff costs	183	201
of which personnel redundancy costs	296	111

Variable costs	2011	2010
<b>Program 2010</b>		
Recognised expense for compensation that is settled with shares in Swedbank AB	16	25
Recognised expense for social charges	5	8
Recognised expense for cash settled compensation	-39	115
Recognised expense for payroll overhead costs related to the cash settled compensation	-18	61

<b>Program 2011</b>		
Recognised expense for compensation that is settled with shares in Swedbank AB	82	
Recognised expense for social charges	26	
Recognised expense for cash settled compensation	71	
Recognised expense for payroll overhead costs related to the cash settled compensation	40	
<b>Total recognised expense</b>	<b>183</b>	<b>209</b>

<b>Number of performance rights that establish the recognised expens, millions</b>		
<b>Outstanding at the beginning of the period</b>	<b>1,0</b>	
Alloted	2,7	1,0
Forfeited		
<b>Outstanding at the end of the period</b>	<b>3,7</b>	<b>1,0</b>
Exercisable at the end of the period		
Weighted average fair value per performance right at measurment date, SEK	111	102

2011	Board of directors, President, Vice President and other senior executives			Other employees	
Compensations	Number of persons	Salaries and other remunerations	Variable pay	Salaries and variable pay	Total
Sweden	24	56		4 053	4 109
Denmark				17	17
Norway				42	42
USA				25	25
Finland				43	43
Other countries				14	14
<b>Total</b>	<b>24</b>	<b>56</b>		<b>4 194</b>	<b>4 250</b>

2010	Board of directors, President, Vice President and other senior executives			Other employees	
Compensations	Number of persons	Salaries and other remunerations	Variable pay	Salaries and variable pay	Total
Sweden	22	61		3 841	3 902
Denmark				20	20
Norway				31	31
USA				14	14
Finland				32	32
Other countries				10	10
<b>Total</b>	<b>22</b>	<b>61</b>		<b>3 948</b>	<b>4 009</b>

Board members, President, EVPs, current and former and equivalent employees	2011	2010
Costs during the year for pensions and similar benefits	22	23
No. of persons	12	13
Granted loans, SEKm	75	80
No. of persons	15	17

Distribution by gender	2011		2010	
%	Female	Male	Female	Male
All employees	54	46	55	45
Directors	40	60	50	50
Other senior executives, incl. President	40	60	33	67

For more information on remuneration to senior executives and variable remuneration programmes, see note G12.

## P11 Other general administrative expenses

	2011	2010
Rents, etc.	820	840
IT expenses	1 384	1 288
Telecommunications, postage	150	158
Consulting and outside services	809	946
Travel	152	148
Entertainment	40	42
Office supplies	175	211
Advertising, public relations, marketing	233	215
Security transports, alarm systems	384	378
Maintenance	141	154
Other administrative expenses	261	277
Other operating expenses	72	128
<b>Total</b>	<b>4 621</b>	<b>4 785</b>

Remuneration to Auditors elected by Annual General Meeting, Deloitte AB	2011	2010
Statutory audit	17	16
Other audit	5	5
Other	3	
<b>Total</b>	<b>25</b>	<b>21</b>
Internal Audit	47	52

## P12 Depreciation/amortisation of tangible assets and intangible fixed assets

Depreciation/amortisation	2011	2010
Equipment	197	192
Owner-occupied properties	1	1
Intangible fixed assets	152	157
<b>Total</b>	<b>350</b>	<b>350</b>

## P13 Credit impairments

	2011	2010
<b>Provisions for loans that individually are assessed as impaired</b>		
Provisions	387	299
Reversal of previous provisions	-240	-156
Provision for homogenous groups of impaired loans, net	9	2
<b>Total</b>	<b>156</b>	<b>145</b>
<b>Portfolio provisions for loans that individually are not assessed as impaired</b>	<b>-199</b>	<b>-323</b>
<b>Write-offs</b>		
Established losses	460	734
Utilisation of previous provisions	-213	-344
Recoveries	-33	-139
<b>Total</b>	<b>214</b>	<b>251</b>
<b>Credit impairments for contingent liabilities and other credit risk exposures</b>	<b>-179</b>	<b>-84</b>
<b>Credit impairments</b>	<b>-8</b>	<b>-11</b>
<b>Credit impairments by valuation category</b>		
Loans and receivables	-12	-69
Fair value through profit or loss	4	58
<b>Total</b>	<b>-8</b>	<b>-11</b>
<b>Credit impairments by borrower category</b>		
Credit institutions	-37	-32
General public	29	21
<b>Total</b>	<b>-8</b>	<b>-11</b>

## P14 Impairments of financial fixed assets

	2011	2010
<b>Investments in Group entities</b>		
Ektornet AB, Stockholm	149	222
Nordic Foodservice Investment, Stockholm		1
QAO Swedbank, Moskva		492
Swedbank First Securities LLC, New York	23	19
Swedbank Juristbyrå AB, Stockholm		3
Swedbank Företagsförmedling AB, Stockholm		4
<b>Total</b>	<b>172</b>	<b>741</b>
<b>Investments in associates</b>		
Rosengård Invest AB, Malmö	4	
Bankernas Automatbolag AB, Stockholm	13	
<b>Total</b>	<b>17</b>	
<b>Loans comprising net investment</b>		
JSC Swedbank, Kiev	-51	-347
<b>Total</b>	<b>-51</b>	<b>-347</b>
<b>Total</b>	<b>138</b>	<b>394</b>

## P15 Appropriations

Untaxed reserves	2011	2010
Accelerated depreciation, equipment	-8	-10
Tax allocation reserve	1 875	
<b>Total</b>	<b>1 867</b>	<b>-10</b>

## P16 Tax

Tax expense	2011	2010
Tax related to previous years	-28	13
Current tax	1 492	1 784
Deferred tax	165	-3
<b>Total</b>	<b>1 629</b>	<b>1 794</b>

	2011		2010	
	SEKm	per cent	SEKm	per cent
Results	1 629	22.0	1 794	20.2
26.3% of pre-tax profit	1 943	26.3	2 332	26.3
<b>Difference</b>	<b>314</b>	<b>4.3</b>	<b>538</b>	<b>6.1</b>
<b>The difference consists of the following items</b>				
Tax previous years	28	0.4	-13	-0.1
Tax -exempt income/non-deductible expenses	-36	-0.5	-16	-0.2
Non-taxable dividends	648	8.8	685	7.7
Non-deductible goodwill impairment	-32	-0.4	-32	-0.4
Tax-exempt capital gains and appreciation in value of shares and participating interests	8	0.1	5	0.1
Standard income tax allocation reserve	-4	-0.1	-4	-0.1
Non deductible impairment of financial fixed assets	-40	-0.6	-87	-0.9
Deviating tax rates in other countries	-257	-3.4		
Other, net	-1			
<b>Total</b>	<b>314</b>	<b>4.3</b>	<b>538</b>	<b>6.1</b>

2011 Deferred tax assets and tax liabilities	Opening balance	Income statement	Other comprehensive income	Exchange rate differences	Closing balance
<b>Deductible temporary differences</b>					
Cash flow hedges	109		-65		44
Provisions for pensions	91	24			115
Other	-4	-189		-7	-200
<b>Total</b>	<b>196</b>	<b>-165</b>	<b>-65</b>	<b>-7</b>	<b>-41</b>

2010 Deferred tax assets	Opening balance	Income statement	Other comprehensive income	Exchange rate differences	Closing balance
<b>Deductible temporary differences</b>					
Cash flow hedges	265		-156		109
Provisions for pensions	89	2			91
Other	-5	1			-4
<b>Total</b>	<b>349</b>	<b>3</b>	<b>-156</b>		<b>196</b>

## P17 Tax for each component in other comprehensive income

	2011			2010		
	Pre-tax amount	Deferred tax	Net-of-tax amount	Pre-tax amount	Deferred tax	Net-of-tax amount
Cash flow hedges	248	-65	183	592	-155	437
<b>Other comprehensive income</b>	<b>248</b>	<b>-65</b>	<b>183</b>	<b>592</b>	<b>-155</b>	<b>437</b>

## P18 Treasury bills and other bills eligible for refinancing with central banks, etc.

	Carrying amount			Amortised cost			Nominal amount		
	2011	2010	1/1/2010	2011	2010	1/1/2010	2011	2010	1/1/2010
<b>Valuation category, fair value through profit or loss</b>									
<b>Trading</b>									
Swedish government	19 240	23 089	72 864	17 164	22 864	72 637	14 426	19 821	69 913
Swedish municipalities	75	722	6	75	724	6	75	772	6
Foreign governments	1 990	1 700	3 969	1 938	1 712	3 969	1 941	1 678	3 936
Other non-Swedish issuers	124	28	27	124	28	27	123	28	26
<b>Total</b>	<b>21 429</b>	<b>25 539</b>	<b>76 866</b>	<b>19 301</b>	<b>25 328</b>	<b>76 639</b>	<b>16 565</b>	<b>22 299</b>	<b>73 881</b>

## P19 Loans to credit institutions

	2011	2010	1/1/2010
<b>Valuation category, loans and receivables</b>			
Swedish banks	45 302	48 903	37 118
Swedish credit institutions	181 675	216 333	181 877
Swedish credit institutions, repurchase agreements			66 230
Foreign banks	48 965	126 233	114 773
Foreign credit institutions			668
<b>Total</b>	<b>275 942</b>	<b>391 469</b>	<b>400 666</b>
<b>Valuation category, fair value through profit or loss</b>			
<b>Trading</b>			
Swedish banks, repurchase agreements	1 130	1 942	8 564
Swedish credit institutions	16 731	45 579	43 330
Swedish credit institutions, repurchase agreements	7 705	14 112	477
Foreign banks		548	
Foreign banks, repurchase agreements	5 726	25 291	11 421
Foreign credit institutions, repurchase agreements	18 662		
<b>Total</b>	<b>49 954</b>	<b>87 472</b>	<b>63 792</b>
<b>Total</b>	<b>325 896</b>	<b>478 941</b>	<b>464 458</b>
<b>Subordinated loans</b>	<b>2011</b>	<b>2010</b>	<b>1/1/2010</b>
Subsidiaries	1 462	5 930	6 995
Associates	120	120	320
Other companies	57	57	62
<b>Total</b>	<b>1 639</b>	<b>6 107</b>	<b>7 377</b>

## P20 Loans to the public

	2011	2010	1/1/2010
<b>Valuation category, loans and receivables</b>			
Swedish public	168 953	161 193	203 760
Foreign public	60 387	57 714	70 440
<b>Total</b>	<b>229 340</b>	<b>218 907</b>	<b>274 200</b>
<b>Valuation category, fair value through profit or loss</b>			
<b>Trading</b>			
Swedish public	387	4	
Swedish public, repurchase agreements	33 500	35 444	29 829
Foreign public			3 882
Foreign public, repurchase agreements	8 883	5 764	7 347
<b>Other</b>			
Swedish public	70 284	64 543	98 092
<b>Total</b>	<b>113 054</b>	<b>105 755</b>	<b>139 150</b>
<b>Total</b>	<b>342 394</b>	<b>324 662</b>	<b>413 350</b>

The maximum credit risk exposure for lending measured at fair value corresponds to the carrying amount.

	2011	2010	1/1/2010
<b>Subordinated loans</b>			
Other			308
<b>Total</b>			<b>308</b>

## P21 Bonds and other interest-bearing securities

Issued by other than public agencies	Carrying amount			Amortised cost			Nominal amount		
	2011	2010	1/1/2010	2011	2010	1/1/2010	2011	2010	1/1/2010
<b>Valuation category, fair value through profit or loss</b>									
<b>Trading</b>									
Swedish mortgage institutions	74 215	88 333	76 064	73 272	89 165	75 728	71 471	85 958	73 941
Swedish financial entities	9 267	6 049	7 280	9 203	6 060	7 037	9 162	6 016	6 784
Swedish non-financial entities	4 465	4 580	6 318	4 450	4 567	6 274	4 403	4 565	6 313
Foreign financial entities	17 175	13 445	5 054	17 039	13 258	5 080	16 921	13 331	5 072
Foreign non-financial entities	7 507	3 463	2 131	7 399	3 364	2 125	7 421	3 472	2 145
<b>Total</b>	<b>112 629</b>	<b>115 870</b>	<b>96 847</b>	<b>111 363</b>	<b>116 414</b>	<b>96 244</b>	<b>109 378</b>	<b>113 342</b>	<b>94 255</b>
<b>Valuation category, held to maturity*</b>									
Swedish mortgage institutions		10 500	81 819		10 500	81 819		10 500	81 819
Foreign mortgage institutions	1 507	3 335	6 371	1 507	3 335	6 371	1 515	3 364	6 446
Foreign financial entities	965	952	948	964	952	948	967	967	976
<b>Total</b>	<b>2 472</b>	<b>14 787</b>	<b>89 138</b>	<b>2 471</b>	<b>14 787</b>	<b>89 138</b>	<b>2 482</b>	<b>14 831</b>	<b>89 241</b>
<b>Total</b>	<b>115 101</b>	<b>130 657</b>	<b>185 985</b>	<b>113 834</b>	<b>131 201</b>	<b>185 382</b>	<b>111 860</b>	<b>128 173</b>	<b>183 496</b>
of which subordinated			200						
of which listed	109 581	124 957	176 581						

\* The fair value of held-to-maturity investments amounted to SEK 2 377m (14 728). Carrying amount is below or corresponds with nominal amount for all securities.

## P22 Shares and participating interests

	Carrying amount			Cost		
	2011	2010	1/1/2010	2011	2010	1/1/2010
<b>Valuation category, fair value through profit or loss</b>						
<b>Trading</b>						
Trading stock	1 052	5 198	5 055	1 172	5 064	5 156
For protection of claims		2	103		2	103
<b>Other</b>						
Credit institutions	244	24	25	217	25	27
Other shares	36	31		31	33	
<b>Total</b>	<b>1 332</b>	<b>5 255</b>	<b>5 183</b>	<b>1 420</b>	<b>5 124</b>	<b>5 286</b>
<b>Valuation category, available for sale</b>						
Condominiums	37	28	28	37	28	28
Other	23	23	16	23	23	16
<b>Total</b>	<b>60</b>	<b>51</b>	<b>44</b>	<b>60</b>	<b>51</b>	<b>44</b>
<b>Total</b>	<b>1 392</b>	<b>5 306</b>	<b>5 227</b>	<b>1 480</b>	<b>5 175</b>	<b>5 330</b>
of which unlisted	60	53	147			

Unlisted holdings are valued at their last transaction price. Holdings in the valuation category available for sale have been estimated at acquisition cost, since a more reliable fair value is not considered to be available.

## P23 Investments in associates

Fixed assets	2011	2010	1/1/2010
Credit institutions	1 130	1 130	1 248
Other associates	36	38	23
<b>Total</b>	<b>1 166</b>	<b>1 168</b>	<b>1 271</b>
<b>Opening balance</b>	<b>1 168</b>	<b>1 271</b>	
Additions during the year	15	15	
Disposals during the year	-17	-118	
<b>Closing balance</b>	<b>1 166</b>	<b>1 168</b>	

Corporate identity, domicile	Corporate identity number	Number	Carrying amount	Cost	Share of capital, %
<b>Credit institutions</b>					
EnterCard Holding AB, Stockholm	556673-0585	3 000	420	420	50.00
Färs & Frosta Sparbank AB, Lund	516401-0091	1 478 700	257	257	30.00
Sparbanken Rekarne AB, Eskilstuna	516401-9928	865 000	125	125	50.00
Swedbank Sjuhärad AB, Borås	516401-9852	950 000	287	287	47.50
Vimmerby Sparbank AB, Vimmerby	516401-0174	340 000	41	41	40.00
<b>Total</b>			<b>1 130</b>	<b>1 130</b>	
<b>Other associates</b>					
Bankernas Automatbolag AB, Stockholm	556817-9716	150	15	27	20.00
BDB Bankernas Depå AB, Stockholm	556695-3567	13 000	3	7	20.00
BGC Holding AB, Stockholm	556607-0933	29 177	11	11	29.18
Finansiell ID- Teknik BID AB, Stockholm	556630-4928	12 735	4	24	28.30
Rosengård Invest AB, Malmö	556756-0528	5 000	3	7	22.22
Upplysningscentralen, Stockholm	556137-5113	2 000			20.00
<b>Total</b>			<b>36</b>	<b>76</b>	
<b>Total</b>			<b>1 166</b>	<b>1 206</b>	

## P24 Investments in Group entities

Fixed assets	2011	2010	1/1/2010
Swedish credit institutions	14 900	14 898	14 898
Foreign credit institutions	35 423	26 014	25 633
Other entities	7 830	7 921	3 961
<b>Total</b>	<b>58 153</b>	<b>48 833</b>	<b>44 492</b>
<b>Opening balance</b>	<b>48 833</b>	<b>44 492</b>	
Additions during the year	14 335	5 082	
Impairments during the year	-172	-741	
Disposals during the year	-4 843		
<b>Closing balance</b>	<b>58 153</b>	<b>48 833</b>	

Corporate identity, domicile	Corporate identity number	Number	Carrying amount	Cost	Share of capital, %
<b>Swedish credit institutions</b>					
Swedbank Finans AB, Stockholm	556131-3395	345 000	417	417	100
Swedbank Företagskredit AB, Stockholm	556204-2340	200 000	20	120	100
Swedbank Hypotek AB, Stockholm	556003-3283	23 000 000	14 328	14 328	100
Ölands Bank AB, Borgholm	516401-0034	780 000	135	135	60
<b>Total</b>			<b>14 900</b>	<b>15 000</b>	
<b>Foreign credit institutions</b>					
Swedbank AS, Tallinn	10060701	85 000 000	18 118	18 118	100
Swedbank AS, Riga	40003074764	662 641 270	7381	7381	100
Swedbank AB, Vilnius	112029651	164 008 000	6387	6387	100
First Securities AS, Oslo	980645487	1 575 000	1 350	1 413	100
QAO Swedbank, Moskva	1027739131529	28 000 000	969	1 460	100
JSC Swedbank, Kiev	19356840	544 091 614 703	1 080	9 858	100
Swedbank First Securities LLC, New York	20-416-7414	83	44	85	83
Swedbank (Luxembourg) S.A., Luxembourg	302018-5066	299 999	94	139	100
<b>Total</b>			<b>35 423</b>	<b>44 841</b>	
<b>Other entities</b>					
Ektornet AB, Stockholm	556788-7152	5 000 000	1 286	1 657	100
FR & R Invest AB, Stockholm	556815-9718	10 000 000	45	45	100
FRIR RUS OOO, Moskva	11107746962377	1	166	166	100
OOO Leasing, Moskva	1047796412531	2	139	139	100
Mandab AB, Stockholm	556318-3119	500	5	230	100
Sparia Försäkrings AB, Stockholm	516401-8631	30 000	555	595	100
Swedbank Administration AB, Stockholm	556284-5387	10 000	6	6	100
Swedbank BABS Holding AB, Stockholm	556691-3579	1 000	56	56	100
Swedbank Franchise AB, Stockholm	556184-2120	1 000	14	14	100
Swedbank Försäkring AB, Stockholm	516401-8292	150 000	2 347	2 348	100
Swedbank Robur AB, Stockholm	556110-3895	10 000 000	3 210	3 210	100
Other			1	19	
<b>Total</b>			<b>7 830</b>	<b>8 485</b>	
<b>Total</b>			<b>58 153</b>	<b>68 326</b>	

The share of the voting rights in each entity corresponds to the share of its equity. All entities are unlisted.

## P25 Derivatives

	Nominal amount/ remaining contractual maturity			Nominal amount			Positive fair value			Negative fair value		
	< 1 yr.	1-5 yrs.	> 5 yrs.	2011	2010	1/1/2010	2011	2010	1/1/2010	2011	2010	1/1/2010
<b>Derivatives in hedge accounting</b>												
<b>Fair value hedges</b>												
Interest-rate-related contracts												
Swaps	27 086	28 380	1 381	56 847	129 667	110 602	2 974	2 938	3 910			
Currency-related contracts												
Swaps	9 717	7 724	1 408	18 848	23 704	24 385	1 457	2 048	351	1		790
<b>Total</b>	<b>36 803</b>	<b>36 104</b>	<b>2 789</b>	<b>75 695</b>	<b>153 371</b>	<b>134 987</b>	<b>4 431</b>	<b>4 986</b>	<b>4 261</b>	<b>1</b>		<b>790</b>
<b>Cash flow hedges</b>												
Interest-rate-related contracts												
Swaps	3 696	1 987		5 683	9 376	18 801				112	328	798
<b>Total</b>	<b>3 696</b>	<b>1 987</b>		<b>5 683</b>	<b>9 376</b>	<b>18 801</b>				<b>112</b>	<b>328</b>	<b>798</b>
<b>Hedges of net investment in foreign operations</b>												
Currency-related contracts												
Swaps					915			6				
<b>Total</b>					<b>915</b>			<b>6</b>				
<b>Other derivatives</b>												
Interest-rate-related contracts												
Options held	506 443	198 090	61 812	766 345	1 321 217	828 079	1 931	1 279	1 034	1 814	1 264	776
Forward contracts	6 170 092	1 594 968		7 765 060	5 636 124	5 186 013	6 776	4 062	6 252	6 992	3 849	5 946
Swaps	716 141	1 749 060	617 631	3 082 832	2 620 086	2 569 878	69 476	38 471	54 115	70 465	40 239	54 931
Currency-related contracts												
Options held	29 901	207		30 108	37 715	33 436	286	393	275	295	352	398
Forward contracts	1 236 341	17 300	110	1 253 751	933 474	745 865	16 528	10 304	9 118	17 038	12 091	13 283
Swaps	51 464	391 402	103 115	545 981	382 545	348 565	21 504	20 478	5 602	17 351	15 072	7 330
Other	1 518			1 518			48					
Equity-related contracts												
Options held	171 410	95 157	5 428	271 995	96 618	169 318	1 375	2 234	3 155	834	1 650	1 574
Forward contracts	458	2		460	483	296	3	3	4	23	10	12
Swaps	3 919	2 214	747	6 880	7 750		273	1 005		140	679	
<b>Total</b>	<b>8 887 687</b>	<b>4 048 400</b>	<b>788 843</b>	<b>13 724 930</b>	<b>11 036 011</b>	<b>9 881 450</b>	<b>118 200</b>	<b>78 229</b>	<b>79 555</b>	<b>114 952</b>	<b>75 207</b>	<b>84 250</b>
<b>Total before netting agreements</b>	<b>8 928 187</b>	<b>4 086 491</b>	<b>791 632</b>	<b>13 806 310</b>	<b>11 199 674</b>	<b>10 035 238</b>	<b>122 632</b>	<b>83 220</b>	<b>83 816</b>	<b>115 065</b>	<b>75 534</b>	<b>85 838</b>
Netting agreements							-3 312	-2 895	-3 378	-3 312	-2 895	-3 378
<b>Total</b>	<b>8 928 187</b>	<b>4 086 491</b>	<b>791 632</b>	<b>13 806 310</b>	<b>11 199 674</b>	<b>10 035 238</b>	<b>119 320</b>	<b>80 325</b>	<b>80 438</b>	<b>111 752</b>	<b>72 639</b>	<b>82 460</b>
of which cleared	2 364 124	674 108		3 038 232	236 119	2 133 210	3 587	2 979	3 804	3 838	3 589	4 108

### Maturity distribution regarding future hedged cash flows in cash flow hedge accounting

	< 1 yr.	1-3 yrs.	3-5 yrs.
Negative cash flows (liabilities)	135	29	1

Future cash flows above, expressed in SEKm, are exposed to variability due to changes in interest rates and/or currency rates.

These future cash flows are hedged with derivatives, recognised as cash flow hedges, with opposite cash flows that eliminate the variability.



## P26 Intangible fixed assets

	2011				2010			
	Goodwill	Customer base	Other	Total	Goodwill	Customer base	Other	Total
<b>Cost, opening balance</b>	2 202	41	328	2 571	2 202	41	324	2 567
Additions through separate acquisitions			21	21			7	7
Sales and disposals			-4	-4				
Exchange rate differences							-3	-3
<b>Cost, closing balance</b>	2 202	41	345	2 588	2 202	41	328	2 571
<b>Amortisation, opening balance</b>	-1 512	-25	-152	-1 689	-1 389	-19	-125	-1 533
Amortisation for the year	-124	-5	-23	-152	-123	-6	-28	-157
Sales and disposals			-4	-4				
Exchange rate differences							1	1
<b>Amortisation, closing balance</b>	-1 636	-30	-180	-1 846	-1 512	-25	-152	-1 689
<b>Carrying amount</b>	566	11	165	742	690	16	176	882

Goodwill is amortised over an estimated useful life of 5 to 20 years. For other intangible assets with a finite useful life, the amortisable amount is divided systematically over the useful life. Systematic amortisation refers to both straight-line and increa-

sing or decreasing amortisation. The original useful life is between 3 and 15 years. No need for impairment was found.

## P27 Tangible assets

	2011				2010			
	Current assets	Fixed assets			Current assets	Fixed assets		
	Properties recognised as inventory	Equipment	Owner-occupied properties	Total	Properties recognised as inventory	Equipment	Owner-occupied properties	Total
<b>Cost, opening balance</b>	1	2 486	24	2 511	5	2 443	24	2 472
Additions		182		182	1	121		122
Sales and disposals	-1	-139		-140	-5	-77		-82
Exchange rate differences						-1		-1
<b>Cost, closing balance</b>		2 529	24	2 553	1	2 486	24	2 511
<b>Depreciation, opening balance</b>		-2 050	-11	-2 061		-1 932	-10	-1 942
Depreciation for the year		-197	-1	-198		-192	-1	-193
Sales and disposals		137		137		75		75
Exchange rate differences						-1		-1
<b>Depreciation, closing balance</b>		-2 110	-12	-2 122		-2 050	-11	-2 061
<b>Impairments, opening balance</b>					2			2
Impairments for the year								
Sales and disposals					-2			-2
<b>Impairments, closing balance</b>								
<b>Carrying amount</b>		419	12	431	1	436	13	450

The useful life of equipment is deemed to be between three and ten years on average and its residual value is deemed to be zero as in previous years. The depreciable amount is recognised linearly in profit or loss during the useful life. For certain assets, the useful life has been changed, which led to additional depreciation of SEK 23m (13) in 2011. No indications of impairment were identified on the balance sheet date for equipment and

owner-occupied properties. Individual structural components of owner-occupied properties are depreciated during the useful life. The residual value is deemed to be zero. Land is deemed to have an indefinite useful life and therefore is not depreciated.

## P28 Other assets

	2011	2010	1/1/2010
Security settlement claims *	2 335	87	3 928
Group contributions	2 398	3 427	1 265
Other	281	4 049	725
<b>Total</b>	<b>5 014</b>	<b>7 563</b>	<b>5 918</b>
Gross, security settlement claims	4 599	2 693	5 995

\* Recognised in the balance sheet according to current netting rules.

## P29 Prepaid expenses and accrued income

	2011	2010	1/1/2010
Accrued interest income	6 700	7 063	9 788
Other	1 031	1 142	1 250
<b>Total</b>	<b>7 731</b>	<b>8 205</b>	<b>11 038</b>

## P30 Amounts owned to credit institutions

	2011	2010	1/1/2010
<b>Valuation category, loans and receivables</b>			
Swedish banks	76 057	99 708	131 200
Swedish credit institutions	36 213	39 906	102 459
Foreign banks	65 297	31 282	87 311
Foreign credit institutions	278	51	660
<b>Total</b>	<b>177 845</b>	<b>170 947</b>	<b>321 630</b>
<b>Valuation category, fair value through profit or loss</b>			
<b>Trading</b>			
Swedish banks, repurchase agreements	8 326	2 677	5 730
Swedish credit institutions, repurchased agreements	5 411	5 630	1 335
Foreign banks, repurchase agreements	8 848	11 456	11 180
<b>Total</b>	<b>22 585</b>	<b>19 763</b>	<b>18 245</b>
<b>Total</b>	<b>200 430</b>	<b>190 710</b>	<b>339 875</b>

## P31 Deposits and borrowings from the public

	2011	2010	1/1/2010
<b>Valuation category, other financial liabilities</b>			
Deposits from Swedish public	382 972	396 310	357 213
Deposits from foreign public	26 347	13 186	10 568
<b>Total</b>	<b>409 319</b>	<b>409 496</b>	<b>367 781</b>
<b>Valuation category, fair value through profit or loss</b>			
<b>Trading</b>			
Deposits from Swedish public, repurchase agreements	14 317	17 146	7 689
<b>Other*</b>			
Deposits from Swedish public	36 084	11 228	18 584
<b>Total</b>	<b>50 401</b>	<b>28 374</b>	<b>26 273</b>
<b>Total</b>	<b>459 720</b>	<b>437 870</b>	<b>394 054</b>
* nominal amount amounts to	35 979	11 269	18 332

## P32 Debt securities in issue

	2011	2010	1/1/2010
<b>Valuation category, other financial liabilities</b>			
Commercial papers	113 165	11 532	62 780
Other interest-bearing bond loans	113 004	190 149	211 734
Change in value due to hedge accounting at fair value	1 121	224	1 990
<b>Total</b>	<b>227 290</b>	<b>201 905</b>	<b>276 504</b>
<b>Valuation category, fair value through profit or loss</b>			
<b>Trading</b>			
Commercial papers	6 929	51 423	28 001
Other	17 545	20 491	36 424
<b>Total</b>	<b>24 474</b>	<b>71 914</b>	<b>64 425</b>
<b>Total</b>	<b>251 764</b>	<b>273 819</b>	<b>340 929</b>

Turnover of debt securities in issue is reported in note P2 Liquidity risks, page 153.

## P33 Other liabilities

	2011	2010	1/1/2010
Security settlement liabilities*	2 675	3 341	470
Group liabilities	1 093	1 093	1 098
Short position in shares	1 880	183	192
of which own issued shares	107	62	48
Short position in interest-bearing securities	28 723	33 996	40 218
of which own issued interest-bearing securities	7 591	1 106	4 292
Other	5 820	5 017	8 453
<b>Total</b>	<b>40 191</b>	<b>43 630</b>	<b>50 431</b>
Gross, security settlement liabilities	4 939	5 947	2 537

\* Recognised in the balance sheet according to current netting rules.

## P34 Accrued expenses and prepaid income

	2011	2010	1/1/2010
Accrued interest expenses	3 264	3 306	3 876
Other	2 108	1 341	1 184
<b>Total</b>	<b>5 372</b>	<b>4 647</b>	<b>5 060</b>

## P35 Provisions

	2011	2010	1/1/2010
Provisions for pensions	1	1	2
Provisions for guaranties	83	143	702
Other	29	62	68
<b>Total</b>	<b>113</b>	<b>206</b>	<b>772</b>

## P36 Subordinated liabilities

	2011	2010	1/1/2010
<b>Valuation category, other financial liabilities</b>			
Subordinated loans	10 336	17 747	22 803
Change in the value due to hedge accounting at fair value	355	567	885
<b>Total subordinated loans</b>	<b>10 691</b>	<b>18 314</b>	<b>23 688</b>
Undated subordinated loans	8 244	8 940	12 877
of which Tier 1 capital contribution	6 801	6 915	9 218
Change in the value due to hedge accounting at fair value	898	407	586
<b>Total undated subordinated loans</b>	<b>9 142</b>	<b>9 347</b>	<b>13 463</b>
<b>Total</b>	<b>19 833</b>	<b>27 661</b>	<b>37 151</b>

## Specification of subordinated liabilities

## Fixed-term subordinated loans

Maturity	Right to prepayment for Swedbank AB	Currency	Nominal amount, millions	Carrying amount, SEKm	Coupon interest, %
2007/2017	2012	USD	310	1 888	variable
2007/2017	2012	EUR	358	3 410	5.57
2007/2017	2012	NOK	156	182	5.36
2008/2018	2013	EUR	400	3 978	7.38
1989/2019		SEK	111	142	11.00
2007/2017	2012	SEK	725	742	5.90
2007/2017	2012	SEK	349	349	variable
<b>Total</b>				<b>10 691</b>	

## Undated subordinated loans

Maturity	Right to prepayment for Swedbank AB	Currency	Nominal amount, millions	Carrying amount, SEKm	Coupon interest, %
1997/undated	2012	USD	50	349	8.01
1997/undated	2012	USD	95	687	7.50
1998/undated	2028	JPY	5 000	553	5.00
<b>Total</b>				<b>1 589</b>	

## Undated subordinated loans approved by the Financial Supervisory Authority as tier 1 capital contribution

Maturity	Right to prepayment for Swedbank AB	Currency	Nominal amount, millions	Carrying amount, SEKm	Coupon interest, %
2004/undated	2016	GBP	200	2 484	5.75
2005/undated	2015	JPY	14 000	1 321	4.00
2007/undated	2017	SEK	2 000	2 277	6.67
2008/undated	2018	SEK	873	936	8.28
2008/undated	2013	SEK	536	535	variable
<b>Total</b>				<b>7 553</b>	

\* Interest in USD.

Certain subordinated loans are used as hedging instruments to hedge the net investment in foreign operations. In the parent company, the currency component of these liabilities is recognised at cost, while in the Group it is recognised at the closing rate.

## P37 Untaxed reserves

	Accumulated accelerated depreciation	Tax allocation reserve	Total
<b>Opening balance 2010</b>	<b>85</b>	<b>731</b>	<b>816</b>
Reversal	-10		-10
<b>Closing balance 2010</b>	<b>74</b>	<b>731</b>	<b>805</b>
<b>Opening balance 2011</b>	<b>74</b>	<b>731</b>	<b>805</b>
Reversal/Allocation	-8	1 875	1 867
<b>Closing balance 2011</b>	<b>66</b>	<b>2 606</b>	<b>2 672</b>
<b>Tax allocation reserve</b>	<b>2011</b>	<b>2010</b>	<b>1/1/2010</b>
Allocation 2008	731	731	731
Allocation 2011	1 875		
<b>Total</b>	<b>2 606</b>	<b>731</b>	<b>731</b>

## P38 Equity

	2011	2010	1/1/2010
<b>Restricted equity</b>			
Share capital, ordinary shares	20 269	19 999	19 739
Share capital, preference shares	4 082	4 352	4 612
Share capital, C shares	32		
Statutory reserve	6 489	6 489	6 489
<b>Total</b>	<b>30 872</b>	<b>30 840</b>	<b>30 840</b>
<b>Non-restricted equity</b>			
Cash flow hedges	-123	-306	-743
Share premium reserve	13 118	13 083	13 083
Retained earnings	18 884	22 142	15 038
<b>Total</b>	<b>31 879</b>	<b>34 919</b>	<b>27 378</b>
<b>Total equity</b>	<b>62 751</b>	<b>65 759</b>	<b>58 218</b>

Changes in equity for the period and the distribution according to IFRS are indicated in the statement of changes in equity.

## P39 Fair value of financial instruments

### Carrying amounts and fair values of financial instruments

A comparison between the carrying amount and fair value of the parent company's financial assets and financial liabilities according to the definition in IAS 39 is presented below.

### Determination of fair values of financial instruments

When the parent company determines fair value for financial instruments different methods are used depending on the grade of observable market data. The methods are divided in three different levels. Fair value for financial instruments that are classified to level 1 is determined based on quoted market prices on an active market. Fair value for financial instruments that are classified as level 2 is determined based on observable market data. When interest-related and currency-related derivatives, lending and deposits are measured at fair value future cash flows from the financial instruments

are discounted. Used interest yield in the discounting is based on observable market data, i.e. derived from quoted market rates for each maturity in which the cash flows will be received or paid. The measurement of options is done according to generally accepted valuation models, such as Black & Scholes. The models are updated with for the measurement observable market data for, among other things, interest rates, currency rates, credit risks, volatilities, correlations and market liquidity. Fair value for financial instruments that are classified as level 3 is also determined mainly based on observable market data, but there are inputs from own assumptions that are viewed as significant for the measurement.

For variable-rate lending and deposits, the carrying amount is assessed to coincide with the fair value. The carrying amounts and fair values coincide for the most part because of the large share of financial instruments recognised at fair value.

	2011			2010			1/1/2010		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
<b>Assets</b>									
<b>Financial assets covered by IAS 39</b>									
Treasury bills etc.	21 429	21 429		25 539	25 539		76 866	76 866	
of which fair value through profit or loss	21 429	21 429		25 539	25 539		76 866	76 866	
Loans to credit institutions	325 896	325 896		478 941	478 941		464 458	464 458	
of which loans receivables	275 942	275 942		391 469	391 469		400 666	400 666	
of which fair value through profit or loss	49 954	49 954		87 472	87 472		63 792	63 792	
Loans to the public	342 394	342 394		324 662	324 662		413 350	413 350	
of which loan receivables	229 340	229 340		218 907	218 907		274 200	274 200	
of which fair value through profit or loss	113 054	113 054		105 755	105 755		139 150	139 150	
Bonds and interest-bearing securities	115 006	115 101	-95	130 598	130 657	-59	186 302	185 985	317
of which fair value through profit or loss	112 629	112 629		115 870	115 870		96 847	96 847	
of which investments held to maturity	2 377	2 472	-95	14 728	14 787	-59	89 455	89 138	317
Shares and participating interest	1 392	1 392		5 306	5 306		5 227	5 227	
of which fair value through profit or loss	1 332	1 332		5 255	5 255		5 183	5 183	
of which available for sale	60	60		51	51		44	44	
Derivatives	119 320	119 320		80 325	80 325		80 438	80 438	
Other financial assets	166 106	166 106		19 328	19 328		34 944	34 944	
<b>Total</b>	<b>1 091 543</b>	<b>1 091 638</b>	<b>-95</b>	<b>1 064 699</b>	<b>1 064 758</b>	<b>-59</b>	<b>1 261 585</b>	<b>1 261 268</b>	<b>317</b>
Investment in associates	1 166	1 166		1 168	1 168		1 271	1 271	
Investment in subsidiaries	58 153	58 153		48 833	48 833		44 492	44 492	
Non-financial assets	4 221	4 221		3 745	3 745		3 826	3 826	
<b>Total</b>	<b>1 155 083</b>	<b>1 155 178</b>	<b>-95</b>	<b>1 118 445</b>	<b>1 118 504</b>	<b>-59</b>	<b>1 311 174</b>	<b>1 310 857</b>	<b>317</b>

	2011			2010			1/1/2010		
	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference	Fair value	Carrying amount	Difference
<b>Liabilities</b>									
<b>Financial liabilities covered by IAS 39</b>									
Amounts owed to credit institutions	200 430	200 430		190 710	190 710		339 875	339 875	
of which other financial liabilities	177 845	177 845		170 947	170 947		321 630	321 630	
of which fair value through profit or loss	22 585	22 585		19 763	19 763		18 245	18 245	
Deposits and borrowings from the public	459 720	459 720		437 870	437 870		394 054	394 054	
of which other financial liabilities	409 319	409 319		409 496	409 496		367 781	367 781	
of which fair value through profit or loss	50 401	50 401		28 374	28 374		26 273	26 273	
Debt securities in issue, etc	251 264	251 764	-500	274 989	273 819	1 170	340 929	340 929	
of which other financial liabilities	226 790	227 290	-500	203 075	201 905	1 170	276 504	276 504	
of which fair value through profit or loss	24 474	24 474		71 914	71 914		64 425	64 425	
Subordinated liabilities	21 090	19 833	1 257	26 290	27 661	-1 371	37 151	37 151	
of which other financial liabilities	21 090	19 833	1 257	26 290	27 661	-1 371	37 151	37 151	
Derivatives	111 752	111 752		72 639	72 639		82 460	82 460	
Short positions securities	30 603	30 603		34 179	34 179		40 410	40 410	
of which fair value through profit or loss	30 603	30 603		34 179	34 179		40 410	40 410	
Other financial liabilities	13 431	13 431		13 514	13 514		14 988	14 988	
<b>Total</b>	<b>1 088 290</b>	<b>1 087 533</b>	<b>757</b>	<b>1 050 191</b>	<b>1 050 392</b>	<b>-201</b>	<b>1 249 867</b>	<b>1 249 867</b>	
Non-financial liabilities	4 894	4 894		2 353	2 353		2 772	2 772	
<b>Summa</b>	<b>1 093 185</b>	<b>1 092 427</b>	<b>757</b>	<b>1 052 544</b>	<b>1 052 745</b>	<b>-201</b>	<b>1 252 639</b>	<b>1 252 639</b>	

**Financial instruments recognised at fair value**

The following tables describe fair values divided on the three different valuation levels for financial instruments recognised at fair value.

Level 1 contains primarily stocks, bonds, treasury bills, commercial paper and standardised derivatives, where the quoted price is used in the valuation. Securities in issue that are traded on an active market are included in this category as well.

Level 2 contains primarily less liquid bonds, loans to the public, deposits and derivatives measured on the basis of observable prices. For less liquid bond holdings, an adjustment is made for the credit spread based on observable market inputs such as the market for credit derivatives. For loans to the public where there are no observable market inputs for credit margins at the time of measurement, the credit margin of the last transaction executed with the same counterparty is used. Securities in issue that are not quoted but measured according to quoted prices for similar quoted bonds are also included in Level 2.

Level 3 contains primarily corporate bonds and securities in issue. For corporate bonds where there is no observable quote for the credit spread in question, a reasonable assumption is used, such as a comparison with similar counterparties where there is an observable quote for the credit spread. An increase in the assumed credit spread with 10 bp would lead to a negative impact with SEK 0.5m (1).

When valuation models are used to determine fair value for financial instrument in level 3 the consideration that has been paid or received is assessed to be the best evidence of fair value at initial recognition. Because it is possible that a difference could arise between this consideration and the fair value calculated at that time in the valuation model, so called day 1 – profit or loss, the parent company adjusts the valuation models to avoid such differences. As of year-end there were no cumulative differences not recognised through profit or loss.

During the year there have been no significant transfers of financial instruments between measurement level 1 and 2, despite the turbulence on the financial markets.

The table shows financial instruments measured at fair value as per year-end distributed by valuation method.

	2011				2010			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets</b>								
Treasury bills and other bills eligible for refinancing with central banks, etc	21 220	209		21 429	25 539			25 539
Loans to credit institutions		49 954		49 954		87 472		87 472
Loans to the public		113 054		113 054		105 755		105 755
Bonds and interest-bearing securities	81 860	30 379	390	112 629	92 244	22 935	691	115 870
Shares and participating interest	974	358		1 332	5 135	120		5 255
Derivatives	337	118 983		119 320	2 997	77 328		80 325
<b>Total</b>	<b>104 391</b>	<b>312 937</b>	<b>390</b>	<b>417 718</b>	<b>125 915</b>	<b>293 610</b>	<b>691</b>	<b>420 216</b>
<b>Liabilities</b>								
Amounts owed to credit institutions		22 585		22 585		19 763		19 763
Deposits and borrowings from the public		50 401		50 401		28 374		28 374
Debt securities in issue, etc		24 474		24 474		71 914		71 914
Derivatives	619	111 133		111 752	3 615	69 015	9	72 639
Short positions securities	30 603			30 603	34 162	17		34 179
<b>Total</b>	<b>31 222</b>	<b>208 593</b>		<b>239 815</b>	<b>37 777</b>	<b>189 083</b>	<b>9</b>	<b>226 869</b>

Level 3	2011		2010	
	Assets	Liabilities	Assets	Liabilities
<b>Opening balance</b>	<b>691</b>	<b>9</b>	<b>670</b>	<b>41</b>
Purchase for the year			37	
Issued				
Sales/maturities during the year	-204	-3	-14	
Transferred from Level 3			-48	-75
Gains or loss	-97	-6	46	43
of which in profit or loss	-97	-6	46	43
<b>Closing balance</b>	<b>390</b>		<b>691</b>	<b>9</b>
Total recognised result in Net gains and losses on financial items at fair value	-97	-6	46	43
of which financial instruments held on closing day	-102		15	7

## P40 Reclassification of financial assets

Swedbank chose as of 1 July 2008 to reclassify certain interest-bearing securities which, owing to extraordinary market conditions, had become illiquid. Market conditions at the time were distinguished by extreme turbulence, a shortage of liquidity and a lack of quoted prices on active markets. The holdings listed in the table below were reclassified from Trading to the category Held to Maturity since the instruments are no longer held for trading purposes. Instead, management intends and is able to hold them to maturity. Financial instruments in the category Trading are recognised at fair value with changes in value recognised through profit or loss. Financial instruments in the category

Held to Maturity are recognised at amortised cost less impairments. No impairments were needed as of 31 December 2010, which means that all contractual cash flows are expected to be received. Of the holdings listed below, Residential Mortgage Backed Securities (RMBS) account for 64 per cent of the exposure, while the remaining 36 per cent consists of a bond issued by companies controlled by the U.S. government.

	2011	2010	2009	2008	30/6/2008	2007
Carrying amount	2 365	4 287	7 203	8 138	7 376	7 563
Nominal amount	2 375	4 332	7 306	8 328	7 558	7 618
Fair value	2 269	4 140	6 872	7 988	7 376	7 563
Gains/loss recognised through profit or loss					-187	-56
Gains/loss that would be recognised through profit or loss if the assets were not reclassified	-95	-147	-332	-150	-187	-56
Effective interest rate on day of reclassification, %					5.62	
Recognised interest income after reclassification	60	70	185	160		

The decrease in the value amounted to SEK 187m in the first half of 2008 and SEK 150m in the second half of 2008.

Nominal amounts and carrying amounts are affected by changes in exchange rates. Carrying amounts are also affected by the allocations of discounts in accordance with the effective interest method.

## P41 Specification of adjustments for non-cash items in operating activities

	2011	2010
Amortised origination fees	-316	-216
Unrealised changes in value/currency changes	-495	1 293
Capital gains/losses on sales of subsidiaries and associates		-22
Capital gains/losses on property and equipment	-3	-7
Depreciation and impairment of tangible fixed assets	197	193
Impairment of financial fixed assets	137	394
Amortisation and impairment of goodwill and other intangible fixed assets	152	157
Credit impairment	25	149
Dividend Group entities	-2 396	-3 427
Prepaid expenses and accrued income	474	2 833
Accrued expenses and prepaid income	725	-415
Other	-31	-6
<b>Total</b>	<b>-1 531</b>	<b>926</b>

## P42 Assets pledged, contingent liabilities and commitments

### Assets pledged

Assets pledged for own liabilities	2011	2010	1/1/2010
Government securities and bonds pledged with the Riksbank	17 979	17 749	137 998
Government securities and bonds pledged with foreign central banks	1 458	11 539	25 403
Government securities and bonds pledged for liabilities to credit institutions, repurchase agreements	22 575	19 874	12 148
Government securities and bonds pledged for deposits from the public, repurchase agreements	20 816	17 146	7 689
Government securities and bonds pledged for derivatives			
Cash	11 651	12 038	9 065
<b>Total</b>	<b>74 479</b>	<b>78 346</b>	<b>192 303</b>

The carrying amount of liabilities for which assets are pledged amounted to SEK 74 479 m (78 346) in 2011.

Other assets pledged	2011	2010	1/1/2010
Security loans	1 818	521	593
Government securities and bonds pledged for other commitments	1 262	1 897	1 737
Cash	169	171	185
<b>Total</b>	<b>3 249</b>	<b>2 589</b>	<b>2 515</b>

Collateral is pledged in the form of government securities or bonds to central banks in order to execute transactions with the central banks. In so-called genuine repurchase transactions, where the parent company sells a security and at the same time agrees to repurchase it, the sold security remains on the balance sheet. The carrying amount of the security is also recognised as a pledged asset. In principle, the parent company cannot dispose of pledged collateral. Generally, the assets are also separated on behalf of the beneficiaries in the event of the parent company's insolvency.

### Contingent liabilities

Nominal amount	2011	2010	1/1/2010
Loan guarantees	544 242	440 288	387 025
Other guarantees	13 652	15 308	19 082
Accepted and endorsed notes	106	171	227
Letters of credit granted but not utilised	2 582	1 492	1 616
Other contingent liabilities	253	62	96
<b>Total</b>	<b>560 835</b>	<b>457 321</b>	<b>408 045</b>
Provision for anticipated credit impairments	-83	-143	-702

### Commitments

Nominal amount	2011	2010	1/1/2010
Loans granted but not paid	88 912	90 331	92 346
Overdraft facilities granted but not utilised	72 797	56 886	59 180
<b>Total</b>	<b>161 709</b>	<b>147 217</b>	<b>151 526</b>

The nominal amount of interest-, equity- and currency related contracts are shown in note P25 Derivatives.

## P43 Operational leasing

The agreements relate mainly to premises in which the parent company is the lessee. The terms of the agreements comply with customary practices and include clauses on

inflation and property tax. The combined amount of future minimum lease payments that relate to non-cancellable agreements is allocated on the due dates as follows.

2011	Expenses	Income subleasing	Total	2010	Expenses	Income subleasing	Total
2012	519	48	471	2011	653	59	594
2013	425	40	385	2012	500	46	454
2014	241	23	218	2013	406	38	368
2015	201	19	182	2014	227	21	206
2016	88		88	2015	189	18	171
2017	88		88	2016	79		79
2018	88		88	2017	80		80
2019	89		89	2018	80		80
2020	18		18	2019	77		77
2021 or later	16		16	2020 or later	9		9
<b>Total</b>	<b>1 773</b>	<b>130</b>	<b>1 643</b>	<b>Total</b>	<b>2 300</b>	<b>182</b>	<b>2 118</b>

## P44 Related parties and other significant relationships

	Subsidiaries		Associates		Other related parties	
	2011	2010	2011	2010	2011	2010
<b>Assets</b>						
Loans to credit institutions	232 753	319 267	8 347	8 497		
Loans to the public	12 130	12 790	1 564	1 466		
Bonds and other interest-bearing securities	9 090	38 122		200		
Derivatives	16 382	15 743	2			
Other assets	2 480	3 488	4	6	89	
Prepaid expenses and accrued income	3 937	5 869	3			
<b>Total assets</b>	<b>276 772</b>	<b>395 279</b>	<b>9 920</b>	<b>10 169</b>	<b>89</b>	
<b>Liabilities</b>						
Amount owed to credit institutions	62 196	58 647	3 776	3 054		
Deposits and borrowing from the public	5 743	6 743	664	30	797	970
Derivatives	21 593	6 967				
Other liabilities	1 214	1 522	85			
Accrued expenses and prepaid income	237	4	13			
<b>Total liabilities</b>	<b>90 983</b>	<b>73 883</b>	<b>4 538</b>	<b>3 085</b>	<b>797</b>	970
<b>Contingent liabilities</b>						
Guarantees	541 560	435 452	150	123		
Derivatives, nominal amount	711 301	479 997	2 167			
<b>Income and expenses</b>						
Interest income	8 512	5 316	284	73		
Interest expenses	-209	359	59	52	20	10
Dividends received	2 234	2 379	35	42		
Commission income	797	853	11	10		
Commission expenses	179	232				
Other income	380	323	167	186		
Other general administrative expenses	30	23	23		657	730

## P45 Events after 31 December 2011

On 1 January 2012 Swedbank AB's branch in Norway acquired the operations in the subsidiary First Securities A/S.



# Signatures of the Board of Directors and the President

The Board of Directors and the President hereby affirm that the annual report has been prepared in accordance with the Act on Annual Accounts in Credit Institutions and Securities Companies (ÅRKL), the instructions and general guidelines of the Swedish Financial Supervisory Authority (FFFS 2008:25) and the Swedish Financial Accounting Standards Council's recommendation RFR 2 Accounting for Legal Entities, and provides an accurate portrayal of the Parent Company's position and earnings and that the Board of Directors' Report provides an accurate review of trends in the company's operations, position

and earnings, as well as describes significant risks and instability factors faced by the company.

The Board of Directors and the President hereby affirm that the consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and provide an accurate portrayal of the Group's position and earnings and that the Board of Directors' report for the Group provides an accurate review of trends in the Group's operations, position and earnings, as well as describes significant risks and instability factors faced by the group.

Stockholm 13 February 2012

Lars Idermark  
Chair

Anders Sundström  
Vice Chair

Olav Fjell

Ulrika Francke

Göran Hedman

Anders Igel

Helle Kruse Nielsen

Pia Rudengren

Karl-Henrik Sundström

Siv Svensson

Kristina Janson  
Employee representative

Jimmy Johnsson  
Employee representative

Michael Wolf  
President

Our auditors' report was submitted on 13 February 2012

Deloitte AB

Svante Forsberg  
Authorised Public Accountant

# Auditors' report

**To the annual meeting of the shareholders of Swedbank AB (publ),  
corporate identity number 502017-7753**

## **Report on the annual accounts and consolidated accounts**

We have audited the annual accounts and consolidated accounts of Swedbank AB (publ) for the year 2011 except for the corporate governance statement on pages 53–62. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 16–51, 69–174.

## **Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts**

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

## **Auditor's responsibility**

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinions**

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the parent company as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2011 and of their financial performance and cash flows in

accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. Our opinions do not cover the corporate governance statement on pages 53–62. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

## **Report on other legal and regulatory requirements**

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit and the administration of the Board of Directors and the Managing Director of Swedbank AB (publ) for the year 2011. We have also conducted a statutory examination of the corporate governance statement.

## **Responsibilities of the Board of Directors and the Managing Director**

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and the Banking and Financing Act and that the corporate governance statement on pages 53–62 has been prepared in accordance with the Annual Accounts Act.

## **Auditor's responsibility**

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Banking and Financing Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

## **Opinions**

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and consolidated accounts.

Stockholm 13 February 2012

Deloitte AB

Svante Forsberg  
Authorised Public Accountant

# Market shares

Sweden	Market shares, per cent					Volumes, SEKbn				
	2011	2010	2009	2008	2007	2011	2010	2009	2008	2007
<b>PRIVATE MARKET</b>										
Deposits	23	24	24	24	26	260	245	223	216	215
Lending	25	26	26	27	26	659	642	609	571	498
of which mortgage lending	26	27	28	29	29	562	549	519	483	444
Individual pension savings*	40	44	41	36	36	25	26	24	18	23
SPAX**	18	16	22	24	27	18	19	28	28	29
Bank Cards (thousands)	n.a.	n.a.	n.a.	n.a.	n.a.	3 797	3 751	3 715	3 637	3 498

\* Excluding savings banks' investments in Swedbank Robur and the figures for 2011 relates to September.

\*\* Including issued from Svensk Exportkredit during 2010-2011.

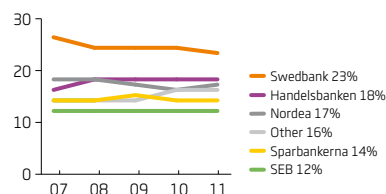
<b>CORPORATE MARKET</b>										
Deposits	16	17	16	14	16	122	123	115	96	94
Lending	17	17	18	18	19	326	308	324	347	328

Baltic countries	Market shares, per cent					Volumes, SEKbn				
	2011	2010	2009	2008	2007	2011	2010	2009	2008	2007
<b>PRIVATE MARKET</b>										
<b>Estonia</b>										
Deposits	54	55	55	56	62	22	20	21	22	19
Lending	47	47	48	49	49	27	29	34	38	31
of which mortgage lending	46	47	47	48	49	25	26	31	34	28
Bank Cards (thousands)	62	62	63	64	65	1 102	1 123	1 165	1 187	1 151
<b>Latvia</b>										
Deposits	23	23	23	24	28	10	10	11	13	13
Lending	27	27	27	28	27	18	20	25	28	23
of which mortgage lending	26	27	27	27	28	14	16	19	21	18
Bank Cards (thousands)	39	39	38	37	37	956	938	941	931	892
<b>Lithuania</b>										
Deposits	38	32	32	32	36	22	22	24	26	24
Lending	25	26	26	26	29	15	18	22	24	18
of which mortgage lending	25	25	25	25	28	15	16	19	20	16
Bank Cards (thousands)	50	40	39	35	34	1 805	1 719	1 671	1 497	1 310

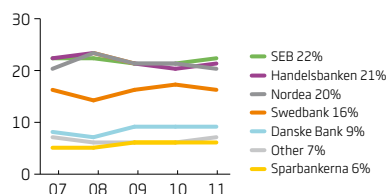
Baltic countries	Market shares, per cent					Volumes, SEKbn				
	2011	2010	2009	2008	2007	2011	2010	2009	2008	2007
<b>CORPORATE MARKET</b>										
<b>Estonia</b>										
Deposits	41	40	43	43	48	23	21	25	25	24
Lending	36	40	41	42	44	27	31	40	48	41
<b>Latvia</b>										
Deposits	10	10	11	11	11	8	9	8	10	9
Lending	18	21	24	26	26	18	24	34	44	34
<b>Lithuania</b>										
Deposits	25	22	21	21	21	10	10	9	9	10
Lending	20	21	22	23	25	19	22	30	39	33

## Market shares Sweden

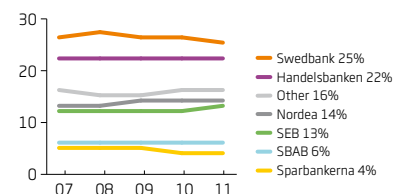
### Private market, deposits



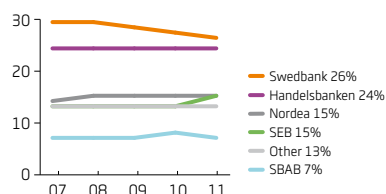
### Corporate market, deposits



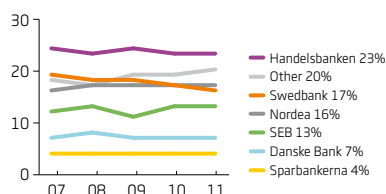
### Private market, lending



### Private market, mortgage lending

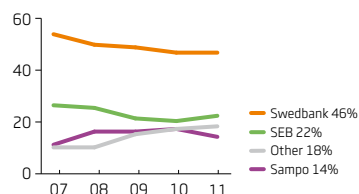


### Corporate market, lending

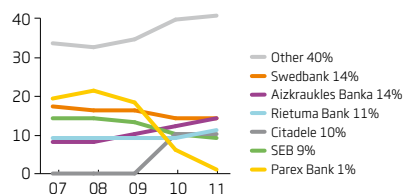


## Market shares Baltic countries

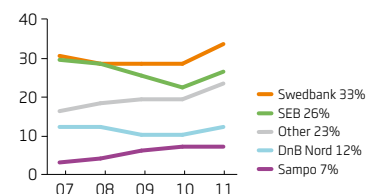
### Estonia, deposits



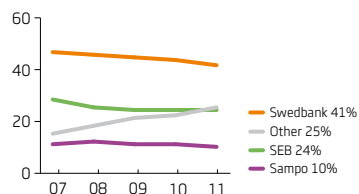
### Latvia, deposits



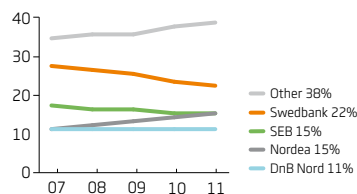
### Lithuania, deposits



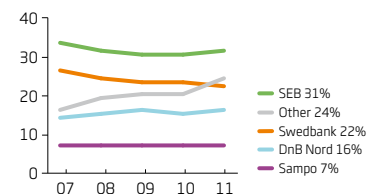
### Estonia, lending



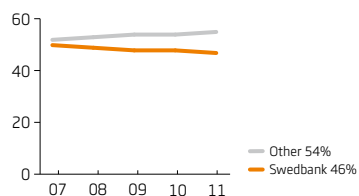
### Latvia, lending



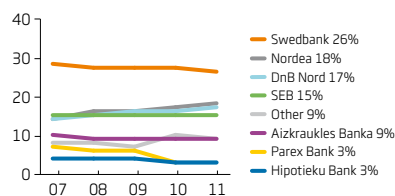
### Lithuania, lending



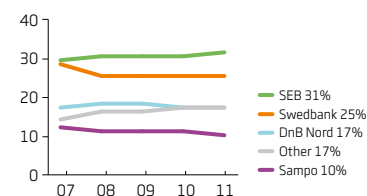
### Estonia, mortgage



### Latvia, mortgage



### Lithuania, mortgage



Sources: Statistics Sweden, Estonian Central Bank, Association of Commercial Banks of Latvia, The Financial and Capital Market Commission (Latvia), Association of Lithuanian Banks and public interim reports.

# Five-year summary

Key ratios	2011	2010	2009	2008	2007
<b>Profit</b>					
Return on equity, %	12.2	8.1	-12.5	15.2	18.9
Return on total assets, %	0.65	0.40	-0.58	0.64	1.02
Cost/income ratio	0.53	0.57	0.51	0.50	0.51
Net interest margin, %	1.08	0.92	1.17	1.33	1.25
<b>Capital adequacy <sup>1)</sup></b>					
Tier 1 capital ratio, Basel 2, %	17.2	15.2	13.5	11.1	8.5
Core Tier 1 capital ratio, Basel 2, %	15.7	13.9	12.0	9.7	7.3
Capital adequacy ratio, Basel 2, %	18.9	18.4	17.5	15.2	12.7
Total capital quotient, Basel 2	2.37	2.30	2.19	1.90	1.59
Tier 1 capital ratio, %	11.2	11.0	10.4	8.4	6.2
Capital adequacy ratio, %	12.3	13.3	13.5	11.6	9.3
Tier 1 capital	84 855	82 385	81 689	74 155	50 920
Capital base	93 173	99 687	105 785	102 943	76 456
Risk-weighted assets, Basel 2	492 337	541 327	603 431	696 505	600 238
Risk-weighted assets	756 762	750 440	784 469	916 113	822 363
<b>Credit quality</b>					
Credit impairment ratio, %	-0.14	0.20	1.74	0.24	0.07
Share of impaired loans, gross, %	1.87	2.53	2.85	0.74	0.23
Provision ratio for individually identified impaired loans, %	52	53	52	30	43
Total provision ratio for impaired loans, %	62	63	65	60	120
<b>Customer satisfaction</b>					
Percentage of satisfied private customers, Sweden, % <sup>2)</sup>	70	70	70	71	70
Percentage of satisfied corporate customers, Sweden, % <sup>2)</sup>	67	68	65	71	71
Index private customers, Estonia <sup>3)</sup>	6.5	6.5	5.6	8.2	8.2
Index corporate customers, Estonia <sup>3)</sup>	6.9	6.1	6.0	8.2	8.4
Index private customers, Latvia <sup>3)</sup>	6.7	6.2	5.2	7.7	7.8
Index corporate customers, Latvia <sup>3)</sup>	7.1	5.3	4.9	9.0	9.0
Index private customers, Lithuania <sup>3)</sup>	54	49	50	80	84
Index corporate customers, Lithuania <sup>3)</sup>	64	59	51	87	89

Other data	2011	2010	2009	2008	2007
Private customers, million	9.6	9.6	9.5	9.4	9.3
Corporate customers, thousands <sup>5)</sup>	630	710	670	660	512
Internet banking customers, million <sup>4)</sup>	6.7	6.4	5.6	5.2	4.8
Telephone banking customers, million <sup>4)</sup>	4.1	3.9	3.8	3.8	3.5
Employees	16 287	17 224	19 277	21 280	22 148
Branches <sup>4)</sup>	852	924	1 020	1 181	1 213
ATMs <sup>4)</sup>	2 482	2 633	2 421	2 361	2 562

1) Including total paid-in capital, 2008. As of 2007 according to new rules.

2) According to SKI.

3) According to TRIM Scale 1 to 10 and 1 to 100.

4) Including savings banks and partly owned banks.

5) In 2011, 60 000 corporate customers with one-man businesses were reclassified as private customers, based on the Swedish Tax Authority's review of the definition of a company.

## Income statement

SEKm	2011	2010	2009	2008	2007
Net interest income	19 118	16 329	20 765	21 702	19 157
Net commissions	8 963	9 525	7 825	8 830	9 880
Net gains and losses on financial items at fair value	1 584	2 400	2 770	2 351	1 691
Net insurance	506	612	647	452	548
Share of profit or loss of associates	767	624	866	512	424
Other income	2 577	1 554	1 909	2 616	1 224
<b>Total income</b>	<b>33 515</b>	<b>31 044</b>	<b>34 782</b>	<b>36 463</b>	<b>32 924</b>
Staff costs	9 917	9 392	9 201	10 092	9 792
Other expenses	6 941	7 300	7 758	6 994	6 222
Depreciation/amortisation of tangible and intangible fixed assets	1 011	950	889	972	705
<b>Total expenses</b>	<b>17 869</b>	<b>17 642</b>	<b>17 848</b>	<b>18 058</b>	<b>16 719</b>
<b>Profit before impairments</b>	<b>15 646</b>	<b>13 402</b>	<b>16 934</b>	<b>18 405</b>	<b>16 205</b>
Impairments of intangible fixed assets	1 960	37	1 305	1 403	
Impairments of tangible fixed assets	174	600	449	27	
Credit impairments	-1 911	2 810	24 641	3 156	619
<b>Operating profit</b>	<b>15 423</b>	<b>9 955</b>	<b>-9 461</b>	<b>13 819</b>	<b>15 586</b>
Tax expense	3 669	2 472	981	2 880	3 450
Profit for the year from continuing operations	11 754	2 810	24 641	3 156	619
Profit for the year from discontinued operations	4				
Profit for the year	11 758	7 483	-10 442	10 939	12 136
<b>Profit for the year attributable to: Shareholders in Swedbank AB</b>	<b>11 744</b>	<b>7 444</b>	<b>-10 511</b>	<b>10 887</b>	<b>11 996</b>
Non-controlling interests	14	39	69	52	140

## Balance sheet

SEKm	2011	2010	2009	2008	2007
Loans to credit institutions	97 195	166 417	92 131	128 536	174 014
Loans to the public	1 211 454	1 187 226	1 290 667	1 287 424	1 135 287
Interest-bearing securities					
Treasury bills and other bills eligible for refinancing with central banks	25 853	34 924	88 724	27 978	37 134
Bonds and other interest-bearing securities	112 458	96 652	81 891	105 716	78 358
Shares and participating interests					
Financial assets for which customers bear the investment risk	95 747	100 628	78 194	51 638	69 324
Shares and participating interests	2 015	6 181	9 505	6 557	6 101
Shares and participating interests in associates	3 111	2 710	2 740	1 987	2 193
Derivatives	103 726	65 051	72 969	128 055	36 984
Other assets	205 506	55 892	77 866	73 799	68 589
<b>Total assets</b>	<b>1 857 065</b>	<b>1 715 681</b>	<b>1 794 687</b>	<b>1 811 690</b>	<b>1 607 984</b>
Amounts owed to credit institutions	139 598	136 766	231 687	316 730	163 785
Deposits and borrowings from the public	561 696	534 237	504 424	508 456	458 375
Debt securities in issue	781 458	686 517	703 258	593 365	673 116
Financial liabilities for which customers bear the investment risk	96 449	100 988	80 132	52 074	69 819
Derivatives	90 484	65 935	72 172	116 720	36 267
Other liabilities	69 716	69 016	75 057	93 128	98 563
Subordinated liabilities	19 531	27 187	37 983	44 755	39 736
Equity	98 133	95 035	89 974	86 462	68 323
<b>Total liabilities and equity</b>	<b>1 857 065</b>	<b>1 715 681</b>	<b>1 794 687</b>	<b>1 811 690</b>	<b>1 607 984</b>

## Three-year summary

# Retail

SEKm	2011	2010	2009
<b>Income statement</b>			
Net interest income	12 340	10 100	11 166
Net commissions	4 229	4 292	3 672
Net gains and losses on financial items at fair value	201	184	150
Share of profit or loss of associates	768	624	864
Other income	828	1 003	1 345
<b>Total income</b>	<b>18 366</b>	<b>16 203</b>	<b>17 197</b>
Staff costs	4 022	3 921	3 965
Variable staff costs	101	43	7
Other expenses	4 401	4 421	4 505
Depreciation/amortization	271	285	181
<b>Total expenses</b>	<b>8 795</b>	<b>8 670</b>	<b>8 658</b>
<b>Profit before impairments</b>	<b>9 571</b>	<b>7 533</b>	<b>8 539</b>
Impairment of intangible assets			
Impairment of tangible assets			
Credit impairments	332	272	833
<b>Operating profit</b>	<b>9 239</b>	<b>7 261</b>	<b>7 706</b>
Tax expense	2 275	1 951	1 988
<b>Profit for the year attributable to: Shareholders of Swedbank AB</b>	<b>6 951</b>	<b>5 301</b>	<b>5 710</b>
Non-controlling interests	13	9	8
<b>Balance sheet, SEKbn</b>			
Cash and balances with central banks	1	2	
Loans to credit institutions	32	31	
Loans to the public	894	873	
Bonds and other interest-bearing securities			
Financial assets for which customers bear inv. risk	94	99	
Derivatives			
Other assets	14	12	
<b>Total assets</b>	<b>1 035</b>	<b>1 017</b>	
Amounts owed to credit institutions	75	72	
Deposits and borrowings from the public	365	347	
Debt securities in issue			
Financial liabilities for which customers bear inv. risk	94	99	
Derivatives			
Other liabilities	465	463	
Subordinated liabilities	10	13	
<b>Total liabilities</b>	<b>1 009</b>	<b>994</b>	
Allocated equity	26	23	
<b>Total liabilities and equity</b>	<b>1 035</b>	<b>1 017</b>	
<b>Income items</b>			
Income from external customers	18 260	16 093	17 090
Income from transactions with other business areas	106	110	107
<b>Key ratios</b>			
Return on allocated equity, %	28.6	24.0	27.8
Loans/deposits	245	251	269
Credit impairment ratio, %	0.04	0.03	0.10
Total provision ratio for impaired loans, %	90	99	98
Share of impaired loans, %	0.19	0.18	0.23
Cost/income ratio	0.48	0.54	0.50
Impaired loans, gross	1.7	1.6	2.1
Risk-weighted assets	216	222	244
Full-time employees	5 333	5 571	5 738

## Three-year summary

# Large Corporates & Institutions

SEKm	2011	2010	2009
<b>Income statement</b>			
Net interest income	3 586	2 817	3 712
Net commissions	1 664	1 955	1 609
Net gains and losses on financial items at fair value	720	1 446	2 583
Share of profit or loss of associates	-2		
Other income	808	88	108
<b>Total income</b>	<b>6 776</b>	<b>6 306</b>	<b>8 012</b>
Staff costs	1 491	1 235	1 120
Variable staff costs	152	254	196
Other expenses	1 706	1 658	1 550
Depreciation/amortization	48	55	36
<b>Total expenses</b>	<b>3 397</b>	<b>3 202</b>	<b>2 902</b>
<b>Profit before impairments</b>	<b>3 379</b>	<b>3 104</b>	<b>5 110</b>
Impairment of intangible assets	17		5
Impairment of tangible assets			7
Credit impairments	-186	-1	1 093
<b>Operating profit</b>	<b>3 548</b>	<b>3 105</b>	<b>4 005</b>
Tax expense	1 140	768	996
<b>Profit for the year attributable to: Shareholders of Swedbank AB</b>	<b>2 408</b>	<b>2 307</b>	<b>2 946</b>
Non-controlling interests	2 408	2 307	2 946
<b>Balance sheet, SEKbn</b>			
Cash and balances with central banks	7	2	
Loans to credit institutions	297	358	
Loans to the public	184	171	
Bonds and other interest-bearing securities	63	78	
Financial assets for which customers bear inv. risk			
Derivatives	122	72	
Other assets	13	17	
<b>Total assets</b>	<b>686</b>	<b>698</b>	
Amounts owed to credit institutions	233	223	
Deposits and borrowings from the public	79	93	
Debt securities in issue	18	84	
Financial liabilities for which customers bear inv. risk			
Derivatives	120	72	
Other liabilities	217	203	
Subordinated liabilities	6	6	
<b>Total liabilities</b>	<b>673</b>	<b>681</b>	
Allocated equity	13	17	
<b>Total liabilities and equity</b>	<b>686</b>	<b>698</b>	
<b>Income items</b>			
Income from external customers	6 715	6 277	7 981
Income from transactions with other business areas	61	29	31
<b>Key ratios</b>			
Return on allocated equity, %	15.5	13.8	19.7
Loans/deposits	214	176	217
Credit impairment ratio, %	-0.06	0.00	0.39
Total provision ratio for impaired loans, %	135	106	78
Share of impaired loans, %	0.13	0.25	0.34
Cost/income ratio	0.50	0.51	0.36
Impaired loans, gross	0.3	0.8	1.1
Risk-weighted assets	132	156	164
Full-time employees	1 197	1 229	1 137



## Three-year summary

# Baltic Banking

SEKm	2011	2010	2009
<b>Income statement</b>			
Net interest income	3 910	3 771	4 235
Net commissions	1 454	1 533	1 655
Net gains and losses on financial items at fair value	280	341	719
Share of profit or loss of associates			1
Other income	532	542	762
<b>Total income</b>	<b>6 176</b>	<b>6 187</b>	<b>7 372</b>
Staff costs	1 054	1 032	1 361
Variable staff costs	46	-13	-203
Other expenses	1 449	1 546	1 978
Depreciation/amortization	147	164	198
<b>Total expenses</b>	<b>2 696</b>	<b>2 729</b>	<b>3 334</b>
<b>Profit before impairments</b>	<b>3 480</b>	<b>3 458</b>	<b>4 038</b>
Impairment of intangible assets	1 913	23	
Impairment of tangible assets	34	261	223
Credit impairments	-1 002	3 363	14 888
<b>Operating profit</b>	<b>2 535</b>	<b>-189</b>	<b>-11 073</b>
Tax expense	435	-182	-1 315
<b>Profit for the year attributable to: Shareholders of Swedbank AB</b>	<b>2 100</b>	<b>-7</b>	<b>-9 758</b>
Non-controlling interests			
<b>Balance sheet, SEKbn</b>			
Cash and balances with central banks	3	12	
Loans to credit institutions		19	
Loans to the public	119	130	
Bonds and other interest-bearing securities	2	12	
Financial assets for which customers bear inv. risk	2	2	
Derivatives			
Other assets	12	16	
<b>Total assets</b>	<b>138</b>	<b>191</b>	
Amounts owed to credit institutions		54	
Deposits and borrowings from the public	98	93	
Debt securities in issue	1	1	
Financial liabilities for which customers bear inv. risk	2	2	
Derivatives			
Other liabilities	12		
Subordinated liabilities	4	7	
<b>Total liabilities</b>	<b>117</b>	<b>157</b>	
Allocated equity	21	34	
<b>Total liabilities and equity</b>	<b>138</b>	<b>191</b>	
<b>Income items</b>			
Income from external customers	6 147	6 175	7 365
Income from transactions with other business areas	29	12	7
<b>Key ratios</b>			
Return on allocated equity, %	8.0	-0.0	-31.6
Loans/deposits	122	141	164
Credit impairment ratio, %	-0.76	2.05	6.93
Total provision ratio for impaired loans, %	55	58	57
Share of impaired loans, %	12.57	15.54	14.23
Cost/income ratio	0.44	0.44	0.45
Impaired loans, gross	16.1	22.5	26.6
Risk-weighted assets	102	136	165
Full-time employees	5 221	5 416	5 924

## Three-year summary

# Asset Management

SEKm	2011	2010	2009
<b>Income statement</b>			
Net interest income		-17	-23
Net commissions	1 560	1 592	655
Net gains and losses on financial items at fair value	-9	9	42
Share of profit or loss of associates			
Other income	16	24	16
<b>Total income</b>	<b>1 567</b>	<b>1 608</b>	<b>690</b>
Staff costs	396	391	340
Variable staff costs	42	49	
Other expenses	353	366	368
Depreciation/amortization	49	50	48
<b>Total expenses</b>	<b>840</b>	<b>856</b>	<b>756</b>
<b>Profit before impairments</b>	<b>727</b>	<b>752</b>	<b>-66</b>
Impairment of intangible assets	30		
Impairment of tangible assets			
Credit impairments			
<b>Operating profit</b>	<b>697</b>	<b>752</b>	<b>-66</b>
Tax expense	176	177	-16
<b>Profit for the year attributable to: Shareholders of Swedbank AB</b>	<b>521</b>	<b>575</b>	<b>-50</b>
Non-controlling interests			
<b>Balance sheet, SEKbn</b>			
Cash and balances with central banks			
Loans to credit institutions	2	2	
Loans to the public			
Bonds and other interest-bearing securities			
Financial assets for which customers bear inv. risk			
Derivatives			
Other assets	2	2	
<b>Total assets</b>	<b>4</b>	<b>4</b>	
Amounts owed to credit institutions			
Deposits and borrowings from the public			
Debt securities in issue			
Financial liabilities for which customers bear inv. risk			
Derivatives			
Other liabilities	2	2	
Subordinated liabilities			
<b>Total liabilities</b>	<b>2</b>	<b>2</b>	
Allocated equity	2	2	
<b>Total liabilities and equity</b>	<b>4</b>	<b>4</b>	
<b>Income items</b>			
Income from external customers	1 567	1 608	690
Income from transactions with other business areas			
<b>Key ratios</b>			
Return on allocated equity, %	27.9	26.6	-3.3
Loans/deposits			
Credit impairment ratio, %			
Total provision ratio for impaired loans, %			
Share of impaired loans, %			
Cost/income ratio	0.54	0.53	1.10
Impaired loans, gross			
Risk-weighted assets	3	3	2
Full-time employees	286	313	291

## Three-year summary

# Russia & Ukraine

SEKm	2011	2010	2009
<b>Income statement</b>			
Net interest income	566	638	1 766
Net commissions	60	81	101
Net gains and losses on financial items at fair value	42	-71	-44
Share of profit or loss of associates			
Other income	41	32	14
<b>Total income</b>	<b>709</b>	<b>680</b>	<b>1 837</b>
Staff costs	333	377	511
Variable staff costs		-9	
Other expenses	272	425	618
Depreciation/amortization	100	78	83
<b>Total expenses</b>	<b>705</b>	<b>871</b>	<b>1 212</b>
<b>Profit before impairments</b>	<b>4</b>	<b>-191</b>	<b>625</b>
Impairment of intangible assets		14	1 300
Impairment of tangible assets	14	254	219
Credit impairments	-1 038	-859	7 782
<b>Operating profit</b>	<b>1 028</b>	<b>400</b>	<b>-8 676</b>
Tax expense	27	-19	-251
<b>Profit for the year attributable to: Shareholders of Swedbank AB</b>	<b>1 001</b>	<b>419</b>	<b>-8 423</b>
Non-controlling interests			-2
<b>Balance sheet, SEKbn</b>			
Cash and balances with central banks	1	1	
Loans to credit institutions	2	3	
Loans to the public	10	13	
Bonds and other interest-bearing securities			
Financial assets for which customers bear inv. risk			
Derivatives			
Other assets	1	3	
<b>Total assets</b>	<b>14</b>	<b>20</b>	
Amounts owed to credit institutions	6	11	
Deposits and borrowings from the public	2	3	
Debt securities in issue			
Financial liabilities for which customers bear inv. risk			
Derivatives			
Other liabilities	1		
Subordinated liabilities	2	2	
<b>Total liabilities</b>	<b>11</b>	<b>16</b>	
Allocated equity	3	4	
<b>Total liabilities and equity</b>	<b>14</b>	<b>20</b>	
<b>Income items</b>			
Income from external customers	709	680	1 837
Income from transactions with other business areas			
<b>Key ratios</b>			
Return on allocated equity, %	30.4	11.0	-230.5
Loans/deposits	544	378	276
Credit impairment ratio, %	-6.87	-4.35	21.72
Total provision ratio for impaired loans, %	67	64	76
Share of impaired loans, %	44.04	46.20	37.69
Cost/income ratio	0.99	1.28	0.66
Impaired loans, gross	6.6	9.9	10.4
Risk-weighted assets	15	18	23
Full-time employees	1 214	1 847	3 472

## Three-year summary

# Ektornet

SEKm	2011	2010	2009
<b>Income statement</b>			
Net interest income	-62	-21	-1
Net commissions			
Net gains and losses on financial items at fair value	163	31	2
Share of profit or loss of associates	1		
Other income	505	108	
<b>Total income</b>	<b>607</b>	<b>118</b>	<b>1</b>
Staff costs	102	74	2
Variable staff costs	4		
Other expenses	322	172	25
Depreciation/amortization	122	24	
<b>Total expenses</b>	<b>550</b>	<b>270</b>	<b>27</b>
<b>Profit before impairments</b>	<b>57</b>	<b>-152</b>	<b>-26</b>
Impairment of intangible assets			
Impairment of tangible assets	126	85	
Credit impairments			
<b>Operating profit</b>	<b>-69</b>	<b>-237</b>	<b>-26</b>
Tax expense	52	-25	-6
<b>Profit for the year attributable to: Shareholders of Swedbank AB</b>	<b>-118</b>	<b>-212</b>	<b>-20</b>
Non-controlling interests	1		
<b>Balance sheet, SEKbn</b>			
Cash and balances with central banks			
Loans to credit institutions	1	1	
Loans to the public			
Bonds and other interest-bearing securities			
Financial assets for which customers bear inv. risk			
Derivatives			
Other assets	6	4	
<b>Total assets</b>	<b>7</b>	<b>5</b>	
Amounts owed to credit institutions	5	3	
Deposits and borrowings from the public			
Debt securities in issue			
Financial liabilities for which customers bear inv. risk			
Derivatives			
Other liabilities			
Subordinated liabilities			
<b>Total liabilities</b>	<b>5</b>	<b>3</b>	
Allocated equity	2	2	
<b>Total liabilities and equity</b>	<b>7</b>	<b>5</b>	
<b>Income items</b>			
Income from external customers	607	118	1
Income from transactions with other business areas			
<b>Key ratios</b>			
Return on allocated equity, %	-6.1	-25.2	-117.6
Loans/deposits			
Credit impairment ratio, %			
Total provision ratio for impaired loans, %			
Share of impaired loans, %			
Cost/income ratio	0.91	2.29	27.00
Impaired loans, gross			
Risk-weighted assets	7	4	1
Full-time employees	216	150	39

# Annual General Meeting

The Annual General Meeting will be held at Dansens Hus (Folkets Hus), Barnhusgatan 14, Stockholm on Tuesday 27 March 2012.

## Notification of attendance

Shareholders who wish to attend the Annual General Meeting must:

- be recorded in the share register maintained by Euroclear Sweden AB (Euroclear) on 21 March 2012.
- notify the company of their intention to participate and the number of persons who will accompany them (max. 2) well before and preferably not later than 21 March 2012.

Notification may be submitted in writing to Swedbank's head office, Box 7839, SE-103 98 Stockholm, Sweden marking the envelope "Swedbank's Annual General Meeting" Sweden or by telephone +46 8 402 90 60, or online at [www.swedbank.se/ir](http://www.swedbank.se/ir) under Årsstämma (Annual General Meeting). When notifying the company, please indicate your name, personal/company registration number (for Swedish citizens or companies), address and telephone number. Participation by proxy is permitted, provided the proxy is no more than one year old and is submitted to Swedbank well in advance of the meeting, preferably not later than 21 March 2012. If issued by a legal entity, the proxy must be accompanied by a certified registration certificate or other document attesting to the authority of the signatory.

## Nominee-registered shares

To be entitled to attend the meeting, shareholders whose shares are nominee-registered must request to have them temporarily re-registered in their own names in the shareholders' register maintained by Euroclear. The re-registration process must be completed by the nominee well in advance of the record day. Since the record day is a Saturday, shareholders should advise their nominees well in advance of this date so that re-registration is completed by 21 March 2012.

## Notice and agenda

A list of the matters on the agenda for the Annual General Meeting will be included in the notice of the meeting, which was published on 21 February 2012 in selected Swedish press. As of the same date, the notice was also available online at <http://www.swedbank.com/ir> under the heading Annual general meeting. At the time of the notice it was published, in amongst others Dagens Nyheter, that notice had been done.

## Dividend

The Board of Directors recommends that shareholders receive a dividend of SEK 5.30 per ordinary share and SEK 5.30 per preference share. The proposed record day for the dividend is 30 March, 2012. The last day for trading in Swedbank's shares including the right to the dividend is 27 March 2012. If the Annual General Meeting adopts the Board of Directors' recommendation, the dividend is expected to be paid by Euroclear on 4 April 2012.

# Definitions

## Capital adequacy ratio

The capital base in relation to risk-weighted assets.

## Capital base

The sum of Tier 1 (primary) and Tier 2 (supplementary) capital. To obtain the capital base for capital adequacy purposes, deduction is made for capital contributions in insurance companies.

## Capital quotient

The capital base in relation to the capital requirement.

## Cash flow per share

Cash flow for the year in relation to the weighted average number of shares outstanding during the year.

## Core Tier 1 capital

Tier 1 capital excluding hybrid capital.

## Core Tier 1 capital ratio

Core Tier 1 capital in relation to the risk-weighted assets.

## Cost/income ratio

Expenses in relation to income.

## Credit impairments

Established losses and provisions for the year less recoveries related to loans as well as the year's net expenses for guarantees and other contingent liabilities.

## Credit impairment ratio

Credit impairments on loans and other credit risk provisions, net, in relation to the opening balance of loans to credit institutions and loans to the public.

## Duration

The average weighted maturity of payment flows calculated at present value and expressed in number of years.

## Earnings per share after dilution

Profit for the year allocated to shareholders in relation to the weighted average number of shares outstanding during the year, rights issue adjustment factor included, adjusted for the dilution effect of potential shares.

## Earnings per share before dilution

Profit for the year allocated to shareholders in relation to the weighted average number of shares outstanding during the year, rights issue adjustment factor included.

## Equity per share

Shareholders' equity in relation to the number of shares outstanding.

## Impaired loans

Loans where there is, on individual level, objective evidence of a loss event, and where this loss event has an impact on the cash flow of the exposure. Impaired loans, gross, less specific provisions for loans assessed individually constitute impaired loans, net.

## Interest fixing period

Contracted period during which interest on an asset or liability is fixed.

## Net interest margin

Net interest income in relation to average total assets.

## Loan/deposit ratio

Lending to the public excluding Swedish Nat'l Debt Office and repurchase agreements in relation to deposits from the public excluding Swedish Nat'l Debt Office and repurchase agreements

## Net asset value per share

Shareholders' equity according to the balance sheet and the equity portion of the difference between the book value and fair value of the assets and liabilities divided by the number of shares outstanding at year-end.

## Number of employees

The number of employees at year-end, excluding long-term absences, in relation to the number of hours worked expressed in terms of full-time positions.

## P/E ratio

Market capitalisation at year-end in relation to Profit for the financial year allocated to shareholders.

## Price/equity

The share price at year-end in relation to the closing-day equity per share.

## Provision ratio for individually identified impaired loans

Provisions for impaired loans assessed individually in relation to impaired loans, gross.

## Restructured loan

A loan where the terms have been modified to more favourable for the debtor, due to the debtor's financial difficulties.

## Return on equity

Profit for the financial year allocated to shareholders in relation to average shareholders' equity.

## Return on total assets

Profit for the financial year in relation to average total assets.

## Risk-weighted assets

Capital requirement for credit risk, market risk and operational risk according to the capital adequacy rules multiplied by 12.5.

## Share of impaired loans, gross

Carrying amount of impaired loans, gross, in relation to the carrying amount of loans to credit institutions and the public excluding provisions.

## Share of impaired loans, net

Carrying amount of impaired loans, net, in relation to the carrying amount of loans to credit institutions and the public.

## Tier 1 capital

Shareholders' equity less proposed dividend, deduction for intangible assets, deferred tax assets and certain other adjustments. Hybrid capital (equity contribution and reserves) may be included in the capital base as Tier 1 capital with an approval from the supervisory authority.

## Tier 1 capital ratio

Tier 1 capital in relation to the risk-weighted assets.

## Tier 2 capital

Fixed-term subordinated liabilities, less a certain reduction if their remaining maturity is less than five years, and undated subordinated liabilities.

## Total provision ratio for impaired loans

All provisions for loans in relation to impaired loans, gross.

## Yield

Dividend per share in relation to the share price at year-end.

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